



City of San Leandro

Meeting Date: September 2, 2014

Staff Report

File Number: 14-355 **Agenda Section:** CONSENT CALENDAR

Agenda Number: 8.D.

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 June 30, 2014

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council review and accept the investment report for the quarter ended June 30, 2014.

Overview

At June 30, 2014, the City's investment portfolio had a market value of \$90.9 million. Of this total, \$52.1 million was placed with the Local Agency Investment Fund (LAIF) and bank accounts and \$38.8 million was placed in the Chandler Asset Management portfolio. In the second quarter of 2014, \$1.8 million of maturing securities were reinvested in Treasury and Agency securities scheduled to mature between April 2017 and August 2017.

The rate of return for LAIF for the quarter was 0.22%, 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 0.46%.

Amounts invested with LAIF are essentially liquid; funds can be withdrawn with minimal notice as City operations require.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: September 2, 2014

Resolution - Council

File Number: 14-356 **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 June 30, 2014 (reviews the activities of the City's investment portfolio)

WHEREAS, the City of San Leandro Quarterly Investment Report for the quarter ended June 30, 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
June 30, 2014



City of San Leandro
June 30, 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.

Category	Standard	Comment
Treasury Issues	No limitations	Complies
Agency Issues	No limitations	Complies
Banker's Acceptances	"A" or higher by one NRSRO; 40% maximum; 30% per issuer; 180-day max maturity	Complies
Commercial Paper	A-1/P-1-rated; 25% maximum; 10% per issuer; 270-day max maturity	Complies
Negotiable Certificates of Deposit (including CDARS)	30% maximum; FDIC Insured or Collateralized 110%	Complies
Medium Terms Notes	"A" or higher by one NRSRO; 30% maximum	Complies
Money Market Funds	AAA/Aaa rated or SEC registered adviser, assets greater than \$500MM; 20% maximum	Complies
Repurchase Agreements (excluded- not used by IA)	20% maximum; 360-day max. maturity	Complies
Reverse Repurchase Agreements (excluded- not used by IA)	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

	6/30/2014	3/31/2014
LAIF - City Pool #98-01-809	\$40,861,700	\$30,844,168
LAIF - Successor Agency	2,657,175	2,852,553
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	8,626,108	11,832,473
Total LAIF and Bank Accounts	\$52,144,985	\$45,529,196
Investment Portfolio Market Value	\$38,843,303	\$38,714,614
Total Market Value	\$90,988,288	\$84,243,810
LAIF Quarterly Apportionment Rate	0.22%	0.23%
2 year US Treasury Yield to Maturity	0.46%	0.42%
5 year US Treasury Yield to Maturity	1.63%	1.72%
Investment Portfolio:		
Average Maturity (yrs)	1.81	1.92
Modified Duration	1.77	1.87
Average Book Yield	0.86%	0.86%
Average Yield to Maturity at Market	0.56%	0.60%
Average Quality S&P/Moody	AA/Aa1	AA/Aa1

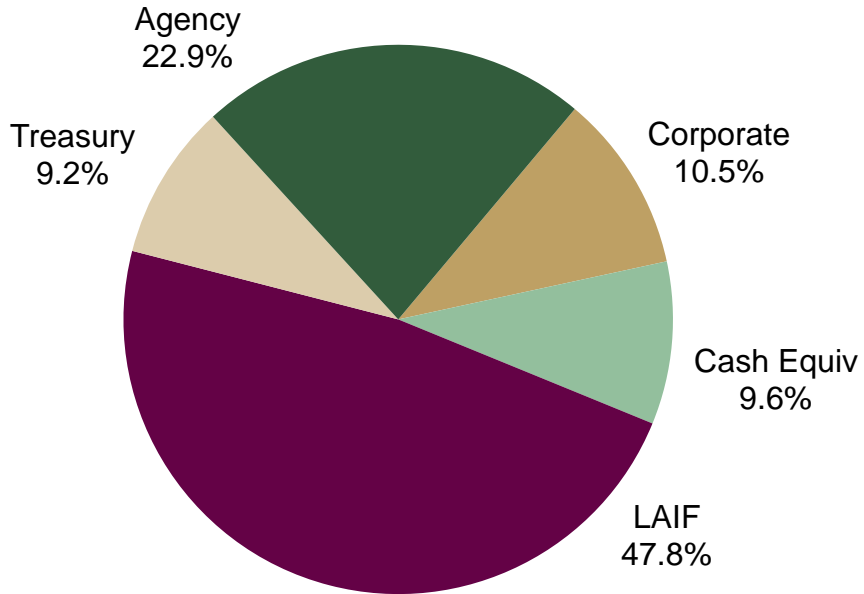
Portfolio Activity

During the second quarter of 2014, activity in the portfolio managed by Chandler Asset Management was influenced by reinvestment of \$1.8 million from maturing securities. Newly purchased securities included Treasury and Agency securities maturing between April 2017 and August 2017. Currently, the portfolio's average maturity is 1.81 years and is close to that of the City's 1-3 Year Government benchmark's maturity.

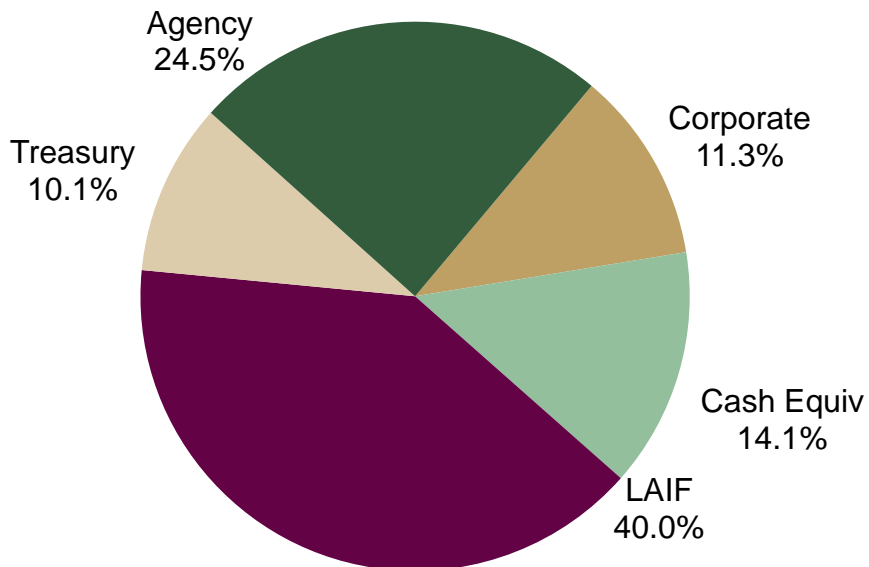


Sector Distribution

June 30, 2014

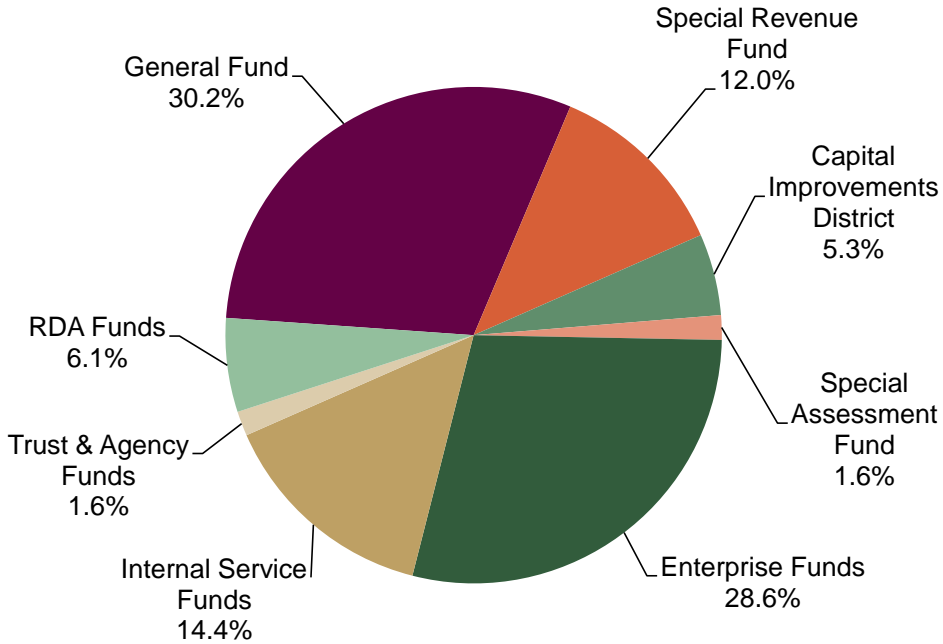


March 31, 2014

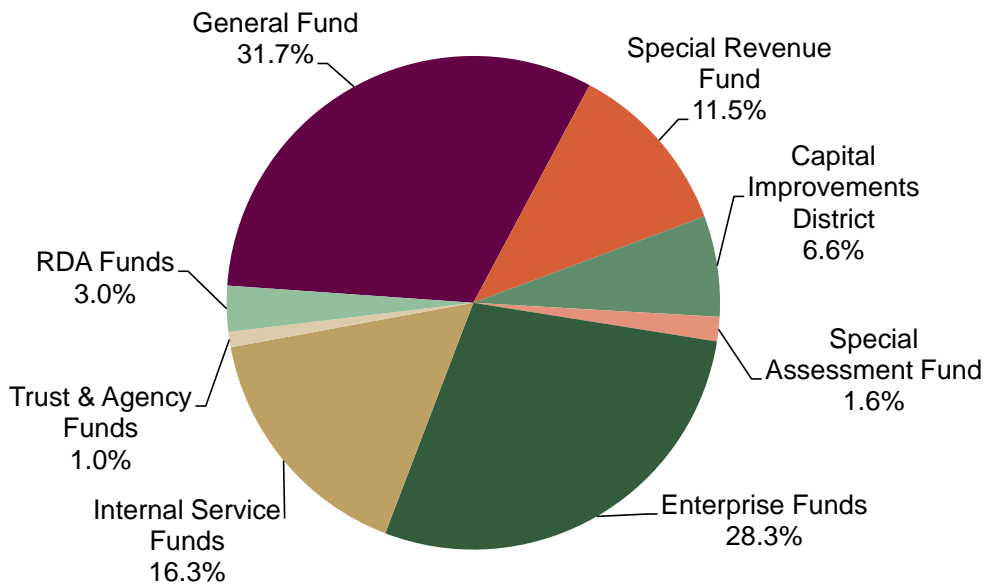




City Fund Allocation June 30, 2014



March 31, 2014





**City of San Leandro
Investments by All Types
Active Investments
June 30, 2014**

CUSIP	Issuer	Coupon	Maturity Date	Par	Purchase Price	Book Value	Purchase Yield	MVACC
LAIF								
SYS113	LAIF - City Pool			\$40,861,700.00	100.00000	\$40,861,700.00		\$40,861,700.00
SYS114	LAIF - Successor Agency			2,657,174.65	100.00000	\$2,657,174.65		\$2,657,174.65
	LAIF - Economic Development Agency			2.34		\$2.34		\$2.34
			subtotal	\$43,518,876.99		\$43,518,876.99		\$43,518,876.99
Passbook/Checking Accounts								
	Public Funds Checking			8,626,108.41	100.00000	8,626,108.41		8,626,108.41
			subtotal	\$ 8,626,108.41		\$ 8,626,108.41		\$ 8,626,108.41
Government Issues								
60934N104	GOVT OBLIG MMF Federated	0.010	30-Jun-14	89,589.67	100.00000	89,589.67	0.01	89,589.67
912828LK4	Note US Treasury	2.375	31-Aug-14	670,000.00	100.19266	671,290.82	1.19	677,857.21
31331GL80	Note FFCB	3.000	22-Sep-14	975,000.00	100.45564	979,442.52	0.96	989,436.83
94974BET3	Note Wells Fargo Corp	3.750	01-Oct-14	425,000.00	100.76159	428,236.76	0.70	432,643.63
912828RL6	Note US Treasury	0.500	15-Oct-14	710,000.00	100.05905	710,419.26	0.30	711,634.36
31331KHW3	Note FFCB	1.625	19-Nov-14	725,000.00	100.47660	728,455.35	0.38	730,538.16
3137EACY3	Note FHLMC	0.750	25-Nov-14	950,000.00	100.12131	951,152.47	0.45	953,193.90
3133XVNU1	Note FHLB	2.750	12-Dec-14	1,000,000.00	100.57845	1,005,784.46	1.42	1,013,098.39
3134A4UX0	Note FHLMC	4.500	15-Jan-15	620,000.00	102.29276	634,215.11	0.26	647,506.30
912828RZ5	Note US Treasury	0.250	15-Jan-15	650,000.00	99.98006	649,870.39	0.29	651,359.35
3137EACH0	Note FHLMC	2.875	09-Feb-15	925,000.00	100.70357	931,508.01	1.68	950,982.59
40428HPG1	Note HSBC USA Inc	2.375	13-Feb-15	440,000.00	100.80193	443,528.48	1.06	449,480.75
713448BX5	Note Pepsico Inc.	0.750	05-Mar-15	445,000.00	100.13845	445,616.12	0.54	447,429.56
191216AX8	Note Coca Cola Company	0.750	13-Mar-15	445,000.00	100.20650	445,918.91	0.45	447,565.43
3137EADD8	Note FHLMC	0.500	17-Apr-15	800,000.00	99.85192	798,815.35	0.69	803,127.82
3135G0KM4	Note FNMA	0.500	27-May-15	1,000,000.00	100.04644	1,000,464.42	0.45	1,003,230.22
31398AU34	Note FNMA	2.375	28-Jul-15	600,000.00	101.91169	611,470.15	0.58	620,114.25
3133EADW5	Note FFCB	0.550	17-Aug-15	650,000.00	99.96532	649,774.58	0.58	653,473.09
313370JB5	Note FHLB	1.750	11-Sep-15	1,225,000.00	100.94717	1,236,602.81	0.94	1,253,797.58
278642AB9	Note Ebay Inc	1.625	15-Oct-15	440,000.00	101.35048	445,942.12	0.57	448,447.80
31398A4M1	Note FNMA	1.625	26-Oct-15	950,000.00	101.14453	960,872.99	0.74	969,024.73
912828PE4	Note US Treasury	1.250	31-Oct-15	800,000.00	101.11028	808,882.22	0.41	812,934.38
36962G4T8	Note General Electric Capital Corp	2.250	09-Nov-15	500,000.00	101.55831	507,791.57	1.09	513,067.50
459200GU9	Note IBM Corp	2.000	05-Jan-16	440,000.00	102.01905	448,883.82	0.65	454,478.98
3134A4ZT4	Note FHLMC	4.750	19-Jan-16	550,000.00	106.26557	584,460.61	0.65	598,911.50
912828UM0	Note US Treasury	0.375	15-Feb-16	775,000.00	100.05340	775,413.82	0.34	777,000.15
3133EAJU3	Note FFCB	1.050	28-Mar-16	835,000.00	101.03451	843,638.13	0.45	846,950.11
3135G0BA0	Note FNMA	2.375	11-Apr-16	865,000.00	102.24291	884,401.20	1.08	901,053.01
037833AH3	Note Apple Inc	0.450	03-May-16	500,000.00	99.66337	498,316.84	0.63	499,299.00
3137EACT4	Note FHLMC	2.500	27-May-16	250,000.00	103.92190	259,804.76	0.43	259,892.78
912828QP8	Note US Treasury	1.750	31-May-16	760,000.00	102.53788	779,287.92	0.41	780,363.62
313373SZ6	Note FHLB	2.125	10-Jun-16	850,000.00	101.86632	865,863.73	1.14	877,361.15
742718DV8	Note Procter & Gamble Co	1.450	15-Aug-16	400,000.00	101.55997	406,239.87	0.71	408,750.31
3137EACW7	Note FHLMC	2.000	25-Aug-16	740,000.00	103.04428	762,527.70	0.57	767,456.22
912828RF9	Note US Treasury	1.000	31-Aug-16	775,000.00	101.05196	783,152.71	0.51	785,582.15
02665WAB7	Note American Honda Finance	1.125	07-Oct-16	475,000.00	100.77444	478,678.58	0.78	479,039.88
3135G0E58	Note FNMA	1.375	15-Nov-16	650,000.00	100.93050	656,048.22	0.97	660,499.41
912828RU6	Note US Treasury	0.875	30-Nov-16	775,000.00	99.93907	774,527.81	0.90	780,357.67
084670BD9	Note Berkshire Hathaway	1.900	31-Jan-17	525,000.00	100.73092	528,837.34	1.61	541,818.61
912828SC5	Note US Treasury	0.875	31-Jan-17	800,000.00	100.51827	804,146.14	0.67	806,482.29
674599CB9	Note Occidental Petroleum	1.750	15-Feb-17	400,000.00	102.24574	408,982.96	0.88	410,043.24
17275RAT9	Note Cisco Systems	1.100	03-Mar-17	500,000.00	100.32321	501,616.07	0.98	503,356.28
3137EADC0	Note FHLMC	1.000	08-Mar-17	800,000.00	100.68954	805,516.35	0.74	805,269.51
3133782N0	Note FHLB	0.875	10-Mar-17	325,000.00	100.24664	325,801.58	0.78	326,475.47
3135G0ZB2	Note FNMA	0.750	20-Apr-17	1,000,000.00	99.84054	998,405.40	0.81	996,885.17
91159HHD5	Callable Note Cont 4/15/2017 US Bancorp	1.650	15-May-17	500,000.00	100.45525	502,276.24	1.48	508,687.67
912828SY7	Note US Treasury	0.625	31-May-17	775,000.00	99.37189	770,132.14	0.84	770,263.49
913017BU2	Note United Tech Corp	1.800	01-Jun-17	500,000.00	102.05457	510,272.85	1.08	511,449.50
313379DD8	Note FHLB	1.000	21-Jun-17	800,000.00	99.44247	795,539.72	1.19	802,869.42
3137EADJ5	Note FHLMC	1.000	28-Jul-17	800,000.00	100.19562	801,564.95	0.94	803,891.20
48126EAA5	Note JP Morgan	2.000	15-Aug-17	475,000.00	101.19222	480,663.05	1.61	486,641.57
912828TM2	Note US Treasury	0.625	31-Aug-17	825,000.00	99.03158	817,010.56	0.94	817,699.57
68389XAN5	Note Oracle Corp	1.200	15-Oct-17	400,000.00	99.89131	399,565.23	1.23	400,478.13
74005PBC7	Note Praxair	1.050	07-Nov-17	450,000.00	97.87370	440,431.67	1.71	447,598.80
166764AA8	Callable Note Cont 11/5/17 Chevron Corp.	1.104	05-Dec-17	650,000.00	98.54632	640,551.09	1.54	647,530.22
3135G0TG8	Note FNMA	0.875	08-Feb-18	800,000.00	98.26386	786,110.91	1.37	791,842.96
313378A43	Note FHLB	1.375	09-Mar-18	800,000.00	100.37738	803,019.04	1.27	805,989.42
06406HCL1	Note Bank of New York	2.100	01-Aug-18	500,000.00	101.03606	505,180.30	1.83	511,501.50
			subtotal	\$ 36,565,000.00		\$ 38,562,513.85		\$ 38,843,303.46
			Total	\$ 88,709,985.40		\$ 90,707,499.25		\$ 90,988,288.86