



City of San Leandro

Meeting Date: November 17, 2014

Staff Report

File Number: 14-478

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 Resolution Approving the Investment Report for the Quarter Ended September 30, 2014

SUMMARY AND RECOMMENDATIONS

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

OVERVIEW

At September 30, 2014, the City's investment portfolio had a market value of \$75.6 million. Of this total, \$36.7 million was placed with the Local Agency Investment Fund (LAIF) and bank accounts and \$38.8 million was placed in the Chandler Asset Management (Chandler) portfolio. In the third quarter of 2014, \$1.6 million of maturing securities were reinvested in Treasury and Agency securities scheduled to mature between September 2017 and January 2018.

The rate of return for LAIF for the quarter was 0.24%, while the average 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 yield was 0.86%, which exceeds the benchmark rate of return on the 2-year U.S. Treasury securities of 0.57%.

Amounts invested with LAIF are essentially liquid; funds can be withdrawn with minimal notice as City operations require.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 Chandler portfolio 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: November 17, 2014

Resolution - Council

File Number: 14-483 **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
September 30, 2014 (reviews the activities of the City's investment portfolio)

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


City of San Leandro
 September 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

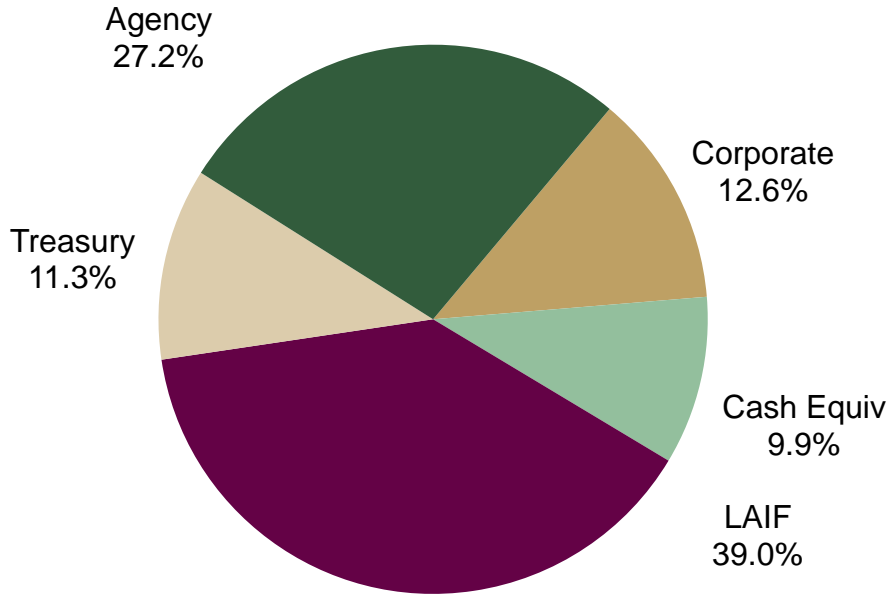
	9/30/2014	6/30/2014
LAIF - City Pool #98-01-809	\$26,883,389	\$40,861,700
LAIF - Successor Agency	2,612,689	2,657,175
LAIF - RDA 1999 Bond Proceeds #11-01-001	0	0
LAIF - RDA 2008 Bond Proceeds #11-01-038	0	0
LAIF - Economic Development Agency	2	2
Passbook/Checking Accounts	7,209,633	8,626,108
Total LAIF and Bank Accounts	\$36,705,713	\$52,144,985
Investment Portfolio Market Value	\$38,848,083	\$38,843,303
Total Market Value	\$75,553,796	\$90,988,288
LAIF Quarterly Apportionment Rate	0.24%	0.22%
2 year US Treasury Yield to Maturity	0.57%	0.46%
5 year US Treasury Yield to Maturity	1.76%	1.63%
Investment Portfolio:		
Average Maturity (yrs)	1.69	1.81
Modified Duration	1.66	1.77
Average Book Yield	0.86%	0.86%
Average Yield to Maturity at Market	0.69%	0.56%
Average Quality S&P/Moody	AA/Aa1	AA/Aa1

Portfolio Activity

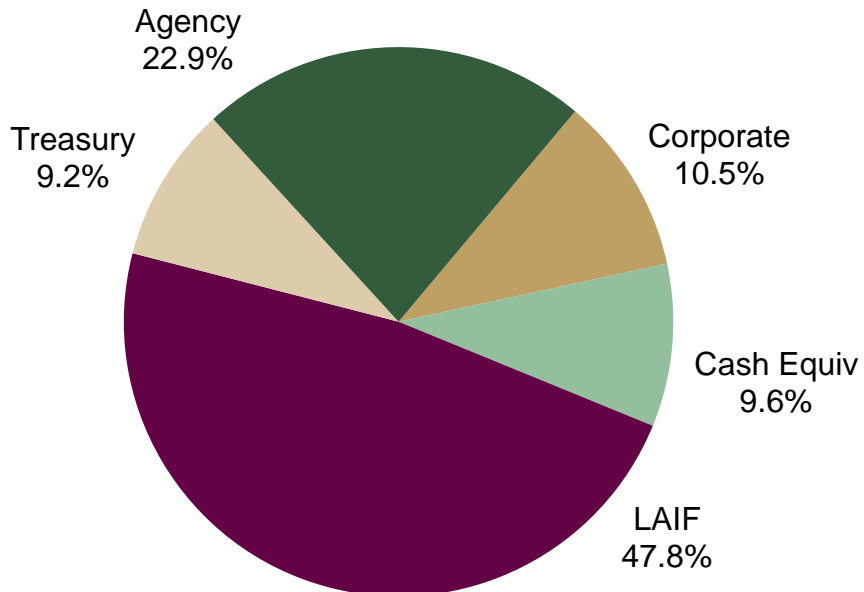
During the third quarter of 2014, activity in the portfolio managed by Chandler Asset Management was influenced by reinvestment of \$1.6 million from maturing securities. Newly purchased securities included Treasury and Agency securities maturing between September 2017 and January 2018. Currently, the portfolio's average maturity is 1.69 years and is close to that of the City's 1-3 Year Government benchmark's maturity.



Sector Distribution September 30, 2014

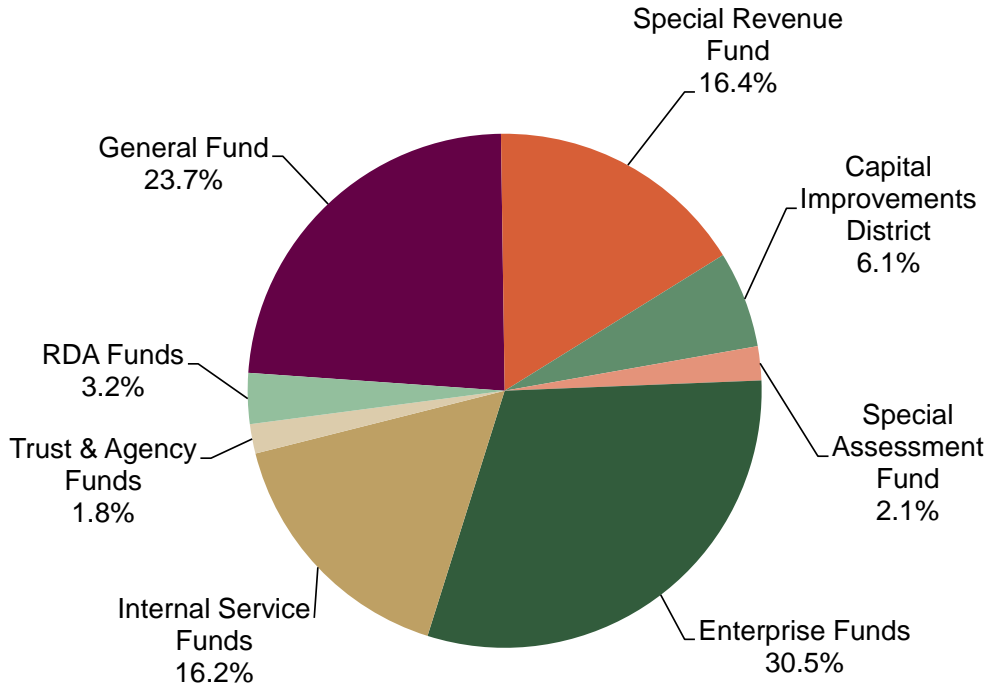


June 30, 2014

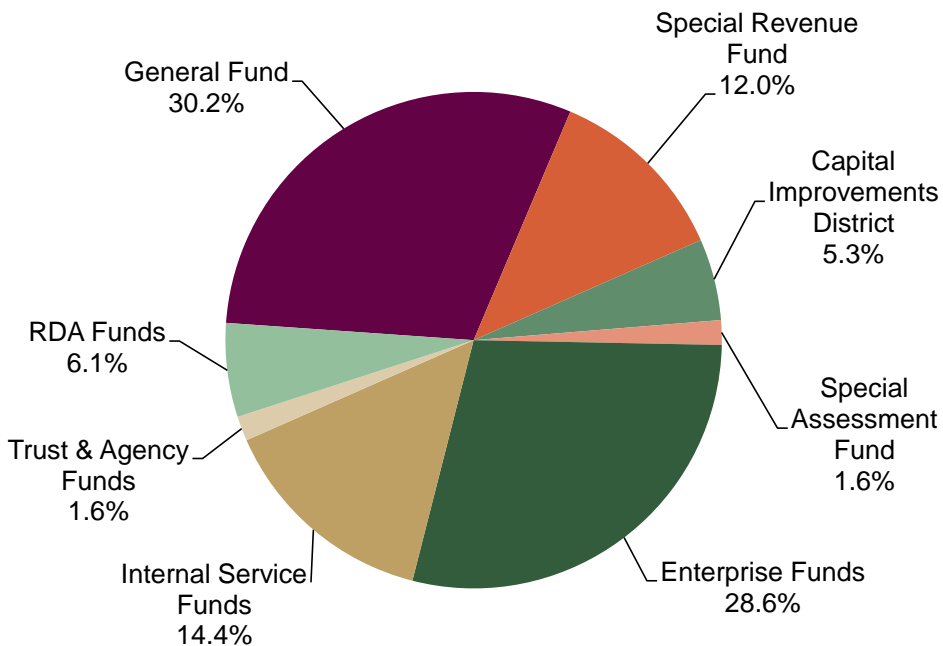




City Fund Allocation September 30, 2014



June 30, 2014





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

CUSIP	Issuer	Coupon	Maturity Date	Par	Purchase Price	Book Value	Purchase Yield	MVACC
LAIF								
SYS113	LAIF - City Pool			\$26,883,388.91	100.00000	\$26,883,388.91		\$26,883,388.91
SYS114	LAIF - Successor Agency			2,612,689.15	100.00000	\$2,612,689.15		\$2,612,689.15
	LAIF - Economic Development Agency			2.34		\$2.34		\$2.34
			subtotal	\$29,496,080.40		\$29,496,080.40		\$29,496,080.40
Passbook/Checking Accounts								
	Public Funds Checking			7,209,632.50	100.00000	7,209,632.50		7,209,632.50
			subtotal	\$ 7,209,632.50		\$ 7,209,632.50		\$ 7,209,632.50
Government Issues								
60934N104	GOVT OBLIG MMF Federated	0.010	30-Sep-14	282,292.21	100.00000	282,292.21	0.01	282,292.21
94974BET3	Note Wells Fargo Corp	3.750	01-Oct-14	425,000.00	100.00000	425,000.00	0.70	432,968.75
912828RL6	Note US Treasury	0.500	15-Oct-14	710,000.00	100.00780	710,055.37	0.30	711,722.28
31331KHW3	Note FFCB	1.625	19-Nov-14	725,000.00	100.16563	726,200.79	0.38	730,828.52
3137EACY3	Note FHLMC	0.750	25-Nov-14	950,000.00	100.04539	950,431.20	0.45	953,491.25
3133XVNU1	Note FHLB	2.750	12-Dec-14	1,000,000.00	100.25395	1,002,539.52	1.42	1,013,515.39
3134A4UX0	Note FHLMC	4.500	15-Jan-15	620,000.00	101.22744	627,610.11	0.26	633,716.88
912828RZ5	Note US Treasury	0.250	15-Jan-15	650,000.00	99.98932	649,930.61	0.29	650,725.33
3137EACH0	Note FHLMC	2.875	09-Feb-15	925,000.00	100.41331	928,823.09	1.68	937,869.32
40428HPG1	Note HSBC USA Inc	2.375	13-Feb-15	440,000.00	100.47692	442,098.44	1.06	444,706.53
713448BX5	Note Pepsico Inc.	0.750	05-Mar-15	445,000.00	100.08688	445,386.63	0.54	446,025.58
191216AX8	Note Coca Cola Company	0.750	13-Mar-15	445,000.00	100.13200	445,587.38	0.45	445,907.81
3137EADD8	Note FHLMC	0.500	17-Apr-15	800,000.00	99.89890	799,191.17	0.69	803,557.42
3135G0KM4	Note FNMA	0.500	27-May-15	1,000,000.00	100.03350	1,000,334.95	0.45	1,004,016.22
31398AU34	Note FNMA	2.375	28-Jul-15	600,000.00	101.46303	608,778.18	0.58	613,146.75
3133EADW5	Note FFCB	0.550	17-Aug-15	650,000.00	99.97306	649,824.92	0.58	652,481.84
313370JB5	Note FHLB	1.750	11-Sep-15	1,225,000.00	100.74776	1,234,160.11	0.94	1,244,161.72
278642AB9	Note Ebay Inc	1.625	15-Oct-15	440,000.00	101.08669	444,781.45	0.57	448,409.74
31398A4M1	Note FNMA	1.625	26-Oct-15	950,000.00	100.92607	958,797.65	0.74	970,944.20
912828PE4	Note US Treasury	1.250	31-Oct-15	800,000.00	100.90053	807,204.26	0.41	813,497.58
36962G4T8	Note General Electric Capital Corp	2.250	09-Nov-15	500,000.00	101.26927	506,346.36	1.09	513,238.00
459200GU9	Note IBM Corp	2.000	05-Jan-16	440,000.00	101.68315	447,405.86	0.65	449,781.10
3134A4ZT4	Note FHLMC	4.750	19-Jan-16	550,000.00	105.24893	578,869.12	0.65	587,203.65
912828UM0	Note US Treasury	0.375	15-Feb-16	775,000.00	100.04513	775,349.73	0.34	776,339.93
3133EAJU3	Note FFCB	1.050	28-Mar-16	835,000.00	100.88486	842,388.59	0.45	842,234.02
3135G0BA0	Note FNMA	2.375	11-Apr-16	865,000.00	101.92545	881,655.18	1.08	900,136.55
037833AH3	Note Apple Inc	0.450	03-May-16	500,000.00	99.70945	498,547.27	0.63	499,880.00
3137EACT4	Note FHLMC	2.500	27-May-16	250,000.00	103.40349	258,508.73	0.43	260,491.53
912828QP8	Note US Treasury	1.750	31-May-16	760,000.00	102.20433	776,752.94	0.41	780,916.83
313373Z6	Note FHLB	2.125	10-Jun-16	850,000.00	101.62449	863,808.15	1.14	878,128.27
742718DV8	Note Procter & Gamble Co	1.450	15-Aug-16	400,000.00	101.37502	405,500.09	0.71	405,751.11
3137EACW7	Note FHLMC	2.000	25-Aug-16	740,000.00	102.68796	759,890.87	0.57	761,102.58
912828RF9	Note US Treasury	1.000	31-Aug-16	775,000.00	100.92977	782,205.68	0.51	781,960.55
02665WAB7	Note American Honda Finance	1.125	07-Oct-16	475,000.00	100.68849	478,270.34	0.78	479,208.74
3135G0E58	Note FNMA	1.375	15-Nov-16	650,000.00	100.83187	655,407.17	0.97	663,082.84
912828RU6	Note US Treasury	0.875	30-Nov-16	775,000.00	99.94542	774,577.01	0.90	780,124.74
084670BD9	Note Berkshire Hathaway	1.900	31-Jan-17	525,000.00	100.65976	528,463.76	1.61	536,742.39
912828SC5	Note US Treasury	0.875	31-Jan-17	800,000.00	100.46781	803,742.49	0.67	802,679.35
674599CB9	Note Occidental Petroleum	1.750	15-Feb-17	400,000.00	102.03052	408,122.09	0.88	405,975.24
17275RAT9	Note Cisco Systems	1.100	03-Mar-17	500,000.00	100.29275	501,463.74	0.98	500,093.78
3137EADC0	Note FHLMC	1.000	08-Mar-17	800,000.00	100.62488	804,999.01	0.74	802,773.51
3133782N0	Note FHLB	0.875	10-Mar-17	325,000.00	100.22356	325,726.56	0.78	324,915.32
3135G0ZB2	Note FNMA	0.750	20-Apr-17	1,000,000.00	99.85487	998,548.67	0.81	997,562.17
91159HHD5	Callable Note Cont 4/15/2017 US Bancorp	1.650	15-May-17	500,000.00	100.41415	502,070.73	1.48	507,665.67
912828SY7	Note US Treasury	0.625	31-May-17	775,000.00	99.42615	770,552.65	0.84	769,907.02
913017BU2	Note United Tech Corp	1.800	01-Jun-17	500,000.00	101.87725	509,386.27	1.08	510,386.00
313379DD8	Note FHLB	1.000	21-Jun-17	800,000.00	99.48970	795,917.57	1.19	802,227.82
3137EADJ5	Note FHLMC	1.000	28-Jul-17	800,000.00	100.17959	801,436.75	0.94	798,111.20
48126EAA5	Note JP Morgan	2.000	15-Aug-17	475,000.00	101.09609	480,206.43	1.61	480,263.27
912828TM2	Note US Treasury	0.625	31-Aug-17	825,000.00	99.10859	817,645.85	0.94	814,549.09
3133EDVU3	Note FFCB	1.125	22-Sep-17	750,000.00	99.75106	748,132.96	1.21	748,943.44
68389XAN5	Note Oracle Corp	1.200	15-Oct-17	400,000.00	99.89963	399,598.51	1.23	399,328.93
74005PBC7	Note Praxair	1.050	07-Nov-17	450,000.00	98.03339	441,150.27	1.71	447,016.50
166764AA8	Callable Note Cont 11/5/17 Chevron Corp.	1.104	05-Dec-17	650,000.00	98.65306	641,244.86	1.54	646,083.97
912828UJ7	Note US Treasury	0.875	31-Jan-18	875,000.00	98.93794	865,706.98	1.20	864,737.29
3135G0TG8	Note FNMA	0.875	08-Feb-18	800,000.00	98.38505	787,080.41	1.37	788,266.56
313378A43	Note FHLB	1.375	09-Mar-18	800,000.00	100.35161	802,812.84	1.27	800,246.62
06406HCL1	Note Bank of New York	2.100	01-Aug-18	500,000.00	100.97217	504,860.87	1.83	506,042.00
			subtotal	\$ 37,055,000.00		\$ 38,663,381.40		\$ 38,848,082.90
			Total	\$ 73,760,712.90		\$ 75,369,094.30		\$ 75,553,795.80