



City of San Leandro

Meeting Date: February 3, 2014

Staff Report

File Number: 14-014 **Agenda Section:** CONSENT CALENDAR

Agenda Number: 8.B.

TO: City Council

FROM: Chris Zapata
City Manager

BY: David Baum
Finance Director

FINANCE REVIEW: David Baum
Finance Director

TITLE: Staff Report for Resolution Approving the Investment Report for the Quarter Ended December 31, 2013

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council review and accept the investment report for the quarter ended December 31, 2013.

OVERVIEW

At December 31, 2013, the City's investment portfolio had a market value of \$75.8 million. Of this total, \$42.1 million was placed with the Local Agency Investment Fund (LAIF) and bank accounts and \$33.7 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 \$2.8 million and has decreased since January 31, 2012 due to debt repayments.

The rate of return for LAIF for the quarter was 0.26%, while the average book yield for the Chandler managed funds was 0.86%. 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 0.86%, which exceeds the benchmark rate of return on the 2-year U.S. Treasury securities of 0.38%.

Amounts invested with LAIF are essentially liquid; funds can be withdrawn with minimal notice as City operations require.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 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, and carefully monitors maturity dates to ensure that both short and long-term liquidity needs are met.

ATTACHMENT

Attachment to Related Resolution

- Investment Report

PREPARED BY: David Baum, Finance Director, Finance



City of San Leandro

Meeting Date: February 3, 2014

Resolution - Council

File Number: 14-015

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: RESOLUTION Accepting Investment Report for the Quarter Ended December 31, 2013 (reviews the activities of the City's investment portfolio)

WHEREAS, the City of San Leandro Quarterly Investment Report for the quarter ended December 31, 2013, a copy of which is attached, is presented to this Council; and

WHEREAS, the City Council is familiar with the contents thereof.

NOW, THEREFORE, the City Council of the City of San Leandro does RESOLVE as follows:

That said document is hereby accepted.



City of San Leandro

City Council Investment Report

Quarter Ending
December 31, 2013



City of San Leandro

December 31, 2013

COMPLIANCE WITH INVESTMENT POLICY

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

Category	Standard	Comment
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-rated	Complies
Negotiable Certificates of Deposit	30% maximum; FDIC Insured or Collateralized 110%	Complies
Medium Terms Notes	30% maximum; A-rated	Complies
Money Market Funds	AAA/Aaa rated or SEC registered adviser, assets greater than \$500MM; 20% maximum	Complies
Repurchase Agreements	20% maximum; 360-day max. maturity	Complies
Reverse Repurchase Agreements	20% maximum; 92-day max. maturity	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

	12/31/2013	9/30/2013
LAIF - City Pool #98-01-809	\$30,824,111	\$32,800,012
LAIF - Successor Agency	2,850,716	2,848,726
LAIF - RDA 1999 Bond Proceeds #11-01-001	0	0
LAIF - RDA 2008 Bond Proceeds #11-01-038	0	0
LAIF - Economic Development Agency	2	2
Passbook/Checking Accounts	8,443,208	11,297,120
Total LAIF and Bank Accounts	\$42,118,038	\$46,945,860
Investment Portfolio Market Value	\$33,651,897	\$33,608,825
Total Market Value	\$75,769,935	\$80,554,685

LAIF Quarterly Apportionment Rate	0.26%	0.26%
2 year US Treasury Yield to Maturity	0.38%	0.32%
5 year US Treasury Yield to Maturity	1.74%	1.38%

Investment Portfolio:

Average Maturity (yrs)	1.72	1.80
Modified Duration	1.68	1.76
Average Book Yield	0.86%	0.82%
Average Yield to Maturity at Market	0.55%	0.49%
Average Quality S&P/Moody	AA+/Aa1	AA+/Aa1

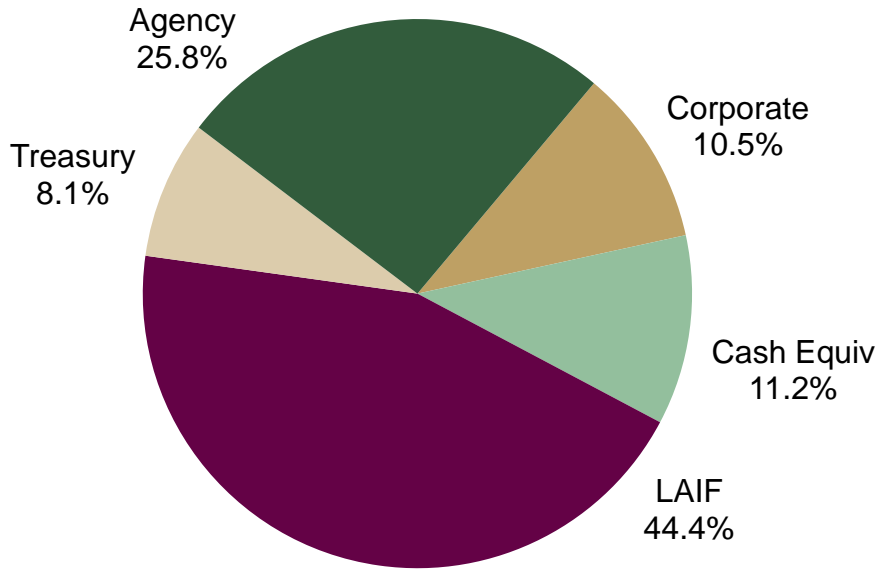
Portfolio Activity

During the fourth quarter of 2013, activity in the portfolio managed by Chandler Asset Management consisted of the reinvestment of \$1.43 million in two securities, a Corporate maturing in November 2017 and an Agency maturing in February 2018. Currently, the portfolio's average maturity is 1.72 years and is about 93% of the City's 1-3 Year Government benchmark's maturity.

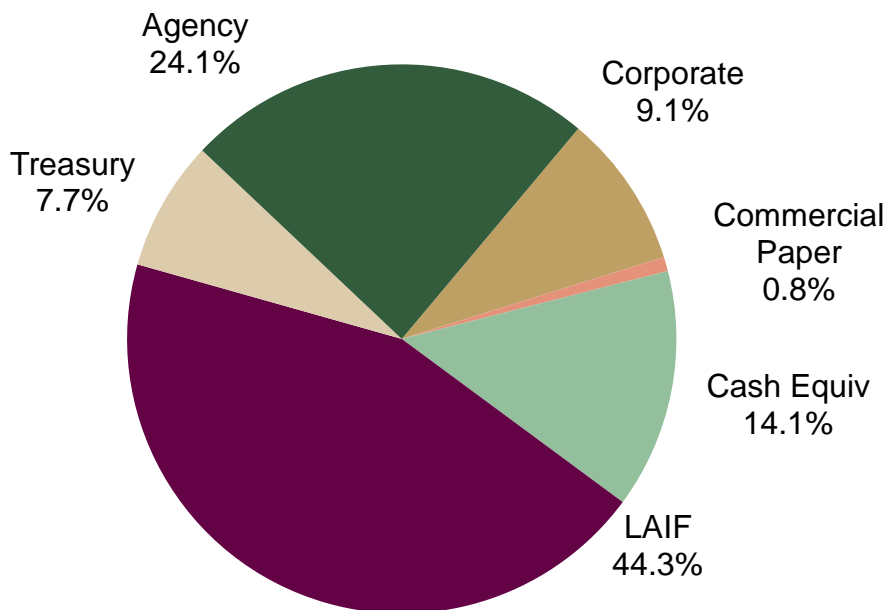


Sector Distribution

December 31, 2013

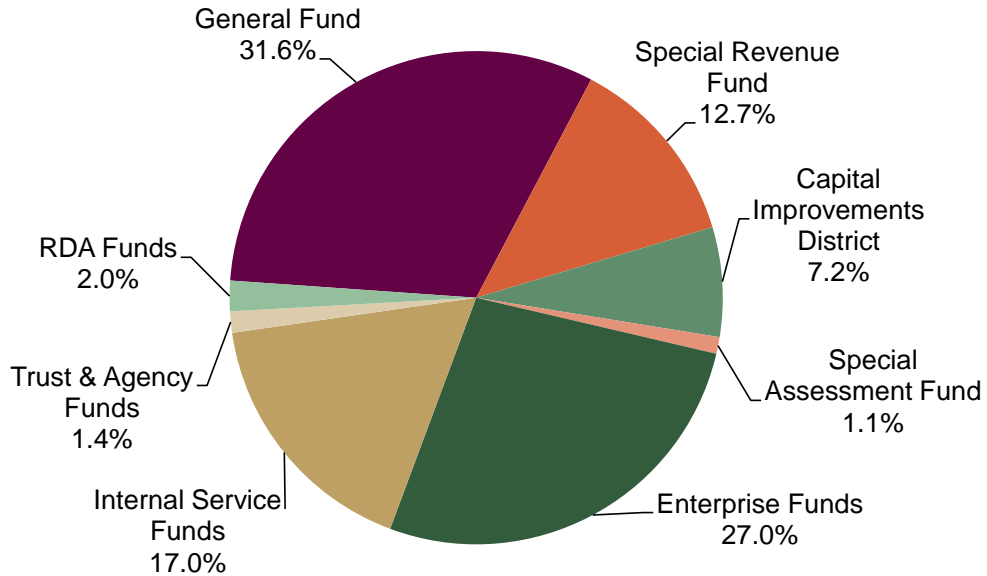


September 30, 2013

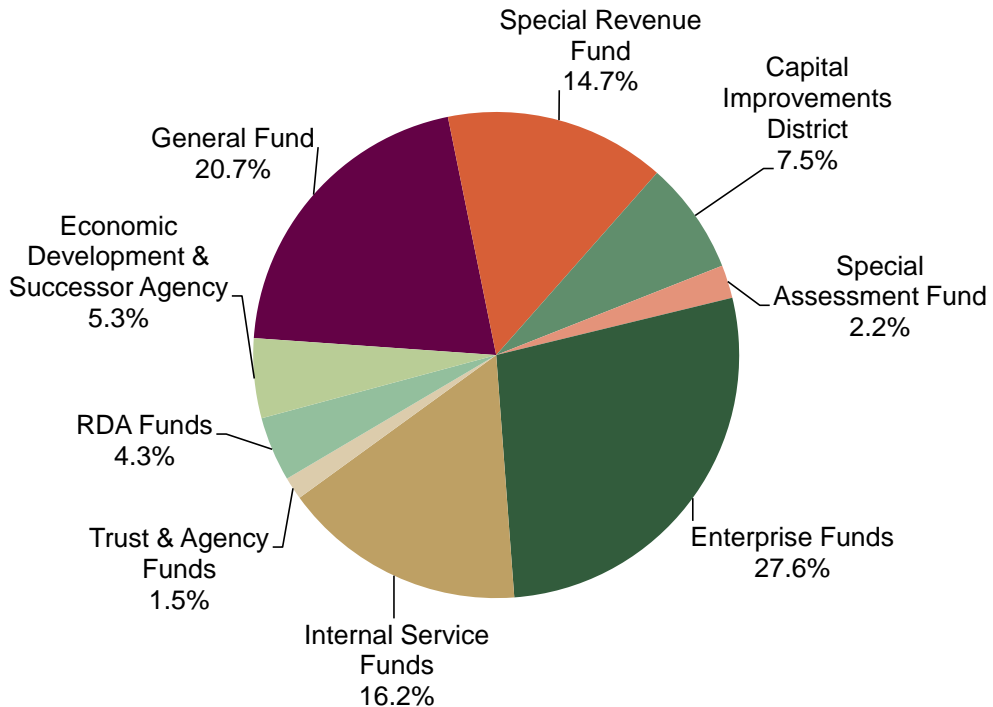




City Fund Allocation December 31, 2013



September 30, 2013





**City of San Leandro
Investments by All Types
Active Investments
December 31, 2013**

CUSIP	Issuer	Coupon	Maturity Date	Par	Purchase Price	Book Value	Purchase Yield	MVACC
LAIF								
SYS113	LAIF - City Pool			\$30,824,111.04	100.00000	\$30,824,111.04		\$30,824,111.04
SYS114	LAIF - Successor Agency			2,850,716.42	100.00000	\$2,850,716.42		\$2,850,716.42
	LAIF - Economic Development Agency			2.34		\$2.34		\$2.34
			subtotal	\$33,674,829.80		\$33,674,829.80		\$33,674,829.80
Passbook/Checking Accounts								
	Public Funds Checking			8,443,208.44	100.00000	8,443,208.44		8,443,208.44
			subtotal	\$ 8,443,208.44		\$ 8,443,208.44		\$ 8,443,208.44
Government Issues								
60934N104	GOVT OBLIG MMF Federated	0.010	31-Dec-13	27,059.05	100.00000	27,059.05	0.01	27,059.05
46623EJE0	Note JP Morgan Chase	2.050	24-Jan-14	450,000.00	100.08592	450,386.63	0.68	454,023.12
912828KF6	Note US Treasury	1.875	28-Feb-14	750,000.00	100.14788	751,109.12	0.93	756,887.14
24422ERA9	Note John Deere Capital Corp	1.600	03-Mar-14	445,000.00	100.19597	445,872.07	0.43	448,291.42
3133XWKV0	Note FHLB	2.375	14-Mar-14	1,250,000.00	100.23504	1,252,937.97	1.16	1,264,432.53
31398AXJ6	Note FNMA	2.500	15-May-14	750,000.00	100.45454	753,409.03	1.23	758,958.33
912828QM5	Note US Treasury	1.000	15-May-14	975,000.00	100.09077	975,885.03	0.75	979,502.88
912828LK4	Note US Treasury	2.375	31-Aug-14	670,000.00	100.76432	675,120.96	1.19	685,273.82
31331GL80	Note FFCB	3.000	22-Sep-14	975,000.00	101.44927	989,130.42	0.96	1,003,041.98
94974BET3	Note Wells Fargo Corp	3.750	01-Oct-14	425,000.00	102.25994	434,604.73	0.70	439,811.68
912828RL6	Note US Treasury	0.500	15-Oct-14	710,000.00	100.15988	711,135.17	0.30	712,757.23
31331KHW3	Note FFCB	1.625	19-Nov-14	425,000.00	101.08841	432,890.94	0.38	735,716.11
3137EACY3	Note FHLMC	0.750	25-Nov-14	950,000.00	100.27068	952,571.49	0.45	955,735.15
3133XVNU1	Note FHLB	2.750	12-Dec-14	1,000,000.00	101.21685	1,012,168.54	1.42	1,025,656.39
3134A4UX0	Note FHLMC	4.500	15-Jan-15	620,000.00	104.38866	647,209.72	0.26	660,441.36
912828RZ5	Note US Treasury	0.250	15-Jan-15	650,000.00	99.96183	649,751.90	0.29	651,283.68
3137EACH0	Note FHLMC	2.875	09-Feb-15	925,000.00	101.27463	936,790.30	1.68	962,541.39
40428HPG1	Note HSBC USA Inc	2.375	13-Feb-15	440,000.00	101.44135	446,341.94	1.06	452,967.31
713448BX5	Note Pepsico Inc.	0.750	05-Mar-15	445,000.00	100.23991	446,067.60	0.54	447,197.71
191216AX8	Note Coca Cola Company	0.750	13-Mar-15	445,000.00	100.35307	446,571.15	0.45	447,409.68
3137EADD8	Note FHLMC	0.500	17-Apr-15	800,000.00	99.75950	798,075.97	0.69	803,440.62
3135GOKM4	Note FNMA	0.500	27-May-15	1,000,000.00	100.07192	1,000,719.15	0.45	1,003,122.22
31398AU34	Note FNMA	2.375	28-Jul-15	600,000.00	102.79439	616,766.32	0.58	625,019.85
3133EADW5	Note FFCB	0.550	17-Aug-15	650,000.00	99.95008	649,675.55	0.58	652,117.19
313370JB5	Note FHLB	1.750	11-Sep-15	1,225,000.00	101.33947	1,241,408.55	0.94	1,259,680.03
278642AB9	Note Ebay Inc	1.625	15-Oct-15	440,000.00	101.86946	448,225.61	0.57	450,097.36
31398A4M1	Note FNMA	1.625	26-Oct-15	950,000.00	101.57432	964,956.01	0.74	973,545.78
912828PE4	Note US Treasury	1.250	31-Oct-15	800,000.00	101.52293	812,183.41	0.41	814,962.31
36962G4T8	Note General Electric Capital Corp	2.250	09-Nov-15	500,000.00	102.12697	510,634.87	1.09	516,930.50
459200GU9	Note IBM Corp	2.000	05-Jan-16	440,000.00	102.67990	451,791.54	0.65	455,901.06
3134A4ZT4	Note FHLMC	4.750	19-Jan-16	550,000.00	108.26568	595,461.26	0.65	609,916.45
3133EAJU3	Note FFCB	1.050	28-Mar-16	835,000.00	101.32892	846,096.46	0.45	848,205.11
3135G0BA0	Note FNMA	2.375	11-Apr-16	865,000.00	102.86748	889,803.69	1.08	905,602.91
037833AH3	Note Apple Inc	0.450	03-May-16	500,000.00	99.57270	497,863.49	0.63	496,732.50
3137EACT4	Note FHLMC	2.500	27-May-16	250,000.00	104.94182	262,354.56	0.43	262,238.53
912828QP8	Note US Treasury	1.750	31-May-16	760,000.00	103.19411	784,275.23	0.41	783,197.07
313373SZ6	Note FHLB	2.125	10-Jun-16	850,000.00	102.34210	869,907.86	1.14	881,986.85
742718DV8	Note Procter & Gamble Co	1.450	15-Aug-16	400,000.00	101.92383	407,695.31	0.71	408,028.31
3137EACW7	Note FHLMC	2.000	25-Aug-16	740,000.00	103.74532	767,715.37	0.57	770,422.88
3135G0ES8	Note FNMA	1.375	15-Nov-16	650,000.00	101.12453	657,309.43	0.97	662,049.01
912828RU6	Note US Treasury	0.875	30-Nov-16	775,000.00	99.92658	774,431.02	0.90	778,078.48
084670BD9	Note Berkshire Hathaway	1.900	31-Jan-17	525,000.00	100.87092	529,572.33	1.61	541,267.36
674599CB9	Note Occidental Petroleum	1.750	15-Feb-17	400,000.00	102.66916	410,676.62	0.88	404,020.44
3133782N0	Note FHLB	0.875	10-Mar-17	325,000.00	100.29206	325,949.18	0.78	325,098.45
91159HHD5	Callable Note Cont 4/15/2017 US Bancorp	1.650	15-May-17	500,000.00	100.53611	502,680.56	1.48	502,105.17
313379DD8	Note FHLB	1.000	21-Jun-17	800,000.00	99.34954	794,796.34	1.19	797,727.02
68389XAN5	Note Oracle Corp	1.200	15-Oct-17	400,000.00	99.87494	399,499.77	1.23	394,636.53
74005PBC7	Note Praxair	1.050	07-Nov-17	450,000.00	97.55953	439,017.90	1.71	437,960.70
166764AA8	Callable Note Cont 11/5/17 Chevron Corp.	1.104	05-Dec-17	650,000.00	98.33633	639,186.16	1.54	636,213.72
3135G0TG8	Note FNMA	0.875	08-Feb-18	800,000.00	98.02544	784,203.53	1.37	782,604.56
			subtotal	\$ 31,830,000.00		\$ 33,409,946.81		\$ 33,651,896.93
			Total	\$ 73,948,038.24		\$ 75,527,985.05		\$ 75,769,935.17