



City of
Santa Rosa

City of Santa Rosa
Monthly Investment Report
October 31, 2016

City's Investment Objectives

- **Investment Objectives:** In accordance with the City's Investment Policy, the City's primary objectives in order of priority are:
 - **Safety** – Safety of principal is the foremost objective of the investment program. Investments of the City will be made in a manner that seeks to ensure the preservation of capital in the overall portfolio.
 - **Liquidity** – The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.
 - **Yield** – 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 investment risk constraints, liquidity needs, and cash flow characteristics of the portfolio.
- **Certification:** The City has sufficient funds to meet expenditures for the following six-month period.

Investment Guidelines

- The City invests in permitted securities consistent with California Government Code sections §53601, 53635, and 16429.1. The City's Investment Policy includes additional sector allocation and maturity restrictions that reflect the City's risk tolerances.

Security Type	California Government Code	City's Investment Policy
U.S Treasury Notes	✓	✓
Federal Agencies	✓	✓
International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank Bonds	✓	
CA Municipal Investments	✓	✓
State Municipals	✓	✓
Corporate Notes	✓	✓
Mortgage-Backed Securities	✓	✓
Commercial Paper	✓	✓
Time Certificates of Deposit	✓	✓
Negotiable Certificates of Deposit	✓	✓
Bankers' Acceptances	✓	✓
Repurchase Agreements	✓	✓
Reverse Repurchase Agreements	✓	
Mutual Funds	✓	✓
Money Market Funds	✓	✓
Local Government Pools	✓	✓
Local Agency Investment Fund (LAIF)	✓	✓

Market Summary

Economic Conditions

- Economic data released in October generally met or exceeded expectations, indicating a continuing rebound in growth from the slow pace in the first half of the year.
- In the first estimate of third quarter growth, the U.S. economy expanded at an annual rate of 2.9%, making it the strongest quarter since the third quarter of 2014. Business investment contributed to growth for the first time in a year, and inventories grew for the first quarter since the start of 2015. However, third quarter consumer spending fell from the second quarter's pace.
- October saw the 73rd consecutive month of job growth, with the U.S. labor market adding 161,000 jobs—fewer than the median estimate of 173,000. The unemployment rate fell back to 4.9%. In a positive sign, job openings remained near record highs, and initial unemployment claims fell to their lowest level since 1973.
- As economic data indicated a stronger pace of expansion, and inflation indicators moved toward the coveted 2% level, expectations rose for a Federal Reserve (Fed) interest rate hike.

Market Reaction

- Global bond yields spiked in October due to concern that the Fed and other global central banks would begin to gradually reduce stimulus measures currently in place. The jump in rates produced the worst month of bond market losses in more than two years.
- Treasury yields rose across all maturities in October, with longer maturities leading the way and the yield curve steepening. The 2-year Treasury yield climbed 8 basis points (bps) to 0.84% while the yield on the 10-year Treasury rose 23 bps to 1.83%. All Treasury benchmarks posted negative returns due to the rise in yields.
- Federal agency yield spreads narrowed during the month, nearing their tightest levels of the year. As a result, agency investments outperformed Treasury investments, although like Treasuries, most one-month returns were negative.
- Investment-grade corporate yield spreads remained within a tight range in October, near their lows of the year. Corporate bonds modestly outperformed comparable-maturity Treasuries for the month, adding to the sector's excess returns this year.
- Mortgage-backed securities (MBS) also outperformed comparable-maturity Treasuries as spreads compressed to near their tightest levels of the year.
- Yields on money market securities with maturities of three months and longer narrowed slightly from near their widest levels of the year as issuers and investors adjusted to money market reform, which became effective October 14.

Portfolio Information Summary

Funds Included In Report

- The following report includes the City's funds held in overnight investment vehicles (savings accounts, money market funds, and CA state investment pool) and portfolio of individual fixed-income securities (operating and bond proceeds).

Portfolio Summary and Characteristics

- Funds are shown on a par, amortized cost, and market value basis.
 - Par Value. Face value, stated value or maturity value of a security.
 - Amortized Cost Value (Book Value). Represents the original cost of an investment adjusted for amortization of premium or accretion of discount.
 - Market Value. The current price at which that security is trading between buyers and sellers. Valuation highly dependent on interest rate movements.
- The investment sector and credit-ratings distribution is shown based on market value basis.
- Demonstrates level of diversification by investment type and credit quality. Additionally, illustrates active management of funds to optimize value in the current market.

Investment Program Maturity Summary

- The maturity distribution of the City's funds (market value plus accrued interest) from one day to the five year mandated limit.
- The change in by percentage in maturity distribution month-over-month is shown in the table.
- Demonstrates level of diversification by maturity date. Shows placement of funds to take advantage of opportunities while ensuring that the City has funds to meet its cash flow needs.

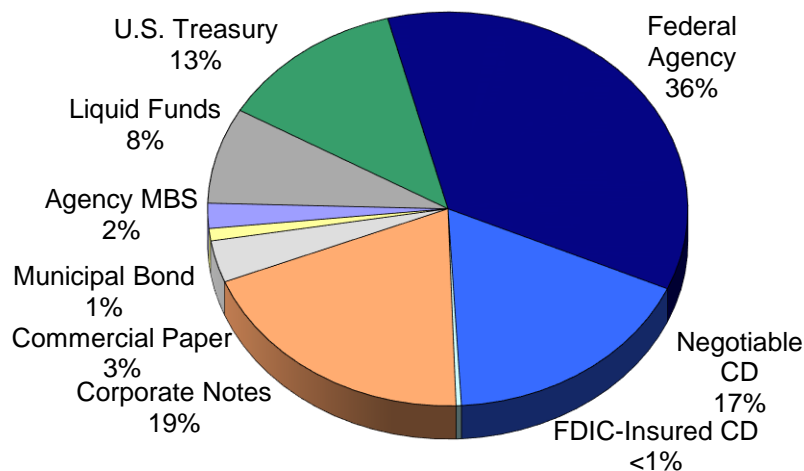
Portfolio Yield Summary

- The historical yield and duration of the City's funds, effective monthly yield for the California Local Government Investment Fund (LAIF), and the monthly yield for the Bank of America/Merrill Lynch 1-3 year Treasury Index is shown for the trailing 6-months.
- A historical record of the City's overall fund balance and earnings rates.

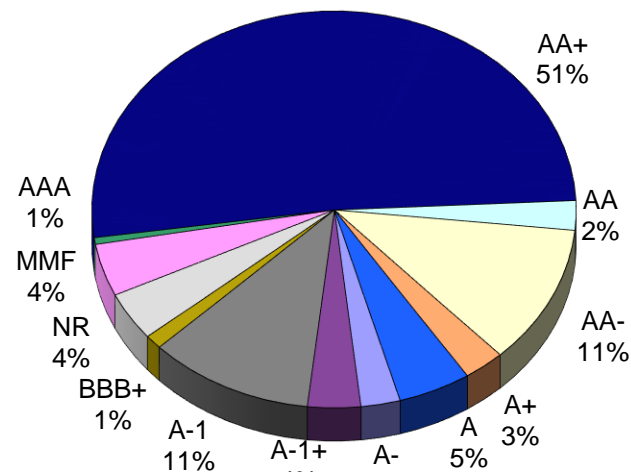
Portfolio Summary and Characteristics

Security Type	Par Value	Amortized Cost Value ¹	Market Value ¹	October 31, 2016 % of Portfolio ³
U.S. Treasury	\$43,325,000	\$43,735,369	\$43,909,178	13%
Federal Agency	\$124,160,000	\$124,237,215	\$124,159,202	36%
Federal Agency Mortgage-Backed	\$7,115,000	\$7,174,270	\$7,160,115	2%
Negotiable CD	\$60,287,647	\$60,613,195	\$60,703,405	17%
FDIC-Insured CD	\$1,232,145	\$1,235,995	\$1,235,245	0%
Corporate Notes	\$67,149,000	\$67,582,351	\$67,787,889	19%
Commercial Paper	\$11,960,000	\$11,941,514	\$11,944,851	3%
Municipal Bond	\$3,525,000	\$3,540,196	\$3,527,021	1%
Liquid Funds ²	\$27,391,014	\$27,391,014	\$27,391,014	8%
Total Value	\$346,144,806	\$347,451,119	\$347,817,919	100%

Sector Distribution



Credit Quality Distribution



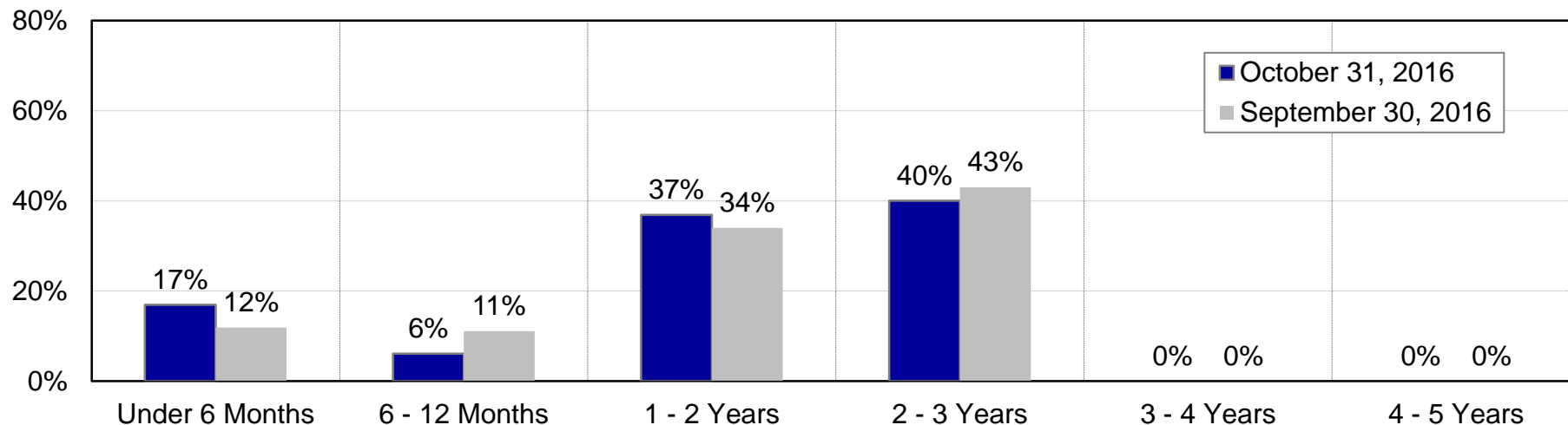
Ratings by Standard & Poor's

1. Security market values include accrued interest as of trade date.
2. Liquid Funds include the City's LAIF, PFM Funds-Prime Money Market Fund, Wells Fargo Peg & Sweep, and custody account cash balances.
3. Based on market value plus accrued interest.
4. Credit rating for security was compliant at the time of purchase. City has elected to hold security until it is advantageous to sell or to maturity.

Investment Program Maturity Summary

Maturity ¹	Market Value ²	October 31, 2016 % of Portfolio	September 30, 2016 % of Portfolio
Under 6 Months	\$58,893,567	17%	12%
6 - 12 Months	\$21,226,833	6%	11%
1 - 2 Years	\$128,391,717	37%	34%
2 - 3 Years	\$139,305,803	40%	43%
3 - 4 Years	\$0	0%	0%
4 - 5 Years	\$0	0%	0%
Total Market Value	\$347,817,919	100%	100%

Maturity Distribution²

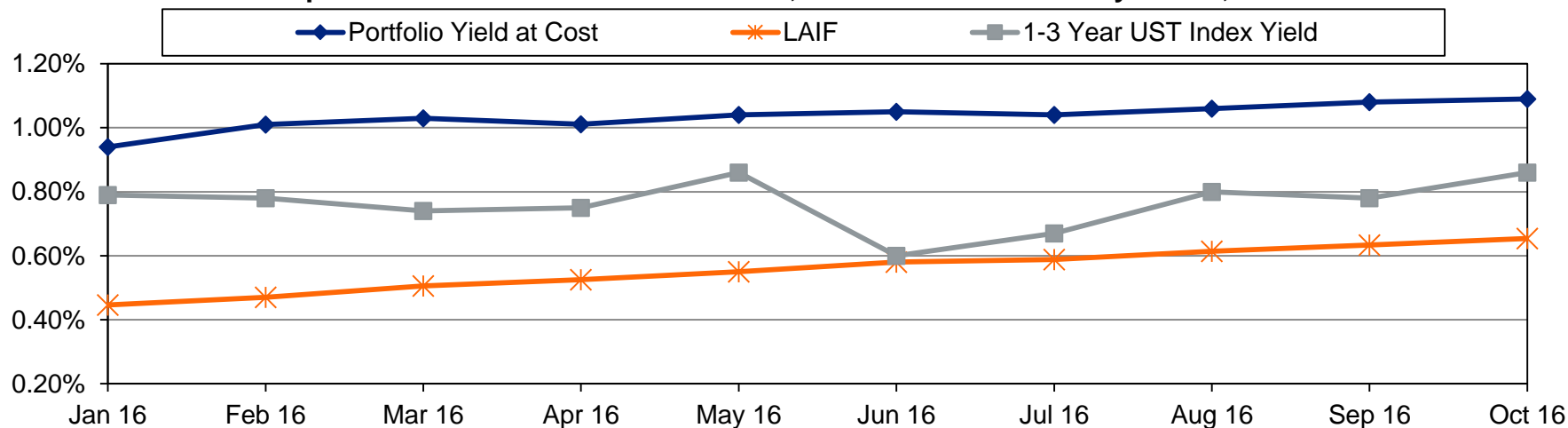


1. Funds held in LAIF are included in the under 6 month range because they can be accessed within one day.
 2. Security market values include accrued interest as of trade date.

Portfolio Yield Summary

Date	Market Value ¹	Portfolio Duration	Portfolio Yield (Cost)	LAIF Yield (Monthly Effective) ²	1-3 Year Treasury Index Yield ²
Apr-16	\$379,096,223	1.44	1.01%	0.53%	0.75%
May-16	\$376,601,239	1.48	1.04%	0.55%	0.86%
Jun-16	\$376,821,935	1.51	1.05%	0.58%	0.60%
Jul-16	\$365,692,556	1.56	1.04%	0.59%	0.67%
Aug-16	\$361,079,176	1.63	1.06%	0.61%	0.80%
Sep-16	\$348,357,010	1.64	1.08%	0.63%	0.78%
Oct-16	\$347,818,009	1.61	1.09%	0.65%	0.86%

Comparison of Combined Portfolio Yield, BAML 1-3 Year Treasury Index², and LAIF³



1. Security market values include accrued interest as of trade date.
2. Source: Bank of America/Merrill Lynch Global Bond Indices
3. Source: California State Treasurer's Website. Average monthly effective yield.



Managed Account Security Transactions & Interest

For the Month Ending **October 31, 2016**

CITY OF SANTA ROSA (PFM)

Transaction Type					Principal	Accrued		Realized G/L	Realized G/L	Sale
Trade	Settle	Security Description	CUSIP	Par	Proceeds	Interest	Total	Cost	Amort Cost	Method
BUY										
10/03/16	10/05/16	FHLB GLOBAL NOTES DTD 09/09/2016 1.000% 09/26/2019	3130A9EP2	9,475,000.00	(9,471,683.75)	(2,368.75)	(9,474,052.50)			
10/03/16	10/06/16	PEPSICO, INC CORP NOTES DTD 10/06/2016 1.350% 10/04/2019	713448DJ4	645,000.00	(644,903.25)	0.00	(644,903.25)			
Transaction Type Sub-Total				10,120,000.00	(10,116,587.00)	(2,368.75)	(10,118,955.75)			
INTEREST										
10/01/16	10/01/16	FHLB GLOBAL NOTE DTD 08/26/2016 0.875% 10/01/2018	3130A9AE1	13,250,000.00	0.00	11,271.70	11,271.70			
10/01/16	10/01/16	MS ST TXBL GO BONDS DTD 02/18/2015 1.090% 10/01/2017	605581FX0	350,000.00	0.00	1,907.50	1,907.50			
10/01/16	10/25/16	FANNIE MAE SERIES 2015-M13 ASQ2 DTD 10/01/2015 1.646% 09/01/2019	3136AQDQ0	2,525,000.00	0.00	3,463.46	3,463.46			
10/01/16	10/25/16	FNMA SERIES 2015-M7 ASQ2 DTD 04/01/2015 1.550% 04/01/2018	3136ANJY4	1,280,000.00	0.00	1,653.33	1,653.33			
10/01/16	10/25/16	FNMA SERIES 2015-M15 ASQ2 DTD 11/01/2015 1.898% 01/01/2019	3136AOSW1	1,160,000.00	0.00	1,834.81	1,834.81			
10/01/16	10/25/16	FNMA SERIES 2016-M9 ASQ2 DTD 06/01/2016 1.785% 06/01/2019	3136ASPX8	2,150,000.00	0.00	3,198.13	3,198.13			
10/01/16	10/25/16	FNMA SERIES 2015-M3 FA DTD 02/01/2015 0.652% 06/01/2018	3136AMMC0	798,337.30	0.00	488.39	488.39			
10/04/16	10/04/16	MONEY MARKET FUND	MONEY0002	0.00	0.00	0.99	0.99			
10/06/16	10/06/16	CANADIAN IMPERIAL BANK NY YCD DTD 04/10/2015 1.010% 04/06/2017	13606JYY9	5,500,000.00	0.00	27,775.00	27,775.00			
10/15/16	10/15/16	FREDDIE MAC NOTES DTD 03/21/2016 1.125% 04/15/2019	3137EADZ9	7,000,000.00	0.00	44,625.00	44,625.00			
10/15/16	10/15/16	FREDDIE MAC NOTES DTD 03/21/2016 1.125% 04/15/2019	3137EADZ9	7,550,000.00	0.00	48,131.25	48,131.25			
10/21/16	10/21/16	RABOBANK NEDERLAND NV CERT DEPOS DTD 04/27/2015 1.070% 04/21/2017	21684BXH2	5,500,000.00	0.00	29,425.00	29,425.00			
10/22/16	10/22/16	WELLS FARGO & COMPANY DTD 04/22/2014 2.125% 04/22/2019	94974BFU9	1,614,000.00	0.00	17,148.75	17,148.75			



Managed Account Security Transactions & Interest

For the Month Ending **October 31, 2016**

CITY OF SANTA ROSA (PFM)

Transaction Type					Principal	Accrued		Realized G/L	Realized G/L	Sale
Trade	Settle	Security Description	CUSIP	Par	Proceeds	Interest	Total	Cost	Amort Cost	Method
INTEREST										
10/25/16	10/25/16	GOLDMAN SACHS GRP INC CORP NT (CALLABLE) DTD 04/25/2016 2.000% 04/25/2019	38141GVT8	390,000.00	0.00	3,900.00	3,900.00			
10/25/16	10/25/16	GOLDMAN SACHS GRP INC CORP NT (CALLABLE) DTD 04/25/2016 2.000% 04/25/2019	38141GVT8	2,500,000.00	0.00	25,000.00	25,000.00			
10/30/16	10/30/16	PEPSICO, INC CORP NOTES DTD 04/30/2015 1.250% 04/30/2018	713448CR7	1,090,000.00	0.00	6,812.50	6,812.50			
Transaction Type Sub-Total				52,657,337.30	0.00	226,635.81	226,635.81			
PAYDOWNS										
10/01/16	10/25/16	FNMA SERIES 2015-M3 FA DTD 02/01/2015 0.652% 06/01/2018	3136AMMC0	1,057.62	1,057.62	0.00	1,057.62	0.28	0.00	
Transaction Type Sub-Total				1,057.62	1,057.62	0.00	1,057.62	0.28	0.00	
SELL										
10/03/16	10/05/16	FNMA SERIES 2015-M3 FA DTD 02/01/2015 0.652% 06/01/2018	3136AMMC0	797,279.68	798,274.93	64.47	798,339.40	1,203.58	995.25	FIFO
10/03/16	10/05/16	US TREASURY NOTES DTD 12/31/2010 2.750% 12/31/2017	912828PN4	2,575,000.00	2,638,872.07	18,665.25	2,657,537.32	(19,815.43)	2,121.15	SPEC LOT
10/03/16	10/05/16	US TREASURY NOTES DTD 12/31/2012 0.750% 12/31/2017	912828UE8	5,400,000.00	5,400,843.75	10,675.27	5,411,519.02	27,210.94	11,525.76	SPEC LOT
10/03/16	10/05/16	US TREASURY NOTES DTD 12/31/2012 0.750% 12/31/2017	912828UE8	475,000.00	475,074.22	939.03	476,013.25	92.77	87.89	SPEC LOT
10/04/16	10/06/16	US TREASURY NOTES DTD 01/31/2013 0.875% 01/31/2018	912828UJ7	645,000.00	646,033.01	1,027.53	647,060.54	(730.66)	(136.76)	SPEC LOT
Transaction Type Sub-Total				9,892,279.68	9,959,097.98	31,371.55	9,990,469.53	7,961.20	14,593.29	
Managed Account Sub-Total					(156,431.40)	255,638.61	99,207.21	7,961.48	14,593.29	
Total Security Transactions					(156,431.40)	255,638.61	99,207.21	7,961.48	14,593.29	



Managed Account Security Transactions & Interest

For the Month Ending **October 31, 2016**

CITY OF SANTA ROSA

Transaction Type					Principal	Accrued		Realized G/L	Realized G/L	Sale
Trade	Settle	Security Description	CUSIP	Par	Proceeds	Interest	Total	Cost	Amort Cost	Method
INTEREST										
10/20/16	10/20/16	WELLS FARGO BANK NA LT CD DTD 09/20/2016 0.420% 09/20/2018	RE1253765	187,647.00	0.00	64.78	64.78			
Transaction Type Sub-Total				187,647.00	0.00	64.78	64.78			
Managed Account Sub-Total					0.00	64.78	64.78			
Total Security Transactions					\$0.00	\$64.78	\$64.78			



Managed Account Security Transactions & Interest

For the Month Ending **October 31, 2016**

SANTA ROSA COP 2007 RESERVE FUND

Transaction Type					Principal	Accrued		Realized G/L	Realized G/L	Sale
Trade	Settle	Security Description	CUSIP	Par	Proceeds	Interest	Total	Cost	Amort Cost	Method
INTEREST										
10/03/16	10/03/16	MONEY MARKET FUND	MONEY0002	0.00	0.00	0.77	0.77			
Transaction Type Sub-Total				0.00	0.00	0.77	0.77			
Managed Account Sub-Total					0.00	0.77	0.77			
Total Security Transactions					\$0.00	\$0.77	\$0.77			



Managed Account Security Transactions & Interest

For the Month Ending **October 31, 2016**

SANTA ROSA FNTNGROVE 2011 A RESERVE FUND

Transaction Type					Principal	Accrued		Realized G/L	Realized G/L	Sale
Trade	Settle	Security Description	CUSIP	Par	Proceeds	Interest	Total	Cost	Amort Cost	Method
INTEREST										
10/03/16	10/03/16	MONEY MARKET FUND	MONEY0002	0.00	0.00	0.29	0.29			
Transaction Type Sub-Total				0.00	0.00	0.29	0.29			
Managed Account Sub-Total					0.00	0.29	0.29			
Total Security Transactions					\$0.00	\$0.29	\$0.29			



Managed Account Security Transactions & Interest

For the Month Ending **October 31, 2016**

SANTA ROSA SKYHAWK 2011A RESERVE FUND

Transaction Type					Principal	Accrued		Realized G/L	Realized G/L	Sale
Trade	Settle	Security Description	CUSIP	Par	Proceeds	Interest	Total	Cost	Amort Cost	Method
INTEREST										
10/03/16	10/03/16	MONEY MARKET FUND	MONEY0002	0.00	0.00	0.19	0.19			
Transaction Type Sub-Total				0.00	0.00	0.19	0.19			
Managed Account Sub-Total					0.00	0.19	0.19			
Total Security Transactions					\$0.00	\$0.19	\$0.19			



Managed Account Security Transactions & Interest

For the Month Ending **October 31, 2016**

SANTA ROSA WATER 2008 RSV AC

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
INTEREST										
10/03/16	10/03/16	MONEY MARKET FUND	MONEY0002	0.00	0.00	0.02	0.02			
Transaction Type Sub-Total				0.00	0.00	0.02	0.02			
Managed Account Sub-Total					0.00	0.02	0.02			
Total Security Transactions					\$0.00	\$0.02	\$0.02			



Managed Account Security Transactions & Interest

For the Month Ending **October 31, 2016**

SANTA ROSA 2001B WASTEWATER PROJECT FUND

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
INTEREST										
10/04/16	10/04/16	MONEY MARKET FUND	MONEY0002	0.00	0.00	1.85	1.85			
Transaction Type Sub-Total				0.00	0.00	1.85	1.85			
Managed Account Sub-Total					0.00	1.85	1.85			
Total Security Transactions					\$0.00	\$1.85	\$1.85			



Managed Account Security Transactions & Interest

For the Month Ending **October 31, 2016**

SANTA ROSA 2002B WASTEWATER PROJECT FUND

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
INTEREST										
10/04/16	10/04/16	MONEY MARKET FUND	MONEY0002	0.00	0.00	3.33	3.33			
Transaction Type Sub-Total				0.00	0.00	3.33	3.33			
Managed Account Sub-Total					0.00	3.33	3.33			
Total Security Transactions					\$0.00	\$3.33	\$3.33			



Managed Account Security Transactions & Interest

For the Month Ending **October 31, 2016**

SANTA ROSA 2008A LOCAL WSTWTR PROJECT FD

Transaction Type					Principal	Accrued		Realized G/L	Realized G/L	Sale
Trade	Settle	Security Description	CUSIP	Par	Proceeds	Interest	Total	Cost	Amort Cost	Method
INTEREST										
10/04/16	10/04/16	MONEY MARKET FUND	MONEY0002	0.00	0.00	3.33	3.33			
Transaction Type Sub-Total				0.00	0.00	3.33	3.33			
Managed Account Sub-Total					0.00	3.33	3.33			
Total Security Transactions					\$0.00	\$3.33	\$3.33			



Managed Account Security Transactions & Interest

For the Month Ending **October 31, 2016**

SANTA ROSA 2008A SUBREGIONAL WSTWTR PROJ

Transaction Type					Principal	Accrued		Realized G/L	Realized G/L	Sale
Trade	Settle	Security Description	CUSIP	Par	Proceeds	Interest	Total	Cost	Amort Cost	Method
INTEREST										
10/04/16	10/04/16	MONEY MARKET FUND	MONEY0002	0.00	0.00	8.04	8.04			
Transaction Type Sub-Total				0.00	0.00	8.04	8.04			
Managed Account Sub-Total					0.00	8.04	8.04			
Total Security Transactions					\$0.00	\$8.04	\$8.04			



Managed Account Security Transactions & Interest

For the Month Ending **October 31, 2016**

SANTA ROSA 2008 WATER BOND PROJECT FUND

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
INTEREST										
10/04/16	10/04/16	MONEY MARKET FUND	MONEY0002	0.00	0.00	2.03	2.03			
Transaction Type Sub-Total				0.00	0.00	2.03	2.03			
Managed Account Sub-Total					0.00	2.03	2.03			
Total Security Transactions					\$0.00	\$2.03	\$2.03			



Managed Account Security Transactions & Interest

For the Month Ending **October 31, 2016**

SANTA ROSA 2014A WASTEWATER PROJECT FUND

Transaction Type					Principal	Accrued		Realized G/L	Realized G/L	Sale
Trade	Settle	Security Description	CUSIP	Par	Proceeds	Interest	Total	Cost	Amort Cost	Method
INTEREST										
10/04/16	10/04/16	MONEY MARKET FUND	MONEY0002	0.00	0.00	20.22	20.22			
Transaction Type Sub-Total				0.00	0.00	20.22	20.22			
Managed Account Sub-Total					0.00	20.22	20.22			
Total Security Transactions					\$0.00	\$20.22	\$20.22			