



**SACRAMENTO COUNTY  
TREASURY OVERSIGHT COMMITTEE**  
*Regular Meeting — Friday, February 16, 2018 / 9:00 a.m.*  
700 H Street, Hearing Room One, Room 1487  
Sacramento, California 95814

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**AGENDA**

**ITEM      SUBJECT**

1.      Call To Order And Introductions.
2.      Comments From The Public.
3.      Approval Of November 17, 2017, Meeting Minutes.
4.      Discussion And Action On The Internal Audit Of Non-Pooled Investment Funds For The Quarter Ended December 31, 2017.
5.      Status Report On Member Positions.
6.      Presentation Of The Sacramento County Annual Investment Policy Of The Pooled Investment Fund For Calendar Year 2018.
7.      Community Reinvestment Act Program.
8.      Discussion And Action On The Non-Pooled Funds Portfolio Report For The Quarter Ended December 31, 2017.
9.      Discussion And Action On The Quarterly Report Of The Pooled Investment Fund For The Quarter Ended December 31, 2017, And Compliance With Investment Policy.
10.     Overview Of Pooled Investment Fund Statistics From Various Jurisdictions For December 2017.
11.     Next Meeting Reminder - Friday, May 18, 2018.
12.     Adjournment.

CALL TO ORDER AND INTRODUCTIONS.

**NO WRITTEN REPORT**

COMMENTS FROM THE PUBLIC.

**NO WRITTEN REPORT**

APPROVAL OF NOVEMBER 17, 2017, MEETING MINUTES.



**SACRAMENTO COUNTY**  
**TREASURY OVERSIGHT COMMITTEE**  
*Regular Meeting — Friday, November 17, 2017 / 9:00 a.m.*  
700 H Street, Hearing Room One, Room 1487  
Sacramento, California 95814

**MINUTES**

**PRESENT:** Jeremy Edwards, Angelica Hernandez, Chris Parker, Brandon Rose, Michael Smith, David Villanueva.

**ABSENT:** Gerardo Castillo, Ben Lamera, Ronald Seaman.

**STAFF:** Peggy Marti, Alan Matré, Dave Matuskey, Bernard Santo Domingo.

**GUESTS:** Jerry Legg, Joshua Wood.

**1. CALL TO ORDER AND INTRODUCTIONS.**

Chair Brandon Rose called the meeting to order at 9:03 a.m.

**2. COMMENTS FROM THE PUBLIC.**

Jerry Legg discussed the proposed change to the Community Reinvestment Act Program.

**3. APPROVAL OF AUGUST 18, 2017, MEETING MINUTES.**

*The minutes of the August 18, 2017, meeting were approved as amended on a motion made by David Villanueva, seconded by Chris Parker, and carried (6-0) with one abstention.*

**4. DISCUSSION AND ACTION ON THE INTERNAL AUDIT OF NON-POOLED INVESTMENT FUNDS FOR THE QUARTER ENDED SEPTEMBER 30, 2017.**

Alan Matré reported for the quarter ended September 30, 2017, that ten issues, one of which was new and none of which was external, were reviewed and no instances of non-compliance were found.

*The Internal Audit Of Non-Pooled Investment Funds For The Quarter ended September 30, 2017, was accepted on a motion made by Chris Parker, seconded by Angelica Hernandez, and unanimously carried (6-0).*

**5. STATUS REPORT ON MEMBER POSITIONS.**

Dave Matuskey stated that an application was received for the District 1 public member position and that the Supervisor's office will be conducting an interview with the applicant.

**6. DISCUSSION AND ACTION ON THE QUARTERLY REPORT OF THE NON-POOLED FUNDS PORTFOLIO REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2017.**

Bernard Santo Domingo presented the Quarterly Report of the Non-Pooled Funds Portfolio for the Quarter Ended September 30, 2017.

*The Non-Pooled Funds Portfolio Reports For The Quarter Ended September 30, 2017, was accepted on a motion made by Jeremy Edwards, seconded by Angelica Hernandez, and unanimously carried (6-0).*

**7. DISCUSSION AND ACTION ON THE QUARTERLY REPORT OF THE POOLED INVESTMENT FUND FOR THE QUARTER ENDED SEPTEMBER 30, 2017, AND COMPLIANCE WITH INVESTMENT POLICY.**

Bernard Santo Domingo presented the Quarterly Report Of The Non-Pooled Funds Portfolio For The Quarter ended September 30, 2017, and Compliance with Investment Policy. He stated that the Pooled Investment Fund was in compliance with the investment policy and California Government Code.

Bernard Santo Domingo provided his economic commentary. He noted that the fed funds futures are predicting an almost certain rate hike by the FOMC at its December meeting and two more rate hikes in 2018. Mr. Santo Domingo noted that the president nominated Jerome Powell for Chairman of the Federal Reserve. He stated the market expects Mr. Powell have a stance similar to Bernanke and Yellen with a slightly higher tolerance for inflation.

*The Quarterly Reports of the Pooled Investment Fund For The Quarter Ended September 30, 2017, were accepted on a motion made by Chris Parker, seconded by David Villanueva, and unanimously carried (6-0).*

**8. OVERVIEW OF POOLED INVESTMENT FUND STATISTICS FROM VARIOUS JURISDICTION FOR SEPTEMBER 2017.**

Bernard Santo Domingo presented the *Investment Fund Statistics Questionnaire Results – September 2017, Comparison of Various County Pooled Investment Funds and LAIF – 12-Month Yield Performance as of September 2017, and Overview of Pooled Investment Fund Statistics from Various Jurisdictions – Comparison of Yields and Average Weighted Maturities from December 31, 2016 – September 30, 2017.*

**9. DISCUSSION ON THE RECOMMENDED CHANGE TO THE COMMUNITY REINVESTMENT ACT PROGRAM AND THE INVESTMENT POLICY**

Bernard Santo Domingo presented a history of the creation of the Community Reinvestment Act Program and the changes subsequently made to the program. He stated that the 2018 investment policy will be presented to the Board of Supervisors on December 5, 2017, and it will include a change to allow banks not rated by Moody's, S&P, or Fitch to qualify for deposits over \$250,000 by explicitly permitting the purchase of certificates of deposit through a placement service that ensures the entire deposit is covered by FDIC insurance. Mr. Santo Domingo stated that staff determined not to recommend allowing collateralized deposits with unrated banks due to liquidity concerns, the recent history of bank failures, and the difficulty in evaluating the credit worthiness of the banks.

Joshua Wood presented the Region Finance proposal to have the \$65 million in the pool currently invested in the Local Agency Investment Fund (LAIF) reallocated to deposits with community banks headquartered in the Sacramento, Yolo, Placer, and El Dorado Counties. He stated the deposits would meet or exceed LAIF's monthly return. In return, the banks would lend at least 50% of the deposited funds to business and real estate ventures within the County.

Chris Parker requested a report back to the committee on the passage of the annual investment policy and the implementation of the change to the Community Reinvestment Act Program.

**10. DISCUSSION ON SELECTION OF BANKING AND CUSTODIAN SERVICES.**

Peggy Marti announced that Bank of the West was awarded the contract for banking and custodial service for the County.

**11. NEXT MEETING REMINDER.**

Chair Brandon Rose reminded the committee that the next regular meeting of the Treasury Oversight Committee is scheduled for Friday, February 16, 2018, in the County Administration Center's Hearing Room One, Room 1487.

**12. ADJOURNMENT.**

The meeting was adjourned at 10:41 a.m.

Respectfully submitted:

Approved:

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**Dave Matuskey**  
Investment Officer

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**Brandon Rose, Chair**  
Treasury Oversight Committee

cc: Treasury Oversight Committee Members  
Department of Finance Staff

DISCUSSION AND ACTION ON THE INTERNAL AUDIT OF NON-POOLED  
INVESTMENT FUNDS FOR THE QUARTER ENDED DECEMBER 31, 2017.



**COUNTY OF SACRAMENTO**

Treasury Oversight Committee  
Non-Pooled Investments  
Agreed-Upon Procedures Report

For the Quarter Ended December 31, 2017

Audit Staff:

Alan A. Matré, C.P.A.  
Kyle R. Hammon

Chief of Audits  
Auditor

**COUNTY OF SACRAMENTO  
TREASURY OVERSIGHT COMMITTEE  
NON-POOLED INVESTMENTS  
AGREED-UPON PROCEDURES REPORT  
FOR THE QUARTER ENDED DECEMBER 31, 2017**

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## County of Sacramento

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January 24, 2017

The Honorable Board of Supervisors and the  
Sacramento County Treasury Oversight Committee  
County of Sacramento, California

We have performed the procedures enumerated below and on the next page to a selected sample of the County of Sacramento (County), non-pooled investments, for the quarter ended December 31, 2017. The County of Sacramento, Treasury Oversight Committee (Committee) is responsible for establishing and maintaining effective internal controls, and compliance with the governing investment policy documents for the non-pooled investments. The sufficiency of the procedures is solely the responsibility of the Committee. Consequently, we make no representation regarding the sufficiency of the procedures described below and on the next page either for the purpose for which this report has been requested or for any other purpose. This report is applicable solely to procedures referred to below and on the next page and is not intended to pertain to any of the Committee's other operations, procedures, or compliance with laws and regulations.

The procedures we performed for the non-pooled investments for the quarter ended December 31, 2017 are summarized as follows below and on the next page:

1. We inspected the organization chart and written internal control procedures for investment and accounting of non-pooled investments to identify any conflicts of interest and inadequate segregation of duties.

Finding: We did not note any exceptions as a result of our procedures.

2. We verified that the SunGard Financial Services, Inc., Advanced Portfolio System II non-pooled investment balances agreed with the custodian statements.

Finding: We did not note any exceptions as a result of our procedures.

3. We inspected the portfolio monitoring report for eleven selected investments and tested for accuracy.

Finding: We did not note any exceptions as a result of our procedures.

4. We verified that investments were made in accordance with the governing investment policy documents as described on the next page:

**Non-Pooled Investment Policy**

Non-Pooled Investments primarily consist of investments purchased with proceeds from Mello Roos Bonds (MR), Revenue Bonds (REV), General Obligation Bonds (GO), Assessment District Bonds (AD), Community Facilities District Bonds (CFD), Certificates of Participation Notes (COPs), and Tobacco Securitization Proceeds (TSP). The investment policy for the bonds is set forth in either the bond resolution, the bond indenture or by the bond insurer (governing investment policy document). The investment policy for the Tobacco Securitization Proceed is set forth in the Tobacco Securitization bond resolution and bond indenture.

The majority of the bond investments are limited to those authorized by California Government Code Section 53601 et seq. Any other authorized investments are indicated in the governing investment policy document.

Finding: We did not note any exceptions as a result of our procedures.

5. We selected ten non-pooled investments based upon outstanding issues at July 1, 2017, plus any untested new issues since quarter ended September 30, 2017 to inspect for compliance with the governing investment policy documents described at Procedure Number 4.

Finding: We did not note any exceptions as a result of our procedures. See Schedule I, *Sample of Non-Pooled Investments* for sample tested.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not perform an audit, examination, or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Committee's non-pooled investments, or results of our procedures referred to above and on the previous page. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the County Board of Supervisors, Sacramento County Audit Committee, County Treasury Oversight Committee, and the Committee's management and should not be used for any other purpose. It is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

BEN LAMERA  
DIRECTOR OF FINANCE



By: Alan A. Matré, C.P.A.  
Chief of Audits

**COUNTY OF SACRAMENTO  
SAMPLE OF NON-POOLED INVESTMENTS  
FOR QUARTER ENDED DECEMBER 31, 2017**

<u>Issue</u> <sup>(1)</sup>	Book Value <u>12/31/17</u>	<u>% of Portfolio</u>
Folsom Cordova USD SFI District 3, 4, 5 (GO)	\$ 27,265,770	4 %
Water Financing Authority 2007 (REV)	25,719,093	4
San Juan USD Election 2002 Series 2017 (GO)	24,282,306	4
Airport System 2010 (REV)	13,053,514	2
Galt JUHSD GO Series 2017 (GO)	12,579,335	2
Sacramento City USD Series 2016 D (GO)	11,880,134	2
SRCSA Revenue Bonds 2006 (REV)	10,828,911	2
Metro Air Park CFD 2007 B (MR)	3,031,206	<1
San Juan USD Series 2011 (GO)	2,913,065	<1
<b><i>McClellan Park CFD Series 2017 A (MR)</i></b>	<b><i>2,441,272</i></b>	<b><i>&lt;1</i></b>
Tobacco Settlement 2001 A/B (TSP)	<u>889,837</u>	<u>&lt;1</u>
 Total internally managed		
Non-Pooled Investments tested <sup>(2)</sup>	<u>\$ 134,884,443</u>	<u>Approx. 22%</u>

- (1) The selected sample of non-pooled investments for the quarter ended December 31, 2017 was selected based upon outstanding issues at October 1, 2017, plus any untested new issues since quarter ended December 31, 2017.
- (2) The total amount of internally managed non-pooled investments for the quarter ended December 31, 2017 was \$627,078,414.
- (3) The total amount of externally managed non-pooled investments for the quarter ended December 31, 2017 was \$15,960,905.

Fund Type

(GO) – General Obligation Bonds  
(REV) – Revenue Bonds

(MR) – Mello Roos Bonds  
(TSP) – Tobacco Securitization Proceeds

*Indicates new issue*

STATUS REPORT ON MEMBER POSITIONS.

**Department of Finance**

Ben Lamera  
Director



**County of Sacramento**

**Divisions**

Administration  
Auditor-Controller  
Consolidated Utilities Billing & Service  
Investments  
Tax Collection & Business Licensing  
Treasury

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*Inter-Departmental Memorandum*

February 16, 2018

To: Treasury Oversight Committee

From: Ben Lamera   
Director of Finance

Subject: **STATUS REPORT ON MEMBER POSITIONS**

**First District**

On January 9, 2018, Joseph Wilson was appointed the District 1 public member to the Sacramento County Treasury Oversight Committee. His term expires July 30, 2019.

w:\pool\loc\agenda items\18-02 member update.docx

PRESENTATION OF THE SACRAMENTO COUNTY ANNUAL INVESTMENT  
POLICY OF THE POOLED INVESTMENT FUND FOR CALENDAR YEAR 2018.



COUNTY OF SACRAMENTO  
CALIFORNIA

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For the Agenda of:  
December 5, 2017

**APPROVED**

BOARD OF SUPERVISORS

By Reso No. 2017-0804  
DEC 05 2017 0805

*Almence Evans*

Clerk of the Board

To: Board of Supervisors

From: Department of Finance

Subject: Delegation Of Investment Authority To The Director Of Finance And Approval Of The Annual Investment Policy Of The Pooled Investment Fund For Calendar Year 2018

Supervisory District(s): All

Contact: Bernard Santo Domingo, Chief Investment Officer, 874-7320

**Overview**

Since 1996, the Board has annually delegated to the Director of Finance the authority to invest funds in the County Treasury and to sell and exchange securities. The Board has also approved the Annual Investment Policy of the Pooled Investment Fund ("Investment Policy") every year since 1987. The Investment Policy for Calendar Year 2018 has been updated to authorize bank deposits with placement services to obtain FDIC coverage on deposits above \$250,000 and updates the Fair Political Practices Commission gift limit.

**Recommendation**

1. Adopt the attached resolution renewing the delegation of authority to the Director of Finance to invest funds in the County Treasury and to sell and exchange securities; and
2. Adopt the attached resolution approving the Annual Investment Policy of the Pooled Investment Fund for Calendar Year 2018.

**Measures/Evaluation**

Investment performance and compliance is evaluated quarterly by the Treasury Oversight Committee and annually by external auditors. Monthly and quarterly reports are also provided to the Board of Supervisors.

**Fiscal Impact**

There is no fiscal impact to the General Fund.

**BACKGROUND**

Government Code Section 53607 allows the Board to annually delegate to the Director of Finance the authority to invest funds in the County Treasury and to sell and exchange securities. The Board serves as a fiduciary unless this authority is delegated. The Director of Finance has been delegated this authority annually since 1996.

## **DISCUSSION**

To comply with Government Code Section 53607, the Board must annually review and renew the delegation of authority to the Director of Finance to invest funds in the County Treasury and to sell and exchange securities. The Board would become the fiduciary if the authority was not delegated to the Director of Finance.

It is also recommended the Board approve the Annual Investment Policy of the Pooled Investment Fund for Calendar Year 2018. In 2005, Government Code Section 53646(a)(1) was amended to remove the 1996 mandate that the Board review and approve the Investment Policy. Approval of the Investment Policy has been requested from the Board since 1987 despite the removal of the mandate.

The changes to the Investment Policy for 2018 are:

1. Section IX. D. – Credit Requirements (Page 6)

Deposits made under the County's Community Reinvestment Act Program may now be made through private sector entities that assist in the placement of deposits to achieve FDIC insurance coverage on the full deposit and accrued interest. These deposits are initiated with a bank the County chooses which, with the assistance of the placement service, deposits amounts below the FDIC-insured limit, currently \$250,000, with other banks, making the County's full deposit covered by FDIC insurance.

2. Section XII. – Limits on Honoraria, Gifts, and Gratuities (Page 11)

The gift limit was updated to reflect the current Fair Political Practices Commission limit of \$470.

## **MEASURES/EVALUATION**

Investment performance and compliance is evaluated quarterly by the Treasury Oversight Committee and annually by external auditors. Monthly and quarterly reports are also provided to the Board.

Delegation Of Investment Authority To The Director Of Finance And Approval Of The Annual  
Investment Policy Of The Pooled Investment Fund For Calendar Year 2018

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**FINANCIAL ANALYSIS**

There is no fiscal impact to the General Fund.

Respectfully submitted,

APPROVED:  
NAVDEEP S. GILL  
County Executive

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BEN LAMERA, Director  
Department of Finance

By: \_\_\_\_\_  
DAVID VILLANUEVA,  
Deputy County Executive

Attachments:

- RES 1 – Director Authority to Invest
- RES 2 – Approve Investment Policy
- ATT 1 – 2018 Investment Policy
- ATT 2 – 2018 Investment Policy with Track Changes

**RESOLUTION NO. 2017-0804**

**RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF  
SACRAMENTO RENEWING THE AUTHORITY OF THE DIRECTOR OF FINANCE TO  
INVEST FUNDS**

**WHEREAS**, the Board of Supervisors delegated authority to invest funds in the County Treasury to the Director of Finance on December 6, 2016, in accordance with Government Code Sections 27000.1 and 53607; and

**WHEREAS**, the authority to invest funds in the County Treasury, delegated to the Director of Finance, expires after one year under Government Code Sections 27000.1 and 53607 unless the Board of Supervisors reviews and renews the delegation of authority; and

**WHEREAS**, the Board of Supervisors has reviewed the delegation of authority to the Director of Finance to invest funds in the County Treasury and the Annual Investment Policy of the Pooled Investment Fund for Calendar Year 2018 and finds it to be reasonable and prudent;

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Supervisors hereby renews the delegation of authority to the Director of Finance to invest funds in the County Treasury and to sell and exchange securities in accordance with the California Government Code and the Annual Investment Policy of the Pooled Investment Fund for Calendar Year 2018.

Resolution Of The Board Of Supervisors Of The County Of Sacramento Renewing The Authority Of The Director Of Finance To Invest Funds

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On a motion by Supervisor Serna, seconded by Supervisor Kennedy the foregoing Resolution was passed and adopted by the Board of Supervisors of the County of Sacramento this 5<sup>th</sup> day of December, 2017, by the following vote, to wit:

AYES: Supervisors Frost, Kennedy, Peters, Serna, Nottoli

NONE: None

ABSENT: None

ABSTAIN: None

RECUSAL: None

(PER POLITICAL REFORM ACT (§ 18702.5.))



ATTEST

*Florence Evans*  
Clerk, Board of Supervisors

*Don Nottoli*

Chair of the Board of Supervisors  
of Sacramento County, California

In accordance with Section 25103 of the Government Code of the State of California a copy of the document has been delivered to the Chair of the Board of Supervisors, County of Sacramento on 12.5.17

By:

*J. Short*  
Deputy Chair, Board of Supervisors

**FILED**  
BOARD OF SUPERVISORS

DEC 5 2017

BY *Florence Evans*  
CLERK OF THE BOARD

RESOLUTION NO. 2017-0805

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SACRAMENTO APPROVING THE ANNUAL INVESTMENT POLICY OF THE POOLED INVESTMENT FUND FOR CALENDAR YEAR 2018

WHEREAS, the Board of Supervisors may annually review and approve the Annual Investment Policy of the Pooled Investment Fund under Government Code Section 53646(a)(1); and

WHEREAS, the Board of Supervisors has reviewed the Annual Investment Policy of the Pooled Investment Fund for Calendar Year 2018 and finds it to be reasonable and prudent;

NOW, THEREFORE, BE IT RESOLVED that the Board of Supervisors hereby approves the Annual Investment Policy of the Pooled Investment Fund for Calendar Year 2018.

On a motion by Supervisor Serna, seconded by Supervisor Kennedy, the foregoing Resolution was passed and adopted by the Board of Supervisors of the County of Sacramento this 5<sup>th</sup> day of December, 2017, by the following vote, to wit:

AYES: Supervisors Frost, Kennedy, Peters, Serna, Nottoli

NOES: None

ABSENT: None

ABSTAIN: None

RECUSAL: None

(PER POLITICAL REFORM ACT (§ 18702.5.))



ATTEST: Alorence Evans  
Clerk, Board of Supervisors

*Don Nottoli*

Chair of the Board of Supervisors  
of Sacramento County, California

In accordance with Section 25103 of the Government Code of the State of California a copy of the document has been delivered to the Chair of the Board of Supervisors, County of Sacramento on 12.5.17

By: J. Frost  
Deputy Clerk, Board of Supervisors

**FILED**  
BOARD OF SUPERVISORS  
DEC 5 2017  
Alorence Evans  
CLERK OF THE BOARD



## **SACRAMENTO COUNTY**

# **Annual Investment Policy of the Pooled Investment Fund**

**CALENDAR YEAR 20178**

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SACRAMENTO COUNTY

# Annual Investment Policy of the Pooled Investment Fund

CALENDAR YEAR 20178

## I. Authority

Under the Sacramento County Charter, the Board of Supervisors established the position of Director of Finance and by ordinance will annually review and renew the Director of Finance's authority to invest and reinvest all the funds in the County Treasury.

## II. Policy Statement

This Investment Policy (Policy) establishes cash management and investment guidelines for the Director of Finance, who is responsible for the stewardship of the Sacramento County Pooled Investment Fund. Each transaction and the entire portfolio must comply with California Government Code and this Policy. All portfolio activities will be judged by the standards of the Policy and its investment objectives. Activities that violate its spirit and intent will be considered contrary to the Policy.

## III. Standard of Care

The Director of Finance is the Trustee of the Pooled Investment Fund and therefore, a fiduciary subject to the prudent investor standard. The Director of Finance, employees involved in the investment process, and members of the Sacramento County Treasury Oversight Committee (Oversight Committee) shall refrain from all personal business activities that could conflict with the management of the investment program. All individuals involved will be required to report all gifts and income in accordance with California state law. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the Director of Finance shall act with care, skill, prudence, and diligence to meet the aims of the investment objectives listed in Section IV, Investment Objectives.

## IV. Investment Objectives

The Pooled Investment Fund shall be prudently invested in order to earn a reasonable return, while awaiting application for governmental purposes. The specific objectives for the Pooled Investment Fund are ranked in order of importance.

### A. Safety of Principal

The preservation of principal is the primary objective. Each transaction shall seek to ensure that capital losses are avoided, whether they be from securities default or erosion of market value.

**B. Liquidity**

As a second objective, the Pooled Investment Fund should remain sufficiently flexible to enable the Director of Finance to meet all operating requirements that may be reasonably anticipated in any depositor's fund.

**C. Public Trust**

In managing the Pooled Investment Fund, the Director of Finance and the authorized investment traders should avoid any transactions that might impair public confidence in Sacramento County and the participating local agencies. Investments should be made with precision and care, considering the probable safety of the capital as well as the probable income to be derived.

**D. Maximum Rate of Return**

As the fourth objective, the Pooled Investment Fund should be designed to attain a market average rate of return through budgetary and economic cycles, consistent with the risk limitations, prudent investment principles and cash flow characteristics identified herein. For comparative purposes, the State of California Local Agency Investment Fund (LAIF) will be used as a performance benchmark. The Pooled Investment Fund quarterly performance benchmark target has been set at or above LAIF's yield. This benchmark was chosen because LAIF's portfolio structure is similar to the Pooled Investment Fund.

**V. Pooled Investment Fund Investors**

The Pooled Investment Fund investors are comprised of Sacramento County, school and community college districts, districts directed by the Board of Supervisors, and independent special districts whose treasurer is the Director of Finance. Any local agencies not included in this category are subject to California Government Code section 53684 and are referred to as outside investors.

**VI. Implementation**

In order to provide direction to those responsible for management of the Pooled Investment Fund, the Director of Finance has established this Policy and will provide it to the Oversight Committee and render it to legislative bodies of local agencies that participate in the Pooled Investment Fund. In accordance with California Government Code section 53646, et seq., the Board of Supervisors shall review and approve this Policy annually.

This Policy provides a detailed description of investment parameters used to implement the investment process and includes the following: investable funds; authorized instruments; prohibited investments; credit requirements; maximum maturities and concentrations; repurchase agreements; Community Reinvestment Act Program; criteria and qualifications of broker/dealers and direct issuers; investment guidelines, management style and strategy; Approved Lists; and calculation of yield and costs.

## VII. Internal Controls

The Director of Finance shall establish internal controls to provide reasonable assurance that the investment objectives are met and to ensure that the assets are protected from loss, theft, or misuse. To assist in implementation and internal controls, the Director of Finance has established an Investment Group and a Review Group.

The Investment Group, which is comprised of the Director of Finance and his/her designees, is responsible for maintenance of the investment guidelines and Approved Lists. These guidelines and lists can be altered daily, if needed, to adjust to the ever-changing financial markets. The guidelines can be more conservative or match the policy language. In no case can the guidelines override the Policy.

The Review Group, which is comprised of the Director of Finance and his/her designees, is responsible for the monthly review and appraisal of all the investments purchased by the Director of Finance and staff. This review includes bond proceeds, which are invested separately from the Pooled Investment Fund and are not governed by this Policy.

The Director of Finance shall establish a process for daily, monthly, quarterly, and annual review and monitoring of the Pooled Investment Fund activity. The following articles, in order of supremacy, govern the Pooled Investment Fund:

1. California Government Code
2. Annual Investment Policy
3. Current Investment Guidelines
4. Approved Lists (see page 9, Section IX.K)

The Director of Finance shall review the daily investment activity and corresponding bank balances.

Monthly, the Review Group shall review all investment activity and its compliance to the corresponding governing articles and investment objectives.

Quarterly, the Director of Finance will provide the Oversight Committee with a copy of the Pooled Investment Fund activity and its compliance to the annual Policy and California Government Code.

Annually, the Oversight Committee shall cause an annual audit of the activities within the Pooled Investment Fund to be conducted to determine compliance to the Policy and California Government Code. This audit will include issues relating to the structure of the investment portfolio and risk.

All securities purchased, with the exception of time deposits, money market mutual funds, LAIF and Wells Fargo's overnight investment fund, shall be delivered to the independent third-party custodian selected by the Director of Finance. This includes all collateral for repurchase agreements. All trades, where applicable, will be executed by delivery versus payment by the designated third-party custodian.

## **VIII. Sacramento County Treasury Oversight Committee**

In accordance with California Government Code section 27130 et seq., the Board of Supervisors, in consultation with the Director of Finance, has created the Sacramento County Treasury Oversight Committee (Oversight Committee). Annually, the Director of Finance shall prepare an Investment Policy that will be forwarded to and monitored by the Oversight Committee and rendered to Boards of all local agency participants. The Board of Supervisors shall review and approve the Policy during public session. Quarterly, the Director of Finance shall provide the Oversight Committee a report of all investment activities of the Pooled Investment Fund to ensure compliance to the Policy. Annually, the Oversight Committee shall cause an audit to be conducted on the Pooled Investment Fund. The meetings of the Oversight Committee shall be open to the public and subject to the Ralph M. Brown Act.

A member of the Oversight Committee may not be employed by an entity that has contributed to the campaign of a candidate for the office of local treasurer, or contributed to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the county treasury, in the previous three years or during the period that the employee is a member of the Oversight Committee. A member may not directly or indirectly raise money for a candidate for local treasurer or a member of the Sacramento County Board of Supervisors or governing board of any local agency that has deposited funds in the county treasury while a member of the Oversight Committee. Finally, a member may not secure employment with, or be employed by bond underwriters, bond counsel, security brokerages or dealers, or financial services firms, with whom the treasurer is doing business during the period that the person is a member of the Oversight Committee or for one year after leaving the committee.

The Oversight Committee is not allowed to direct individual investment decisions, select individual investment advisors, brokers or dealers, or impinge on the day-to-day operations of the Department of Finance treasury and investment operations.

## **IX. Investment Parameters**

### **A. Investable Funds**

Total Investable Funds (TIF) for purposes of this Policy are all Pooled Investment Fund moneys that are available for investment at any one time, including the estimated bank account float. Included in TIF are funds of outside investors, if applicable, for which the Director of Finance provides investment services. Excluded from TIF are all funds held in separate portfolios.

The Cash Flow Horizon is the period in which the Pooled Investment Fund cash flow can be reasonably forecasted. This Policy establishes the Cash Flow Horizon to be one (1) year.

Once the Director of Finance has deemed that the cash flow forecast can be met, the Director of Finance may invest funds with maturities beyond one year. These securities will be referred to as the Core Portfolio.

**B. Authorized Investments**

Authorized investments shall match the general categories established by the California Government Code sections 53601 et seq. and 53635 et seq. Authorized investments shall include, in accordance with California Government Code section 16429.1, investments into LAIF. Authorization for specific instruments within these general categories, as well as narrower portfolio concentration and maturity limits, will be established and maintained by the Investment Group as part of the Investment Guidelines. As the California Government Code is amended, this Policy shall likewise become amended.

**C. Prohibited Investments**

No investments shall be authorized that have the possibility of returning a zero or negative yield if held to maturity. These shall include inverse floaters, range notes, and interest only strips derived from a pool of mortgages.

All legal investments issued by a tobacco-related company are prohibited. A tobacco-related company is defined as an entity that makes smoking products from tobacco used in cigarettes, cigars, or snuff or for smoking in pipes. The tobacco-related issuers restricted from any investment are any component companies in the Dow Jones U.S. Tobacco Index or the NYSE Arca Tobacco Index. Annually the Director of Finance and/or his designee will update the list of tobacco-related companies.

**D. Credit Requirements**

Except for municipal obligations and Community Reinvestment Act (CRA) bank deposits and certificates of deposit, the issuer's short-term credit ratings shall be at or above A-1 by Standard & Poor's, P-1 by Moody's, and, if available, F1 by Fitch, and the issuer's long-term credit ratings shall be at or above A by Standard & Poor's, A2 by Moody's, and, if available, A by Fitch. There are no credit requirements for Registered State Warrants. All other municipal obligations shall be at or above a short-term rating of SP-1 by Standard & Poor's, MIG1 by Moody's, and, if available, F1 by Fitch. In addition, domestic banks are limited to those with a Fitch Viability rating of a or better, without regard to modifiers. The Investment Group is granted the authority to specify approved California banks with Fitch Viability ratings of bbb+ but they must have a Support rating of 1 where appropriate. Foreign banks with domestic licensed offices must have a Sovereign rating of AAA from Standard and Poor's, Moody's, or Fitch and a Fitch Viability rating of a or better, without regard to modifiers; however, a foreign bank may have a rating of bbb+ but they must have a Support rating of 1. Domestic savings banks must be rated a or better, without regard to modifiers, or may have a rating of bbb+ but they must have a Support rating of 1.

**Community Reinvestment Act Program Credit Requirements**

Maximum Amount	Minimum Requirements
Up to the FDIC- or NCUSIF-insured limit for the term of the deposit	<b>Banks</b> — FDIC Insurance Coverage
	<b>Credit Unions</b> — NCUSIF Insurance Coverage <i>Credit unions are limited to a maximum deposit of the NCUSIF-insured limit since they are not rated by nationally recognized rating agencies and are not required to provide collateral on public deposits.</i>
Over the FDIC- or NCUSIF-insured limit to \$10 million  <del>Collateral is required</del>	(Any 2 of 3 ratings) S&P:           A-2 Moody’s:       P-2 Fitch:           F-2  <u>Collateral is required</u>  <i>OR</i> <u>Through a private sector entity that assists in the placement of deposits to achieve FDIC insurance coverage of the full deposit and accrued interest.</u>

Eligible banks must have Community Reinvestment Act performance ratings of “satisfactory” or “outstanding” from each financial institution’s regulatory authority. In addition, deposits greater than the federally-insured amount must be collateralized. Banks must place securities worth between 110% and 150% of the value of the deposit with the Federal Reserve Bank of San Francisco, the Home Loan Bank of San Francisco, or a trust bank.

Since credit unions do not have Community Reinvestment Act performance ratings, they must demonstrate their commitment to meeting the community reinvestment lending and charitable activities, which are also required of banks.

All commercial paper and medium-term note issues must be issued by corporations operating within the United States and having total assets in excess of one billion dollars (\$1,000,000,000).

The Investment Group may raise these credit standards as part of the Investment Guidelines and Approved Lists. Appendix A provides a Comparison and Interpretation of Credit Ratings by Standard & Poor’s, Moody’s, and Fitch.

**E. Maximum Maturities**

Due to the nature of the invested funds, no investment with limited market liquidity should be used. Appropriate amounts of highly-liquid investments, such as Treasury and Agency securities, should be maintained to accommodate unforeseen withdrawals.

The maximum maturity, determined as the term from the date of ownership to the date of maturity, for each investment shall be established as follows:

U.S. Treasury and Agency Obligations .....	5 years
Washington Supranational Obligations <sup>1</sup> .....	5 years
Municipal Notes .....	5 years
Registered State Warrants .....	5 years
Bankers Acceptances .....	180 days
Commercial Paper .....	270 days
Negotiable Certificates of Deposit .....	180 days
CRA Bank Deposit/Certificates of Deposit .....	1 year
Repurchase Agreements .....	1 year
Reverse Repurchase Agreements .....	92 days
Medium-Term Corporate Notes .....	180 days
Collateralized Mortgage Obligations .....	180 days

The Investment Group may reduce these maturity limits to a shorter term as part of the Investment Guidelines and the Approved Lists.

The ultimate maximum maturity of any investment shall be five (5) years. The dollar-weighted average maturity of all securities shall be equal to or less than three (3) years.

#### F. Maximum Concentrations

No more than 80% of the portfolio may be invested in issues other than United States Treasuries and Government Agencies. The maximum allowable percentage for each type of security is set forth as follows:

U.S. Treasury and Agency Obligations .....	100%
Municipal Notes .....	80%
Registered State Warrants .....	80%
Bankers Acceptances .....	40%
Commercial Paper .....	40%
Washington Supranational Obligations .....	30%
Negotiable Certificates of Deposit and CRA Bank Deposit/Certificates of Deposit .....	30%
Repurchase Agreements .....	30%
Reverse Repurchase Agreements .....	20%
Medium-Term Corporate Notes .....	30%
Money Market Mutual Funds .....	20%
Collateralized Mortgage Obligations .....	20%
Local Agency Investment Fund (LAIF) .....	(per State limit) <sup>2</sup>

The Investment Group may reduce these concentrations as part of the Investment Guidelines and the Approved Lists.

<sup>1</sup> The International Bank for Reconstruction and Development, International Finance Corporation, and Inter-American Development Bank.

<sup>2</sup> LAIF current maximum allowed is \$65 million.

No more than 10% of the portfolio, except Treasuries and Agencies, may be invested in securities of a single issuer including its related entities.

Where a percentage limitation is established above, for the purpose of determining investment compliance, that maximum percentage will be applied on the date of purchase.

## **G. Repurchase Agreements**

Under California Government Code section 53601, paragraph (j) and section 53635, the Director of Finance may enter into Repurchase Agreements and Reverse Repurchase Agreements. The maximum maturity of a Repurchase Agreement shall be one year. The maximum maturity of a reverse repurchase agreement shall be 92 days, and the proceeds of a reverse repurchase agreement may not be invested beyond the expiration of the agreement. The reverse repurchase agreement must be "matched to maturity" and meet all other requirements in the code.

All repurchase agreements must have an executed Sacramento County Master Repurchase Agreement on file with both the Director of Finance and the Broker/Dealer. Repurchase Agreements executed with approved broker-dealers must be collateralized with either: (1) U.S. Treasuries or Agencies with a market value of 102% for collateral marked to market daily; or (2) money market instruments which are on the Approved Lists of the County and which meet the qualifications of the Policy, with a market value of 102%. Since the market value of the underlying securities is subject to daily market fluctuations, investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. Use of mortgage-backed securities for collateral is not permitted. Strictly for purposes of investing the daily excess bank balance, the collateral provided by the Sacramento County's depository bank can be Treasuries or Agencies valued at 110%, or mortgage-backed securities valued at 150%.

## **H. Community Reinvestment Act Program**

The Director of Finance has allocated within the Pooled Investment Fund, a maximum of \$90 million for the Community Reinvestment Act Program to encourage community investment by financial institutions, which includes community banks and credit unions, and to acknowledge and reward local financial institutions which support the community's financial needs. The Director of Finance may increase this amount, as appropriate, while staying within the investment policy objectives and maximum maturity and concentration limits. The eligible banks and savings banks must have Community Reinvestment Act performance ratings of "satisfactory" or "outstanding" from each financial institution's regulatory authority. The minimum credit requirements are located on page 5 of Section IX.D.

## **I. Criteria and Qualifications of Brokers/Dealers and Direct Issuers**

All transactions initiated on behalf of the Pooled Investment Fund and Sacramento County shall be executed through either government security dealers reporting as primary dealers to the Market Reports Division of the Federal Reserve Bank of New York or direct issuers that directly issue their own securities which have been placed on the Approved List of



brokers/dealers and direct issuers. Further, these firms must have an investment grade rating from at least two national rating services, if available.

Brokers/Dealers and direct issuers which have exceeded the political contribution limits, as contained in Rule G-37 of the Municipal Securities Rulemaking Board, within the preceding four-year period to the Director of Finance, any member of the Board of Supervisors, or any candidate for the Board of Supervisors, are prohibited from the Approved List of brokers/dealers and direct issuers.

Each broker/dealer and direct issuer will be sent a copy of this Policy and a list of those persons authorized to execute investment transactions. Each firm must acknowledge receipt of such materials to qualify for the Approved List of brokers/dealers and direct issuers.

Each broker/dealer and direct issuer authorized to do business with Sacramento County shall, at least annually, supply the Director of Finance with audited financial statements.

#### **J. Investment Guidelines, Management Style and Strategy**

The Investment Group, named by the Director of Finance, shall issue and maintain Investment Guidelines specifying authorized investments, credit requirements, permitted transactions, and issue maturity and concentration limits which are consistent with this Policy.

The Investment Group shall also issue a statement describing the investment management style and current strategy for the entire investment program. The management style and strategy can be changed to accommodate shifts in the financial markets, but at all times they must be consistent with this Policy and its objectives.

#### **K. Approved Lists**

The Investment Group, named by the Director of Finance, shall issue and maintain various Approved Lists. These lists are:

1. Approved Domestic Banks for all legal investments.
2. Approved Foreign Banks for all legal investments.
3. Approved Commercial Paper and Medium Term Note Issuers.
4. Approved Money Market Mutual Funds.
5. Approved Firms for Purchase or Sale of Securities (Brokers/Dealers and Direct Issuers).
6. Approved Banks / Credit Unions for the Community Reinvestment Act Program.

#### **L. Calculation of Yield and Costs**

The costs of managing the investment portfolio, including but not limited to: investment management; accounting for the investment activity; custody of the assets; managing and accounting for the banking; receiving and remitting deposits; oversight controls; and indirect and overhead expenses are charged to the investment earnings based upon actual labor hours worked in respective areas. Costs of these respective areas are accumulated by specific cost

accounting projects and charged to the Pooled Investment Fund on a quarterly basis throughout the fiscal year.

The Department of Finance will allocate the net interest earnings of the Pooled Investment Fund quarterly. The net interest earnings are allocated based upon the average daily cash balance of each Pooled Investment Fund participant.

#### **X. Reviewing, Monitoring and Reporting of the Portfolio**

The Review Group will prepare and present to the Director of Finance at least monthly a comprehensive review and evaluation of the transactions, positions, performance of the Pooled Investment Fund and compliance to the California Government Code, Policy, and Investment Guidelines.

Quarterly, the Director of Finance will provide to the Oversight Committee and to any local agency participant that requests a copy, a detailed report on the Pooled Investment Fund. Pursuant to California Government Code section 53646, the report will list the type of investments, name of issuer, maturity date, par and dollar amount of the investment. For the total Pooled Investment Fund, the report will list average maturity, the market value, and the pricing source. Additionally, the report will show any funds under the management of contracting parties, a statement of compliance to the Policy and a statement of the Pooled Investment Fund's ability to meet the expected expenditure requirements for the next six months.

Each quarter, the Director of Finance shall provide to the Board of Supervisors and interested parties a comprehensive report on the Pooled Investment Fund.

Annually, the Director of Finance shall provide to the Oversight Committee the Investment Policy. Additionally, the Director of Finance will render a copy of the Investment Policy to the legislative body of the local agencies that participate in the Pooled Investment Fund.

#### **XI. Withdrawal Requests for Pooled Fund Investors**

The Director of Finance will honor all requests to withdraw funds for normal cash flow purposes that are approved by the Director of Finance at a one dollar net asset value. Any requests to withdraw funds for purposes other than immediate cash flow needs, such as for external investing, are subject to the consent of the Director of Finance. In accordance with California Government Code Sections 27133(h) and 27136, such requests for withdrawals must first be made in writing to the Director of Finance. When evaluating a request to withdraw funds, the Director of Finance will take into account the effect of a withdrawal on the stability and predictability of the Pooled Investment Fund and the interests of other depositors. Any withdrawal for such purposes will be at the market value of the Pooled Investment Fund on the date of the withdrawal.

#### **XII. Limits on Honoraria, Gifts, and Gratuities**

In accordance with California Government Code Section 27133(d), this Policy establishes limits for the Director of Finance; individuals responsible for management of the portfolios; and members of the Investment Group and Review Group who direct individual investment decisions, select individual investment advisors and broker/dealers, and conduct day-to-day investment

trading activity. The limits also apply to members of the Oversight Committee. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of \$50 in a calendar year from a broker/dealer, bank or service provider to the Pooled Investment Fund must report the gifts, dates and firms to the designated filing official and complete the appropriate State forms.

No individual may receive aggregate gifts, honoraria, and gratuities from any single source in a calendar year in excess of the amount specified in Section 18940.2(a) of Title 2, Division 6 of the California Code of Regulations. This limitation ~~was~~ is ~~\$460-470~~ for the period January 1, ~~2015~~2017, to December 31, ~~2016~~2018, and is adjusted for inflation every odd-numbered year. Any violation must be reported to the State Fair Political Practices Commission.

### **XIII. Terms and Conditions for Outside Investors**

Outside investors may invest in the Pooled Investment Fund through California Government Code Section 53684. Their deposits are subject to the consent of the Director of Finance. The legislative body of the local agency must approve the Sacramento County Pooled Investment Fund as an authorized investment and execute a Memorandum of Understanding. Any withdrawal of these deposits must be made in writing 30 days in advance and will be paid based upon the market value of the Pooled Investment Fund. If the Director of Finance considers it appropriate, the deposits may be returned at any time to the local agency.

# Appendix A

## Comparison and Interpretation of Credit Ratings

<b>Long Term Debt &amp; Individual Bank Ratings</b>				
<b>Rating Interpretation</b>	<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>	<b>Fitch Viability Rating</b>
<i>Best-quality grade</i>	Aaa	AAA	AAA	aaa
<i>High-quality grade</i>	Aa1	AA+	AA+	aa+
	Aa2	AA	AA	aa
	Aa3	AA-	AA-	aa-
<i>Upper Medium Grade</i>	A1	A+	A+	a+
	A2	A	A	a
	A3	A-	A-	a-
<i>Medium Grade</i>	Baa1	BBB+	BBB+	bbb+
	Baa2	BBB	BBB	bbb
	Baa3	BBB-	BBB-	bbb-
<i>Speculative Grade</i>	Ba1	BB+	BB+	bb+
	Ba2	BB	BB	bb
	Ba3	BB-	BB-	bb-
<i>Low Grade</i>	B1	B+	B+	b+
	B2	B	B	b
	B3	B-	B-	b-
<i>Poor Grade to Default</i>	Caa	CCC+	CCC	ccc
<i>In Poor Standing</i>	-	CCC	-	
	-	CCC-	-	
<i>Highly Speculative Default</i>	Ca	CC	CC	cc
	C	-	-	c
<i>Default</i>	-	-	DDD	f
	-	-	DD	f
	-	D	D	f

<b>Short Term / Municipal Note Investment Grade Ratings</b>			
<b>Rating Interpretation</b>	<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>
<i>Superior Capacity</i>	MIG-1	SP-1+/SP-1	F1+/F1
<i>Strong Capacity</i>	MIG-2	SP-2	F2
<i>Acceptable Capacity</i>	MIG-3	SP-3	F3

# Appendix A

## Short Term / Commercial Paper Investment Grade Ratings

Rating Interpretation	Moody's	S&P	Fitch
<i>Superior Capacity</i>	P-1	A-1+/A-1	F1+/F1
<i>Strong Capacity</i>	P-2	A-2	F2
<i>Acceptable Capacity</i>	P-3	A-3	F3

## Fitch Support Ratings

Rating	Interpretation
1	A bank for which there is an extremely high probability of external support. The potential provider of support is very highly rated in its own right and has a very high propensity to support the bank in question. This probability of support indicates a minimum Long-Term Rating floor of 'A-'.
2	A bank for which there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to provide support to the bank in question. This probability of support indicates a minimum Long-Term Rating floor of 'BBB-'.
3	A bank for which there is a moderate probability of support because of uncertainties about the ability or propensity of the potential provider of support to do so. This probability of support indicates a minimum Long-Term Rating floor of 'BB-'.
4	A bank for which there is a limited probability of support because of significant uncertainties about the ability or propensity of any possible provider of support to do so. This probability of support indicates a minimum Long-Term Rating floor of 'B'.
5	A bank for which external support, although possible, cannot be relied upon. This may be due to a lack of propensity to provide support or to very weak financial ability to do so. This probability of support indicates a Long-Term Rating floor no higher than 'B-' and in many cases no floor at all.

# Appendix A

<b>Fitch Sovereign Risk Ratings</b>	
<i>Rating</i>	<i>Interpretation</i>
AAA	<b>Highest credit quality.</b> 'AAA' ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
AA	<b>Very high credit quality.</b> 'AA' ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A	<b>High credit quality.</b> 'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	<b>Good credit quality.</b> 'BBB' ratings indicate that expectations of default risk are currently low. The capacity for timely payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.
BB	<b>Speculative.</b> 'BB' ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time.
B	<b>Highly speculative.</b> 'B' ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.
CCC	<b>High default risk.</b> Default is a real possibility.
CC	<b>Very high levels of credit risk.</b> Default of some kind appears probable.
C	<b>Exceptionally high levels of credit risk.</b> Default appears imminent or inevitable.
D	<p><b>Default.</b> Indicates a default. Default generally is defined as one of the following:</p> <ul style="list-style-type: none"> <li>• Failure to make payment of principal and/or interest under the contractual terms of the rated obligation;</li> <li>• The bankruptcy filings, administration, receivership, liquidation or other winding-up or cessation of the business of an issuer/obligor; or</li> <li>• The coercive exchange of an obligation, where creditors were offered securities with diminished structural or economic terms compared with the existing obligation.</li> </ul>

UPDATE ON COMMUNITY REINVESTMENT ACT PROGRAM.



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County of Sacramento

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*Inter-Departmental Memorandum*

February 16, 2018

To: Treasury Oversight Committee

From: Dave Matuskey  
Investment Officer

A handwritten signature in blue ink, appearing to read "DM", is placed to the right of the name "Dave Matuskey".

Subject: **COMMUNITY REINVESTMENT ACT PROGRAM**

**BACKGROUND**

The County of Sacramento Board of Supervisors adopted the Community Reinvestment Act (CRA) Program in 1992 to encourage banks to actively support lending needs in low- and moderate-income neighborhoods in the Sacramento County. Banks doing business in the county with a Satisfactory or higher CRA ratings are eligible for deposits up to the FDIC insurance maximum (currently \$250,000), and banks with minimum credit ratings, as specific in the investment policy, are eligible for deposits in excess of that amount provided the excess is collateralized. The Director of Finance has allocated a maximum of \$90 million of the Pooled Investment Fund for CRA Program deposits. Currently there are no CRA Program deposits in the Pooled Investment Fund.

**DISCUSSION**

The 2018 investment policy, approved by the Board of Supervisors on December 5, 2017, allows for CRA deposits in excess of \$250,000 with unrated banks provided the banks use a placement service that places the funds into deposits at other banks, leveraging the other banks' FDIC insurance coverage and causing the entire deposit to be covered by FDIC insurance.

The CRA Program has historically accepted applications for deposit on a first come, first served basis, but because using a placement service for deposits may disadvantage banks that apply after other banks have received CRA program deposits, we will now accept deposits once a year in an RFP-like process. A letter will be sent to all CRA Program-eligible banks in March announcing the new process and requesting applications with a cutoff date in late March.

After the deadline, staff will review the applications and deposit funds at all eligible banks that meet the minimum CRA rating and provide a competitive rate of return. In the event that applications are received for deposits in excess of the \$90 million allocated for the program, staff will prioritize deposits for banks with higher CRA ratings and lending activity in Sacramento County and offering a higher rate of return.



DISCUSSION AND ACTION ON THE NON-POOLED FUNDS PORTFOLIO  
REPORT FOR THE QUARTER ENDED DECEMBER 31, 2017.



# COUNTY OF SACRAMENTO

## DEPARTMENT OF FINANCE

### NON-POOLED FUNDS PORTFOLIO REPORT

FOR QUARTER ENDED DECEMBER 31, 2017

**COUNTY OF SACRAMENTO  
DEPARTMENT OF FINANCE**

**NON-POOLED FUNDS PORTFOLIO REPORT**

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**PORTFOLIO CONCENTRATION & CREDIT QUALITY**

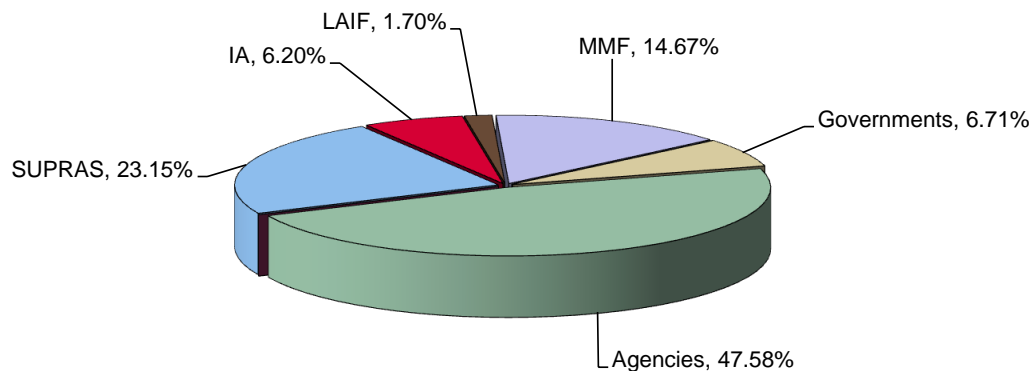
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**COUNTY OF SACRAMENTO**  
**Non-Pooled Funds - December 31, 2017**

**Portfolio Sector Concentration Profile**  
**ALL NON-POOLED FUNDS**

Sector	Credit Quality	Dollar Amount At Cost	Percent
<b>GOVERNMENTS</b>	<b>AA+/Aaa/AAA</b>		
Treasury Bills		\$ 40,395,833.91	6.28%
Treasury Notes		\$ -	0.00%
Treasury Bonds		\$ -	0.00%
SLGs		\$ 2,772,480.00	0.43%
<b>SUBTOTAL</b>		<b>\$ 43,168,313.91</b>	<b>6.71%</b>
<b>AGENCIES</b>	<b>AA+/Aaa/AAA</b>		
FHLB		\$ -	0.00%
FHLB Discount Notes		\$ 252,548,291.38	39.27%
FNMA		\$ -	0.00%
FNMA Discount Notes		\$ -	0.00%
FFCB		\$ -	0.00%
FFCB Discount Notes		\$ 40,117,892.71	6.24%
FHLMC		\$ -	0.00%
FHLMC Discount Notes		\$ 13,263,828.91	2.06%
<b>SUBTOTAL</b>		<b>\$ 305,930,013.00</b>	<b>47.58%</b>
<b>COMMERCIAL PAPER (CP)</b>	<b>A-1/P-1, or A-1/P-1/F1, or better</b>	\$ -	<b>0.00%</b>
<b>CERTIFICATE OF DEPOSIT (CD)</b>	<b>A-1/P-1, or A-1/P-1/F1, or better</b>	\$ -	<b>0.00%</b>
<b>WASHINGTON SUPRANATIONALS (SUPRAS)</b>	<b>AAA/Aaa/AAA</b>	\$ 148,841,036.87	<b>23.15%</b>
<b>INVESTMENT AGREEMENTS (IA)</b>	<b>Not Rated</b>	\$ 39,887,197.40	<b>6.20%</b>
<b>LOCAL AGENCY INVESTMENT FUND (LAIF)</b>	<b>Not Rated</b>	\$ 10,900,000.00	<b>1.70%</b>
<b>MONEY MARKET FUNDS (MMF)</b>	<b>AAA</b>	\$ 94,312,757.90	<b>14.67%</b>
<b>SWEEP</b>	<b>Not Rated</b>	\$ -	<b>0.00%</b>
<b>TOTAL</b>		<b>\$ 643,039,319.08</b>	<b>100.00%</b>

Sector concentrations are for all non-pooled funds in the aggregate. A detailed listing of all Non-Pooled Funds is provided in Appendix A on page 2 of this report.



## County of Sacramento Non-Pooled Investment Funds

As of December 31, 2017

Fund	Description	Type	Funded Date	Maturity Date	Amount Issued	Book Value	Bond/Note TIC/NIC
<b>Fiscal Agent Trustee Funds</b>							
5030-35	REG SAN 2000 C SWAP	REV	1/2/2003	12/1/2030	100,000,000	801,531.90	3.740%
5174-75	Robla SD, Series 2015 A	GO	2/18/2015	8/1/2044	6,400,000	1,707,767.98	3.603%
5186-87	San Juan USD, Elec 12, Ser 17	GO	3/14/2017	8/1/2028	70,000,000	60,304,285.60	2.225%
5277	SASD Series 2015 Refunding	REV	5/5/2015	8/1/2035	45,435,000	126.35	3.392%
5340-45	2006 Public Facilities Projects	COP	5/11/2006	2/1/2036	40,860,000	2,234,797.10	4.708%
5367-69	North Vineyard No. 1 2016	MR	6/8/2016	9/1/2045	13,410,000	10,377,890.85	3.740%
5390-93	SRCSO REF 2005	REV	9/7/2005	12/1/2023	61,220,000	51.17	4.414%
5450-54	SRCSO 2006	REV	7/20/2006	12/1/2036	338,960,000	10,828,910.65	4.746%
5455-57	SRCSO 2014A	REV	7/10/2014	12/1/2044	378,510,000	16,999,229.80	3.823%
5510-14	Water Financing Authority	REV	5/9/2007	6/1/2039	413,420,000	25,719,093.24	4.260%
5520-23	Metro Air Park 2007B	MR	12/14/2007	8/1/2034	40,200,000	3,031,206.25	6.886%
5553	Center USD, Series 2016E	GO	8/16/2016	8/1/2031	4,996,601	1,605,729.42	2.744%
5600-02	SRCSO REF 2007	REV	3/1/2007	12/1/2035	443,365,000	406.82	4.165%
5624	Galt JUSD Series 2017	GO	6/21/2017	8/1/2046	16,000,000	12,579,334.99	3.590%
5630-33	Airport System 2008 A	REV	5/1/2008	7/1/2041	169,575,000	3,864,138.10	5.353%
5696-97	San Juan USD, Elec 02, Ser 17	GO	3/14/2017	8/1/2026	23,475,000	24,282,305.81	2.206%
5760-65	Airport System 2008 B-C	REV	5/1/2008	7/1/2039	326,620,000	9,015,330.45	5.353%
5770-73	Airport System 2008 D-E	REV	5/1/2008	7/1/2026	89,430,000	3,861,849.46	5.161%
5800-07	Airport System 2009 A&B	REV	7/28/2009	7/1/2041	201,800,000	16,932,327.44	5.473%
5810-15	Airport System 2009 C&D	REV	7/28/2009	7/1/2041	278,250,000	23,796,938.64	6.010%
5830-34	2010 Refunding COPs	COP	3/12/2010	2/1/2030	126,105,000	11,616,893.99	5.097%
5860-63	SASD Series 2010 A&B	REV	8/11/2010	8/1/2040	126,620,000	114.73	4.069%
5870-74	Airport System 2010	REV	8/25/2010	7/1/2040	128,300,000	13,053,514.04	4.744%
5890-92	San Juan USD, Elec 02, Ser 2011	GO	6/10/2011	6/1/2026	10,600,000	2,913,064.94	5.336%
5970-76	North Vineyard No. 2 2016	MR	6/8/2016	9/1/2046	23,155,000	13,341,616.12	4.036%
6100-01	SAFCA CAD Series 2016 A&B	AD	12/7/2016	10/1/2047	278,195,000	95,613,463.85	3.977%
6120-25	FCUSD SFID #3,4,5	GO	12/22/2016	10/1/2041	83,000,000	27,265,769.55	4.114%
6130-31	San Juan USD, Elec 16, Ser 17	GO	3/14/2017	8/1/2019	39,920,000	28,897,705.73	1.201%
6303-04	Robla SD, Series 2015 B	GO	11/5/2015	8/1/2045	10,100,000	10,066,842.80	4.015%
6305-06	Robla SD, Series 2015 I	GO	11/4/2015	8/1/2037	2,000,000	1,992,395.97	4.072%
6310-12	Sac City USD Series 2015	GO	6/4/2015	8/1/2040	90,000,000	16,936,875.18	3.672%
6315-18	Sac City USD Series 2016	GO	6/8/2016	8/1/2041	14,000,000	11,880,133.93	2.904%
6350-55	Public Facilities, 94 (Coroner)	REV	10/25/1994	10/1/2024	89,500,000	6,463,075.00	6.494%
6440-00	LAIF, STA Transport. Authority	SEP	11/15/1995	n/a	n/a	10,900,000.00	n/a
6581-84	Elliott Ranch Refunding	MR	8/13/1997	9/1/2021	21,415,000	2,672,655.00	6.231%
6600-04	Laguna Creek Refunding	MR	12/30/1997	12/1/2020	31,980,000	3,774,276.25	5.751%
6680-86	Metro Air Park	MR	12/30/1998	12/1/2021	5,310,000	1,011,733.75	7.000%
6720-27	Regional Sanitation 2000-A/B	REV	6/22/2000	12/1/2027	386,845,000	222.57	5.628%
6820-23	Co. Sanitation Ser. 2001	REV	6/28/2001	12/1/2027	124,010,000	50.79	n/a
6890-92	Tobacco Settlement 01A/B	TSP	8/23/2001	6/1/2027	193,405,888	889,837.00	n/a
6980-84	Metro Air Park 2004 A	MR	4/8/2004	8/1/2034	63,460,000	8,102,858.75	6.890%
50A0	Airport System Refund 2016A	REV	12/21/2016	7/1/2041	89,000,000	2,233,559.59	4.332%
50B0	Airport System Refund 2016B	REV	12/21/2016	7/1/2041	92,790,000	2,328,308.94	4.373%
50C0	Sac City USD Series 2017E	GO	5/25/2017	5/1/2047	112,000,000	119,062,846.38	3.550%
50D0	Sac City USD Series 2017C	GO	5/25/2017	5/1/2047	10,000,000	5,676,075.03	3.599%
50E0	McClellan Park CFD Ser. 2017A	MR	12/14/2017	9/1/2040	29,470,000	2,441,271.74	3.804%
<b>Book Value Subtotal Of Fiscal Agent Trustee Funds:</b>						<b>\$627,078,413.64</b>	
<b>Other Separate Trustees</b>							
5410	Tobacco Securitization Authority 2005 Refunding						
	Collection Account		12/6/2005	6/1/2045		1,328.26	
	Operating Account		12/6/2005	6/1/2045		85,847.43	
	Sr Debt Service Account		12/6/2005	6/1/2045		109,036.01	
	Sr Liquidity Reserve Account		12/6/2005	6/1/2045		15,762,195.91	
	Sr Turbo Redemption Account		12/6/2005	6/1/2045		2,497.83	
	Subtotal					15,960,905.44	
<b>Book Value Subtotal Of Funds Held By Other Separate Trustees:</b>						<b>\$15,960,905.44</b>	
<b>TOTAL NON-POOLED INVESTMENT FUNDS BOOK VALUE:</b>						<b>\$643,039,319.08</b>	
New issues are reflected in blue.							
<b>FUND TYPES:</b>							
TSP - Tobacco Securitization Proceeds			MR - Mello Roos Bonds				
TR - Tax & Revenue Anticipation Notes			GO - General Obligation Bonds				
SEP - Funds held for unique purposes			AD - Assessment District Bonds				
REV - Revenue Bonds			COP - Certificates of Participation				
TC - Tax Collection Account							

## GLOSSARY OF INVESTMENT TERMS

**A-1+/A-1** – Highest short-term credit ratings assigned by Standard & Poor’s.

**AAA** – Highest long-term credit rating assigned by Standard & Poor’s and Fitch.

**Aaa** – Highest long-term credit rating assigned by Moody’s.

**AA+** – Second highest long-term credit rating assigned by Standard & Poor’s and Fitch.

**Cash in Pool** – Residual amounts of money invested in the Pooled Investment Fund that cannot be reasonably invested in separate investment securities (amounts typically less than \$100,000 per fund).

**F1+/F1** – Highest short-term credit ratings assigned by Fitch.

**FFCB** – Federal Farm Credit Bank

**FHLB** – Federal Home Loan Bank

**FHLMC** – Federal Home Loan Mortgage Corporation

**FNMA** – Federal National Mortgage Association

**Investment Agreement** – A contract between a bond issuer and a financial institution that provides the issuer with a guaranteed interest rate for the duration of the contract.

**LAIF** – Local Agency Investment Fund is the State of California Treasurer’s Pool, which is created under Section 16429.1 of the Government Code. The County uses this account as a late draw savings account and as investments for TRANs proceeds.

**P-1** – Highest short-term credit rating assigned by Moody’s.

**Sweep** – A money market account at Wells Fargo that invests any residual dollars into overnight securities (similar to cash in pool).

**Washington Supranational** – A Washington, D.C.-based international organization formed by multiple central governments to promote economic development for the member countries.

DISCUSSION AND ACTION ON THE QUARTERLY REPORT OF THE POOLED  
INVESTMENT FUND FOR THE QUARTER ENDED DECEMBER 31, 2017, AND  
COMPLIANCE WITH INVESTMENT POLICY.



**Quarterly Pooled Investment Fund Report**  
 As Prescribed By  
 California Government Code Section 53646  
**For The Quarter Ended December 31, 2017**

**Compliance to Investment Policy**

Based on the Director of Finance's Review Group Month-End Reports, there were no items out of compliance with the Calendar Year 2017 Investment Policy during the quarter ended December 31, 2017.

<b>Portfolio Statistics</b>	Quarter Ended 09/30/17	Quarter Ended 12/31/17
Average Daily Balance	\$3,331,146,624	\$3,285,031,043
Period-End Balance	\$3,173,198,716	\$3,928,803,402
Earned Interest Yield	1.235%	1.377%
Weighted Average Maturity	340 Days	318 Days
Duration in Years	0.912	0.851
Amortized Book Value	\$3,171,306,587	\$3,927,743,477
Market Value	\$3,170,962,315	\$3,922,096,644
Percent of Market to Cost	99.99%	99.86%

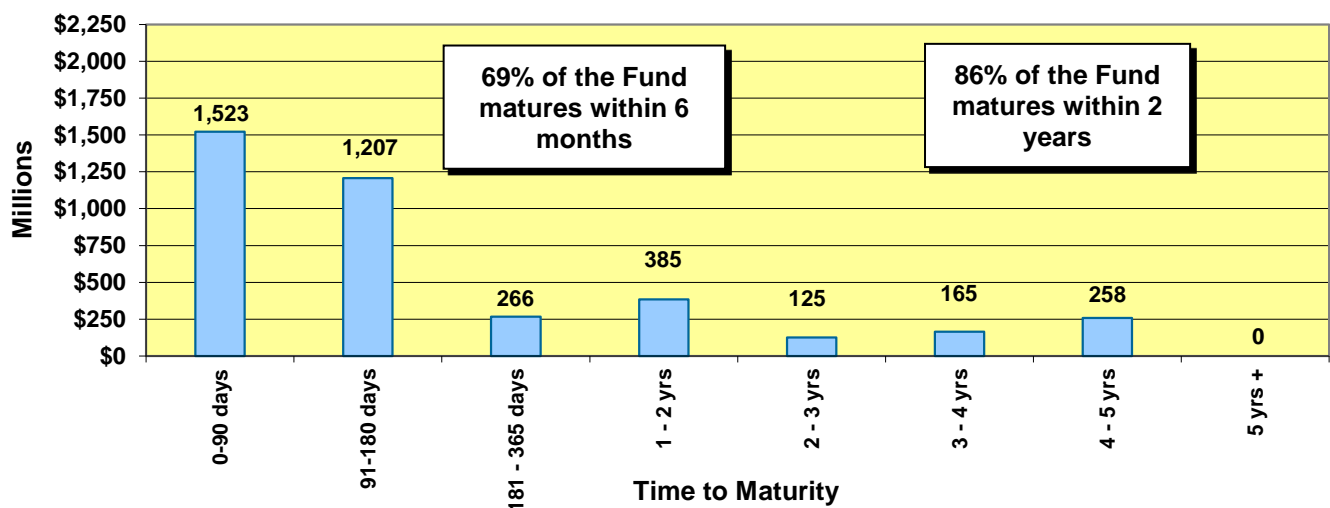
The earned interest yield presented above does not have any costs deducted. The investment management costs in prior years and this year continue to be approximately 10 basis points or 0.10%. The quarterly apportionment of earnings to participating funds will be made on a cash basis (as opposed to an accrual basis) for the first three quarters of the fiscal year. Earnings to participating funds will be annualized over the fiscal year based on a fund's cumulative average daily cash balance at each quarter end and fiscal year end. At fiscal year end (fourth quarter), the earnings of the Pool will be converted to an accrual basis for the fourth quarter earnings' allocation.



**Portfolio Structure as of December 31, 2017<sup>1</sup>**

Investment Description	Percentage of Portfolio at Cost 09/30/17	Percentage of Portfolio at Cost 12/31/17	Percentage of Portfolio at Market 12/31/17	Earned Interest Yield at 12/31/17
<i>US Agency, Treasury &amp; Municipal Notes (USATM):</i>				
<i>US Agency Notes</i>	27.31%	28.36%	28.24%	1.588%
<i>Notes/Discount Notes FFCB</i>	6.14%	8.37%	8.34%	1.484%
<i>Notes/Discount Notes FHLB</i>	12.96%	12.75%	12.70%	1.618%
<i>Notes/Discount Notes FNMA</i>	6.44%	5.96%	5.93%	1.694%
<i>Notes/Discount Notes FHLMC</i>	1.77%	1.27%	1.26%	1.477%
<i>US Treasury Notes</i>	0.00%	0.00%	0.00%	0.000%
<i>Municipal Notes</i>	0.57%	0.87%	0.87%	1.235%
<b>Total USATM</b>	<b>27.88%</b>	<b>29.23%</b>	<b>29.11%</b>	<b>1.577%</b>
<b>Repurchase Agreements</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.000%</b>
<b>Supranationals</b>	<b>13.54%</b>	<b>11.19%</b>	<b>11.14%</b>	<b>1.228%</b>
<b>Commercial Paper</b>	<b>26.81%</b>	<b>29.29%</b>	<b>29.41%</b>	<b>1.374%</b>
<b>Certificates of Deposit</b>	<b>29.72%</b>	<b>28.63%</b>	<b>28.69%</b>	<b>1.482%</b>
<b>LAIF</b>	<b>2.05%</b>	<b>1.65%</b>	<b>1.66%</b>	<b>1.172%</b>
<b>Money Market Accounts</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>

**POOLED INVESTMENT FUND MATURITIES AS OF DECEMBER 31, 2017**  
**\$3.929 Billion**



<sup>1</sup> Percentages may not add up to 100% due to rounding

### Projected Cash Flow

Based upon our cash flow model projection dated January 8, 2018, summarized below, we have sufficient cash flow to meet expenditures for the next 12 months.

Month	Bank Balance	Receipts & Maturities	Disbursements	Difference	Less Investments Beyond One Year	Funds Available for Future Cash Flow Needs*
<i>Dollar amounts represented in millions</i>						
Jan	20.0	\$1,359.9	\$892.2	\$467.7	\$45.0	\$422.7
Feb	20.0	\$993.5	\$605.1	\$388.4	\$45.0	\$343.4
Mar	20.0	\$1,274.2	\$539.8	\$734.4	\$45.0	\$689.4
Apr	20.0	\$1,370.7	\$709.8	\$660.9	\$45.0	\$615.9
May	20.0	\$1,289.5	\$875.5	\$414.0	\$45.0	\$369.0
Jun	20.0	\$1,223.5	\$612.9	\$610.6	\$45.0	\$565.6
Jul	20.0	\$743.6	\$1,098.0	(\$354.4)	\$45.0	(\$399.4)
Aug	20.0	\$593.8	\$826.6	(\$232.8)	\$45.0	(\$277.8)
Sep	20.0	\$702.8	\$588.1	\$114.7	\$45.0	\$69.7
Oct	20.0	\$821.6	\$821.5	\$0.1	\$45.0	(\$44.9)
Nov	20.0	\$802.9	\$778.9	\$24.0	\$45.0	(\$21.0)
Dec	20.0	\$1,392.9	\$732.5	\$660.4	\$45.0	\$615.4

\*Any excess net cash flow amounts in this column will be used to fund negative cash flow positions in later months.

### Detailed Listing of Investments

A complete detailed listing of all investments for the Pooled Investment Fund as of September 30, 2017, is contained in the back of this report. This report notes the type of investment; name of the security; the CUSIP; the purchase date; the maturity date; the coupon and the yield; the par value, book value and market value of each security; the pricing source for the market value; and the duration of each security.

External third-party investment manager(s) at December 31, 2017:

<u>Investment</u>	<u>Firm</u>	<u>Amount</u>
Local Agency Investment Fund	State Treasurer's Office	\$65,000,000.00

The Fund uses an external investment accounting system called APS2 by FIS AvantGard. The market valuations are based upon the pricing of Interactive Data Corporation (IDC).

**THIS COMPLETES THE QUARTERLY REPORT REQUIREMENTS OF CALIFORNIA GOVERNMENT CODE § 53646.**

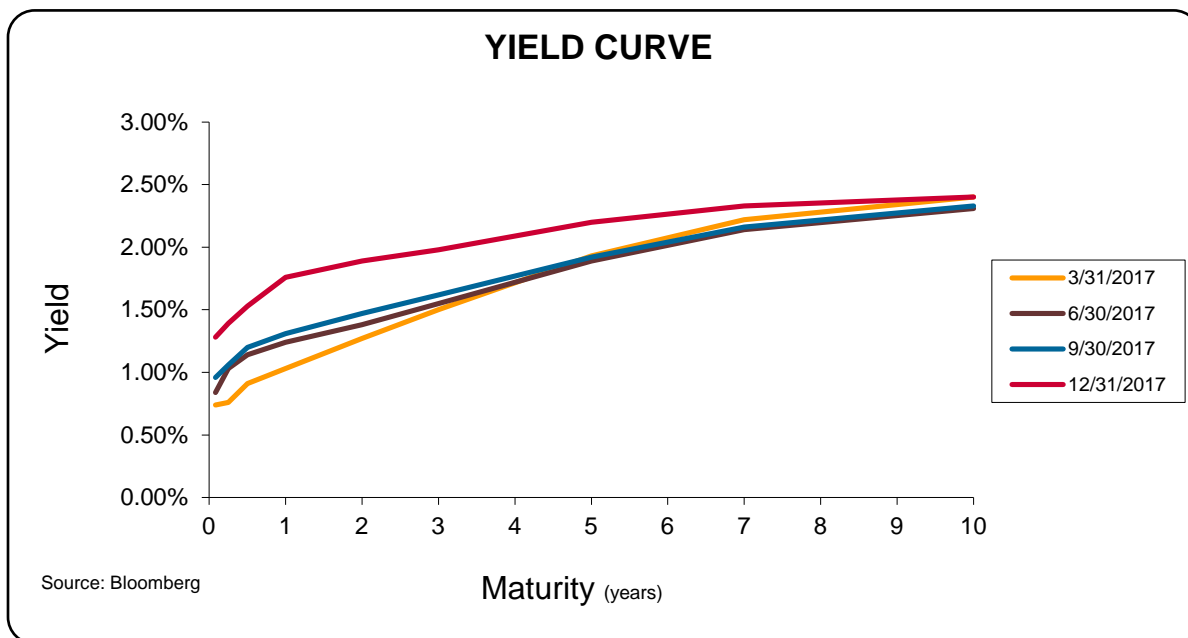
## Financial Markets Commentary

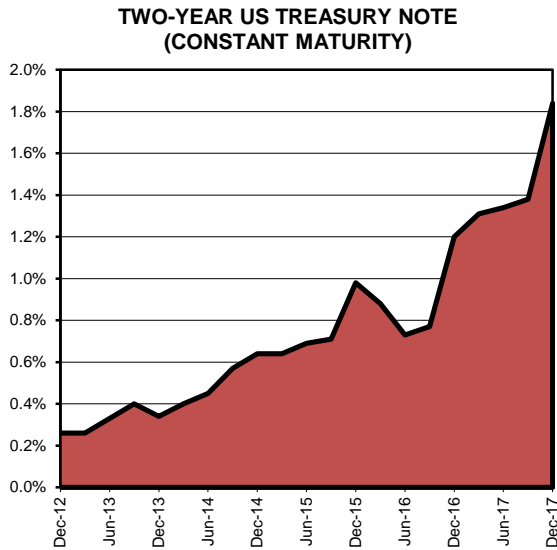
On December 13, 2017, the Federal Open Market Committee (FOMC) voted to increase the overnight federal funds to a range of 1.25% to 1.50%. The FOMC raised the rate three times in 2017 and five times since the current tightening cycle began in December 2016. The FOMC raised its forecast for economic growth and continues to project three more quarter-percentage point rate hikes for 2018. The FOMC projects further increases in inflationary expectations and expects the US labor market to stay at or near full employment.

For the first time since the depths of the financial crisis in September 2008, the two-year US Treasury note yield moved above 2 percent in January. It has been a stunning period of sub-two percent yields that started in the weeks after Lehman Brothers collapsed and led to a global flight to safety that saw the two-year US Treasury note to fall to below 0.20% in 2011. Through the banking bailouts, a near zero percent Federal Funds rate, and trillion dollar Quantitative Easing measures, it has been a long road back to above 2 percent two-year treasury yields.

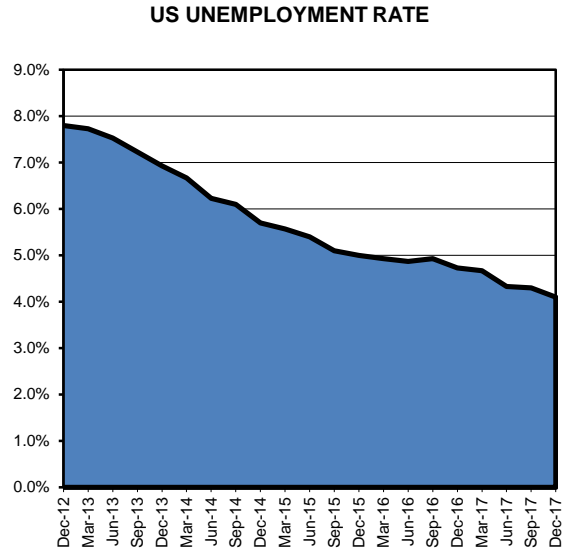
The worry for the bond market now is where interest rates go from here. The core consumer price index (CPI), which excludes food and energy prices, rose 0.3% in December, the highest in almost a year, with the overall CPI above 2% year-over-year. The unemployment rate has held steady at its 17-year low of 4.1% for the last three months while nonfarm payrolls increased by 2.06 million jobs in 2017. The recent tax reform and signed by the President in December will likely stimulate economic growth, at least in the short term, and increase the national debt by \$1.5 trillion dollars over the next 10 years. It will also play a role in rising inflation expectations.

The path to higher rates does face some headwinds. The 2.06 million non-farm payroll jobs created in 2016 was the slowest pace since 2010. The economic expansion is in its 9th year since the Great Recession ended, making it the third longest in US history. The US Treasury yield curve is very flat with the spread between the 5-year and 30-year notes the smallest since 2007. With the expected Federal Funds rate hikes for 2018 there is a danger the curve will become inverted, making worries over a recession and an overheated stock market more of a concern. However, in light of the forecast of higher inflation and continued strong labor market with increased wage pressures in 2018, we expect the yield on the Pooled Investment Fund to rise over the next several quarters.





Source: Bloomberg



Source: Bloomberg

**Portfolio Management Strategy**

During the past quarter, we continued to provide adequate liquidity to meet the cash flow needs of the Pooled Investment Fund participants. We are currently funding the cash flows for July 2018. We are purchasing two- and five-year U. S. Treasury, U.S. Agency, and Washington Supranational securities on a monthly basis for the “CORE” portfolio, which is composed of all securities maturing beyond one year. This laddered structure stabilizes the yield over longer periods. Over the next quarter, our quarterly yield should range between 1.50% and 1.60%.

Respectfully submitted,  
Bernard Santo Domingo  
Chief Investment Officer

Concur,  
Ben Lamera  
Director of Finance

Attachment County of Sacramento Short-Term Investment Portfolio

Release Date: January 18, 2018

COUNTY OF SACRAMENTO  
SHORT-TERM INVESTMENT PORTFOLIO  
POOLED FUNDS  
AS OF 12/31/2017

<u>DESCRIPTION</u>	<u>CUSIP</u>	<u>PURCHASE DATE</u>	<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>TRADING YIELD</u>	<u>PAR VALUE</u>	<u>BOOK VALUE</u>	<u>MARKET VALUE</u>	<u>SOURCE</u>	<u>DURATION (YEARS)</u>
VR-SAC COUNTY 13-14		12/10/2013	8/1/2018	1.235%	1.235%	1,525,074.58	1,525,074.58	1,525,074.58	BOOK	0.583
VR-SAC COUNTY 14-15		12/9/2014	8/1/2019	1.235%	1.235%	3,608,517.96	3,608,517.96	3,608,517.96	BOOK	1.662
VR-SAC COUNTY 15-16		10/27/2015	8/3/2020	1.235%	1.235%	4,504,396.16	4,504,396.16	4,504,396.16	BOOK	2.575
VR-SAC COUNTY 16-17		11/1/2016	8/2/2021	1.235%	1.235%	6,294,300.43	6,294,300.43	6,294,300.43	BOOK	3.535
VR-SAC COUNTY 17-18		11/14/2017	8/1/2022	1.235%	1.235%	18,241,053.00	18,241,053.00	18,241,053.00	BOOK	4.475
<b>TOTAL VARIABLE RATE(MUNI)QUARTERLY</b>				1.235%	1.235%	34,173,342.13	34,173,342.13	34,173,342.13		3.581
						0.87%	0.87%	0.87%		
FFCB NOTE (260)	3133EFVC8	1/25/2016	1/19/2018	1.000%	0.952%	20,000,000.00	20,018,800.00	19,998,600.00	SUNGARD	0.052
FFCB NOTE (170)	3133EGJ48	11/16/2016	11/16/2018	0.890%	0.982%	25,000,000.00	24,954,500.00	24,818,500.00	SUNGARD	0.873
FFCB NOTE (45)	3133EG2S3	1/5/2017	1/3/2019	1.280%	1.301%	25,000,000.00	24,989,750.00	24,878,000.00	SUNGARD	0.996
FFCB NOTE (120)	3133EHUK7	8/14/2017	8/14/2019	1.400%	1.448%	25,000,000.00	24,976,450.00	24,834,250.00	SUNGARD	1.599
FFCB NOTE (170)	3133EHYJ6	9/12/2017	9/12/2019	1.375%	1.398%	25,000,000.00	24,988,500.00	24,763,250.00	SUNGARD	1.677
FFCB NOTE (250)	3133EHF32	10/10/2017	10/10/2019	1.500%	1.554%	25,000,000.00	24,973,350.00	24,809,000.00	SUNGARD	1.753
FFCB NOTE (30)	3133EHP98	11/6/2017	11/6/2019	1.600%	1.655%	25,000,000.00	24,973,000.00	24,841,750.00	SUNGARD	1.824
FFCB NOTE (260)	3133EE5Z9	8/28/2015	8/4/2020	1.750%	1.700%	10,000,000.00	10,023,500.00	9,926,600.00	SUNGARD	2.527
FFCB NOTE (120)	3133EFLZ8	10/28/2015	10/28/2020	1.460%	1.460%	5,000,000.00	5,000,000.00	4,918,450.00	SUNGARD	2.771
FFCB NOTE (86)	3133EFLZ8	10/28/2015	10/28/2020	1.460%	1.460%	5,000,000.00	5,000,000.00	4,918,450.00	SUNGARD	2.771
FFCB NOTE (85)	3133EFYZ4	2/18/2016	2/10/2021	1.375%	1.495%	10,000,000.00	9,942,600.00	9,779,900.00	SUNGARD	3.037
FFCB NOTE (260)	3133EHTS2	8/9/2017	8/3/2022	1.900%	1.895%	20,000,000.00	20,004,700.00	19,673,400.00	SUNGARD	4.382
FFCB NOTE (120)	3133EHYR8	9/14/2017	9/13/2022	1.750%	1.849%	20,000,000.00	19,906,200.00	19,525,000.00	SUNGARD	4.509
<b>TOTAL FED FARM CREDIT BONDS(FFCB)</b>				1.417%	1.454%	240,000,000.00	239,751,350.00	237,685,150.00		2.000
						6.10%	6.10%	6.06%		
FHLB NOTE (120)	313378A43	4/26/2013	3/9/2018	1.375%	0.843%	5,000,000.00	5,126,600.00	5,000,350.00	SUNGARD	0.186
FHLB NOTE (76)	313379DT3	6/10/2013	6/8/2018	1.250%	1.265%	5,000,000.00	4,996,500.00	4,992,950.00	SUNGARD	0.435
FHLB NOTE (85)	313373UU4	7/25/2013	6/8/2018	2.750%	1.615%	5,000,000.00	5,264,700.00	5,025,550.00	SUNGARD	0.435
FHLB NOTE (120)	313376BR5	12/24/2013	12/14/2018	1.750%	1.778%	5,000,000.00	4,993,400.00	4,994,550.00	SUNGARD	0.948
FHLB NOTE (120)	313376BR5	12/1/2016	12/14/2018	1.750%	1.209%	25,000,000.00	25,271,375.00	24,972,750.00	SUNGARD	0.948
FHLB NOTE (170)	3130AAS41	2/8/2017	2/8/2019	1.270%	1.278%	25,000,000.00	24,996,000.00	24,849,750.00	SUNGARD	1.093
FHLB NOTE (170)	3133782M2	3/2/2017	3/8/2019	1.500%	1.397%	25,000,000.00	25,051,150.00	24,897,250.00	SUNGARD	1.175
FHLB NOTE (20)	3130A2FH4	6/18/2014	6/14/2019	1.750%	1.853%	5,000,000.00	4,975,473.25	4,987,900.00	SUNGARD	1.440
FHLB NOTE (330)	3130A2FH4	8/1/2014	6/14/2019	1.750%	1.889%	5,000,000.00	4,967,750.00	4,987,900.00	SUNGARD	1.440
FHLB NOTE (120)	313379EE5	6/2/2017	6/14/2019	1.625%	1.389%	25,000,000.00	25,117,950.00	24,900,500.00	SUNGARD	1.441
FHLB NOTE (170)	3130ABRP3	7/12/2017	7/12/2019	1.450%	1.491%	25,000,000.00	24,979,875.00	24,816,750.00	SUNGARD	1.509
FHLB NOTE (120)	313383VN8	9/15/2014	9/13/2019	2.000%	1.884%	10,000,000.00	10,055,231.70	10,013,000.00	SUNGARD	1.671
FHLB NOTE (330)	313383VN8	10/20/2014	9/13/2019	2.000%	1.653%	10,000,000.00	10,162,300.00	10,013,000.00	SUNGARD	1.671

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<u>DESCRIPTION</u>	<u>CUSIP</u>	<u>PURCHASE DATE</u>	<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>TRADING YIELD</u>	<u>PAR VALUE</u>	<u>BOOK VALUE</u>	<u>MARKET VALUE</u>	<u>SOURCE</u>	<u>DURATION (YEARS)</u>
FHLB NOTE (120)	3130A0JR2	12/16/2014	12/13/2019	2.375%	1.713%	10,000,000.00	10,315,650.00	10,080,800.00	SUNGARD	1.915
FHLB NOTE (170)	3130A0JR2	12/6/2017	12/13/2019	2.375%	1.889%	25,000,000.00	25,239,475.00	25,202,000.00	SUNGARD	1.915
FHLB NOTE (20)	313378J77	4/23/2015	3/13/2020	1.875%	1.455%	10,000,000.00	10,197,500.00	9,955,700.00	SUNGARD	2.154
FHLB NOTE (120)	313383HU8	6/12/2015	6/12/2020	1.750%	1.903%	10,000,000.00	9,927,290.00	9,932,300.00	SUNGARD	2.404
FHLB NOTE (45)	313383HU8	7/14/2015	6/12/2020	1.750%	1.851%	10,000,000.00	9,952,800.00	9,932,300.00	SUNGARD	2.404
FHLB NOTE (330)	3130A5Z77	9/28/2015	7/29/2020	1.830%	1.600%	10,000,000.00	10,106,700.00	9,940,900.00	SUNGARD	2.511
FHLB NOTE (45)	3130AABG2	12/16/2016	11/29/2021	1.875%	2.228%	20,000,000.00	19,670,800.00	19,833,000.00	SUNGARD	3.782
FHLB NOTE (170)	313378CR0	3/13/2017	3/11/2022	2.250%	2.129%	20,000,000.00	20,114,200.00	20,029,800.00	SUNGARD	4.000
FHLB NOTE (120)	313379Q69	6/13/2017	6/10/2022	2.125%	1.888%	20,000,000.00	20,225,000.00	19,866,000.00	SUNGARD	4.258
FHLB NOTE (120)	3130ABS23	7/14/2017	7/14/2022	2.000%	2.000%	20,000,000.00	20,000,000.00	19,808,400.00	SUNGARD	4.319
FHLB NOTE (170)	3130A3KM5	12/12/2017	12/9/2022	2.500%	2.240%	20,000,000.00	20,243,840.00	20,229,400.00	SUNGARD	4.672
<b>TOTAL FED HOME LOAN BANKS</b>				1.868%	1.693%	350,000,000.00	351,951,559.95	349,262,800.00		2.267
						8.89%	8.96%	8.91%		
FNMA NOTE (92)	3135G0TG8	2/28/2013	2/8/2018	0.875%	0.894%	5,000,000.00	4,995,435.00	4,997,600.00	SUNGARD	0.107
FNMA NOTE (330)	3135G0J61	3/4/2016	3/28/2018	0.875%	0.933%	25,000,000.00	24,970,250.00	24,969,500.00	SUNGARD	0.238
FNMA NOTE (76)	3135G0WJ8	5/21/2013	5/21/2018	0.875%	1.013%	5,000,000.00	4,966,370.00	4,986,900.00	SUNGARD	0.386
FNMA NOTE (120)	3135G0YM9	9/18/2013	9/18/2018	1.875%	2.091%	10,000,000.00	9,897,900.00	10,008,700.00	SUNGARD	0.709
FNMA NOTE (85)	3135G0YT4	11/27/2013	11/27/2018	1.625%	1.578%	10,000,000.00	10,022,500.00	9,984,200.00	SUNGARD	0.902
FNMA NOTE (330)	3135G0ZA4	2/21/2014	2/19/2019	1.875%	1.724%	10,000,000.00	10,071,800.00	10,002,600.00	SUNGARD	1.119
FNMA NOTE (330)	3135G0ZY2	11/26/2014	11/26/2019	1.750%	1.836%	10,000,000.00	9,958,950.00	9,966,200.00	SUNGARD	1.877
FNMA NOTE (20)	3135G0A78	1/30/2015	1/21/2020	1.625%	1.431%	10,000,000.00	10,092,965.20	9,934,500.00	SUNGARD	2.016
FNMA NOTE (120)	3135G0A78	2/13/2015	1/21/2020	1.625%	1.658%	10,000,000.00	9,984,400.00	9,934,500.00	SUNGARD	2.016
FNMA (330)	3135G0UU5	3/24/2015	3/6/2020	1.750%	1.544%	10,000,000.00	10,097,580.00	9,943,800.00	SUNGARD	2.138
FNMA NOTE (120)	3135G0H55	12/28/2015	12/28/2020	1.875%	1.836%	10,000,000.00	10,018,400.00	9,946,200.00	SUNGARD	2.923
FNMA NOTE (20)	3135G0Q89	10/13/2016	10/7/2021	1.375%	1.497%	20,000,000.00	19,883,440.00	19,450,400.00	SUNGARD	3.672
FNMA NOTE (45)	3135G0Q89	11/16/2016	10/7/2021	1.375%	1.775%	20,000,000.00	19,626,600.00	19,450,400.00	SUNGARD	3.671
FNMA NOTE (45)	3135G0S38	1/17/2017	1/5/2022	2.000%	2.043%	20,000,000.00	19,959,800.00	19,868,200.00	SUNGARD	3.838
FNMA NOTE (120)	3135G0T45	5/9/2017	4/5/2022	1.875%	2.005%	20,000,000.00	19,878,800.00	19,750,800.00	SUNGARD	4.098
FNMA NOTE (330)	3135G0T78	10/18/2017	10/5/2022	2.000%	2.031%	20,000,000.00	19,970,560.00	19,750,200.00	SUNGARD	4.545
FNMA NOTE (330)	3135G0T78	11/6/2017	10/5/2022	2.000%	2.065%	20,000,000.00	19,939,400.00	19,750,200.00	SUNGARD	4.545
<b>TOTAL FED NAT MORT ASSOC</b>				1.631%	1.694%	235,000,000.00	234,335,150.20	232,694,900.00		2.690
						5.97%	5.96%	5.93%		
FFCB D.N. (120)	313313ZW1	12/28/2017	7/27/2018	1.550%	1.564%	90,000,000.00	89,182,375.00	89,223,750.00	SUNGARD	0.569
<b>TOTAL FFCB DISC NOTES</b>				1.550%	1.564%	90,000,000.00	89,182,375.00	89,223,750.00		0.569

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						2.29%	2.27%	2.27%		
FHLB DISC NOTE (86)	313385XY7	12/6/2017	6/11/2018	1.420%	1.431%	25,000,000.00	24,815,597.22	24,836,750.00	SUNGARD	0.444
FHLB D.N. (86)	313385XZ4	12/7/2017	6/12/2018	1.430%	1.441%	50,000,000.00	49,628,597.22	49,671,500.00	SUNGARD	0.446
FHLB D.N. (86)	313385YC4	12/7/2017	6/15/2018	1.430%	1.441%	75,000,000.00	74,433,958.33	74,497,500.00	SUNGARD	0.454
<b>TOTAL FHLB DISC NOTES</b>				1.428%	1.439%	150,000,000.00	148,878,152.77	149,005,750.00		0.450
						3.81%	3.79%	3.80%		
FHLMC NOTE (88)	3137EADN6	1/28/2013	1/12/2018	0.750%	0.963%	5,000,000.00	4,948,575.00	4,999,200.00	SUNGARD	0.033
FHLMC NOTE (86)	3137EADP1	3/12/2013	3/7/2018	0.875%	1.028%	5,000,000.00	4,962,900.00	4,995,700.00	SUNGARD	0.181
FHLMC NOTE (120)	3137EACA5	3/27/2014	3/27/2019	3.750%	1.832%	5,000,000.00	5,456,250.00	5,116,900.00	SUNGARD	1.212
FHLMC NOTE (120)	3137EADG1	5/30/2014	5/30/2019	1.750%	1.655%	10,000,000.00	10,045,460.00	9,985,300.00	SUNGARD	1.401
FHLMC NOTE (85)	3137EADK2	8/20/2014	8/1/2019	1.250%	1.727%	5,000,000.00	4,887,300.00	4,951,100.00	SUNGARD	1.565
FHLMC NOTE (120)	3137EADR7	5/20/2015	5/1/2020	1.375%	1.625%	10,000,000.00	9,881,500.00	9,850,500.00	SUNGARD	2.299
FHLMC NOTE (170)	3137EAEC9	8/17/2016	8/12/2021	1.125%	1.314%	10,000,000.00	9,908,900.00	9,652,900.00	SUNGARD	3.536
<b>TOTAL FHLMC</b>				1.536%	1.477%	50,000,000.00	50,090,885.00	49,551,600.00		1.740
						1.27%	1.27%	1.26%		
IFC NOTE (45)	45950VHL3	2/11/2016	2/12/2018	0.850%	0.850%	25,000,000.00	25,000,000.00	24,977,500.00	SUNGARD	0.118
IFC NOTE (45)	45950VJB3	4/18/2016	4/18/2018	0.876%	0.876%	25,000,000.00	25,000,000.00	25,000,000.00	SUNGARD	0.296
IFC NOTE (45)	45950VJD9	5/12/2016	5/12/2018	0.870%	0.870%	25,000,000.00	25,000,000.00	25,000,000.00	SUNGARD	0.361
IBRD NOTE (45)	45905UWZ3	6/20/2016	6/20/2018	0.890%	0.890%	25,000,000.00	25,000,000.00	24,906,750.00	SUNGARD	0.468
IFC NOTE (45)	45950KCC2	7/18/2016	7/16/2018	1.250%	0.816%	9,000,000.00	9,077,130.00	8,974,170.00	SUNGARD	0.539
IBRD NOTE (170)	45905UUL6	7/14/2016	7/26/2018	1.200%	0.841%	16,000,000.00	16,115,520.00	16,115,520.00	SUNGARD	0.566
IFC NOTE (45)	45950VJR8	8/12/2016	8/12/2018	0.880%	0.880%	25,000,000.00	25,000,000.00	24,860,250.00	SUNGARD	0.612
IFC NOTE (170)	45950VJY3	9/15/2016	9/14/2018	0.925%	0.925%	25,000,000.00	25,000,000.00	24,847,250.00	SUNGARD	0.700
IADB NOTE (23)	4581X0CK2	10/7/2016	9/25/2018	1.500%	0.991%	14,000,000.00	14,138,320.00	13,966,680.00	SUNGARD	0.730
IBRD NOTE (45)	459058ER0	10/7/2016	10/5/2018	1.000%	0.977%	11,000,000.00	11,005,060.00	10,931,030.00	SUNGARD	0.759
IBRD NOTE (20)	459058DL4	4/11/2017	3/15/2019	1.876%	1.412%	25,000,000.00	25,219,750.00	24,984,250.00	SUNGARD	1.192
IADB NOTE (45)	458182DX7	5/8/2017	5/13/2019	1.000%	1.438%	25,000,000.00	24,783,500.00	24,683,250.00	SUNGARD	1.359
IADB NOTE (45)	4581X0CD8	11/12/2015	11/9/2020	2.125%	1.887%	10,000,000.00	10,112,900.00	10,008,500.00	SUNGARD	2.778
IBRD NOTE (45)	45905UUY8	2/4/2016	2/4/2021	1.550%	1.550%	10,000,000.00	10,000,000.00	9,818,300.00	SUNGARD	3.012
IBRD NOTE (45)	459058EW9	3/9/2016	3/9/2021	1.626%	1.667%	10,000,000.00	9,979,880.00	9,833,000.00	SUNGARD	3.105
IBRD NOTE(45)	459058EW9	4/22/2016	3/9/2021	1.626%	1.413%	10,000,000.00	10,099,780.00	9,833,000.00	SUNGARD	3.106
IBRD NOTE (170)	459058FH1	5/24/2016	5/24/2021	1.376%	1.376%	10,000,000.00	9,980,400.00	9,733,900.00	SUNGARD	3.326
IBRD NOTE (170)	459058FH1	6/17/2016	5/24/2021	1.376%	1.376%	10,000,000.00	10,030,300.00	9,733,900.00	SUNGARD	3.326
IBRD NOTE (170)	45905UXP4	7/26/2016	7/26/2021	1.300%	1.305%	10,000,000.00	9,997,500.00	9,708,600.00	SUNGARD	3.480

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IADB NOTE (170)	4581X0CV8	9/16/2016	9/14/2021	1.250%	1.439%	20,000,000.00	19,818,800.00	19,342,800.00	SUNGARD	3.617
IRBD NOTE (85)	459058DY6	2/15/2017	2/10/2022	1.626%	2.177%	20,000,000.00	19,481,600.00	19,487,200.00	SUNGARD	3.964
IBRD NOTE (170)	45905UH23	4/27/2017	4/27/2022	1.930%	1.942%	20,000,000.00	19,989,000.00	19,989,000.00	SUNGARD	4.154
<b>TOTAL SUPRANATIONALS</b>				1.244%	1.224%	380,000,000.00	379,829,440.00	376,734,850.00		1.617
						9.65%	9.67%	9.61%		
IBRD D.N. (86)	459053RH9	12/27/2017	1/3/2018	1.250%	1.250%	60,000,000.00	59,985,416.67	59,997,600.00	SUNGARD	0.008
<b>TOTAL SUPRANATIONALS D.N.</b>				1.250%	1.250%	60,000,000.00	59,985,416.67	59,997,600.00		0.008
						1.52%	1.53%	1.53%		
CP-COCA COLA (85)	19121BA25	7/28/2017	1/2/2018	1.270%	1.277%	50,000,000.00	49,721,305.56	49,997,875.00	SUNGARD	0.005
CP-TOYOTA (270)	89233HA87	8/9/2017	1/8/2018	1.300%	1.307%	25,000,000.00	24,862,777.78	24,992,562.50	SUNGARD	0.022
CP-APPLE (85)	03785EAA2	8/21/2017	1/10/2018	1.260%	1.266%	20,000,000.00	19,900,600.00	19,992,350.00	SUNGARD	0.027
CP-TOYOTA (270)	89233HAB0	8/25/2017	1/11/2018	1.290%	1.296%	15,000,000.00	14,925,287.50	14,993,625.00	SUNGARD	0.030
CP-COCA COLA (85)	19121BAB5	9/1/2017	1/11/2018	1.250%	1.256%	15,000,000.00	14,931,250.00	14,993,625.00	SUNGARD	0.030
CP-APPLE (85)	03785EAC8	8/18/2017	1/12/2018	1.260%	1.267%	20,000,000.00	19,897,100.00	19,990,650.00	SUNGARD	0.033
CP-APPLE (85)	03785EAC8	8/21/2017	1/12/2018	1.260%	1.266%	20,000,000.00	19,899,200.00	19,990,650.00	SUNGARD	0.033
CP-TOYOTA (270)	89233HAG9	8/28/2017	1/16/2018	1.290%	1.297%	20,000,000.00	19,898,950.00	19,987,250.00	SUNGARD	0.044
CP-TORONTO (20)	89116FAJ9	9/5/2017	1/18/2018	1.300%	1.306%	40,000,000.00	39,805,000.00	39,971,100.00	SUNGARD	0.049
CP-EXXON (85)	30229BAN7	10/27/2017	1/22/2018	1.200%	1.203%	40,000,000.00	39,884,000.00	39,964,300.00	SUNGARD	0.060
CP-TORONTO (20)	89116FAP5	9/18/2017	1/23/2018	1.280%	1.286%	15,000,000.00	14,932,266.67	14,985,975.00	SUNGARD	0.063
CP-TORONTO (20)	89116FAQ3	9/19/2017	1/24/2018	1.280%	1.286%	10,000,000.00	9,954,844.44	9,990,225.00	SUNGARD	0.066
CP-COCA COLA (85)	19121BAS8	9/5/2017	1/26/2018	1.280%	1.287%	45,000,000.00	44,771,200.00	44,952,187.50	SUNGARD	0.071
CP-MICROSOFT (85)	59515NAS2	9/12/2017	1/26/2018	1.220%	1.226%	15,000,000.00	14,930,866.67	14,984,062.50	SUNGARD	0.071
CP-MICROSOFT (85)	59515NAS2	9/13/2017	1/26/2018	1.220%	1.226%	30,000,000.00	29,862,750.00	29,968,125.00	SUNGARD	0.071
CP-MICROSOFT (85)	59515NAS2	9/13/2017	1/26/2018	1.220%	1.226%	50,000,000.00	49,771,250.00	49,946,875.00	SUNGARD	0.071
CP-COCA COLA (85)	19121BAS8	9/20/2017	1/26/2018	1.240%	1.245%	30,000,000.00	29,867,733.33	29,968,125.00	SUNGARD	0.071
CP-GE CAP TREAS (118)	36164KB59	10/3/2017	2/5/2018	1.290%	1.296%	15,000,000.00	14,932,812.50	14,977,687.50	SUNGARD	0.099
CP-CAP GE TREAS (118)	36164KB67	10/4/2017	2/6/2018	1.290%	1.296%	25,000,000.00	24,888,020.83	24,961,750.00	SUNGARD	0.101
CP-GE CAP TREAS (118)	36164KB75	9/21/2017	2/7/2018	1.290%	1.296%	35,000,000.00	34,825,670.83	34,944,962.50	SUNGARD	0.104
CP-GE CAP TREAS (118)	36164KBD2	10/16/2017	2/13/2018	1.320%	1.326%	20,000,000.00	19,912,000.00	19,963,450.00	SUNGARD	0.120
CP-GE CAP TREAS (118)	36164KBG5	9/25/2017	2/16/2018	1.320%	1.327%	45,000,000.00	44,762,400.00	44,912,025.00	SUNGARD	0.129
CP-CHEVRON CORP (85)	16677KC68	10/31/2017	3/6/2018	1.280%	1.286%	50,000,000.00	49,776,000.00	49,862,222.22	SUNGARD	0.178
CP-COCA COLA (85)	19121BC72	10/26/2017	3/7/2018	1.300%	1.306%	10,000,000.00	9,952,333.33	9,972,013.89	SUNGARD	0.181
CP-CHEVRON CORP (85)	16677KC92	10/31/2017	3/9/2018	1.280%	1.286%	30,000,000.00	29,862,400.00	29,913,458.33	SUNGARD	0.186
CP-CHEVRON (85)	16677KCC5	11/1/2017	3/12/2018	1.270%	1.276%	35,000,000.00	34,838,251.39	34,894,513.89	SUNGARD	0.194
CP-TORONTO (20)	89116FCD0	11/2/2017	3/13/2018	1.450%	1.458%	27,000,000.00	26,857,537.50	26,917,462.50	SUNGARD	0.197



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CP-MICROSOFT (85)	59515NCK7	11/6/2017	3/19/2018	1.350%	1.357%	20,000,000.00	19,900,250.00	19,933,694.44	SUNGARD	0.214
CP-MICROSOFT (85)	59515NCL5	11/9/2017	3/20/2018	1.360%	1.367%	15,000,000.00	14,925,766.67	14,949,625.00	SUNGARD	0.216
CP-TORONTO (20)	89116FD23	11/16/2017	4/2/2018	1.500%	1.509%	30,000,000.00	29,828,750.00	29,880,183.33	SUNGARD	0.252
CP-MICROSOFT (85)	59515ND34	11/13/2017	4/3/2018	1.370%	1.377%	15,000,000.00	14,919,512.50	14,939,433.33	SUNGARD	0.255
CP-TOYOTA (270)	89233HE18	11/27/2017	5/1/2018	1.520%	1.530%	30,000,000.00	29,803,666.67	29,840,000.00	SUNGARD	0.331
CP-TORONTO (20)	89116FE22	11/27/2017	5/2/2018	1.560%	1.571%	35,000,000.00	34,763,400.00	34,811,777.78	SUNGARD	0.334
CP-CHEVRON CORP (85)	16677KE90	12/6/2017	5/9/2018	1.410%	1.419%	15,000,000.00	14,909,525.00	14,914,666.67	SUNGARD	0.353
CP-TOYOTA (270)	89233HEJ9	12/4/2017	5/18/2018	1.580%	1.592%	65,000,000.00	64,529,291.67	64,604,222.22	SUNGARD	0.378
CP-APPLE (85)	03785EF17	12/7/2017	6/1/2018	1.500%	1.511%	100,000,000.00	99,266,666.67	99,328,888.89	SUNGARD	0.416
CP-TOYOTA (270)	89233HF66	12/18/2017	6/6/2018	1.680%	1.693%	30,000,000.00	29,762,000.00	29,792,000.00	SUNGARD	0.430
CP-TORONTO (20)	89116FF70	12/13/2017	6/7/2018	1.700%	1.714%	25,000,000.00	24,792,222.22	24,825,555.56	SUNGARD	0.433
CP-APPLE (85)	03785EFD1	12/19/2017	6/13/2018	1.660%	1.674%	25,000,000.00	24,797,111.11	24,818,888.89	SUNGARD	0.449
<b>TOTAL COMMERCIAL PAPER DISC</b>				1.366%	1.374%	1,157,000,000.00	1,150,621,970.84	1,153,628,044.44		0.185
						29.39%	29.29%	29.41%		
CD-SVENSKA (260)	86958JRZ4	7/28/2017	1/2/2018	1.335%	1.330%	55,000,000.00	55,001,199.94	54,999,745.93	SUNGARD	0.005
CD-SWEDBANK (120)	87019UV48	8/3/2017	1/4/2018	1.300%	1.300%	35,000,000.00	35,000,000.00	34,999,542.59	SUNGARD	0.011
CD-SWEDBANK (120)	87019UW47	8/10/2017	1/9/2018	1.300%	1.300%	25,000,000.00	25,000,000.00	24,999,267.25	SUNGARD	0.025
CD-NORDEA (120)	65590AKM7	8/14/2017	1/9/2018	1.300%	1.300%	25,000,000.00	25,000,000.00	24,999,268.52	SUNGARD	0.025
CD-NORDEA (120)	65590ALH7	9/8/2017	1/26/2018	1.300%	1.300%	40,000,000.00	40,000,000.00	39,996,657.94	SUNGARD	0.071
CD-NORDEA (260)	65590ALW4	9/27/2017	2/1/2018	1.290%	1.290%	40,000,000.00	40,000,000.00	39,995,568.23	SUNGARD	0.088
CD-SWEDBANK (120)	87019U3N7	9/28/2017	2/1/2018	1.250%	1.250%	35,000,000.00	35,000,000.00	34,994,885.46	SUNGARD	0.088
CD-SVENSKA (260)	86958JUL1	10/2/2017	2/2/2018	1.325%	1.320%	55,000,000.00	55,000,935.36	54,995,484.94	SUNGARD	0.090
CD-ROYAL BK CANADA(260)	78009N2X3	10/12/2017	2/9/2018	1.320%	1.320%	35,000,000.00	35,000,000.00	34,996,344.88	SUNGARD	0.110
CD-NORDEA (120)	65590AMK9	10/17/2017	2/23/2018	1.360%	1.360%	30,000,000.00	30,000,000.00	29,997,575.35	SUNGARD	0.148
CD-SKANDINAVISKA (120)	83050FZX2	10/20/2017	3/1/2018	1.390%	1.390%	30,000,000.00	30,000,000.00	29,998,806.81	SUNGARD	0.164
CD-SKANDINAVISKA(120)	83050FA27	10/23/2017	3/1/2018	1.390%	1.390%	25,000,000.00	25,000,000.00	24,999,012.47	SUNGARD	0.164
CD-ROYAL BANK CANADA (260)	78009N2Z8	10/24/2017	3/1/2018	1.430%	1.430%	25,000,000.00	25,000,000.00	25,000,673.06	SUNGARD	0.164
CD-SKANDINAVISKA(260)	83050FA50	10/26/2017	3/2/2018	1.380%	1.380%	70,000,000.00	70,000,000.00	69,996,028.03	SUNGARD	0.167
CD-RABOBANK (280)	21685VQ51	11/16/2017	4/2/2018	1.480%	1.480%	35,000,000.00	35,000,000.00	34,993,508.12	SUNGARD	0.252
CD-ROYAL BK CANADA(260)	78009N3V6	11/20/2017	4/4/2018	1.520%	1.520%	35,000,000.00	35,000,000.00	34,997,025.16	SUNGARD	0.257
CD-ROYAL BK CANADA (260)	78009N3R5	11/17/2017	4/6/2018	1.510%	1.510%	50,000,000.00	50,000,000.00	49,994,308.78	SUNGARD	0.263
CD-WELLS FARGO (170)	94989RTE8	11/21/2017	5/1/2018	1.560%	1.560%	45,000,000.00	45,000,000.00	45,001,100.41	SUNGARD	0.331
CD-WELLS FARGO (170)	94989RTZ1	11/30/2017	5/3/2018	1.580%	1.580%	25,000,000.00	25,000,000.00	25,002,369.82	SUNGARD	0.337
CD-WELLS FARGO (170)	94989RTQ1	11/29/2017	5/4/2018	1.580%	1.580%	55,000,000.00	55,000,000.00	55,005,242.94	SUNGARD	0.339
CD-WELLS FARGO (170)	94989RTR9	11/29/2017	5/7/2018	1.580%	1.580%	35,000,000.00	35,000,000.00	35,003,416.70	SUNGARD	0.348
CD-SVENSKA (260)	86958JWW5	12/18/2017	5/10/2018	1.675%	1.670%	25,000,000.00	25,000,493.26	25,011,137.74	SUNGARD	0.356
CD-SVENSKA (260)	86958JWK1	12/5/2017	5/18/2018	1.645%	1.640%	50,000,000.00	50,001,130.44	50,017,749.92	SUNGARD	0.378

COUNTY OF SACRAMENTO  
SHORT-TERM INVESTMENT PORTFOLIO  
POOLED FUNDS  
AS OF 12/31/2017

<u>DESCRIPTION</u>	<u>CUSIP</u>	<u>PURCHASE DATE</u>	<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>TRADING YIELD</u>	<u>PAR VALUE</u>	<u>BOOK VALUE</u>	<u>MARKET VALUE</u>	<u>SOURCE</u>	<u>DURATION (YEARS)</u>
CD-RABOBANK (280)	21685VR84	12/5/2017	5/18/2018	1.560%	1.560%	40,000,000.00	40,000,000.00	40,001,258.09	SUNGARD	0.378
CD-RABOBANK (280)	21685VS34	12/6/2017	5/21/2018	1.590%	1.590%	50,000,000.00	50,000,000.00	50,007,452.93	SUNGARD	0.386
CD-RABOBANK (280)	21685VS67	12/11/2017	6/4/2018	1.650%	1.650%	40,000,000.00	40,000,000.00	40,016,864.97	SUNGARD	0.424
CD-ROYAL BK CANADA (260)	78009N5G7	12/12/2017	6/5/2018	1.710%	1.710%	30,000,000.00	30,000,000.00	30,020,480.58	SUNGARD	0.427
CD-WELLS FARGO (170)	94989RVS4	12/21/2017	6/19/2018	1.760%	1.760%	25,000,000.00	25,000,000.00	25,024,522.71	SUNGARD	0.465
CD-WEST PAC BK (260)	96121T5S3	12/29/2017	6/27/2018	1.800%	1.800%	60,000,000.00	60,000,000.00	60,073,556.95	SUNGARD	0.487
<b>TOTAL CERT. OF DEPOSIT/THRIFT NOTES</b>				1.482%	1.482%	1,125,000,000.00	1,125,003,759.00	1,125,138,857.28		0.238
						28.58%	28.63%	28.69%		
LAIF POOL		7/31/1997	3/31/2018	1.172%	1.172%	65,000,000.00	65,000,000.00	65,000,000.00	BOOK	0.246
<b>TOTAL PASSBOOK ACCOUNTS</b>				1.172%	1.172%	65,000,000.00	65,000,000.00	65,000,000.00		0.246
						1.65%	1.65%	1.66%		
<b>Grand Total</b>				<u>1.454%</u>	<u>1.445%</u>	<u>3,936,173,342.13</u>	<u>3,928,803,401.56</u>	<u>3,922,096,643.85</u>		<u>0.851</u>



**Department of Finance**  
**BEN LAMERA, DIRECTOR OF FINANCE**  
**POOLED INVESTMENT FUND**

**Monthly Review — December 2017**

**PORTFOLIO COMPLIANCE**

Based on the Director of Finance Review Group Month-End Report, the entire portfolio was in *full compliance* with the Sacramento County Annual Investment Policy for the Pooled Investment Fund for Calendar Year 2017 and California Government Code.<sup>1</sup>

**PORTFOLIO STATISTICS**

Portfolio's Month-End Balance	\$3,928,803,402
<i>Earned Income Yield for the Month</i>	<i>1.43%</i>
Weighted Average Maturity (Days)	318
Estimated Duration (Years)	0.851
Amortized Book Value	\$3,927,743,477
Month-End Market Value	\$3,922,096,644
Percent of Market to Book Value <sup>2</sup>	99.86%

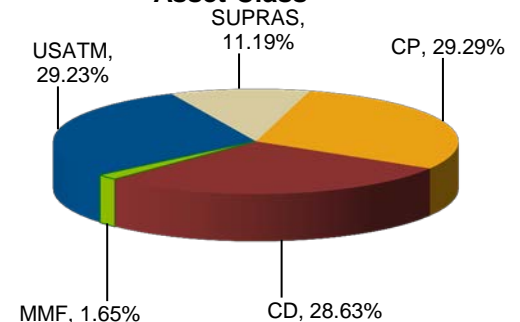
**Investment Objectives**

- **Safety of Principal**
- **Liquidity**
- **Public Trust**
- **Maximum Rate of Return**

External third party Investment Manager(s) at month end:

State Treasurer's Office (LAIF)	\$65,000,000
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**Percentage Portfolio Structure by Asset Class<sup>3</sup>**



**PORTFOLIO STRUCTURE<sup>3</sup>**

Investment Description	Portfolio at Cost	Yield at Month End
<b>US Agency, Treasury &amp; Municipal Notes (USATM):</b>		
US Agency Notes	28.36%	1.588%
US Treasury Notes	0.00%	0.000%
Municipal Notes	0.87%	1.235%
<b>Total USATM</b>	<b>29.23%</b>	<b>1.577%</b>
<b>Supranationals (SUPRAS)</b>	<b>11.19%</b>	<b>1.228%</b>
<b>Commercial Paper (CP)</b>	<b>29.29%</b>	<b>1.374%</b>
<b>Certificates of Deposit (CD)</b>	<b>28.63%</b>	<b>1.482%</b>
<b>LAIF/Money Market Funds (MMF)</b>	<b>1.65%</b>	<b>1.172%</b>
<b>Repurchase Agreements (REPO)</b>	<b>0.00%</b>	<b>0.000%</b>

**US Agency Notes Breakdown  
Percent of Portfolio at Cost<sup>3</sup>**

FCCB Notes/Discount Notes	8.37%
FHLB Notes/Discount Notes	12.75%
FNMA Notes/Discount Notes	5.96%
FHLMC Notes/Discount Notes	1.27%
<b>Total US Agency Notes</b>	<b>28.36%</b>

<sup>1</sup> This monthly review complies with all of the elements required by California Government Code §53646(b), with the exception of a detailed listing of each investment. A complete copy of the *Quarterly Pooled Investment Fund Report*, including a detailed listing of each investment, is available on the Department of Finance, Investment Division Web page at <http://www.finance.sacounty.net/Investments/RptQuarterly.asp>.

<sup>2</sup> Percent of market to book value is calculated using amortized book value. The GASB 31 fair value reported in the CAFR is calculated using the book value at purchase.

<sup>3</sup> Percentages may not add up to totals due to rounding

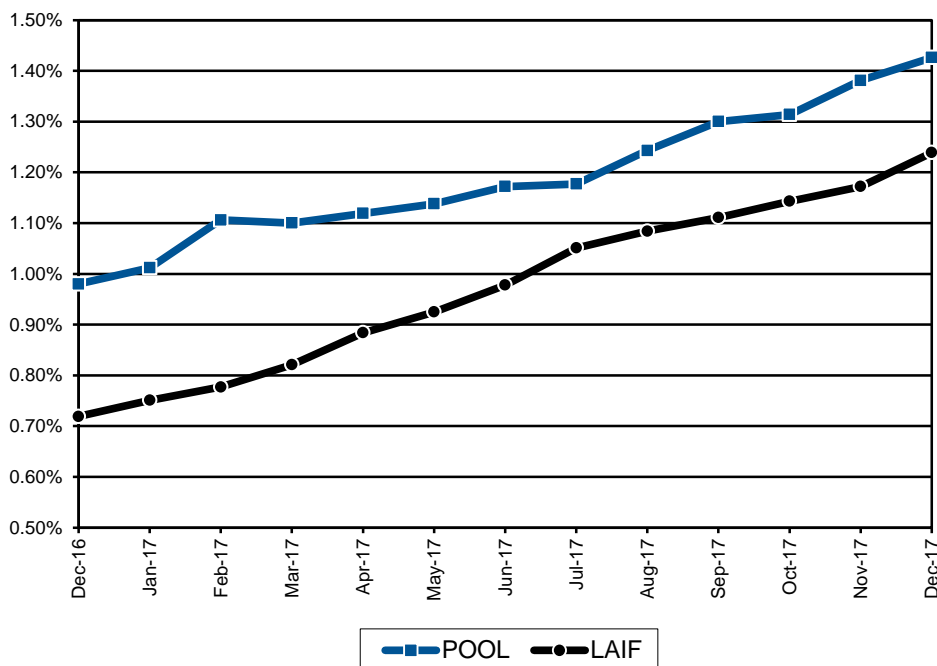
## YIELD HISTORY

The earned interest yield history represents gross yields; **costs have not been deducted**. The investment management costs in prior years and this year continue to be approximately 10 basis points or 0.10%. The quarterly apportionment of earnings to participating funds will be made on a **cash basis** (as opposed to an accrual basis) for the first three quarters of the fiscal year. Earnings to participating funds will be annualized over the fiscal year based on a fund's cumulative average daily cash balance at each quarter end and fiscal year end. At fiscal year end (fourth quarter), the earnings of the pool will be converted to an accrual basis for the fourth quarter earnings' allocation.

## YIELD TRENDS<sup>4</sup>

### Earned Interest Yield Over Last 12 Months

Earned Income Yield History		
MONTH	POOL	LAIF
Dec-16	0.98%	0.72%
Jan-17	1.01%	0.75%
Feb-17	1.11%	0.78%
Mar-17	1.10%	0.82%
Apr-17	1.12%	0.88%
May-17	1.14%	0.93%
Jun-17	1.17%	0.98%
Jul-17	1.18%	1.05%
Aug-17	1.24%	1.08%
Sep-17	1.30%	1.11%
Oct-17	1.31%	1.14%
Nov-17	1.38%	1.17%
Dec-17	1.43%	1.24%



## CASH FLOW PROJECTION

The Pooled Investment Fund cash requirements are based on a 14-month historical cash flow model. The model has been adjusted for expected non-reoccurring participant liquidity needs. This projection, updated on January 9, 2018, is sufficient to meet cash flow expenditures for the next six months.

Month	Beginning Bank Balance	Receipts & Maturities	Disbursements	Difference	Less Investments Beyond 1 year	Funds Available to Invest for Future Cash Flow Needs <sup>5</sup>
<i>Dollar amounts represented in millions</i>						
Jan	20.0	\$1,359.9	\$892.2	\$467.7	\$45.0	\$422.7
Feb	20.0	\$993.5	\$605.1	\$388.4	\$45.0	\$343.4
Mar	20.0	\$1,274.2	\$539.8	\$734.4	\$45.0	\$689.4
Apr	20.0	\$1,370.7	\$709.8	\$660.9	\$45.0	\$615.9
May	20.0	\$1,289.5	\$875.5	\$414.0	\$45.0	\$369.0
Jun	20.0	\$1,223.5	\$612.9	\$610.6	\$45.0	\$565.6

If you have any questions about the Pooled Investment Fund, please call Chief Investment Officer Bernard Santo Domingo at (916) 874-7320 or Investment Officer Dave Matuskey at (916) 874-4251.

<sup>4</sup> The earned income yield is the total net earnings divided by the average daily portfolio balance multiplied by 365 and then divided by the actual number of days in the month. The reported yield fluctuates based upon the number of days in the month, thus resulting in the anomaly of higher yields being reported for months with fewer days. February's yield is a prime example of such an anomaly.

<sup>5</sup> Any excess net cash flow amounts in this column will be used to fund the negative cash flow positions in later months.

**Department of Finance**

Ben Lamera  
Director



**Investments Division**

Bernard Santo Domingo  
Chief Investment Officer

**County of Sacramento**

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*Inter-Departmental Memorandum*

February 16, 2018

To: Treasury Oversight Committee

From: Bernard Santo Domingo  
Chief Investment Officer

Subject: **INVESTMENT APPROVED LISTS**

Attached for your review is a report of the changes made to the Investment Approved Lists for the quarter ended December 31, 2017. The report reflects additions, deletions, and reaffirmations of investment providers for the following approved lists:

- Domestic Banks for All Legal Investments;
- Foreign Banks for All Legal Investments;
- Commercial Paper and Medium-Term Note Programs;
- Community Reinvestment Banks and Credit Unions;
- Firms for Purchase and Sale of Securities (Broker/Dealers and Direct Issuers); and
- Money Market Funds.

If you have any questions regarding these changes, please don't hesitate to call me at (916) 874-7320.

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## Changes to the Investment Approved Lists For the Quarter Ended December 31, 2017

<i>Reaffirmed</i>	<i>Added</i> <sup>1</sup>	<i>Deleted</i>
<b>Domestic Banks for all Legal Investments</b>		
<b>Foreign Banks for all Legal Investments</b>		
Skandinaviska Enskilda Banken		
<b>Commercial Paper &amp; Medium-Term Note Issuers</b>		
		General Electric <sup>2</sup> General Electric Capital Treasury <sup>2</sup>
<b>Community Reinvestment Act Approved Banks &amp; Credit Unions</b>		
<b>Firms for Purchase and Sale of Securities (Broker/Dealers &amp; Direct Issuers)</b>		
		General Electric <sup>2</sup>
<b>Money Market Funds</b>		

<sup>1</sup> This company or fund satisfies the Annual Investment Policy of the Pooled Investment Fund's minimum credit rating requirement.

<sup>2</sup> General Electric's credit ratings dropped below the county's minimum requirement

OVERVIEW OF POOLED INVESTMENT FUND STATISTICS FROM VARIOUS  
JURISDICTIONS FOR DECEMBER 2017.

**Investment Fund Statistics Questionnaire Results  
December 2017**

Name of Fund	Earned Interest Yield	Portfolio Size (in millions)	Weighted Average Maturity (in days)	Percent Market Value
Sacramento County (Pooled)	1.43%	\$3,669.3	318	99.86%
Sacramento County (All)	1.42%	\$4,305.8	344	N/A
Local Agency Investment Fund (LAIF)	1.24%	\$21,195.5	186	99.81%
Contra Costa County (Pooled)	1.38%	\$2,878.7	128	99.99%
Contra Costa County (All)	1.39%	\$3,356.5	141	99.97%
Fresno County	1.71%	\$3,528.4	811	99.42%
Los Angeles County	1.45%	\$31,674.0	550	99.18%
Merced County	1.44%	\$890.3	479	99.53%
Nevada County	1.58%	\$274.3	597	99.46%
Orange County	1.13%	\$5,364.7	236	99.68%
Orange County (Schools)	1.16%	\$4,467.8	237	99.67%
Riverside County	1.39%	\$7,174.8	368	99.74%
San Diego County	1.49%	\$10,781.6	377	99.54%
San Francisco City and County	1.52%	\$9,340.9	503	99.69%
San Luis Obispo County	1.36%	\$968.7	365	99.68%
Solano County	1.25%	\$1,201.4	425	99.67%
Sonoma County (Pooled)	1.41%	\$2,216.0	539	99.43%
Sonoma County (All)	1.46%	\$2,239.5	564	100.12%

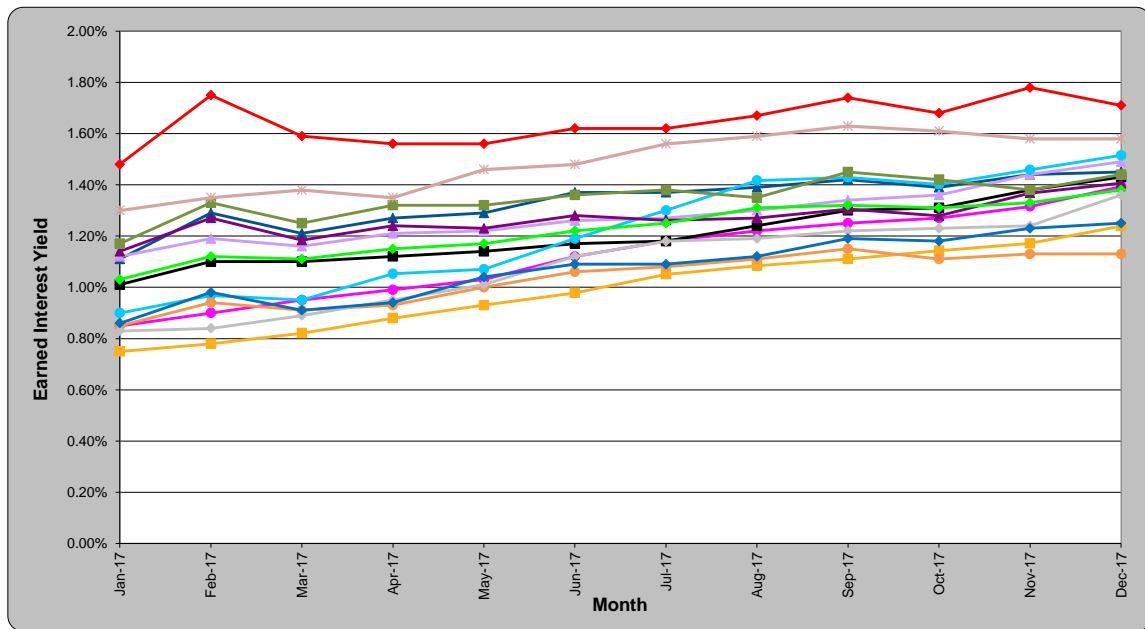
NOTE:

When comparing performance returns, it is important to consider the cash flow needs of individual pool participants in relation to the objectives of each county's investment policy.



**COMPARISON OF VARIOUS COUNTY POOLED INVESTMENT FUNDS AND LAIF  
12-MONTH YIELD PERFORMANCE AS OF DECEMBER 2017**

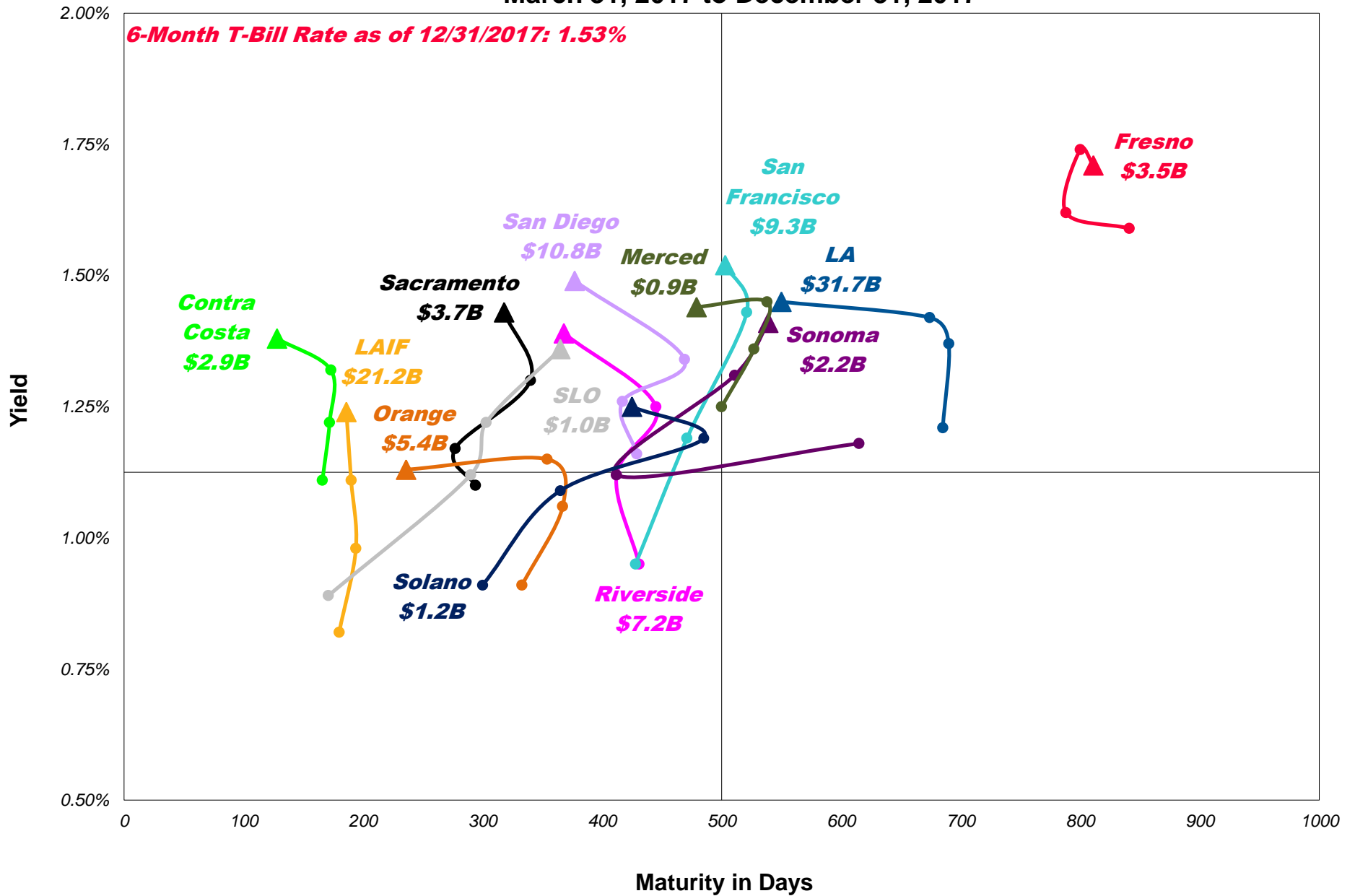
Jurisdiction	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
◆ Contra Costa	1.03%	1.12%	1.11%	1.15%	1.17%	1.22%	1.25%	1.31%	1.32%	1.31%	1.33%	1.38%
◆ Fresno	1.48%	1.75%	1.59%	1.56%	1.56%	1.62%	1.62%	1.67%	1.74%	1.68%	1.78%	1.71%
■ LAIF	0.75%	0.78%	0.82%	0.88%	0.93%	0.98%	1.05%	1.08%	1.11%	1.14%	1.17%	1.24%
▲ Los Angeles	1.11%	1.29%	1.21%	1.27%	1.29%	1.37%	1.37%	1.39%	1.42%	1.39%	1.44%	1.45%
■ Merced	1.17%	1.33%	1.25%	1.32%	1.32%	1.36%	1.38%	1.35%	1.45%	1.42%	1.38%	1.44%
✱ Nevada	1.30%	1.35%	1.38%	1.35%	1.46%	1.48%	1.56%	1.59%	1.63%	1.61%	1.58%	1.58%
● Orange	0.85%	0.94%	0.91%	0.93%	1.00%	1.06%	1.08%	1.11%	1.15%	1.11%	1.13%	1.13%
● Riverside	0.85%	0.90%	0.95%	0.99%	1.03%	1.12%	1.18%	1.22%	1.25%	1.27%	1.32%	1.39%
■ Sacramento	1.01%	1.10%	1.10%	1.12%	1.14%	1.17%	1.18%	1.24%	1.30%	1.31%	1.38%	1.43%
▲ San Diego	1.12%	1.19%	1.16%	1.21%	1.22%	1.26%	1.27%	1.30%	1.34%	1.36%	1.44%	1.49%
● San Francisco	0.90%	0.97%	0.95%	1.05%	1.07%	1.19%	1.30%	1.42%	1.43%	1.40%	1.46%	1.52%
◆ San Luis Obispo	0.83%	0.84%	0.89%	0.95%	1.01%	1.12%	1.18%	1.19%	1.22%	1.23%	1.24%	1.36%
◆ Solano	0.86%	0.98%	0.91%	0.94%	1.04%	1.09%	1.09%	1.12%	1.19%	1.18%	1.23%	1.25%
▲ Sonoma	1.14%	1.27%	1.18%	1.24%	1.23%	1.28%	1.26%	1.27%	1.31%	1.28%	1.37%	1.41%



**NOTE:**

This graph is for illustration purposes only. When comparing performance returns, it is important to consider the cash flow needs of the individual pool fund participants in relation to the objectives of each county's investment policy.

**Overview of Pooled Investment Fund Statistics from Various Jurisdictions  
Comparison of Yields and Average Weighted Maturities  
March 31, 2017 to December 31, 2017**



NEXT MEETING REMINDER – FRIDAY, MAY 18, 2018.

**NO WRITTEN REPORT**

ADJOURNMENT

**NO WRITTEN REPORT**