

## Quarterly Investment Report December 2018

This report presents a detailed discussion of the City's investment portfolio as of December 31, 2018. It includes all investments managed by the City on its own behalf as well as the City's Trustees. The report provides information on cash flows, broken down by both investment manager (City or Trustee) and by percentage allocation within the portfolio.

As of December 31, 2018, the investment portfolio was in compliance with all state laws and the City's Investment Policy (see Attachment 1).

### Current Portfolio Summary

As directed by the Investment Policy adopted by City Council, City staff strives to attain three primary goals with the City's investments as follows (in order of priority):

1. Safety – Preservation of the principal of invested funds
2. Liquidity – Ability to liquidate one or more of the City's investments if unexpected expenditures arise
3. Return – Attainment of a market rate of return

The majority of the portfolio is invested in the Local Agency Investment Fund (LAIF), which is administered by the California State Treasurer's office. LAIF provides the City with an investment vehicle with yields that are slightly greater than U.S. Treasuries (T-bills) with a 2-year maturity or less. LAIF is a high quality investment in terms of safety, liquidity, and yield. Additionally, LAIF is an "On Demand" account; meaning funds may be withdrawn upon with 1 day notice, representing maximum liquidity.

In addition to LAIF, the City holds investments in Money Market Mutual Funds, Nonnegotiable Certificates of Deposit, and State and Local Government Securities (SLGS). These investments are prudent investment choices and are included in the City's Investment Policy as allowable investments.

Each investment mentioned above has a specific maturity date. However, much of the portfolio is On Demand. The short weighted average maturity provides the City with a great deal of liquidity during this period of heightened economic uncertainty and period of low investment yields. This liquidity places the City to invest in longer term maturity investments once interest rates begin to move up toward their historical norms; overall macroeconomic indicators signal solid and consistent growth in future years.

The following table (Table: 1) provides a summary of the City's cash and investments, by holding party, based on recorded value as of December 31, 2018 compared with the prior quarter:

<b>Table: 1</b>				
<b>Holding Party</b>	<b>September 30, 2018</b>		<b>December 31, 2018</b>	
	<b>Fund Amounts (1)</b>	<b>% of Portfolio</b>	<b>Fund Amounts (1)</b>	<b>% of Portfolio</b>
Investments/cash held by the City	\$84,978,674	71%	\$85,271,214	69%
Investments held by Trustees	\$35,185,795	29%	\$37,906,188	31%
<b>TOTAL</b>	<b>\$120,164,469</b>	<b>100%</b>	<b>\$123,177,401</b>	<b>100%</b>

(1) Small variances are due to the summation and rounding of multiple figures to the nearest whole dollar

Please see the following pages (Tables: 2 through 5) for a more detailed analysis of transactional additions and reductions due to cash flow needs, debt service payments, and maturities/rollovers of certain investments.

Revenues arrived during the quarter, per City staff expectations, are as follows: utility payments, property tax, franchise fees, sales tax (including Measure C), developer billing fees, grant reimbursements, building permit fees, plan check fees, and Transient Occupancy Tax (TOT).


Significant payables paid out during the quarter include:

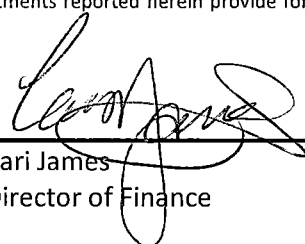
- I. Nonrecurring Expenditure Capital Improvement Projects – General Government, Parks, Streets, Water, and Wastewater
- II. Recurring Expenditures
  - a. Contractual – Park & Street Landscaping, and Water Treatment Services
  - b. Intergovernmental payments – San Joaquin County (Police Services), Lathrop Manteca Fire District

**Quarterly Economic Update**

According to the latest projections from the Business Forecasting Center at the University of the Pacific, California’s economic growth is forecast at a strong 3.4% through 2019, and then declining to 1.9% in 2021 as recession risk grows. Regionally, the Central Valley is expected to show job growth due to the booming logistics sector as it has added jobs to the trucking and warehousing industry. In addition, the Center estimates that most Central Valley metro areas will average single-digit unemployment in 2018. The strengthening housing market is lending support to manufacturing, which was hit by deep federal government spending cuts and slowing global demand. Locally, the San Joaquin Valley area experienced a decrease in unemployment rates (San Joaquin County: 5%; City of Lathrop: 4.6%). While these rates are within the forecasted levels, caution is key to carry out with the business demands of the City.

I certify that all of the investments reported herein are in accordance with the "City of Lathrop Investment Policy" adopted on November 5, 2012, with the Government Code, and other contractual agreements. I further certify the investments reported herein provide for the ability of the City to meet cash flow needs for the next six months.

  
 \_\_\_\_\_  
 Stephen Salvatore  
 City Manager

  
 \_\_\_\_\_  
 Cari James  
 Director of Finance

**TABLE: 2**  
**CITY OF LATHROP**  
**Summary of All Investments**  
**As of December 31, 2018**

<b>City Held Investments</b>	<b>Recorded Value</b>	<b>Current Yield</b>	<b>Percent of Portfolio</b>	<b>Market Value</b>
Local Agency Investment Fund	\$ 51,546,981	0.228%	55.86%	\$ 51,546,981
Wells Fargo Money Market Mutual Funds	\$ 2,823,237	0.000%	3.06%	\$ 2,823,237
<b>Total Investments Held by the City (1)</b>	<b>\$ 54,370,218</b>	<b>0.216%</b>	<b>58.92%</b>	<b>\$ 54,370,217</b>

<b>Trustee Held Investments</b>	<b>Recorded Value</b>	<b>Current Yield</b>	<b>Percent of Portfolio</b>	<b>Market Value</b>
Union Bank	\$ 4,009,400	0.027%	4.34%	\$ 4,009,400
UMB Bank	\$ 2,356,950	0.000%	2.55%	\$ 2,356,950
US Bank	\$ -	0.025%	0.00%	\$ -
SJ County Pooled Funds	\$ 253,786	0.260%	0.28%	\$ 253,786
PFM Asset Management	\$ 30,794,343	0.000%	33.37%	\$ 30,794,343
BBVA Compass Bank	\$ 491,708	0.230%	0.53%	\$ 491,708
<b>Total Investments Held by Trustees (2)</b>	<b>\$ 37,906,188</b>	<b>0.008%</b>	<b>41.08%</b>	<b>\$ 37,906,188</b>

<b>Total City &amp; Trustee Held Investments &amp; Cash</b>	<b>Recorded Value</b>	<b>Current Yield</b>	<b>Percent of Portfolio</b>	<b>Market Value</b>
Investments Held by the City and Trustees	\$ 92,276,405	0.131%	100.00%	\$ 92,276,405
Cash in Checking Accounts - Recorded Value	\$ 30,900,996			
<b>Total Cash and Investments</b>	<b>\$ 123,177,401</b>			

Weighted Average Maturity of Portfolio (days): 1  
 One month benchmark for U.S. Treasuries: 0.02%  
 Three month benchmark for U.S. Treasuries: 0.03%

**Notes:**

- (1) See Table: 4 for detailed investments held by the City.
- (2) See Table: 5 for detailed investments held by Trustees.

**TABLE: 3**  
**CITY OF LATHROP**  
**Investments Cash Flow Analysis**  
**As of December 31, 2018**

<b>Investments Held by the City</b>	<b>Prior Month Recorded Value</b>	<b>Purchased (Buy)</b>	<b>Redeemed (Sell)</b>	<b>Current Month Recorded Value</b>
Local Agency Investment Fund (1)	\$ 51,546,981			\$ 51,546,981
Wells Fargo Money Market Mutual Funds (2)	\$ 2,818,234	5,003		\$ 2,823,237
<b>Total Investments Held by the City</b>	<b>\$ 54,365,215</b>	<b>5,003</b>	<b>-</b>	<b>\$ 54,370,217</b>

<b>Investments Held by Trustees</b>	<b>Prior Month Recorded Value</b>	<b>Purchased (Buy)</b>	<b>Redeemed (Sell)</b>	<b>Current Month Recorded Value</b>
BBVA Compass Bank	\$ 491,333	376		\$ 491,708
SJ County Pooled Funds	\$ 253,786			\$ 253,786
UMB Bank	\$ 2,352,899	4,291	(240)	\$ 2,356,950
Union Bank (3)	\$ 3,711,236	298,164		\$ 4,009,400
PFM Asset Management	\$ 30,452,010	2,315,304	(1,972,971)	\$ 30,794,343
<b>Total Investments Held by Trustees</b>	<b>\$ 37,261,263</b>	<b>\$ 2,618,135</b>	<b>\$ (1,973,211)</b>	<b>\$ 37,906,188</b>

<b>Total Cash in Checking Accounts Held by the City (2)</b>	<b>\$ 31,657,959</b>	<b>3,743,470</b>	<b>(4,500,433)</b>	<b>\$ 30,900,996</b>
---	----------------------	------------------	--------------------	----------------------

<b>Total Cash and Investments Held by the City and Trustees</b>	<b>\$ 123,284,437</b>	<b>\$ 6,366,608</b>	<b>\$ (6,473,643)</b>	<b>\$ 123,177,401</b>
---	-----------------------	---------------------	-----------------------	-----------------------

**Notes:**

(1) LAIF interest income is paid quarterly (Mar/Jun/Sept/Dec) and received in the following month (Apr/Jul/Oct/Jan).

(2) Property Tax, Building permit revenue, TOT, Developer payments, and Utility payments; nonrecurring expenses paid during the month: General government, Parks, Streets, Wastewater, and Water CIPs; also, recurring expenses: Park & street landscape maintenance, and water treatment services; lastly, intergovernmental payments and transfers: Police Services expenses, and SSJID SCSWSP O & M expenses.

(3) Interest earnings, debt service payments.

**TABLE: 4**  
**CITY OF LATHROP**  
**Investments Held by City - Detail**  
**As of December 31, 2018**

Agency (Broker)	Investment Description	Coupon Rate	Yield to Maturity	Purchase Date	Maturity Date	Market Value (No Accruals)	Recorded Value
<b>Local Agency Investment Fund</b>							
	Money Market Fund City Acct No. 98-39-437	N/A	0.257%	Varies	On Demand	51,546,981	51,546,981
						<b>\$ 51,546,981</b>	<b>\$ 51,546,981</b>
<b>Wells Fargo Mutual Funds</b>							
	Money Market Mutual Fund City Acct No. 12641627	N/A	0.000%	Varies	On Demand	2,823,237	2,823,237
						<b>\$ 2,823,237</b>	<b>\$ 2,823,237</b>
<b>TOTAL INVESTMENTS HELD BY CITY</b>						<b>\$ 54,370,217</b>	<b>\$ 54,370,218</b>

**TABLE: 5**  
**CITY OF LATHROP**  
**Investments Held by Trustee - Detail**  
**As of December 31, 2018**

Investment Description	CUSIP	Current Yield	Purchase Date	Maturity Date	Value	Recorded Value
<b>Investments Held by Union Bank by Account</b>						
<i>03-1 Series 2015 - Mossdale Village Assessment District</i>						
Mossdale Village Assessment Dist. No. 03-1 Series 2015 - Redemption Fund		0.010%	10/18/05	On Demand	\$ 73	\$ 73
Mossdale Village Assessment Dist. No. 03-1 Series 2005/2015 - Reserve Fund		0.010%	10/18/05	On Demand	\$ 242,113	\$ 242,113
<i>2000 North Harlan Improvement District 99-01</i>						
Money Market - Reserve Account		0.010%	7/12/00	On Demand	\$ 92,847	\$ 92,847
Money Market - Redemption Account		0.010%	7/12/00	On Demand	\$ 17	\$ 17
<i>2003-2A Lathrop CFD</i>						
Money Market- Interest Account		0.010%	12/12/03	On Demand	\$ 56	\$ 56
LAIF - Interest Account		0.257%	03/19/03	On Demand	\$ 729,260	\$ 729,260
<i>CDPH/CDWR - SRF Loan</i>						
Agreement Account		0.000%	12/22/10	On Demand	\$ 293,098	\$ 293,098
Agreement Account - Reserve Fund		0.000%	12/22/10	On Demand	\$ 603,262	\$ 603,262
<i>2013-1 Mossdale Village</i>						
2013-1 Refunding Improvement Bonds		0.000%	10/1/13	On Demand	\$ 138	\$ 138
2013-1 Refunding Improvement Bonds		0.000%	10/1/13	On Demand	\$ 953,729	\$ 953,729
<i>2013-1 Special Tax Bonds</i>						
2013-1 Mossdale Special Tax		0.000%	10/1/13	On Demand	\$ 264,719	\$ 264,719
2013-1 Mossdale Special Tax		0.000%	10/1/13	On Demand	\$ 75	\$ 75
<i>2015 Crossroads Series B</i>						
2015 Crossroads Series B - LOIB RDP		0.000%	9/1/15	On Demand	\$ 102	\$ 102
2015 Crossroads Series B - LOIB Reserve		0.000%	9/1/15	On Demand	\$ 747,564	\$ 747,564
2015 Crossroads Series B - Improvements		0.000%	9/1/15	On Demand	\$ 82,347	\$ 82,347
<b>Total Investments Held by Trustee - Union Bank</b>					<b>\$ 4,009,400</b>	<b>\$ 4,009,400</b>
<b>Investments Held by BBVA Compass Bank by Account</b>						
<i>2012 Water Loan (Refunding of 2000 Water COPs)</i>						
Certificate of Deposit - Reserve Fund		0.230%	4/24/13	4/24/14	\$ 491,708	\$ 491,708
<b>Total Investments Held by Trustee -BBVA Compass Bank</b>					<b>\$ 491,708</b>	<b>\$ 491,708</b>

**TABLE: 5**  
**CITY OF LATHROP**  
**Investments Held by Trustee - Detail**  
**As of December 31, 2018**

Investment Description	CUSIP	Current Yield	Purchase Date	Maturity Date	Value	Recorded Value
<b>Investments Held by UMB Bank by Account</b>						
<i>2006-1 Central Lathrop Phase I Infrastructure CFD</i>						
Special Tax Fund		0.000%	9/12/06	On Demand	\$ 2,316,880	\$ 2,316,880
Interest Fund		0.000%	9/12/06	On Demand	\$ 1	\$ 1
TTEE Fee & Comp Exp		0.002%	9/12/06	On Demand	\$ 40,018	\$ 40,018
Reserve Fund		0.000%	9/12/06	On Demand	\$ 0	\$ 0
Improvement Fund		0.000%	9/12/06	On Demand	\$ 51	\$ 51
<b>Total Investments Held by Trustee - UMB Bank</b>					<b>\$ 2,356,950</b>	<b>\$ 2,356,950</b>
<b>Investments Held by San Joaquin County by Account</b>						
<i>Sanitary Sewer Assessment District #1</i>						
Pooled Funds - Redemption Account		0.260%	10/1/87	On Demand	\$ 253,786	\$ 253,786
<b>Total Investments Held by Trustee -San Joaquin County</b>					<b>\$ 253,786</b>	<b>\$ 253,786</b>
<b>Investments Held by PFM Asset Management by Account</b>						
<i>PFM Asset Management</i>						
Money Market Fund		0.000%	5/28/15	05/28/15	\$ 50,942	\$ 50,942
US Treasury Notes	9128282K5	1.38%	7/31/17	7/31/19	\$ 297,949	\$ 297,949
US Treasury Notes	912828WW6	1.63%	7/31/14	7/31/19	\$ 447,592	\$ 447,592
US Treasury Notes	912828UL2	1.38%	1/31/13	1/31/20	\$ 409,569	\$ 409,569
US Treasury Notes	912828H52	1.25%	12/1/16	1/31/20	\$ 886,992	\$ 886,992
US Treasury Notes	912828H52	1.25%	2/2/15	1/31/20	\$ 1,773,985	\$ 1,773,985
US Treasury Notes	912828W22	1.38%	2/15/17	2/15/20	\$ 788,969	\$ 788,969
US Treasury Notes	912828J84	1.38%	3/31/15	3/31/20	\$ 1,182,374	\$ 1,182,374
US Treasury Notes	912828K58	1.38%	4/30/15	4/30/20	\$ 984,609	\$ 984,609
US Treasury Notes	912828XE5	1.50%	6/1/15	5/31/20	\$ 418,758	\$ 418,758
US Treasury Notes	912828XH8	1.63%	6/30/15	6/30/20	\$ 1,504,388	\$ 1,504,388
US Treasury Notes	912828XM7	1.63%	7/31/15	7/31/20	\$ 739,365	\$ 739,365
US Treasury Notes	912828L32	1.38%	8/31/15	8/31/20	\$ 1,030,190	\$ 1,030,190
US Treasury Notes	912828L99	1.38%	10/31/15	10/31/20	\$ 1,028,672	\$ 1,028,672
US Treasury Notes	912828M98	1.63%	11/30/15	11/30/20	\$ 590,110	\$ 590,110
US Treasury Notes	912828N48	1.75%	12/31/15	12/31/20	\$ 798,451	\$ 798,451
US Treasury Notes	912828N48	1.75%	12/31/15	12/31/20	\$ 1,133,603	\$ 1,133,603

**TABLE: 5**  
**CITY OF LATHROP**  
**Investments Held by Trustee - Detail**  
**As of December 31, 2018**

Investment Description	CUSIP	Current Yield	Purchase Date	Maturity Date	Value	Recorded Value
US Treasury Notes	912828N89	1.38%	1/31/16	1/31/21	\$ 488,535	\$ 488,535
US Treasury Notes	912828N89	1.38%	1/31/16	1/31/21	\$ 669,293	\$ 669,293
US Treasury N/B Notes	9128283X6	2.25%	2/1/18	2/15/21	\$ 611,661	\$ 611,661
US Treasury Notes	912828C57	2.25%	3/31/14	3/31/21	\$ 472,551	\$ 472,551
US Treasury Notes	912828C57	2.25%	3/31/14	3/31/21	\$ 572,035	\$ 572,035
US Treasury Notes	912828WG1	2.25%	4/30/14	4/30/21	\$ 1,094,843	\$ 1,094,843
US Treasury Notes	912828WN6	2.00%	6/2/14	5/31/21	\$ 642,789	\$ 642,789
US Treasury Notes	912828WR7	2.13%	6/30/14	6/30/21	\$ 1,066,098	\$ 1,066,098
US Treasury Notes	9128284W7	2.75%	8/15/18	8/15/21	\$ 1,006,758	\$ 1,006,758
US Treasury Notes	912828D72	2.00%	9/2/14	8/31/21	\$ 1,086,336	\$ 1,086,336
US Treasury N/B	9128285A4	2.75%	9/17/18	9/15/21	\$ 503,477	\$ 503,477
US Treasury Notes	9128285F3	2.88%	10/15/18	10/15/21	\$ 631,592	\$ 631,592
US Treasury Notes	9128285L0	2.88%	11/15/18	11/15/21	\$ 1,011,133	\$ 1,011,133
<b>US Treasury Subtotal:</b>					<b>\$ 23,872,676</b>	<b>\$ 23,872,676</b>
<b>Federal Agency Bond/Note</b>						
FHLB Global Notes	3130A8DB6	1.13%	6/2/16	6/21/19	\$ 24,828	\$ 24,828
FHLB Global Notes	3130A8DB6	1.13%	6/27/16	6/21/19	\$ 1,017,958	\$ 1,017,958
FHLMC Reference Note	3137EAEB1	0.88%	7/20/16	7/19/19	\$ 282,281	\$ 282,281
FHLMC Reference Note	3137EAEB1	0.88%	10/3/16	7/19/19	\$ 891,415	\$ 891,415
FNMA Benchmark Note	3135G0N33	0.88%	8/2/16	08/02/19	\$ 890,911	\$ 890,911
FNMA Notes	3135G0P49	1.00%	9/2/16	08/28/19	\$ 1,523,590	\$ 1,523,590
FNMA Notes	3135G0T29	1.50%	2/28/17	2/28/20	\$ 296,585	\$ 296,585
FHLMC Agency Notes	3137EAEF2	1.38%	4/20/17	4/20/20	\$ 492,431	\$ 492,431
Fannie Mae Notes	3135G0U35	2.75%	6/25/18	6/22/21	\$ 447,497	\$ 447,497
Federal Home Loan Banks Agcy	313AEXV7	3.00%	9/20/18	9/20/12	\$ 451,124	\$ 451,124
Federal Home Loan Banks Agcy	3130AF5B9	3.00%	10/12/18	10/12/21	\$ 430,421	\$ 430,421
<b>Federal Agency Subtotal:</b>					<b>\$ 6,749,042</b>	<b>\$ 6,749,042</b>
<b>Interest</b>						
Accrued Interest					\$ 121,684	\$ 121,684
<b>Total Investments Held by Trustee -PFM Asset Management</b>					<b>\$ 30,794,343</b>	<b>\$ 30,794,343</b>
* Investments made per CLSP Bond Indenture						
<b>Total Investments Held by Trustees</b>					<b>\$ 37,906,188</b>	<b>\$ 37,906,188</b>