



Mid-Year Financial Report *As of December 31, 2019*

Introduction

This Mid-Year Financial Report provides an analysis of the City's General Fund and Proprietary Fund revenues and expenditures for the first half of the 2019/20 fiscal year.

Management's Overview

The City's two-year budget for fiscal years 2019/20 and 2020/21 was adopted by the City Council on June 18, 2019. The purpose of the mid-year financial report is to provide regular updates to the Council regarding revenue and expenditure trends to ensure the City Council has a strong understanding of the City's current financial condition. The numbers in this report are based on the FY 2019/20 revenues and expenditures through December 31, 2019. A discussion of the significant budget items is presented below.

FY 2019/20 General Fund Budget

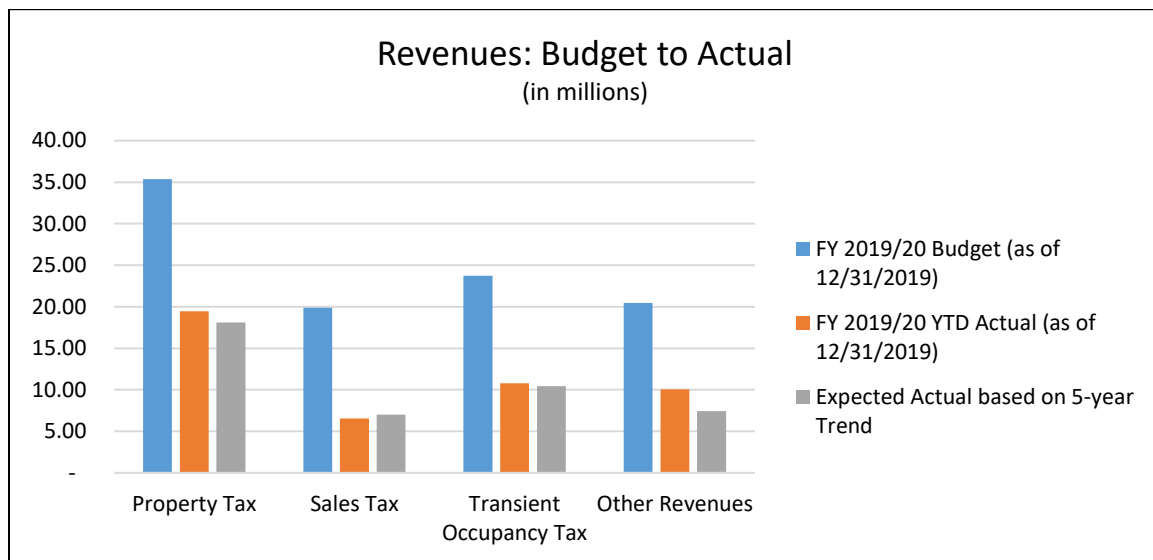
The FY 2018/19 budget as originally adopted estimated revenues of \$99.5 million to fund expenditures of \$97.9 million, resulting in a \$0.9 million surplus after funding incremental increases to emergency, operating and contingency reserves in accordance with the Council adopted fiscal policy. Carryforwards from FY18/19 have been posted, increasing expenditure budgets by \$3.6 million (includes \$2.6 million Set-Aside for Civic Center Termination Payment). Carryforward budgets are funded with available fund balance, rather than current year operating revenue. Additional minor adjustments resulted in the current expenditure budget of \$101.7 million.

General Fund Summary (in millions)

	FY 2019/20 Budget (as of 12/31/2019)	FY 2019/20 YTD Actual (as of 12/31/2019)	% to date (Budget to Actual)	FY 2018/19 YTD Actual (as of 12/31/2018)	FY 18/19 Annual Totals	% to date
Beginning Available Fund Balance [1]	3.61	3.61				
Operating Revenues						
Property Tax	35.38	19.44	55%	17.96	34.97	51%
Sales Tax	19.89	6.55	33%	7.00	19.39	36%
Transient Occupancy Tax	23.74	10.80	46%	9.87	22.66	44%
Business License Tax	4.10	1.71	42%	1.65	3.86	43%
Other Taxes	2.92	0.49	17%	0.56	2.57	22%
Licenses and Permits	2.82	1.21	43%	1.09	2.33	47%
Charges for Services	6.01	4.02	67%	3.73	5.93	63%
Intergovernmental	0.74	0.21	28%	0.24	0.65	37%
Investment Earnings	0.26	0.47	183%	0.33	1.91	17%
Miscellaneous / Other Revenues	0.27	0.15	55%	0.21	0.34	63%
Transfers In	3.35	1.79	53%	2.19	3.92	56%
Total Operating Revenues	99.46	46.84	47%	44.84	98.54	46%
Operating Expenditures						
City Council / City Clerk	1.35	0.56	42%	0.54	1.16	47%
City Manager	1.50	0.64	43%	0.74	1.23	61%
Finance	7.66	3.17	41%	3.27	6.49	50%
City Attorney	1.29	0.47	36%	0.47	1.04	45%
Human Resources	1.35	0.60	44%	0.56	1.12	50%
Community Development	6.29	2.11	34%	2.14	5.36	40%
General Government	9.59	4.63	48%	0.58	9.68	6%
<u>Included in General Government:</u>						
Set-Aside for Civic Center Termination Payment [1]	2.60	-	0%	-	-	0%
Transfer to CIP Facilities Reserve (current FY)	1.85	1.86	101%	-	1.85	0%
Transfer to CIP General Reserve (current FY)	0.92	0.93	101%	-	3.60	0%
Police Department	31.15	14.66	47%	13.57	29.13	47%
Fire Department	19.33	8.99	47%	9.51	19.28	49%
Public Works	13.86	5.13	37%	4.77	10.95	44%
Parks & Recreation	8.35	4.01	48%	3.80	8.31	46%
Total Operating Expenditures	101.72	44.98	44%	39.94	93.74	43%
Operating Reserve	0.51					
Emergency Reserve	0.11					
Contingency Reserve	0.03					
Projected Ending Available Fund Balance	0.69					

[1] Beginning Available Fund Balance includes \$0.98 million of Fund Balance Reserved for Encumbrances, \$0.03 million of Undesignated Fund Balance and \$2.60 million from the Operating Reserve (earmarked for the Set-Aside for Civic Center Termination Payout).

Major Revenues



Property Tax

The FY 2019/20 Property Tax revenues are currently budgeted at \$35.4 million. The City's major source of property tax revenue to the General Fund is residential property (77.6%), followed by commercial property (13.3%) and industrial property (6.4%). Year-to-date property tax revenue is slightly higher than expected based on the five-year historical trend, and we currently project that FY 2019/20 property tax revenue will match or exceed the budgeted amount. The real estate market continues to have rising prices, with the median single-family home price at \$765,000 as of December 2019. However, we saw greater price fluctuation in the first half of FY 2019/20, with the median price ranging from a low of \$669,000 in November to a high of \$787,500 in September. Napa County currently has the highest unsold inventory index of Bay Area counties at 3.6 (months it would take to sell current homes on the market at the current sales rate). We will continue to closely monitor the housing market for rate and price changes.

Sales Tax

Sales Tax revenues for FY 2019/20 are currently budgeted at \$19.9 million. Sales tax is received in monthly advances from the California Department of Tax and Fee Administration (CDTFA) based on prior year actual revenues received, and lag two (2) months behind. Currently, sales tax payments received through December 2019 are slightly below the five-year historical trend.

The top 3 Sales Tax generating categories in Napa continue to be Food Products, General Retail and Transportation. Restaurants and Auto Sales-New make up the two largest economic segments within the broader categories above, with 18.1 and 9.0% of total taxable sales respectively for the year ending September 30, 2019.

Other items we continue to track include gasoline prices. The average price in December 2019 was 7.19% higher than in December 2018; these higher gas prices help the City to collect more in sales tax for our transportation category, while also costing the City more to operate its vehicles.

For the year ended September 2019, five of our six local business sales tax categories showed increases over the prior year, while one had a slight decrease. Food Products, Transportation, General Retail, Construction, and Miscellaneous categories increased by 3.2% in total (\$0.45 million), while Business to Business decreased by 9.8% (\$0.11 million). Our share of county pool sales tax revenues increased by \$0.16 million over prior year. Overall, sales tax increased by \$0.51 million over the year ended September 2018. Last year we saw an increase of \$1.10 million from September 2017 to September 2018, almost double the increase seen currently. While our sales tax revenues continue to grow, we are seeing a slowing of the rate of growth and could potentially end the year slightly under budgeted revenues.

Transient Occupancy Tax

FY 2019/20 Transient Occupancy Tax (TOT) revenue was budgeted at \$23.7 million. There were 27 hotels, 20 bed and breakfast establishments, 41 non-hosted and 42 hosted vacation rentals generating transient occupancy tax revenue within the City as of the end of the second quarter. The TOT growth rate was reduced in for this budget cycle, and actual TOT received as of December 2019 is in line with our projections. We will continue to closely monitor TOT to project any impacts on the General Fund.

Other Revenues

Business License Tax and *Other Taxes* are in line with the City's 5-year trends.

Licenses and Permits is currently at 43% of budget, slightly under the anticipated 47% based on historical data.

Charges for Services revenues are high as compared to the five-year averages for mid-year, due to the recognition of dispatch contract revenue in the first half of the year. In prior fiscal years, this revenue was typically recorded later in the year.

Intergovernmental revenues are low compared to the 5-year trend; the timing of these revenues can vary from year-to-year based on when the other governments disburse funds to the City.

Investment Earnings are currently at 183% of budget, well above the anticipated 50% expected for the second quarter. Interest rates in the market have decreased over this period due to multiple rate cuts by the Fed. We will work with our investment firm to try to maximize our returns in a time of rate uncertainty.

Miscellaneous Revenues include Rents and Royalties, as well as Contributions/Donations from Private Sources. This category is currently at 55% of the annual budget, right on track with the 5-year average.

Expenditures

As of December 31, 2019, most departments were operating within 50% of their approved budgets. In General Government, the annual transfers to CIP reserves that are traditionally posted at the end of the fiscal year were instead posted at the beginning of the fiscal year to provide full funding for planned projects.

The following table provides the expenditure budget and actual spent to date for each department through December 31, 2018:

Expenditures by Department	Budget	Actual	%
	12/31/2019 \$ in millions	12/31/2019 \$ in millions	
City Council / City Clerk	1.35	0.56	42%
City Manager	1.50	0.64	43%
Finance	7.66	3.17	41%
City Attorney	1.29	0.47	36%
Human Resources	1.35	0.60	44%
Community Development	6.29	2.11	34%
General Government	9.59	4.63	48%
Police Department	31.15	14.66	47%
Fire Department	19.33	8.99	47%
Public Works	13.86	5.13	37%
Parks & Recreation	8.35	4.01	48%
Total Expenditures	101.72	44.98	44%

Non-Recurring General Fund**Non-Recurring General Fund Summary (in millions)**

	FY 2019/20 Budget (as of 12/31/2019)	FY 2019/20 YTD Actual (as of 12/31/2019)	% to date (Budget to Actual)	FY 2018/19 YTD Actual (as of 12/31/2018)	FY 18/19 Annual Totals	% to date
Beginning Fund Balance	11.62	11.62				
Non-Recurring Revenues						
Property Tax (Excess ERAF)	1.50	1.72	114%	2.04	2.39	85%
Sales Tax (Unwind Triple Flip)	-	-	0%	-	-	0%
Licenses and Permits	0.30	0.08	27%	0.07	0.16	43%
Charges for Services	0.68	0.72	106%	0.21	0.23	88%
Intergovernmental	2.14	0.34	16%	0.22	3.91	6%
Investment Earnings	-	0.12	0%	-	0.12	0%
Miscellaneous / Other Revenues	0.16	0.10	0%	-	-	0%
Transfers In	0.19	0.19	100%	-	0.52	0%
Total Non-Recurring Revenues	4.96	3.26	66%	2.53	7.33	35%
Non-Recurring Expenditures						
Salaries & Wages	0.41	0.23	56%	0.12	0.32	37%
Benefits	0.15	0.07	49%	0.06	0.14	43%
Services	7.13	0.88	12%	0.59	1.69	35%
Materials and Supplies	0.45	0.18	40%	0.19	0.26	73%
Capital Outlay	0.87	0.02	3%	0.03	0.07	39%
Transfers Out	1.54	1.01	0%	-	0.07	0%
Total Non-Recurring Expenditures	10.54	2.39	23%	0.98	2.54	38%
Net Impact of Non Recurring	(5.58)	0.87				
Projected Ending Fund Balance	6.05	12.49				

The budget for anticipated Excess ERAF revenue was split between the General Fund (\$1.00 million) and the Non-Recurring General Fund (\$1.50 million).

General Fund Reserves

In accordance with the City's Fiscal Policy, the City maintains an Operating Reserve of 5%, an Emergency Reserve of 14% and a Contingency Reserve of 1% of the annual General Fund Operating Budget. The CIP Facilities Reserve receives a transfer equal to 2% of the General Fund Operating Budget, and the CIP General Fund Reserve a transfer of 1% of the General Fund Operating Budget.

Reserves (in millions)	FY 2019/20 Beginning Balance	Budgeted Expenditures	Budgeted Transfer	FY 2019/20 Ending Balance
Emergency Reserve	13.05	-	0.11	13.17
Operating Reserve	4.66	-	0.51	5.17
Contingency Reserve	0.93	-	0.03	0.97
CIP Facilities Reserve	4.64	(6.27)	1.86	0.23
General Fund Projects Reserve	9.93	(7.23)	0.93	3.64
Total Reserves	33.22	(13.50)	3.46	23.18

Proprietary Funds

In addition to the General Fund, the Mid-Year Financial Report also provides a snapshot of the City's Proprietary Funds. Proprietary funds are those funds in which the City charges a fee to customers to recover the cost of providing the service. These funds are made up of Enterprise Funds and Internal Service Funds. Both types of funds are presented separately below, along with summary information for each of the individual funds within each category.

Enterprise Funds

Enterprise Funds are those funds that provide goods or services to the public for a fee that makes the entity self-supporting. Napa's Enterprise Funds include: Solid Waste & Materials Diversion and Water. A listing of these funds and summary of the activity from July through December follows below:

Solid Waste & Materials Diversion Fund

The Solid Waste & Materials Diversion Fund is responsible for the collection, processing, public education and long-term planning related to solid waste materials generated in the City of Napa. Beyond the safe and cost-effective handling of solid waste materials, the fund's primary mission is to maximize the diversion of solid waste materials from landfill disposal in order to meet or exceed State mandates. A summary of the Solid Waste & Materials Diversion Fund activity through December 31, 2019 is provided below:

Solid Waste & Materials Diversion Fund

	FY 2019/20 Budget <i>(as of 12/31/2019)</i>	FY 2019/20 YTD Actual <i>(as of 12/31/2019)</i>	% to date <i>(Budget to Actual)</i>	FY 2018/19 YTD Actual <i>(as of 12/31/2018)</i>	FY 2018/19 Annual Totals	% as of <i>12/31/2018</i>
Operating Revenues						
Refuse Collection Charges	22.90	11.27	49%	9.80	19.64	50%
MDF Gate Fees	3.30	1.85	56%	1.31	3.08	42%
Material Sales	6.40	3.71	58%	2.93	5.79	51%
Other Revenues	0.26	0.15	59%	0.22	0.60	37%
Total Operating Revenues	32.86	16.98	52%	14.26	29.11	49%
Operating Expenditures						
Salaries and Benefits	1.23	0.59	48%	0.58	1.36	42%
Contractor Service	21.13	10.75	51%	10.69	19.98	53%
Transfer Station Disposal Fees	3.40	1.50	44%	1.31	3.28	40%
MDF Facility Materials	2.00	1.91	95%	1.00	2.71	37%
Other Materials, Supplies & Services	2.04	1.06	52%	0.88	2.08	43%
Administrative Support & Transfers	0.40	0.20	50%	0.16	0.31	50%
Total Operating Expenditures	30.20	16.02	53%	14.61	29.72	49%
Operating Surplus / (Deficit)	2.66	0.96				
Non-Recurring Revenues	-	-	0%	-	-	0%
Non-Recurring Expenditures	0.69	0.01	1%	0.02	0.06	32%
Capital Expenditures	4.84	2.28	47%	3.51	0.74	471%
Transfer to Street Resurfacing	1.11	0.56	50%	0.98	1.96	50%
Debt Service Expenditures	0.87	0.71	81%	0.71	0.20	352%
Total Surplus / (Deficit)	(4.86)	(2.60)				

MDF Fund Balances	7/1/2019	Additions	Uses	12/31/2019
Available Fund Balance	(2,243,002)	3,168,904	(2,284,904)	(1,359,002)
Operating Reserve	4,455,579	-	(884,000)	3,571,579
Rate Stabilization Reserve	-	-	-	-
Liability Reserve	350,000	-	-	350,000
Total	2,562,577	3,168,904	(3,168,904)	2,562,577

Overall operating revenues are as expected or higher. Refuse collection charges are on track with the adopted budget. Revenue from Gate Fees and Material Sales is higher than prior year and could potentially exceed budget by the end of the fiscal year. Operating expenditures are higher than 50%, due to Contractor Service expenditures that reflect the 2018 Contract Amendment that increased capital, operating and other contractual payments to the City's current private service provider, Napa Recycling & Waste Services (NRWS). The budgets above include carryforwards from FY 2018/19.

The most significant capital project expenditures are in support of the covered compost/stormwater upgrades at the City's Materials Diversion Facility (MDF). As shown in tables above, there were \$2.28 million in capital expenditures during first half of current FY 2019/20. The design-build contract with Overaa Construction for the ongoing MDF capital improvements/upgrades at the MDF was supplemented by \$1.3 million, of which \$884,000 came from the Fund's operating reserve.

A significant mid-year budget adjustment for the Fund was presented and approved at the February 18th City Council meeting. In preparation for that budget adjustment recommendation, City staff performed preliminary analysis of the entire Solid Waste Enterprise Fund based on 6-month actuals and projects the Fund's overall revenues and expenditures to balance by fiscal year end. Staff will continue to closely monitor the Fund's budget and refine projections as part of the mid-cycle budget adjustment process which includes formal fiscal year end projections being reported to City Council.

Water Fund

The Water Fund is responsible for the operation, maintenance and improvement of the municipal water system serving the City and adjacent areas. The Fund's mission is to provide an uninterrupted supply of high quality and low-cost water to the community for consumption, sanitary needs, irrigation and fire protection. The Water Fund's Administration, Engineering, Treatment, and Distribution sections accomplish this mission by delivering over 13,200 acre-feet (4.3 billion gallons) of water meeting State and Federal drinking water regulations, investing in capital improvements, planning for long-term water supply needs, responding to emergency repairs, and maintaining a proactive water conservation program. A summary of the Water Fund activity through December 31, 2019 is provided below:

Water Fund

	FY 2019/20 Budget (as of 12/31/2019)	FY 2019/20 YTD Actual (as of 12/31/2019)	% to date (Budget to Actual)	FY 2018/19 YTD Actual (as of 12/31/2018)	FY 2018/19 Annual Totals	% as of 12/31/2018
Operating Revenues						
Charges for Services	32.55	16.53	51%	13.42	29.39	46%
Other Revenues	0.48	0.53	111%	0.19	0.25	76%
Total Operating Revenues	33.03	17.07	52%	13.61	29.64	46%
Operating Expenditures						
Salaries and Benefits	9.86	4.12	42%	3.61	8.50	42%
Services, Materials and Supplies	14.01	3.72	27%	4.05	11.51	35%
Administrative Support	1.67	0.83	50%	0.79	1.58	50%
Total Operating Expenditures	25.53	8.67	34%	8.45	21.60	39%
Operating Surplus / (Deficit)	7.50	8.39		5.16	8.04	
Capital and Non-Recurring Revenues	1.32	1.53	116%	0.95	2.21	43%
Capital and Non-Recurring Expenditures	18.13	0.87	5%	0.64	5.43	12%
2014 Earthquake Revenues (FEMA/CalOES)	-	(0.00)	0%	0.29	0.29	98%
2014 Earthquake Expenditures	0.04	1.53	0%	0.00	0.04	1%
2017 Fire Revenues (FEMA/CalOES)	-	(0.54)	0%	-	1.18	0%
2017 Fire Expenditures	3.52	0.10	0%	0.01	0.44	2%
Debt Service Expenditures	3.42	0.74	22%	0.83	1.64	50%
Water Interfund Transfer Revenue	3.91	0.61	16%	-	0.07	0%
Water Interfund Transfer Expenditures	3.91	0.61	16%	-	0.07	0%
Total Surplus / (Deficit)	(16.28)	6.14				

Water Fund Balances	7/1/2019	Additions	Uses	12/31/2019
Available Fund Balance	16,173,665	3,930,368	(938,824)	19,165,209
CIP Reserve	4,553,550	-	(3,300,407)	1,253,143
Operating Reserve	2,549,221	-	-	2,549,221
Rate Stabilization Reserve	2,590,000	-	-	2,590,000
Capital Replacement Reserve	400,000	-	-	400,000
Water Supply Reserve	1,125,000	-	-	1,125,000
Emergency Reserve	1,100,461	613,863	(305,000)	1,409,324
Total	28,491,897	4,544,231	(4,544,231)	28,491,897

Revenue is on track but behind last year at 51% to date which is 4% lower than FY 2018/19 and slightly behind expected annual revenue since the quantity of water sold during Q1 and Q2 include summer months and is typically greater than in Q3 and Q4. The change in rate structure to higher fixed element that continues to be phased in through this rate period from 2017 – 2021 will attenuate the variability of revenue between the seasons and ensure greater revenue stability. Operating expenditures are tracking slightly lower than expected.

As of December 31, budgeted capital and non-recurring expenditures total \$18.13 million (including carryforwards from FY 2018/19). Highlights include \$9.15 million for the treatment system and \$3.22 million for the distribution system.

Most capital improvement projects (CIP) are currently in the design phase, therefore actual expenditures are just 5% of budgeted costs for design and construction. In addition to planned capital projects, staff have focused on disaster recovery projects through FEMA/OES from the 2014 Earthquake and the 2017 Napa Sonoma Fire complex. Expenditures of \$1.5 of \$3.4 million anticipated total construction costs for the four Freeway Crossings under Highway 29 have been incurred in Q1 and Q2 this fiscal year. The design-build process for rebuild of two pump stations burned in the Silverado Area is under contract and will start to incur design costs in Q3. The pump station projects through construction are estimated at \$3.6 million. Disaster recovery projects are expected to be reimbursed 93.75% of actual costs incurred at a rate of 75% from FEMA and 18.75% from the California Governor's Office of Emergency Services (OES).

Available fund balance of \$19.17 includes \$18.13 million dedicated to projects in progress that are further defined as \$17.67 million for Capital Improvement Projects and \$0.46 million in non-recurring projects. The remaining funds totaling \$9.33 million are in dedicated Reserve accounts. Reserve funds used through Q2 include \$3.3 million for upfront FEMA/OES disaster repair costs and \$0.3 million for generator purchases to ensure uninterrupted water service during the unprecedented Pacific Gas & Electric Public Safety Power Shutoff (PSPS) events.

Internal Service Funds

Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments of the city. Napa's Internal Service Funds include: Fleet Management, Information Technology Replacement, Risk Management, Post-Employment Benefits, and Equipment Replacement.

Internal Service Funds	FY 2019/20 Budget (as of 12/31/2019)	FY 2019/20 YTD Actual (as of 12/31/2019)	% to date (as of 12/31/2019)	FY 2018/19 Actual (as of 12/31/2018)	% to date (as of 12/31/2018)
Fleet Management Fund					
Available Capital [1]	3.15	3.15		2.19	
Revenues	4.73	2.35	50%	2.64	54%
Expenditures	4.00	1.53	38%	1.67	46%
Fund Balance Addition/(Reduction)	0.74	0.82		0.97	
Projected Ending Available Balance	3.89				
Fleet - Fire Apparatus Replacement Fund					
Available Capital [1]	1.38	1.38		0.26	
Revenues	0.40	0.21	53%	0.19	52%
Expenditures	0.00	0.00	55%	0.00	-
Fund Balance Addition/(Reduction)	0.40	0.21		0.19	
Projected Ending Available Balance	1.78				
IT Replacement					
Available Capital [1]	2.05	2.05		0.07	
Revenues	0.21	0.11	56%	0.08	50%
Expenditures	0.21	0.12	58%	0.08	47%
Fund Balance Addition/(Reduction)	-	(0.01)		0.01	
Projected Ending Available Balance	2.05				
Risk Management					
Available Capital [1]	1.67	1.67		3.98	
Revenues	7.85	3.97	51%	3.22	58%
Expenditures	6.68	3.37	50%	5.78	75%
Fund Balance Addition/(Reduction)	1.16	0.60		(2.56)	
Projected Ending Available Balance	2.83				
Post Employment Benefits (PEB)					
Available Capital [1]	1.12	1.12		(0.29)	
Revenues	1.46	0.71	49%	0.01	1%
Expenditures	1.47	0.66	45%	1.60	145%
Fund Balance Addition/(Reduction)	(0.01)	0.05		(1.59)	
Projected Ending Available Balance	1.11				
Equipment Replacement					
Available Capital [1]	0.41	0.41		0.10	
Revenues	0.15	0.08	52%	0.05	52%
Expenditures	0.09	0.07	82%	0.00	-
Fund Balance Addition/(Reduction)	0.06	0.01		0.05	
Projected Ending Available Balance	0.48				

[1] Available Capital = Fund Balance available for Appropriation

What We Are Watching**Nationally:**

The Federal Reserve Board decreased rates in July, September, and October, bringing the benchmark funds rate to 1.75 percent. At their meeting in December 2019 they indicated that interest rates would likely remain unchanged through 2020. These decreases are meant to protect the economy against slow growth in Europe and Asia, as well as ongoing trade and tariff issues. However, there are concerns that these historically low rates could contribute to financial bubbles.

The advance estimate for October-December 2019 GDP is 2.1%, equal to July-September's growth in real GDP. The Congressional Budget Office Economic Forecast projects a slowdown in GDP growth over the next several years as consumer and government spending declines, with quarterly GDP growth predicted at 1.7%-2.0% per quarter over the next ten years.

U.S. income inequality continues to increase, with the U.S. Census Bureau's American Community Survey reporting that there was a statistically significant increase in income inequality from 2017 to 2018. California was one of nine states that saw its income gap increase over the year, and one of five states with a higher inequality rate than the rest of the U.S. While GDP indicators paint a picture of a steadily growing economy, this economic expansion has been unable to lessen inequality.

State:

California's unemployment rate in December 2019 was at 3.7%, lower than the December 2018 rate of 4.1%. Over the last 12 months, the labor force decreased by 93,000 people and the number of unemployed people decreased by 91,900. Low unemployment can constrain economic growth.

The California Legislative Analyst's Office's August report on the State Fiscal Health Index states that a slowdown in the coming year could be on the horizon. The Index tracks the strength of various economic conditions that are relevant to the state's fiscal health, such as home sales, building permits, and unemployment claims. As of December 2019, the Index had declined for nine straight months. Declines of this duration and magnitude have not been observed since the last recession, however the actions the Fed has taken by lowering interest rates may mitigate the slowdown.

California home sales have been relatively weak for the past year. As of September sales have stabilized and are no longer declining from month to month, but are now at low levels that could signal weakening economic conditions.

The California Budget and Policy Center, in analysis of U.S. Census Bureau household income data, found that in California the top 5% of households saw their

income grow by 18.6% from 2006 to 2018. Over the same timeframe, households in the bottom 20% saw their average income fall by 5.3%.

Cost of living in California continues to increase at a rate higher than the rest of the U.S., with 2019 CPI at 2.5% as compared to the national increase of 2.3%.

Local Economic Condition:

TOT baseline revenue growth has slowed over the past two years. Growth assumptions have been greatly reduced in the current budget, and current projections show that anticipated TOT revenue for FY 2019/20 will be close to the budgeted amount.

As of December the median sold price for existing single-family homes in Napa County was \$765,000, 5.5% higher than the December 2018 price of \$725,000.

Napa County's unemployment rate continues to be lower than California's overall rate, and was 2.9% for December 2019. Over the last twelve months, the labor force in the County increased by 1,300 people and the number of unemployed people decreased by 300. The December 2019 rate of 2.9% is lower than the December 2018 rate of 3.3%. As unemployment rates continue to decrease, employers are having more difficulty finding and retaining workers.

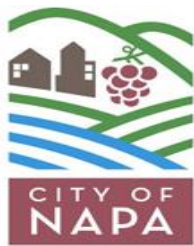
Recommendation

Receive and file the Mid-Year Financial Report. No budget adjustments are requested.

Mid-Year Appropriation Adjustments

In accordance with Fiscal Policy 5.b.iii, adopted by City Council on June 18, 2019, the City Manager is authorized to increase appropriations for specific purposes, as long as the expenditure appropriations do not exceed the amount of the donation, and the adjustment is reported to the City Council as part of the next regular financial report.

Budget Adjustment Summary (Fund / Department / Purpose)	Revenues	Expenditures
Fund 101 / Parks and Recreation / Donations for Lighted Art Festival	95,000.00	95,000.00
Fund 101 / Fire Department / Developer Payment for Study	75,000.00	75,000.00
Fund 101 / Police Department / COPS Funds	68,367.28	68,367.28
Total Non-Recurring General Fund	238,367.28	238,367.28



City of Napa
Quarterly Investment Report
as of December 31, 2019

Introduction

This report represents the City's investment portfolio as of December 31, 2019. The report includes all invested City funds with the exception of bond proceeds. All investments are in compliance with the City's adopted Statement of Investment Policy.

Investment Approach

The City's investments are guided by an Investment Policy, which is reviewed and approved by the Council annually. The Investment Policy was last approved by the City Council in May 2019 and is provided as an appendix to this report for reference. The policy directs that investment goals, in order by priority, are safety, liquidity, and yield. This conservative approach ensures assets are available for use while also allowing the City to earn additional resources on idle funds. The City relies on an investment advisor and the State investment pool known as the Local Agency Investment Fund (LAIF).

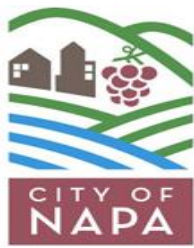
Current Market Conditions

In the fourth quarter, U.S. economic conditions were characterized by: (1) moderate economic growth; (2) robust job growth and elevated consumer confidence; (3) strong housing market but mixed manufacturing activity; (4) growing risks to the economic outlook, including reescalation of trade conflicts, fallout from impeachment proceedings and the 2020 U.S. presidential election, and deteriorating business confidence and investment, and; (5) geopolitical risks taking center stage.

After delivering two rate cuts in the third quarter, the Fed cut the overnight fed funds target rate again in October to the new range of 1.50% to 1.75%. The dynamics supporting the rate cuts were similar to those cited for the first two, including weakness in global growth, ongoing trade uncertainty and muted inflation. The Fed is expected to hold their target range steady over the near term absent a "material reassessment of their outlook."

The U.S. economy grew a moderate 2.1% in the third quarter. The reading highlighted continued reliance on the American consumer as consumer spending, which was 2%, accounted for nearly all of the growth. Government spending and residential housing were also positive contributors, while business investment was a detractor, marking the first back-to-back contraction in business investment of more than 1% since 2009.

The U.S. labor market continued to grow at a solid pace in the final quarter of the year. The U.S. economy added an average of 180,000 jobs in the fourth quarter, bringing the 2019 monthly average



City of Napa Quarterly Investment Report as of December 31, 2019

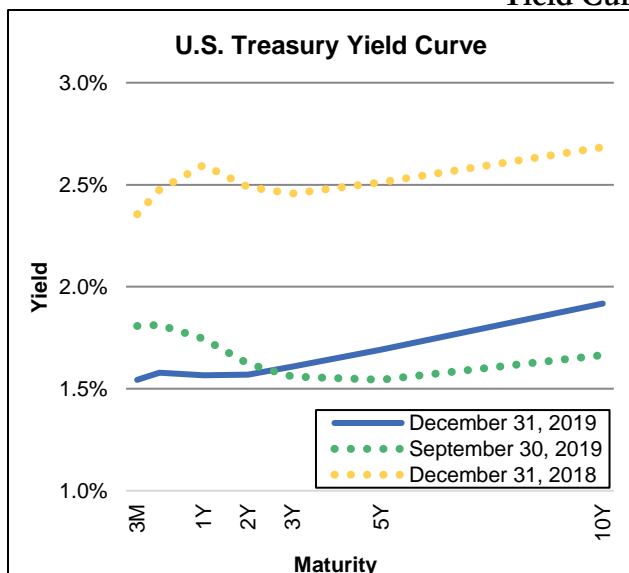
ATTACHMENT 1

to 177,000 which fell short of the 223,000 average of monthly gains in 2018. The unemployment rate held steady at a 50-year low of 3.5% to round out the year. Inflation remains muted, showing no indication of substantial upward price pressure heading into the first quarter of 2020. Year-over-year growth in the core Consumer Price Index reached 2.3% in December, while the Fed's preferred inflation gauge, the core Personal Consumption Expenditure price index, dropped to 1.5% on a yearly basis in November, which is well below the Fed's 2% target. Price pressures on services were stable in the fourth quarter, while price pressures on goods drifted lower amid a de-escalation of trade tensions.

U.S. manufacturing activity was mixed in the fourth quarter. The ISM manufacturing PMI survey remained in contractionary territory during the quarter and fell to its lowest level since 2009. A similar measure of manufacturing activity by Markit diverged, recovering from the slowdown in the third quarter and remaining in expansionary territory in the fourth quarter. Each index tells a slightly different story as the result of a difference in methodology, as ISM data surveys large multinational companies, leaving it more exposed to U.S. and China trade tensions that have weighed on confidence and business decisions.

The U.S. Treasury yield curve twisted around the 3-year inflection point and finally un-inverted in the fourth quarter. Shorter-term rates declined up to 0.40% and longer-term rates rose as much as 0.30%. At quarter-end, the yield on a 3-month Treasury bill stood at 1.54%, the 2-year note was 1.57%, the 5-year was 1.69%, and the 10-year was yielding 1.92%. This steepening effect is evidenced by the spread between the 3-month and 10-year Treasuries, which began the quarter at -0.14% and finished the quarter at +0.11%.

Yield Curve History



Maturity	12/31/19	9/30/19	Change
3-Mo.	1.54%	1.81%	-0.27%
6-Mo.	1.58%	1.81%	-0.23%
1-Yr.	1.57%	1.74%	-0.17%
2-Yr.	1.57%	1.62%	-0.05%
3-Yr.	1.61%	1.56%	+0.05%
5-Yr.	1.69%	1.54%	+0.15%
10-Yr.	1.92%	1.66%	+0.26%



City of Napa
Quarterly Investment Report
as of December 31, 2019

In the fourth quarter, the City's portfolio maintained broad diversification across all permitted fixed income sectors. Although most sector spread levels were on the tighter end of their recent trading history, the incremental income was generally additive to performance in a range-bound interest rate environment. We continued to de-emphasize agencies and supranationals, reducing allocations in favor of other sectors. Value in federal agency and supranational issuers remained extremely limited, largely on scarce supply. Corporate bonds performed top-of-class once again as yield spreads tightened to their lowest in 2019 and approached post-recession lows. As a result, investment-grade (IG) corporates generated attractive excess returns for the fourth quarter. Year-to-date excess returns from IG corporates were fantastic, generating 100 to 200 basis points (1% to 2%) of incremental return relative to similar duration Treasuries. Our corporate sector strategy during the fourth quarter included opportunistic selling, booking gains and modestly de-risking the portfolio as spreads moved to very narrow levels. Asset-backed security (ABS) allocations were maintained during the quarter as principal paydowns were largely offset by modest new issue additions. Prior-period purchases of mortgage-backed securities (MBS) generated relatively attractive excess returns during the quarter, as the sector saw a retracement of both volatility and spreads. New issue yield concessions within the municipal sector provided good value for the portfolio compared to other government alternatives and even some high-grade corporates.

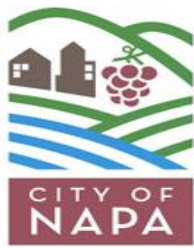
Following three consecutive Fed rate cuts, we continued to maintain portfolio's duration in line with the benchmark for the quarter as market expectations call for stable rates well into 2020. Going forward, the City's portfolio will continue to maintain its diversification among investment-grade sectors.

Total Return Comparison
Periods Ending December 31, 2019

	Past Quarter	Past Year	Past 3 Years	Past 5 Years
City of Napa	0.47%	4.88%	2.56%	2.01%
BofA Merrill Lynch 1-5 Year Government Index	0.36%	4.18%	2.11%	1.68%
LAIF Yield	0.57%	2.46%	1.82%	1.26%

** Returns for periods under one year are periodic; all other returns are annualized.*

*** Source of LAIF yield is State Treasurer's website. Reflects quarterly apportionment rate of LAIF de-annualized and linked over the specified time periods.*

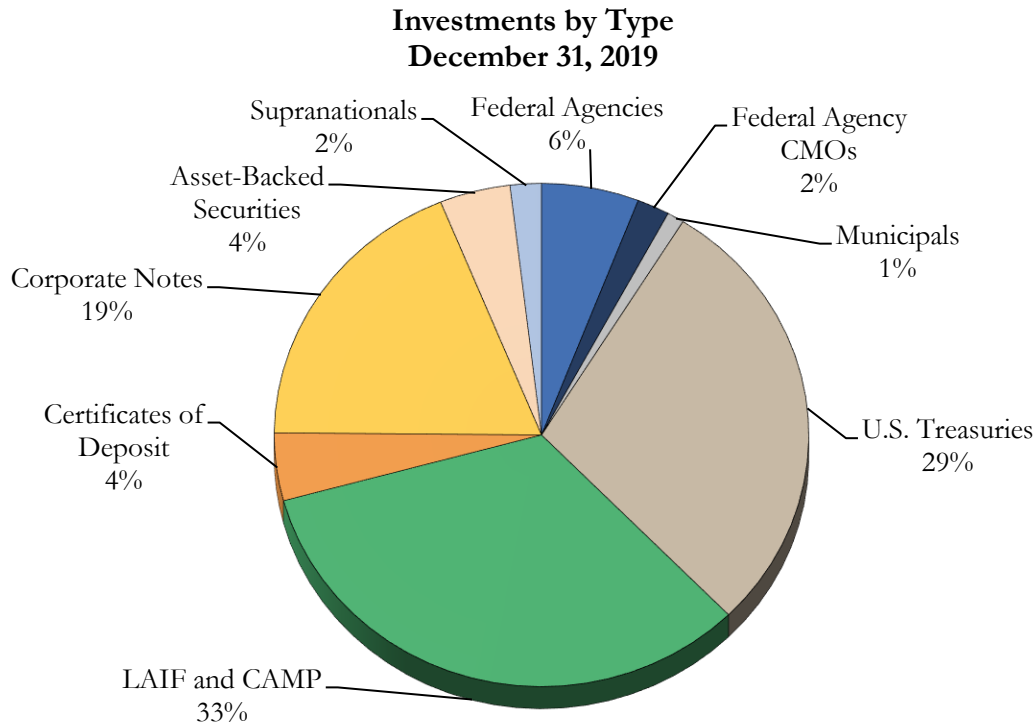


City of Napa
Quarterly Investment Report
as of December 31, 2019

Portfolio Information

The City's cash, excluding bond proceeds, is pooled for investment purposes. As of December 31, 2019, invested funds totaled \$170,001,893. These investments belong to the General Fund and restricted funds such as the Developer, Special District, Water, Solid Waste, and Recycling Funds.

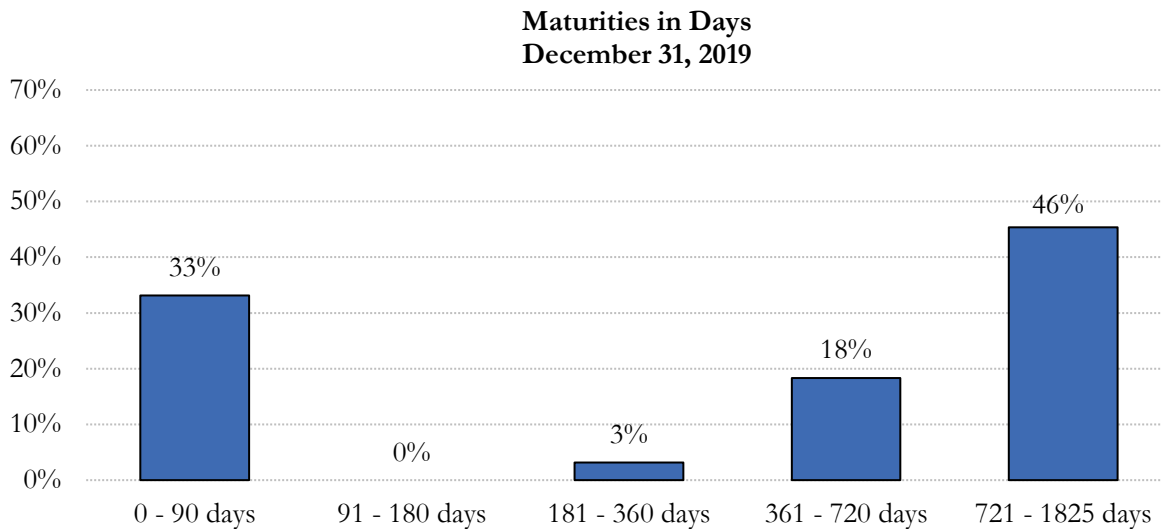
The City's portfolio is well diversified by investment type and consists of U.S. Treasuries, federal agencies, federal agency collateralized mortgage obligations (CMOs), municipals, supranationals, corporate notes, negotiable certificates of deposit, asset-backed securities, and cash instruments such as CAMP and LAIF. As noted in the chart below and on the attached investment detail report, as of December 31, 2019, approximately 70% of the City's investment portfolio was invested in the State Local Agency Investment Fund (LAIF), the California Asset Management Program (CAMP) and high-quality U.S. Treasury and federal agency securities to maintain the focus on safety and liquidity. Approximately 27% of the portfolio is allocated to high quality credit instruments including negotiable certificates of deposit, corporate notes, and asset-backed securities as yields and return potential on these investment types continued to be attractive relative to comparable-maturity government securities.





City of Napa
Quarterly Investment Report
as of December 31, 2019

The City's Investment Policy allows for a 5-year time horizon with an emphasis on liquidity. As of December 31, 2019, 33% of the City's funds were invested in very short-term liquid investments, 21% of the funds were invested with maturities between 91 days and 2 years, and 46% of the investment portfolio had a maturity ranging from 2 to 5 years. This distribution allows the City the necessary liquidity to meet operational and emergency cash needs while maximizing returns on funds not needed in the immediate future.



Conclusion

All City funds are invested in accordance with the approved Investment Policy with an emphasis on safety, liquidity, and yield (in that order). The City's investment strategy of balancing the investment portfolio between short-term investments (to meet cash flow needs) and longer-term maturities (to realize a higher rate of return) is appropriate given the current market conditions.



City of Napa
Quarterly Investment Report - Summary and Performance
as of December 31, 2019

Attachment A

Sector	Par Value	Original Cost	Market Value
U.S. Treasuries	48,610,000.00	48,047,938.27	48,925,396.96
Federal Agencies	9,670,000.00	9,783,072.08	10,020,182.83
Federal Agency CMOs	3,270,398.98	3,330,242.03	3,332,795.00
Municipals	1,740,000.00	1,740,025.40	1,747,221.05
Supra-National Agencies	3,190,000.00	3,172,451.20	3,208,126.40
Certificates of Deposit	7,300,000.00	7,300,000.00	7,384,539.30
Corporate Notes	31,170,000.00	31,434,683.80	31,791,287.34
Asset-Backed Securities	7,228,605.93	7,227,810.15	7,270,706.38
California Asset Management Trust	51,858,863.26	51,858,863.26	51,858,863.26
Local Agency Investment Fund	4,462,774.85	4,462,774.85	4,462,774.85
Total	168,500,643.02	168,357,861.04	170,001,893.37

Portfolio Earnings			Total Return Performance			
	Market Value Basis	Accrual Basis	Current Quarter	1 Year	5 Year	Since Inception (3/31/99)
Beginning Value (9/30/2019)	\$114,879,563.85	\$113,024,376.04				
Net Purchases/Sales	(\$438,948.21)	(\$438,948.21)				
Change in Value	(\$113,815.67)	\$170,027.57	0.47%	4.88%	2.01%	3.58%
Ending Value (12/31/2019)	\$114,326,799.97	\$112,755,455.40	0.36%	4.18%	1.68%	3.34%
Interest Earned	\$646,485.35	\$646,485.35				
Portfolio Earnings	\$532,669.68	\$816,512.92				

Portfolio values as of December 31, 2019 excluding accrued interest.

Portfolio earnings and performance excludes funds in the California Asset Management Trust and the Local Agency Investment Fund.



City of Napa
Quarterly Investment Report - Holdings Report
as of December 31, 2019

CUSIP	Description	S&P Rating		Par Value	Purchase Settlement Date	Coupon Rate	Maturity Date	Original Cost	Yield to Maturity	Accrued Interest	Market Value
		FY Quarter	1Q19								
LAIF and CAMP	California Asset Management Trust	AAAm	AAAm	51,858,863.26	12/31/2019	1.80%	1/1/2020	51,858,863.26	1.80%	-	51,858,863.26
	Local Agency Investment Fund	NR	NR	4,462,774.85	12/31/2019	2.29%	1/1/2020	4,462,774.85	2.29%	-	4,462,774.85
	Total LAIF and CAMP				56,321,638.11			56,321,638.11	1.84%	-	56,321,638.11
U.S. Treasuries											
912828C57	U.S. Treasury	AA+	AA+	2,215,000.00	7/12/2019	2.25%	3/31/2021	2,228,151.56	1.90%	12,663.63	2,231,871.66
912828S76	U.S. Treasury	AA+	AA+	2,700,000.00	7/18/2019	1.13%	7/31/2021	2,660,132.81	1.87%	12,711.28	2,679,855.30
9128284W7	U.S. Treasury	AA+	AA+	390,000.00	9/19/2019	2.75%	8/15/2021	397,358.20	1.74%	4,051.02	397,114.38
9128282F6	U.S. Treasury	AA+	AA+	2,475,000.00	7/23/2019	1.13%	8/31/2021	2,440,968.75	1.79%	9,408.74	2,455,954.88
9128282F6	U.S. Treasury	AA+	AA+	340,000.00	9/3/2019	1.13%	8/31/2021	337,250.78	1.54%	1,292.51	337,383.70
912828F21	U.S. Treasury	AA+	AA+	400,000.00	8/7/2019	2.13%	9/30/2021	404,296.88	1.61%	2,159.84	403,578.00
9128285F3	U.S. Treasury	AA+	AA+	1,045,000.00	6/5/2019	2.88%	10/15/2021	1,069,043.16	1.87%	6,402.77	1,068,430.99
9128285F3	U.S. Treasury	AA+	AA+	600,000.00	10/1/2019	2.88%	10/15/2021	614,085.94	1.70%	3,676.23	613,453.20
912828T67	U.S. Treasury	AA+	AA+	900,000.00	8/29/2019	1.25%	10/31/2021	894,937.50	1.51%	1,916.21	894,585.60
912828T67	U.S. Treasury	AA+	AA+	550,000.00	11/1/2019	1.25%	10/31/2021	546,369.14	1.59%	1,171.02	546,691.20
9128285L0	U.S. Treasury	N/A	AA+	660,000.00	11/12/2019	2.88%	11/15/2021	675,468.75	1.68%	2,450.07	675,572.04
912828G53	U.S. Treasury	AA+	AA+	470,000.00	7/16/2019	1.88%	11/30/2021	470,422.27	1.84%	770.49	472,735.40
912828U65	U.S. Treasury	N/A	AA+	2,695,000.00	12/4/2019	1.75%	11/30/2021	2,700,263.67	1.65%	4,123.50	2,703,316.77
9128285V8	U.S. Treasury	AA+	AA+	60,000.00	8/1/2019	2.50%	1/15/2022	60,996.09	1.81%	692.93	61,085.16
912828H86	U.S. Treasury	AA+	AA+	470,000.00	7/7/2017	1.50%	1/31/2022	462,270.70	1.88%	2,950.27	469,302.52
9128286U9	U.S. Treasury	AA+	AA+	1,650,000.00	8/5/2019	2.13%	5/15/2022	1,665,339.84	1.78%	4,527.30	1,670,367.60
9128282W9	U.S. Treasury	AA+	AA+	1,715,000.00	4/4/2018	1.88%	9/30/2022	1,666,564.65	2.54%	8,170.85	1,728,063.16
9128282W9	U.S. Treasury	AA+	AA+	250,000.00	6/8/2018	1.88%	9/30/2022	241,308.59	2.73%	1,191.09	251,904.25
912828N30	U.S. Treasury	AA+	AA+	7,925,000.00	1/31/2019	2.13%	12/31/2022	7,799,314.46	2.55%	462.65	8,045,729.45
912828P38	U.S. Treasury	AA+	AA+	1,450,000.00	10/3/2018	1.75%	1/31/2023	1,379,765.62	2.95%	10,618.89	1,456,004.45
912828P38	U.S. Treasury	AA+	AA+	2,000,000.00	11/6/2018	1.75%	1/31/2023	1,904,609.38	2.96%	14,646.74	2,008,282.00
912828R69	U.S. Treasury	AA+	AA+	4,600,000.00	3/6/2019	1.63%	5/31/2023	4,433,070.31	2.53%	6,535.52	4,600,179.40
912828R69	U.S. Treasury	AA+	AA+	2,400,000.00	4/5/2019	1.63%	5/31/2023	2,334,656.25	2.32%	3,409.84	2,400,093.60
912828S35	U.S. Treasury	N/A	AA+	450,000.00	10/25/2019	1.38%	6/30/2023	446,871.09	1.57%	17.00	446,080.05
912828T91	U.S. Treasury	AA+	AA+	2,000,000.00	7/3/2019	1.63%	10/31/2023	1,989,765.63	1.75%	5,535.71	1,998,204.00
912828X70	U.S. Treasury	AA+	AA+	2,700,000.00	5/6/2019	2.00%	4/30/2024	2,656,863.28	2.34%	9,197.80	2,737,019.70
912828XX3	U.S. Treasury	AA+	AA+	2,000,000.00	7/3/2019	2.00%	6/30/2024	2,021,484.38	1.77%	109.89	2,027,734.00
912828Y87	U.S. Treasury	N/A	AA+	1,500,000.00	12/4/2019	1.75%	7/31/2024	1,505,214.84	1.67%	10,985.05	1,504,804.50
912828ZV5	U.S. Treasury	N/A	AA+	2,000,000.00	12/4/2019	2.13%	9/30/2024	2,041,093.75	1.68%	10,799.18	2,040,000.00
Total U.S. Treasuries				48,610,000.00				48,047,938.27	2.13%	152,648.02	48,925,396.96
Federal Agencies											
3130AGLD5	Federal Home Loan Banks	AA+	AA+	1,500,000.00	7/3/2019	1.88%	7/7/2021	1,501,230.00	1.83%	13,593.75	1,506,439.50
3130A5P45	Federal Home Loan Banks	AA+	AA+	2,150,000.00	7/3/2019	2.38%	6/10/2022	2,183,841.00	1.82%	2,978.65	2,191,871.25
313383YJ4	Federal Home Loan Banks	AA+	AA+	2,455,000.00	12/6/2018	3.38%	9/8/2023	2,497,707.18	2.98%	26,007.66	2,604,531.60
313383YJ4	Federal Home Loan Banks	AA+	AA+	1,400,000.00	1/9/2019	3.38%	9/8/2023	1,443,246.00	2.67%	14,831.25	1,485,272.60
3135G0V34	Federal National Mortgage Association	AA+	AA+	1,600,000.00	2/8/2019	2.50%	2/5/2024	1,594,048.00	2.58%	16,222.22	1,649,499.20
3130AFW94	Federal Home Loan Banks	AA+	AA+	565,000.00	2/15/2019	2.50%	2/13/2024	562,999.90	2.58%	5,414.58	582,568.68
Total Federal Agencies				9,670,000.00				9,783,072.08	2.42%	79,048.11	10,020,182.83



City of Napa
Quarterly Investment Report - Holdings Report
as of December 31, 2019

CUSIP	Description	S&P Rating		Par Value	Purchase Settlement Date	Coupon Rate	Maturity Date	Original Cost	Yield to Maturity	Accrued Interest	Market Value
		FY Quarter 1Q19	FY Quarter 2Q19								
Federal Agency CMOs											
313136B1XP4	Federal National Mortgage Association	AA+	AA+	480,415.74	4/30/2018	3.56%	9/25/2021	489,971.70	2.27%	1,425.23	485,203.61
313137BM6P6	Federal Home Loan Mortgage Corporation	AA+	AA+	840,000.00	4/9/2018	3.09%	8/25/2022	847,153.13	2.61%	2,163.00	857,704.34
313136AEGQ4	Federal National Mortgage Association	AA+	AA+	455,738.99	9/9/2019	2.28%	12/25/2022	461,709.63	1.42%	865.90	457,840.27
313137FKK39	FHLMC	AA+	AA+	314,896.55	12/17/2018	3.20%	7/1/2023	314,895.59	3.11%	840.51	321,974.73
313136AJB54	Federal National Mortgage Association	N/A	AA+	765,000.00	12/18/2019	3.35%	3/25/2024	802,174.22	1.04%	2,132.97	797,506.46
313137FQ3V3	Federal Home Loan Mortgage Corporation	N/A	AA+	414,347.70	11/26/2019	2.09%	7/25/2024	414,337.76	2.03%	722.35	412,565.59
Total Federal Agency CMOs				3,270,398.98				3,330,242.03	2.00%	8,149.96	3,332,795.00
Municipals											
13063DGA0	State of California	AA-	AA-	635,000.00	4/25/2018	2.80%	4/1/2021	635,025.40	2.80%	4,445.00	643,229.60
797272QP9	San Diego Community College District	AAA	AAA	315,000.00	10/16/2019	2.05%	8/1/2024	315,000.00	2.05%	1,342.69	314,662.95
874857KK0	Tamalpais Union High School District	NR	NR	790,000.00	10/9/2019	2.02%	8/1/2024	790,000.00	2.02%	3,636.68	789,328.50
Total Municipals				1,740,000.00				1,740,025.40	2.31%	9,424.37	1,747,221.05
Supra-National Agencies											
45905UP32	International Bank of Reconstruction and Dev.	AAA	AAA	1,370,000.00	9/19/2017	1.56%	9/12/2020	1,366,712.00	1.64%	6,475.11	1,370,287.70
45950VLQ7	International Finance Corporation	AAA	AAA	1,000,000.00	3/16/2018	2.64%	3/9/2021	999,250.00	2.66%	8,197.78	1,008,206.00
459058GH0	International Bank of Reconstruction and Dev.	AAA	AAA	540,000.00	7/25/2018	2.75%	7/23/2021	538,736.40	2.83%	6,517.50	548,977.50
4581X0CZ9	Inter-American Development Bank	AAA	AAA	280,000.00	2/23/2018	1.75%	9/14/2022	267,752.80	2.78%	1,456.39	280,655.20
Total Supranationals				3,190,000.00				3,172,451.20	2.27%	22,646.78	3,208,126.40
Certificates of Deposit											
87019U6D6	Swedbank NY	AA-	A-1+	1,000,000.00	11/17/2017	2.27%	11/16/2020	1,000,000.00	2.30%	2,774.44	1,002,731.00
78012UEE1	Royal Bank of Canada NY	AA-	AA-	1,500,000.00	6/8/2018	3.24%	6/7/2021	1,500,000.00	3.24%	3,240.00	1,533,247.50
55379WZU3	Mitsubishi Ujfi Financial Group Inc	A	A	1,000,000.00	2/28/2019	2.98%	2/25/2022	1,000,000.00	3.01%	25,412.78	1,026,380.00
22535CDV0	Royal Bank of Canada NY CD	A+	A+	1,000,000.00	4/4/2019	2.83%	4/1/2022	1,000,000.00	2.86%	21,382.22	1,019,520.00
65558TLL7	Nordea Bank NY	AA-	AA-	1,000,000.00	8/29/2019	1.85%	8/26/2022	1,000,000.00	1.87%	6,423.61	1,001,629.00
83050PDR7	Skandinaviska Enskilda Banken Ab	A+	A+	1,000,000.00	9/3/2019	1.86%	8/26/2022	1,000,000.00	1.88%	6,200.00	1,001,891.00
23341VZT1	DNB Bank	N/A	AA-	800,000.00	12/6/2019	2.04%	12/2/2022	800,000.00	2.04%	1,224.00	799,140.80
Total Certificates of Deposit				7,300,000.00				7,300,000.00	2.53%	66,657.05	7,384,539.30
Corporate Notes											
94974BGR5	Wells Fargo	A-	A-	1,345,000.00	2/3/2017	2.55%	12/7/2020	1,348,160.75	2.49%	2,286.50	1,353,193.74
931142EA7	Wal-Mart Stores	AA	AA	1,630,000.00	10/20/2017	1.90%	12/15/2020	1,627,636.50	1.95%	1,376.44	1,632,224.95
24422ETZ2	Deere & Company	A	A	175,000.00	1/8/2018	2.35%	1/8/2021	174,909.00	2.37%	1,976.28	175,944.65
44932HAB9	IBM	A	A	915,000.00	9/8/2017	1.80%	1/20/2021	913,105.95	1.86%	7,365.75	914,443.68
44932HAG8	IBM	A	A	175,000.00	2/6/2018	2.65%	2/5/2021	174,914.25	2.67%	1,880.76	176,601.60
69371RN93	Paccar Financial Corp.	A+	A+	550,000.00	2/27/2018	2.80%	3/1/2021	549,730.50	2.82%	5,133.33	556,477.35
24422EUD9	Deere & Company	A	A	310,000.00	3/13/2018	2.88%	3/1/2021	309,789.20	2.90%	2,698.51	313,831.29
63743HER9	National Rural Utilities Co Finance Corp	A	A	450,000.00	2/26/2018	2.90%	3/15/2021	449,500.50	2.94%	3,842.50	455,064.75
63743HER9	National Rural Utilities Co Finance Corp	A	A	600,000.00	4/19/2018	2.90%	3/15/2021	597,462.00	3.05%	5,123.33	606,753.00
904764AZ0	Unilever Plc	A+	A+	520,000.00	3/22/2018	2.75%	3/22/2021	517,342.80	2.93%	3,932.50	526,237.92
911312BP0	UPS	A	A	730,000.00	11/14/2017	2.05%	4/1/2021	728,846.60	2.10%	3,741.25	731,954.94
713448DX3	PepsiCo	A+	A+	580,000.00	10/10/2017	2.00%	4/15/2021	579,884.00	2.01%	2,448.89	581,654.74
0258M0EB1	American Express Co	A-	A-	1,635,000.00	5/15/2017	2.25%	5/5/2021	1,625,271.75	2.41%	5,722.50	1,642,879.07
427866BA5	Hershey Co.	A	A	450,000.00	5/10/2018	3.10%	5/15/2021	449,689.50	3.12%	1,782.50	457,618.05
06051GGS2	Bank Of America Co	A-	A-	385,000.00	9/18/2017	2.33%	10/1/2021	385,000.00	2.33%	2,240.70	386,096.87
02665WCP4	American Honda Finance	A	A	575,000.00	10/10/2018	3.38%	12/10/2021	574,724.00	3.39%	1,132.03	591,917.08
24422ETL3	Deere & Company	A	A	595,000.00	3/15/2017	2.65%	1/6/2022	592,376.05	2.75%	7,664.76	604,977.56
06051GEM7	Bank Of America Co	A-	A-	395,000.00	6/22/2017	5.70%	1/24/2022	446,831.90	2.64%	9,819.04	423,916.37
06406RAA5	Bank of New York Mellon	A	A	1,395,000.00	2/10/2017	2.60%	2/7/2022	1,395,641.70	2.59%	14,508.00	1,416,213.77
437076BV3	Home Depot Inc	A	A	430,000.00	12/6/2018	3.25%	3/1/2022	428,821.80	3.34%	4,658.33	444,398.98



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CUSIP	Description	S&P Rating		Par Value	Purchase Settlement Date	Coupon Rate	Maturity Date	Original Cost	Yield to Maturity	Accrued Interest	Market Value
		FY Quarter 1Q19	FY Quarter 2Q19								
05531FAX1	BB&T Corporation	A-	A-	1,375,000.00	4/6/2017	2.75%	4/1/2022	1,385,381.25	2.59%	9,453.13	1,399,366.38
02665WCY5	American Honda Finance	A	A	300,000.00	6/27/2019	2.20%	6/21/2022	299,724.00	2.23%	73.33	302,333.40
20030NBD2	Comcast Corporation	A-	A-	915,000.00	9/1/2017	3.13%	7/15/2022	953,969.85	2.20%	13,184.90	943,735.58
89236TEC5	Toyota Motor Corp	AA-	AA-	915,000.00	9/12/2017	2.15%	9/8/2022	913,920.30	2.18%	6,174.98	922,124.19
172967LQ2	Citigroup Inc	BBB+	BBB+	915,000.00	6/4/2019	2.70%	10/27/2022	911,687.70	2.81%	4,392.00	930,232.92
458140AM2	Intel Corporation	A+	A+	900,000.00	12/28/2018	2.70%	12/15/2022	882,414.00	3.23%	1,080.00	922,320.00
46647PBB1	JPMorgan Chase	A-	A-	1,625,000.00	3/22/2019	3.21%	4/1/2023	1,625,000.00	3.21%	13,028.44	1,663,751.38
097023BQ7	Boeing Company	A	A-	575,000.00	1/4/2019	1.88%	6/15/2023	546,497.25	3.08%	479.17	571,406.83
002824BE9	Abbot Laboratories	BBB+	A-	990,000.00	5/14/2019	3.40%	11/30/2023	1,015,730.10	2.79%	2,898.50	1,040,871.15
808513AY1	Charles Schwab	A	A	1,000,000.00	4/29/2019	3.55%	2/1/2024	1,034,750.00	2.76%	14,791.67	1,065,177.00
025816CC1	American Express	BBB+	BBB+	795,000.00	7/12/2019	3.40%	2/22/2024	826,863.60	2.47%	9,685.75	831,656.66
61746BDQ6	Morgan Stanley	BBB+	BBB+	790,000.00	7/23/2019	3.88%	4/29/2024	836,238.70	2.56%	5,272.15	839,831.62
904764AX5	Unilever Plc	A+	A+	485,000.00	9/6/2019	2.60%	5/5/2024	499,525.75	1.93%	1,961.56	496,333.48
14913Q2V0	Caterpillar Financial	A	A	1,055,000.00	7/12/2019	2.85%	5/17/2024	1,079,792.50	2.33%	3,674.92	1,090,969.17
02665WCZ2	Waste Management Inc	A-	A-	600,000.00	9/18/2019	2.95%	6/15/2024	616,614.00	2.33%	786.67	619,439.40
38141EC23	American Honda Finance	A	A	125,000.00	7/16/2019	2.40%	6/27/2024	124,357.50	2.51%	33.33	126,399.00
91159HHX1	Goldman Sachs Group Inc	BBB+	BBB+	1,100,000.00	7/18/2019	3.85%	7/8/2024	1,148,202.00	2.90%	20,351.53	1,163,466.70
254687FK7	US Bancorp	A+	A+	1,085,000.00	8/1/2019	2.40%	7/30/2024	1,084,034.35	2.42%	10,994.67	1,100,103.20
993475AY1	The Walt Disney Corporation	A	A	1,085,000.00	9/6/2019	1.75%	8/30/2024	1,080,573.20	1.84%	6,065.45	1,076,767.02
	PNC Financial Services Group	N/A	A-	700,000.00	11/8/2019	2.20%	11/1/2024	699,769.00	2.21%	2,566.67	702,601.90
Total Corporate Notes				31,170,000.00				31,434,683.80	2.55%	216,282.72	31,791,287.34
Asset-Backed Securities											
65478VAD9	Nissan Auto Receivables	NR	NR	2,783.10	4/27/2016	1.32%	1/15/2021	2,782.67	1.33%	1.63	2,782.25
44891EAC3	Hyundai Auto Receivables	AAA	AAA	50,478.47	9/21/2016	1.29%	4/15/2021	50,471.68	1.30%	28.94	50,444.20
02007PAC7	Ally Auto Receivables Trust	NR	NR	38,158.69	1/31/2017	1.70%	6/15/2021	38,155.35	1.70%	28.83	38,133.57
34531EAD8	Ford Credit Auto Owner Trust	NR	NR	136,116.44	1/25/2017	1.67%	6/15/2021	136,115.94	1.67%	101.03	136,025.73
36256GAD1	GM Financial Auto Leasing Trust	AAA	AAA	340,000.00	9/26/2018	3.18%	6/20/2021	339,973.14	3.19%	330.37	341,681.98
47788BAD6	John Deere Owners Trust	NR	NR	129,614.50	7/18/2017	1.82%	10/15/2021	129,605.02	1.82%	104.84	129,498.95
89237RAD0	Toyota Motor Corp	AAA	AAA	401,179.39	8/2/2017	1.78%	11/15/2021	401,147.41	2.00%	317.38	400,872.57
02007FAC9	Ally Auto Receivables Trust	AAA	AAA	294,960.85	8/23/2017	1.75%	12/15/2021	294,957.05	1.75%	229.41	294,750.66
34531LAD2	Ford Credit Auto Lease Trust	NR	NR	465,000.00	9/21/2018	3.19%	12/15/2021	464,960.71	3.41%	659.27	468,250.40
44932GAD7	Hyundai Auto Receivables	AAA	AAA	454,560.05	8/16/2017	1.77%	1/18/2022	454,481.28	1.78%	357.59	454,116.85
43814UAC3	Honda Auto Receivables	AAA	AAA	768,165.44	2/28/2018	2.64%	2/15/2022	768,066.12	2.65%	901.31	771,366.46
47788CAC6	John Deere Owners Trust	NR	NR	207,685.24	2/28/2018	2.65%	4/15/2022	207,670.31	2.66%	245.53	208,467.78
65478DAD9	Nissan Auto Receivables	AAA	AAA	559,903.76	2/28/2018	2.65%	5/15/2022	559,839.76	2.66%	659.44	562,306.53
43814UAG4	Honda Auto Receivables	AAA	AAA	235,000.00	5/30/2018	3.01%	5/18/2022	234,994.88	3.01%	255.43	237,167.97
02582JH06	American Express Co	NR	NR	215,000.00	3/21/2018	2.67%	10/17/2022	214,975.04	2.68%	255.13	215,330.80
92867XAD8	Volkswagen Auto Lease Trust	AAA	AAA	360,000.00	10/4/2019	1.99%	11/2/2022	359,994.31	1.99%	218.90	360,348.55
89231AAD3	Toyota Motor Corp	AAA	AAA	490,000.00	8/22/2018	3.02%	12/15/2022	489,912.83	3.03%	657.69	497,255.19
02007JAC1	Ally Auto Receivables Trust	AAA	AAA	800,000.00	6/27/2018	3.00%	1/15/2023	799,945.28	3.09%	1,066.67	806,206.80
36255JAD6	GM Financial Securitized Term	AAA	AAA	450,000.00	7/18/2018	3.02%	5/16/2023	449,895.06	3.03%	566.25	455,521.55
14313FAD1	Carmax Auto Owner Trust	AAA	AAA	520,000.00	7/25/2018	3.13%	6/15/2023	519,929.12	3.36%	723.38	527,404.02
14042WAC4	Capital One Auto Receivables Trust	AAA	AAA	310,000.00	5/30/2019	2.51%	11/15/2023	309,937.19	2.52%	345.82	312,773.57
Total Asset-Backed Securities				7,228,605.93				7,227,810.15	2.67%	8,054.84	7,270,706.38
Total				168,500,643.02				168,357,861.04	2.17%	562,911.85	170,001,893.37



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CUSIP	Description	S&P Rating	Par Value	Purchase Settlement Date	Coupon Rate	Maturity Date	Original Cost	Yield to Maturity	Accrued Interest	Market Value	Days to Maturity
LAIF and CAMP											
N/A	California Asset Management Trust	AAA/m	51,858,863.26	12/31/2019	1.80%	1/1/2020	51,858,863.26	1.80%	-	51,858,863.26	1
N/A	Local Agency Investment Fund	NR	4,462,774.85	12/31/2019	2.29%	1/1/2020	4,462,774.85	2.29%	-	4,462,774.85	1
Total LAIF and CAMP			56,321,638.11				56,321,638.11		-	56,321,638.11	
Other											
45905UP32	International Bank of Reconstruction and Dev.	AAA	1,370,000.00	9/19/2017	1.56%	9/12/2020	1,366,712.00	1.64%	6,475.11	1,370,287.70	256
87019U6D6	Swedbank NY	A-1+	1,000,000.00	11/17/2017	2.27%	11/16/2020	1,000,000.00	2.30%	2,774.44	1,002,731.00	321
94974BGR5	Wells Fargo	A-	1,345,000.00	2/3/2017	2.55%	12/7/2020	1,348,160.75	2.49%	2,286.50	1,353,193.74	342
931142EA7	Wal-Mart Stores	AA	1,630,000.00	10/20/2017	1.90%	12/15/2020	1,627,636.50	1.95%	1,376.44	1,632,224.95	350
24422ETZ2	Deere & Company	A	175,000.00	1/8/2021	2.35%	1/8/2021	174,909.00	2.37%	1,976.28	175,944.65	374
65478VAD9	Nissan Auto Receivables	NR	2,783.10	4/27/2016	1.32%	1/15/2021	2,782.67	1.33%	1.63	2,782.25	381
44932HAB9	IBM	A	915,000.00	9/8/2017	1.80%	1/20/2021	913,105.95	1.86%	7,365.75	914,443.68	386
44932HAG8	IBM	A	175,000.00	2/6/2018	2.65%	2/5/2021	174,914.25	2.67%	1,880.76	176,601.60	402
69371RN93	Paccar Financial Corp.	A+	550,000.00	2/27/2018	2.80%	3/1/2021	549,730.50	2.82%	5,133.33	556,477.35	426
45950VLQ7	International Finance Corporation	AAA	1,000,000.00	3/16/2018	2.84%	3/9/2021	999,250.00	2.86%	8,197.78	1,008,206.00	434
24422EUD9	Deere & Company	A	310,000.00	3/13/2018	2.88%	3/12/2021	309,789.20	2.90%	2,698.51	313,831.29	437
63743HER9	National Rural Utilities Co Finance Corp	A	450,000.00	2/26/2018	2.90%	3/15/2021	449,500.50	2.94%	3,842.50	455,064.75	440
63743HER9	National Rural Utilities Co Finance Corp	A	600,000.00	4/19/2018	2.90%	3/15/2021	597,462.00	3.05%	5,123.33	606,753.00	440
904764AZ0	Unilever Plc	A+	520,000.00	3/22/2018	2.75%	3/22/2021	517,342.80	2.93%	3,932.50	526,237.92	447
912828C57	U.S. Treasury	AA+	2,215,000.00	7/12/2019	2.25%	3/31/2021	2,228,151.56	1.90%	12,663.63	2,231,871.66	456
13063DGA0	State of California	AA-	635,000.00	4/25/2018	2.80%	4/1/2021	635,025.40	2.80%	4,445.00	643,229.60	457
911312BP0	UPS	A	730,000.00	11/14/2017	2.05%	4/1/2021	728,846.60	2.10%	3,741.25	731,954.94	457
44891EAC3	Hyundai Auto Receivables	AAA	50,478.47	9/21/2016	1.29%	4/15/2021	50,471.68	1.30%	28.94	50,444.20	471
713448DX3	PepsiCo	A+	580,000.00	10/10/2017	2.00%	4/15/2021	579,884.00	2.01%	2,448.89	581,654.74	471
0258M0EB1	American Express Co	A-	1,635,000.00	5/15/2017	2.25%	5/5/2021	1,625,271.75	2.41%	5,722.50	1,642,879.07	491
427866BA5	Hershey Co.	A	450,000.00	5/10/2018	3.10%	5/15/2021	449,689.50	3.12%	1,782.50	457,618.05	501
78012UEE1	Royal Bank of Canada NY	AA-	1,500,000.00	6/8/2018	3.24%	6/7/2021	1,500,000.00	3.24%	3,240.00	1,533,247.50	524
02007PAC7	Ally Auto Receivables Trust	NR	38,158.69	1/31/2017	1.70%	6/15/2021	38,155.35	1.70%	28.83	38,133.57	532
34531EAD8	Ford Credit Auto Owner Trust	NR	136,116.44	1/25/2017	1.67%	6/15/2021	136,115.94	1.67%	101.03	136,025.73	532
36256GAD1	GM Financial Auto Leasing Trust	AAA	340,000.00	9/26/2018	3.18%	6/20/2021	339,973.14	3.19%	330.37	341,681.98	537
3130AGLD5	Federal Home Loan Banks	AA+	1,500,000.00	7/3/2019	1.88%	7/7/2021	1,501,230.00	1.83%	13,593.75	1,506,439.50	554
459058GH0	International Bank of Reconstruction and Dev.	AAA	540,000.00	7/25/2018	2.75%	7/23/2021	538,736.40	2.83%	6,517.50	548,977.50	570
912828S76	U.S. Treasury	AA+	2,700,000.00	7/18/2019	1.13%	7/31/2021	2,660,132.81	1.87%	12,711.28	2,679,855.30	578
9128284W7	U.S. Treasury	AA+	390,000.00	9/19/2019	2.75%	8/15/2021	397,358.20	1.74%	4,051.02	397,114.38	593
9128282F6	U.S. Treasury	AA+	2,475,000.00	7/23/2019	1.13%	8/31/2021	2,440,968.75	1.79%	9,408.74	2,455,954.88	609
9128282F6	U.S. Treasury	AA+	340,000.00	9/3/2019	1.13%	8/31/2021	337,250.78	1.54%	1,292.51	337,383.70	609
3136B1XP4	Federal National Mortgage Association	AA+	480,415.74	4/30/2018	3.56%	9/25/2021	489,971.70	2.27%	1,425.23	485,203.61	634
912828F21	U.S. Treasury	AA+	400,000.00	8/7/2019	2.13%	9/30/2021	404,296.88	1.61%	2,159.84	403,578.00	639
06051GGS2	Bank Of America Co	A-	385,000.00	9/18/2017	2.33%	10/1/2021	385,000.00	2.33%	2,240.70	386,096.87	640
47788BAD6	John Deere Owners Trust	NR	129,614.50	7/18/2017	1.82%	10/15/2021	129,605.02	1.82%	104.84	129,498.95	654
9128285F3	U.S. Treasury	AA+	1,045,000.00	6/5/2019	2.88%	10/15/2021	1,069,043.16	1.87%	6,402.77	1,068,430.99	654
9128285F3	U.S. Treasury	AA+	600,000.00	10/1/2019	2.88%	10/15/2021	614,085.94	1.70%	3,676.23	613,453.20	654
912828T67	U.S. Treasury	AA+	900,000.00	8/29/2019	1.25%	10/31/2021	894,937.50	1.51%	1,916.21	894,585.60	670
912828T67	U.S. Treasury	AA+	500,000.00	11/1/2019	1.25%	10/31/2021	546,369.14	1.59%	1,171.02	546,691.20	670
89237RAD0	Toyota Motor Corp	AAA	401,179.39	8/2/2017	1.78%	11/15/2021	401,147.41	2.00%	317.38	400,872.57	685
9128285L0	U.S. Treasury	AA+	660,000.00	11/12/2019	2.88%	11/15/2021	675,468.75	1.68%	2,450.07	675,572.04	685



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ATTACHMENT 1

CUSIP	Description	S&P Rating	Par Value	Purchase Settlement Date	Coupon Rate	Maturity Date	Original Cost	Yield to Maturity	Accrued Interest	Market Value	Days to Maturity
912828G53	U.S. Treasury	AA+	470,000.00	7/16/2019	1.88%	11/30/2021	470,422.27	1.84%	770.49	472,735.40	700
912828U65	U.S. Treasury	AA+	2,695,000.00	12/4/2019	1.75%	11/30/2021	2,700,263.67	1.65%	4,123.50	2,703,316.77	700
02665WCP4	American Honda Finance	A	575,000.00	10/10/2017	3.38%	12/10/2021	574,724.00	3.39%	1,132.03	591,917.08	710
02007FAC9	Ally Auto Receivables Trust	AAA	294,960.85	8/23/2017	1.75%	12/15/2021	294,957.05	1.75%	229.41	294,750.66	715
34531LAD2	Ford Credit Auto Lease Trust	NR	465,000.00	9/21/2018	3.19%	12/15/2021	464,960.71	3.41%	659.27	468,250.40	715
24422ETL3	Deere & Company	A	595,000.00	3/15/2017	2.65%	1/6/2022	592,376.05	2.75%	7,664.76	604,977.56	737
912828V8	U.S. Treasury	AA+	60,000.00	8/1/2019	2.50%	1/15/2022	60,996.09	1.81%	692.93	61,085.16	746
44932GAD7	Hyundai Auto Receivables	AAA	454,560.05	8/16/2017	1.77%	1/18/2022	454,481.28	1.78%	357.59	454,116.85	749
06051GEM7	Bank Of America Co	A-	395,000.00	6/22/2017	5.70%	1/24/2022	446,831.90	2.64%	9,819.04	423,916.37	755
912828H86	U.S. Treasury	AA+	470,000.00	7/7/2017	1.50%	1/31/2022	462,270.70	1.88%	2,950.27	469,302.52	762
06406RAA5	Bank of New York Mellon	A	1,395,000.00	2/10/2017	2.60%	2/7/2022	1,395,641.70	2.59%	14,508.00	1,416,213.77	769
43814UAC3	Honda Auto Receivables	AAA	768,165.44	2/28/2018	2.64%	2/15/2022	768,066.12	2.65%	901.31	771,366.46	777
55379WZU3	Mitsubishi Uffj Financial Group Inc	A	1,000,000.00	2/28/2019	2.98%	2/25/2022	1,000,000.00	3.01%	25,412.78	1,026,380.00	787
437076BV3	Home Depot Inc	A	430,000.00	12/6/2018	3.25%	3/1/2022	428,821.80	3.34%	4,658.33	444,398.98	791
05531FAX1	BB&T Corporation	A-	1,375,000.00	4/6/2017	2.75%	4/1/2022	1,385,381.25	2.59%	9,453.13	1,399,366.38	822
22535CDV0	Royal Bank of Canada NY CD	A+	1,000,000.00	4/4/2019	2.83%	4/1/2022	1,000,000.00	2.86%	21,382.22	1,019,520.00	822
47788CAC6	John Deere Owners Trust	NR	207,685.24	2/28/2018	2.66%	4/15/2022	207,670.31	2.66%	245.53	208,467.78	836
65478DAD9	Nissan Auto Receivables	AAA	559,903.76	2/28/2018	2.65%	5/15/2022	559,839.76	2.66%	659.44	562,306.53	866
912828U9	U.S. Treasury	AA+	1,650,000.00	8/5/2019	2.13%	5/15/2022	1,665,339.84	1.78%	4,527.30	1,670,367.60	866
43814UAG4	Honda Auto Receivables	AAA	235,000.00	5/30/2018	3.01%	5/18/2022	234,994.88	3.01%	255.43	237,167.97	869
3130A5P45	Federal Home Loan Banks	AA+	2,150,000.00	7/3/2019	2.38%	6/10/2022	2,183,841.00	1.82%	2,978.65	2,191,871.25	892
02665WCY5	American Honda Finance	A	300,000.00	6/27/2019	2.20%	6/27/2022	299,724.00	2.20%	73.33	302,333.40	909
20030NBD2	Comcast Corporation	A-	915,000.00	9/1/2017	3.13%	7/15/2022	953,969.85	2.23%	13,184.90	943,735.58	927
3137BM6P6	Federal Home Loan Mortgage Corporation	AA+	840,000.00	4/9/2018	3.09%	8/25/2022	847,153.13	2.61%	2,193.00	857,704.34	968
65558TLT7	Nordea Bank NY	AA-	1,000,000.00	8/29/2019	1.85%	8/26/2022	1,000,000.00	1.87%	6,423.61	1,001,629.00	969
83050PDR7	Skandinaviska Enskilda Banken Ab	A+	1,000,000.00	9/3/2019	1.86%	8/26/2022	1,000,000.00	1.88%	6,200.00	1,001,891.00	969
89236TEC5	Toyota Motor Corp	AA-	915,000.00	9/12/2017	2.15%	9/8/2022	913,920.30	2.18%	6,174.98	922,124.19	982
4581X0CZ9	Inter-American Development Bank	AAA	280,000.00	2/23/2018	1.75%	9/14/2022	267,752.80	2.78%	1,456.39	280,655.20	988
9128282W9	U.S. Treasury	AA+	1,715,000.00	4/4/2018	1.88%	9/30/2022	1,666,564.65	2.54%	8,170.85	1,728,063.16	1,004
9128282W9	U.S. Treasury	AA+	250,000.00	6/8/2018	1.88%	9/30/2022	241,308.59	2.73%	1,191.09	251,904.25	1,004
02582JHQ6	American Express Co	NR	215,000.00	3/21/2019	2.67%	10/17/2022	214,975.04	2.68%	255.13	215,330.80	1,021
172967LQ2	Citigroup Inc	BBB+	915,000.00	6/4/2019	2.70%	10/27/2022	911,687.70	2.81%	4,392.00	930,232.92	1,031
92867XAD8	Volkswagen Auto Lease Trust	AAA	360,000.00	10/4/2019	1.99%	11/21/2022	359,994.31	1.99%	218.90	360,348.55	1,056
23341VZT1	DNB Bank	AA-	800,000.00	12/6/2019	2.04%	12/2/2022	800,000.00	2.04%	1,224.00	799,140.80	1,067
458140AM2	Intel Corporation	A+	900,000.00	12/28/2018	2.70%	12/15/2022	882,414.00	3.23%	1,080.00	922,320.00	1,080
89231AAD3	Toyota Motor Corp	AAA	490,000.00	8/22/2018	3.02%	12/15/2022	489,912.83	3.03%	657.69	497,255.19	1,080
3136AEGQ4	Federal National Mortgage Association	AA+	455,738.99	9/9/2019	2.28%	12/25/2022	461,709.63	1.42%	865.90	457,840.27	1,090
912828N30	U.S. Treasury	AA+	7,925,000.00	1/31/2019	2.13%	12/31/2022	7,799,314.46	2.55%	462.65	8,045,729.45	1,096
02007JAC1	Ally Auto Receivables Trust	AAA	800,000.00	6/27/2018	3.00%	1/15/2023	799,945.28	3.09%	1,066.67	806,206.80	1,111
912828P38	U.S. Treasury	AA+	1,450,000.00	10/3/2018	1.75%	1/31/2023	1,379,765.62	2.95%	10,618.89	1,456,004.45	1,127
912828P38	U.S. Treasury	AA+	2,000,000.00	11/6/2018	1.75%	1/31/2023	1,904,609.38	2.96%	14,646.74	2,008,282.00	1,127
46647PBB1	JPMorgan Chase	A-	1,625,000.00	3/22/2019	3.21%	4/1/2023	1,625,000.00	3.21%	13,028.44	1,663,751.38	1,187
36255JAD6	GM Financial Securitized Term	AAA	450,000.00	7/18/2018	3.02%	5/16/2023	449,895.06	3.03%	566.25	455,521.55	1,232
912828R69	U.S. Treasury	AA+	4,600,000.00	3/6/2019	1.63%	5/31/2023	4,433,070.31	2.53%	6,535.52	4,600,179.40	1,247
912828R69	U.S. Treasury	AA+	2,400,000.00	4/5/2019	1.63%	5/31/2023	2,334,656.25	3.22%	3,409.84	2,400,093.60	1,247
097023BQ7	Boeing Company	A-	575,000.00	1/4/2019	1.88%	6/15/2023	546,497.25	3.08%	479.17	571,406.83	1,262
14313FAD1	Carmax Auto Owner Trust	AAA	520,000.00	7/25/2018	3.13%	6/15/2023	519,929.12	3.36%	723.38	527,404.02	1,262



City of Napa
Quarterly Investment Report - Maturity Report
as of December 31, 2019

CUSIP	Description	S&P Rating	Par Value	Purchase Settlement Date	Coupon Rate	Maturity Date	Original Cost	Yield to Maturity	Accrued Interest	Market Value	Days to Maturity
912828S35	U.S. Treasury	AA+	450,000.00	10/25/2019	1.38%	6/30/2023	446,871.09	1.57%	17.00	446,080.05	1,277
3137FKK39	FHLMC	AA+	314,896.55	12/17/2018	3.20%	7/1/2023	314,895.59	3.11%	840.51	321,974.73	1,278
313383YJ4	Federal Home Loan Banks	AA+	2,455,000.00	12/6/2018	3.38%	9/8/2023	2,497,707.18	2.98%	26,007.66	2,604,531.60	1,347
313383YJ4	Federal Home Loan Banks	AA+	1,400,000.00	1/9/2019	3.38%	9/8/2023	1,443,246.00	2.87%	14,831.25	1,485,272.60	1,347
912828T91	U.S. Treasury	AA+	2,000,000.00	7/3/2019	1.63%	10/31/2023	1,989,765.63	1.75%	5,535.71	1,998,204.00	1,400
14042WAC4	Capital One Auto Receivables Trust	AAA	310,000.00	5/30/2019	2.51%	11/15/2023	309,937.19	2.52%	345.82	312,773.57	1,415
002824BE9	Abbott Laboratories	A-	990,000.00	5/14/2019	3.40%	11/30/2023	1,015,730.10	2.79%	2,898.50	1,040,871.15	1,430
808513AY1	Charles Schwab	A	1,000,000.00	4/29/2019	3.55%	2/1/2024	1,034,750.00	2.76%	14,791.67	1,055,177.00	1,493
3130AFW94	Federal National Mortgage Association	AA+	1,600,000.00	2/8/2019	2.50%	2/5/2024	1,594,048.00	2.58%	16,222.22	1,649,499.20	1,497
025816CC1	Federal Home Loan Banks	AA+	565,000.00	2/15/2019	2.50%	2/1/2024	562,999.90	2.58%	5,414.58	582,568.68	1,505
3136AJB54	American Express	BBB+	795,000.00	7/12/2019	3.40%	2/22/2024	826,863.60	2.47%	9,685.75	831,656.66	1,514
61748BDQ6	Federal National Mortgage Association	AA+	765,000.00	12/18/2019	3.35%	3/25/2024	802,174.22	1.04%	2,132.97	797,506.46	1,546
912828X70	Morgan Stanley	BBB+	790,000.00	7/23/2019	3.88%	4/29/2024	836,238.70	2.56%	5,272.15	839,831.62	1,581
904764AX5	U.S. Treasury	AA+	2,700,000.00	5/6/2019	2.00%	4/30/2024	2,656,863.28	2.34%	9,197.80	2,737,019.70	1,582
14913Q2V0	Unilever Plc	A+	485,000.00	9/6/2019	2.60%	5/5/2024	499,525.75	1.93%	1,961.56	496,333.48	1,587
94106LBF5	Caterpillar Financial	A	1,055,000.00	7/12/2019	2.85%	5/17/2024	1,079,792.50	2.33%	3,674.92	1,090,969.17	1,599
02665WCZ2	Waste Management Inc	A-	600,000.00	9/18/2019	2.95%	6/15/2024	616,614.00	2.33%	786.67	619,439.40	1,628
912828XX3	American Honda Finance	A	125,000.00	7/16/2019	2.40%	6/27/2024	124,357.50	2.51%	33.33	126,399.00	1,640
38141EC23	U.S. Treasury	AA+	2,000,000.00	7/3/2019	2.00%	6/30/2024	2,021,484.38	1.77%	109.89	2,027,734.00	1,643
3137FQ3V3	Goldman Sachs Group Inc	BBB+	1,100,000.00	7/18/2019	3.85%	7/8/2024	1,148,202.00	2.90%	20,351.53	1,163,466.70	1,651
91159HHX1	Federal Home Loan Mortgage Corporation	AA+	414,347.70	11/26/2019	2.09%	7/25/2024	414,337.76	2.03%	722.35	412,565.59	1,668
912828Y87	US Bancorp	A+	1,085,000.00	8/1/2019	2.40%	7/30/2024	1,084,034.35	2.42%	10,994.67	1,100,103.20	1,673
797272QP9	U.S. Treasury	AA+	1,500,000.00	12/4/2019	1.75%	7/31/2024	1,505,214.84	1.67%	10,985.05	1,504,804.50	1,674
874857KK0	San Diego Community College District	AAA	315,000.00	10/16/2019	2.05%	8/1/2024	315,000.00	2.05%	1,342.69	314,862.95	1,675
254687FK7	Tamapais Union High School District	NR	790,000.00	10/9/2019	2.02%	8/1/2024	790,000.00	2.02%	3,636.68	789,328.50	1,675
912828Y5	The Walt Disney Corporation	A	1,085,000.00	9/6/2019	1.75%	8/30/2024	1,080,573.20	1.84%	6,065.45	1,076,767.02	1,704
693475AY1	U.S. Treasury	AA+	2,000,000.00	12/4/2019	2.13%	9/30/2024	2,041,093.75	1.88%	10,799.18	2,040,000.00	1,735
	PNC Financial Services Group	A-	700,000.00	11/8/2019	2.20%	11/1/2024	699,769.00	2.21%	2,566.67	702,601.90	1,767
Total Other							112,036,222.93		562,911.85	113,680,255.26	
Total LAIF, CAMP, and Securities							168,357,861.04		562,911.85	170,001,893.37	

RESOLUTION R2019-052

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
NAPA, STATE OF CALIFORNIA, TO ADOPT THE CITY'S
STATEMENT OF INVESTMENT POLICY FOR 2019/20
AND DELEGATE AUTHORITY TO THE CITY TREASURER
TO INVEST FUNDS IN ACCORDANCE WITH THE
STATEMENT OF INVESTMENT POLICY

WHEREAS, consistent with California Government Code Section 53646, the City Treasurer annually renders to the City Council a statement of investment policy; and

WHEREAS, consistent with Government Code Section 53607, the City Council annually delegates authority to the City Treasurer to make investments on behalf of the City; and

WHEREAS, the Council appointed Finance Director Brian Cochran to serve as the City Treasurer on June 6, 2017; and

WHEREAS, the City Council has considered all information related to this matter, as presented at the public meetings of the City Council identified herein, including any supporting reports by City staff, and any information provided during public meetings.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Napa, as follows:

1. The City Council hereby finds that the facts set forth in the recitals to this resolution are true and correct, and establish the factual basis for the City Council's adoption of this resolution.
2. The City Council of the City of Napa, State of California hereby adopts the update of the City's Statement of Investment Policy attached hereby as Exhibit "A".
3. The City Council hereby delegates authority to the City Treasurer to invest funds in accordance with the City's Statement of Investment Policy.
4. This Resolution shall take effect immediately upon its adoption.

I HEREBY CERTIFY that the foregoing Resolution was duly adopted by the City Council of the City of Napa at a public meeting of said City Council held on the 4th day of June, 2019 by the following vote:

AYES: Gentry, Alessio, Luros, Sedgley, Techel

NOES: None

ABSENT: None

ABSTAIN: None

ATTEST:


Tiffany Carranza
City Clerk

Approved as to form:



Michael W. Barrett
City Attorney

EXHIBIT A

CITY OF NAPA
STATEMENT OF INVESTMENT POLICY
June 2019

1. Policy

It is the policy of the City of Napa ("City") to invest public funds in a manner which will provide maximum security, meet the daily cash flow demands of the City, and provide highest investment return while conforming to all California laws and local statutes governing the investment of public funds.

2. Scope

This investment policy applies to all the funds and investment activities under the direct authority of the City. This investment policy has been separately approved by the respective governing bodies of the Housing Authority of the City of Napa ("HACN") and the Successor Agency to the Napa Community Redevelopment Agency ("Successor Agency"); thus, references in this policy to the "City" shall apply equivalently to HACN and the Successor Agency. There are four categories of funds that are separately invested in accordance with specialized requirements for administration and reserve requirements, which supersede conflicting requirements of this policy, including: employees' retirement funds (governed by CalPERS), pension stabilization trust funds (governed by separate investment guidelines adopted by City Council), CERBT trust funds (Governed by CalPERS), and certain debt issues which are invested by trustees appointed under indenture agreements. Funds are accounted for in the City's Comprehensive Annual Financial Report (CAFR) and include the following:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Debt Service Funds
- Enterprise Funds
- Internal Service Funds
- Trust and Agency Funds

3. Prudence

All persons authorized to make investment decisions on behalf of the City are trustees and therefore fiduciaries subject to the prudent investor standard: 'When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

4. Objective

The primary objectives in priority order, of the City's investment activities shall be:

4.1 Safety: Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure that capital losses are avoided, whether from securities default, broker-dealer default, or erosion of market value. To attain this objective, diversification is required in order that potential losses on individual

EXHIBIT A

CITY OF NAPA
STATEMENT OF INVESTMENT POLICY
June 2019

securities do not exceed the income generated from the remainder of the portfolio. The City may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity or yield of the portfolio in response to market conditions or the City's risk preferences.

4.2 Liquidity: The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

4.3 Return on Investment: The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio.

5. Delegation of Authority

Pursuant to the City of Napa Municipal Code Section 2.32.030(g), the Finance Director/Treasurer is delegated investment authority and is responsible for investment decisions and activities. Section 53607 of the California Government Code requires that delegation of authority is only valid for a one-year period or until the delegation of the authority is revoked or expires. Authority must be renewed each year. The Finance Director/Treasurer shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include reference to: Safekeeping, master repurchase agreement, wire transfer agreement, collateral/depository agreement and banking service contract. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No City personnel may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director/Treasurer. He or she shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The City may engage the services of one or more external professional money managers to assist in the management of the City's investment portfolio in a manner consistent with the City's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such managers must be registered under the Investment Advisors Act of 1940.

6. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Manager any material financial interests in financial institutions that conduct business within the jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the City's, particularly with regard to the time of purchases and sales.

7. Authorized Money Managers, Financial Dealers and Institutions

The City may contract with professional money managers to assist in the management of all or part of its investment portfolio in compliance with the investment guidelines detailed in the

EXHIBIT A

CITY OF NAPA
STATEMENT OF INVESTMENT POLICY
June 2019

Allowable Investment and Additional Investment Guidelines of this policy (Reference pages 5-11).

If the Finance Director/City Treasurer directly invests in individual securities, then the City will maintain a list of financial institutions and primary dealers authorized to provide investment services. Professional money managers working with the City may maintain their own list. "Primary" dealers include those that regularly report to the Federal Reserve Bank and should qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

All financial institutions, dealers and cash managers who desire to become qualified bidders for investment transactions must supply the City with the following: audited financial statements, proof of National Association of Security Dealers certification when applicable, trading resolution, proof of State of California registration when applicable, completed questionnaire and certification of having read the City of Napa's investment policy and depository contracts.

A current audited financial statement is required to be on file for each financial institution and dealer.

8. Authorized Investments

The City is governed by the California Government Code Sections 53600 et seq. Authorized investments of the City are detailed in the Allowable Investment and Additional Investment Guidelines of this policy (Reference pages 5-11).

9. Collateralization

Collateralization will be required as indicated in the Allowable Investment and Additional Investment Guidelines of this policy (Reference pages 5-11). Collateral will always be held by an independent third party with whom the City has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the city and retained. The right of collateral substitution may be granted.

10. Safekeeping and Custody

All securities owned by the City, shall be held in safekeeping by the City's custodian bank or a third party bank trust department, acting as agent for the City under the terms of a custody or trustee agreement executed by the bank and by the City. All securities will be received and delivered using standard delivery-versus-payment (DVP) procedures.

11. Diversification

The City will diversify its investments by security type and institution as detailed in the Allowable Investment and Additional Investment Guidelines of this policy (Reference pages 5-11).

12. Maximum Maturities

Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than 5 years from the date of purchase (See exception indicated in the Allowable Investment and Additional Investment Guidelines of this policy (Reference pages 5-11).

13. Internal Control

The Finance Director/Treasurer shall establish a system of written internal controls which shall

EXHIBIT A

CITY OF NAPA
STATEMENT OF INVESTMENT POLICY
June 2019

be reviewed by an independent auditor. This review will provide internal control by assuring compliance with policies and procedures. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation of third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the City. Controls deemed most important include: control of collusion, separation of duties, separation of transaction authority from accounting and recordkeeping, clear delegation of authority, specific limitations regarding securities losses and remedial action, written confirmation of telephone transactions, minimizing the number of authorized investment officials, documentation of transactions and strategies, and code of ethics standards.

14. Performance Standards

The investment portfolio shall be designed to attain a market average rate of return through budgetary and economic cycles, taking into account the investment risk constraints and cash flow needs. The specific investment performance objective for the portfolio shall be to earn a total rate of return over a market cycle which is approximately equal to a market benchmark index. The current benchmark index for the portfolio is the Merrill Lynch U.S. Treasuries/Agencies 1-5 Year Index.

15. Reporting

Per California Government Code section 53607, the Finance Director/Treasurer shall provide monthly transactions to the City Council.

Per California Government Code section 53646, the Finance Director/Treasurer may render a periodic report to the City Council. This report shall include:

- Type of investment, issuer,
- Date of maturity,
- Par and dollar amount invested on all securities,

The quarterly report shall state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance. The quarterly report shall also include a statement denoting the ability of the local agency to meet its pool's expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

Monthly statements generated by the City's contracted investment managers shall provide the following information:

- Type of investment
- Issuer
- Maturity date
- Par and dollar amount invested on all securities
- Market value as of the date of the report and source of valuation

16. Investment Policy Adoption

The City's investment policy shall be adopted by City Council resolution. Any modifications made thereto must be approved by the City Council.

EXHIBIT A

CITY OF NAPA
STATEMENT OF INVESTMENT POLICY
June 2017

ALLOWABLE INVESTMENTS AND ADDITIONAL INVESTMENT GUIDELINES

A. CASH AND INVESTMENT INSTRUMENTS

City funds that are necessary to meet current operating demands may be kept in checking accounts and savings accounts at financial institutions as identified in California State Government Code Section 53648 provided that they are adequately secured with proper collateral as prescribed by Government Code Sections 53656 and/or 53658. The Finance Director/City Treasurer is authorized to establish systems by which funds may be transferred between these checking and savings accounts, and to and from allowable investment instruments in accordance with this policy.

Allowable investments for the portfolio of the City are limited by California State Government Code Sections 53601 et seq.; 53635. They are further restricted by the Finance Director/City Treasurer's investment strategy. Allowable investments for the Housing Authority of the City of Napa are further restricted by the Federal Department of Housing and Urban Development's (HUD) Required HA Cash Management and Investment Policies and Procedures as provided in Notice PIH 96-33(HA). Percentages of Investment Participation and percentages of Maximum Investment Participation apply at the time of purchase. Purchase transactions may not exceed \$10,000,000, nor exceed five-year maturities. Exceptions can only be approved by City Council. The investment instruments and percentages of participation permitted by this policy are:

1. U.S. Treasury Securities (bills, notes and bonds) are sold to finance gaps between the federal government's receipts and expenditures.

A Treasury bill (or T-bill) is an obligation of the U.S. government to pay the bearer a fixed sum on a specific date. Bills are sold by the Treasury at a discount from their par (face) value through a competitive auction.

Treasury notes are coupon securities paying interest every six months and have a fixed maturity of not less than one year and not more than 10 years.

Treasury bonds are coupon securities paying interest every six months with maturities of more than 10 years.

California Government Code Section 53601 Requirement: No limit specified:

City of Napa Limitation:

- 1) Maximum maturity - 5 years
- 2) Maximum par value total size - None
- 3) Maximum par value per issue - None
- 4) Credit- Full faith and credit of the Federal Government

2. U.S. Agency & Government Sponsored Enterprise Securities are not direct obligations of the United States but rather are direct obligations of agencies of the federal government or government-sponsored enterprises.

Securities issued by U.S. government agencies are backed by the full faith and credit of the U.S. government.

The federal government has sponsored the creation of, or the financial support of several corporations, also known as government-sponsored enterprises. None of these organizations

EXHIBIT A

CITY OF NAPA
STATEMENT OF INVESTMENT POLICY
June 2017

ALLOWABLE INVESTMENTS AND ADDITIONAL INVESTMENT GUIDELINES

carry the federal government guarantee.

FDIC-guaranteed securities were a new fixed-income asset class in 2008 that resulted from the Federal Depository Insurance Corporation's creation of the Temporary Liquidity Guarantee Program (TLGP). Eligible banking institutions participating in the TLGP Program were able to issue debt guaranteed by the FDIC through 10/31/09. The Program covers commercial paper and corporate debt issued by participating banks and bank holding companies for issues that are greater than 30 days maturity, but maturing on or before 12/31/2012.

California Government Code Section 53601 Requirement: No limit specified.

City of Napa Limitation:

- 1) Maximum maturity - 5 years
- 2) Maximum allocation - no limitation
- 3) Maximum allocation per issuer - no limitation
- 4) Credit - Despite having no statutory limitation concerning this category, prudent investment practice necessitates constant analysis of the issuing agency. Although these issues have either the implicit or explicit guarantee of the federal government, market perception often limits the liquidity of these issues.

3. Obligations of the State of California or any local agency within the state, including bonds payable solely out of revenues from a revenue producing property owned, controlled or operated by the state or any local agency, or by a department, board, agency or authority of the state or any local agency.

California Government Code Section 53601 Requirement: No limit specified.

City of Napa Limitation:

- 1) Maximum maturity - 5 years
- 2) Maximum allocation - no limitation
- 3) Maximum allocation per issuer - 5%
- 4) Credit - Despite having no statutory limitation concerning this category, prudent investment practice necessitates constant analysis of the issuing State or agency.

4. Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state, or by a department, board, agency, or authority of any of these states.

California Government Code Section 53601 Requirement: No limit specified.

City of Napa Limitation:

- 1) Maximum maturity - 5 years
- 2) Maximum allocation - no limitation
- 3) Maximum allocation per issue - 5%
- 4) Credit - Despite having no statutory limitation concerning this category, prudent investment practice necessitates constant analysis of the issuing State.

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5. Bankers acceptances are typically created from a letter of credit issued in a foreign trade transaction. It is a time draft drawn on and accepted by a bank to pay a specified amount of money on a specified date.

California Government Code Section 53601 Requirement:

- 1) Purchases may not exceed 180 days.
- 2) Purchases are restricted to 40% of the agency's surplus money.
- 3) No more than 30% of the City's surplus money may be invested in the bankers' acceptances of any one commercial bank.
- 4) Include only those that are eligible for discounting with the Federal Reserve System.

City of Napa Limitation:

- 1) Maximum maturity – 180 days
- 2) Maximum allocation is 30% of portfolio
- 3) Maximum par value per institution - regardless of sector, \$2,000,000 or 5% whichever is lower.
- 4) Credit - financial institutions that shall only include banks that have short-term credit ratings of A-1, P-1 or equivalent ratings from other recognized rating services.

6. Certificate of Deposit

6A. Certificate of Deposit (Time Deposit) is a time deposit in a financial institution documented by a certificate that bears a specified dollar amount of the deposit, a specified maturity date and a specified interest rate.

California Government Code Section 53635.8 Requirement: No limit specified.

City of Napa Limitation:

- 1) Maximum maturity - 2 years
- 2) Maximum par value total size - No restriction
- 3) Maximum par value per institution - \$250,000
- 4) Credit - from City authorized financial institutions. Collateralization must comply with statutory regulations.

6B. Negotiable Certificate of Deposits are issued by nationally or state-chartered banks, savings associations or federal associations (as defined by Section 5102 of the Financial Code), state or federal credit unions, or by federally- or state-licensed branches of foreign banks and are traditionally trade in lots of at least \$1,000,000.

California Government Code Section 53601 Requirement: Shall not exceed the net worth of the institution.

City of Napa Limitation:

- 1) Maximum Maturity - 5 years
- 2) Maximum allocation 30%

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- 3) Maximum allocation per institution - 5% regardless of sector
- 4) Credit - Must be rated in a rating category of "A" (long-term) or its equivalent or better or A-1 (short-term) or its equivalent or better, by a nationally recognized statistical-rating organization.

7. Commercial Paper are short-term unsecured promissory notes issued by various economic entities in the open market to finance certain short-term credit needs.

California Government Code Section 53601 Requirement:

- 1) Prime quality of the highest ranking or of the highest letter and numerical rating as provided for by nationally recognized statistical-rating organization.
- 2) Issuing corporation must be organized and operating within the United States.
- 3) Issuing corporation must have total assets in excess of five hundred million dollars (\$500,000,000).
- 4) Issuing corporation must be rated in a rating category of "A" or its equivalent or higher by a nationally recognized statistical-rating organization for the issuer's debt, other than commercial paper.
- 5) Purchases may not exceed 270 days maturity.
- 6) Purchases may not represent more than 10% of the outstanding paper of an issuing corporation.
- 7) Purchases may not exceed 25% of the agency's surplus money.

City of Napa Limitation:

- 1) Maximum maturity - 270 days
- 2) Maximum allocation 25%
- 3) Maximum allocation per issuer - 5% per issuer regardless of sector.
- 4) Credit - CA GC Section 53601 requirements.

8. Medium Term Notes (MTNs) issued by corporations organized and operating within the United States.

California Government Code Section 53601 Requirement:

- 1) Maximum of five years maturity
- 2) Shall be rated in a rating category of "A" or its equivalent or better by a nationally recognized statistical ratings organization.
- 3) May not exceed 30% of surplus money

City of Napa Limitation:

- 1) Maximum maturity – 5 years
- 2) Maximum allocation - 30%
- 3) Maximum allocation per issuer - 5% regardless of sector
- 4) Credit - from City or money manager authorized institutions that shall only include institutions rated in a rating category of "A" or its equivalent or higher by a nationally recognized statistical-rating organization. Any downgrading of these issues below the minimum required after purchase shall be reported to the Council in the quarterly reports.

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9. Local Agency Investment Fund (LAIF) was established by the State to enable treasurers to place funds in a pool for investments.

City of Napa Limitation: None

LAIF Limitations:

- 1) Maximum amount permitted by LAIF's Local Investment Advisory Board.
- 2) No more than 15 transactions in a month

10. A Repurchase Agreement is not a security but a contractual agreement. It consists of two simultaneous transactions. First, an investor purchases securities (collateral) from a bank or dealer. At the same time, the selling bank or dealer contractually agrees to repurchase the collateral security at the same price (plus interest) at some mutually agreed future date.

California Government Code Section 53601 Requirement:

- 1) Term of repurchase agreements shall be for 1 year or less.
- 2) All securities under a repurchase agreement shall be held by the agency's safekeeping agent.
- 3) The seller of repurchase securities shall not be entitled to substitute securities, except as authorized by the City. New or substitute securities should be reasonably identical to the original securities in terms of maturity, yield, quality and liquidity.

City of Napa Limitation: This investment vehicle, when utilized, shall comply with the following guidelines:

- 1) Maximum maturity - 30 days
- 2) Maximum par value total size - 20%
- 3) Maximum par value per institution - 20%
- 4) Credit -
 - a) Securities shall be marked to market daily and shall be maintained at a value no lower than \$102.
 - b) Securities acceptable as collateral shall be U.S. Treasury obligations only.
 - c) It should be covered by a master repurchase agreement.
- 5) Repurchase agreements shall only be made with primary dealers of the Federal Reserve Bank of New York.

11. Money Market Funds The City is authorized to invest in shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and are subject to either one of the following requirements:

- 1) The institutions shall have the highest rating provided by not less than two nationally recognized rating services.
- 2) The institutions' investment advisors shall be registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000). The purchase price of shares of beneficial interest purchased shall not include any commission that these companies may charge.

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- 1) Maximum allocation - 20% of agency's funds.
- 2) Maximum of 10% per any one money market mutual fund.

12. California Asset Management Program. The City is authorized to invest in shares of the California Asset Management Program, a joint powers authority established to provide investment services for California public agencies under section 53601(p).

- 1) City of Napa Limitation: None
- 2) CAMP Limitations: City's investment may not comprise more than 10% of the CAMP Pool.

13. Asset-Backed Securities. The City is authorized to invest in a mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond.

California Government Code Section 53601 Requirement:

- 1) Maximum remaining maturity of five years or less
- 2) Shall be rated in a rating category of "AA" or its equivalent or better.
- 3) May not exceed 20% of surplus money

City of Napa Limitation:

- 1) Maximum maturity - 5 years
- 2) Maximum allocation - 20%
- 3) Maximum allocation per issuer - 5% regardless of sector
- 4) Credit - CA GC Section 53601 requirements.

14. Supranationals. The City is authorized to invest in United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

California Government Code Section 53601 Requirement:

- 1) Maximum of five years maturity
- 2) Shall be rated in a rating category of "AA" or its equivalent or better by a nationally recognized statistical ratings organization.
- 3) May not exceed 30% of surplus money

City of Napa Limitation:

- 1) Maximum maturity- 5 years
- 2) Maximum allocation 30%
- 3) Maximum allocation per issuer- 5% regardless of sector
- 4) Credit- CA GC Section 53601 requirements.

Other investments not authorized by the City of Napa (with the exception of LAIF and

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- 1) Reverse repurchase agreement
- 2) Mutual funds
- 3) Derivatives such as financial futures and options, step-ups, floaters, inverse floaters, Interest-only (IOs), Principal-only (POs), forwards, currency and interest rate swaps, caps, floors, collars, STRIPS except those already owned as of 12/31/83), etc.
- 4) Local government investment pools other than LAIF unless specifically approved by the City Council.
- 5) Eurodollar CDs
- 6) Federal (Fed) funds.

B. ADDITIONAL GUIDELINES

- 1) Where California Government Code Section 53601 specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase.
- 2) The rating criteria will apply at the time of purchase. If an eligible investment is downgraded after purchase to a rating category which is below the minimum required, the Finance Manager will document his/her analysis and recommendation for disposition of the security for review and approval by the Finance Director / Treasurer.
- 3) Securities shall not be purchased with trading or speculation (such as anticipating an appreciation of capital value through changes in market interest rates) as the dominant criterion for the selection of the security,
- 4) Transfer of funds to any one institution of more than \$5,000,000 shall be approved by the Finance Director/Treasurer.
- 5) All new financial institutions or primary dealers not already approved by professional money managers working with the City shall be approved by the Finance Director/Treasurer.
- 6) Trading is prohibited when cash or securities are not available to pay for the securities being purchased. Taking of short position, i.e. selling securities which the City does not own, is also prohibited.
- 7) Written policies and procedures for the delegation of authority for all investment activities shall be strictly followed.
- 8) Written investment procedures shall be strictly followed.
- 9) In case a financial institution or depository is downgraded, the Finance Director/Treasurer shall promptly make and implement an informed decision on whether to sell, withdraw, or retain any security or deposit in the City portfolio issued or held by such affected financial institution or depository.
- 10) Written policies and procedures for the selection and maintenance of qualified financial institutions should be strictly followed. The Finance Director/Treasurer shall continue to monitor financial institutions' credit characteristics and financial history throughout the period in which City funds are deposited or invested.