Investment Program Update

City of Maricopa

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PFM Asset
Management LLC

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Overview of PFM Asset Management LLC

- Independent investment advisor
- Registered with the SEC
- Public sector focus
- 40+ years of asset management experience
- 221 investment professionals*
- $71 billion of assets under management*
- $3 billion of assets for Arizona public* agencies

Representative List of PFM's Arizona City & Town Clients	
Chandler	Mesa
Casa Grande	Scottsdale
Gilbert	Surprise
Goodyear	Tempe
Flagstaff	Tucson
Avondale	Buckeye
Paradise Valley	Marana

*As of December 31, 2016

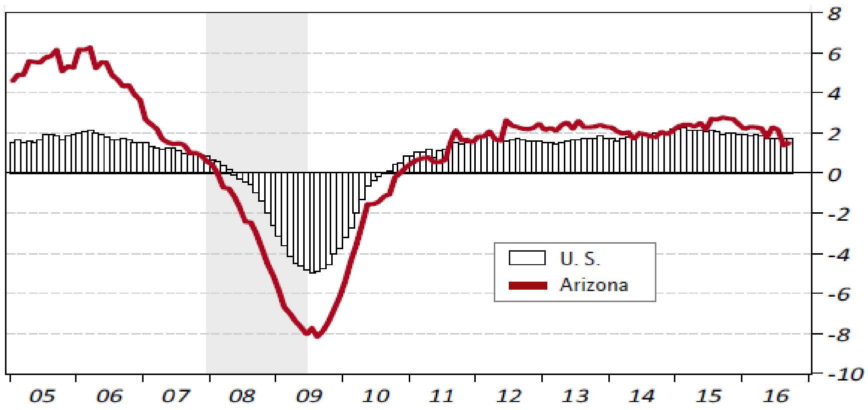
Investment Program Achievements

- Managed portfolio to the City’s objectives of:
  - **Safety**
  - **Liquidity**
  - **Yield**
- Maintained a high-quality, diversified portfolio.
- Monitored City’s cash flow requirements.
- Aided in updating City’s Investment Policy.
- Produced competitive returns in low interest rate environment.
- Monitored and managed portfolio holdings and credit exposure on a daily basis.
- Acted as a general financial and investment resource.

Economic and Interest Rate Outlook

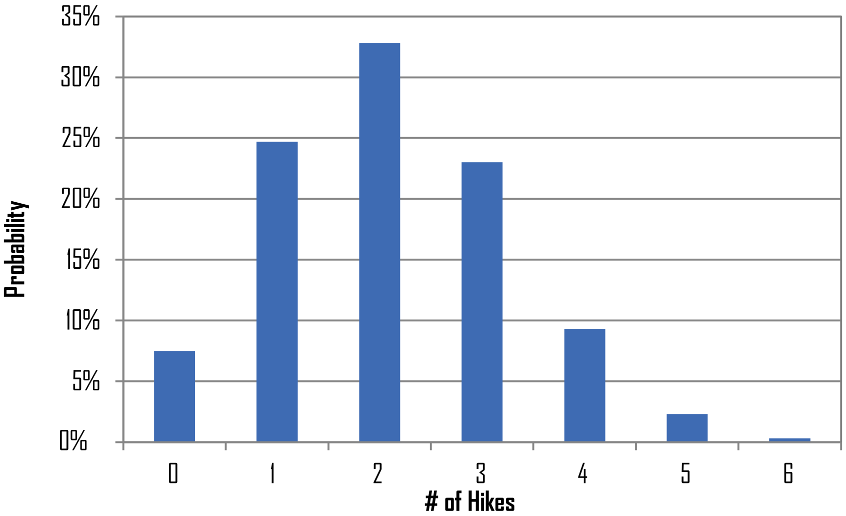
- General economic conditions characterized by:
  - Moderate GDP growth in 2016
  - Labor and housing markets continuing to strengthen
  - Inflation picking up slowly
- Federal Reserve increased its target rate to 0.50%-0.75% at its December 2016 meeting
- Interest rates have trended upward since the election

Year-Over-Year Job Growth (%)
Arizona and U.S.

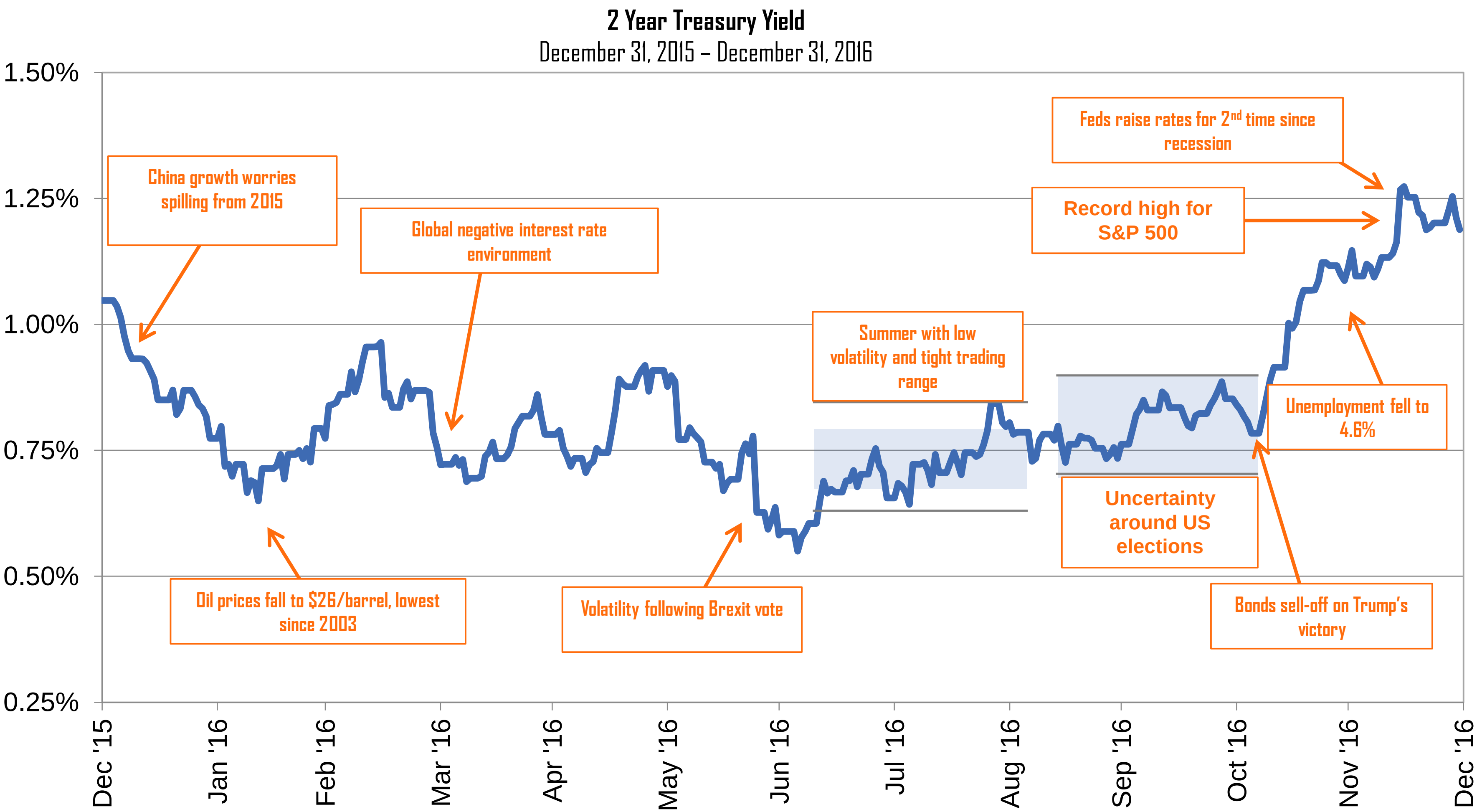


Source: Arizona's Economic and Business Research Center and Bloomberg

Number of Rate Hikes Expected By Dec 2017



Upward Trajectory of Interest Rates



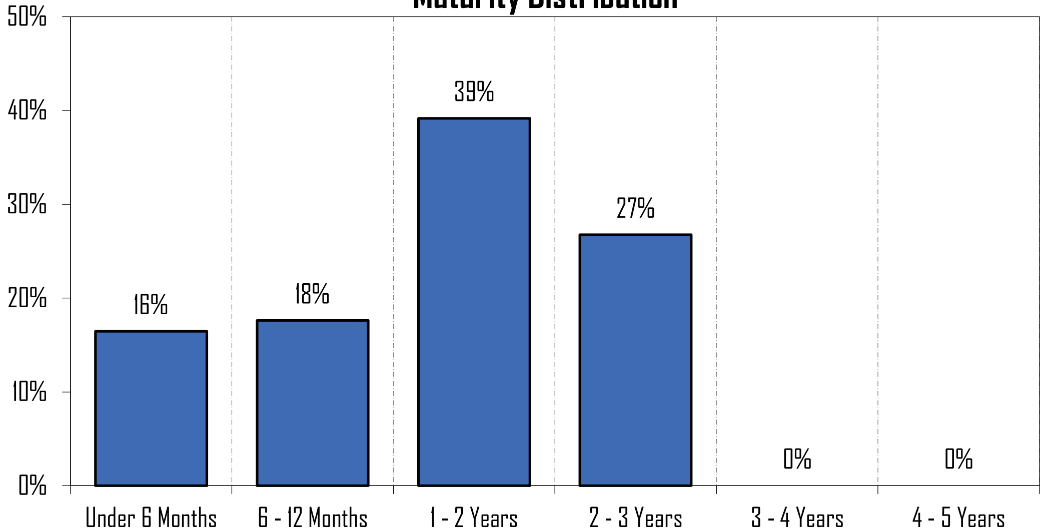
Source: Bloomberg

Overview of City's Current Managed Portfolio

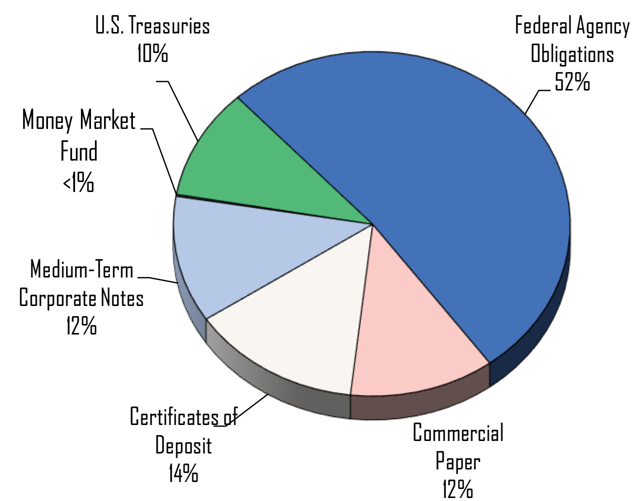
PFM-Managed Portfolio Characteristics
as of December 31, 2016

- Market Value: $65,957,670
- Average Credit Quality: AA
- Yield at Cost: 1.09%
- Average Maturity: 1.39 years

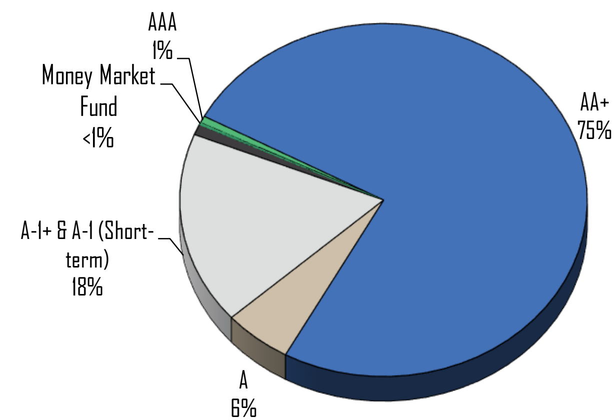
Maturity Distribution



Sector Allocation

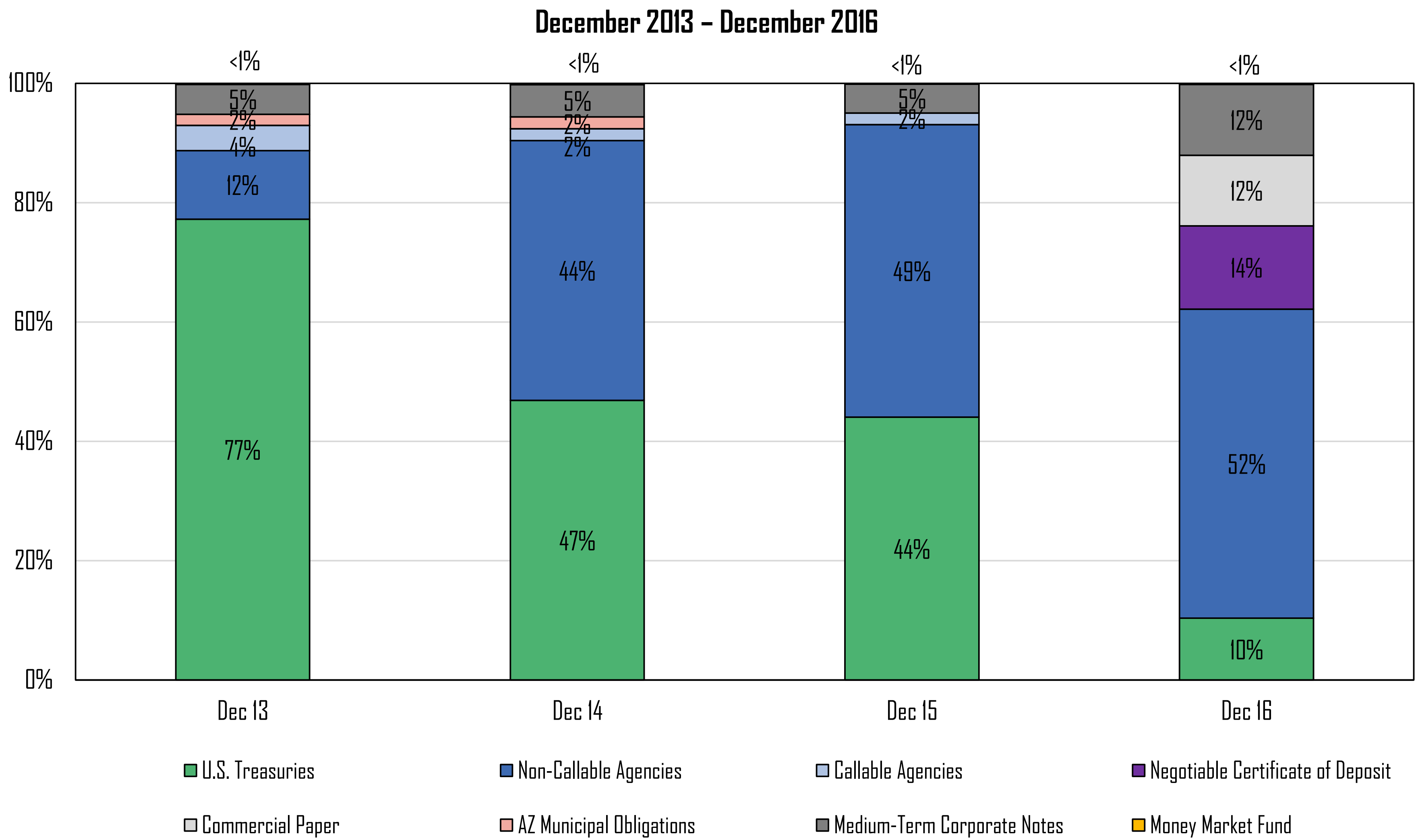


Credit Quality Distribution

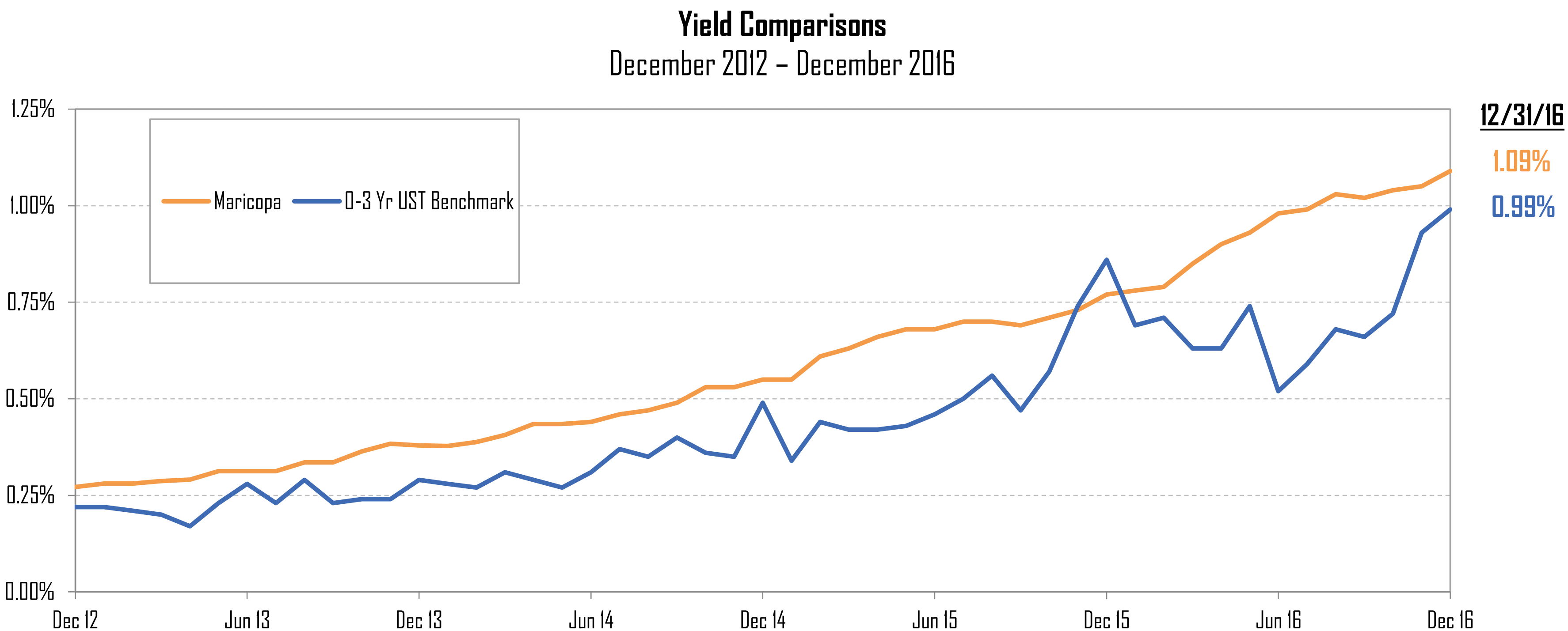


Ratings by Standard and Poor's. Includes only funds managed by PFM and excludes City's holding in the State LGIP or checking accounts.

Strategic Portfolio Sector Allocation and Diversification



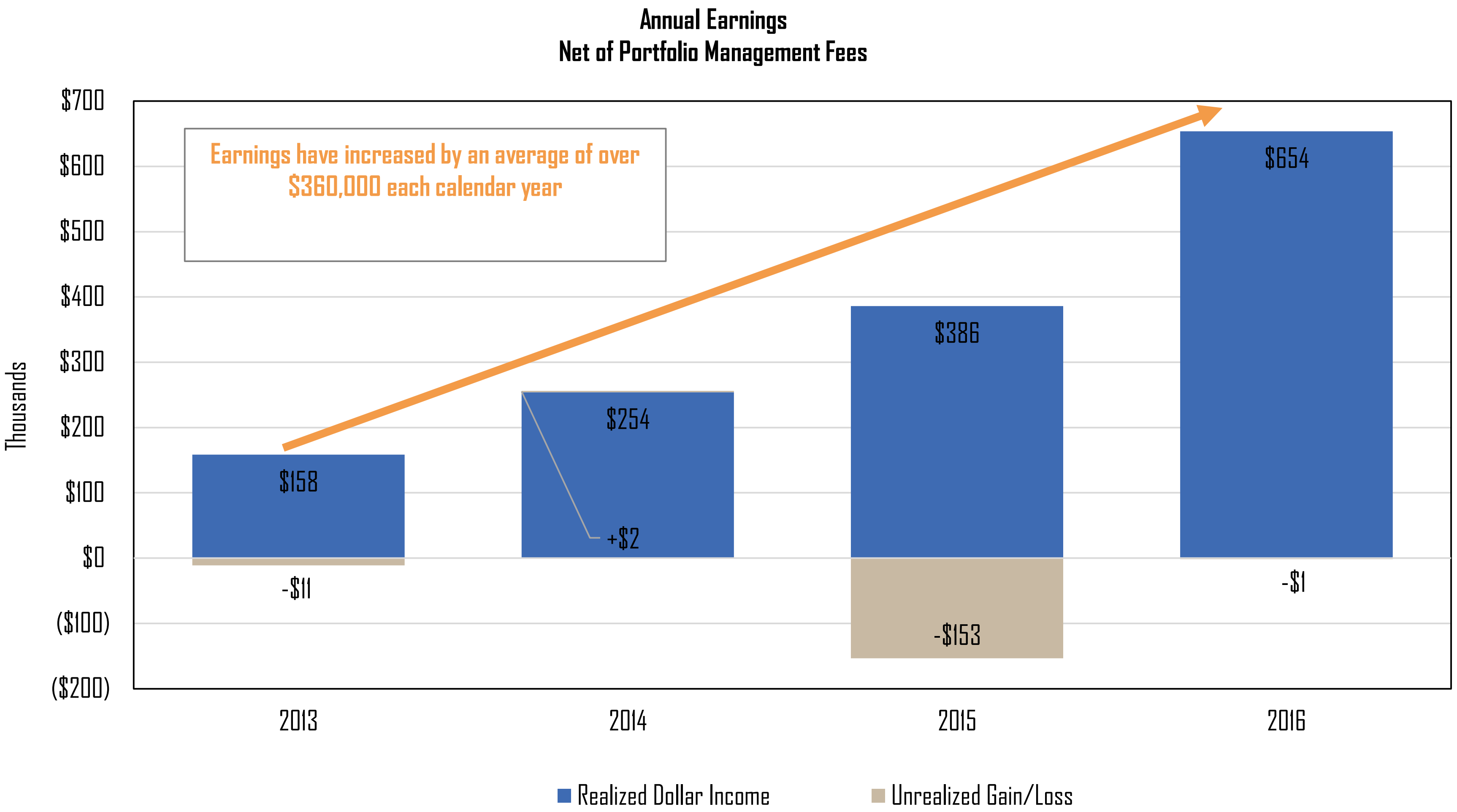
Impact of Active Management Portfolio



Average Yield (Gross)	Estimated Earnings (Gross)	Estimated Earnings (Net)
0.60%	$1,574,202	$1,310,192
0.44%	$1,174,581	$910,570

Sources/Notes: Earnings based on an $65,957,670 portfolio and assumes no withdraws or deposits. Cumulative estimated earnings are based on average yields. Fee used for calculating the benchmark net earnings is the City's management fee schedule.

Portfolio Earnings Continue to Increase



As of December 31, 2016

Liquid Funds

Source: Arizona State Treasurer

Portfolio Strategy

- **Interest rates**
  - Yields have trended higher and remain volatile
  - 2-3 rate hikes by the Fed expected in 2017

- **Sector value**
  - Yield difference between Treasuries and Agencies has been narrow, increasing relative value of Treasuries
  - High quality corporates and short-term credit instruments offer attractive yields

- **Portfolio strategy:**
  - Focus on safety of the City's principal
  - Maintain portfolio diversification
  - Prudently add credit instruments in form of commercial paper and corporate notes
  - Carefully position the portfolio in anticipation of future interest rate increases

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