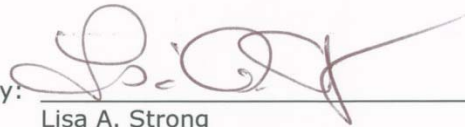


# Investment Report City of Fontana

December 31, 2020

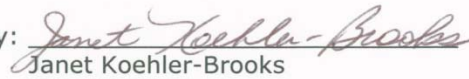


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# Contents

- 
- Summary of Investment Policy
  - Summary of Cash and Investments
  - Portfolio Analysis
  - Interest Rate Comparison
  - Actual to Model Comparison
  - Pooled Investments
  - Bond Investments

# Summary of Investment Policy



- Adopted by City Council January 28, 2020



- Objectives: Safety, Liquidity & Yield



- Benchmark: Two-Year Treasury Note



- Target Duration: Two years



- 10% of Portfolio in short-term investments



- Requires diversification of maturities



- Maximum maturity of five years

# Summary of Cash and Investments

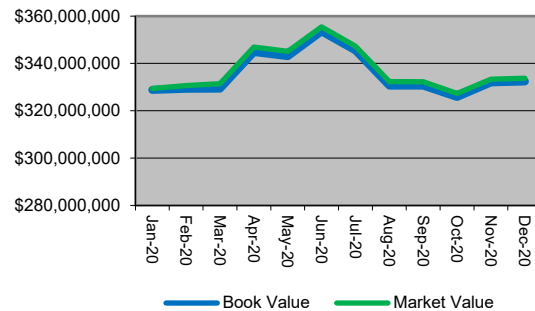
|                                     | Pooled<br>Investments    | Bond<br>Funds           | Other                    | Total                    |
|-------------------------------------|--------------------------|-------------------------|--------------------------|--------------------------|
| Money Market Funds                  | \$ 138,267,283.69        | \$ 43,920,896.90        | \$                       | \$ 182,188,180.59        |
| Bankers Acceptances                 |                          |                         |                          | 0.00                     |
| Government Agency Issues            | 50,887,800.00            |                         |                          | 50,887,800.00            |
| Medium-Term Notes                   | 0.00                     |                         |                          | 0.00                     |
| Local Agency Investment Fund (LAIF) | 143,281,130.99           |                         |                          | 143,281,130.99           |
| Investment Agreements               |                          | 0.00                    |                          | 0.00                     |
| Fiscal Agent Cash Accounts          |                          | 0.00                    |                          | 0.00                     |
| Bank of America - General Checking  |                          |                         | 74,937,052.54            | 74,937,052.54            |
| Bank of America - Veterans          |                          |                         | 129,280.08               | 129,280.08               |
| Deferred Compensation Funds         |                          |                         | 34,885,626.80            | 34,885,626.80            |
| Escrow Accounts                     |                          |                         | 2,508.04                 | 2,508.04                 |
| Petty Cash/Self Insurance           |                          |                         | 427,100.00               | 427,100.00               |
|                                     | <u>\$ 332,436,214.68</u> | <u>\$ 43,920,896.90</u> | <u>\$ 110,381,567.46</u> | <u>\$ 486,738,679.04</u> |

This report reflects all cash and investments managed by the Management Services Department and is in conformity with the Investment Policy of the City of Fontana as approved by the City Council on January 22, 2019. The investment program herein shown provides sufficient cash flow liquidity to meet City liabilities for the next six months.

# Portfolio Analysis

## INVESTMENT COMPOSITION:

|  |                  |
|--|------------------|
| Original cost of investments held                | \$332,436,214.68 |
| Adjusted book value of investments held          | \$332,373,795.68 |
| Market value of investments held                 | \$333,733,014.69 |
| Unrealized gain (loss) - amount                  | \$1,359,219.01   |
| Unrealized gain (loss) - percentage              | 0.41%            |
| Weighted average portfolio life (final maturity) | 0.30 years       |
| Weighted average portfolio life (call dates)     | 0.30 years       |



|                                     |                |
|-------------------------------------|----------------|
| Money Market Mutual Funds           | 41.59%         |
| Government Agency Issues            | 15.31%         |
| Medium Term Notes                   | 0.00%          |
| Local Agency Investment Fund (LAIF) | 43.10%         |
|                                     | <u>100.00%</u> |



## RETURN ON INVESTMENTS:

(July 1, 2020 to December 31, 2020)

|  | Month-to-Date    | Year-to-Date     |
|--|------------------|------------------|
| Total investment earnings                    | \$196,009.90     | \$1,217,469.51   |
| Total realized gains (losses) on sales/calls | \$0.00           | \$7,457.00       |
| Total amortized premium/discount             | \$5,893.00       | (\$87,059.80)    |
| Weighted average portfolio balance           | \$332,907,928.39 | \$334,092,275.30 |

|  |       |       |
|--|-------|-------|
| Total return on investments annualized | 0.71% | 0.68% |
|--|-------|-------|

## COMPARATIVE MARKET RATES:

December 31, 2020

12-Month  
Average

|                            |       |       |
|----------------------------|-------|-------|
| Three-Month Treasury Bills | 0.08% |       |
| Six-Month Treasury Bills   | 0.09% |       |
| One-Year Treasury Bills    | 0.09% |       |
| Two-Year Treasury Notes    | 0.10% | 0.30% |
| Five-Year Treasury Notes   | 0.17% |       |
| LAIF                       | 0.54% |       |

## HISTORICAL RATES OF RETURN:

City of Fontana

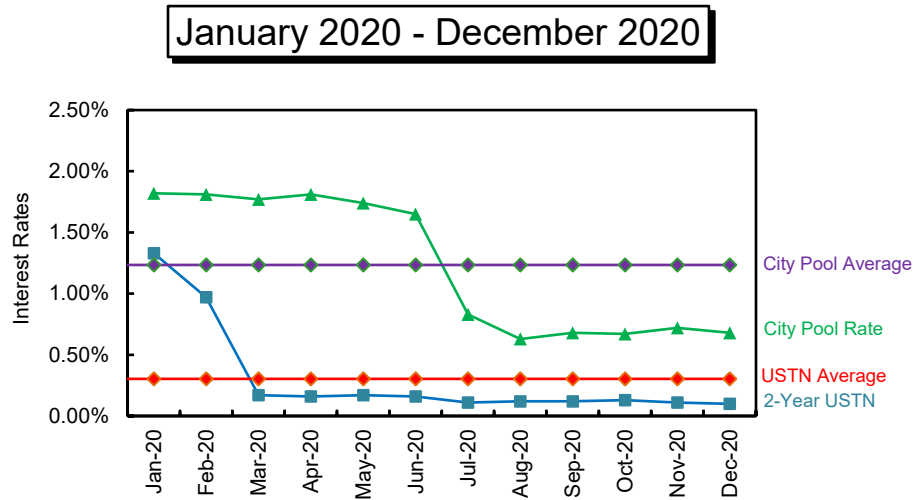
|                     |       |
|---------------------|-------|
| Fiscal Year 2011/12 | 1.85% |
| Fiscal Year 2012/13 | 1.07% |
| Fiscal Year 2013/14 | 1.01% |
| Fiscal Year 2014/15 | 0.97% |
| Fiscal Year 2015/16 | 1.08% |
| Fiscal Year 2016/17 | 1.15% |
| Fiscal Year 2017/18 | 1.48% |
| Fiscal Year 2018/19 | 2.05% |
| Fiscal Year 2019/20 | 1.65% |
| Fiscal Year 2020/21 | 0.68% |

|           |       |       |
|-----------|-------|-------|
| VARIANCE: | 0.61% | 0.38% |
|-----------|-------|-------|

To evaluate the performance of the City's portfolio, the Statement of Investment Policy has established the two-year treasury note as the benchmark for comparison purposes. It is expected that yields on City investments will regularly meet or exceed the benchmark; however, a variance of .50% (50 basis points) plus or minus is considered reasonable by the Investment Review Committee for evaluation purposes.

The City rate current exceeds the Benchmark rate  
38 basis points.

# Interest Rate Comparison



|          | 2-Year USTN | City Pool | Difference |
|----------|-------------|-----------|------------|
| 01/31/20 | 1.33%       | 1.82%     | +49 BPs    |
| 02/29/20 | 0.97%       | 1.81%     | +84 BPs    |
| 03/31/20 | 0.17%       | 1.77%     | +160 BPs   |
| 04/30/20 | 0.16%       | 1.81%     | +165 BPs   |
| 05/31/20 | 0.17%       | 1.74%     | +157 BPs   |
| 06/30/20 | 0.16%       | 1.65%     | +149 BPs   |
| 07/31/20 | 0.11%       | 0.83%     | +72 BPs    |
| 08/31/20 | 0.12%       | 0.63%     | +51 BPs    |
| 09/30/20 | 0.12%       | 0.68%     | +56 BPs    |
| 10/31/20 | 0.13%       | 0.67%     | +54 BPs    |
| 11/30/20 | 0.11%       | 0.72%     | +61 BPs    |
| 12/31/20 | 0.10%       | 0.68%     | +58 BPs    |
| Average  | 0.30%       | 1.23%     | +93 BPs    |

# Actual to Model Comparison

## INVESTMENT PROGRAM:

The purpose of the investment program is to provide procedures which:

- 1) Adhere to the Statement of Investment Policy.
- 2) Prioritize safety and liquidity.
- 3) Determine risk and optimize return.
- 4) Provide for a system of due diligence in making investment decisions.

A "Model" investment portfolio has been developed to provide the strategic framework for managing and reporting on the investment portfolio. This model provides a system of due diligence and directs the tactical theme for how and why securities are bought and sold.

| Liquidity | Actual | Model  | Variance |
|-----------|--------|--------|----------|
| Cash      | 84.69% | 15.00% | 69.69%   |
| 0-1 Year  | 8.97%  | 5.00%  | 3.97%    |
| Total     | 93.66% | 20.00% | 73.66%   |

| Avg Maturity | Actual | Model  | Variance |
|--------------|--------|--------|----------|
| 0-1 Year     | 93.66% | 20.00% | 73.66%   |
| 1-2 Years    | 0.00%  | 20.00% | -20.00%  |
| 2-3 Years    | 0.00%  | 20.00% | -20.00%  |
| 3-4 Years    | 6.34%  | 20.00% | -13.66%  |
| 4-5 Years    | 0.00%  | 20.00% | -20.00%  |

*(Based on final maturity dates)*

| Sector          | Actual | Model  | Variance |
|-----------------|--------|--------|----------|
| Cash            | 84.69% | 15.00% | 69.69%   |
| Treasury/Agency | 15.31% | 55.00% | -39.69%  |
| Med Term Notes  | 0.00%  | 30.00% | -30.00%  |

| Avg Maturity | Actual | Model  | Variance |
|--------------|--------|--------|----------|
| 0-1 Year     | 93.66% | 20.00% | 73.66%   |
| 1-2 Years    | 0.00%  | 20.00% | -20.00%  |
| 2-3 Years    | 0.00%  | 20.00% | -20.00%  |
| 3-4 Years    | 6.34%  | 20.00% | -13.66%  |
| 4-5 Years    | 0.00%  | 20.00% | -20.00%  |

*(Based on call dates if market price is at a premium)*

# Pooled Investments

| Face Value               | CUSIP #   | Security Description         | Coupon Rate | Maturity Date | Invest Type | Purchase Date | Cost Basis            | Purchase Yield | Estimated Mkt Value | Amort Prem/Disc |
|--------------------------|-----------|------------------------------|-------------|---------------|-------------|---------------|-----------------------|----------------|---------------------|-----------------|
| 143,281,131              |           | Local Agency Investment Fund | Varies      |               | LAIF        | Varies        | 143,281,130.99        | Varies         | 143,281,131         | 0               |
| 138,267,284              |           | BNY - Dreyfus Cash Mgmt Fund | Varies      |               | MM          | Varies        | 138,267,283.69        | Varies         | 138,267,284         | 0               |
| 15,000,000               | 3137EAE9  | Fed Home Loan Mtg Corp       | 2.375%      | 02/16/21      | FHLMC       | 04/17/18      | 14,932,500.00         | 2.540%         | 15,040,200          | 64,438          |
| 15,000,000               | 3130AABG2 | Fed Home Loan Bank           | 1.875%      | 11/29/21      | FHLB        | 01/27/17      | 14,902,500.00         | 2.016%         | 15,239,400          | 79,126          |
| 20,000,000               | 3130A3GE8 | Fed Home Loan Bank           | 2.750%      | 12/13/24      | FHLB        | 01/15/20      | 21,052,800.00         | 1.629%         | 21,905,000          | (205,983)       |
| Total Pooled Investments |           |                              |             |               |             |               | <u>332,436,214.68</u> |                | <u>333,733,015</u>  | <u>(62,419)</u> |

Market prices of securities are obtained from BNY Western Trust Company, A Subsidiary of The Bank of New York Company, Inc.

Types of Investments:

|       |                                |          |                              |
|-------|--------------------------------|----------|------------------------------|
| FFC   | Federal Farm Credit            | INVAGRMT | Investment Agreement         |
| FHLB  | Federal Home Loan Bank         | LAIF     | Local Agency Investment Fund |
| FHLMC | Fed Home Loan Mortgage Corp    | MM       | Money Market Mutual Funds    |
| FNMA  | Federal National Mortgage Assn | MTN      | Medium Term Note             |



# Bond Investments

| Face Value                              | Security Description         | Coupon Rate | Maturity Date | Invest Rating | Invest Type | Purchase Date | Cost Basis           | Yield to Maturity | Estimated Mkt Value | Amort Prem/Disc |
|---|------------------------------|-------------|---------------|---------------|-------------|---------------|----------------------|-------------------|---------------------|-----------------|
| Held By Fiscal Agent:                   |                              |             |               |               |             |               |                      |                   |                     |                 |
| 0                                       | Cash                         | Varies      |               | NR            |             | Varies        | 0.00                 | Varies            | 0                   | 0               |
| 4,405,249                               | First American Treasury MM   | Varies      |               | Aaa           | MM          | Varies        | 4,405,249.20         | Varies            | 4,405,249           | 0               |
| 37,886,826                              | US Bank MM                   | Varies      |               | Aaa           | MM          | Varies        | 37,886,825.52        | Varies            | 37,886,826          | 0               |
| 1,628,822                               | Wells Fargo Treasury Plus MM | Varies      |               | Aaa           | MM          | Varies        | 1,628,822.18         | Varies            | 1,628,822           | 0               |
| Held By Management Services Department: |                              |             |               |               |             |               |                      |                   |                     |                 |
| 0                                       | Cash                         | Varies      |               | NR            |             | Varies        | 0.00                 | Varies            | 0                   | 0               |
| 0                                       | Fidelity Money Market Fund   | Varies      |               | Aaa           | MM          | Varies        | 0.00                 | Varies            | 0                   | 0               |
| Total Bond Investments                  |                              |             |               |               |             |               | <u>43,920,896.90</u> |                   | <u>43,920,897</u>   | <u>0</u>        |

Market prices of securities are obtained from the fiscal agent holding the investment.

Types of Investments:

|       |                                |          |                              |
|-------|--------------------------------|----------|------------------------------|
| FFC   | Federal Farm Credit            | INVAGRMT | Investment Agreement         |
| FHLB  | Federal Home Loan Bank         | LAIF     | Local Agency Investment Fund |
| FHLMC | Fed Home Loan Mortgage Corp    | MM       | Money Market Mutual Funds    |
| FNMA  | Federal National Mortgage Assn | MTN      | Medium Term Note             |