



Investment Report

City of Fontana

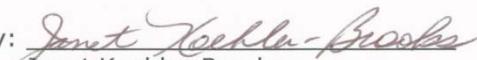
June 30, 2017

Prepared by:



Lisa A. Strong
Management Services Director
Deputy City Treasurer

Reviewed by:



Janet Koehler-Brooks
City Treasurer

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Summary of Investment Policy

- Adopted by City Council January 24, 2017
- 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

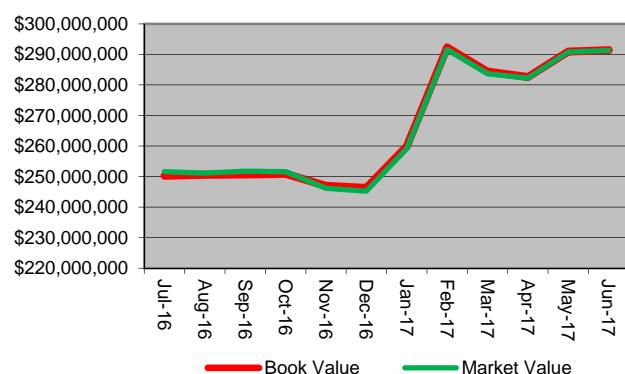
	Pooled Investments	Bond Funds	Other	Total
Money Market Funds	\$ 36,009,588.15	\$ 31,130,784.98	\$ 0.00	\$ 67,140,373.13
Bankers Acceptances				0.00
Government Agency Issues	180,090,745.00			180,090,745.00
Medium-Term Notes	10,064,550.00			10,064,550.00
Local Agency Investment Fund (LAIF)	65,436,848.61			65,436,848.61
Investment Agreements		2,354,021.39		2,354,021.39
Fiscal Agent Cash Accounts		0.00		0.00
Bank of America - General Checking			34,225,325.38	34,225,325.38
Deferred Compensation Funds			26,485,092.83	26,485,092.83
Escrow Accounts			1,778.58	1,778.58
Petty Cash/Self Insurance			417,350.00	417,350.00
	<u>\$291,601,731.76</u>	<u>\$ 33,484,806.37</u>	<u>\$ 61,129,546.79</u>	<u>\$ 386,216,084.92</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 24, 2017. 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	\$291,601,731.76
Adjusted book value of investments held	\$291,404,101.76
Market value of investments held	\$290,891,507.15
Unrealized gain (loss) - amount	(\$512,594.61)
Unrealized gain (loss) - percentage	-0.18%
Weighted average portfolio life (final maturity)	1.59 years
Weighted average portfolio life (call dates)	1.44 years



Money Market Mutual Funds	12.35%
Government Agency Issues	61.76%
Medium Term Notes	3.45%
Local Agency Investment Fund (LAIF)	22.44%
	<u>100.00%</u>



RETURN ON INVESTMENTS:

(July 1, 2015 to June 30, 2017)	Month-to-Date	Year-to-Date
Total investment earnings	\$322,512.45	\$3,169,037.58
Total realized gains (losses) on sales/calls	(\$7,543.00)	(\$7,143.00)
Total amortized premium/discount	(\$6,423.84)	(\$133,124.59)
Weighted average portfolio balance	\$288,141,261.63	\$262,366,949.60
Total return on investments annualized	1.30%	1.15%

COMPARATIVE MARKET RATES:

June 30, 2017	12-Month Average
Three-Month Treasury Bills	1.03%
Six-Month Treasury Bills	1.14%
One-Year Treasury Bills	1.24%
Two-Year Treasury Notes	1.38%
Five-Year Treasury Notes	1.89%
LAIF	0.98%

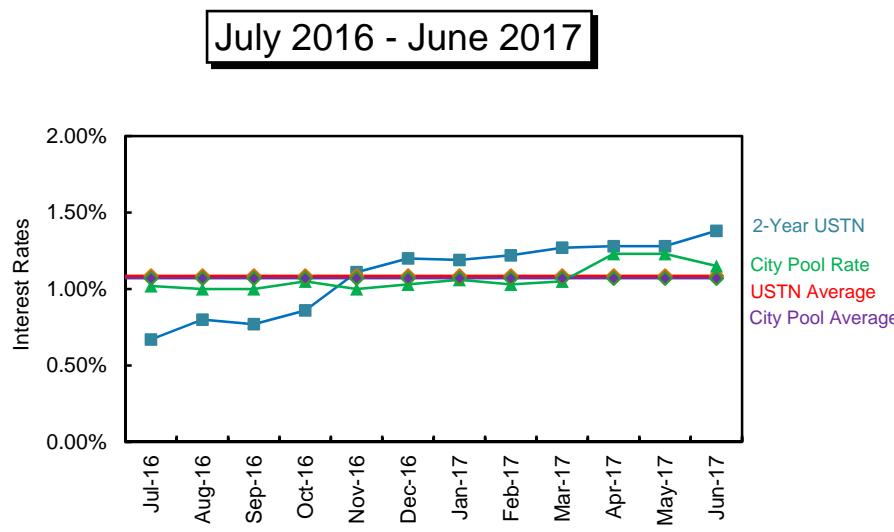
HISTORICAL RATES OF RETURN:

City of Fontana	VARIANCE:	0.07%
Fiscal Year 2007/08	4.10%	
Fiscal Year 2008/09	2.87%	
Fiscal Year 2009/10	2.25%	
Fiscal Year 2010/11	2.20%	
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%	

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 currently exceeds the Benchmark rate by 7 basis points due to historically low treasury rates.

Interest Rate Comparison



	2-Year USTN	City Pool	Difference
07/31/16	0.67%	1.02%	+35 BPs
08/31/16	0.80%	1.00%	+20 BPs
09/30/16	0.77%	1.00%	+23 BPs
10/31/16	0.86%	1.05%	+19 BPs
11/30/16	1.11%	1.00%	-11 BPs
12/31/16	1.20%	1.03%	-17 BPs
01/31/17	1.19%	1.06%	-13 BPs
02/28/17	1.22%	1.03%	-19 BPs
03/31/17	1.27%	1.05%	-22 BPs
04/30/17	1.28%	1.23%	-5 BPs
05/31/17	1.28%	1.23%	-5 BPs
06/30/17	1.38%	1.15%	-23 BPs
Average	1.09%	1.07%	-2 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	34.79%	15.00%	19.79%
0-1 Year	19.21%	5.00%	14.21%
Total	54.00%	20.00%	34.00%

Sector	Actual	Model	Variance
Cash	34.79%	15.00%	19.79%
Treasury/Agency	61.76%	55.00%	6.76%
Med Term Notes	3.45%	30.00%	-26.55%

Avg Maturity	Actual	Model	Variance
0-1 Year	54.00%	20.00%	34.00%
1-2 Years	0.00%	20.00%	-20.00%
2-3 Years	20.16%	20.00%	0.16%
3-4 Years	20.73%	20.00%	0.73%
4-5 Years	5.11%	20.00%	-14.89%

(Based on final maturity dates)

Avg Maturity	Actual	Model	Variance
0-1 Year	64.36%	20.00%	44.36%
1-2 Years	0.00%	20.00%	-20.00%
2-3 Years	20.16%	20.00%	0.16%
3-4 Years	10.37%	20.00%	-9.63%
4-5 Years	5.11%	20.00%	-14.89%

(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
65,436,849		Local Agency Investment Fund	Varies		LAIF	Varies	65,436,848.61	Varies	65,367,529	0
36,009,588		BNY - Dreyfus Cash Mgmt Fund	Varies		MM	Varies	36,009,588.15	Varies	36,009,588	0
16,000,000	3136G1BK4	Fed Natl Mtg Assn	1.000%	02/05/18	FNMA	02/05/13	15,968,000.00	1.041%	15,957,760	28,145
15,000,000	3135G0UE1	Fed Natl Mtg Assn	1.000%	02/14/18	FNMA	02/14/13	14,977,500.00	1.031%	14,979,750	19,678
15,000,000	3134G36E5	Fed Home Loan Mtg Corp	1.050%	03/26/18	FHLMC	03/26/13	15,000,000.00	1.050%	14,978,700	0
5,000,000	36962G6W9	General Electric Cap Corp	1.625%	04/02/18	MTN	05/14/13	5,057,900.00	1.379%	5,007,750	(48,942)
5,000,000	46625HJL5	JP Morgan Chase & Co	1.625%	05/15/18	MTN	05/15/13	5,006,650.00	1.597%	4,999,000	(5,488)
15,000,000	3136G4GE7	Fed Natl Mtg Assn	1.125%	11/15/19	FNMA	11/15/16	14,983,500.00	1.162%	14,801,400	3,421
15,000,000	3135G0R96	Fed Natl Mtg Assn	1.150%	11/29/19	FNMA	11/29/16	14,988,750.00	1.176%	14,858,400	2,188
14,000,000	3130A74D4	Fed Home Loan Bank	1.500%	02/03/20	FHLB	02/03/16	14,000,000.00	1.500%	13,932,380	0
15,000,000	3135G0D75	Fed Natl Mtg Assn	1.500%	06/22/20	FNMA	06/30/15	14,825,250.00	1.745%	14,963,400	70,227
15,000,000	3130A5Z77	Fed Home Loan Bank	1.830%	07/29/20	FHLB	10/29/15	15,205,245.00	1.529%	15,071,700	(205,245)
15,000,000	3134G9W37	Fed Home Loan Mtg Corp	1.450%	08/10/20	FHLMC	08/10/16	15,000,000.00	1.450%	14,847,000	0
15,000,000	3135G0H55	Fed Natl Mtg Assn	1.875%	12/28/20	FNMA	01/20/16	15,240,000.00	1.537%	15,085,350	(70,111)
15,000,000	3136G4KZ5	Fed Natl Mtg Assn	2.000%	02/23/21	FNMA	02/23/17	15,000,000.00	2.000%	15,000,300	0
15,000,000	3130AABG2	Fed Home Loan Bank	1.875%	11/29/21	FHLB	01/27/17	14,902,500.00	2.016%	15,031,500	8,497
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Total Pooled Investments							<u>291,601,731.76</u>		<u>290,891,507</u>	<u>(197,630)</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
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Held By Fiscal Agent:

0	Cash	Varies	NR	Varies	0.00	Varies	0	0		
23,796,896	First American Treasury MM	Varies	Aaa	MM	23,796,896.29	Varies	23,796,896	0		
468,731	BNY Hamilton Treasury MM	Varies	Aaa	MM	468,731.43	Varies	468,731	0		
6,790,501	Wells Fargo Treasury Plus MM	Varies	Aaa	MM	6,790,501.19	Varies	6,790,501	0		
74,656	Wells Fargo Advantage Govt MM	Varies	Aaa	MM	74,656.07	Varies	74,656	0		
914,120	AIG MFL	5.470%	08/26/21	Aa1	INVAGRM	01/09/01	914,119.79	5.470%	914,120	0
1,439,902	Rabobank International	4.360%	10/01/33	Aaa	T INVAGRM T	09/07/05	1,439,901.60	4.360%	1,439,902	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

Total Bond Investments

33,484,806.37

33,484,806

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