

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

Members of Council:

**SUBJECT: Finance - Accept and File Investment Report for October 2019.
Expenditure: None.**

RECOMMENDATION

Recommendation of the Finance Director that City Council accept and file the Investment Report for the month of October 2019.

FUNDING

None required for this item.

BACKGROUND

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.

On June 11, 2019, Your Honorable Body, through passage of Resolution No. 2019-57, adopted an official "Statement of Investment Policy". The City's Statement of Investment Policy requires the City Treasurer to report a monthly statement of investment activity.

Monthly October 2019 Investment Report Summary

The City's investment objectives, in order of priority, shall be safety, which is investing in the highest of quality securities, liquidity, which can be converted into cash and necessary to meet our cash flow disbursement requirements, and yield, which is earning a higher yield than the market rate of return.

As of October 31, 2019 the ending balance of total funds was \$152,037,342, a decrease of approximately \$4.8M from the previous month; which included investments of \$141,604,775 and cash of \$10,432,567. Typically, the City experiences seasonal activity of lower cash inflow from July through November, due to seasonal revenues not being received until December through

February and April through May. In addition, at the beginning of the fiscal year, the City experiences higher cash outflow, where the City makes payments for annual contracts and obligations. The City's investment strategy remains the same, which is to place investments to mature during periods where cash is needed.

Two new fixed income instruments were purchased during the month, totaling \$4.0M with an average yield of 1.79%, as shown in attachment A. Six investments were redeemed, which consisted of five calls and one maturity, totaling \$6.2M with an average yield of 2.32%. The average yield of purchases is lower compared to the average yield of redemptions, due to the City diversifying and investing in a non-callable investment this month in October, which locks in the interest rate longer term. The City decided to purchase the non-callable investment to secure the interest rate, due to the market and LAIF rates continuing to slowly decline, since the Federal Reserve again cut interest rates. However, the City continues to also invest in LAIF since the LAIF rate is still earning higher interest rate than the City's portfolio. Typically, non-callable investments earn lower yields since the risk decreases as the investment cannot be called throughout the investment term. The spread between a 5-year callable and non-callable investment this month in October is 35 basis points.

The LAIF balance was increased by \$4.2M to \$49.9M. The investment activity for October 2019, included investments and redemptions of Local Agency Investment Funds. LAIF earned a yield of 2.190%, which is lower than the previous month in September by 9.0 basis points.

The portfolio yielded 2.069% for October, a decrease of 3.8 basis points over the previous month of September. The fiscal year-to-date yield is 2.110% compared to 2.020% a year ago.

Investment Committee Note

The Investment Committee members are the City Manager, City Attorney, Finance Director, City Treasurer (absent), and Deputy City Treasurer as created by your Honorable Body, has reviewed the attached report (Attachment B).

Respectfully submitted,

ERIC E. TSAO
FINANCE DIRECTOR

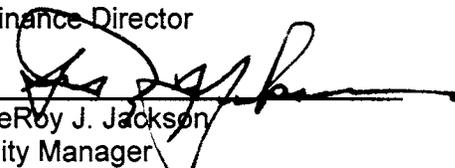
By 

Kristopher Awshee
Deputy City Treasurer

CONCUR:



Eric E. Tsao
Finance Director



LeRoy J. Jackson
City Manager

Attachments:

- A) Detail Listings of Purchases and Redemptions
- B) Monthly Investment Report for October 2019



City of Torrance, California
 Monthly Investment Portfolio Report
 October 31, 2019

Table of Contents		Page
I. Portfolio Report Summary		
Table of Contents.....		1
Summary Notes.....		2-4
II. Pooled Funds		
Portfolio Highlights.....		5
Portfolio Activity Summary.....		5
Portfolio Summary.....		6
Portfolio Monthly Activity Detail.....		7
Portfolio Performance.....		8
Portfolio Earnings Summary.....		8
Portfolio Distribution		
Maturity Distribution.....		9
Assigned Credit Ratings of Investments.....		10
Federal Agencies Distribution.....		10
Portfolio Sectors.....		10
Value of Portfolio per GASB 31.....		11
Detailed Reports		
Investment Portfolio.....		12-15
III. Verification of Book Balance to Portfolio Balance		
Finance Director Verification of Book Balance to Portfolio Balance.....		16
IV. Appendix A		
Notes to Investment Report		17-18
V. Appendix B		
Glossary		19-24



City of Torrance, California
Investment Report Summary Notes
For the Month of: October 2019

Summary

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Two new fixed income instruments were purchased during the month, totaling \$4.0M with an average yield of 1.79%, as shown in the table below. Six investments were redeemed, which consisted of five calls and one maturity, totaling \$6.2M with an average yield of 2.32%. The average yield of purchases is lower compared to the average yield of redemptions, due to the City diversifying and investing in a 5-year non-callable investment this month in October, which locks in interest rates long-term, since the Federal Reserve continues to cut interest rates, which affects LAIF and market interest rates continuing to decline. Typically, non-callable investments earn lower yields since the market risk decreases as the investment cannot be called throughout the investment term. The spread between a callable and non-callable investment this month in October is 35 basis points.

The LAIF balance was increased by \$4.2M to \$49.9M. The investment activity for October 2019, included investments and redemptions of Local Agency Investment Funds. LAIF earned a yield of 2.190%, which is lower than the previous month in September by 9.0 basis points.

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Purchases

Purchase Issuer	Rating	Par Value (in millions)	Purchase Date	Maturity Date	Term Yr	Coupon	YTM	Disc/Par/Prem	Price	Structure	Broker	
Federal Farm Credit Bank	AA+	\$2.0	10/09/2019	09/17/2024	4.9	1.60%	1.45%	Premium	100.71	Agency, Bullet	Wedbush Securities	
Toyota Motor Credit Corp	AA-	\$2.0	10/22/2019	10/22/2024	5.0	2.13%	2.13%	Par	100.00	Medium-Term Note, NC 2 Year, semi annual calls	Stifel, Nicolaus & Co	
		\$4.0										



City of Torrance, California
Investment Report Summary Notes
For the Month of: October 2019

Redemptions

Redemption Issuer	Rating	Par Value (in millions)	Call Date	Maturity Date	Term Yr	Coupon	YTM	Disc/Par/Prem	Structure	Broker	Days/Months Held	Called/Matured
Federal Farm Credit Bank	AA+	\$1.0	10/09/2019	07/03/2023	4.0	2.37%	2.39%	Discount	Agency	Multi Bank Securities	91/3.0	Called
Federal Farm Credit Bank	AA+	\$1.0	10/10/2019	04/10/2023	3.7	2.37%	2.39%	Discount	Agency	Alamo Capital	85/2.8	Called
Federal Farm Credit Bank	AA+	\$1.0	10/24/2019	01/03/2024	4.5	2.39%	2.41%	Discount	Agency	Multi Bank Securities	107/3.6	Called
Federal Home Loan Bank	AA+	\$1.0	10/24/2019	10/24/2022	5.0	2.20%	2.20%	Par	Agency	Multi Bank Securities	730/24.3	Called
Federal Home Loan Bank	AA+	\$2.0	10/25/2019	04/25/2022	4.5	2.00%	2.00%	Par	Agency	Stifel, Nicholas & Co	730/24.3	Called
Bank Hapoalim BM NY	FDIC	\$0.245	-	10/29/2019	4.0	1.65%	1.65%	Par	CD	Multi Bank Securities	-	Matured
		\$6.2										

Liquidity of the Portfolio

- ❖ As of October 31, 2019, the shape of the 1-year and 5-year yield curve is relatively flat, which means there is little difference between short-term and long-term interest rates. As of October 31, 2019, the 1-year, 3-year and 5-year treasury yield was 1.53%, 1.52% and 1.51%, respectively. The Federal Reserve cut rates again by 25 (0.25%) basis points on October 30, 2019, which was anticipated. Due to the current market conditions, it is advantageous to diversify and invest money in LAIF as well as long-term non-callable investments, as LAIF is liquid and earns a higher yield of 2.190%, which is higher than the benchmark of the 1-year and 2-year U.S. Constant Maturing Treasury (CMT) at 1.53% and 1.52%, respectively. The City is closely monitoring the daily LAIF rate, as the LAIF rate continues to trend downward.
- ❖ 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 exceed cash outflows by \$101.1M. Large cash inflows anticipated, consists of the receipt of property taxes and business license taxes which are higher for the months of December through February.



City of Torrance, California
Investment Report Summary Notes
For the Month of: October 2019

Cash Activity/Balances projected over the next 6 months:

Cash Balance as of October 31, 2019	\$10.4M
LAIF Balance as of October 31, 2019	\$49.9M
Cash Inflows	\$186.9M
Cash outflows	<u>(\$146.1M)</u>
Net cash inflow	\$101.1M

Investment Comparison to Benchmark

As stated above for the month of October, the City's portfolio yielded 2.069%; which is a decrease of 3.8 basis points over the previous month of September. The effective rate of return for fiscal year-to-date is 2.110%. The 1 year U.S. Constant Maturing Treasury (CMT) is 1.53 and the 2 year U.S. CMT is 1.52%. The City's portfolio has a current average maturity of 457 days or 1.25 years, which is a decrease of 6 days from the previous month. As the City continues to invest in LAIF, the City's average maturity shortens, as LAIF is liquid, is earning 2.190% and has a maturity of one day. In a decreasing interest rate environment, it is expected the City's portfolio will usually compare favorably to its benchmark primarily due to the buy and hold trading philosophy.

**Investment Report
October 2019**

Portfolio Highlights

RETURN	Current Month	Prior Month
City Portfolio YTM	2.069%	2.107%
U.S. Treasury Constant Maturity (2 year)	1.520%	1.630%
LAIF Monthly Return	2.190%	2.280%
INCOME	Current Month	Prior Month
Fiscal Year to Date	\$1,006,524.30	\$767,735.09
Current Month	\$243,141.10	\$243,350.68
MATURITY	Current Month	Prior Month
Days to Maturity	457	463
Days to Maturity (Prior Year)	862	872
Average Maturity (Years)	1.25	1.27
VOLUMES	Total Volume (\$)*	# of Transactions**
Purchases/Deposits*	\$27,838,288.43	2
Maturities/Redemptions*	\$31,514,731.45	6
EFFECTIVE RATE OF RETURN	Fiscal Year to Date	Prior Year to Date
Effective Rate of Return	2.110%	2.020%

*Includes LAIF and MMA activity

**Transaction count does not include LAIF or MMA activity

***City Portfolio YTM on June 30, 2019 was 2.106%

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	2018	133	127,372,155.02	2.049	2.144	0	0	1,421	862
November	2018	133	123,252,115.80	2.046	2.208	0	2	1,534	911
December	2018	131	118,575,549.33	2.045	2.291	0	0	1,558	894
January	2019	131	135,221,074.97	2.094	2.355	0	1	1,224	673
February	2019	130	147,928,817.73	2.113	2.392	0	1	1,159	611
March	2019	129	152,262,360.13	2.101	2.436	0	5	1,099	545
April	2019	125	155,308,031.13	2.128	2.445	0	3	1,036	500
May	2019	123	164,161,516.71	2.145	2.449	2	2	1,011	478
June	2019	130	160,915,988.63	2.106	2.428	9	11	1,257	655
July	2019	124	157,273,857.25	2.108	2.379	5	3	1,191	620
August	2019	121	133,510,438.90	2.107	2.341	0	4	1,224	608
September	2019	117	138,173,302.03	2.107	2.280	0	11	994	463
October	2019	108	136,853,612.28	2.069	2.190	2	6	1,002	457
Average:		126	142,307,165.47	2.094%	2.334%	1	4	1,208	637

**Investment Report
October 2019**

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)	\$ 49,862,715.05	35.21%	\$ 49,862,715.05	35.10%	LAIF	\$65Mil	0.000	1	N/A	2.190%
Union Bank Custodial - Money Market Account	\$ 4,901,499.53	3.46%	\$ 4,901,499.53	3.45%	A-1 ✓	100%	0.000	1	N/A	2.070%
U.S. Treasury Securities	\$ 5,931,154.43	4.19%	\$ 5,982,260.00	4.21%	AA+	100%	1.951	729	5-Year	1.964%
Federal Agency Issues	\$ 51,054,603.10	36.05%	\$ 51,198,559.50	36.04%		75%	2.002	760	5-Year	1.897%
Farmer Mac	\$ 11,074,919.93	7.82%	\$ 11,085,592.25	7.80%	NR/IMP	30%	0.735	272	5-Year	1.775%
Federal Farm Credit Bank	\$ 8,995,585.14	6.35%	\$ 9,029,790.00	6.36%	AA+	30%	3.449	1,323	5-Year	2.004%
Federal Home Loan Bank	\$ 17,959,098.03	12.68%	\$ 18,076,250.00	12.72%	AA+	30%	2.125	806	5-Year	2.087%
Federal Home Loan Mortgage Corporation	\$ 5,500,000.00	3.88%	\$ 5,500,820.00	3.87%	AA+	30%	2.281	875	5-Year	1.911%
Federal National Mortgage Association	\$ 7,525,000.00	5.31%	\$ 7,506,107.25	5.28%	AA+	30%	1.634	611	5-Year	1.485%
Negotiable Certificates of Deposit	\$ 13,432,000.00	9.49%	\$ 13,576,540.96	9.56%	FDIC	20%	2.207	836	5-Year	2.223%
Medium-Term Notes	\$ 16,422,803.24	11.60%	\$ 16,553,870.00	11.65%		20%	1.645	624	5-Year	2.148%
Apple Inc.	\$ 4,435,466.25	3.13%	\$ 4,541,610.00	3.20%	AA+	5%	1.974	746	5-Year	2.474%
Chevron Corp.	\$ 3,003,561.60	2.12%	\$ 3,006,320.00	2.12%	AA	5%	0.436	162	5-Year	1.936%
IBM	\$ 1,995,658.58	1.41%	\$ 1,998,140.00	1.41%	AA-	5%	0.529	196	5-Year	2.050%
Microsoft Corporation	\$ 3,988,116.81	2.82%	\$ 4,001,720.00	2.82%	AAA	5%	1.355	506	5-Year	1.922%
Toronto Dominion Bank	\$ 1,000,000.00	0.71%	\$ 1,007,320.00	0.71%	AA-	5%	1.091	409	5-Year	2.473%
Toyota Motor Credit Corp	\$ 2,000,000.00	1.41%	\$ 1,998,760.00	1.41%	AA-	5%	4.694	1,817	5-Year	2.125%
Total Investments:	\$ 141,604,775.35	100.00%	\$ 142,075,445.04	100.00%			1.207	457		2.069%
Cash In Bank (General):	\$ 9,475,489.86									
Cash In Bank (Housing):	\$ 957,077.51									
LAIF-TRANS Funds:	\$ -									
Total Funds:	\$ 152,037,342.72									

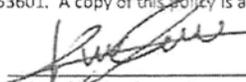
* Line items are calculated by formulas. There might be immaterial discrepancy between the summation of line items and the subtotal or grand total due to rounding issue.

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 2019-57 on June 11, 2019, per California Government Code §53601. A copy of this policy is available at the office of the City Clerk.

Facilitator
2.110%

Effective Rate of Return

Dana Cortez
City Treasurer


Kristopher Awshee
Deputy City Treasurer

11/25/19
Date

**Investment Report
October 2019**

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											
11348	Wedbush Securities	10/9/2019	FEDERAL FARM CREDIT BANK	AA+	9/17/2024	4.9 YR	1.600%	1.451%	\$ 2,000,000.00	\$ 2,013,867.54	\$ 2,002,560.00
11349	Stifel, Nicolaus & Company	10/22/2019	Toyota Motor Credit Corp	AA-	10/22/2024	5 YR	2.125%	2.125%	\$ 2,000,000.00	\$ 2,000,000.00	\$ 1,998,760.00
Average Coupon Rate / Totals								1.788%	\$ 4,000,000.00	\$ 4,013,867.54	\$ 4,001,320.00

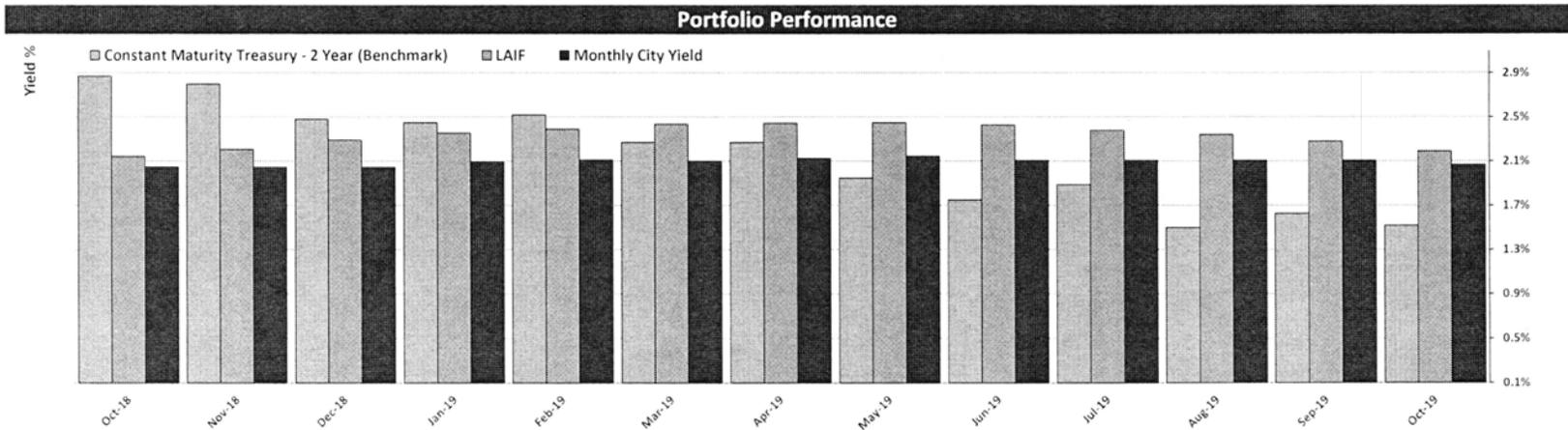
Maturities/Calls/ Sales	Broker	Purchase Date	Description	Quality Rating	Maturity/Sale Date	Days Held/Days to Maturity/Sale	Coupon (%)	YTM 365 (%)	Par Value (\$)	Book Value (\$)	Market Value (\$)
Investment Number											
11321	Multi Bank Securities	7/10/2019	FEDERAL FARM CREDIT BANK	AA+	7/3/2023	1454/1454	2.370%	2.390%	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00
11324	Alamo Capital	7/17/2019	FEDERAL FARM CREDIT BANK	AA+	4/10/2023	1363/1363	2.370%	2.389%	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00
11320	Multi Bank Securities	7/9/2019	FEDERAL FARM CREDIT BANK	AA+	1/3/2024	1639/1639	2.390%	2.408%	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00
11270	Multi Bank Securities	10/24/2017	FEDERAL HOME LOAN BANK	AA+	10/24/2022	1826/1826	2.200%	2.200%	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00
11271	Stifel, Nicolaus & Company	10/25/2017	FEDERAL HOME LOAN BANK	AA+	4/25/2022	1643/1643	2.000%	2.000%	\$ 2,000,000.00	\$ 2,000,000.00	\$ 2,000,000.00
11196	Multi Bank Securities	10/29/2015	Bank Hapoalim BM NY	FDIC	10/29/2019	1461/1461	1.650%	1.651%	\$ 245,000.00	\$ 245,000.00	\$ 245,000.00
Annualized Yield / Totals								2.173%	\$ 6,245,000.00	\$ 6,245,000.00	\$ 6,245,000.00

UBOC	Beginning Balance	Coupon (%)	Yield (%)	Deposits (\$)	Withdrawals (\$)	Ending Balance (\$)
Money Market	\$ 10,567,545.30	2.070%	2.070%	\$ 8,603,685.68	\$ 14,269,731.45	\$ 4,901,499.53

LAIF	Beginning Balance	Coupon (%)	Yield (%)	Deposits (\$)	Withdrawals (\$)	Interest Earned (\$)	Ending Balance (\$)
General	\$ 45,642,258.30	2.190%	2.190%	\$ 15,220,456.75	\$ 11,000,000.00	\$ -	\$ 49,862,715.05
Totals	\$ 45,642,258.30	2.190%	2.190%	\$ 15,220,456.75	\$ 11,000,000.00	\$ -	\$ 49,862,715.05

11

Investment Report
October 2019



Portfolio Earnings Summary	Current Month	Fiscal YTD
CD/Coupon/Discount Investments:		
Interest Collected	107,524.20	608,414.12
Plus Interest at End of Period	441,489.87	429,013.56
Less Accrued Interest* at Beginning of Period	(407,195.02)	(400,679.01)
Interest Earned during this Period	\$141,819.05	\$636,748.67
Adjusted By Premiums/Discounts	6,855.14	27,959.93
Adjusted by Capital Gains or Losses (Unrealized)	2,014.46	3,707.65
Earnings during Periods	\$150,688.65	\$668,416.25
Cash/Checking Accounts:		
Interest Collected	4,427.32	38,290.01
Plus Accrued Interest* at End of Period	714,671.14	714,671.14
Less Interest at Beginning of Period	(626,645.71)	(414,853.10)
Interest Earned this Period	\$92,452.75	\$338,108.05
Total Interest Earned	\$234,271.80	\$974,856.72
Total Adjustments from Premium and Discounts	6,855.14	27,959.93
Total Capital Gains or Loss (Unrealized)	2,014.46	3,707.65
Total Earnings this Period	\$243,141.40	\$1,006,524.30

Notes :

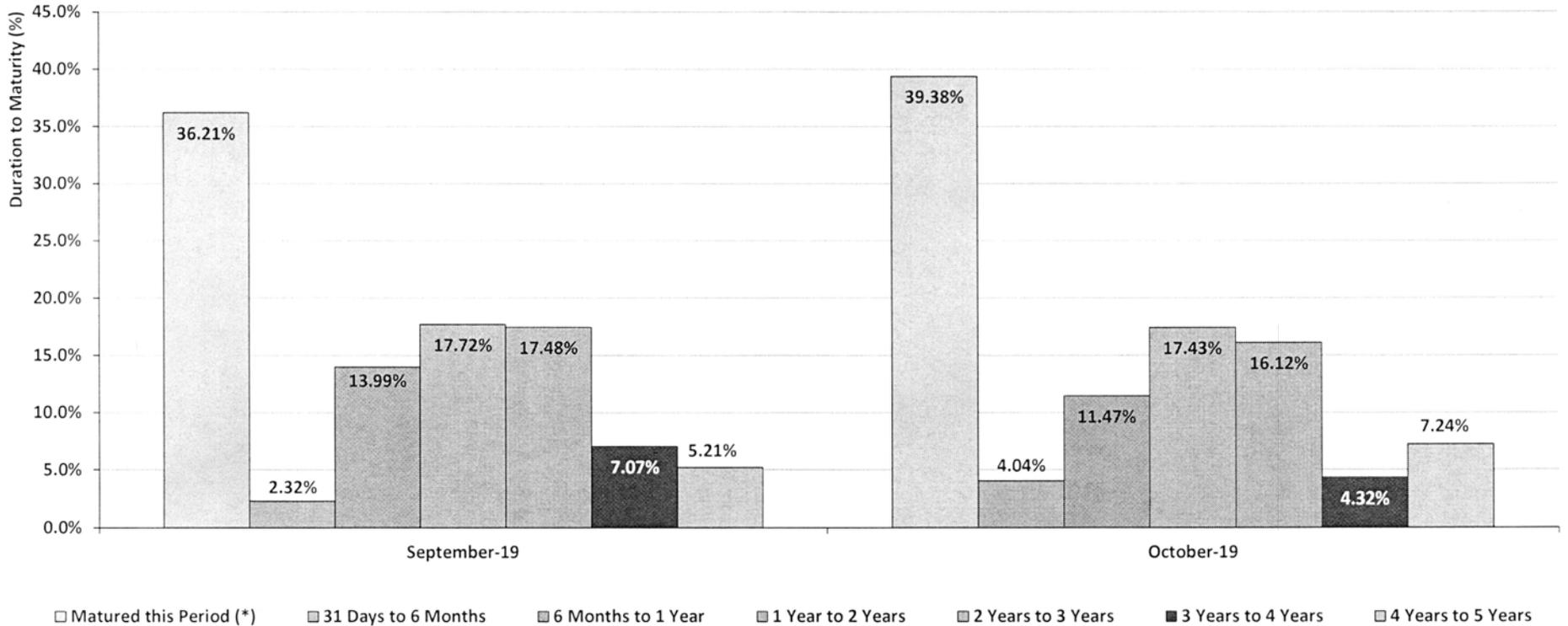
***Accrued Interest:** Interest that has accumulated between the most recent payment and the sale of a bond or other fixed-income security. At the time of sale, the buyer pays the seller the bond's price plus "accrued interest," calculated by multiplying the coupon rate by the fraction of the coupon 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 securities. The cost of the premium or discount is amortized 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 2019

Maturity Distribution



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 .

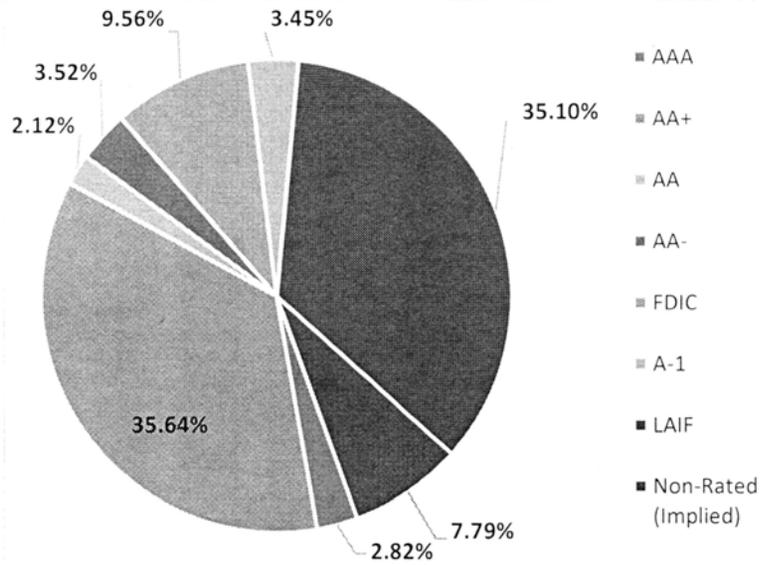
CA GC §53646(b)(3) requires a statement of compliance of the portfolio with the statement of investment policy and a statement of the local agency's ability to meet the expenditure requirements of the pool for the next six months. We are in compliance with the section.

* - includes LAIF and Money Market Account

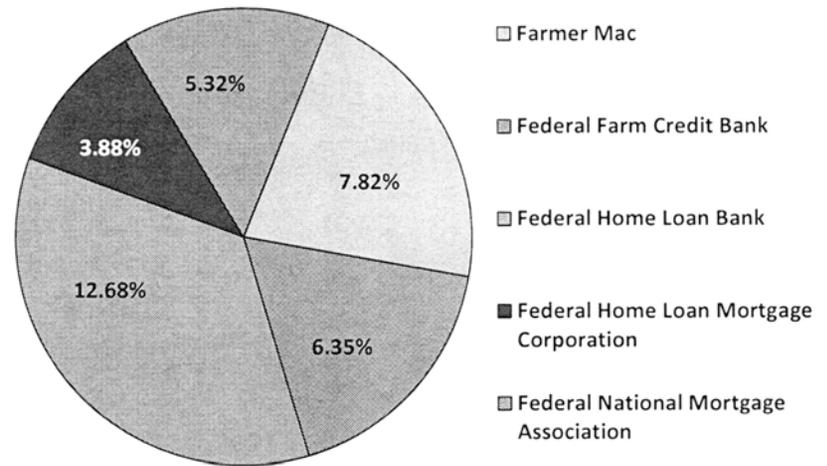
Investment Report October 2019

Portfolio Distribution

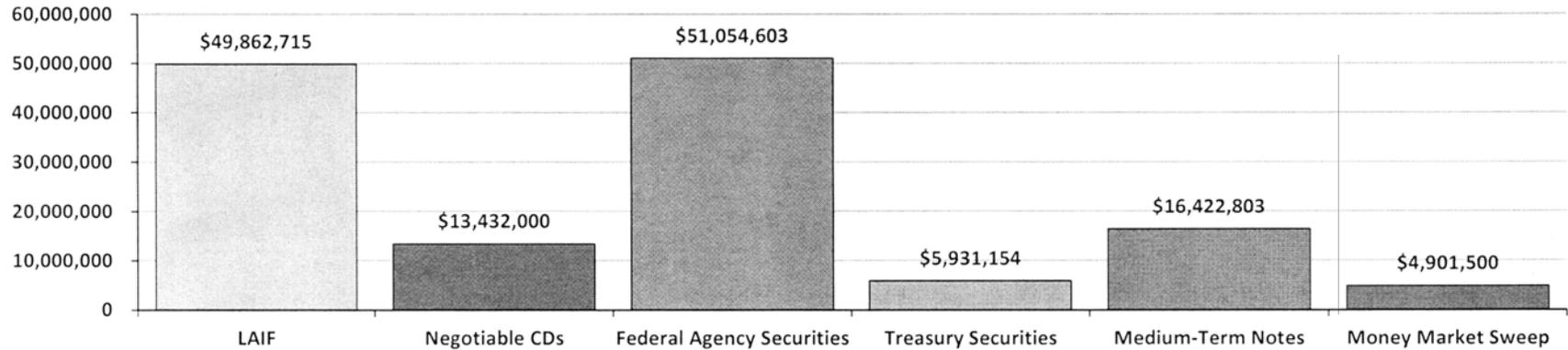
Assigned Credit Ratings of Investments (Total Portfolio)



Federal Agencies Distribution (36.05% of Total Portfolio Book Value)



Portfolio Sectors (Book Value)



**Investment Report
October 2019**

Value of Portfolio per GASB 31

	Beginning Investment Value As of July 1, 2019	Purchase / Redemption of Principal	Change in Market Value	Ending Investment Value As of October 31, 2019
U.S. Treasury Securities	5,926,640.00	-	55,620.00	5,982,260.00
Federal Agency (Coupon)	67,986,825.55	(17,051,564.00)	263,297.95	51,198,559.50
Negotiable Certificate of Deposits	14,974,100.71	(1,631,000.00)	233,440.25	13,576,540.96
Medium-Term Notes	14,433,420.00	2,000,000.00	120,450.00	16,553,870.00
Municipal Bonds	-	-	-	-
Sub-total per GASB 31:	103,320,986.26	(16,682,564.00)	\$672,808.20	87,311,230.46
Non-GASB				
Local Agency Investment Funds	21,315,409.43	28,547,305.62	-	49,862,715.05
Money Market	8,082,374.18	(3,180,874.65)	-	4,901,499.53
Federal Agency – Disc.	-	-	-	-
Treasury Security – Disc.	-	-	-	-
Certificate of Deposits -Disc.	-	-	-	-
Commercial paper	-	-	-	-
Sub-total Non-GASB:	29,397,783.61	25,366,430.97	-	54,764,214.58
Total Portfolio:	132,718,769.87	8,683,866.97	672,808.20	142,075,445.04

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 2019-57 on June 11, 2019, 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

Not Present
 Dana Cortez
 City Treasurer Date: _____

 Kristopher Awshee
 Deputy City Treasurer Date: 11/27/19

Oran Chapoy... for
 LeRoy J. Jackson
 City Manager Date: 11/27/19

 Eric E. Tsao
 Finance Director Date: 11/27/19

P. Q. Sullivan
 Patrick Q. Sullivan
 City Attorney Date: 11/27/2019

Deputy Treasurer Monthly Reports
Portfolio Management
Portfolio Details - Investments
October 31, 2019

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		07/01/2018	49,862,715.05	49,862,715.05	49,862,715.05	2.190	LAIF	2.190	1	
Subtotal and Average			45,021,218.45		49,862,715.05	49,862,715.05	49,862,715.05			2.190	1	
Money Market Sweep Account												
31617510S	10001	Union Bank		07/01/2018	4,901,499.53	4,901,499.53	4,901,499.53	2.070	A-1	2.070	1	
Subtotal and Average			3,068,623.88		4,901,499.53	4,901,499.53	4,901,499.53			2.070	1	
Federal Agency Issues - Coupon												
3132X0BG5	11181	FARMER MAC		07/15/2015	1,000,000.00	1,000,030.00	1,000,000.00	1.750	IMP	1.750	227	06/15/2020
3132X0MT5	11235	FARMER MAC		12/29/2016	3,000,000.00	3,011,100.00	3,000,000.00	2.000	IMP	2.000	441	01/15/2021
3132X0SA0	11247	FARMER MAC		04/19/2017	2,000,000.00	1,998,680.00	1,999,919.93	1.640	IMP	1.649	168	04/17/2020
3132X0SY8	11248	FARMER MAC		05/18/2017	2,075,000.00	2,075,062.25	2,075,000.00	1.750	IMP	1.750	199	05/18/2020
3132X0UC3	11256	FARMER MAC		07/28/2017	3,000,000.00	3,000,720.00	3,000,000.00	1.650	IMP	1.659	241	06/29/2020
3133EFX36	11206	FEDERAL FARM CREDIT BANK		04/05/2016	1,000,000.00	996,730.00	1,000,000.00	1.680	AA+	1.680	521	04/05/2021
3133EGQM0	11281	FEDERAL FARM CREDIT BANK		12/22/2017	1,000,000.00	996,190.00	1,000,000.00	1.620	AA+	2.306	832	02/10/2022
3133EHLH4	11295	FEDERAL FARM CREDIT BANK		04/05/2018	1,000,000.00	1,010,100.00	983,519.85	1.875	AA+	2.551	943	06/01/2022
3133EKRP3	11319	FEDERAL FARM CREDIT BANK		06/21/2019	3,000,000.00	3,014,010.00	3,000,000.00	2.220	AA+	2.220	1,694	06/21/2024
3133EKRD0	11323	FEDERAL FARM CREDIT BANK		07/10/2019	1,000,000.00	1,010,200.00	998,094.32	1.875	AA+	1.950	956	06/14/2022
3133EKP75	11348	FEDERAL FARM CREDIT BANK		10/09/2019	2,000,000.00	2,002,560.00	2,013,970.97	1.600	AA+	1.451	1,782	09/17/2024
313383HU8	11172	FEDERAL HOME LOAN BANK		06/12/2015	2,000,000.00	2,002,300.00	1,999,705.33	1.750	AA+	1.775	224	06/12/2020
3130A8QS5	11221	FEDERAL HOME LOAN BANK		08/25/2016	2,000,000.00	1,985,940.00	1,996,209.09	1.125	AA+	1.240	621	07/14/2021
3130A8QS5	11230	FEDERAL HOME LOAN BANK		09/30/2016	1,000,000.00	992,970.00	998,264.83	1.125	AA+	1.230	621	07/14/2021
3130AABG2	11234	FEDERAL HOME LOAN BANK		12/16/2016	1,000,000.00	1,006,680.00	994,122.56	1.875	AA+	2.175	759	11/29/2021
313378CR0	11246	FEDERAL HOME LOAN BANK		03/29/2017	2,000,000.00	2,032,900.00	2,000,000.00	2.250	AA+	2.010	861	03/11/2022
3130ABMB9	11255	FEDERAL HOME LOAN BANK		07/13/2017	1,000,000.00	1,000,010.00	999,141.77	2.050	AA+	2.084	971	06/29/2022
3130ACBK9	11264	FEDERAL HOME LOAN BANK		08/30/2017	1,000,000.00	1,000,100.00	1,000,000.00	1.750	AA+	2.326	1,026	08/23/2022
3130ACTS3	11272	FEDERAL HOME LOAN BANK		11/29/2017	2,000,000.00	2,000,640.00	2,000,000.00	2.000	AA+	2.323	935	05/24/2022
3130ADUD2	11294	FEDERAL HOME LOAN BANK		03/19/2018	1,500,000.00	1,521,900.00	1,499,785.34	2.500	AA+	2.510	574	05/28/2021
313379Q69	11305	FEDERAL HOME LOAN BANK		05/31/2018	2,000,000.00	2,027,660.00	1,973,207.72	2.125	AA+	2.670	952	06/10/2022
3130AGG82	11315	FEDERAL HOME LOAN BANK		05/29/2019	1,500,000.00	1,500,450.00	1,499,862.67	2.650	AA+	2.652	1,671	05/29/2024
3130AGMG7	11322	FEDERAL HOME LOAN BANK		07/10/2019	1,000,000.00	1,004,700.00	998,798.72	1.900	AA+	1.976	591	06/14/2021
3134G9AY3	11207	FEDERAL HOME LOAN MORTGAGE CO		04/28/2016	1,000,000.00	998,160.00	1,000,000.00	1.350	AA+	1.376	179	04/28/2020
3134G9SA6	11215	FEDERAL HOME LOAN MORTGAGE CO		06/23/2016	1,000,000.00	999,420.00	1,000,000.00	1.500	AA+	1.500	235	06/23/2020
3134GBTH5	11250	FEDERAL HOME LOAN MORTGAGE CO		06/29/2017	1,000,000.00	1,000,430.00	1,000,000.00	2.000	AA+	2.000	789	12/29/2021
3134GBF49	11266	FEDERAL HOME LOAN MORTGAGE CO		09/28/2017	1,000,000.00	1,000,650.00	1,000,000.00	2.070	AA+	2.070	1,062	09/28/2022
3134GTTK9	11318	FEDERAL HOME LOAN MORTGAGE CO		06/26/2019	1,500,000.00	1,502,160.00	1,500,000.00	2.375	AA+	2.375	1,699	06/26/2024
3136G3N92	11220	FEDERAL NATIONAL MORT ASSOC		07/29/2016	2,525,000.00	2,516,137.25	2,525,000.00	1.350	AA+	1.350	634	07/27/2021
3136G04T5	11222	FEDERAL NATIONAL MORT ASSOC		08/25/2016	1,000,000.00	998,990.00	1,000,000.00	1.500	AA+	1.055	195	05/14/2020

Data Updated: SET_TRE: 11/15/2019 10:13
Run Date: 11/15/2019 - 10:13

Portfolio CITY

Deputy Treasurer Monthly Reports
Portfolio Management
Portfolio Details - Investments
October 31, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
Federal Agency Issues - Coupon												
3135G0K69	11223	FEDERAL NATIONAL MORT ASSOC		08/25/2016	2,000,000.00	1,990,400.00	2,000,000.00	1.250	AA+	1.230	552	05/06/2021
3136G4LX9	11240	FEDERAL NATIONAL MORT ASSOC		02/28/2017	2,000,000.00	2,000,580.00	2,000,000.00	2.125	AA+	2.125	850	02/28/2022
Subtotal and Average			54,113,701.83		51,100,000.00	51,198,559.50	51,054,603.10			1.897	760	
Treasury Securities - Coupon												
912828S27	11233	U.S.TREASURY NOTE		12/15/2016	2,000,000.00	1,984,920.00	1,974,487.15	1.125	AA+	1.930	607	06/30/2021
912828S27	11237	U.S.TREASURY NOTE		02/09/2017	2,000,000.00	1,984,920.00	1,980,078.08	1.125	AA+	1.750	607	06/30/2021
912828XW5	11273	U.S.TREASURY NOTE		11/29/2017	1,000,000.00	1,006,210.00	993,558.47	1.750	AA+	2.004	972	06/30/2022
912828XW5	11286	U.S.TREASURY NOTE		01/31/2018	1,000,000.00	1,006,210.00	983,030.73	1.750	AA+	2.426	972	06/30/2022
Subtotal and Average			5,929,670.37		6,000,000.00	5,982,260.00	5,931,154.43			1.964	729	
Medium Term Notes												
037833AX8	11198	Apple Inc		10/30/2015	2,000,000.00	1,996,960.00	1,999,793.88	1.550	AA+	1.590	98	02/07/2020
037833AK6	11301	Apple Inc		05/04/2018	2,500,000.00	2,544,650.00	2,435,672.37	2.400	AA+	3.200	1,279	05/03/2023
166764AN0	11156	Chevron Corp		04/28/2015	1,000,000.00	1,000,060.00	1,000,233.48	2.193	AA	1.569	14	11/15/2019
166764AG5	11182	Chevron Corp		07/31/2015	2,000,000.00	2,006,260.00	2,003,328.12	2.427	AA	2.120	236	06/24/2020
459200HM6	11183	IBM		08/18/2015	2,000,000.00	1,998,140.00	1,995,658.58	1.625	AA-	2.050	196	05/15/2020
594918BG8	11199	MicroSoft Corp		11/05/2015	2,000,000.00	2,004,820.00	2,000,000.00	2.000	AAA	1.944	368	11/03/2020
594918BP8	11265	MicroSoft Corp		08/28/2017	2,000,000.00	1,996,900.00	1,988,116.81	1.550	AAA	1.900	646	08/08/2021
89114QBC1	11201	Toronto Dominion Bank		12/14/2015	1,000,000.00	1,007,320.00	1,000,000.00	2.500	AA-	2.473	409	12/14/2020
89236TGN9	11349	Toyota Motor Credit Corp		10/22/2019	2,000,000.00	1,998,760.00	2,000,000.00	2.125	AA-	2.125	1,817	10/22/2024
Subtotal and Average			15,067,107.43		16,500,000.00	16,553,870.00	16,422,803.24			2.148	624	
Negotiable CD												
319141GV3	11254	First Bank of Highland		07/19/2017	245,000.00	246,854.65	245,000.00	2.150	FDIC	2.150	991	07/19/2022
33767A4N8	11262	First Bank of Puerto Rico		08/25/2017	245,000.00	247,178.05	245,000.00	2.200	FDIC	2.201	1,028	08/25/2022
32056GCS7	11277	First Internet Bank of Indiana		12/18/2017	245,000.00	248,354.05	245,000.00	2.350	FDIC	2.350	1,144	12/19/2022
33583FAC6	11275	First Northeast Bk of Nebraska		12/15/2017	245,000.00	247,599.45	245,000.00	2.250	FDIC	2.251	1,140	12/15/2022
32110YFW0	11163	First National Bank of America		05/29/2015	245,000.00	245,000.00	245,000.00	1.600	FDIC	1.600	210	05/29/2020
33715LAV2	11268	First Tech Credit Union		10/16/2017	245,000.00	247,503.90	245,000.00	2.250	FDIC	2.252	1,081	10/17/2022
02587CFU9	11261	American Express		08/29/2017	245,000.00	247,503.90	245,000.00	2.400	FDIC	2.401	1,032	08/29/2022
01748DBA3	11283	Allegiance Bank		02/07/2018	245,000.00	250,431.65	245,000.00	2.600	FDIC	2.601	1,194	02/07/2023
02007GKC6	11316	Ally Bank		06/06/2019	245,000.00	249,037.60	245,000.00	2.500	FDIC	2.502	948	06/06/2022
02587DV47	11257	American Express Cent #27471		08/08/2017	245,000.00	247,168.25	245,000.00	2.350	FDIC	2.351	1,011	08/08/2022
08173QBX3	11269	Beneficial Bank		10/18/2017	245,000.00	246,793.40	245,000.00	2.150	FDIC	2.151	1,082	10/18/2022
05580ACP7	11184	BMW Bank of No America #35141		08/14/2015	245,000.00	246,310.75	245,000.00	2.250	FDIC	2.253	287	08/14/2020
108622FT3	11251	Bridgewater Bank		06/29/2017	245,000.00	245,916.30	245,000.00	2.000	FDIC	2.002	971	06/29/2022
12325EHV7	11258	Business Bank		07/20/2017	245,000.00	246,215.20	245,000.00	2.050	FDIC	2.051	991	07/19/2022

Portfolio CITY

Data Updated: SET_TRE: 11/15/2019 10:13

Run Date: 11/15/2019 - 10:13

**Deputy Treasurer Monthly Reports
Portfolio Management
Portfolio Details - Investments
October 31, 2019**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
Negotiable CD												
14042RHM6	11259	Capital One#4297		08/23/2017	245,000.00	248,175.20	245,000.00	2.350	FDIC	2.351	1,026	08/23/2022
140420TE0	11176	Capital One Bank USA #33954		07/08/2015	247,000.00	248,267.11	247,000.00	2.350	FDIC	2.353	250	07/08/2020
17312QJ26	11297	CITIBABNK na		04/11/2018	245,000.00	253,148.70	245,000.00	2.900	FDIC	2.900	1,257	04/11/2023
20033ASX5	11231	Comenity Capital Bank		10/31/2016	245,000.00	243,468.75	245,000.00	1.750	FDIC	1.751	728	10/29/2021
061785DD0	11211	Bank of Deerfield		06/07/2016	245,000.00	244,693.75	245,000.00	1.300	FDIC	1.301	158	04/07/2020
254672NC8	11160	Discover Bank #5649		05/06/2015	245,000.00	245,377.30	245,000.00	1.900	FDIC	1.902	187	05/06/2020
27113PCE9	11285	EAST BOSTON SAVINGS BANK MA		01/30/2018	245,000.00	249,610.90	245,000.00	2.500	FDIC	2.501	1,186	01/30/2023
29278TAH3	11290	ENERBANK usa		02/16/2018	245,000.00	250,862.85	245,000.00	2.650	FDIC	2.650	1,203	02/16/2023
29976DZD5	11177	EverBank #34775		07/14/2015	245,000.00	245,686.00	245,000.00	2.000	FDIC	2.002	256	07/14/2020
307811BR9	11278	Farmers and Merchants BK of WI		12/21/2017	245,000.00	247,614.15	245,000.00	2.250	FDIC	2.252	1,146	12/21/2022
33847EJ5	11312	Flagstar Bank		06/12/2019	245,000.00	249,049.85	245,000.00	2.500	FDIC	2.500	955	06/13/2022
38148JSU6	11159	Goldman Sachs Bank #33124		05/06/2015	245,000.00	245,377.30	245,000.00	1.900	FDIC	1.902	187	05/06/2020
40434AP45	11202	Household Finance Co		03/10/2016	245,000.00	248,535.35	245,000.00	2.750	FDIC	2.024	495	03/10/2021
40434YGK7	11242	Household Finance Co		03/24/2017	245,000.00	245,801.15	245,000.00	2.450	FDIC	2.451	871	03/21/2022
45581EAS0	11296	INDUSTRIAL COM BK CHINA USA		04/05/2018	245,000.00	253,092.35	245,000.00	2.900	FDIC	2.903	1,244	03/29/2023
45581EAR2	11288	INDUSTRIAL & COMMERCIAL BK OF		02/14/2018	245,000.00	250,853.05	245,000.00	2.650	FDIC	2.653	1,201	02/14/2023
499724AA0	11276	Knoxville TVA Credit Union		12/07/2017	245,000.00	247,949.80	245,000.00	2.300	FDIC	2.302	1,132	12/07/2022
51507LBD5	11232	Landmark Community Bank		11/10/2016	245,000.00	243,473.65	245,000.00	1.600	FDIC	1.601	740	11/10/2021
538036CP7	11243	Live Oak Banking Company		04/08/2017	245,000.00	246,283.80	245,000.00	2.100	FDIC	2.102	523	04/07/2021
549103YK9	11224	Luana Savings Bank		09/09/2016	245,000.00	243,613.30	245,000.00	1.350	FDIC	1.351	678	09/09/2021
62384RAB2	11267	MOUNTAIN AMERICA CREDIT UNION		10/12/2017	245,000.00	247,856.70	245,000.00	2.300	FDIC	2.303	1,076	10/12/2022
57116AQV3	11284	MARLIN BUSINESS BANK		01/30/2018	245,000.00	249,630.50	245,000.00	2.500	FDIC	2.503	1,186	01/30/2023
55266CRZ1	11212	MB Financial Bank		06/10/2016	245,000.00	244,657.00	245,000.00	1.350	FDIC	1.351	222	06/10/2020
583626AE6	11287	MECHANICS COOP BANK		02/05/2018	245,000.00	250,039.65	245,000.00	2.550	FDIC	2.550	1,193	02/06/2023
58733ADJ5	11229	mercantil Commercebank Nationa		09/28/2016	245,000.00	243,561.85	245,000.00	1.650	FDIC	1.651	697	09/28/2021
61747MH46	11282	Morgan Stanley Bank		01/25/2018	245,000.00	250,742.80	245,000.00	2.650	FDIC	2.426	1,181	01/25/2023
61760AG52	11311	Morgan Stanley Private Bank		06/13/2019	245,000.00	252,207.90	245,000.00	2.600	FDIC	2.600	1,686	06/13/2024
67054NAK9	11249	Numerica Credit Union		06/21/2017	245,000.00	247,822.40	245,000.00	2.300	FDIC	2.301	963	06/21/2022
66612ACG1	11289	NORTHFIELD BANK		02/21/2018	245,000.00	248,535.35	245,000.00	2.450	FDIC	2.450	844	02/22/2022
71270QLZ7	11153	Peoples United Bank		02/04/2015	245,000.00	245,404.25	245,000.00	1.750	FDIC	1.751	95	02/04/2020
700654AY2	11245	The Park National Bank		03/30/2017	245,000.00	245,629.65	245,000.00	1.950	FDIC	1.952	334	09/30/2020
74160NFN5	11253	Prime Alliance Bank		07/05/2017	245,000.00	245,916.30	245,000.00	2.000	FDIC	2.001	972	06/30/2022
74267GVT1	11244	Private Bank & Trust Co #33306		03/30/2017	245,000.00	247,178.05	245,000.00	2.200	FDIC	2.201	880	03/30/2022
795450D36	11260	Sallie Mae Bank		08/23/2017	245,000.00	248,175.20	245,000.00	2.350	FDIC	2.351	1,026	08/23/2022
8562846V1	11241	STATE BANK of INDIA		03/14/2017	245,000.00	248,015.95	245,000.00	2.350	FDIC	2.351	864	03/14/2022
87164YGD0	11157	Synchrony Bank Retail		04/28/2015	245,000.00	245,455.70	245,000.00	1.900	FDIC	1.902	164	04/13/2020
90348JCR9	11303	UBS Bank		05/30/2018	245,000.00	255,601.15	245,000.00	3.150	FDIC	3.152	1,306	05/30/2023
91435LAG2	11302	University of Iowa		05/15/2018	245,000.00	254,643.20	245,000.00	3.050	FDIC	3.052	1,291	05/15/2023

Data Updated: SET_TRE: 11/15/2019 10:13

Run Date: 11/15/2019 - 10:13

Portfolio CITY

**Deputy Treasurer Monthly Reports
Portfolio Management
Portfolio Details - Investments
October 31, 2019**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
Negotiable CD												
92937CJP4	11309	WEX BK MIDVALE UTAH		06/07/2019	245,000.00	247,111.90	245,000.00	2.500	FDIC	2.500	402	12/07/2020
949763BH8	11228	Wells Fargo Bank		09/28/2016	245,000.00	244,706.00	245,000.00	1.700	FDIC	1.701	697	09/28/2021
981571BP6	11180	WORLD FOREMOST BANK		07/16/2015	200,000.00	200,848.00	200,000.00	2.400	FDIC	2.403	258	07/16/2020
Subtotal and Average			13,653,290.32		13,432,000.00	13,576,540.96	13,432,000.00			2.223	836	
Total and Average			136,853,612.28		141,796,214.58	142,075,445.04	141,604,775.35			2.069	457	



CITY OF TORRANCE

CASH AND INVESTMENTS RECONCILIATION AS OF OCTOBER 31, 2019

INVESTMENTS PER PORTFOLIO SUMMARY		\$ 141,604,775.35
Cash in Bank of America General Account	\$ 9,475,489.86	
Cash in Bank of America Housing Account	957,077.51	
		10,432,567.37
TOTAL FUNDS PER INVESTMENT REPORT		\$ 152,037,342.72
OUTSTANDING WARRANTS:		
General Account	\$ (1,334,909.24)	
Payroll Account	(9,380.81)	
Workers' Compensation Account	(150,421.39)	
Housing Account	(3,701.00)	
		(1,498,412.44)
DEPOSITS IN TRANSIT:		
October 2019 Minol cash collection	\$ 566,029.31	
October 2019 Cash deposits	77,949.76	
October 2019 Credit card receipts	112,050.41	
		756,029.48
TOTAL CASH AND INVESTMENTS PER BOOKS		\$ 151,294,959.76

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, or 16313.
- 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,

Glossary

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 chartered 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.

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.

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.

Glossary

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

Glossary

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:

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