



# City of San Leandro

Meeting Date: May 5, 2014

## Staff Report

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**File Number:** 14-154

**Agenda Section:** CONSENT CALENDAR

**Agenda Number:** 8.C.

**TO:** City Council

**FROM:** Chris Zapata  
City Manager

**BY:** David Baum  
Finance Director

**FINANCE REVIEW:** David Baum  
Finance Director

**TITLE:** Staff Report for Resolution Accepting the Investment Report for the Quarter  
Ended March 31, 2014

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### SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council review and accept the investment report for the quarter ended March 31, 2014.

### OVERVIEW

On March 31, 2014, the City's investment portfolio had a market value of \$84.2 million. Of this total, \$45.5 million was placed with the Local Agency Investment Fund (LAIF) and bank accounts and \$38.7 million was placed in the Chandler Asset Management portfolio. In February, 2014 the City increased the investment portfolio amount by \$5 million. Newly purchased securities included a diversified mix of Treasury, Agency and Corporate securities maturing between February 2016 and August 2018.

The rate of return for LAIF for the quarter was 0.24%, 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 0.42%.

Amounts invested with LAIF are essentially liquid; funds can be withdrawn with minimal notice as City operations require.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 Department



# City of San Leandro

Meeting Date: May 5, 2014

## Resolution - Council

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**File Number:** 14-155

**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 March 31, 2014 (reviews the activities of the City's investment portfolio)

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WHEREAS, the City of San Leandro Quarterly Investment Report for the quarter ended March 31, 2014, 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  
March 31, 2014



**City of San Leandro**  
**March 31, 2014**

**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-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.



	<b>3/31/2014</b>	<b>12/31/2013</b>
LAIF - City Pool #98-01-809	\$30,844,168	\$30,824,111
LAIF - Successor Agency	2,852,553	2,850,716
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	11,832,473	8,443,208
<b>Total LAIF and Bank Accounts</b>	<b>\$45,529,196</b>	<b>\$42,118,038</b>
Investment Portfolio Market Value	\$38,714,614	\$33,651,897
<b>Total Market Value</b>	<b>\$84,243,810</b>	<b>\$75,769,935</b>
LAIF Quarterly Apportionment Rate	0.24%	0.26%
2 year US Treasury Yield to Maturity	0.42%	0.38%
5 year US Treasury Yield to Maturity	1.72%	1.74%
<b>Investment Portfolio:</b>		
Average Maturity (yrs)	1.92	1.72
Modified Duration	1.87	1.68
Average Book Yield	0.86%	0.86%
Average Yield to Maturity at Market	0.60%	0.55%
Average Quality S&P/Moody	AA/Aa1	AA+/Aa1

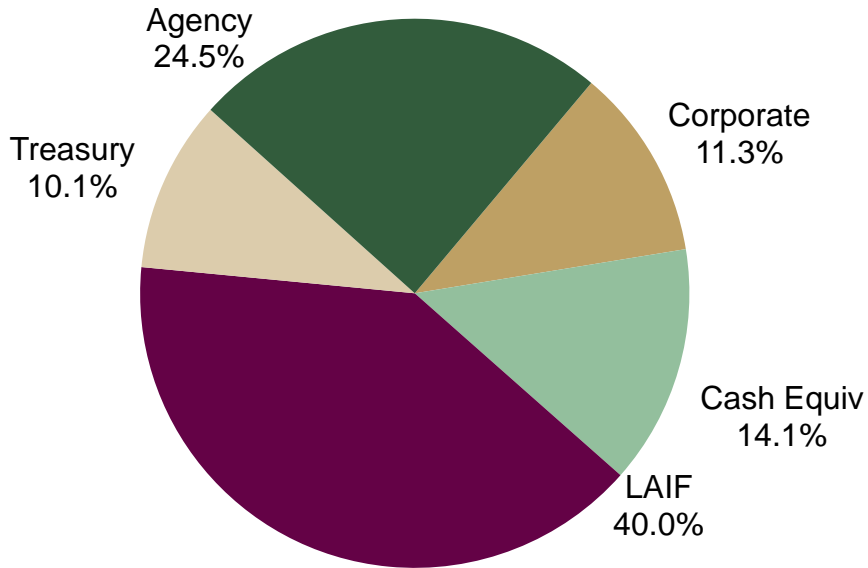
## Portfolio Activity

During the first quarter of 2014, activity in the portfolio managed by Chandler Asset Management was influenced by the investment of a \$5 million contribution in February. Newly purchased securities included a diversified mix of Treasury, Agency and Corporate securities maturing between February 2016 and August 2018. Currently, the portfolio's average maturity is 1.92 years and is about equal to that of the City's 1-3 Year Government benchmark's maturity.

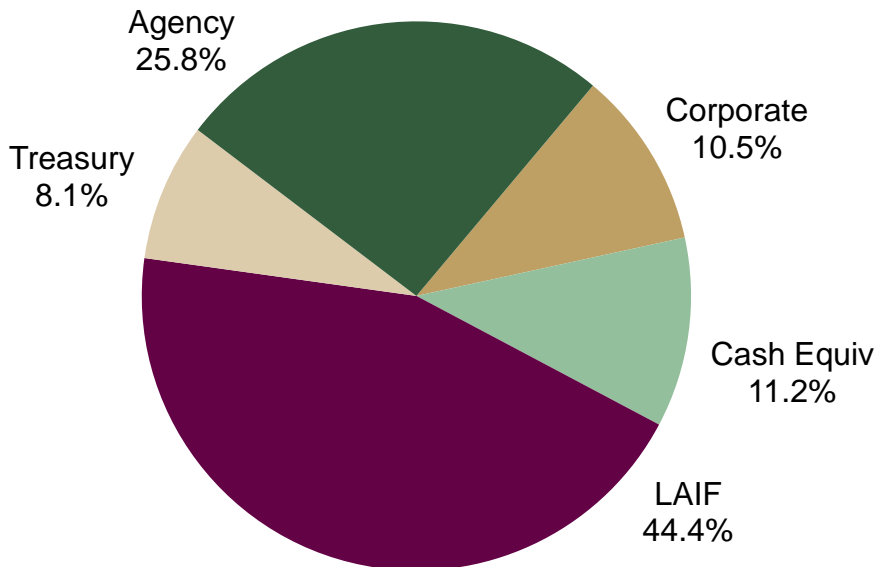


## Sector Distribution

March 31, 2014

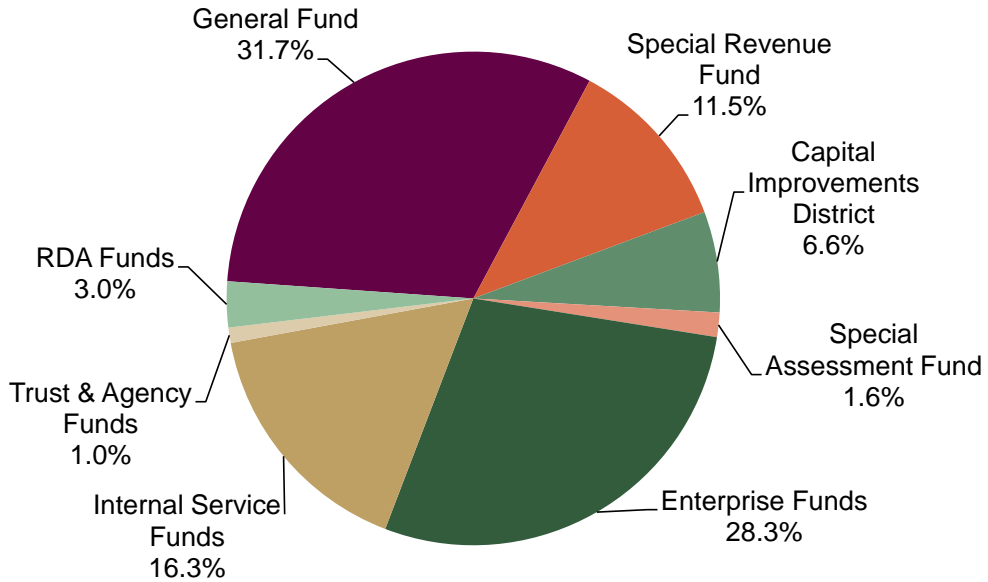


December 31, 2013

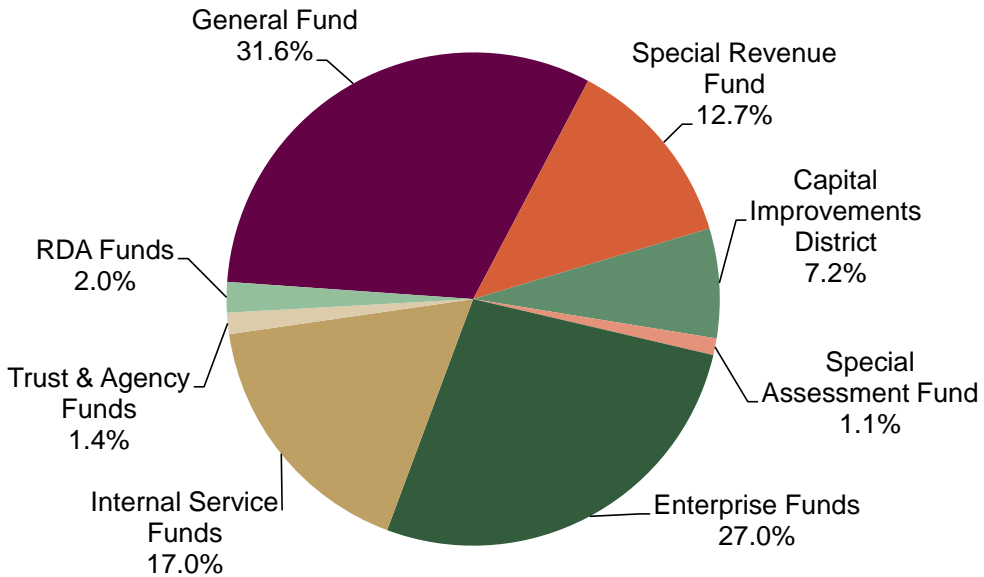




## City Fund Allocation March 31, 2014



## December 31, 2013







**City of San Leandro  
Investments by All Types  
Active Investments  
March 31, 2014**

CUSIP	Issuer	Coupon	Maturity Date	Par	Purchase Price	Book Value	Purchase Yield	MVACC
<b>LAIF</b>								
SYS113	LAIF - City Pool			\$30,844,167.61	100.00000	\$30,844,167.61		\$30,844,167.61
SYS114	LAIF - Successor Agency			2,852,553.20	100.00000	\$2,852,553.20		\$2,852,553.20
	LAIF - Economic Development Agency			2.34		\$2.34		\$2.34
			<b>subtotal</b>	<b>\$33,696,723.15</b>		<b>\$33,696,723.15</b>		<b>\$33,696,723.15</b>
<b>Passbook/Checking Accounts</b>								
	Public Funds Checking			11,832,472.56	100.00000	11,832,472.56		11,832,472.56
			<b>subtotal</b>	<b>\$ 11,832,472.56</b>		<b>\$ 11,832,472.56</b>		<b>\$ 11,832,472.56</b>
<b>Government Issues</b>								
60934N104	GOVT OBLIG MMF Federated	0.010	31-Mar-14	43,696.23	100.00000	43,696.23	0.01	43,696.23
31398AXJ6	Note FNMA	2.500	15-May-14	750,000.00	100.14925	751,119.38	1.23	759,286.08
912828QM5	Note US Treasury	1.000	15-May-14	975,000.00	100.02981	975,290.61	0.75	979,794.60
912828LK4	Note US Treasury	2.375	31-Aug-14	670,000.00	100.48007	673,216.47	1.19	677,691.08
31331GL80	Note FFCE	3.000	22-Sep-14	975,000.00	100.95520	984,313.23	0.96	989,170.65
94974BET3	Note Wells Fargo Corp	3.750	01-Oct-14	425,000.00	101.51490	431,438.33	0.70	440,215.00
912828RL6	Note US Treasury	0.500	15-Oct-14	710,000.00	100.10975	710,779.19	0.30	713,219.63
31331KHW3	Note FFCE	1.625	19-Nov-14	725,000.00	100.78419	730,685.40	0.38	736,260.94
3137EACY3	Note FHLMC	0.750	25-Nov-14	950,000.00	100.19641	951,865.90	0.45	955,128.10
3133XVNU1	Note FHLB	2.750	12-Dec-14	1,000,000.00	100.89941	1,008,994.14	1.42	1,026,645.39
3134A4UX0	Note FHLMC	4.500	15-Jan-15	620,000.00	103.34650	640,748.31	0.26	646,576.92
912828RZ5	Note US Treasury	0.250	15-Jan-15	650,000.00	99.97090	649,810.82	0.29	651,052.26
3137EACH0	Note FHLMC	2.875	09-Feb-15	925,000.00	100.99068	934,163.75	1.68	949,558.55
40428HPG1	Note HSBC USA Inc	2.375	13-Feb-15	440,000.00	101.12340	444,942.98	1.06	448,897.53
713448BX5	Note Pepsico Inc.	0.750	05-Mar-15	445,000.00	100.18946	445,843.11	0.54	446,631.67
191216AX8	Note Coca Cola Company	0.750	13-Mar-15	445,000.00	100.28019	446,246.83	0.45	447,180.06
3137EADD8	Note FHLMC	0.500	17-Apr-15	800,000.00	99.80545	798,443.62	0.69	804,383.82
3135G0KM4	Note FNMA	0.500	27-May-15	1,000,000.00	100.05925	1,000,592.49	0.45	1,005,215.22
31398AU34	Note FNMA	2.375	28-Jul-15	600,000.00	102.35548	614,132.87	0.58	619,474.35
3133EADW5	Note FFCE	0.550	17-Aug-15	650,000.00	99.95766	649,724.79	0.58	653,024.59
313370JB5	Note FHLB	1.750	11-Sep-15	1,225,000.00	101.14440	1,239,018.95	0.94	1,251,174.85
278642AB9	Note Ebay Inc	1.625	15-Oct-15	440,000.00	101.61140	447,090.17	0.57	450,983.74
31398A4M1	Note FNMA	1.625	26-Oct-15	950,000.00	101.36061	962,925.78	0.74	976,098.90
912828PE4	Note US Treasury	1.250	31-Oct-15	800,000.00	101.31774	810,541.94	0.41	816,574.10
36962G4T8	Note General Electric Capital Corp	2.250	09-Nov-15	500,000.00	101.84421	509,221.07	1.09	517,715.00
459200GJ9	Note IBM Corp	2.000	05-Jan-16	440,000.00	102.35130	450,345.71	0.65	453,387.78
3134A4ZT4	Note FHLMC	4.750	19-Jan-16	550,000.00	107.27115	589,991.32	0.65	598,684.35
912828UM0	Note US Treasury	0.375	15-Feb-16	775,000.00	100.06158	775,477.22	0.34	775,331.05
3133EAJU3	Note FFCE	1.050	28-Mar-16	835,000.00	101.18253	844,874.09	0.45	845,696.77
3135G0BA0	Note FNMA	2.375	11-Apr-16	865,000.00	102.55692	887,117.37	1.08	907,431.09
037833AH3	Note Apple Inc	0.450	03-May-16	500,000.00	99.61778	498,088.91	0.63	499,270.50
3137EACT4	Note FHLMC	2.500	27-May-16	250,000.00	104.43468	261,086.71	0.43	262,744.28
912828QP8	Note US Treasury	1.750	31-May-16	760,000.00	102.86781	781,795.35	0.41	784,644.81
313373S26	Note FHLB	2.125	10-Jun-16	850,000.00	102.10553	867,896.97	1.14	883,842.82
742718DV8	Note Procter & Gamble Co	1.450	15-Aug-16	400,000.00	101.74290	406,971.61	0.71	406,539.51
3137EACW7	Note FHLMC	2.000	25-Aug-16	740,000.00	103.39674	765,135.87	0.57	765,505.58
912828RF9	Note US Treasury	1.000	31-Aug-16	775,000.00	101.17283	784,089.45	0.51	782,515.61
02665WAB7	Note American Honda Finance	1.125	07-Oct-16	475,000.00	100.85945	479,082.38	0.78	480,539.81
3135G0ES8	Note FNMA	1.375	15-Nov-16	650,000.00	101.02805	656,682.31	0.97	663,490.39
912828RU6	Note US Treasury	0.875	30-Nov-16	775,000.00	99.93279	774,479.15	0.90	779,937.29
084670BD9	Note Berkshire Hathaway	1.900	31-Jan-17	525,000.00	100.80131	529,206.86	1.61	538,945.81
912828SC5	Note US Treasury	0.875	31-Jan-17	800,000.00	100.56817	804,545.39	0.67	802,160.22
674599CB9	Note Occidental Petroleum	1.750	15-Feb-17	400,000.00	102.45862	409,834.46	0.88	406,180.44
17275RAT9	Note Cisco Systems	1.100	03-Mar-17	500,000.00	100.35335	501,766.75	0.98	501,446.28
3137EADC0	Note FHLMC	1.000	08-Mar-17	800,000.00	100.75351	806,028.06	0.74	802,472.71
3133782N0	Note FHLB	0.875	10-Mar-17	325,000.00	100.26947	325,875.79	0.78	324,798.32
91159HHD5	Callable Note Cont 4/15/2017 US Bancorp	1.650	15-May-17	500,000.00	100.49590	502,479.51	1.48	509,217.67
912828SY7	Note US Treasury	0.625	31-May-17	775,000.00	99.31822	769,716.20	0.84	767,662.90
913017BU2	Note United Tech Corp	1.800	01-Jun-17	500,000.00	102.22996	511,149.81	1.08	511,356.00
313379DD8	Note FHLB	1.000	21-Jun-17	800,000.00	99.39575	795,165.98	1.19	800,300.62
3137EADJ5	Note FHLMC	1.000	28-Jul-17	800,000.00	100.21147	801,691.77	0.94	797,802.40
48126EAA5	Note JP Morgan	2.000	15-Aug-17	475,000.00	101.28731	481,114.71	1.61	482,744.19
68389XAN5	Note Oracle Corp	1.200	15-Oct-17	400,000.00	99.88308	399,532.32	1.23	399,069.33
74005PBC7	Note Praxair	1.050	07-Nov-17	450,000.00	97.71575	439,720.88	1.71	442,830.15
166764AA8	Callable Note Cont 11/5/17 Chevron Corp.	1.104	05-Dec-17	650,000.00	98.44075	639,864.85	1.54	646,626.07
3135G0TG8	Note FNMA	0.875	08-Feb-18	800,000.00	98.14399	785,151.95	1.37	784,134.56
313378A43	Note FHLB	1.375	09-Mar-18	800,000.00	100.40288	803,223.00	1.27	798,926.62
06406HCL1	Note Bank of New York	2.100	01-Aug-18	500,000.00	101.09925	505,496.25	1.83	502,728.50
			<b>subtotal</b>	<b>\$ 36,385,000.00</b>		<b>\$ 38,489,525.32</b>		<b>\$ 38,714,613.69</b>
			<b>Total</b>	<b>\$ 81,914,195.71</b>		<b>\$ 84,018,721.03</b>		<b>\$ 84,243,809.40</b>