



# City of San Leandro

Meeting Date: March 4, 2013

## Staff Report

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**File Number:** 13-090 **Agenda Section:** CONSENT CALENDAR

**Agenda Number:** 8.E.

**TO:** City Council

**FROM:** Chris Zapata  
City Manager

**BY:** David Baum  
Finance Director

**FINANCE REVIEW:** David Baum  
Finance Director

**TITLE:** Staff Report for Acceptance of the City of San Leandro's Investment Report  
for the Quarter Ended December 31, 2012

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### SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council review and accept the attached investment report for the quarter ended December 31, 2012.

### BACKGROUND

At December 31, 2012, the City's investment portfolio had a market value of \$74.5 million. Of this total, \$41.0 million was placed with the Local Agency Investment Fund (LAIF) and bank accounts and \$33.5 million was placed in the Chandler Asset Management portfolio. On January 31, 2012 the Redevelopment Agency LAIF accounts were closed as a result of the dissolution of the San Leandro Redevelopment Agency. These funds were transferred to the City's Economic Development Agency LAIF account in the amount of \$9.3 million. Subsequently, the Economic Development Agency LAIF account has been transferred to a new Successor Agency LAIF account established during the quarter ended June 30, 2012. The balance in this new account is \$5.9 million and has decreased since January due to debt repayments.

During September, 2012 staff transferred \$4.9 million out of LAIF to be reinvested by Chandler in securities with a greater yield. Eleven securities were purchased with half of these operating a business in the City of San Leandro (Wells Fargo Bank, Coca-Cola, JP Morgan Chase, John Deere, US Bancorp). The remaining six securities are with IBM, Pepsico, HSBC USA, Ebay, General Electric and Microsoft. The average yield of this reinvestment is 0.55% which exceeds the LAIF average book yield, and the average maturity is less than two years.

The rate of return for LAIF for the quarter was 0.32%, while the average book yield for the Chandler managed funds was 0.78%. The City's investment policy establishes three bases

for the performance standard: the LAIF rate of return and the rate of return on 2-year and 5-year U.S. Treasury securities. Amounts invested in LAIF meet this performance standard. The Chandler managed funds average book yield was 0.78%, which exceeds both the benchmark rate of return on the 2-year U.S. Treasury securities of 0.25% and the 5-year U.S. Treasury security benchmark of 0.72%.

Amounts invested with LAIF are essentially liquid; funds can be withdrawn with minimal notice as City operations require. The rate of return earned by LAIF generally follows fixed income security rates.

The balance of the City's portfolio is with Chandler Asset Management. These investments range from one to four years in maturity. The attached report notes that the City is in compliance with all provisions of the City's Investment Policy. The basic strategy recommended by Chandler is to gradually lengthen the average maturity of the portfolio in order to gain higher interest rates. Staff is in agreement with this approach, but carefully monitors maturity dates to ensure that both short and long-term liquidity needs are met.

#### **ATTACHMENTS**

- Chandler Asset Management City Council Investment Report for Quarter Ending December 31, 2012

**PREPARED BY:** David Baum, Finance Director, Finance Department



# **City of San Leandro**

## City Council Investment Report

Quarter Ending  
December 31, 2012



**City of San Leandro**

**December 31, 2012**

**COMPLIANCE WITH INVESTMENT POLICY**

*Assets managed by Chandler Asset Management are in full compliance with State law and with the City's investment policy.*

<b>Category</b>	<b>Standard</b>	<b>Comment</b>
Treasury Issues	No limitations	Complies
Agency Issues	No limitations	Complies
Banker's Acceptances	40% maximum; 30% per issuer; A-rated; 180-day max. maturity	Complies
Commercial Paper	25% maximum; 10% per issuer; 270-day max. maturity; A1/P1 and AA-rated if LT debt	Complies
Negotiable Certificates of Deposit	30% maximum; 10% per issuer	Complies
Medium Terms Notes	30% maximum; A-rated	Complies
Money Market Funds	AAA/Aaa rated; assets greater than \$500MM; 20% maximum	Complies
LAIF	Currently not used by adviser	Complies
Maximum Maturity	5 years	Complies

**City of San Leandro**

The investment goals of the City of San Leandro are to preserve principal, to provide liquidity, and to attain a rate of return commensurate with the City's investment risk constraints and cash flow needs.

**Investment Report Performance Objectives**

The performance objective for the City of San Leandro's portfolio managed by Chandler is to attain a rate of return greater than the benchmark 1-3 Year Treasury/Agency securities over a market cycle.

**Strategy**

In order to achieve these objectives, the City of San Leandro invests in US Treasury securities, federal agency securities, high quality money market instruments and high quality corporate medium term notes in accordance with the City's investment policy and California Government Code Section 53600 et seq.



## Portfolio Characteristics

	12/31/2012	9/30/2012
LAIF - City Pool #98-01-809	\$28,734,197	\$31,698,211
LAIF - Successor Agency	5,901,798	6,931,609
LAIF - RDA 1999 Bond Proceeds #11-01-001	0	0
LAIF - RDA 2008 Bond Proceeds #11-01-038	0	0
LAIF - Economic Development Agency	0	0
Passbook/Checking Accounts	6,325,418	6,580,251
<b>Total LAIF and Bank Accounts</b>	<b>\$40,961,413</b>	<b>\$45,210,071</b>
Investment Portfolio Market Value	\$33,525,157	\$33,483,596
<b>Total Market Value</b>	<b>\$74,486,570</b>	<b>\$78,693,667</b>

LAIF Quarterly Apportionment Rate	0.32%	0.35%
2 year US Treasury Yield to Maturity	0.25%	0.23%
5 year US Treasury Yield to Maturity	0.72%	0.63%

### Investment Portfolio:

Average Maturity (yrs)	1.83	1.84
Modified Duration	1.78	1.80
Average Book Yield	0.78%	0.79%
Average Yield to Maturity at Market	0.34%	0.35%
Average Quality S&P/Moody	AA+/Aa1	AA+/Aa1

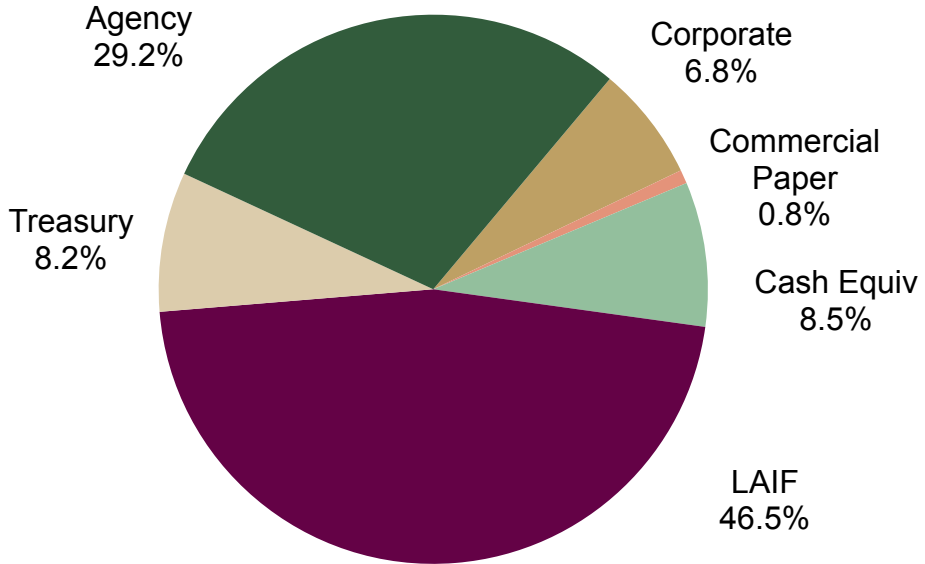
## Portfolio Activity

During the fourth quarter of 2012, activity in the portfolio managed by Chandler Asset Management consisted of the reinvestment of \$2.41 million in several Treasuries, Agency securities with maturities ranging from October 2015 to August 2016. The portfolio structure and maturity strategy has been directed by the City. Currently, the portfolio's average maturity is 1.78 years and is about equal to that of the 1-3 Year Government benchmark.

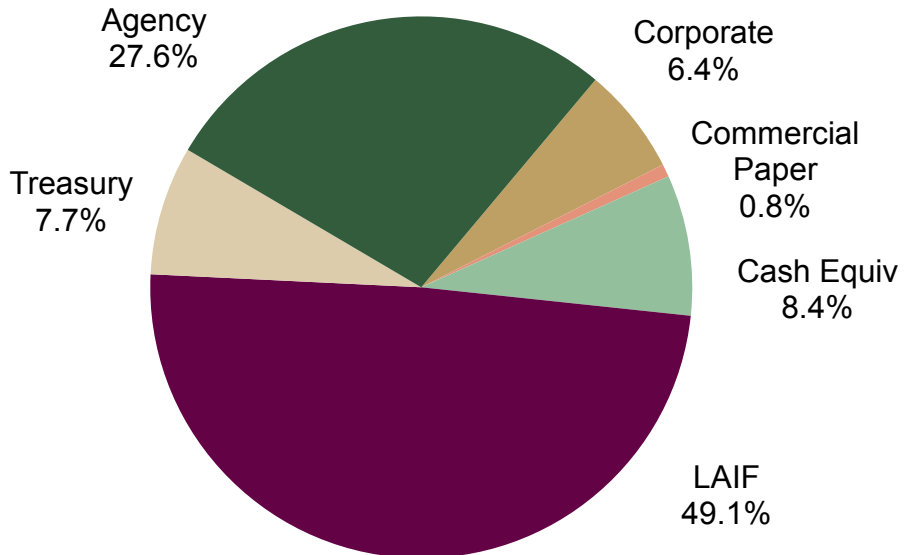


## Sector Distribution

**December 31, 2012**

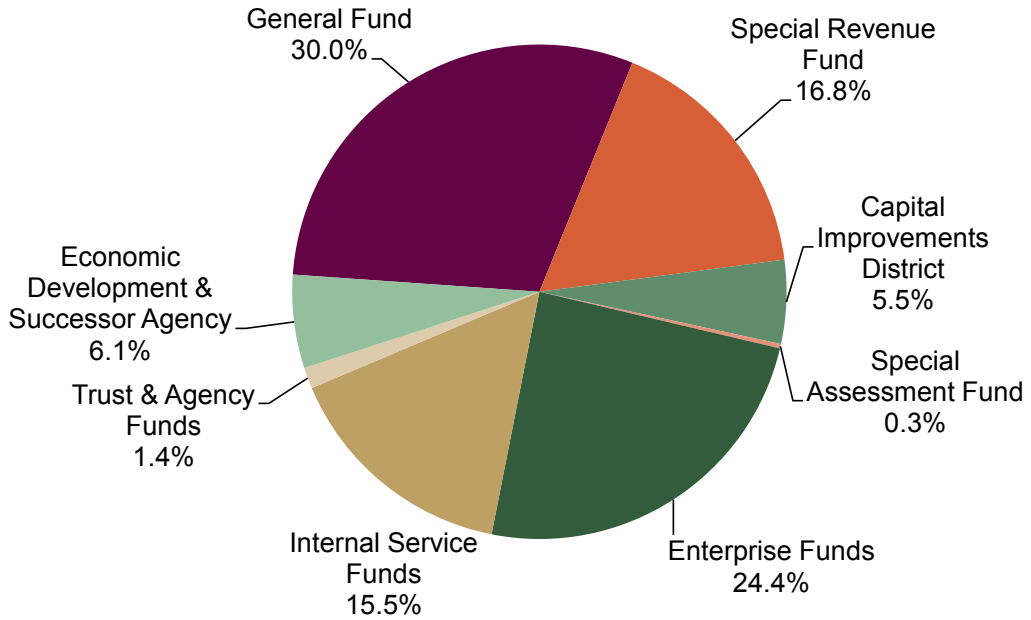


**September 30, 2012**

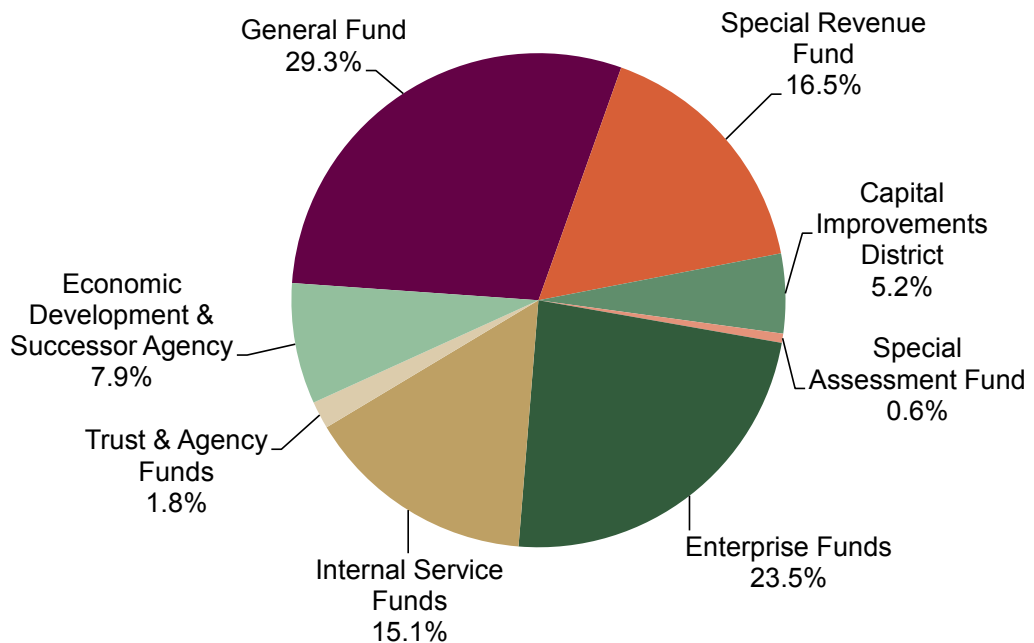




## City Fund Allocation December 31, 2012



## September 30, 2012





**City of San Leandro  
Investments by All Types  
Active Investments  
December 31, 2012**

CUSIP	Issuer	Coupon	Maturity Date	Par	Purchase Price	Book Value	Purchase Yield	MVACC
<b>LAIF</b>								
SYS113	LAIF - City Pool			\$28,734,197.00	100.00000	\$28,734,197.00		\$28,734,197.00
SYS114	LAIF - Successor Agency			5,901,798.00	100.00000	\$5,901,798.00		\$5,901,798.00
			<b>subtotal</b>	<b>\$34,635,995.00</b>		<b>\$34,635,995.00</b>		<b>\$ 34,635,995.00</b>
<b>Passbook/Checking Accounts</b>								
	Public Funds Checking			6,325,418.00	100.00000	6,325,418.00		6,325,418.00
			<b>subtotal</b>	<b>\$ 6,325,418.00</b>		<b>\$ 6,325,418.00</b>		<b>\$ 6,325,418.00</b>
<b>Government Issues</b>								
431114701	Govt Money Market Fund Highmark	0.004	31-Dec-12	14,690.10	100.00000	14,690.10	0.00	14,690.10
3137EACG2	Note FHLMC	1.375	09-Jan-13	675,000.00	99.99613	674,973.88	1.56	679,599.08
31331JBV4	Note FFCB	1.750	21-Feb-13	750,000.00	100.12278	750,920.88	0.86	756,299.58
31359MRG0	Note FNMA	4.375	15-Mar-13	772,000.00	100.83040	778,410.71	0.22	788,601.82
3137EACJ6	Note FHLMC	1.625	15-Apr-13	675,000.00	99.97500	674,831.22	1.71	680,220.16
89233GRH1	Discount CP Toyota Motor Credit	0.310	17-Apr-13	600,000.00	99.90866	599,451.95	0.31	599,451.95
3133XQU34	Note FHLB	3.625	29-May-13	775,000.00	101.37455	785,652.76	0.23	788,582.05
31331JPK3	Note FFCB	1.375	25-Jun-13	750,000.00	100.19035	751,427.66	0.97	754,897.63
912828JK7	Note US Treasury	3.125	31-Aug-13	670,000.00	101.52705	680,231.24	0.79	690,147.63
3133XRX88	Note FHLB	4.000	06-Sep-13	575,000.00	102.15058	587,365.82	0.79	597,257.55
91159HG0	Callable Note Cont 8/13/13 US Bancorp	1.375	13-Sep-13	440,000.00	100.68670	443,021.48	0.26	444,386.36
36962G4Q4	Note General Electric Capital Corp	1.875	16-Sep-13	500,000.00	101.05168	505,258.39	0.38	507,665.38
594918AF1	Note Microsoft	0.875	27-Sep-13	450,000.00	100.45767	452,059.51	0.25	452,984.73
31331GCS6	Note FFCB	3.875	07-Oct-13	575,000.00	102.25807	587,983.93	0.88	596,408.79
31360CWC2	Pool # 002443 FNMA	12.500	01-Dec-13	27.29	100.91609	27.54	11.06	27.98
46623EJE0	Note JP Morgan Chase	2.050	24-Jan-14	450,000.00	101.44939	456,522.25	0.68	461,063.82
912828KF6	Note US Treasury	1.875	28-Feb-14	750,000.00	101.07853	758,088.94	0.93	769,221.64
24422ERA9	Note John Deere Capital Corp	1.600	03-Mar-14	445,000.00	101.36859	451,090.21	0.43	453,171.29
3133XWKV0	Note FHLB	2.375	14-Mar-14	1,250,000.00	101.42655	1,267,831.84	1.16	1,291,271.28
31398AXJ6	Note FNMA	2.500	15-May-14	750,000.00	101.69264	762,694.83	1.23	775,642.08
912828QM5	Note US Treasury	1.000	15-May-14	975,000.00	100.33802	978,295.73	0.75	986,701.31
912828LK4	Note US Treasury	2.375	31-Aug-14	670,000.00	101.91712	682,844.73	1.19	699,118.70
31331GL80	Note FFCB	3.000	22-Sep-14	975,000.00	103.45300	1,008,666.79	0.96	1,029,393.30
94974BET3	Note Wells Fargo Corp	3.750	01-Oct-14	425,000.00	105.28146	447,446.22	0.70	452,095.03
912828RL6	Note US Treasury	0.500	15-Oct-14	710,000.00	100.36322	712,578.85	0.30	713,977.72
31331KHW3	Note FFCB	1.625	19-Nov-14	725,000.00	102.32216	741,835.63	0.38	744,811.23
3137EACY3	Note FHLMC	0.750	25-Nov-14	950,000.00	100.57190	955,433.06	0.45	959,335.65
3133XVNU1	Note FHLB	2.750	12-Dec-14	1,000,000.00	102.50425	1,025,042.50	1.42	1,049,442.39
912828RZ5	Note US Treasury	0.250	15-Jan-15	650,000.00	99.92507	649,512.97	0.29	650,547.88
3137EACH0	Note FHLMC	2.875	09-Feb-15	925,000.00	102.42621	947,442.43	1.68	985,075.31
40428HPG1	Note HSBC USA Inc	2.375	13-Feb-15	440,000.00	102.73079	452,015.49	1.06	456,601.27
713448BX5	Note Pepsico Inc.	0.750	05-Mar-15	445,000.00	100.44451	446,978.05	0.54	447,676.53
191216AX8	Note Coca Cola Company	0.750	13-Mar-15	445,000.00	100.64864	447,886.45	0.45	449,390.82
3137EADD8	Note FHLMC	0.500	17-Apr-15	800,000.00	99.57312	796,584.94	0.69	804,091.82
3135G0KM4	Note FNMA	0.500	27-May-15	1,000,000.00	100.12328	1,001,232.82	0.45	1,004,102.22
31398AU34	Note FNMA	2.375	28-Jul-15	600,000.00	104.57441	627,446.44	0.58	636,870.45
3133EADW5	Note FFCB	0.550	17-Aug-15	650,000.00	99.91936	649,475.84	0.58	652,260.19
313370JB5	Note FHLB	1.750	11-Sep-15	1,225,000.00	102.13059	1,251,099.68	0.94	1,276,468.65
278642AB9	Note Ebay Inc	1.625	15-Oct-15	440,000.00	102.91601	452,830.44	0.57	453,309.80
31398A4M1	Note FNMA	1.625	26-Oct-15	950,000.00	102.44102	973,189.71	0.74	985,572.78
912828PE4	Note US Treasury	1.250	31-Oct-15	800,000.00	102.35507	818,840.52	0.41	822,025.51
459200GU9	Note IBM Corp	2.000	05-Jan-16	440,000.00	104.01254	457,655.19	0.65	458,941.02
3134A4ZT4	Note FHLMC	4.750	19-Jan-16	550,000.00	112.29907	617,644.90	0.65	634,163.75
3135G0BA0	Note FNMA	2.375	11-Apr-16	865,000.00	104.12696	900,698.21	1.08	923,897.66
912828QP8	Note US Treasury	1.750	31-May-16	760,000.00	104.51743	794,332.50	0.41	795,072.07
313373SZ6	Note FHLB	2.125	10-Jun-16	850,000.00	103.30155	878,063.16	1.14	897,875.05
3137EACW7	Note FHLMC	2.000	25-Aug-16	740,000.00	105.15901	778,176.71	0.57	783,982.64
3135G0ES8	Note FNMA	1.375	15-Nov-16	650,000.00	101.51581	659,852.75	0.97	670,765.51
			<b>subtotal</b>	<b>\$ 32,521,717.39</b>		<b>\$ 33,135,637.85</b>		<b>\$ 33,525,157.16</b>
			<b>Total</b>	<b>\$ 73,483,130.39</b>		<b>\$ 74,097,050.85</b>		<b>\$ 74,486,570.16</b>





# City of San Leandro

Meeting Date: March 4, 2013

## Minute Order - Council

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**File Number:** 13-092

**Agenda Section:** CONSENT CALENDAR

**Agenda Number:**

**TO:** City Council

**FROM:** Chris Zapata  
City Manager

**BY:** David Baum  
Finance Director

**FINANCE REVIEW:** David Baum  
Finance Director

**TITLE:** MOTION: Motion Accepting the City of San Leandro's Investment Report for  
Quarter Ended December 31, 2012

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