



Quarterly Investment Report

December 2017

This report presents a detailed discussion of the City's investment portfolio as of December 31, 2017. 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, 2017, 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 Additionally, LAIF is an "On Demand" account; meaning funds may be withdrawn upon with 1 day notice, representing maximum liquidity.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, 2017 compared with the prior quarter:

Holding Party	September 30, 2017		December 31, 2017	
	Fund Amounts (1)	% of Portfolio	Fund Amounts (1)	% of Portfolio
Investments/cash held by the City	\$79,525,383	67%	\$72,310,491	65%
Investments held by Trustees	\$38,345,718	33%	\$38,594,717	35%
TOTAL	\$117,871,101	100%	\$110,905,208	100%

(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).

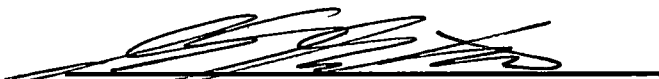
Significant payables paid out during the quarter include:

- 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 economy will maintain steady growth despite a slight slowdown at the beginning of the year. Consumer spending and residential investment, which were expected to drive growth in 2017, have increased less than expected but remain well positioned to support future growth. 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 2017. 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: 6.6%; City of Lathrop: 6.4%). 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

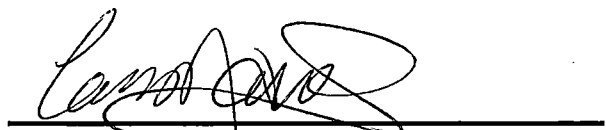

 Cari James
 Director of Finance

TABLE: 2
CITY OF LATHROP
Summary of All Investments
As of December 31, 2017

City Held Investments	Recorded Value	Current Yield	Percent of Portfolio	Market Value
Local Agency Investment Fund	\$ 50,683,280	0.228%	55.06%	\$ 50,683,280
Wells Fargo Money Market Mutual Funds	\$ 2,780,161	0.000%	3.02%	\$ 2,780,161
Total Investments Held by the City (1)	\$ 53,463,441	0.216%	58.08%	\$ 53,463,441

Trustee Held Investments	Recorded Value	Current Yield	Percent of Portfolio	Market Value
Union Bank	\$ 7,107,272	0.027%	7.72%	\$ 7,107,272
UMB Bank	\$ 417,902	0.000%	0.45%	\$ 417,902
US Bank	\$ 11	0.025%	0.00%	\$ 11
SJ County Pooled Funds	\$ 276,692	0.260%	0.30%	\$ 276,692
PFM Asset Management	\$ 30,301,131	0.000%	32.92%	\$ 30,301,131
BBVA Compass Bank	\$ 491,708	0.230%	0.53%	\$ 491,708
Total Investments Held by Trustees (2)	\$ 38,594,717	0.010%	41.92%	\$ 38,594,717

Total City & Trustee Held Investments & Cash	Recorded Value	Current Yield	Percent of Portfolio	Market Value
Investments Held by the City and Trustees	\$ 92,058,158	0.130%	100.00%	\$ 92,058,158
Cash in Checking Accounts - Recorded Value	\$ 18,847,050			
Total Cash and Investments	\$ 110,905,207			

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, 2017

Investments Held by the City	Prior Month Recorded Value	Purchased (Buy)	Redeemed (Sell)	Current Month Recorded Value
Local Agency Investment Fund (1)	\$ 50,683,280	-	-	\$ 50,683,280
Wells Fargo Money Market Mutual Funds (2)	\$ 2,778,288	1,873	-	\$ 2,780,161
Total Investments Held by the City	\$ 53,461,568	1,873	-	\$ 53,463,441

Investments Held by Trustees	Prior Month Recorded Value	Purchased (Buy)	Redeemed (Sell)	Current Month Recorded Value
BBVA Compass Bank	\$ 491,333	376		\$ 491,708
SJ County Pooled Funds	\$ 237,496	64,794	(25,598)	\$ 276,692
UMB Bank	\$ 419,001	157	(1,256)	\$ 417,902
Union Bank (3)	\$ 6,803,694	303,577		\$ 7,107,272
US Bank	\$ 11			\$ 11
PFM Asset Management	\$ 30,230,225	3,982,650	(3,911,743)	\$ 30,301,131
Total Investments Held by Trustees	\$ 38,181,759	\$ 4,351,553	\$ (3,938,596)	\$ 38,594,717

Total Cash in Checking Accounts Held by the City (2)	\$ 21,116,999	4,350,363	(6,620,312)	\$ 18,847,050
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Total Cash and Investments Held by the City and Trustees	\$ 112,760,327	\$ 8,703,789	\$ (10,558,909)	\$ 110,905,208
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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
Investment Held by City Detail
As of December 31, 2017

Agency (Broker)	Investment Description	Coupon Rate	Yield to Maturity	Purchase Date	Maturity Date	Market Value (No Accruals)	Recorded Value
Local Agency Investment Fund							
	Money Market Fund City Acct No. 98-39-437	N/A	0.257%	Varies	On Demand	50,683,280	50,683,280
						\$ 50,683,280	\$ 50,683,280
Wells Fargo Mutual Funds							
	Money Market Mutual Fund City Acct No. 12641627	N/A	0.000%	Varies	On Demand	2,780,161	2,780,161
						\$ 2,780,161	\$ 2,780,161
TOTAL INVESTMENTS HELD BY CITY						\$ 53,463,441	\$ 53,463,441

TABLE: 5
CITY OF LATHROP
Investments Held by Trustee Detail
As of Decemeber 31, 2017

Investment Description	CUSIP	Current Yield	Purchase Date	Maturity Date	Value	Recorded Value
Investments Held by Union Bank by Account						
<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	\$ 60	\$ 60
Mossdale Village Assessment Dist. No. 03-1 Series 2005/2015 - Reserve Fund		0.010%	10/18/05	On Demand	\$ 241,078	\$ 241,078
<i>2000 North Harlan Improvement District 99-01</i>						
Money Market - Reserve Account		0.010%	7/12/00	On Demand	\$ 92,450	\$ 92,450
Money Market - Redemption Account		0.010%	7/12/00	On Demand	\$ 22	\$ 22
<i>2003-2A Lathrop CFD</i>						
Money Market- Interest Account		0.010%	12/12/03	On Demand	\$ 26	\$ 26
LAIF - Interest Account		0.257%	03/19/03	On Demand	\$ 720,508	\$ 720,508
<i>CDPH/CDWR - SRF Loan</i>						
Agreement Account		0.000%	12/22/10	On Demand	\$ 298,822	\$ 298,822
Agreement Account - Reserve Fund		0.000%	12/22/10	On Demand	\$ 602,330	\$ 602,330
<i>2013-1 Mossdale Village</i>						
2013-1 Refunding Improvement Bonds		0.000%	10/1/13	On Demand	\$ 172	\$ 172
2013-1 Refunding Improvement Bonds		0.000%	10/1/13	On Demand	\$ 949,648	\$ 949,648
<i>2013-1 Special Tax Bonds</i>						
2013-1 Mossdale Special Tax		0.000%	10/1/13	On Demand	\$ 55	\$ 55
2013-1 Mossdale Special Tax		0.000%	10/1/13	On Demand	\$ 1	\$ 1
2013-1 Mossdale Special Tax		0.000%	10/1/13	On Demand	\$ 265,245	\$ 265,245
<i>2015 Crossroads Series B</i>						
2015 Crossroads Series B - LOIB RDP		0.000%	9/1/15	On Demand	\$ 308	\$ 308
2015 Crossroads Series B - LOIB Reserve		0.000%	9/1/15	On Demand	\$ 744,369	\$ 744,369
2015 Crossroads Series B - Improvements		0.000%	9/1/15	On Demand	\$ 3,192,179	\$ 3,192,179
2015 Crossroads Series B - COI Custodian Agreement		0.000%	9/1/15	On Demand	\$	\$ -
Total Investments Held by Trustee - Union Bank					\$ 7,107,272	\$ 7,107,272

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CITY OF LATHROP
Investments Held by Trustee Detail
As of Decemeber 31, 2017

Investment Description	CUSIP	Current Yield	Purchase Date	Maturity Date	Value	Recorded Value
Investments Held by BBVA Compass Bank by Account						
<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
Total Investments Held by Trustee -BBVA Compass Bank					\$ 491,708	\$ 491,708
Investments Held by UMB Bank by Account						
<i>2006-1 Central Lathrop Phase I Insfrastructure CFD</i>						
Special Tax Fund		0.000%	9/12/06	On Demand	\$ 294,832	\$ 294,832
Interest Fund		0.000%	9/12/06	On Demand	\$ 1	\$ 1
TTEE Fee & Comp Exp		0.002%	9/12/06	On Demand	\$ 123,018	\$ 123,018
Reserve Fund		0.000%	9/12/06	On Demand	\$ 0	\$ 0
Improvement Fund		0.000%	9/12/06	On Demand	\$ 51	\$ 51
Total Investments Held by Trustee - UMB Bank					\$ 417,902	\$ 417,902
Investments Held by US Bank by Account						
<i>2001A Crossroads Assessment District (Reassessment & Refunding)</i>						
Money Market - Redemption Account		0.000%	12/3/01	On Demand	\$ 11	\$ 11
LAIF - Reserve Account		0.257%	12/3/01	On Demand	\$ 0	\$ 0
Total Investments Held by Trustee - US Bank					\$ 11	\$ 11
Investments Held by San Joaquin County by Account						
<i>Sanitary Sewer Assessment District #1</i>						
Pooled Funds - Redemption Account		0.260%	10/1/87	On Demand	\$ 276,692	\$ 276,692
Total Investments Held by Trustee -San Joaquin County					\$ 276,692	\$ 276,692

TABLE: 5
CITY OF LATHROP
Investments Held by Trustee Detail
As of Decemeber 31, 2017

Investment Description	CUSIP	Current Yield	Purchase	Maturity Date	Value	Recorded Value
Investments Held by PFM Asset Management by Account						
<i>PFM Asset Management</i>						
Money Market Fund		0.000%	5/28/15	05/28/15	\$ 5,861	\$ 5,861
US Treasury Notes	912828P53	0.75%	2/15/16	2/15/19	\$ 790,313	\$ 790,313
US Treasury Notes	912828D23	1.63%	11/10/16	4/30/19	\$ 144,553	\$ 144,553
US Treasury Notes	912828TC4	1.00%	12/1/16	6/30/19	\$ 1,185,047	\$ 1,185,047
US Treasury Notes	9128282K5	1.38%	7/31/17	7/31/19	\$ 297,738	\$ 297,738
US Treasury Notes	912828WW6	1.63%	7/31/14	7/31/19	\$ 647,613	\$ 647,613
US Treasury Notes	912828UL2	1.38%	1/31/13	1/31/20	\$ 410,607	\$ 410,607
US Treasury Notes	912828H52	1.25%	12/1/16	1/31/20	\$ 888,082	\$ 888,082
US Treasury Notes	912828H52	1.25%	2/2/15	1/31/20	\$ 1,776,164	\$ 1,776,164
US Treasury Notes	912828W22	1.38%	2/15/17	2/15/20	\$ 791,187	\$ 791,187
US Treasury Notes	912828J84	1.38%	3/31/15	3/31/20	\$ 1,185,937	\$ 1,185,937
US Treasury Notes	912828K58	1.38%	4/30/15	4/30/20	\$ 987,617	\$ 987,617
US Treasury Notes	912828XE5	1.50%	6/1/15	5/31/20	\$ 420,816	\$ 420,816
US Treasury Notes	912828XH8	1.63%	6/30/15	6/30/20	\$ 1,513,741	\$ 1,513,741
US Treasury Notes	912828XM7	1.63%	7/31/15	7/31/20	\$ 744,229	\$ 744,229
US Treasury Notes	912828L32	1.38%	8/31/15	8/31/20	\$ 1,034,661	\$ 1,034,661
US Treasury Notes	912828L99	1.38%	10/31/15	10/31/20	\$ 1,033,060	\$ 1,033,060
US Treasury Notes	912828M98	1.63%	11/30/15	11/30/20	\$ 593,977	\$ 593,977
US Treasury Notes	912828N48	1.75%	12/31/15	12/31/20	\$ 804,368	\$ 804,368
US Treasury Notes	912828N48	1.75%	12/31/15	12/31/20	\$ 1,142,004	\$ 1,142,004

TABLE: 5
CITY OF LATHROP
Investments Held by Trustee Detail
As of Decemeber 31, 2017

Investment Description	CUSIP	Current Yield	Purchase Date	Maturity Date	Value	Recorded Value
Federal Agency Bond/Note						
FHLMC Reference Note	3137EAEA3	0.83%	4/7/16	4/9/18	\$ 74,862	\$ 74,862
FHLB Global Notes	3130A9AE1	0.88%	8/26/16	10/01/18	\$ 1,097,647	\$ 1,097,647
FHLMC Reference Note	3137EAED7	0.88%	9/16/16	10/12/18	\$ 993,075	\$ 993,075
FHLB Notes	3130AAE46	1.25%	12/7/16	01/16/19	\$ 551,513	\$ 551,513
FNMA Benchmark Note	3135G0J53	1.00%	2/19/16	2/26/19	\$ 495,274	\$ 495,274
FNMA Benchmark Note	3135G0J53	1.00%	4/28/16	2/26/19	\$ 2,951,830	\$ 2,951,830
FHLMC Notes	3137EACA5	3.75%	3/2/16	3/27/19	\$ 1,008,033	\$ 1,008,033
Freddie Mac Notes	3137EADZ9	1.13%	4/27/16	4/15/19	\$ 148,627	\$ 148,627
FHLB Global Notes	3130A8DB6	1.13%	6/2/16	6/21/19	\$ 346,242	\$ 346,242
FHLB Global Notes	3130A8DB6	1.13%	6/27/16	6/21/19	\$ 766,680	\$ 766,680
FHLB Global Notes	3130A8DB6	1.13%	6/3/16	6/21/19	\$ 1,013,996	\$ 1,013,996
FHLMC Reference Note	3137EAEB1	0.88%	7/20/16	7/19/19	\$ 280,544	\$ 280,544
FHLMC Reference Note	3137EAEB1	0.88%	10/3/16	7/19/19	\$ 885,928	\$ 885,928
FNMA Benchmark Note	3135G0N33	0.88%	8/2/16	08/02/19	\$ 885,576	\$ 885,576
FNMA Notes	3135G0P49	1.00%	9/2/16	08/28/19	\$ 1,517,283	\$ 1,517,283
FNMA Notes	3135G0T29	1.50%	2/28/17	2/28/20	\$ 296,887	\$ 296,887
FHLMC Agency Notes	3137EAEF2	1.38%	4/20/17	4/20/20	\$ 492,933	\$ 492,933
Interest						
Accrued Interest					\$ 96,628	\$ 96,628
Total Investments Held by Trustee -PFM Asset Management					\$ 30,301,131	\$ 30,301,131
Total Investments Held by Trustees					\$ 38,594,717	\$ 38,594,717

* Investments made per CLSP Bond Indenture

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