



# City of San Leandro

Meeting Date: February 17, 2015

## Staff Report

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**File Number:** 15-058 **Agenda Section:** CONSENT CALENDAR

**Agenda Number:** 8.F.

**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, 2014

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### SUMMARY AND RECOMMENDATIONS

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

### OVERVIEW

At December 31, 2014, the City's investment portfolio had a market value of \$85.2 million. Of this total, \$46.3 million was placed with the Local Agency Investment Fund (LAIF) and bank accounts and \$38.9 million was placed in the Chandler Asset Management portfolio. In the fourth quarter of 2014, \$2.7 million of maturing securities were reinvested in Treasury, Agency and Corporate securities scheduled to mature between October 2017 and May 2018.

The rate of return for LAIF for the quarter was 0.25%, while the average book yield for the Chandler managed funds was 0.91%. 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 0.91%, which exceeds the benchmark rate of return on the 2-year U.S. Treasury securities of 0.67%.

Amounts invested with LAIF are essentially liquid; funds can be withdrawn with minimal notice as City operations require.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 17, 2015

## Resolution - Council

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**File Number:** 15-059

**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, 2014, Relating to 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 December 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  
December 31, 2014



**City of San Leandro**  
December 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.*

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

	12/31/2014	9/30/2014
LAIF - City Pool #98-01-809	\$33,904,458	\$26,883,389
LAIF - Successor Agency	2,614,299	2,612,689
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	9,767,105	7,209,633
<b>Total LAIF and Bank Accounts</b>	<b>\$46,285,864</b>	<b>\$36,705,713</b>
Investment Portfolio Market Value	\$38,914,893	\$38,848,083
<b>Total Market Value</b>	<b>\$85,200,757</b>	<b>\$75,553,796</b>
LAIF Quarterly Apportionment Rate	0.25%	0.24%
2 year US Treasury Yield to Maturity	0.67%	0.57%
5 year US Treasury Yield to Maturity	1.65%	1.76%
<b>Investment Portfolio:</b>		
Average Maturity (yrs)	1.78	1.69
Modified Duration	1.74	1.66
Average Book Yield	0.91%	0.86%
Average Yield to Maturity at Market	0.79%	0.69%
Average Quality S&P/Moody	AA/Aa1	AA/Aa1

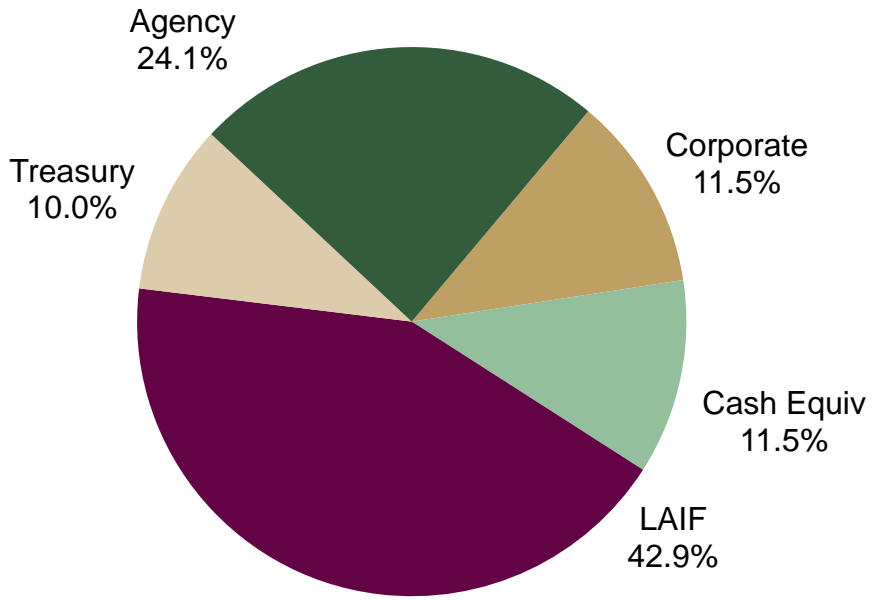
## Portfolio Activity

Multiple securities were purchased across the Treasury, Agency, and Corporate sectors of the market to keep the portfolio structure and duration in line with Chandler. The purchased securities ranged in maturity from October 2017 to May 2018. In addition to spending down some of the residual cash in the portfolio five securities matured to help facilitate the aforementioned additions to the portfolio. The duration of the portfolio lengthened modestly to 1.74 versus 1.66 at the end of the prior quarter.

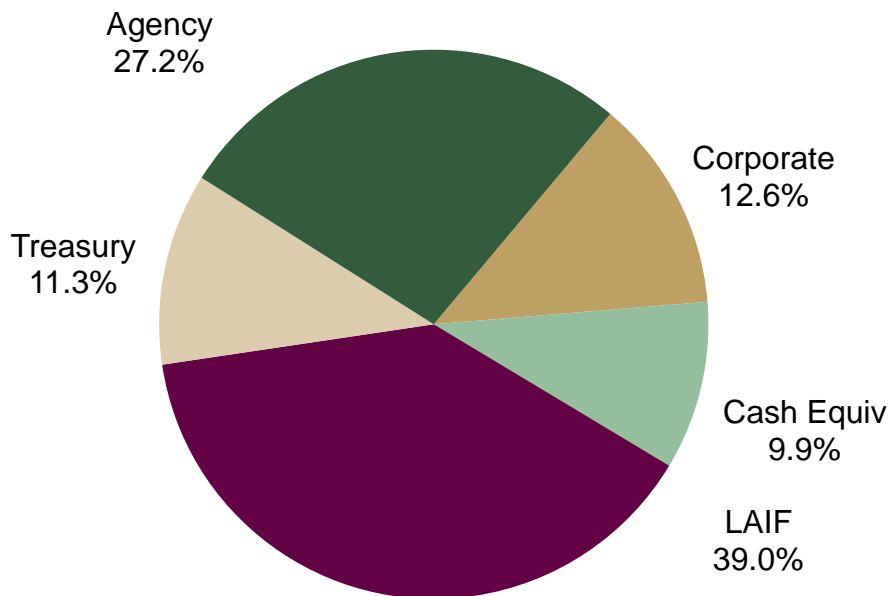


## Sector Distribution

**December 31, 2014**

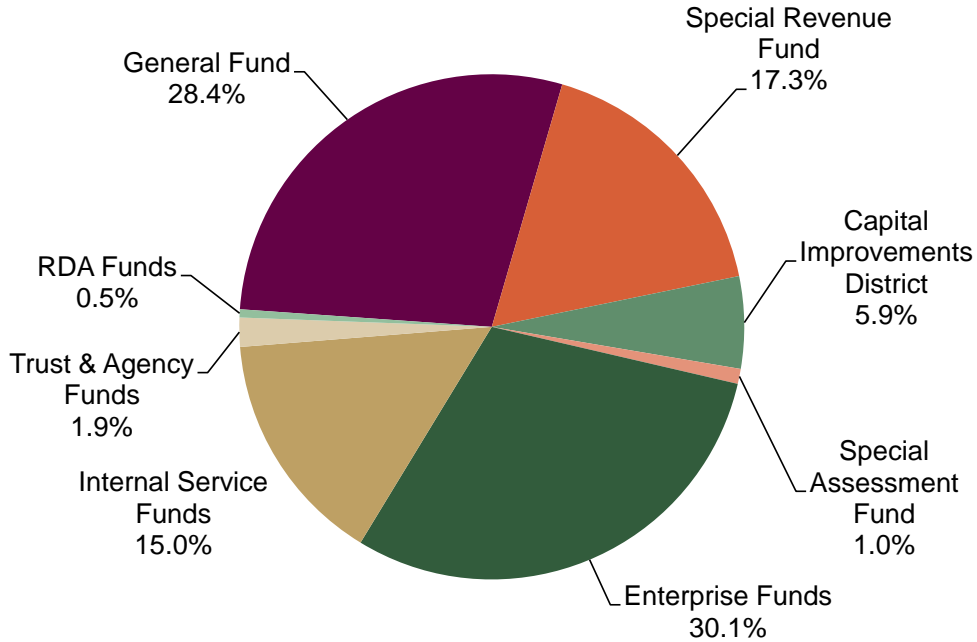


**September 30, 2014**

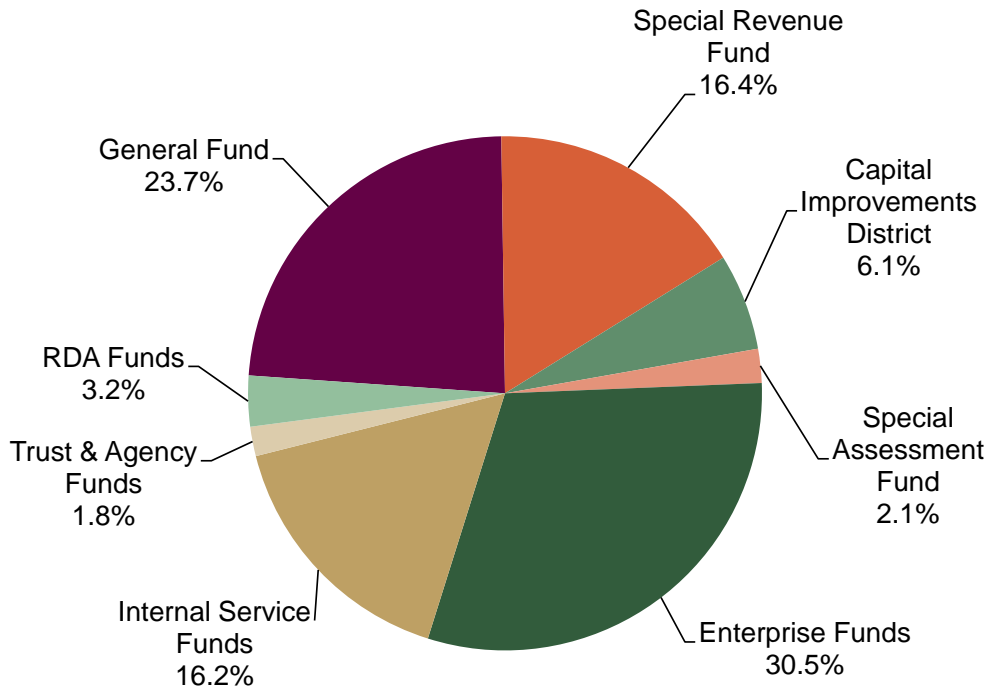




## City Fund Allocation December 31, 2014



## September 30, 2014







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

CUSIP	Issuer	Coupon	Maturity Date	Par	Purchase Price	Book Value	Purchase Yield	MVACC
<b>LAIF</b>								
SYS113	LAIF - City Pool			\$33,904,458.02	100.00000	\$33,904,458.02		\$33,904,458.02
SYS114	LAIF - Successor Agency			2,614,299.06	100.00000	\$2,614,299.06		\$2,614,299.06
	LAIF - Economic Development Agency			2.34		\$2.34		\$2.34
			<b>subtotal</b>	<b>\$36,518,759.42</b>		<b>\$36,518,759.42</b>		<b>\$36,518,759.42</b>
<b>Passbook/Checking Accounts</b>								
	Public Funds Checking			9,767,104.63	100.00000	9,767,104.63		9,767,104.63
			<b>subtotal</b>	<b>\$ 9,767,104.63</b>		<b>\$ 9,767,104.63</b>		<b>\$ 9,767,104.63</b>
<b>Government Issues</b>								
60934N104	GOVT OBLIG MMF Federated	0.010	31-Dec-14	25,158.27	100.00000	25,158.27	0.01	25,158.27
3134A4UX0	Note FHLMC	4.500	15-Jan-15	620,000.00	100.16211	621,005.11	0.26	633,840.88
912828RZ5	Note US Treasury	0.250	15-Jan-15	650,000.00	99.99859	649,990.84	0.29	650,750.68
3137EACH0	Note FHLMC	2.875	09-Feb-15	925,000.00	100.12305	926,138.17	1.68	937,534.01
40428HPG1	Note HSBC USA Inc	2.375	13-Feb-15	440,000.00	100.15191	440,668.39	1.06	444,889.79
713448BX5	Note Pepsico Inc.	0.750	05-Mar-15	445,000.00	100.03531	445,157.15	0.54	446,307.27
191216AX8	Note Coca Cola Company	0.750	13-Mar-15	445,000.00	100.05749	445,255.85	0.45	446,450.26
3137EADD8	Note FHLMC	0.500	17-Apr-15	800,000.00	99.94587	799,566.99	0.69	801,582.22
3135G0KM4	Note FNMA	0.500	27-May-15	1,000,000.00	100.02055	1,000,205.47	0.45	1,001,591.22
31398AU34	Note FNMA	2.375	28-Jul-15	600,000.00	101.01437	606,086.20	0.58	613,499.85
3133EADW5	Note FFCB	0.550	17-Aug-15	650,000.00	99.98081	649,875.25	0.58	652,503.29
313370JB5	Note FHLB	1.750	11-Sep-15	1,225,000.00	100.54836	1,231,717.41	0.94	1,244,064.95
278642AB9	Note Ebay Inc	1.625	15-Oct-15	440,000.00	100.82290	443,620.78	0.57	444,897.88
31398A4M1	Note FNMA	1.625	26-Oct-15	950,000.00	100.70761	956,722.31	0.74	963,598.33
912828PE4	Note US Treasury	1.250	31-Oct-15	800,000.00	100.69079	805,526.31	0.41	808,150.31
36962G4T8	Note General Electric Capital Corp	2.250	09-Nov-15	500,000.00	100.98023	504,901.15	1.09	508,485.00
459200GU9	Note IBM Corp	2.000	05-Jan-16	440,000.00	101.34725	445,927.90	0.65	450,758.78
3134A4ZT4	Note FHLMC	4.750	19-Jan-16	550,000.00	104.23229	573,277.62	0.65	587,070.00
912828UM0	Note US Treasury	0.375	15-Feb-16	775,000.00	100.03686	775,285.63	0.34	776,400.77
3133EAJU3	Note FFCB	1.050	28-Mar-16	835,000.00	100.73522	841,139.05	0.45	843,992.54
3135G0BA0	Note FNMA	2.375	11-Apr-16	865,000.00	101.60800	878,909.17	1.08	890,887.53
037833AH3	Note Apple Inc	0.450	03-May-16	500,000.00	99.75554	498,777.71	0.63	499,820.50
3137EACT4	Note FHLMC	2.500	27-May-16	250,000.00	102.88508	257,212.70	0.43	257,656.53
912828QP8	Note US Treasury	1.750	31-May-16	760,000.00	101.87078	774,217.95	0.41	775,003.51
313373SZ6	Note FHLB	2.125	10-Jun-16	850,000.00	101.38265	861,752.56	1.14	870,093.65
742718DV8	Note Procter & Gamble Co	1.450	15-Aug-16	400,000.00	101.19008	404,760.32	0.71	406,833.91
3137EACW7	Note FHLMC	2.000	25-Aug-16	740,000.00	102.33163	757,254.04	0.57	762,848.98
912828RF9	Note US Treasury	1.000	31-Aug-16	775,000.00	100.80757	781,258.65	0.51	783,445.79
02665WAB7	Note American Honda Finance	1.125	07-Oct-16	475,000.00	100.60255	477,862.10	0.78	478,443.28
3135G0ES8	Note FNMA	1.375	15-Nov-16	650,000.00	100.73325	654,766.11	0.97	659,903.36
912828RU6	Note US Treasury	0.875	30-Nov-16	775,000.00	99.95177	774,626.21	0.90	778,986.78
084670BD9	Note Berkshire Hathaway	1.900	31-Jan-17	525,000.00	100.58861	528,090.18	1.61	536,760.24
912828SC5	Note US Treasury	0.875	31-Jan-17	800,000.00	100.41736	803,338.85	0.67	805,242.15
674599CB9	Note Occidental Petroleum	1.750	15-Feb-17	400,000.00	101.81531	407,261.22	0.88	404,951.64
17275RAT9	Note Cisco Systems	1.100	03-Mar-17	500,000.00	100.26228	501,311.40	0.98	502,014.28
3137EADC0	Note FHLMC	1.000	08-Mar-17	800,000.00	100.56021	804,481.68	0.74	804,829.51
313378ZB0	Note FHLB	0.875	10-Mar-17	325,000.00	100.20047	325,651.54	0.78	325,675.32
3135G0ZB2	Note FNMA	0.750	20-Apr-17	1,000,000.00	99.86919	998,691.93	0.81	998,354.17
91159HHD5	Callable Note Cont 4/15/2017 US Bancorp	1.650	15-May-17	500,000.00	100.37304	501,865.22	1.48	504,785.67
912828SY7	Note US Treasury	0.625	31-May-17	775,000.00	99.48041	770,973.16	0.84	771,006.00
913017BU2	Note United Tech Corp	1.800	01-Jun-17	500,000.00	101.69994	508,499.68	1.08	507,286.00
313379DD8	Note FHLB	1.000	21-Jun-17	800,000.00	99.53693	796,295.42	1.19	800,878.22
3137EADJ5	Note FHLMC	2.000	28-Jul-17	800,000.00	100.16357	801,308.54	0.94	803,100.00
48126EAA5	Note JP Morgan	2.000	15-Aug-17	475,000.00	100.99996	479,749.82	1.61	483,106.14
912828TM2	Note US Treasury	0.625	31-Aug-17	825,000.00	99.18559	818,281.14	0.94	818,888.92
3133EDVU3	Note FFCB	1.125	22-Sep-17	750,000.00	99.77213	748,290.98	1.21	752,381.06
3133EDXA5	Note FFCB	1.150	10-Oct-17	775,000.00	100.34534	777,676.39	1.02	776,473.66
68389XAN5	Note Oracle Corp	1.200	15-Oct-17	400,000.00	99.90795	399,631.79	1.23	399,589.73
74005PBC7	Note Praxair	1.050	07-Nov-17	450,000.00	98.19308	441,868.87	1.71	445,959.90
912828UA6	Note US Treasury	0.625	30-Nov-17	720,000.00	99.22536	714,422.57	0.90	711,170.96
166764AA8	Callable Note Cont 11/5/17 Chevron Corp.	1.104	05-Dec-17	650,000.00	98.75979	641,938.64	1.54	646,499.97
94974BFG0	Note Wells Fargo Corp	1.500	16-Jan-18	700,000.00	100.35811	702,506.80	1.38	700,982.10
912828UJ7	Note US Treasury	0.875	31-Jan-18	875,000.00	99.01816	866,408.92	1.20	871,162.85
3135G0TG8	Note FNMA	0.875	08-Feb-18	800,000.00	98.50624	788,049.90	1.37	793,615.76
3137EADP1	Note FHLMC	0.875	07-Mar-18	965,000.00	99.11543	956,463.89	1.16	956,048.50
313378A43	Note FHLB	1.375	09-Mar-18	800,000.00	100.32583	802,606.64	1.27	805,370.22
3135G0WJ8	Note FNMA	0.875	21-May-18	1,050,000.00	98.86280	1,038,059.41	1.22	1,033,561.43
06406HCL1	Callable Note Cont 7/2/2018 Bank of New York	2.100	01-Aug-18	500,000.00	100.90431	504,521.53	1.83	509,748.50
			<b>subtotal</b>	<b>\$ 37,320,000.00</b>		<b>\$ 38,736,869.48</b>		<b>\$ 38,914,893.02</b>
			<b>Total</b>	<b>\$ 83,605,864.05</b>		<b>\$ 85,022,733.53</b>		<b>\$ 85,200,757.07</b>