Council Meeting of
February 05, 2019

Honorable Mayor and Members
of City Council
City Hall
Torrance, California

Members of Council:

SUBJECT: Finance - Accept and File Investment Reports for September 2018, October 2018, and November 2018. Expenditure: None.

RECOMMENDATION

Recommendation of the Finance Director that City Council accept and file the Investment Reports for the months of September 2018, October 2018 and November 2018.

FUNDING

None required for this item.

BACKGROUND

On December 12, 2017, Your Honorable Body, through passage of Resolution No. 2017-109, adopted an official "Statement of Investment Policy" as recommended by the City Treasurer. The City's Statement of Investment Policy requires the City Treasurer to report a monthly statement of investment activity.

On November 27, 2018, Your Honorable Body, adopted Resolution No. 2018-112, that found and determined the absence of the City Treasurer from the office and the vacant Deputy City Treasurer position constituted a fiscal emergency that required the City Council to take immediate action to protect the City of Torrance's investments, accounts, and funds. City Council authorized the City Manager, the Finance Director, and the City Manager's Designee to provide backup coverage and signatory authority to all matters within the purview of the City Treasurer.

On December 4, 2018, Your Honorable Body, adopted Resolution No. 2018-116, that designated the Finance Director or Finance Director's Designee as Interim Deputy City Treasurer to allow for the duties and functions of the City Treasurer be performed during the City Treasurer's absence from the office until such time when the City Treasurer returns and the Deputy City Treasurer position is no longer vacant.

On December 18, 2018, Your Honorable Body, adopted Resolution No. 2018-122, to temporarily transfer investment trades, wires and bank transfers from the City Treasurer to the Finance Director or the Finance Director's designee during the City Treasurer's absence.

Monthly Investment Reports Summary

September 2018 Investment Report
Investment report was prepared by the City Treasurer but was never brought to Council for approval. Investment activity for September 2018 included investments and redemptions of the Local Agency Investment Fund (LAIF) and one maturity of $245k.

As of September 30, 2018 the ending balance of the City's Investment portfolio was $139.3M and the LAIF balance was $15.5M compared to $140.4M and $15.5M respectively for the previous month. The monthly yield for the City's portfolio was 2.042% and 2.063% for LAIF, an increase of 0.9 and 6.5 basis points respectively over the prior month of August.

October 2018 Investment Report
Investment activity for October included investments and redemptions of the Local Agency Investment Fund (LAIF); there were no new investment purchases or maturities/redemptions.

As of October 31, 2018 the ending balance of the City's Investment portfolio was $140.5M and the LAIF balance was $12.7M compared to $139.3M and $15.5M respectively, the previous month. The yield for the City's portfolio 2.049% and LAIF was 2.144%, an increase of 0.7 and 8.1 basis points respectively over the prior month of September.

November 2018 Investment Report
Investment activity for November included investments and redemptions of the Local Agency Investment Fund (LAIF); and two maturities totaling $1.2M.

As of November 30, 2018 the ending balance of the City's Investment portfolio was $132.5M and the LAIF balance was $1.6M compared to $140.5M and $12.7M respectively, the previous month. The yield for the City's portfolio 2.046% and LAIF was 2.208%, a decrease of 0.3 and an increase of 6.4 basis points respectively over the prior month of October.

Investment Committee Note

The Investment Committee, made up of the City Manager, City Attorney, Finance Director, City Treasurer (absent), and Interim Deputy City Treasurer as created by your Honorable Body, has reviewed the attached report.

Respectfully submitted,

ERIC E. TSAO
FINANCE DIRECTOR

By _____
Kristopher Awshee
Interim Deputy City Treasurer

CONCUR:

_____
Eric E. Tsao
Finance Director

_____
LeRoy J. Jackson
City Manager

Attachments:
A) Monthly Investment Report for September 2018
B) Monthly Investment Report for October 2018
C) Monthly Investment Report for November 2018

Attachment B

City of Torrance, California
Investment Report Summary Notes
For the Month of: October 2018

Summary

As of October 31, 2018 the ending balance of the City's Investment portfolio was $ 140,519,233, compared to $139,314,849 the previous month, an increase of approximately $1.2 million.

The portfolio yielded 2.049% for October an increase of 0.7 basis points over previous month of September. The Effective Rate of Return for the portfolio is 2.020% fiscal year to date compared to 1.360% a year ago.

The investment activity for October 2018 included investments and redemptions of Local Agency Investment Funds. No new fixed income instruments were purchased during the month. No fixed income instruments were redeemed or matured.

Liquidity of the Portfolio

- The current goal is to maintain the investment portfolio at an average maturity of between 2-3 years. The portfolio's current average maturity is 862 days or 2.36 years, representing a 12-day decrease from the previous month.
- The City is in compliance with California Government Code Section 53646 which requires local agency to report its ability to meet pooled expenditure requirements for the next six (6) months. Over the next 6 months, cash, cash equivalents (LAIF) and inflows including maturities exceed cash outflows by $56.3M. Cash inflows are typically higher for the months of December and January because of the receipt of property related taxes and the business license taxes.

Cash Activity/Balances over next 6 months:

Cash Balance as of October 31, 2018	$9.8M
LAIF Balance as of October 31, 2018	$12.7M
Cash Inflows	$181.4M
Cash outflows	($147.6M)
Net cash inflow	$56.3M

Investment Comparison to Benchmark

As stated above for the month of October, the City's yield to maturity on pooled investments was 2.049%; an increase of 0.7 basis points or 0.007% over September. The effective rate of return for fiscal year-to-date is 2.020%. When compared to the benchmark of the 2 year U.S. Constant Maturing Treasury (CMT) at 2.87%, the City's portfolio under-performed by 82.1 basis points or 0.821%. In a rising interest environment it is expected that the City's portfolio will underperform to its benchmark primarily due to the City's investment policy of buying and holding the investment to maturity. As interest rates rise the City is not able to take full advantage of the higher rates of return until an investment matures or new funds become available. The priorities of the City's Investment portfolio are 1) Safety; 2) Liquidity; and 3) Yield. The City's portfolio will stay the course based on the current economic trends.

City of Torrance, California
Monthly Investment Portfolio Report
October 31, 2018

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Investment Report
October 2018

Portfolio Highlights

RETURN	Current Month	Prior Month
City Portfolio YTM	2.049%	2.042%
U.S. Treasury Constant Maturity (2 year)	2.870%	2.810%
LAIF Monthly Return	2.144%	2.063%
INCOME	**Current Month**	**Prior Month**
Fiscal Year to Date	$889,389.29	$659,709.64
Current Month	$214,771.43	$201,323.92
MATURITY	**Current Month**	**Prior Month**
Days to Maturity	862	874
Days to Maturity (Prior Year)	711	659
Average Maturity (Years)	2.36	2.39
VOLUMES	**Total Volume ($)***	**# of Transactions****
Purchases/Deposits*	$5,210,521.90	0
Maturities/Redemptions*	$7,873,088.25	0
EFFECTIVE RATE OF RETURN	**Fiscal Year to Date**	**Prior Year to Date**
Effective Rate of Return	2.020%	1.360%

**Includes LAIF and MMA activity*

***Transoction count does not include LAIF or MMA activity*

****City Portfolio YTM on June 30, 2018 was 1.987%*

Portfolio Activity Summary

Month End	Year	# of Securities	Average Balance	Yield to Maturity 365 (%)	LAIF Rate	# of Investments Purchased	# of Investments Redeemed	Average Term	Average Days to Maturity
October	**2017**	134	142,452,558.72	1.497	1.143	5	8	1,388	711
November	**2017**	128	142,249,150.15	1.533	1.172	2	3	1,349	719
December	**2017**	133	138,604,110.01	1.601	1.239	8	2	1,406	771
January	**2018**	135	148,347,093.64	1.611	1.350	4	2	1,276	703
February	**2018**	138	134,565,587.07	1.658	1.412	5	0	1,432	770
March	**2018**	142	139,648,570.26	1.720	1.524	4	1	1,453	783
April	**2018**	147	141,769,268.35	1.785	1.661	6	3	1,444	788
May	**2018**	149	148,824,803.62	1.876	1.755	5	7	1,394	818
June	**2018**	145	139,881,386.75	1.987	1.854	3	6	1,418	905
July	**2018**	139	144,243,300.81	2.016	1.944	0	0	1,523	964
August	**2018**	138	128,668,649.25	2.033	1.998	0	4	1,393	897
September	**2018**	134	120,819,742.38	2.042	2.063	0	1	1,393	874
October	**2018**	133	127,372,155.02	2.049	2.144	0	0	1,421	862
	Average:	**138**	**138,314,195.32**	**1.800%**	**1.635%**	**3**	**3**	**1,407**	**813**

Investment Report
October 2018

Portfolio Summary

		Book Value ($)	BV % of Portfolio **		Market Value ($)	MV % of Portfolio **	S&P Rating	$/% per Policy	Modified Duration	Days to Maturity	Maximum Term	YTM
Local Agency Investment Fund (LAIF)	$	**12,700,000.00**	**9.71%**	$	**12,700,000.00**	**9.90%**	**LAIF**	**$65Mil**	**0.000**	**1**	**N/A**	**2.144%**
Union Bank Custodial - Money Market Account	$	**137,433.65**	**0.11%**	$	**137,433.65**	**0.11%**	**A-1**	**100%**	**0.000**	**1**	**N/A**	**2.070%**
U.S. Treasury Securities	$	**5,895,042.58**	**4.51%**	$	**5,733,900.00**	**4.47%**	**AA+**	**100%**	**2.884**	**1094**	**5-Year**	**1.964%**
Federal Agency Issues	$	**81,584,775.05**	**62.39%**	$	**79,916,612.50**	**62.30%**		**75%**	**2.507**	**965**	**5-Year**	**2.030%**
Farmer Mac	$	16,374,746.27	12.52%	$	16,119,827.75	12.57%	NR/IMP	30%	1.368	514	5-Year	1.603%
Federal Farm Credit Bank	$	3,976,876.40	3.04%	$	3,859,760.00	3.01%	AA+	30%	2.965	1,133	5-Year	2.203%
Federal Home Loan Bank	$	25,445,166.10	19.46%	$	24,868,865.00	19.39%	AA+	30%	2.797	1,076	5-Year	2.080%
Federal Home Loan Mortgage Corporation	$	23,763,034.85	18.17%	$	23,390,384.00	18.24%	AA+	30%	2.878	1,118	5-Year	2.306%
Federal National Mortgage Association	$	12,024,951.43	9.20%	$	11,677,775.75	9.10%	AA+	30%	2.566	984	5-Year	1.898%
Negotiable Certificates of Deposit	$	**16,046,945.91**	**12.27%**	$	**15,647,516.94**	**12.20%**	**FDIC**	**20%**	**2.525**	**975**	**5-Year**	**2.013%**
Medium-Term Notes	$	**14,400,813.86**	**11.01%**	$	**14,134,860.00**	**11.02%**		**20%**	**2.143**	**823**	**5-Year**	**2.149%**
Apple Inc.	$	4,416,343.13	3.38%	$	4,351,710.00	3.39%	AA+	5%	2.842	1,109	5-Year	2.471%
Chevron Corp.	$	3,015,467.35	2.31%	$	2,970,870.00	2.32%	AA	5%	1.392	526	5-Year	1.936%
IBM	$	1,987,602.34	1.52%	$	1,953,060.00	1.52%	AA-	5%	1.490	561	5-Year	2.050%
MicroSoft Corporation	$	3,981,401.04	3.04%	$	3,874,540.00	3.02%	AAA	5%	2.292	871	5-Year	1.922%
Toronto Dominion Bank	$	1,000,000.00	0.76%	$	984,680.00	0.77%	AA-	5%	2.024	774	5-Year	2.473%
Earnings Allowance Credit 0.250%* — **Total Investments:**	$	**130,765,011.05**	**100.00%**	$	**128,270,323.09**	**100.00%**			**2.235**	**862**		**2.049%**
Cash In Bank (General):	$	**5,447,381.41**										
Cash In Bank (Housing):	$	**4,306,840.31**										
LAIF-TRANs Funds:	$	-										
Total Funds:	$	**140,519,232.77**										

To offset against bank fees

***** Line items are calculated by formulas. There might be immaterial discrepancy between the summation of line items and the subtotal or grand total due to rounding issue.***

Fiscal YTD
2.020%

Effective Rate of Return

I certify that this report accurately reflects all pooled investments and is in conformity with the City of Torrance Investment Policy Statement adopted by Resolution 2017-109 on December 12, 2017, per California Government Code §53601. A copy of this policy is available at the office of the City Clerk.

Absent

Dana Cortez
City Treasurer

Kristopher Awshee
Interim Deputy City Treasurer

1/25/19
Date

Investment Report
October 2018

Portfolio Monthly Activity Detail

Purchases	Broker	Purchase Date	Description	Quality Rating	Maturity Date	Term	Coupon (%)	YTM 365 (%)	Par Value ($)	Book Value ($)	Market Value ($)
Investment Number											
Average Coupon Rate / Totals									$ -	$ -	$ -

Maturities/Calls/ Sales	Broker	Purchase Date	Description	Quality Rating	Maturity/Sale Date	Days Held/Days to Maturity/Sale	Coupon (%)	YTM 365 (%)	Par Value ($)	Book Value ($)	Market Value ($)
Investment Number											
Annualized Yield / Totals									$ -	$ -	$ -

UBOC	Beginning Balance	Coupon (%)	Yield (%)	Deposits ($)	Withdrawals ($)		Ending Balance ($)
Money Market	$ -	2.070%	2.070%	$ 137,433.65	$ -		$ **137,433.65**

LAIF	Beginning Balance	Coupon (%)	Yield (%)	Deposits ($)	Withdrawals ($)	Interest Earned ($)	Ending Balance ($)
General	$ 15,500,000.00	2.144%	2.144%	$ 5,073,088.25	$ 7,873,088.25	$ -	$ 12,700,000.00
Totals	**$ 15,500,000.00**	**2.144%**	**2.144%**	**$ 5,073,088.25**	**$ 7,873,088.25**	**$ -**	**$ 12,700,000.00**

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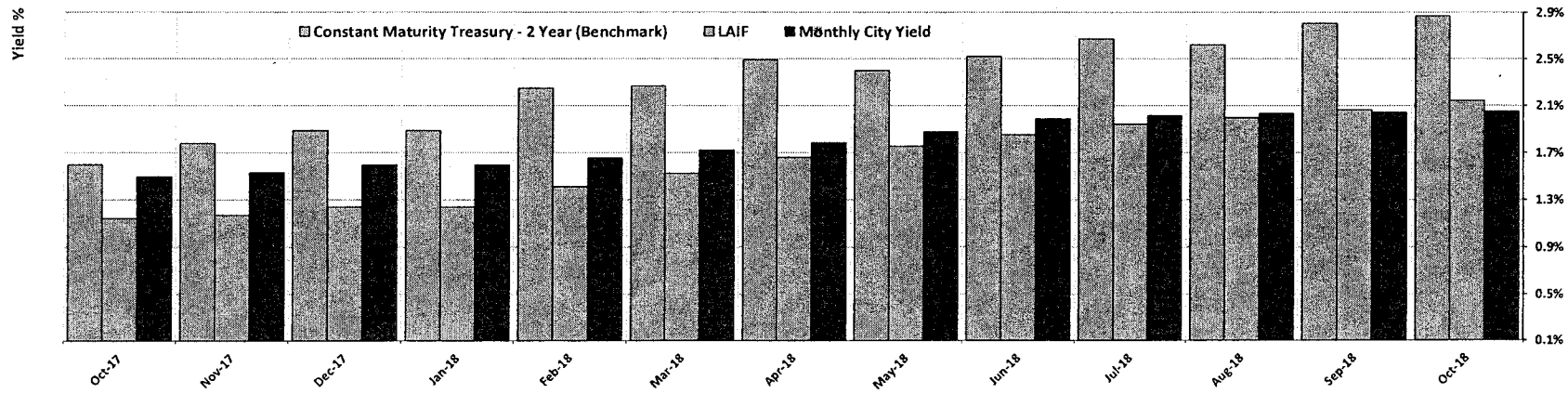
Investment Report
October 2018

Portfolio Performance



Portfolio Earnings Summary	Current Month	Fiscal YTD
CD/Coupon/Discount Investments:		
Interest Collected	137,328.92	614,137.44
Plus Interest at End of Period	561,022.55	561,022.64
Less Accrued Interest* at Beginning of Period	(506,625.52)	(396,863.47)
Interest Earned during this Period	**$191,725.95**	**$778,296.61**
Adjusted By Premiums/Discounts	6,464.71	39,045.19
Adjusted by Capital Gains or Losses (Unrealized)	0.00	(6,423.07)
Earnings during Periods	**$198,190.66**	**$810,918.73**
Cash/Checking Accounts:		
Interest Collected	104.73	163,983.18
Plus Accrued Interest* at End of Period	75,997.57	75,997.57
Less Interest at Beginning of Period	(59,521.53)	(161,510.19)
Interest Earned this Period	**$16,580.77**	**$78,470.56**
Total Interest Earned	**$208,306.72**	**$856,767.17**
Total Adjustments from Premium and Discounts	6,464.71	39,045.19
Total Capital Gains or Loss (Unrealized)	0.00	(6,423.07)
Total Earnings this Period	**$214,771.43**	**$889,389.29**

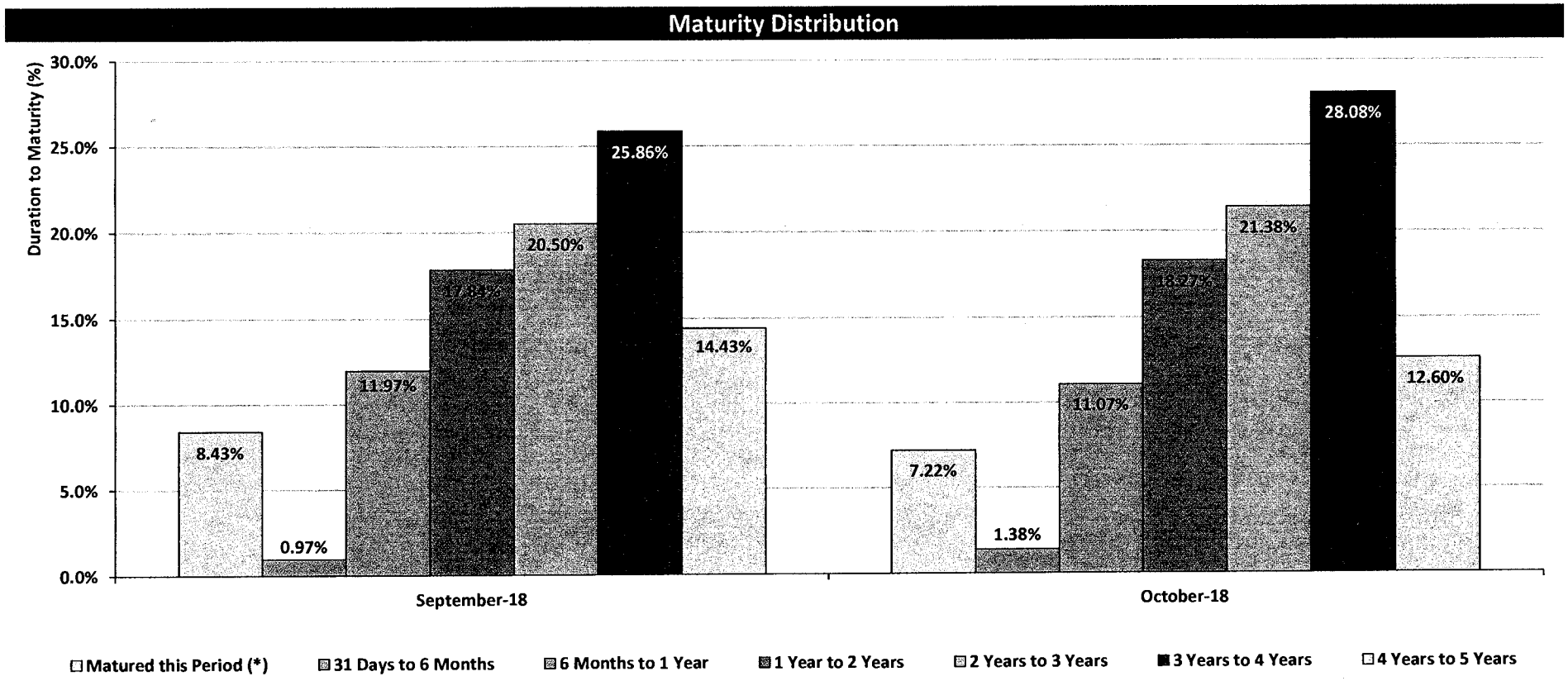
Notes :

***Accrued Interest:** Interest that has accumulated between the most recent payment and the sale of a bond or other fixed-income security. At the time of sale, the buyer pays the seller the bond's price plus "accrued interest," calculated by multiplying the coupon rate by the fraction of the coupon period that has elapsed since the last payment. (If a bondholder receives $40 in coupon payments per bond semiannually and sells the bond one-quarter of the way into the coupon period, the buyer pays the seller $10 as the latter's proportion of interest earned.)

Adjusted by Premiums/Discounts represents the premium or discount cost involved to secure higher or lower yield securties. The cost of the premium or discount is amoritized down or up respectively to par over the life of the bond until reaching maturity. By amortizing, the amount of taxable interest is reduced for each year the city owns the bond. This is because the amortized premium or discounts offsets the ordinary income of the coupon payment.

As long as a bond is held to maturity there will be no capital loss or gain to report.

Investment Report
October 2018



NOTE: SB 564 passed in 1995, effective February 1, 1996, requires that local agencies submit a quarterly report to the legislative body containing detailed information on all securities, investments, and monies of the local agency was eliminated by AB 2853 on September 29, 2004 .

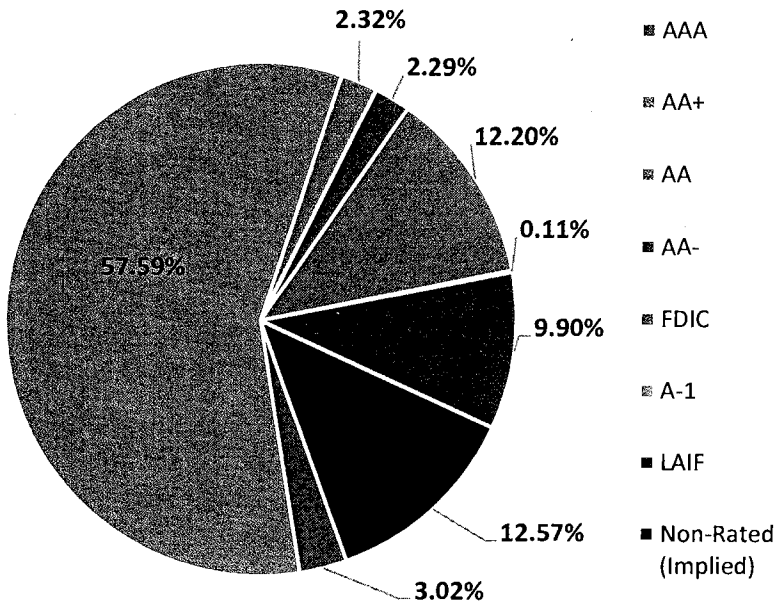
CA GC §53646(b)(3) requires a statement of compliance of the portfolio with the statement of investment policy and a statement of the local agency's ability to meet the expenditure requirements of the pool for the next six months. We are in compliance with the section.

* - includes LAIF and Money Market Account

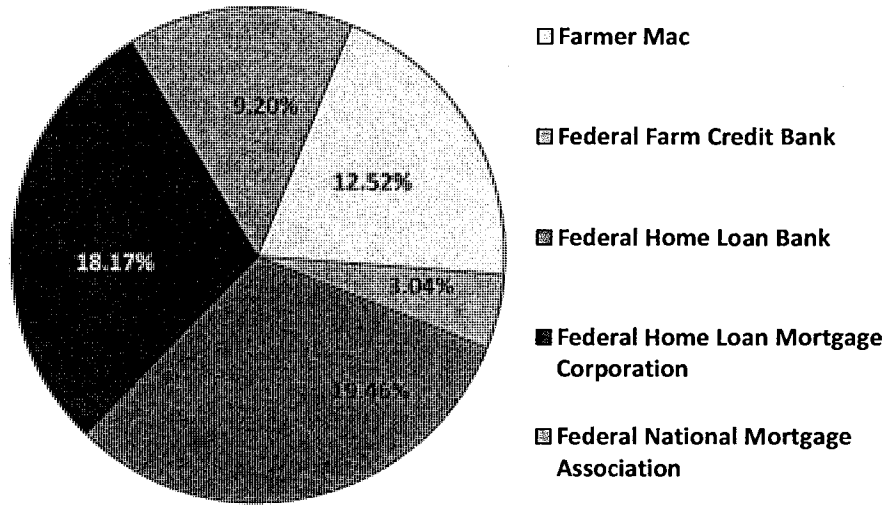
Investment Report
October 2018

Portfolio Distribution

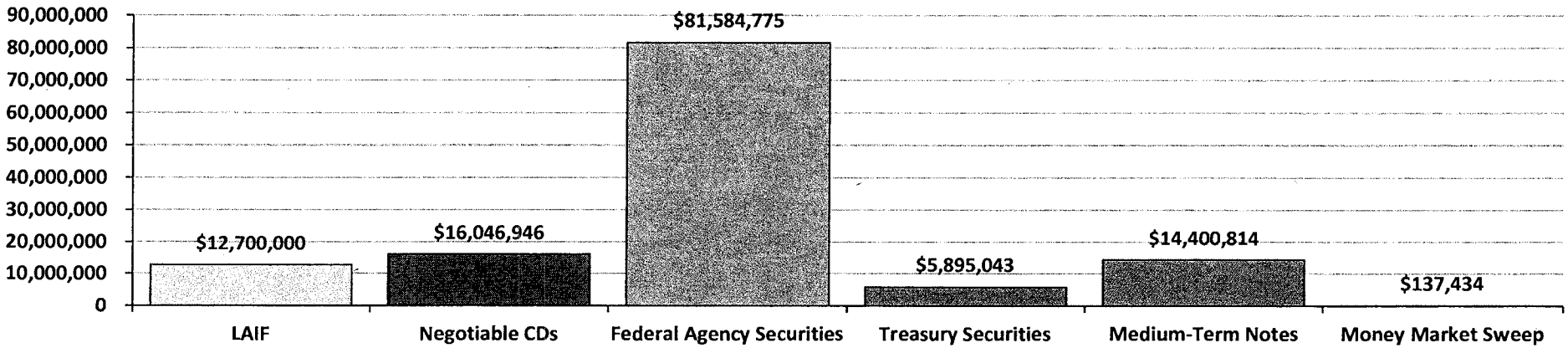
Assigned Credit Ratings of Investments *(Total Portfolio)*



Federal Agencies Distribution *(62.39% of Total Portfolio Book Value)*



Portfolio Sectors *(Book Value)*



Investment Report
October 2018

Value of Portfolio per GASB 31

	Beginning Investment Value As of July 1, 2018	Purchase / Redemption of Principal	Change in Market Value	Ending Investment Value As of October 31, 2018
U.S. Treasury Securities	10,750,320.00	(4,996,718.76)	(19,701.24)	5,733,900.00
Federal Agency (Coupon)	80,226,366.30	-	(309,753.80)	79,916,612.50
Negotiable Certificate of Deposits	16,155,056.05	(490,000.00)	(17,539.11)	15,647,516.94
Medium-Term Notes	17,667,255.00	(3,495,850.00)	(36,545.00)	14,134,860.00
Municipal Bonds		-		-
Sub-total per GASB 31:	**124,798,997.35**	**(8,982,568.76)**	**($383,539.15)**	**115,432,889.44**
Non-GASB				
Local Agency Investment Funds	14,500,000.00	(1,800,000.00)	-	12,700,000.00
Money Market	26,978.69	110,454.96	-	137,433.65
Federal Agency – Disc.	-	-	-	-
Treasury Security – Disc.	-	-	-	-
Certificate of Deposits -Disc.	-	-	-	-
Commercial paper	-	-	-	-
Sub-total Non-GASB:	**14,526,978.69**	**(1,689,545.04)**	**-**	**12,837,433.65**
Total Portfolio:	**139,325,976.04**	**(10,672,113.80)**	**(383,539.15)**	**128,270,323.09**

LAIF-TRANs Funds Reserve	-	-	-	-
Total Non-GASB:	-	-	-	-

The Governmental Accounting Standards Board (GASB) has established Statement No. 31 for setting investment valuation standards. We report the unrealized gain/(loss) monthly and book realized gain/(loss) at year end as a GASB 31 requirement.

GASB 31 is a reporting requirement that reports the "Fair Value" of investments held in our portfolio. Fair value is the amount at which a financial instrument (investment) could be exchanged in a current transaction between willing parties at current market prices. It is important to understand the relationship between prevailing interest rates and fixed coupon investments. As market interest rates fall, the "Fair Value" of held securities will rise (unrealized Gains). The opposite occurs as market interest rates rise (market prices of held investments will fall). It should be noted that investments held in the city pool are to be held until maturity so both gains and losses (unrealized) will not be taken.

I certify that this report accurately reflects all pooled investments and is in conformity with the City of Torrance Investment Policy Statement adopted by Resolution 2017-109 on December 12, 2017, per California Government Code §53601. A copy of this policy is available at the office of the City Clerk.

Reviewed by the Investment Advisory Committee

Absent

Dana Cortez
City Treasuer Date: 01/28/19

Kristopher Awshee
Interim Deputy City Treasurer Date: 01/28/19

LeRoy J. Jackson
City Manager Date: 01/28/19

Eric E. Tsao
Finance Director Date: 01/28/19

Patrick Q. Sullivan
City Attorney Date: 01/28/19

Deputy Treasurer Monthly Reports
Portfolio Management
Portfolio Details - Investments
October 31, 2018

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
Local Agency Investment Funds												
SYS10000	10000	Local Agency Invest Fund GEN'L			12,700,000.00	12,700,000.00	12,700,000.00	2.144	LAIF	2.144	1	
		Subtotal and Average	**9,383,870.97**		**12,700,000.00**	**12,700,000.00**	**12,700,000.00**			**2.144**	**1**	
Money Market Sweep Account												
316175108S	10001	Union Bank			137,433.65	137,433.65	137,433.65	2.070	A-1	2.070	1	
		Subtotal and Average	**63,780.05**		**137,433.65**	**137,433.65**	**137,433.65**			**2.070**	**1**	
Federal Agency Issues - Coupon												
3132X0BG5	11181	FARMER MAC		07/15/2015	1,000,000.00	980,890.00	1,000,000.00	1.750	IMP	1.750	592	06/15/2020
3132X0GV7	11214	FARMER MAC		06/07/2016	2,000,000.00	1,983,400.00	2,000,000.00	1.110	IMP	1.110	218	06/07/2019
3132X0JT9	11227	FARMER MAC		09/20/2016	1,000,000.00	986,840.00	1,000,000.00	1.160	IMP	1.160	323	09/20/2019
3132X0MT5	11235	FARMER MAC		12/29/2016	3,000,000.00	2,936,430.00	3,000,000.00	2.000	IMP	2.000	806	01/15/2021
3132X0NK3	11239	FARMER MAC		02/10/2017	2,300,000.00	2,280,496.00	2,300,000.00	1.400	IMP	1.400	264	07/23/2019
3132X0SA0	11247	FARMER MAC		04/19/2017	2,000,000.00	1,963,620.00	1,999,746.27	1.640	IMP	1.649	533	04/17/2020
3132X0SY8	11248	FARMER MAC		05/18/2017	2,075,000.00	2,043,231.75	2,075,000.00	1.750	IMP	1.750	564	05/18/2020
3132X0UC3	11256	FARMER MAC		07/28/2017	3,000,000.00	2,944,920.00	3,000,000.00	1.650	IMP	1.659	606	06/29/2020
3133EFX36	11206	FEDERAL FARM CREDIT BANK		04/05/2016	1,000,000.00	967,510.00	1,000,000.00	1.680	AA+	1.680	886	04/05/2021
3133EH3Y7	11280	FEDERAL FARM CREDIT BANK		12/22/2017	1,000,000.00	974,430.00	999,735.96	2.230	AA+	2.283	1,146	12/21/2021
3133EGQM0	11281	FEDERAL FARM CREDIT BANK		12/22/2017	1,000,000.00	956,810.00	1,000,000.00	1.620	AA+	2.306	1,197	02/10/2022
3133EHLH4	11295	FEDERAL FARM CREDIT BANK		04/05/2018	1,000,000.00	961,010.00	977,140.44	1.875	AA+	2.551	1,308	06/01/2022
313380CP0	11161	FEDERAL HOME LOAN BANK		05/22/2015	1,000,000.00	992,010.00	998,954.89	1.240	AA+	1.420	218	06/07/2019
313383HU8	11172	FEDERAL HOME LOAN BANK		06/12/2015	2,000,000.00	1,964,340.00	1,999,225.33	1.750	AA+	1.775	589	06/12/2020
313379EE5	11189	FEDERAL HOME LOAN BANK		09/14/2015	2,000,000.00	1,988,120.00	2,003,059.23	1.625	AA+	1.371	225	06/14/2019
3130A8QS5	11221	FEDERAL HOME LOAN BANK		08/25/2016	2,000,000.00	1,905,980.00	1,993,982.78	1.125	AA+	1.240	986	07/14/2021
3130A8QS5	11230	FEDERAL HOME LOAN BANK		09/30/2016	1,000,000.00	952,990.00	997,245.80	1.125	AA+	1.230	986	07/14/2021
3130AABG2	11234	FEDERAL HOME LOAN BANK		12/16/2016	1,000,000.00	968,130.00	991,293.84	1.875	AA+	2.175	1,124	11/29/2021
313378CR0	11246	FEDERAL HOME LOAN BANK		03/29/2017	2,000,000.00	1,949,840.00	2,000,000.00	2.250	AA+	2.010	1,226	03/11/2022
3130ABMB9	11255	FEDERAL HOME LOAN BANK		07/13/2017	1,000,000.00	963,350.00	998,819.26	2.050	AA+	2.084	1,336	06/29/2022
3130AC6F6	11263	FEDERAL HOME LOAN BANK		08/24/2017	1,000,000.00	955,080.00	1,000,000.00	2.000	AA+	2.000	1,392	08/24/2022
3130ACBK9	11264	FEDERAL HOME LOAN BANK		08/30/2017	1,000,000.00	971,870.00	1,000,000.00	1.750	AA+	2.326	1,391	08/23/2022
3130ACKG8	11270	FEDERAL HOME LOAN BANK		10/24/2017	1,000,000.00	963,650.00	1,000,000.00	2.200	AA+	2.200	1,453	10/24/2022
3130ACKK9	11271	FEDERAL HOME LOAN BANK		10/25/2017	2,000,000.00	1,934,880.00	2,000,000.00	2.000	AA+	2.000	1,271	04/25/2022
3130ACTS3	11272	FEDERAL HOME LOAN BANK		11/29/2017	2,000,000.00	1,966,000.00	2,000,000.00	2.000	AA+	2.323	1,300	05/24/2022
3130ADUD2	11294	FEDERAL HOME LOAN BANK		03/19/2018	1,500,000.00	1,484,265.00	1,499,649.05	2.500	AA+	2.510	939	05/28/2021
3130ADVQ2	11300	FEDERAL HOME LOAN BANK		04/30/2018	2,000,000.00	1,980,340.00	2,000,000.00	3.000	AA+	3.045	1,356	07/19/2022
313379Q69	11305	FEDERAL HOME LOAN BANK		05/31/2018	2,000,000.00	1,939,860.00	1,962,935.92	2.125	AA+	2.670	1,317	06/10/2022
3130ADVA7	11306	FEDERAL HOME LOAN BANK		06/05/2018	1,000,000.00	988,160.00	1,000,000.00	3.000	AA+	2.999	1,607	03/27/2023
3134G3XJ4	11155	FEDERAL HOME LOAN MORTGAGE CO		04/29/2015	1,000,000.00	992,650.00	1,001,334.39	1.500	AA+	1.290	238	06/27/2019

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Federal Agency Issues - Coupon												
3134G3XJ4	11190	FEDERAL HOME LOAN MORTGAGE CO		09/25/2015	1,000,000.00	992,650.00	1,001,511.71	1.500	AA+	1.263	238	06/27/2019
3137EADZ9	11204	FEDERAL HOME LOAN MORTGAGE CO		03/21/2016	1,000,000.00	993,600.00	999,950.98	1.125	AA+	1.136	165	04/15/2019
3134G9AY3	11207	FEDERAL HOME LOAN MORTGAGE CO		04/28/2016	1,000,000.00	978,400.00	1,000,000.00	1.350	AA+	1.376	544	04/28/2020
3134G9SA6	11215	FEDERAL HOME LOAN MORTGAGE CO		06/23/2016	1,000,000.00	978,190.00	1,000,000.00	1.500	AA+	1.500	600	06/23/2020
3134G46P8	11238	FEDERAL HOME LOAN MORTGAGE CO		02/09/2017	1,000,000.00	992,360.00	1,000,237.77	1.350	AA+	1.310	222	06/11/2019
3134GBTH5	11250	FEDERAL HOME LOAN MORTGAGE CO		06/29/2017	1,000,000.00	967,190.00	1,000,000.00	2.000	AA+	2.000	1,154	12/29/2021
3134GBWJ7	11252	FEDERAL HOME LOAN MORTGAGE CO		07/03/2017	3,000,000.00	2,945,580.00	3,000,000.00	1.875	AA+	2.226	1,336	06/29/2022
3134GBF49	11266	FEDERAL HOME LOAN MORTGAGE CO		09/28/2017	1,000,000.00	962,170.00	1,000,000.00	2.070	AA+	2.070	1,427	09/28/2022
3134GB5W8	11274	FEDERAL HOME LOAN MORTGAGE CO		12/28/2017	1,000,000.00	976,840.00	1,000,000.00	2.050	AA+	2.050	970	06/28/2021
3134GB6Y3	11279	FEDERAL HOME LOAN MORTGAGE CO		12/28/2017	2,260,000.00	2,189,714.00	2,260,000.00	2.450	AA+	2.450	1,518	12/28/2022
3134GSFY6	11291	FEDERAL HOME LOAN MORTGAGE CO		03/29/2018	1,000,000.00	991,300.00	1,000,000.00	3.100	AA+	3.100	1,609	03/29/2023
3134GSFJ9	11292	FEDERAL HOME LOAN MORTGAGE CO		03/15/2018	2,000,000.00	1,970,440.00	2,000,000.00	3.000	AA+	3.000	1,595	03/15/2023
3134GSFM2	11293	FEDERAL HOME LOAN MORTGAGE CO		03/14/2018	1,000,000.00	999,290.00	1,000,000.00	2.250	AA+	3.369	1,048	09/14/2021
3134GSLU7	11304	FEDERAL HOME LOAN MORTGAGE CO		05/25/2018	1,500,000.00	1,492,710.00	1,500,000.00	2.750	AA+	2.750	1,665	05/24/2023
3134GSNT8	11307	FEDERAL HOME LOAN MORTGAGE CO		06/28/2018	1,000,000.00	991,360.00	1,000,000.00	3.000	AA+	3.001	1,243	03/28/2022
3134GSPR0	11308	FEDERAL HOME LOAN MORTGAGE CO		06/28/2018	3,000,000.00	2,975,940.00	3,000,000.00	3.000	AA+	3.000	1,335	06/28/2022
3135G0YT4	11133	FEDERAL NATIONAL MORT ASSOC		04/23/2014	1,000,000.00	999,480.00	999,951.43	1.625	AA+	1.695	26	11/27/2018
3136G3N92	11220	FEDERAL NATIONAL MORT ASSOC		07/29/2016	2,525,000.00	2,408,925.75	2,525,000.00	1.350	AA+	1.350	999	07/27/2021
3136G04T5	11222	FEDERAL NATIONAL MORT ASSOC		08/25/2016	1,000,000.00	979,680.00	1,000,000.00	1.500	AA+	1.055	560	05/14/2020
3135G0K69	11223	FEDERAL NATIONAL MORT ASSOC		08/25/2016	2,000,000.00	1,918,940.00	2,000,000.00	1.250	AA+	1.230	917	05/06/2021
3136G4LX9	11240	FEDERAL NATIONAL MORT ASSOC		02/28/2017	2,000,000.00	1,939,540.00	2,000,000.00	2.125	AA+	2.125	1,215	02/28/2022
3136G4RJ4	11298	FEDERAL NATIONAL MORT ASSOC		04/24/2018	2,000,000.00	1,945,340.00	2,000,000.00	2.550	AA+	2.991	1,551	01/30/2023
3136G4SA2	11299	FEDERAL NATIONAL MORT ASSOC		04/30/2018	1,500,000.00	1,485,870.00	1,500,000.00	2.650	AA+	2.650	911	04/30/2021
		Subtotal and Average	**81,584,045.63**		**81,660,000.00**	**79,916,612.50**	**81,584,775.05**			**2.030**	**965**	
Treasury Securities - Coupon												
912828S27	11233	U.S.TREASURY NOTE		12/15/2016	2,000,000.00	1,908,820.00	1,959,145.81	1.125	AA+	1.930	972	06/30/2021
912828S27	11237	U.S.TREASURY NOTE		02/09/2017	2,000,000.00	1,908,820.00	1,968,098.67	1.125	AA+	1.750	972	06/30/2021
912828XW5	11273	U.S.TREASURY NOTE		11/29/2017	1,000,000.00	958,130.00	991,139.58	1.750	AA+	2.004	1,337	06/30/2022
912828XW5	11286	U.S.TREASURY NOTE		01/31/2018	1,000,000.00	958,130.00	976,658.52	1.750	AA+	2.426	1,337	06/30/2022
		Subtotal and Average	**5,893,558.53**		**6,000,000.00**	**5,733,900.00**	**5,895,042.58**			**1.964**	**1,094**	
Medium Term Notes												
037833AX8	11198	Apple Inc		10/30/2015	2,000,000.00	1,965,660.00	1,999,020.95	1.550	AA+	1.590	463	02/07/2020
037833AK6	11301	Apple Inc		05/04/2018	2,500,000.00	2,386,050.00	2,417,322.18	2.400	AA+	3.200	1,644	05/03/2023
166764AN0	11156	Chevron Corp		04/28/2015	1,000,000.00	992,870.00	1,006,237.14	2.193	AA	1.569	379	11/15/2019
166764AG5	11182	Chevron Corp		07/31/2015	2,000,000.00	1,978,000.00	2,009,230.21	2.427	AA	2.120	601	06/24/2020
459200HM6	11183	IBM		08/18/2015	2,000,000.00	1,953,060.00	1,987,602.34	1.625	AA-	2.050	561	05/15/2020

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Medium Term Notes												
594918BG8	11199	MicroSoft Corp		11/05/2015	2,000,000.00	1,958,800.00	2,000,000.00	2.000	AAA	1.944	733	11/03/2020
594918BP8	11265	MicroSoft Corp		08/28/2017	2,000,000.00	1,915,740.00	1,981,401.04	1.550	AAA	1.900	1,011	08/08/2021
89114QBC1	11201	Toronto Dominion Bank		12/14/2015	1,000,000.00	984,680.00	1,000,000.00	2.500	AA-	2.473	774	12/14/2020
		Subtotal and Average	**14,399,956.75**		**14,500,000.00**	**14,134,860.00**	**14,400,813.86**			**2.149**	**823**	
Negotiable CD												
319141GV3	11254	First Bank of Highland		07/19/2017	245,000.00	235,121.60	245,000.00	2.150	FDIC	2.150	1,356	07/19/2022
33767A4N8	11262	First Bank of Puerto Rico		08/25/2017	245,000.00	235,111.80	245,000.00	2.200	FDIC	2.201	1,393	08/25/2022
31938QP24	11186	First Business Bank		09/16/2015	161,000.00	159,852.07	161,000.00	1.700	FDIC	1.701	319	09/16/2019
32056GCS7	11277	First Internet Bank of Indiana		12/18/2017	245,000.00	235,268.60	245,000.00	2.350	FDIC	2.350	1,509	12/19/2022
33583FAC6	11275	First Northeast Bk of Nebraska		12/15/2017	245,000.00	234,367.00	245,000.00	2.250	FDIC	2.251	1,505	12/15/2022
32110YFW0	11163	First National Bank of America		05/29/2015	245,000.00	240,227.40	245,000.00	1.600	FDIC	1.600	575	05/29/2020
32112UBX8	11192	First National Bank of Texas		09/30/2015	247,000.00	246,086.10	247,000.00	1.400	FDIC	1.402	151	04/01/2019
33715LAV2	11268	First Tech Credit Union		10/16/2017	245,000.00	234,996.65	245,000.00	2.250	FDIC	2.252	1,446	10/17/2022
88413QBG2	11168	Third Federal Savings and Loan		05/28/2015	245,000.00	244,892.20	245,000.00	1.300	FDIC	1.303	27	11/28/2018
02587CFU9	11261	American Express		08/29/2017	245,000.00	234,869.25	245,000.00	2.400	FDIC	2.401	1,397	08/29/2022
01748DBA3	11283	Allegiance Bank		02/07/2018	245,000.00	237,189.40	245,000.00	2.600	FDIC	2.601	1,559	02/07/2023
02587DV47	11257	American Express Cent #27471		08/08/2017	245,000.00	234,719.80	245,000.00	2.350	FDIC	2.351	1,376	08/08/2022
06610TDN2	11226	Bankers Bank of the West		09/14/2016	245,000.00	241,984.05	245,000.00	1.150	FDIC	1.150	316	09/13/2019
08173QBX3	11269	Beneficial Bank		10/18/2017	245,000.00	234,139.15	245,000.00	2.150	FDIC	2.151	1,447	10/18/2022
06251AK58	11196	Bank Hapoalim BM NY		10/29/2015	245,000.00	242,684.75	245,000.00	1.650	FDIC	1.651	362	10/29/2019
05580ACP7	11184	BMW Bank of No America #35141		08/14/2015	245,000.00	242,226.60	245,000.00	2.250	FDIC	2.253	652	08/14/2020
108622FT3	11251	Bridgewater Bank		06/29/2017	245,000.00	234,021.55	245,000.00	2.000	FDIC	2.002	1,336	06/29/2022
12325EHV7	11258	Business Bank		07/20/2017	245,000.00	234,215.10	245,000.00	2.050	FDIC	2.051	1,356	07/19/2022
14042RHM6	11259	Capital One#4297		08/23/2017	245,000.00	236,483.80	245,000.00	2.350	FDIC	2.351	1,391	08/23/2022
140420TE0	11176	Capital One Bank USA #33954		07/08/2015	247,000.00	244,735.01	247,000.00	2.350	FDIC	2.353	615	07/08/2020
15118RLC9	11213	CELTIC BANK		06/15/2016	245,000.00	243,194.35	245,000.00	1.200	FDIC	1.200	225	06/14/2019
17312QJ26	11297	CITIBABNK na		04/11/2018	245,000.00	239,659.00	245,000.00	2.900	FDIC	2.900	1,622	04/11/2023
20033ASX5	11231	Comenity Capital Bank		10/31/2016	245,000.00	232,904.35	245,000.00	1.750	FDIC	1.751	1,093	10/29/2021
20786ABD6	11165	CONNECTONE BANK		06/05/2015	245,000.00	243,939.15	245,000.00	1.500	FDIC	1.501	216	06/05/2019
061785DD0	11211	Bank of Deerfield		06/07/2016	245,000.00	239,828.05	245,000.00	1.300	FDIC	1.301	523	04/07/2020
254672NC8	11160	Discover Bank #5649		05/06/2015	245,000.00	241,621.45	245,000.00	1.900	FDIC	1.902	552	05/06/2020
27113PCE9	11285	EAST BOSTON SAVINGS BANK MA		01/30/2018	245,000.00	236,334.35	245,000.00	2.500	FDIC	2.501	1,551	01/30/2023
29278TAH3	11290	ENERBANK usa		02/16/2018	245,000.00	237,596.10	245,000.00	2.650	FDIC	2.650	1,568	02/16/2023
29976DZD5	11177	EverBank #34775		07/14/2015	245,000.00	241,285.80	245,000.00	2.000	FDIC	2.002	621	07/14/2020
307811BR9	11278	Farmers and Merchants BK of WI		12/21/2017	245,000.00	234,300.85	245,000.00	2.250	FDIC	2.252	1,511	12/21/2022
38148JSU6	11159	Goldman Sachs Bank #33124		05/06/2015	245,000.00	241,621.45	245,000.00	1.900	FDIC	1.902	552	05/06/2020
383052DH7	11191	Gorham Bank		10/14/2015	247,000.00	246,525.76	247,000.00	1.350	FDIC	1.350	165	04/15/2019

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Negotiable CD												
40434AP45	11202	Household Finance Co		03/10/2016	245,000.00	243,370.75	245,000.00	2.750	FDIC	2.024	860	03/10/2021
40434YGK7	11242	Household Finance Co		03/24/2017	245,000.00	238,735.35	245,000.00	2.450	FDIC	2.451	1,236	03/21/2022
45581EAS0	11296	INDUSTRIAL COM BK CHINA USA		04/05/2018	245,000.00	239,725.15	245,000.00	2.900	FDIC	2.903	1,609	03/29/2023
465076JJ7	11208	ISREAL DISCOUNT BK of NY		05/04/2016	245,000.00	243,797.05	245,000.00	1.200	FDIC	1.190	186	05/06/2019
45581EAR2	11288	INDUSTRIAL & COMMERCIAL BK OF		02/14/2018	245,000.00	237,613.25	245,000.00	2.650	FDIC	2.653	1,566	02/14/2023
464209CJ2	11225	ISABELLa BANK		09/07/2016	245,000.00	242,047.75	245,000.00	1.150	FDIC	1.149	312	09/09/2019
485836FB1	11129	Katahdin Trust Co CD		03/28/2014	245,000.00	245,000.00	245,000.00	1.250	FDIC	1.054	147	03/28/2019
499724AA0	11276	Knoxville TVA Credit Union		12/07/2017	245,000.00	234,923.15	245,000.00	2.300	FDIC	2.302	1,497	12/07/2022
51507LBD5	11232	Landmark Community Bank		11/10/2016	245,000.00	232,789.20	245,000.00	1.600	FDIC	1.601	1,105	11/10/2021
538036CP7	11243	Live Oak Banking Company		04/08/2017	245,000.00	239,232.70	245,000.00	2.100	FDIC	2.102	888	04/07/2021
549103YK9	11224	Luana Savings Bank		09/09/2016	245,000.00	233,568.30	245,000.00	1.350	FDIC	1.351	1,043	09/09/2021
62384RAB2	11267	MOUTAIN AMERICA CREDIT UNION		10/12/2017	245,000.00	235,501.35	245,000.00	2.300	FDIC	2.303	1,441	10/12/2022
57116AQV3	11284	MARLIN BUSINESS BANK		01/30/2018	245,000.00	236,290.25	245,000.00	2.500	FDIC	2.503	1,551	01/30/2023
55266CRZ1	11212	MB Financial Bank		06/10/2016	245,000.00	239,198.40	245,000.00	1.350	FDIC	1.351	587	06/10/2020
583626AE6	11287	MECHANICS COOP BANK		02/05/2018	245,000.00	236,714.10	245,000.00	2.550	FDIC	2.550	1,558	02/06/2023
58733ADJ5	11229	mercantil Commercebank Nationa		09/28/2016	245,000.00	233,374.75	245,000.00	1.650	FDIC	1.651	1,062	09/28/2021
59013JJE0	11187	Merrick Bank		09/21/2015	245,000.00	243,912.20	245,000.00	1.600	FDIC	1.601	323	09/20/2019
61747MH46	11282	Morgan Stanley Bank		01/25/2018	245,000.00	237,821.50	245,000.00	2.650	FDIC	2.426	1,546	01/25/2023
55406JAK8	11185	M Y SAFRA Bank		09/11/2015	245,000.00	244,257.65	244,945.91	1.600	FDIC	1.630	288	08/16/2019
67054NAK9	11249	Numerica Credit Union		06/21/2017	245,000.00	236,633.25	245,000.00	2.300	FDIC	2.301	1,328	06/21/2022
63970QFD3	11188	Nebraskaland National Bank		09/25/2015	245,000.00	243,897.50	245,000.00	1.500	FDIC	1.501	328	09/25/2019
66612ACG1	11289	NORTHFIELD BANK		02/21/2018	245,000.00	238,946.05	245,000.00	2.450	FDIC	2.450	1,209	02/22/2022
71270QLZ7	11153	Peoples United Bank		02/04/2015	245,000.00	243,326.65	245,000.00	1.750	FDIC	1.751	460	02/04/2020
700654AY2	11245	The Park National Bank		03/30/2017	245,000.00	240,190.65	245,000.00	1.950	FDIC	1.952	699	09/30/2020
74160NFN5	11253	Prime Alliance Bank		07/05/2017	245,000.00	234,009.30	245,000.00	2.000	FDIC	2.001	1,337	06/30/2022
74267GVT1	11244	Private Bank & Trust Co #33306		03/30/2017	245,000.00	236,667.55	245,000.00	2.200	FDIC	2.201	1,245	03/30/2022
795450D36	11260	Sallie Mae Bank		08/23/2017	245,000.00	236,483.80	245,000.00	2.350	FDIC	2.351	1,391	08/23/2022
8562846V1	11241	STATE BANK of INDIA		03/14/2017	245,000.00	238,002.80	245,000.00	2.350	FDIC	2.351	1,229	03/14/2022
87164YGD0	11157	Synchrony Bank Retail		04/28/2015	245,000.00	242,189.85	245,000.00	1.900	FDIC	1.902	529	04/13/2020
90348JCR9	11303	UBS Bank		05/30/2018	245,000.00	241,841.95	245,000.00	3.150	FDIC	3.152	1,671	05/30/2023
91435LAG2	11302	University of Iowa		05/15/2018	245,000.00	240,910.95	245,000.00	3.050	FDIC	3.052	1,656	05/15/2023
9497485K9	11210	Wells Fargo Bank		06/01/2016	245,000.00	243,289.90	245,000.00	1.250	FDIC	1.250	214	06/03/2019
949763BH8	11228	Wells Fargo Bank		09/28/2016	245,000.00	233,639.35	245,000.00	1.700	FDIC	1.701	1,062	09/28/2021
981571BP6	11180	WORLD FOREMOST BANK		07/16/2015	200,000.00	197,612.00	200,000.00	2.400	FDIC	2.403	623	07/16/2020
		Subtotal and Average	**16,046,943.10**		**16,047,000.00**	**15,647,516.94**	**16,046,945.91**			**2.013**	**975**	

Deputy Treasurer Monthly Reports
Portfolio Management
Portfolio Details - Investments
October 31, 2018

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity
		Total and Average	127,372,155.02		131,044,433.65	128,270,323.09	130,765,011.05			2.049	862

CITY OF TORRANCE

INTEROFFICE COMMUNICATION

DATE: 11/15/18

TO: Dana Cortez, City Treasurer

FROM: Joyce Reyes, Accounting Manager

SUBJECT: Cash & Investments Reconciliation for October 2018

CASH AND INVESTMENTS RECONCILIATION
AS OF OCTOBER 31, 2018 (PRE-CLOSE)

INVESTMENTS PER PORTFOLIO SUMMARY		$ 130,765,011.05
Cash in Bank of America General Account	$ 5,447,381.41	
Cash in Bank of America Housing Account	4,306,840.31	
		9,754,221.72
TOTAL FUNDS PER INVESTMENT REPORT		**$ 140,519,232.77**
OUTSTANDING WARRANTS:		
General Account	$ (2,444,401.78)	
Payroll Account	(38,046.37)	
Workers' Compensation Account	(134,626.24)	
Housing Account	(7,502.00)	
		(2,624,576.39)
DEPOSITS IN TRANSIT:		
October 2018 Cash deposits	$ 12,590.90	
October 2018 Minol cash collection	463,963.11	
October 2018 Credit card receipts	56,275.84	
		532,829.85
RECONCILING ITEMS - CITY TREASURER:		
10/24/18 - LAIF Wire to Bank of America not interfaced/posted (Cash Reconciling Item)		(73,088.25)
10/24/18 - LAIF Wire to Bank of America not interfaced/posted (Investments Reconciling Item)		73,088.25
TOTAL CASH AND INVESTMENTS PER BOOKS		**$ 138,427,486.23**

Notes to Investment Report

1. REPORTING ENTITY

City of Torrance was established May 31, 1921 and adopted a city charter form of government on January 7, 1947.

Under City Charter section 630 CITY TREASURER. It shall be the duty of the City Treasurer to receive and safely keep all moneys which shall come into his/her hands as City Treasurer. He/She shall comply with all provisions of law governing the deposit and securing of public funds. He/She shall also comply with all the provisions of the general laws of the State governing the handling of such trust funds as may come into his/her possession. He/She shall pay out moneys only on warrants signed by persons designated by law, or ordinance, as the proper persons to sign warrants and as to trust funds which may come into his/her possession or control by virtue of some law, ordinance or resolution, by warrant or other order, in accordance with the provisions of such law, ordinance or resolution. He/She shall at regular intervals, at least once each month, submit to the Director of Finance a written report and accounting of all receipts, disbursements and fund balances, a copy of which report he/she shall file with the City Council.

The City Treasurer may appoint a deputy, or deputies, from an eligible list to be prepared in accordance with the proceedings prescribed in the civil service system of the City, such deputy or deputies to receive such compensation as may be provided by the City Council. (Ratified Gen. Mun. Elec. 4/10/56, Amend. No. 8; Approved by State Legislature Concurrent Res. No. 3 on 1/9/57).

2. BASIS FOR REPORTING

This Investment Report has been prepared in accordance with the State of California Government Code §53600 and City of Torrance Investment Policy as noted in the City Charter. The City of Torrance Investment Policy is approved and adopted annually by City Council. The Investment Policy is annually submitted by the City Treasurer to the Investment Advisory Committee for review before being forwarded to the City Council. The investment Advisory Committee is made up of City Treasurer, City Manager, City Attorney, Finance Director, and Deputy City Treasurer.

3. ASSUMPTIONS

The Investment Report represents a specific snapshot in time and is compared to other market performers during that same period which includes but is not limited to: Constant Maturing Treasury 2-year term rates, Local Agency Investment Fund (State of California), and prior year performance. All investment activity calculations are results from SymPro portfolio management software v7.3.6.

Adjusted by Premiums/Discounts represent the premium/discount cost involved to secure higher or lower yield securities. The cost of the premium or discount is amortized down or up to par over the life of the bond until reaching maturity. By amortizing, the amount of taxable interest is reduced for each year the city owns the bond. This is because the amortized premium or discount offsets the ordinary income of the coupon payment.

There is no capital loss or gain to report if bonds are kept to maturity.

Notes to Investment Report

4. COMPLIANCE

The Investment Report is required to be submitted to City Council on a monthly basis. State of California statutes requires quarterly reporting. GASB 31 section requires market changes be booked annually but reported monthly as part of this report.SB 564 requires quarterly reporting to the legislative body.

5. LAIF RISK

LAIF statute §16429.3 Deposits; prohibited transfers and loans; impoundment or seizure:
Moneys placed with the Treasurer for deposit in the Local Agency Investment Fund by cities, counties, special districts, nonprofit corporations, or qualified quasi-governmental agencies shall not be subject to either of the following:

a. Transfer or loan pursuant to Section 16310, 16312, or16313.
b. Impoundment or seizure by any state official or state agency

LAIF statute §16429.4 Right of withdrawal:
The right of a city, county, city and county, special district, nonprofit corporation, or qualified quasi-governmental agency to withdraw its deposited moneys from the Local Agency Investment Fund, upon demand, may not be altered, impaired, or denied, in any way, by any state official or state agency based upon the state's failure to adopt a State Budget by July 1 of each new fiscal year.

Additional information about LAIF may be found on the California State Treasurer Website:
http://www.treasurer.ca.gov/pmia-laif/answer/laifstatutes.asp

Glossary

ACCRUED INTEREST. Interest that has accumulated between the most recent payment and the sale of a bond or other fixed-income security. At the time of sale, the buyer pays the seller the bond's price plus "accrued interest," calculated by multiplying the coupon rate by the fraction of the coupon period that has elapsed since the last payment. (If a bondholder receives $40 in coupon payments per bond semiannually and sells the bond one-quarter of the way into the coupon period, the buyer pays the seller $10 as the latter's proportion of interest earned.)

AGENCIES. Also referred to as Federal Agencies or Fed Agencies and include such organizations or enterprises as the: Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal Farm Credit Banks (FFCB), and Government National Mortgage Association (GNMA). See FEDERAL AGENCIES or the specific organization/enterprise in this glossary for additional information.

AMORTIZATION. The spreading out of capital expenses for intangible assets over a specific period of time (usually over the asset's useful life) for accounting and tax purposes. Amortization is similar to depreciation, which is used for tangible assets, and to depletion, which is used with natural resources.

ASKED. The price at which securities are offered.

BANKER'S ACCEPTANCE ("BA"). A draft, bill, or exchange accepted by a bank or a trust company. Both the issuer and the accepting institution guarantee payment of the bill.

BASIS POINT. Common unit of measure used for expressing changes in interest rates; one basis point equates to 1/100th of 1%. (i.e. 0.1% equals 10 basis points.)

BID. The price offered by a buyer of securities (when one sells securities, one asks for a bid). See "Offer".

BOND. Bonds are commonly referred to as fixed-income securities and are one of the three main generic asset classes, along with stocks (equities) and cash equivalents. Many corporate and government bonds are publicly traded on exchanges, while others are traded only over-the-counter (OTC).

BROKER. A broker is an individual or firm that charges a fee or commission for executing buy and sell orders submitted by an investor. It is also the role of a firm when it acts as an agent for a customer and charges the customer a commission for its services.

BULLET BOND. Bullet Bonds are non-callable bonds, which cannot be redeemed early by the issuer.

CALLABLE BOND. A bond that can be redeemed by the issuer earlier than the bond's maturity date. Callable bonds with specific details as to when the bond may be called back are noted. Embedded options attached to callable bonds detail how the issuer may "call" back the security. Three forms of embedded options for callable bonds are:

- *American Option*: Bond may be called back by the issuer at any time after the lockout period expires. (continuously callable)
- *Bermudian Option*: The issuer has the right to call the bond on the predetermined interest payment dates only.
- *European Option*: Allows the holder to exercise the option (i.e. to buy) only on the option expiration date.
- *1X:* One time callable only
- *6M:* Callable only after predetermined 6 month lockout period.

CERTIFICATE OF DEPOSIT ("CD"). A time deposit with a specific maturity, as evidenced by a certificate. Large-

Glossary

denomination CDs are typically negotiable. A certificate of deposit (CD) is a savings certificate entitling the bearer to receive interest. A CD bears a maturity date, a specified fixed interest rate and can be issued in any denomination. CDs are generally issued by commercial banks and are insured by the FDIC. The term of a CD generally ranges from one month to five years.

COLLATERAL. Securities, evidence of deposit, or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT ("CAFR"). The official annual report for the City of Torrance. It includes combined statements for each individual fund and account group, which are prepared in conformity with GAAP. It also includes supporting schedules that are necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed statistical section.

CORPORATE BOND/NOTES. A debt security issued by a corporation and sold to investors. The backing for the bond is usually the payment ability of the company, which is typically money to be earned from future operations.

COUPON. The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. It can also be a certificate attached to a bond, which evidences interest due on a payment date. The annual interest rate paid on a bond, expressed as a percentage of the face value.

DEALER. A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE. A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT. There are two methods of delivery of securities: (1) delivery versus payment (DVP); and (2) delivery versus receipt (DVR). DVP is delivery of securities with an exchange of money for the securities. DVR is delivery of securities with an exchanged of a signed receipt for the securities.

DERIVATIVES. (1) Financial instruments that are linked to, or derived from, the movement of one or more underlying indexes or securities, and may include a leveraging factor; or (2) financial contracts based upon a notional amount whose value is derived from an underlying index or security (e.g., interest rates, foreign exchange rates, equities, or commodities).

DISCOUNT. The difference between the acquisition cost of a security and its value at maturity, when quoted at lower than face value. A security that sells below original offering price shortly after sale is also considered to be at a discount. In finance, discount refers to the condition of the price of a bond that is lower than par, or face value. The discount equals the difference between the price paid for a security and the security's par value.

DISCOUNT SECURITIES. Non-interest bearing money market instruments that are issued a discount and that are redeemed at maturity for full face value (e.g., U.S. Treasury Bills).

DIVERSIFICATION. Dividing investment funds among a variety of securities that offer independent returns.

FEDERAL AGENCIES. Special government organizations set up for a specific purpose such as the management of resources, financial oversight of industries or national security issues. These organizations are typically created by legislative action, but may initially be set up by a Presidential Order as well. The directors of these agencies are typically selected by Presidential appointment. A number of these organizations issue securities such as stocks and bonds that have been historically popular with investors. Agencies of the Federal Government that were established to supply credit to various classes of institutions and individuals (e.g., S&Ls, small business firms,

students, farmers, farm cooperative, and exporters).

FEDERAL DEPOSIT INSURANCE CORPORATION ("FDIC"). A federal agency that insures bank deposits, currently up to $ 250,000.00 per deposit.

FEDERAL FARM CREDIT BANK ("FFCB"). In the United States, a network of federally-chartered financial institutions designed to provide credit-related services to the agricultural and farming sectors of the economy. In total, this government-sponsored enterprise comprises approximately 100 financial institutions that serve all 50 states and Puerto Rico

FEDERAL FUNDS RATE. The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS ("FHLB"). Government-sponsored wholesale banks (currently 12 regional banks) which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions, and insurance companies. The mission of the FHLBs is to liquefy the housing-related assets of its member, who must purchase stock in their District Bank. FHLB - An organization created by the Federal Home Loan Bank Act of 1932 to increase the amount of funds available for lending institutions who provide mortgages and similar loan agreements to individuals. This system was created in response to the depressive economic conditions of the era, which had impaired the U.S. banking system.

FEDERAL HOME LOAN MORTGAGE CORP ("Freddie Mac or FHLMC"). FHLMC is a stockholder-owned, government-sponsored enterprise (GSE) chartered by Congress in 1970 to keep money flowing to mortgage lenders in support of homeownership and rental housing for middle income Americans. The FHLMC purchases, guarantees and securitizes mortgages to form mortgage-backed securities. The mortgage-backed securities that it issues tend to be very liquid and carry a credit rating close to that of U.S. Treasuries.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (`FNMA"). FNMA, like GNMA, was charted under the Federal National Mortgage Association Act of 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assures and guarantees that all security holders will receive timely payment of principal and interest. Fannie Mae is a publicly-traded company which operates under a congressional charter that directs Fannie Mae to channel its efforts into increasing the availability and affordability of homeownership for low-, moderate- and middle-income Americans.

FEDERAL OPEN MARKET COMMITTEE ("FOMC"). The FOMC consist of seven members of the Federal Reserve Board and five of the 12 Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM. Also known as "The Fed." The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, D.C., 12 regional banks, and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATIONS ("GNMA" or "Ginnie Mae"). Securities that influence the volume of bank credit that is guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan

Glossary

associations, and other institutions. The full faith and credit of the U.S. Government protect a security holder. Ginnie Mae securities are backed by the FHA, VA, or FMHM mortgages. The term "pass-through" is often used to describe Ginnie Maes.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD ("GASB"). An organization whose main purpose is to improve and create accounting reporting standards or generally accepted accounting principles (GAAP). These standards make it easier for users to understand and use the financial records of both state and local governments. The Government Accounting Standards Board (GASB) is funded and monitored by the Financial Accounting Foundation (FAF).

IMPLIED RATING ("IMP"). Government Sponsored Enterprises ex: Federal Home Loan Bank, Federal Home Loan Mortgage Corp, Federal National Mortgage Association each carrier the rate of the US Treasury. There are GSE that are not officially rated by a credit rating agency but carry an implied rating because they are GSE. An example of this is Farmer Mac.

LIQUIDITY. A Liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow, and reasonable size can be done at those quotes.

LOCAL AGENCY INVESTMENT FUND ("LAIF"). Monies from local governmental units may be remitted to the California State Treasurer for deposit in this special fund for the purpose of investment.

LOCKOUT (BOND FEATURE). The period of time when a security may not be redeemed by the issuer.

MARKET VALUE. The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT. A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer (lender) to liquidate the underlying securities in the event of default by the seller (borrower).

MATURITY. The date upon which the principal or stated value of an investment becomes due and payable.
Medium Term Notes - A corporate note continuously offered by a company to investors through a dealer. Investors can choose from differing maturities, ranging from nine months to 30 years.

MODIFIED DURATION. A formula that attempts to explain a change in the price of a bond as a function of a change in coupon rates. It is based on the assumption that rises in interest rates depress bond prices and drops in rates do the opposite.

MONEY MARKET. The market in which short-term debt instruments (e.g., bills, commercial paper, and banker's acceptances) are issued and traded.

NOT RATED ("NR"). GSE (government sponsored enterprises) or any security that are not officially rated by a credit rating agency.

OFFER. The price asked by a seller of securities (when one buys securities, one asks for an offer). See "Asked" and "Bid."

OPEN MARKET OPERATIONS. Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank, as directed by the FOMC in order to influence the volume of money and credit in the economy.

Glossary

Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PORTFOLIO. A collection of securities that an investor holds.

PREMIUM - A premium is the total cost of an option. The difference between the higher price paid for a fixed-income security and the security's face amount at issue.

PRIMARY DEALER. A group of government securities dealers that submit daily reports of market activity and positions, and monthly financial statements to the Federal Reserve Bank of New York, and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) — registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT INVESTOR RULE. An investment standard. A fiduciary, such as a trustee, may invest in a security if it is one that would be bought by a prudent investor acting in like capacity, who is seeking reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES. A financial institution that: (1) does not claim exemption from the payment of any sales, compensating use, or ad valorem taxes under the laws of this State; (2) has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability; and (3) has been approved by the Public Deposit Protections Commission to hold public deposits.

RATE OF RETURN. The yield obtainable on a security based on its purchase price or it current market price.

REPURCHASE AGREEMENT ("RP" OR "REPO"). A holder of securities sells them to an investor with an agreement to repurchase the securities at a fixed price on a fixed date. The security "buyer" in effect, lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use **RP** extensively to finance their positions. Exception: when the Fed is said to be doing RP, it is lending money (increasing bank reserves).

SAFEKEEPING. A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET. A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES AND EXCHANGE COMMISSION. An agency created by Congress to administer securities legislation for the purpose of protecting investors in securities transactions.

SEC RULE 15c3-1. See "Uniform Net Capital Rule." SEC Rule 15c3-1 requires broker-dealers to maintain the following minimum net capital requirements in order to offer sufficient protection for the firm's customers:

- $250,000 for broker-dealers who conduct general securities business and carry customer funds and securities
- $50,000 for broker-dealers who introduce accounts to another broker-dealer on a fully disclosed basis, receive but do not hold customer securities for delivery to the clearing broker-dealer and do not carry customer accounts
- $25,000 for broker-dealers that only handle mutual fund transactions and do not hold customer funds or securities

Glossary

- $5,000 for broker-dealers who do not directly or indirectly receive securities from customers (known as introducing brokers)

STEP-UP BOND. A bond that pays an initial coupon rate for the first period, and then a higher coupon rate for the following periods. A step-up bond is one in which subsequent future coupon payments are received at a higher, predetermined amount than previous or current periods. These bonds usually have a callable component.

STRUCTURED NOTES. Notes issued by instrumentalities (e.g., FHLB, FNMA, SLMA) and by corporations, that have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) in their debt structure, The market performance of structured notes is affected by fluctuating interest rates; the volatility of imbedded options; and shifts in the yield curve.

TAX AND REVENUE ANTICIPATION NOTES (TRANs). Notes issued in anticipation of receiving future tax receipts and revenues at a future date.

TREASURY BILLS. A non-interest-bearing discount security that is issued by the U.S. Treasury to finance the national debt. Most T-bills are issued to mature in three months, six months, or one year.

TREASURY BONDS. Long-term, coupon-bearing U.S. Treasury securities that are issued as direct obligations of the U.S. Government, and having initial maturities of more than 10 years.

TREASURY NOTES. Medium-term, coupon-bearing U.S. Treasury securities that are issued as direct obligations of the U.S. Government, and having initial maturities of two to 10 years. U S Notes - A treasury note is a marketable U.S. government debt security with a fixed interest rate and a maturity between one and 10 years. Treasury notes can be bought either directly from the U.S. government or through a bank.

UNIFORM NET CAPITAL RULE. SEC requirement that member firms, as well as non-member broker-dealers in securities, maintain a maximum ratio of indebtedness to liquid capital of 15 to one. Also called net capital rule and net capital ratio. Indebtedness covers all money that is owed to a firm, including margin loans and commitments to purchase securities (one reason that new public issues are spread among members of underwriting syndicates). Liquid capital includes cash and assets easily converted to cash.

YIELD. The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD OR YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

YIELD TO MATURITY (YTM). The percentage rate of return paid on a bond or note if the investor buys and holds it to its maturity date. The calculation for YTM is based on the coupon rate, length of time to maturity, and market price. It assumes that coupon interest paid over the life of the bond will be reinvested at the same rate.

Sources:

- *www.investopedia.com*
- *www.thefreedictionary.com*
- *www.msrb.org/glossary/definition/note.aspx*
- *CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION (CDIAC) California Public Fund Investment Primer, December 2009*