City of Huntington Beach
City Treasurer’s Report

Quarter ending: December 2016

Alisa Cutchen, CCMT, CPFIM
City Treasurer
Office of the City Treasurer

- City Charter - Section 311 Powers and Duties
- City Treasurer elected to 4-year term
- Responsible to electorate

Citizens of Huntington Beach

City Treasurer
City Treasurer’s Mission: Preservation and Return of Investments

- Portfolio governed by:
  - California Government Code Section 53600 et seq
  - City’s Investment Policy
    - Certified by California Municipal Treasurers Association
    - Reviewed and adopted annually
Goal - Own Legal AND Suitable Investments to meet objectives of:

- Safety of Principal
- Adequate Liquidity
- Market Rate of Return

In this absolute order of priority
Allowable Investments:

- CA Government Code Section 53651
- FY2016/17 Investment Policy
- Most commonly utilized:
  - U.S. Treasuries
  - Federal Agencies
  - Corporate Notes “A” rated and above
  - CA State Local Agency Investment Fund “LAIF”
Investment Policy Limits:

- Maximum maturity
- Maximum specified % of portfolio
- Minimum quality (rating) requirements
- Maximum 10% per issuer except U.S. Treasury & Agency issues
Market Overview
September - December 2016

- Federal Reserve interest rates in Dec: 0.50 – 0.75%
- DJIA ↑ 8%/S&P ↑ 3% vs. prior qtr.
- 10-year US Treasury 12/31: 2.45%
10 Year Treasury: 1964-2016

High: 15.84% 9/30/81

Low: 1.37% 7/4/16
Portfolio Overview 12/31/16

$ in millions:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Agency Issues</td>
<td>$ 140.9</td>
</tr>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>$ 21.5</td>
</tr>
<tr>
<td>Medium Term Notes - IBRD</td>
<td>$ 5.0</td>
</tr>
<tr>
<td>Corporate Bonds</td>
<td>$ 44.5</td>
</tr>
<tr>
<td>Total Portfolio</td>
<td>$ 211.9</td>
</tr>
</tbody>
</table>
Portfolio Composition 12/31/16

Federal Agencies 67%

Corporate Bonds 21%

MTN/IBRD 2%

LAIF 10%

Based on book value
Portfolio Holdings 12/31/16

- Federal Agency Holdings:
  - Federal Home Loan Bank
  - Federal National Mortgage Association (Fannie Mae)
  - Federal Farm Credit Bank
  - Federal Home Loan Mortgage Corp. (Freddie Mac)
Portfolio Holdings 12/31/16

❖ Select Corporate Bond Issuers:
  ▫ Apple Inc.
  ▫ Caterpillar Financial Corp.
  ▫ GE Capital Corp.
  ▫ Coca Cola Co.
  ▫ Merck & Co Inc.
  ▫ Oracle Corp.
## Portfolio Compliance 12/31/16

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Policy Limit</th>
<th>Actual</th>
<th>Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Agency Issues</td>
<td>None</td>
<td>67%</td>
<td>yes</td>
</tr>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>$65 million</td>
<td>$21.5 million</td>
<td>yes</td>
</tr>
<tr>
<td>Medium Term Notes - IBRD</td>
<td>10%</td>
<td>2%</td>
<td>yes</td>
</tr>
<tr>
<td>Corporate Bonds</td>
<td>30%</td>
<td>21%</td>
<td>yes</td>
</tr>
</tbody>
</table>

### Portfolio

<table>
<thead>
<tr>
<th>Maximum per Issuer*</th>
<th>10%</th>
<th>yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum maturity</td>
<td>5 years</td>
<td>yes</td>
</tr>
</tbody>
</table>

*Except for US Treasury/Agency Issues

Based on book value
<table>
<thead>
<tr>
<th>Portfolio Earnings</th>
<th>Month End 12/31/16</th>
<th>FY 2016/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Year</td>
<td>$ 200,298</td>
<td>$ 572,494</td>
</tr>
<tr>
<td>Current Budget</td>
<td>$ 140,000</td>
<td>$ 420,000</td>
</tr>
<tr>
<td>Last Year Actual</td>
<td>$ 169,539</td>
<td>$ 499,573</td>
</tr>
<tr>
<td>Effective Rate of Return</td>
<td>1.19%</td>
<td>1.15%</td>
</tr>
</tbody>
</table>
Portfolio Earnings offset taxpayer $ for:
- operating expenses
- capital projects
- debt repayment
- other liabilities

Portfolio remains compliant with relevant governmental regulations and the City’s Investment Policy
QUESTIONS?

Thank you!