



Quarterly Financial Report
As of June 30, 2013
UNAUDITED

Introduction

This report provides an analysis of the City's General Fund revenues and expenditures for the fourth quarter of the 2012-13 fiscal year. The numbers in this report are **PRELIMINARY ONLY**, as the year is not yet officially closed, and the annual Financial Audit is scheduled to begin in November, 2013.

The Audited Financial Statements will be presented to the City Council in early 2014.

Management's Overview

The City's two year budget for fiscal years 2011-12 and 2012-13 was adopted by the City Council on June 21, 2011. The Mid-Cycle review, which included adjustments to structurally balance FY 2012-13 was adopted by the City Council on June 5, 2012. The 1st Quarter report was presented to the City Council on November 20, 2012. The City Council reviewed the 2nd Quarter report on February 19, 2013. The 3rd Quarter report was presented to the City Council on May 21, 2013.

As the following report will detail, the City of Napa is estimating closing FY 2012-13 in a positive position due to the combination of stronger than expected revenues, particularly sales and transient occupancy taxes, and one-time savings from departmental under expenditures.

Additionally, an overview of the City's General Fund CIP Reserves, and the budgeted use of those reserves will be provided, summarizing the City's recent reserve use / contribution.

Thirdly, although the focus of this report is the FY 2012-13 estimated revenues and expenditures, it is necessary to consider the FY 2013-14 Budget and beyond to ensure long-range perspective when considering one-time (e.g. CIP Projects) or on-going (e.g. additional positions, benefits, programs) adjustments to the Budget.

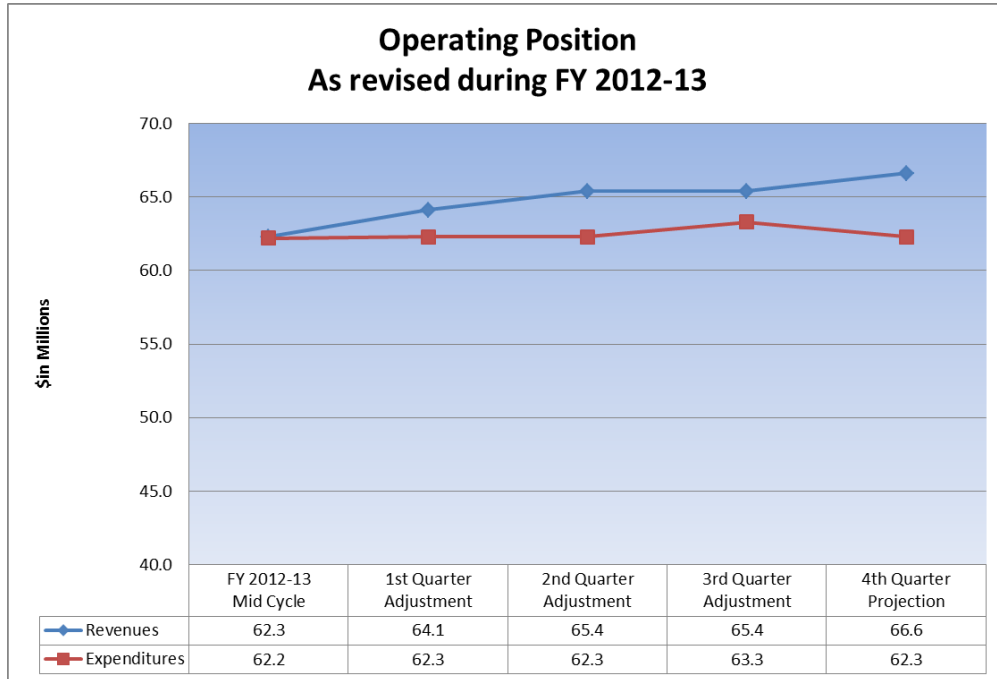
Finally, as in previous quarterly reports, the final section "What we are watching", will provide a brief summary of the potential issues and impacts at the national, state and local levels.

FY 2012-13 Budget

The FY 2012-13 Budget as adjusted in June 2012 (Mid-Cycle Review) estimated revenues at \$62.2 million and expenditures at \$62.1 million, resulting in a balanced General Fund budget. Adjustments approved to revenue and

expenditure projections in fiscal year 2012-13 increased the forecasted June 30, 2013 positive operating position to \$2.2 million.

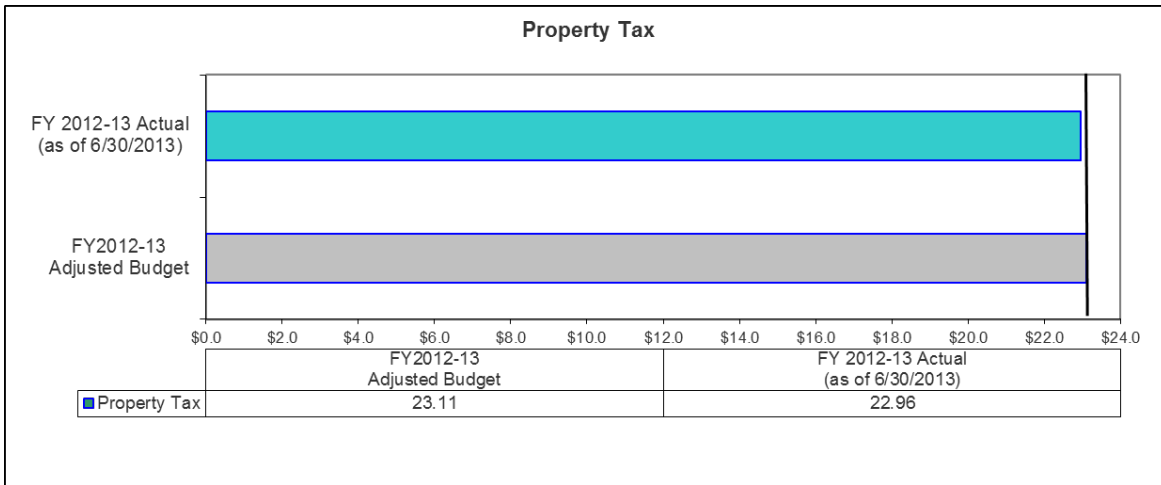
Based on our current analysis, the budgeted operating *surplus* of \$2.2 million increased to \$4.3 million through a combination of increased revenues (\$1.2 million) and one-time departmental savings (\$0.9 million). The ending operating position for the City will be finalized during the upcoming financial audit. The graph below reflects the changes in the FY 2012-13 operating position as reported to the Council during the quarterly reports.



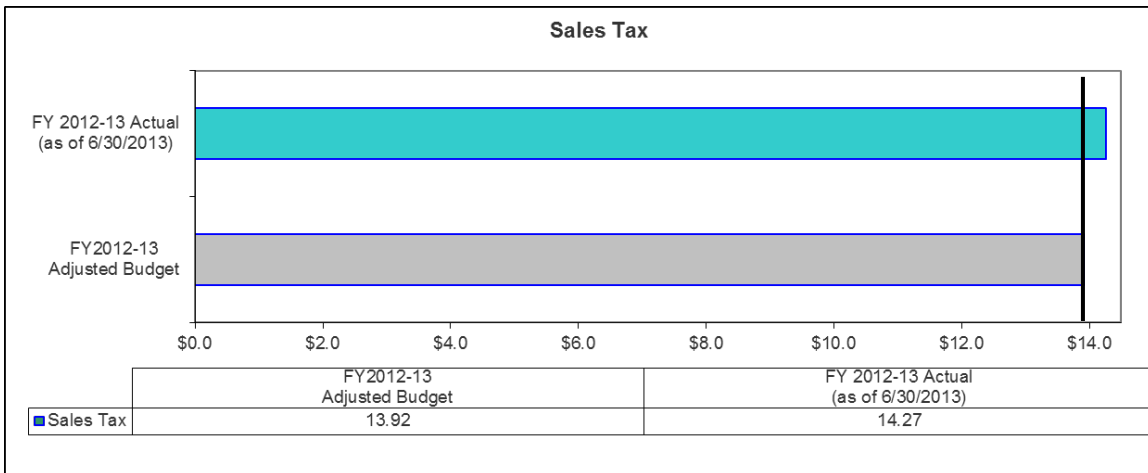
Major Revenues

Property Tax - The FY 2012-13 Property Tax Receipts were estimated at \$22.7 million during the Mid-Cycle budget review. The Property Tax revenue projection was increased by \$0.4 million (to \$23.1 million) as part of the 1st Quarter Report due to increased activity in the real estate market. Property Tax Receipts for FY 2012-13 are currently projected to be slightly under the adjusted budget, totaling \$23.0 million.

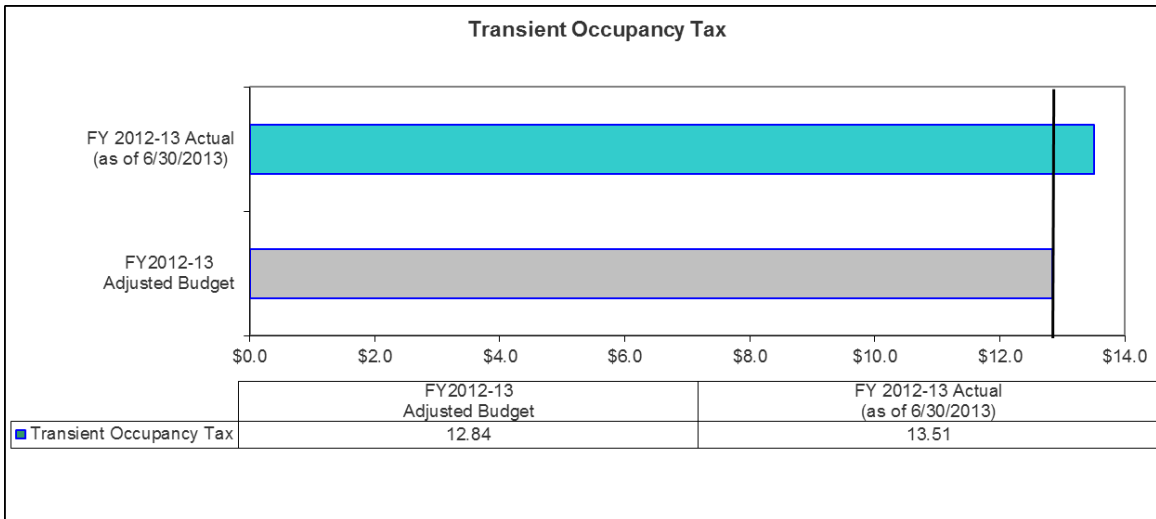
The City’s major source of property tax revenue to the General Fund is residential property (77.6%), followed by commercial property (12.2%) and industrial property (5.1%).



Sales Tax – Sales Tax for FY 2012-13 was estimated to total \$12.7 million during the Mid-cycle review. Additional increases totaling \$1.2 million were approved throughout the fiscal year bringing the revised estimate to \$13.9 million. Sales Tax receipts are currently projected to be over the adjusted budget by \$0.4 million for an estimated total of \$14.3 million. Sales Tax receipts in FY 2012-13 were driven by new car sales, gasoline prices and strong restaurant receipts.



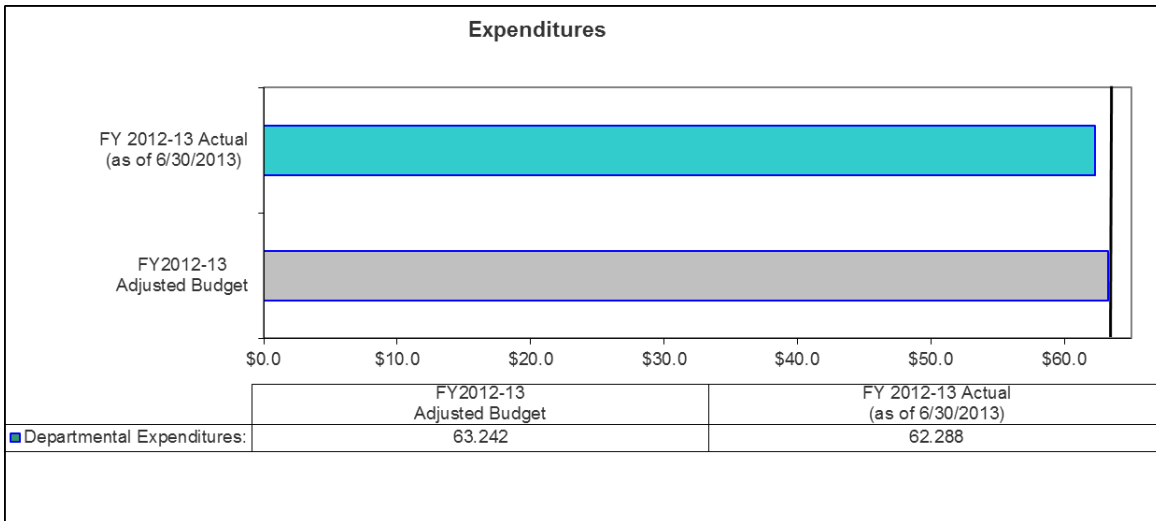
Transient Occupancy Tax (TOT) - Tourism in the Napa Valley continues to strengthen, providing additional indication of the economic recovery. FY 2012-13 TOT Revenue was estimated \$10.8 million during the Mid Cycle review. As part of the 1st and 2nd Quarterly Reports, Council approved budget adjustments totaling \$2.0 million resulting in a total adjusted budget of \$12.8 million. TOT receipts are currently projected to be over budget by \$0.7 million for a total of \$13.5 million. There are currently 23 hotels, 19 bed and breakfast establishments and 36 vacation rentals generating transient occupancy tax revenue within the City. The most significant growth factor for the FY 2012-13 TOT revenues is new rooms coming on line (most notably in the Meritage Hotel).



Expenditures

Estimated June 30, 2013 expenditures anticipate all operating expenditures to fall within the total budget appropriation. As stated earlier, the final operating budget for FY 2012-13 (which includes carry forward, budget resolutions and adjustments throughout the fiscal year) was \$63.2 million. It is estimated that FY 2012-13 expenditures will total \$62.3 million, which is \$0.9 million under budget.

The following chart tracks the General Fund expenditures as compared to the adjusted budget.



Additional analysis and details on expenditures will be provided upon completion of the FY 2012-13 Financial Audit.

General Fund Reserves

As per the City’s Fiscal Policy updated as part of the FY 2013-14 & FY 2014-15 Budget Adoption, the City maintains an Operating Reserve of 3%, an Emergency Reserve of 12%, and a Contingency appropriation of 1% of the annual General Fund Operating Budget. In addition to those reserves, the City has also set

targets for the allocation of any remaining Operating Surplus to meet ongoing needs including future facilities, and continued investment in capital improvements. The Fiscal Policy identifies the first 2% of an annual operating surplus will be earmarked for current and future facility needs (CIP Facilities Reserve), and the balance of the surplus will be allocated to planned capital improvements (CIP Reserve) in order to ensure we are able to meet the service and infrastructure needs of the City.

The FY 2012-13 General Fund is estimated to complete the year with a \$4.3 million operating surplus. This surplus is a result of increased revenue adjustments throughout FY 2012-13, primarily in Sales and Transient Occupancy taxes. The operating surplus in the adjusted budget was \$2.2 million; however, increased by \$2.1 million (to \$4.3 million) as a result of increased revenues and expenditure savings of as detailed in Table 1 below.

Table 1 – General Fund FY 2012-13 Revenues and Expenditures – UNAUDITED

General Fund Revenues & Expenditures	FY 2012-13 Adjusted Budget <i>(as of 6/30/2013)</i>	FY 2012-13 Unaudited <i>(as of 6/30/2013)</i>	% to date <i>(Budget to Actual)</i>
Operating Revenues			
Property Tax	23,109,826	22,958,903	99%
Sales Tax	13,915,172	14,266,682	103%
Transient Occupancy Tax	12,840,293	13,507,761	105%
Business License Tax / Other Tax	4,284,922	4,926,605	115%
Licenses and Permits	1,200,000	1,179,165	98%
Charges for Services	4,977,355	4,926,104	99%
Intergovernmental	617,158	637,176	103%
Investment Earnings	150,000	30,878	21%
Miscellaneous Revenues	205,153	193,760	94%
Transfers In	4,144,276	3,970,925	96%
Sub-Total Operating Revenues	65,444,155	66,597,958	102%
Sub-Total Operating Expenditures	63,242,346	62,287,939	98%
Operating Surplus/ (Deficit) <i>(Operating Revenues less Total Expenditures)</i>	2,201,809	4,310,019	
Carry Forward		(263,688)	
Transfer to CIP Facilities Reserve		(1,328,222)	
Transfer to CIP Reserve		(2,718,109)	

Please note: The Transfers to CIP Facilities Reserve and CIP Reserve are further detailed on page 6.

The FY 2012-13 Nonrecurring General Fund activity is estimated to complete the year with a \$0.9 million positive operating position as detailed in Table 2.

Table 2 – Nonrecurring General Fund FY 2012-13 Revenues and Expenditures - UNAUDITED

General Fund Nonrecurring Revenues & Expenditures	FY 2012-13 Adjusted Budget <i>(as of 6/30/2013)</i>	FY 2012-13 Unaudited <i>(as of 6/30/2013)</i>	% to date <i>(Budget to Actual)</i>
Non-Recurring Revenues			
<i>Property Tax (Excess ERAF)</i>	2,115,591	2,115,591	100%
<i>Charges for Services</i>	2,085,191	907,719	44%
<i>Intergovernmental</i>	672,235	559,193	83%
<i>Miscellaneous Revenues</i>	6,000	9,000	150%
<i>Transfers In</i>	145,000	145,000	100%
Non-Recurring Revenues	5,024,017	3,736,503	74%
Non-Recurring Expenditures	5,070,619	2,818,824	56%
Net Impact of Non Recurring	(46,602)	917,680	
<i>Carry Forward (Net)</i>	-	(429,683)	
<i>Transfer to CIP Reserves</i>	-	(487,997)	

Transfer to Reserves:

As shown in Table 1 and Table 2, due to the operating surplus projected for FY 2012-13, the City will be allocating the surplus to fund necessary reserves in accordance with the City’s Fiscal Policy. Please note, as revenues and expenditures are adjusted throughout the year, future projections are revised to incorporate adjustments for on-going activities (e.g. TOT & Sales Tax receipts), meaning the increase in ongoing revenues received in FY 2012-13 have already been included in the FY 2013-14 and 2014-15 adopted budgets.

The estimated surplus will result in the following allocations to the various reserve funds:

- 1) \$0.7 million will be carried forward to FY 2013-14 for ongoing Operating and Nonrecurring Projects (e.g. Structural Analysis of the Seminary Street Building; Housing Element of the General Plan; Legal Support of NCFA negotiations). This will increase the FY 2013-14 operating budget from \$66.4 million to \$66.7 million, and the FY 2013-14 nonrecurring budget from \$1.3 million to \$1.7 million.
- 2) The CIP Facilities Reserve is projected to have a fund balance of \$1.5 million as of June 30, 2013. The projected transfer in from the FY 2012-13 operating surplus of \$1.3 million (2% of the FY 2013-14 Operating Budget) will bring this balance to \$2.8 million. The five-year CIP, as presented in the adopted budget, includes planned expenditures of \$1.6 million, leaving an estimated balance of \$1.2 million.

Available Balance - CIP Facilities Reserve	1,454,730
Transfer in from FY 2012-13 Operating Reserve	1,328,222
Total CIP Facilities Reserve	2,782,952
Planned Projects FY 2013-14 through FY 2017-18*	1,577,900
Remaining Reserve/(Funding Shortfall)	1,205,052

*NOTE: Does not include funding estimate for City Hall

- 3) The CIP Projects Reserve is projected to have a fund balance of \$3.6 million as of June 30, 2013. The transfer in from both the operating surplus and the nonrecurring surplus (estimated to total \$3.2 million) will bring this balance to \$6.8 million. The five-year CIP, as presented in the adopted budget, includes planned expenditures of \$12.6 million, leaving a funding gap of \$5.8 million.

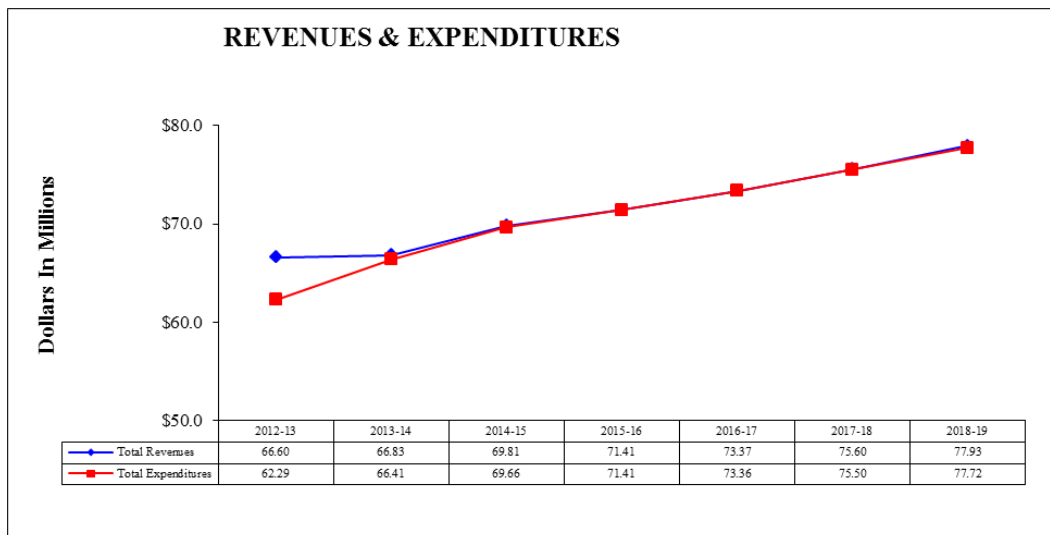
Available Balance - Capital Projects Reserve	3,589,282
Transfer in from FY 2012-13 Operating Reserve	2,718,109
Transfer in from FY 2012-13 Nonrecurring Reserve	487,997
Total Capital Projects Reserve	6,795,388
Planned Projects FY 2013-14 through FY 2017-18*	12,562,421
Remaining Reserve/(Funding Shortfall)	(5,767,033)

* Projects in FY 2015-16 through FY 2017-18 with the exception of Fire Station #5 and the 1st & 2nd Street Roundabout do not have secured funding at this time.

An analysis of planned Capital Projects and available funding will be presented as part of the FY 2013-14 1st Quarter Report in November, 2013.

Projected Operating Position

The table below depicts the projected operating position for the City of Napa through FY 2018-19. Although the positive operating position is continued, the assumed contribution to Reserves is minimal, and will be available only through departmental expenditure savings or new revenues.



What We Are Watching

Nationally:

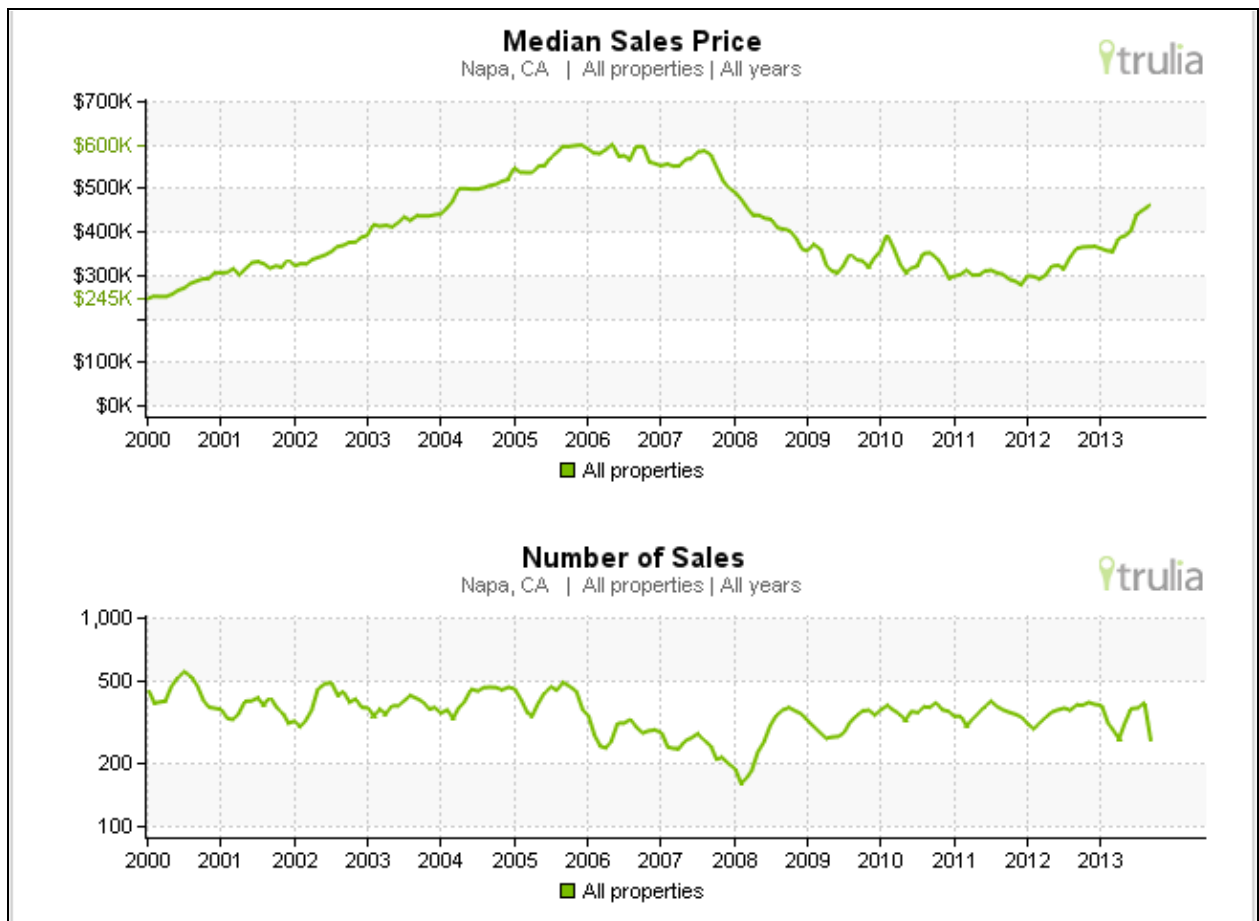
We continue to be cautiously optimistic for the future as the recovery from the economic recession makes steady progress. In particular, we will continue to pay close attention to the unsettled financial climate in Washington, to make sure we understand and are able to adjust to how resulting decisions or policies will affect the national, state and local economies.

State:

At the State level, the condition of the economy continues to be unsettled. On a positive note, the unemployment rate in the state, although still high (8.9% in August as reported by the U.S. Bureau of Labor Statistics) has fallen 1.7 percentage points since the beginning of the fiscal year (July, 2012 unemployment was 10.6%)

Local Economic Condition:

The City of Napa continues to realize growth in its major taxes (property, sales and TOT). Additionally the housing market is continuing to strengthen, as the median house prices continue to rise.



The local unemployment rate has also shown signs of recovery as the number has fallen from 7.7% in July, 2012 to 6.3% in July 2013.

Recommendation

Receive the preliminary FY 2012-13 year end estimates.

In accordance with Resolution R2011 93 Section 8 and 9 the City Manager is authorized to increase appropriations for specific purposes, as long as the expenditure appropriations do not exceed the amount of the donation, and the adjustment is reported to the City Council as part of the Quarterly Financial Report.

The appropriations authorized by the City Manager in FY 2012-13 are listed below:

Budget Adjustment Summary	Revenues	Expenditures
Police Department - Reimbursements	9,621.00	9,621.00
Fire Department - Reimbursements	22,477.09	22,477.09
Parks& Recreation - Donations	1,914.00	1,914.00
Franchise Taxes - Reimbursements	15,637.00	15,637.00
Public Works - Reimbursements for Consultant Services	144,029.05	144,029.05
CDD - Reimbursement for Consultant Services	23,309.00	23,309.00
Risk Management - Reimbursement for Legal Services	380,569.74	380,569.74
TOTAL	597,556.88	597,556.88



City of Napa
Quarterly Investment Report
as of June 30, 2013

Introduction

This report represents the City’s investment portfolio as of June 30, 2013. The report includes all invested City funds with the exception of bond proceeds. All investments are in compliance with the City’s adopted Statement of Investment Policy.

Investment Approach

The City’s investments are guided by an Investment Policy which is reviewed and approved by the Council annually. The Investment Policy was last approved by the City Council in June 2012 and is provided as an appendix to this report for reference. The policy directs that investment goals, in order by priority, are safety, liquidity, and yield. This conservative approach ensures assets are available for use while also allowing the City to earn additional resources on idle funds. The City relies on an investment advisor and the State investment pool known as the Local Agency Investment Fund (LAIF).

Current Market Conditions

Long-term interest rates increased significantly in the second quarter of 2013 in response to indications from the Federal Reserve that they may start tapering bond purchases in September. However, short-term rates remain anchored at low levels by the Fed’s monetary policy. The City’s portfolio is currently maintaining a yield to maturity of 1.05%. As a result of the sudden rise in interest rates, the value of the securities in the City’s portfolio decreased more than the City earned in income, causing a negative return for the quarter for the first time in some years. The City will continue to monitor all investments for negative market exposures and react as necessary to preserve assets. The LAIF apportionment rate fell to 0.24% during the quarter.

Total Return Comparison
Periods Ending June 30, 2013

	Past Quarter	Past Year	Past 3 Years	Past 5 Years
City of Napa	-0.73%	0.24%	1.61%	3.36%
Merrill Lynch 1-5 Year Government Index	-0.69%	-0.02%	1.41%	2.80%
LAIF	0.06%	0.30%	0.39%	0.80%

** Returns for periods under one year are periodic; all other returns are annualized.*

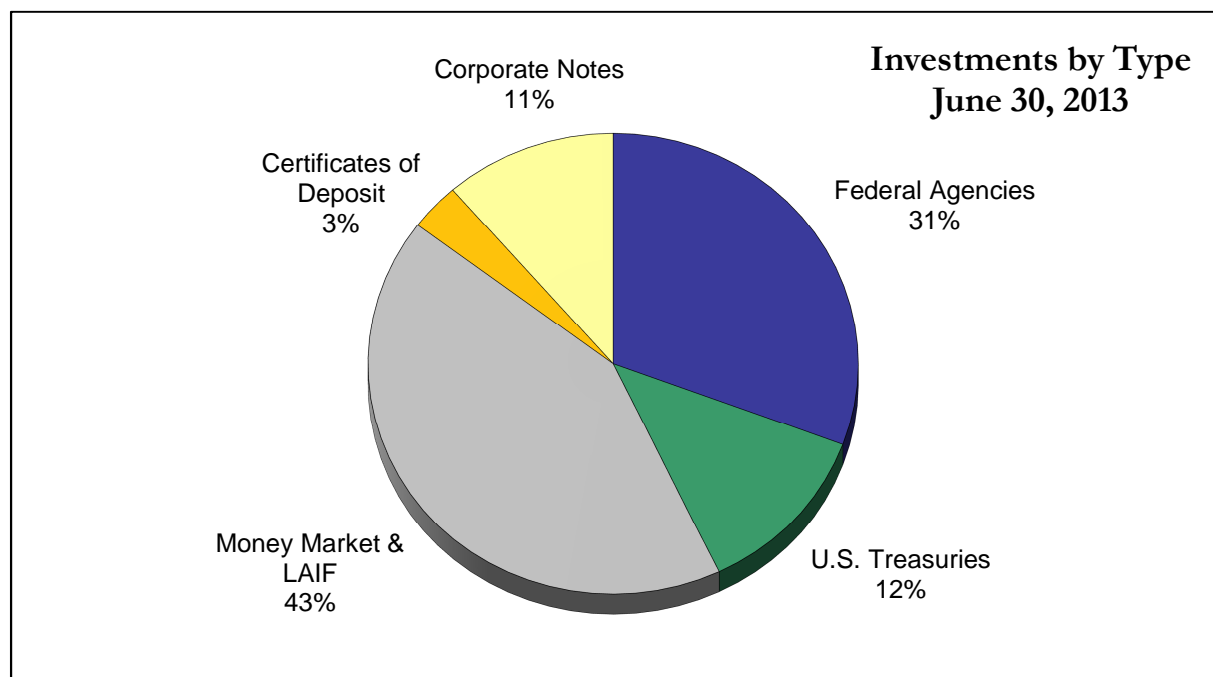


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Portfolio Information

The City's cash, excluding bond proceeds, is pooled for investment purposes. As of June 30, 2013 invested funds totaled \$104,919,147. These investments belong to the General Fund and to restricted funds such as the Developer, Special District, Water, and Solid Waste and Recycling Funds.

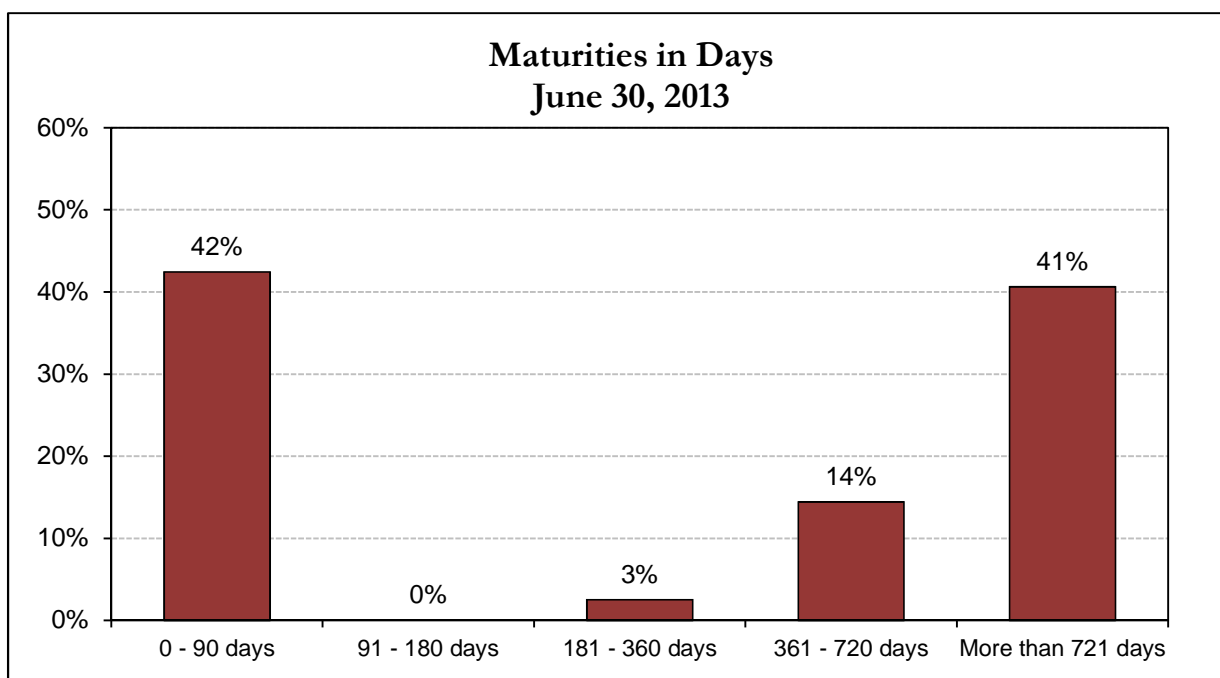
The current City portfolio consists of six types of investments: U.S. Treasuries, Federal Agencies, Corporate Debt, Negotiable Certificates of Deposit, and Cash instruments such as money markets and LAIF. As noted in the chart below and on the attached investment detail report, the City's investment portfolio as of March 31, 2013 was heavily weighted towards the State Local Agency Investment Fund (LAIF) and high-quality (AA+ rated) Federal Agency securities to maintain the focus on safety and liquidity.





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The City's Investment Policy allows for a 5-year time horizon with an emphasis on liquidity. As of June 30, 2013, 42% of the City's funds were invested in very short-term liquid investments, 17% of the funds were invested with maturities between 90 days and 2 years, and 41% of the investment portfolio had a maturity ranging from 2 to 5 years. This distribution allows the City the necessary liquidity to meet operational and emergency cash needs while maximizing returns on funds not needed in the immediate future.



Conclusion

All City funds are invested in accordance with the approved Investment Policy with an emphasis on safety, liquidity, and yield (in that order). The City's investment strategy of balancing the investment portfolio between short-term investments (to meet cash flow needs) and longer-term maturities (to realize a higher rate of return) is appropriate given the current market conditions. With short-term interest rates anchored by the Federal Reserve's zero interest rate policy through mid-2015, longer-term rates continue to trade within a set range.

The investment portfolio will continue to be closely monitored to ensure the avoidance of risk and to respond to changes in market conditions.



City of Napa
Quarterly Investment Report - Holdings Report
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CUSIP	Description	S&P Rating		Par Value	Purchase Date	Coupon Rate	Maturity Date	Original Cost	Yield to Maturity	Accrued Interest	Market Value
		FY Quarter 3Q13	FY Quarter 4Q13								
LAIF and Money Market											
N/A	California Asset Management Trust	AAAm	AAAm	293,627.59	6/30/2013	0.10%	7/1/2013	293,627.59	0.10%	-	293,627.59
N/A	Local Agency Investment Fund	NR	NR	44,212,823.11	6/30/2013	0.24%	7/1/2013	44,212,823.11	0.24%	-	44,212,823.11
Total LAIF and Money Market				44,506,450.70				44,506,450.70	0.24%	-	44,506,450.70
U.S. Treasuries											
912828LC2	U.S. Treasury	AA+	AA+	935,000.00	10/31/2011	2.63%	7/31/2014	990,223.44	0.46%	10,237.86	959,434.36
912828RQ5	U.S. Treasury	AA+	AA+	1,000,000.00	11/30/2011	0.38%	11/15/2014	999,375.00	0.40%	478.94	1,002,031.00
912828MH0	U.S. Treasury	AA+	AA+	315,000.00	1/27/2012	2.25%	1/31/2015	333,297.07	0.31%	2,956.39	324,806.90
912828MH0	U.S. Treasury	AA+	AA+	785,000.00	6/29/2012	2.25%	1/31/2015	822,808.79	0.38%	7,367.51	809,439.41
912828MR8	U.S. Treasury	AA+	AA+	100,000.00	3/2/2010	2.38%	2/28/2015	100,296.87	2.31%	793.82	103,457.00
912828MR8	U.S. Treasury	AA+	AA+	205,000.00	3/30/2010	2.38%	2/28/2015	203,118.17	2.57%	1,627.33	212,086.85
912828PJ3	U.S. Treasury	AA+	AA+	200,000.00	11/30/2010	1.38%	11/30/2015	198,554.69	1.53%	232.92	204,250.00
912828PJ3	U.S. Treasury	AA+	AA+	665,000.00	5/19/2011	1.38%	11/30/2015	657,572.93	1.63%	774.47	679,131.25
912828PS3	U.S. Treasury	AA+	AA+	650,000.00	5/19/2011	2.00%	1/31/2016	658,711.16	1.70%	5,422.65	674,527.10
912828QA1	U.S. Treasury	AA+	AA+	650,000.00	7/28/2011	2.25%	3/31/2016	676,433.82	1.35%	3,676.23	679,300.70
912828KZ2	U.S. Treasury	AA+	AA+	1,500,000.00	2/23/2012	3.25%	6/30/2016	1,660,488.28	0.75%	132.47	1,614,609.00
912828LP3	U.S. Treasury	AA+	AA+	1,100,000.00	11/15/2011	3.00%	9/30/2016	1,209,914.06	0.90%	8,295.08	1,178,976.56
912828LU2	U.S. Treasury	AA+	AA+	800,000.00	7/6/2012	3.13%	10/31/2016	886,343.75	0.59%	4,211.96	860,624.80
912828SM3	U.S. Treasury	AA+	AA+	705,000.00	7/31/2012	1.00%	3/31/2017	717,695.51	0.61%	1,772.13	705,661.29
912828NR7	U.S. Treasury	AA+	AA+	305,000.00	9/10/2012	2.38%	7/31/2017	330,448.44	0.64%	3,021.56	320,631.25
912828TG5	U.S. Treasury	AA+	AA+	715,000.00	11/6/2012	0.50%	7/31/2017	708,632.03	0.69%	1,491.23	697,851.44
912828UE8	U.S. Treasury	AA+	AA+	575,000.00	1/7/2013	0.75%	12/31/2017	573,068.36	0.82%	11.72	562,556.43
912828UE8	U.S. Treasury	AA+	AA+	120,000.00	1/31/2013	0.75%	12/31/2017	119,254.69	0.88%	2.45	117,403.08
912828UR9	U.S. Treasury	AA+	AA+	565,000.00	3/8/2013	0.75%	2/28/2018	562,307.42	0.85%	1,416.34	551,183.98
912828UZ1	U.S. Treasury	AA+	AA+	550,000.00	5/15/2013	0.63%	4/30/2018	544,994.14	0.81%	579.14	531,523.30
Total U.S. Treasuries				12,440,000.00				12,953,538.62	0.85%	54,502.20	12,789,485.70
Federal Agencies											
31398AXJ6	Federal National Mortgage Association	AA+	AA+	450,000.00	11/23/2011	2.50%	5/15/2014	470,106.00	0.68%	1,437.50	458,934.75
31331JQA4	Federal Farm Credit Bureau	AA+	AA+	825,000.00	6/14/2010	1.90%	6/2/2014	822,995.25	1.96%	1,262.71	837,712.43
3137EACD9	Federal Home Loan Mortgage Corporation	AA+	AA+	520,000.00	8/5/2009	3.00%	7/28/2014	521,024.40	2.96%	6,630.00	535,087.28
3137EACD9	Federal Home Loan Mortgage Corporation	AA+	AA+	775,000.00	8/8/2009	3.00%	7/28/2014	775,406.10	2.99%	9,881.25	797,485.85
3137EACU1	Federal Home Loan Mortgage Corporation	AA+	AA+	250,000.00	12/14/2011	1.00%	7/30/2014	252,517.50	0.61%	1,048.61	252,088.00
3137EACV9	Federal Home Loan Mortgage Corporation	AA+	AA+	250,000.00	7/5/2011	1.00%	8/27/2014	249,515.00	1.06%	861.11	252,279.75
31331GL80	Federal Farm Credit Bureau	AA+	AA+	160,000.00	12/4/2009	3.00%	9/22/2014	164,934.40	2.32%	1,320.00	165,376.00
31331GL80	Federal Farm Credit Bureau	AA+	AA+	285,000.00	12/4/2009	3.00%	9/22/2014	293,880.60	2.31%	2,351.25	294,576.00
31331GL80	Federal Farm Credit Bureau	AA+	AA+	330,000.00	1/7/2010	3.00%	9/22/2014	333,903.90	2.73%	2,722.50	341,088.00
31398AZV7	Federal National Mortgage Association	AA+	AA+	255,000.00	5/27/2011	2.63%	11/20/2014	266,505.60	1.29%	762.34	263,276.54
313381YP4	Federal Home Loan Banks	AA+	AA+	1,000,000.00	5/9/2013	0.25%	2/20/2015	1,000,260.00	0.24%	909.72	998,587.00
3134G42V9	Federal Home Loan Mortgage Corporation	AA+	AA+	1,000,000.00	4/30/2013	0.32%	4/29/2015	1,000,000.00	0.32%	551.11	998,275.00



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CUSIP	Description	S&P Rating		Par Value	Purchase Date	Coupon Rate	Maturity Date	Original Cost	Yield to Maturity	Accrued Interest	Market Value
		FY Quarter 3Q13	FY Quarter 4Q13								
3135G0KM4	Federal National Mortgage Association	AA+	AA+	890,000.00	4/19/2012	0.50%	5/27/2015	887,427.90	0.59%	420.28	891,451.59
3134A4VC5	Federal Home Loan Mortgage Corporation	AA+	AA+	480,000.00	4/4/2013	4.38%	7/17/2015	524,078.40	0.34%	9,566.67	518,417.28
3134A4VC5	Federal Home Loan Mortgage Corporation	AA+	AA+	1,880,000.00	4/5/2013	4.38%	7/17/2015	2,052,960.00	0.33%	37,469.44	2,030,467.68
3135G0NG4	Federal National Mortgage Association	AA+	AA+	1,300,000.00	8/7/2012	0.50%	8/7/2015	1,299,870.00	0.50%	2,600.00	1,297,744.50
3137EACM9	Federal Home Loan Mortgage Corporation	AA+	AA+	220,000.00	10/7/2010	1.75%	9/10/2015	222,318.80	1.53%	1,187.08	226,022.94
3137EACM9	Federal Home Loan Mortgage Corporation	AA+	AA+	450,000.00	9/9/2011	1.75%	9/10/2015	466,213.50	0.83%	2,428.13	462,319.65
313370JB5	Federal Home Loan Banks	AA+	AA+	650,000.00	8/5/2011	1.75%	9/11/2015	665,496.00	1.15%	3,475.69	667,915.30
31398A4M1	Federal National Mortgage Association	AA+	AA+	1,000,000.00	9/27/2011	1.63%	10/26/2015	1,027,010.00	0.95%	2,934.03	1,024,791.00
3135G0SB0	Federal National Mortgage Association	AA+	AA+	25,000.00	11/16/2012	0.38%	12/21/2015	24,941.75	0.45%	2.60	24,860.35
3135G0SB0	Federal National Mortgage Association	AA+	AA+	1,000,000.00	5/9/2013	0.38%	12/21/2015	1,000,660.00	0.35%	104.17	994,414.00
31331J6C2	Federal Farm Credit Bureau	AA+	AA+	370,000.00	3/29/2011	2.35%	12/22/2015	371,339.40	2.27%	217.38	385,467.85
3136FPDC8	Federal National Mortgage Association	AA+	AA+	325,000.00	8/25/2011	2.00%	3/8/2016	336,167.00	1.22%	2,040.28	336,502.40
3135G0AL7	Federal National Mortgage Association	AA+	AA+	645,000.00	7/28/2011	2.25%	3/15/2016	660,848.30	1.70%	4,273.13	671,851.35
3135G0VA8	Federal National Mortgage Association	AA+	AA+	1,640,000.00	2/15/2013	0.50%	3/30/2016	1,638,130.40	0.54%	2,072.78	1,630,809.44
3135G0VA8	Federal National Mortgage Association	AA+	AA+	1,000,000.00	5/9/2013	0.50%	3/30/2016	1,002,880.00	0.40%	1,263.89	994,396.00
3135G0BA0	Federal National Mortgage Association	AA+	AA+	650,000.00	5/24/2011	2.38%	4/11/2016	659,456.85	2.06%	3,430.56	679,599.70
3135G0BA0	Federal National Mortgage Association	AA+	AA+	725,000.00	7/31/2012	2.38%	4/11/2016	773,038.50	0.56%	3,826.39	758,015.05
3137EACT4	Federal Home Loan Mortgage Corporation	AA+	AA+	635,000.00	7/29/2011	2.50%	5/27/2016	656,720.81	1.76%	1,499.31	666,803.98
3137EACT4	Federal Home Loan Mortgage Corporation	AA+	AA+	475,000.00	9/10/2012	2.50%	5/27/2016	508,511.25	0.58%	1,121.53	498,790.38
3137EACT4	Federal Home Loan Mortgage Corporation	AA+	AA+	1,000,000.00	5/3/2013	2.50%	5/27/2016	1,064,870.00	0.37%	2,361.11	1,050,085.00
313373SZ6	Federal Home Loan Banks	AA+	AA+	650,000.00	7/29/2011	2.13%	6/10/2016	658,989.50	1.83%	805.73	676,042.25
3135G0ES8	Federal National Mortgage Association	AA+	AA+	1,565,000.00	6/7/2012	1.38%	11/15/2016	1,600,431.60	0.85%	2,749.62	1,586,512.49
3135G0JA2	Federal National Mortgage Association	AA+	AA+	725,000.00	8/16/2012	1.13%	4/27/2017	733,678.25	0.86%	1,450.00	722,482.80
3135G0JA2	Federal National Mortgage Association	AA+	AA+	1,000,000.00	5/1/2013	1.13%	4/27/2017	1,021,280.00	0.58%	2,000.00	996,528.00
313379DD8	Federal Home Loan Banks	AA+	AA+	800,000.00	6/29/2012	1.00%	6/21/2017	803,112.00	0.92%	222.22	788,933.60
3135G0MZ3	Federal National Mortgage Association	AA+	AA+	840,000.00	9/10/2012	0.88%	8/28/2017	842,083.20	0.82%	2,470.42	823,354.56
3137EADL0	Federal Home Loan Mortgage Corporation	AA+	AA+	1,100,000.00	10/5/2012	1.00%	9/29/2017	1,112,661.00	0.76%	2,811.11	1,086,908.90
3135G0PQ0	Federal National Mortgage Association	AA+	AA+	735,000.00	10/31/2012	0.88%	10/26/2017	734,147.40	0.90%	1,161.20	718,514.69
3135G0WJ8	Federal National Mortgage Association	AA+	AA+	890,000.00	5/28/2013	0.88%	5/21/2018	882,194.70	1.06%	865.28	860,151.18
3135G0WJ8	Federal National Mortgage Association	AA+	AA+	2,000,000.00	5/31/2013	0.88%	5/21/2018	1,971,280.00	1.17%	1,944.44	1,932,924.00
Total Federal Agencies				31,765,000.00				32,353,845.26	0.97%	128,512.57	32,197,844.51
Certificates of Deposit											
85325BVS0	Standard Chartered Bank NY	AA-	A-1+	500,000.00	3/18/2013	0.35%	3/18/2014	500,000.00	0.37%	63.65	500,210.00
86958CVF8	Svenska Handelsbanken NY	A-1+	A-1+	500,000.00	4/5/2013	0.46%	10/6/2014	499,923.86	0.48%	557.16	500,439.00
06417FPL8	Bank of Nova Scotia Houston	A-1	A-1	500,000.00	3/6/2013	0.51%	3/6/2015	500,000.00	0.59%	179.03	500,296.50
83051HJH0	Skandinaviska Enskilda NY	A+	A+	1,000,000.00	4/16/2013	0.65%	4/16/2015	1,000,000.00	0.66%	1,376.66	999,955.00
21684BEP5	Rabobank Nederland NV NY	AA-	AA-	1,000,000.00	4/29/2013	0.60%	4/29/2015	1,000,000.00	0.61%	1,050.00	995,169.00
Total Certificates of Deposit				3,500,000.00				3,499,923.86	0.57%	3,226.50	3,496,069.50
Corporate Notes											
717081AR4	Pfizer	AA	AA	225,000.00	5/11/2009	4.50%	2/15/2014	236,047.50	3.37%	3,825.00	230,459.63



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CUSIP	Description	S&P Rating		Par Value	Purchase Date	Coupon Rate	Maturity Date	Original Cost	Yield to Maturity	Accrued Interest	Market Value
		FY Quarter 3Q13	4Q13								
717081AR4	Pfizer	AA	AA	30,000.00	5/21/2009	4.50%	2/15/2014	31,590.00	3.28%	510.00	30,727.95
24422ERA9	Deere & Company	A	A	75,000.00	3/3/2011	1.60%	3/3/2014	74,925.75	1.63%	393.33	75,609.53
36962G4C5	General Electric Capital Corporation	AA+	AA+	345,000.00	8/12/2009	5.90%	5/13/2014	365,903.55	4.47%	2,714.00	361,290.90
46625HHN3	JPMorgan Chase	A	A	130,000.00	1/9/2012	4.65%	6/1/2014	137,361.90	2.21%	503.75	134,665.70
06406HBZ1	Bank of New York Mellon	A+	A+	260,000.00	11/23/2011	1.70%	11/24/2014	259,727.00	1.74%	454.28	263,687.84
713448BM9	PepsiCo	A-	A-	210,000.00	6/10/2010	3.10%	1/15/2015	216,552.00	2.38%	3,001.83	217,862.61
713448BM9	PepsiCo	A-	A-	100,000.00	6/30/2010	3.10%	1/15/2015	102,363.00	2.55%	1,429.44	103,744.10
713448BM9	PepsiCo	A-	A-	70,000.00	10/18/2010	3.10%	1/15/2015	75,110.00	1.32%	1,000.61	72,620.87
713448BM9	PepsiCo	A-	A-	90,000.00	10/26/2010	3.10%	1/15/2015	96,694.20	1.28%	1,286.50	93,369.69
46625HHP8	JPMorgan Chase	A	A	210,000.00	3/23/2010	3.70%	1/20/2015	212,662.80	3.41%	3,474.92	218,114.82
46625HHP8	JPMorgan Chase	A	A	100,000.00	3/25/2010	3.70%	1/20/2015	100,810.00	3.51%	1,654.72	103,864.20
46625HHP8	JPMorgan Chase	A	A	165,000.00	2/24/2011	3.70%	1/20/2015	169,849.35	2.90%	2,730.29	171,375.93
084670AV0	Berkshire Hathaway	AA+	AA	395,000.00	2/11/2010	3.20%	2/11/2015	394,672.15	3.22%	4,915.56	410,852.14
084670AV0	Berkshire Hathaway	AA+	AA	70,000.00	6/14/2010	3.20%	2/11/2015	71,690.50	2.65%	871.11	72,809.24
742718DM8	Procter & Gamble	AA-	AA-	250,000.00	11/18/2010	3.50%	2/15/2015	268,127.50	1.72%	3,305.56	261,802.50
06406HCC1	Bank of New York Mellon	A+	A+	435,000.00	9/18/2012	1.20%	2/20/2015	441,520.65	0.58%	1,899.50	438,528.29
14912L5D9	Caterpillar Financial	A	A	530,000.00	5/30/2012	1.10%	5/29/2015	529,830.40	1.11%	518.22	532,877.90
24422ERV3	Deere & Company	A	A	350,000.00	9/7/2012	0.70%	9/4/2015	349,762.00	0.72%	796.25	349,382.25
46623EJR1	JPMorgan Chase	A	A	270,000.00	10/18/2012	1.10%	10/15/2015	269,889.30	1.11%	627.00	268,352.46
36962G4T8	General Electric Capital Corporation	AA+	AA+	640,000.00	11/9/2010	2.25%	11/9/2015	639,520.00	2.27%	2,080.00	655,832.96
742718DS5	Procter & Gamble	AA-	AA-	150,000.00	11/18/2010	1.80%	11/15/2015	148,773.00	1.97%	345.00	153,858.00
36962G6R0	General Electric Capital Corporation	AA+	AA+	225,000.00	1/8/2013	1.00%	1/8/2016	224,277.75	1.11%	1,081.25	223,754.40
14912L5N7	Caterpillar Financial	A	A	120,000.00	2/28/2013	0.70%	2/26/2016	119,851.20	0.74%	282.33	118,892.76
713448CE6	PepsiCo	A-	A-	130,000.00	2/28/2013	0.70%	2/26/2016	129,954.50	0.71%	305.86	129,002.64
931142DC4	Wal-Mart Stores	AA	AA	300,000.00	4/18/2011	2.80%	4/15/2016	298,893.00	2.88%	1,773.33	315,340.20
459200HL8	IBM	AA-	AA-	1,520,000.00	5/7/2013	0.45%	5/6/2016	1,515,713.60	0.54%	1,026.00	1,498,558.88
478160AY0	Johnson & Johnson	AAA	AAA	250,000.00	5/20/2011	2.15%	5/15/2016	249,237.50	2.21%	686.81	258,864.25
89236TAL9	Toyota Motor Credit Corporation	AA-	AA-	640,000.00	5/17/2013	0.80%	5/17/2016	639,737.60	0.81%	625.78	636,666.88
25468PCS3	Walt Disney	A	A	540,000.00	6/14/2012	1.13%	2/15/2017	538,066.80	1.20%	2,295.00	530,782.20
25468PCS3	Walt Disney	A	A	300,000.00	6/14/2012	1.13%	2/15/2017	299,442.00	1.17%	1,275.00	594,879.00
166764AA8	Chevron	AA	AA	260,000.00	12/5/2012	1.10%	12/5/2017	260,000.00	1.10%	207.31	254,049.12
084670BH0	Berkshire Hathaway	AA+	AA	370,000.00	2/11/2013	1.55%	2/9/2018	369,485.70	1.58%	2,230.28	362,512.68
931142DF7	Wal-Mart Stores	AA	AA	365,000.00	4/11/2013	1.13%	4/11/2018	364,664.20	1.14%	912.50	354,226.30
594918AS3	Microsoft	AAA	AAA	245,000.00	5/2/2013	1.00%	5/1/2018	244,845.65	1.01%	401.53	236,941.71
037833AJ9	Apple	NR	AA+	445,000.00	5/3/2013	1.00%	5/3/2018	443,357.95	1.08%	716.94	427,332.61
084664BW0	Berkshire Hathaway	AA+	AA	180,000.00	5/15/2013	1.30%	5/15/2018	179,895.60	1.31%	299.00	174,080.34
166764AE0	Chevron	AA	AA	900,000.00	6/24/2013	1.72%	6/24/2018	900,000.00	1.72%	300.65	891,722.70
Total Corporate Notes					11,890,000.00			11,970,805.60	1.60%	52,756.44	11,929,296.18
Total LAIF and Securities					104,101,450.70			105,284,564.04	0.70%	238,997.71	104,919,146.59



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CUSIP	Description	S&P Rating	Par Value	Purchase Date	Coupon Rate	Maturity Date	Original Cost	Yield to Maturity	Accrued Interest	Market Value	Days to Maturity
LAIF and Money Market											
N/A	California Asset Management Trust	AAA	293,627.59	6/30/2013	0.10%	7/1/2013	293,627.59	0.10%	-	293,627.59	1
N/A	Local Agency Investment Fund	NR	44,212,823.11	6/30/2013	0.24%	7/1/2013	44,212,823.11	0.24%	-	44,212,823.11	1
Total LAIF and Money Market			44,506,450.70				44,506,450.70		-	44,506,450.70	
Other											
717081AR4	Pfizer	AA	225,000.00	5/11/2009	4.50%	2/15/2014	236,047.50	3.37%	3,825.00	230,459.63	230
717081AR4	Pfizer	AA	30,000.00	5/21/2009	4.50%	2/15/2014	31,590.00	3.28%	510.00	30,727.95	230
24422ERA9	Deere & Company	A	75,000.00	3/3/2011	1.60%	3/3/2014	74,925.75	1.63%	393.33	75,609.53	246
85325BVS0	Standard Chartered Bank NY	A-1+	500,000.00	3/18/2013	0.35%	3/18/2014	500,000.00	0.37%	63.65	500,210.00	261
36962G4C5	General Electric Capital Corporation	AA+	345,000.00	8/12/2009	5.90%	5/13/2014	365,903.55	4.47%	2,714.00	361,290.90	317
31398AXJ6	Federal National Mortgage Association	AA+	450,000.00	11/23/2011	2.50%	5/15/2014	470,106.00	0.68%	1,437.50	458,934.75	319
46625HHN3	JPMorgan Chase	A	130,000.00	1/9/2012	4.65%	6/1/2014	137,361.90	2.21%	503.75	134,665.70	336
31331JQA4	Federal Farm Credit Bureau	AA+	825,000.00	6/14/2010	1.90%	6/2/2014	822,995.25	1.96%	1,262.71	837,712.43	337
3137EACD9	Federal Home Loan Mortgage Corporation	AA+	520,000.00	8/5/2009	3.00%	7/28/2014	521,024.40	2.96%	6,630.00	535,087.28	393
3137EACD9	Federal Home Loan Mortgage Corporation	AA+	775,000.00	8/8/2009	3.00%	7/28/2014	775,406.10	2.99%	9,881.25	797,485.85	393
3137EACU1	Federal Home Loan Mortgage Corporation	AA+	250,000.00	12/14/2011	1.00%	7/30/2014	252,517.50	0.61%	1,048.61	252,088.00	395
91282BLC2	U.S. Treasury	AA+	935,000.00	10/31/2011	2.63%	7/31/2014	990,223.44	0.46%	10,237.86	959,434.36	396
3137EACV9	Federal Home Loan Mortgage Corporation	AA+	250,000.00	7/5/2011	1.00%	8/27/2014	249,515.00	1.06%	861.11	252,279.75	423
31331GL80	Federal Farm Credit Bureau	AA+	160,000.00	12/4/2009	3.00%	9/22/2014	164,934.40	2.32%	1,320.00	165,376.00	449
31331GL80	Federal Farm Credit Bureau	AA+	285,000.00	12/4/2009	3.00%	9/22/2014	293,880.60	2.31%	2,351.25	294,576.00	449
31331GL80	Federal Farm Credit Bureau	AA+	330,000.00	1/7/2010	3.00%	9/22/2014	333,903.90	2.73%	2,722.50	341,088.00	449
86958CVF8	Svenska Handelsbanken NY	A-1+	500,000.00	4/5/2013	0.46%	10/6/2014	499,923.86	0.48%	557.16	500,439.00	463
91282BRQ5	U.S. Treasury	AA+	1,000,000.00	11/30/2011	0.38%	11/15/2014	999,375.00	0.40%	478.94	1,002,031.00	503
31398AZV7	Federal National Mortgage Association	AA+	255,000.00	5/27/2011	2.63%	11/20/2014	266,505.60	1.29%	762.34	263,276.54	508
06406HBZ1	Bank of New York Mellon	A+	260,000.00	11/23/2011	1.70%	11/24/2014	259,727.00	1.74%	454.28	263,687.84	512
713448BM9	PepsiCo	A-	210,000.00	6/10/2010	3.10%	1/15/2015	216,552.00	2.38%	3,001.83	217,862.61	564
713448BM9	PepsiCo	A-	100,000.00	6/30/2010	3.10%	1/15/2015	102,363.00	2.55%	1,429.44	103,744.10	564
713448BM9	PepsiCo	A-	70,000.00	10/18/2010	3.10%	1/15/2015	75,110.00	1.32%	1,000.61	72,620.87	564
713448BM9	PepsiCo	A-	90,000.00	10/26/2010	3.10%	1/15/2015	96,694.20	1.28%	1,286.50	93,369.69	564
46625HHP8	JPMorgan Chase	A	210,000.00	3/23/2010	3.70%	1/20/2015	212,662.80	3.41%	3,474.92	218,114.82	569
46625HHP8	JPMorgan Chase	A	100,000.00	3/25/2010	3.70%	1/20/2015	100,810.00	3.51%	1,654.72	103,864.20	569
46625HHP8	JPMorgan Chase	A	165,000.00	2/24/2011	3.70%	1/20/2015	169,849.35	2.90%	2,730.29	171,375.93	569
912828MH0	U.S. Treasury	AA+	315,000.00	1/27/2012	2.25%	1/31/2015	333,297.07	0.31%	2,956.39	324,806.90	580
912828MH0	U.S. Treasury	AA+	785,000.00	6/29/2012	2.25%	1/31/2015	822,808.79	0.38%	7,367.51	809,439.41	580
084670AV0	Berkshire Hathaway	AA	395,000.00	2/11/2010	3.20%	2/11/2015	394,672.15	3.22%	4,915.56	410,852.14	591
084670AV0	Berkshire Hathaway	AA	70,000.00	6/14/2010	3.20%	2/11/2015	71,690.50	2.65%	871.11	72,809.24	591
742718DM8	Procter & Gamble	AA-	250,000.00	11/18/2010	3.50%	2/15/2015	268,127.50	1.72%	3,305.56	261,802.50	595
06406HCC1	Bank of New York Mellon	A+	435,000.00	9/18/2012	1.20%	2/20/2015	441,520.65	0.58%	1,899.50	438,528.29	600
313381YP4	Federal Home Loan Banks	AA+	1,000,000.00	5/9/2013	0.25%	2/20/2015	1,000,260.00	0.24%	909.72	998,587.00	600
912828MR8	U.S. Treasury	AA+	100,000.00	3/2/2010	2.38%	2/28/2015	100,296.87	2.31%	793.82	103,457.00	608
912828MR8	U.S. Treasury	AA+	205,000.00	3/30/2010	2.38%	2/28/2015	203,118.17	2.57%	1,627.33	212,086.85	608
06417FPL8	Bank of Nova Scotia Houston	A-1	500,000.00	3/6/2013	0.51%	3/6/2015	500,000.00	0.59%	179.03	500,296.50	614
83051HJH0	Skandinaviska Enskilda NY	A+	1,000,000.00	4/16/2013	0.65%	4/16/2015	1,000,000.00	0.66%	1,376.66	999,955.00	655
21684BEP5	Rabobank Nederland NV NY	AA-	1,000,000.00	4/29/2013	0.60%	4/29/2015	1,000,000.00	0.61%	1,050.00	995,169.00	668
3134G42V9	Federal Home Loan Mortgage Corporation	AA+	1,000,000.00	4/30/2013	0.32%	4/29/2015	1,000,000.00	0.32%	551.11	998,275.00	668
3135G0KM4	Federal National Mortgage Association	AA+	890,000.00	4/19/2012	0.50%	5/27/2015	887,427.90	0.59%	420.28	891,451.59	696



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CUSIP	Description	S&P Rating	Par Value	Purchase Date	Coupon Rate	Maturity Date	Original Cost	Yield to Maturity	Accrued Interest	Market Value	Days to Maturity
14912L5D9	Caterpillar Financial	A	530,000.00	5/30/2012	1.10%	5/29/2015	529,830.40	1.11%	518.22	532,877.90	698
3134A4VC5	Federal Home Loan Mortgage Corporation	AA+	480,000.00	4/4/2013	4.38%	7/17/2015	524,078.40	0.34%	9,566.67	518,417.28	747
3134A4VC5	Federal Home Loan Mortgage Corporation	AA+	1,880,000.00	4/5/2013	4.38%	7/17/2015	2,052,960.00	0.33%	37,469.44	2,030,467.68	747
3135G0NG4	Federal National Mortgage Association	AA+	1,300,000.00	8/7/2012	0.50%	8/7/2015	1,299,870.00	0.50%	2,600.00	1,297,744.50	768
24422ERV3	Deere & Company	A	350,000.00	9/7/2012	0.70%	9/4/2015	349,762.00	0.72%	796.25	349,382.25	796
3137EACM9	Federal Home Loan Mortgage Corporation	AA+	220,000.00	10/7/2010	1.75%	9/10/2015	222,318.80	1.53%	1,187.08	226,022.94	802
3137EACM9	Federal Home Loan Mortgage Corporation	AA+	450,000.00	9/9/2011	1.75%	9/10/2015	466,213.50	0.83%	2,428.13	462,319.65	802
313370JB5	Federal Home Loan Banks	AA+	650,000.00	8/5/2011	1.75%	9/11/2015	665,496.00	1.15%	3,475.69	667,915.30	803
46623EJR1	JPMorgan Chase	A	270,000.00	10/18/2012	1.10%	10/15/2015	269,889.30	1.11%	627.00	268,352.46	837
31398A4M1	Federal National Mortgage Association	AA+	1,000,000.00	9/27/2011	1.63%	10/26/2015	1,027,010.00	0.95%	2,934.03	1,024,791.00	848
36962G4T8	General Electric Capital Corporation	AA+	640,000.00	11/9/2010	2.25%	11/9/2015	639,520.00	2.27%	2,080.00	655,832.96	862
742718DS5	Procter & Gamble	AA-	150,000.00	11/18/2010	1.80%	11/15/2015	148,773.00	1.97%	345.00	153,858.00	868
912828PJ3	U.S. Treasury	AA+	200,000.00	11/30/2010	1.38%	11/30/2015	198,554.69	1.53%	232.92	204,250.00	883
912828PJ3	U.S. Treasury	AA+	665,000.00	5/19/2011	1.38%	11/30/2015	657,572.93	1.63%	774.47	679,131.25	883
3135G0SB0	Federal National Mortgage Association	AA+	25,000.00	11/16/2012	0.38%	12/21/2015	24,941.75	0.45%	2.60	24,860.35	904
3135G0SB0	Federal National Mortgage Association	AA+	1,000,000.00	5/9/2013	0.38%	12/21/2015	1,000,660.00	0.35%	104.17	994,414.00	904
31331J6C2	Federal Farm Credit Bureau	AA+	370,000.00	3/29/2011	2.35%	12/22/2015	371,339.40	2.27%	217.38	385,467.85	905
36962G6R0	General Electric Capital Corporation	AA+	225,000.00	1/8/2013	1.00%	1/8/2016	224,277.75	1.11%	1,081.25	224,751.40	922
912828PS3	U.S. Treasury	AA+	650,000.00	5/19/2011	2.00%	1/31/2016	658,711.16	1.70%	5,422.65	674,527.10	945
14912L5N7	Caterpillar Financial	A	120,000.00	2/28/2013	0.70%	2/26/2016	119,851.20	0.74%	282.33	118,892.76	971
713448CE6	PepsiCo	A-	130,000.00	2/28/2013	0.70%	2/26/2016	129,954.50	0.71%	305.86	129,002.64	971
3136FPDC8	Federal National Mortgage Association	AA+	325,000.00	8/25/2011	2.00%	3/8/2016	336,167.00	1.22%	2,040.28	336,502.40	982
3135G0AL7	Federal National Mortgage Association	AA+	645,000.00	7/28/2011	2.25%	3/15/2016	660,848.30	1.70%	4,273.13	671,851.35	989
3135G0VA8	Federal National Mortgage Association	AA+	1,640,000.00	2/15/2013	0.50%	3/30/2016	1,638,130.40	0.54%	2,072.78	1,630,809.44	1,004
3135G0VA8	Federal National Mortgage Association	AA+	1,000,000.00	5/9/2013	0.50%	3/30/2016	1,002,880.00	0.40%	1,263.89	994,396.00	1,004
912828QA1	U.S. Treasury	AA+	650,000.00	7/28/2011	2.25%	3/31/2016	676,433.82	1.35%	3,676.23	679,300.70	1,005
3135G0BA0	Federal National Mortgage Association	AA+	650,000.00	5/24/2011	2.38%	4/11/2016	659,456.85	2.06%	3,430.56	679,599.70	1,016
3135G0BA0	Federal National Mortgage Association	AA+	725,000.00	7/31/2012	2.38%	4/11/2016	773,038.50	0.56%	3,826.39	758,015.05	1,016
931142DC4	Wal-Mart Stores	AA	300,000.00	4/18/2011	2.80%	4/15/2016	298,893.00	2.88%	1,773.33	315,340.20	1,020
459200HL8	IBM	AA-	1,520,000.00	5/7/2013	0.45%	5/6/2016	1,515,713.60	0.54%	1,026.00	1,498,558.88	1,041
478160AY0	Johnson & Johnson	AAA	250,000.00	5/20/2011	2.15%	5/15/2016	249,237.50	2.21%	686.81	258,864.25	1,050
89236TAL9	Toyota Motor Credit Corporation	AA-	640,000.00	5/17/2013	0.80%	5/17/2016	639,737.60	0.81%	625.78	636,666.88	1,052
3137EACT4	Federal Home Loan Mortgage Corporation	AA+	635,000.00	7/29/2011	2.50%	5/27/2016	656,720.81	1.76%	1,499.31	666,803.98	1,062
3137EACT4	Federal Home Loan Mortgage Corporation	AA+	475,000.00	9/10/2012	2.50%	5/27/2016	508,511.25	0.58%	1,121.53	498,790.38	1,062
3137EACT4	Federal Home Loan Mortgage Corporation	AA+	1,000,000.00	5/3/2013	2.50%	5/27/2016	1,064,870.00	0.37%	2,361.11	1,050,085.00	1,062
313373SZ6	Federal Home Loan Banks	AA+	650,000.00	7/29/2011	2.13%	6/10/2016	658,989.50	1.83%	805.73	676,042.25	1,076
912828KZ2	U.S. Treasury	AA+	1,500,000.00	2/23/2012	3.25%	6/30/2016	1,660,488.28	0.75%	132.47	1,614,609.00	1,096
912828LP3	U.S. Treasury	AA+	1,100,000.00	11/15/2011	3.00%	9/30/2016	1,209,914.06	0.90%	8,295.08	1,178,976.56	1,188
912828LU2	U.S. Treasury	AA+	800,000.00	7/6/2012	3.13%	10/31/2016	886,343.75	0.59%	4,211.96	860,624.80	1,219
3135G0ES8	Federal National Mortgage Association	AA+	1,565,000.00	6/7/2012	1.38%	11/15/2016	1,600,431.60	0.85%	2,749.62	1,586,512.49	1,234
25468PCS3	Walt Disney	A	540,000.00	6/14/2012	1.13%	2/15/2017	538,066.80	1.20%	2,295.00	530,782.20	1,326
25468PCS3	Walt Disney	A	300,000.00	6/14/2012	1.13%	2/15/2017	299,442.00	1.17%	1,275.00	294,879.00	1,326
912828SM3	U.S. Treasury	AA+	705,000.00	7/31/2012	1.00%	3/31/2017	717,695.51	0.61%	1,772.13	705,661.29	1,370
3135G0JA2	Federal National Mortgage Association	AA+	725,000.00	8/16/2012	1.13%	4/27/2017	733,678.25	0.86%	1,450.00	722,482.80	1,397
3135G0JA2	Federal National Mortgage Association	AA+	1,000,000.00	5/1/2013	1.13%	4/27/2017	1,021,280.00	0.58%	2,000.00	996,528.00	1,397
313379DD8	Federal Home Loan Banks	AA+	800,000.00	6/29/2012	1.00%	6/21/2017	803,112.00	0.92%	222.22	788,933.60	1,452
912828NR7	U.S. Treasury	AA+	305,000.00	9/10/2012	2.38%	7/31/2017	330,448.44	0.64%	3,021.56	320,631.25	1,492
912828TG5	U.S. Treasury	AA+	715,000.00	11/6/2012	0.50%	7/31/2017	708,632.03	0.69%	1,491.23	697,851.44	1,492



City of Napa
Quarterly Investment Report - Maturity Report
as of June 30, 2013

CUSIP	Description	S&P Rating	Par Value	Purchase Date	Coupon Rate	Maturity Date	Original Cost	Yield to Maturity	Accrued Interest	Market Value	Days to Maturity
3135G0MZ3	Federal National Mortgage Association	AA+	840,000.00	9/10/2012	0.88%	8/28/2017	842,083.20	0.82%	2,470.42	823,354.56	1,520
3137EADL0	Federal Home Loan Mortgage Corporation	AA+	1,100,000.00	10/5/2012	1.00%	9/29/2017	1,112,661.00	0.76%	2,811.11	1,086,908.90	1,552
3135G0PQ0	Federal National Mortgage Association	AA+	735,000.00	10/31/2012	0.88%	10/26/2017	734,147.40	0.90%	1,161.20	718,514.69	1,579
166764AA8	Chevron	AA	260,000.00	12/5/2012	1.10%	12/5/2017	260,000.00	1.10%	207.31	254,049.12	1,619
912828UE8	U.S. Treasury	AA+	575,000.00	1/7/2013	0.75%	12/31/2017	573,068.36	0.82%	11.72	562,556.43	1,645
912828UE8	U.S. Treasury	AA+	120,000.00	1/31/2013	0.75%	12/31/2017	119,254.69	0.88%	2.45	117,403.08	1,645
084670BH0	Berkshire Hathaway	AA	370,000.00	2/11/2013	1.55%	2/9/2018	369,485.70	1.58%	2,230.28	362,512.68	1,685
912828UR9	U.S. Treasury	AA+	565,000.00	3/8/2013	0.75%	2/28/2018	562,307.42	0.85%	1,416.34	551,183.98	1,704
931142DF7	Wal-Mart Stores	AA	365,000.00	4/11/2013	1.13%	4/11/2018	364,664.20	1.14%	912.50	354,226.30	1,746
912828UZ1	U.S. Treasury	AA+	550,000.00	5/15/2013	0.63%	4/30/2018	544,994.14	0.81%	579.14	531,523.30	1,765
594918AS3	Microsoft	AAA	245,000.00	5/2/2013	1.00%	5/1/2018	244,845.65	1.01%	401.53	236,941.71	1,766
037833AJ9	Apple	AA+	445,000.00	5/3/2013	1.00%	5/3/2018	443,357.95	1.08%	716.94	427,332.61	1,768
084664BW0	Berkshire Hathaway	AA	180,000.00	5/15/2013	1.30%	5/15/2018	179,895.60	1.31%	299.00	174,080.34	1,780
3135G0WJ8	Federal National Mortgage Association	AA+	890,000.00	5/28/2013	0.88%	5/21/2018	882,194.70	1.06%	865.28	860,151.18	1,786
3135G0WJ8	Federal National Mortgage Association	AA+	2,000,000.00	5/31/2013	0.88%	5/21/2018	1,971,280.00	1.17%	1,944.44	1,932,924.00	1,786
166764AE0	Chevron	AA	900,000.00	6/24/2013	1.72%	6/24/2018	900,000.00	1.72%	300.65	891,722.70	1,820
Total Other			59,595,000.00				60,778,113.34		238,997.71	60,412,695.89	
Total LAIF and Securities			104,101,450.70				105,284,564.04		238,997.71	104,919,146.59	

RESOLUTION R2012 77

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF NAPA, STATE OF CALIFORNIA, TO ADOPT AN UPDATE TO THE CITY'S STATEMENT OF INVESTMENT POLICY, AND DELEGATE AUTHORITY TO THE CITY TREASURER TO INVEST FUNDS IN ACCORDANCE WITH THE STATEMENT OF INVESTMENT POLICY

WHEREAS, consistent with California Government Code Section 53646, the City Treasurer annually renders to the City Council a statement of investment policy; and

WHEREAS, consistent with Government Code Section 53607, the City Council annually delegates authority to the City Treasurer to make investments on behalf of the City; and

WHEREAS, the Council appointed the Finance Director to serve as the City Treasurer on October 3, 2006; and

WHEREAS, the City Council has considered all information related to this matter, as presented at the public meetings of the City Council identified herein, including any supporting reports by City staff, and any information provided during public meetings.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Napa, as follows:

1. The City Council hereby finds that the facts set forth in the recitals to this resolution are true and correct, and establish the factual basis for the City Council's adoption of this resolution.
2. The City Council of the City of Napa, State of California hereby adopts the update of the City's Statement of Investment Policy attached hereby as Exhibit "A".
3. The City Council hereby delegates authority to the City Treasurer to invest funds in accordance with the City's Statement of Investment Policy.
4. This Resolution shall take effect immediately upon its adoption.

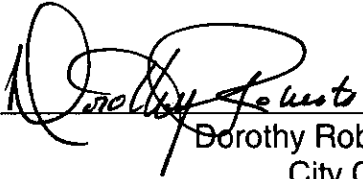
I HEREBY CERTIFY that the foregoing Resolution was duly adopted by the City Council of the City of Napa at a public meeting of said City Council held on the 19th day of June, 2012, by the following vote:

AYES: van Gorder, Mott, Inman, Krider, Techel


NOES: None

ABSENT: None

ABSTAIN: None

ATTEST: 
Dorothy Roberts
City Clerk

Approved as to form:


Michael W. Barrett
City Attorney

CITY OF NAPA,
STATEMENT OF INVESTMENT POLICY
June 2012

1. Policy

It is the policy of the City of Napa to invest public funds in a manner which will provide maximum security, meet the daily cash flow demands of the City, and provide highest investment return while conforming to all California laws and local statutes governing the investment of public funds.

2. Scope

This investment policy applies to all the funds and investment activities under the direct authority of the City of Napa, including that of the Housing Authority of the City of Napa and the Napa Community Redevelopment Agency. Excluded from these funds are the employees' retirement funds which are separately administered and the reserve requirements of certain debt issues which are invested by trustees appointed under indenture agreements. Funds are accounted for in the City's Comprehensive Financial Report and include the following:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Debt Service Funds
- Enterprise Funds
- Internal Service Funds
- Trust and Agency Funds

3. Prudence

All persons authorized to make investment decisions on behalf of the City are trustees and therefore fiduciaries subject to the prudent investor standard: "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

4. Objective

The primary objectives in priority order, of the City of Napa's investment activities shall be:

4.1 Safety: Safety of principal is the foremost objective of the investment program. Investments of the City of Napa shall be undertaken in a manner that seeks to ensure that capital losses are avoided, whether from securities default, broker-dealer default, or erosion of market value. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. The City may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity or yield of the portfolio in response to market conditions or the City's risk preferences.

4.2 Liquidity: The City of Napa's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

CITY OF NAPA,
STATEMENT OF INVESTMENT POLICY
June 2012

4.3 Return on Investment: The City of Napa's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio.

5. Delegation of Authority

Pursuant to the City of Napa Municipal Code Section 2.32.030(g), the Finance Director/Treasurer is delegated investment authority and is responsible for investment decisions and activities. Section 53607 of the California Government Code requires that delegation of authority is only valid for a one-year period or until the delegation of the authority is revoked or expires. Authority must be renewed each year. The Treasurer shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include reference to: Safekeeping, master repurchase agreement, wire transfer agreement, collateral/depository agreement and banking service contract. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No City personnel may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer. He or she shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The City may engage the services of one or more external investment managers to assist in the management of the City's investment portfolio in a manner consistent with the City's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such managers must be registered under the Investment Advisors Act of 1940.

6. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Manager any material financial interests in financial institutions that conduct business within the jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City of Napa's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the City's, particularly with regard to the time of purchases and sales.

7. Authorized Money Managers, Financial Dealers and Institutions

The City may contract with professional money managers to assist in the management of all or part of its investment portfolio in compliance with the investment guidelines detailed in "Appendix A".

If the City Treasurer directly invests in individual securities, then the City will maintain a list of financial institutions and primary dealers authorized to provide investment services. Professional money managers working with the City may maintain their own list. "Primary" dealers include those that regularly report to the Federal Reserve Bank and should qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

CITY OF NAPA,
STATEMENT OF INVESTMENT POLICY
June 2012

All financial institutions, dealers and cash managers who desire to become qualified bidders for investment transactions must supply the City with the following: audited financial statements, proof of National Association of Security Dealers certification when applicable, trading resolution, proof of State of California registration when applicable, completed questionnaire and certification of having read the City of Napa's investment policy and depository contracts.

A current audited financial statement is required to be on file for each financial institution and dealer.

8. Authorized Investments

The City is governed by the California Government Code Sections 53600 et seq. Authorized investments of the City are detailed in Appendix "A" which is made part of this investment policy.

9. Collateralization

Collateralization will be required as indicated in Appendix "A". Collateral will always be held by an independent third party with whom the City has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the city and retained. The right of collateral substitution may be granted.

10. Safekeeping and Custody

All securities owned by the City, shall be held in safekeeping by the City's custodian bank or a third party bank trust department, acting as agent for the City under the terms of a custody or trustee agreement executed by the bank and by the City. All securities will be received and delivered using standard delivery-versus-payment (DVP) procedures.

11. Diversification

The City will diversify its investments by security type and institution as detailed in Appendix "A".

12. Maximum Maturities

Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than 5 years from the date of purchase (See exception indicated in Appendix "A").

13. Internal Control

The Treasurer shall establish a system of written internal controls which shall be reviewed by an independent auditor. This review will provide internal control by assuring compliance with policies and procedures. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation of third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the city. Controls deemed most important include: control of collusion, separation of duties, separation of transaction authority from accounting and recordkeeping, clear delegation of authority, specific limitations regarding securities losses and remedial action, written confirmation of telephone transactions, minimizing the number of authorized investment officials, documentation of transactions and strategies, and code of ethics standards.

14. Performance Standards

The investment portfolio shall be designed to attain a market average rate of return through budgetary and economic cycles, taking into account the investment risk constraints and cash flow needs. The specific investment performance objective for the portfolio shall be to earn a total rate of return over a market cycle which is approximately equal to a market benchmark index. The current benchmark index for the portfolio is the Merrill Lynch U.S. Treasuries/Agencies 1-5 Year Index.

CITY OF NAPA,
STATEMENT OF INVESTMENT POLICY
June 2012

15. Reporting

Per California Government Code section 53607, the Finance Director/Treasurer shall provide monthly transactions to the City Council.

Per California Government Code section 53646, the Finance Director/Treasurer shall render a quarterly report to the City Council. This report shall include:

- Type of investment, issuer,
- Date of maturity,
- Par and dollar amount invested on all securities,

The quarterly report shall state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance. The quarterly report shall also include a statement denoting the ability of the local agency to meet its pool's expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

Monthly statements generated by the City's contracted investment managers shall provide the following information:

- Type of investment
- Issuer
- Maturity date
- Par and dollar amount invested on all securities
- Market value as of the date of the report and source of valuation

16. Investment Policy Adoption

The City of Napa's investment policy shall be adopted by City Council resolution. Any modifications made thereto must be approved by the City Council.

CITY OF NAPA,
STATEMENT OF INVESTMENT POLICY
June 2012

ALLOWABLE INVESTMENTS AND ADDITIONAL INVESTMENT GUIDELINES

A. INVESTMENTS—all credit and concentration limits shall apply at time of purchase.

1. U.S. Treasury Securities (bills, notes and bonds) are sold to finance gaps between the federal government's receipts and expenditures.

A treasury bill (or T-bill) is an obligation of the U.S. government to pay the bearer a fixed sum on a specific date. Bills are sold by the Treasury at a discount from their par (face) value through a competitive auction.

Treasury notes are coupon securities paying interest every six months and have a fixed maturity of not less than one year and not more than 10 years.

Treasury bonds are coupon securities paying interest every six months with maturities of more than 10 years.

California Government Code Section 53601 Requirement: No limit specified:

City of Napa Limitation:

- 1) Maximum maturity - 5 years
- 2) Maximum par value total size - None
- 3) Maximum par value per issue - None
- 4) Credit - Full faith and credit of the Federal Government

2. U.S. Agency & Government Sponsored Enterprise Securities are not direct obligations of the United States but rather are direct obligations of agencies of the federal government or government-sponsored enterprises.

Securities issued by U.S. government agencies are backed by the full faith and credit of the U.S. government. They include the following agencies:

- Government National Mortgage Association (GNMA)
- Export-Import Bank (EXIMBANK)
- Small Business Administration (SBAs)
- Farmers Home Administration (FHA)
- General Services Administration (GSA)
- Maritime Administration

The federal government has sponsored the creation of, or the financial support of several corporations, also known as government-sponsored enterprises. None of these organizations carry the federal government guarantee.

They include:

- Federal National Mortgage Association (FNMA)
- Federal Farm Credit Bank (FFCB)
- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC)
- Tennessee Valley Authority (TVA)

FDIC-guaranteed securities were a new fixed-income asset class in 2008 that resulted from the Federal Depository Insurance Corporation's creation of the Temporary Liquidity Guarantee Program (TLGP). Eligible banking institutions participating in the TLGP Program were able to issue debt guaranteed by the FDIC through 10/31/09. The Program covers commercial paper

CITY OF NAPA,
STATEMENT OF INVESTMENT POLICY
June 2012

ALLOWABLE INVESTMENTS AND ADDITIONAL INVESTMENT GUIDELINES

and corporate debt issued by participating banks and bank holding companies for issues that are greater than 30 days maturity, but maturing on or before 12/31/2012.

California Government Code Section 53601 Requirement: No limit specified.

City of Napa Limitation:

- 1) Maximum maturity - 5 years
- 2) Maximum par value total size - no limitation
- 3) Maximum par value per issue - no limitation
- 4) Credit - Despite having no statutory limitation concerning this category, prudent investment practice necessitates constant analysis of the issuing agency. Although these issues have either the implicit or explicit guarantee of the federal government, market perception often limits the liquidity of these issues.

3. Bankers acceptances are typically created from a letter of credit issued in a foreign trade transaction. It is a time draft drawn on and accepted by a bank to pay a specified amount of money on a specified date.

California Government Code Section 53601 Requirement:

- 1) Purchases may not exceed 180 days.
- 2) Purchases are restricted to 40% of the agency's surplus money.
- 3) No more than 30% of the City's surplus money may be invested in the bankers acceptances of any one commercial bank.
- 4) Include only those that are eligible for discounting with the Federal Reserve System.

1) City of Napa Limitation:

- 1) Maximum par value size 30% of portfolio
- 2) 2) Maximum par value per institution – regardless of sector, \$2,000,000 or 5% whichever is lower.
- 3) Credit - financial institutions that shall only include banks that have short-term credit ratings of A-1, P-1 or equivalent ratings from other recognized rating services.

4. Certificate of Deposit

4A. Certificate of Deposit (Time Deposit) is a time deposit in a financial institution documented by a certificate that bears a specified dollar amount of the deposit, a specified maturity date and a specified interest rate.

California Government Code Section 53635.8 Requirement: No limit specified.

City of Napa Limitation:

- 1) Maximum maturity - 2 years
- 2) Maximum par value total size - No restriction
- 3) Maximum par value per institution - \$500,000
- 4) Credit - from City authorized financial institutions. Collateralization must comply with statutory regulations.

CITY OF NAPA,
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June 2012

ALLOWABLE INVESTMENTS AND ADDITIONAL INVESTMENT GUIDELINES

4B. Negotiable Certificate of Deposits are issued by large American banks or savings and loan associations and are traditionally trade in lots of at least \$1,000,000.

California Government Code Section 53601 Requirement: Shall not exceed the net worth of the institution.

City of Napa Limitation:

- 1) Maximum Maturity – 2 years
- 2) Maximum par value total size - 30%
- 3) Maximum par value per institution - \$1,000,000
- 4) Credit - Must be rated A or higher by a nationally recognized statistical-rating organization.

5. Commercial Paper are short-term unsecured promissory notes issued by various economic entities in the open market to finance certain short-term credit needs.

California Government Code Section 53601 Requirement:

- 1) Prime quality of the highest ranking or of the highest letter and numerical rating as provided for by nationally recognized statistical-rating organization.
- 2) Issuing corporation must be organized and operating within the United States.
- 3) Issuing corporation must have total assets in excess of five hundred million dollars (\$500,000,000).
- 4) Issuing corporation must have an "A" or higher rating by a nationally recognized statistical-rating organization for the issuer's debt, other than commercial paper.
- 5) Purchases may not exceed 270 days maturity.
- 6) Purchases may not represent more than 10% of the outstanding paper of an issuing corporation.
- 7) Purchases may not exceed 25% of the agency's surplus money.

City of Napa Limitation:

- 1) Maximum maturity - 270 days
- 2) Maximum par value per name - 5% per issuer regardless of sector.
- 3) Credit - CA GC Section 53601 requirements.

6. Medium Term Notes (MTNs) issued by corporations organized and operating within the United States.

California Government Code Section 53601 Requirement:

- 1) Maximum of five years maturity
- 2) Shall be rated A or better by a nationally recognized statistical ratings organization.
- 3) May not exceed 30% of surplus money

City of Napa Limitation:

- 1) Maximum par value per issuer – 5%
- 2) Credit – from City authorized institutions that shall only include institutions rated A or higher by a nationally recognized statistical-rating organization. Any downgrading of these issues after purchase shall be reported to the Council in the quarterly reports.

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7. Local Agency Investment Fund (LAIF) was established by the State to enable treasurers to place funds in a pool for investments.

City of Napa Limitation: None

LAIF Limitations:

- 1) \$50,000,000 per account
- 2) No more than 15 transactions in a month

8. A Repurchase Agreement is not a security but a contractual agreement. It consists of two simultaneous transactions. First, an investor purchases securities (collateral) from a bank or dealer. At the same time, the selling bank or dealer contractually agrees to repurchase the collateral security at the same price (plus interest) at some mutually agreed future date.

California Government Code Section 53601 Requirement:

- 1) Term of repurchase agreements shall be for 1 year or less.
- 2) All securities under a repurchase agreement shall be held by the agency's safekeeping agent.
- 3) The seller of repurchase securities shall not be entitled to substitute securities, except as authorized by the City. New or substitute securities should be reasonably identical to the original securities in terms of maturity, yield, quality and liquidity.

City of Napa Limitation: This investment vehicle, although allowed by the City's policy, is not currently recommended. However, when utilized, the following guidelines will be further followed:

- 1) Maximum maturity - 30 days
- 2) Maximum par value total size - 20%
- 3) Maximum par value per institution - 20%
- 4) Credit -
 - a) Securities shall be marked to market daily and shall be maintained at a value no lower than \$102.
 - b) Securities acceptable as collateral shall be U.S. Treasury obligations only.
 - c) It should be covered by a master repurchase agreement.
- 5) Repurchase agreements shall only be made with primary dealers of the Federal Reserve Bank of New York.

9. Money market funds The City is authorized to invest in shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and are subject to either one of the following requirements:

- 1) The institutions shall have the highest rating provided by not less than two nationally recognized rating services.
- 2) The institutions' investment advisors shall be registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000). The purchase price of shares of beneficial interest purchased shall not include any commission that these companies may charge.

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City of Napa Limitation:

- 1) Maximum par value total size – 20% of agency's funds
- 2) Maximum of 10% per any one money market mutual fund.

10. California Asset Management Program The City is authorized to invest in shares of the California Asset Management Program, a joint powers authority established to provide investment services for California public agencies under section 53601(p).

- 1) City of Napa Limitation: None
- 2) CAMP Limitations: City's investment may not comprise more than 10% of the CAMP Pool.

Other investments not authorized by the City of Napa (with the exception of LAIF and CAMP):

- 1) Reverse repurchase agreement
- 2) Mutual funds
- 3) Derivatives such as financial futures and options, step-ups, floaters, inverse floaters, collateralized mortgage obligations (CMO's), Interest-only (IOs), Principal-only (POs), forwards, currency and interest rate swaps, caps, floors, collars, STRIPS except those already owned as of 12/31/83), etc.
- 4) Local government investment pools other than LAIF unless specifically approved by the City Council.
- 5) Eurodollar and Yankee CDs
- 6) Federal (Fed) funds.

B. ADDITIONAL GUIDELINES

- 1) Adequate liquidity equivalent to six-month expenditures shall be maintained.
- 2) No more than 50% of the overall City portfolio shall mature beyond 2 years.
- 3) Securities shall not be purchased with trading or speculation (such as anticipating an appreciation of capital value through changes in market interest rates) as the dominant criterion for the selection of the security,
- 4) Transfer of funds to any one institution of more than \$5,000,000 should be approved by the Treasurer.
- 5) All new financial institutions or primary dealers not already approved by professional money managers working with the City shall be approved by the Treasurer.
- 6) Trading is prohibited when cash or securities are not available to pay for the securities being purchased. Taking of short position, i.e. selling securities which the City does not own, is also prohibited.
- 7) Written policies and procedures for the delegation of authority for all investment activities shall be strictly followed.
- 8) Written investment procedures shall be strictly followed.
- 9) In case a financial institution or depository is downgraded, the Treasurer shall promptly make and implement an informed decision on whether to sell, withdraw, or retain any security or deposit in the City portfolio issued or held by such affected financial institution or depository.

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ALLOWABLE INVESTMENTS AND ADDITIONAL INVESTMENT GUIDELINES

- 10) Written policies and procedures for the selection and maintenance of qualified financial institutions should be strictly followed. The Treasurer shall continue to monitor financial institutions' credit characteristics and financial history throughout the period in which City funds are deposited or invested.