

City of San Leandro

Meeting Date: February 17, 2015

Staff Report

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

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Amounts invested with LAIF are essentially liquid; funds can be withdrawn with minimal notice as City operations require.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

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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

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

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 lawand 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		
Total LAIF and Bank Accounts	\$46,285,864	\$36,705,713		
Investment Portfolio Market Value	\$38,914,893	\$38,848,083		
Total Market Value	\$85,200,757	\$75,553,796		
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%		
Investment Portfolio:				
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		

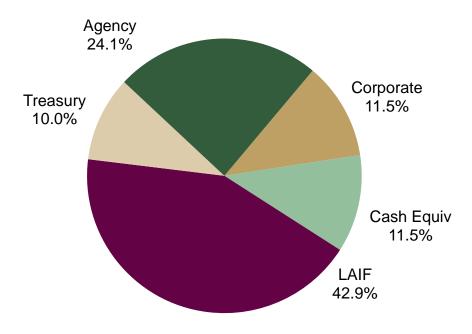
Portfolio Activity

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.

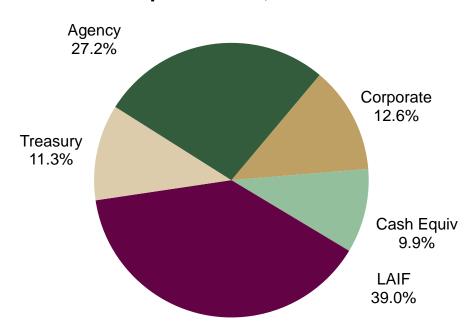


Sector Distribution

December 31, 2014



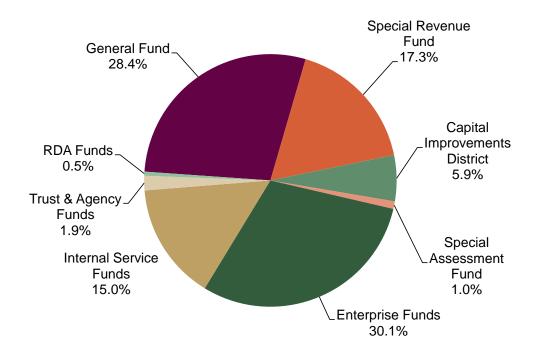
September 30, 2014



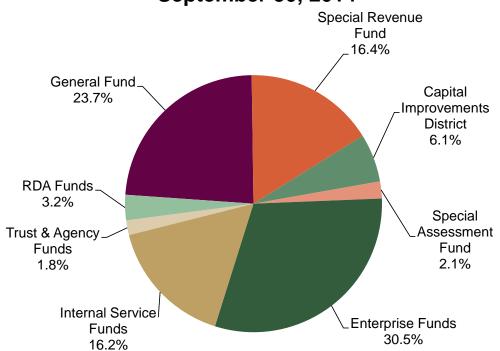


City Fund Allocation

December 31, 2014



September 30, 2014





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

Visit Left - City Poul S33,904,480.02 100,0000 23,39,04,480.02 \$33,904,480.02 \$33,904,480.02 \$33,904,480.02 \$33,904,480.02 \$32,044,80.02	December 31, 2014									
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Page	LAIF SYS113	LAIF - City Pool			\$33 904 458 02	100 00000	\$33 904 458 02		\$33 904 458 02	
Page Back Afford From Jaccounts Public Funds Checking without 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	SYS114								\$2,614,299.06	
Page		LAIF - Economic Development Agency							\$2.34	
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813TEADCO Note FHLMC 1.000 08-Mar-17 800,000.00 100.56021 804,481.68 0.74 804,829.5 8133782NO Note FHLB 0.875 10-Mar-17 325,000.00 100.20047 325,651.54 0.78 325,675.3 81355G0ZB2 Note FNMA 0.750 20-Apr-17 1,000,000.00 99.86919 998,691.93 0.81 998,3541. 912828SY7 Note United Tech Corp 1.650 15-May-17 500,000.00 100.37304 501,865.22 1.48 504,785.6 913017BU2 Note United Tech Corp 1.800 01-Jun-17 500,000.00 101.69994 508,499.68 1.08 507,286.0 813379DB Note FHLB 1.000 21-Jun-17 800,000.00 99.53693 796,295.42 1.19 800,878.2 81337EADI5 Note FHLMC 1.000 28-Jul-17 800,000.00 100.16357 801,308.54 0.94 803,100.0 8126EAA5 Note FLMA 1.02 15-Mug-17 475,000.00 100.16357 801,308.54 0.94 803,										
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21159HHD5 Callable Note Cont 4/15/2017 US Bancorp 1.650 15-May-17 500,000.00 100.37304 501,865.22 1.48 504,785.6 12828SY7 Note US Treasury 0.625 31-May-17 775,000.00 99.48041 770,973.16 0.84 771,006.00 193,0317BU2 Note United Tech Corp 1.800 01-Jun-17 500,000.00 101.69994 508,499.68 1.08 507,286.0 133379DD8 Note FHLB 1.000 21-Jun-17 800,000.00 99.53693 796,295.42 1.19 800,878.2 1317EADI5 Note FHLMC 1.000 28-Jul-17 800,000.00 100.16357 801,308.54 0.94 803,100.0 18126EAA5 Note JP Morgan 2.000 15-Aug-17 475,000.00 99.18559 818,281.14 0.94 818,888.9 1333EDVU3 Note US Treasury 0.625 31-Aug-17 825,000.00 99.77213 748,290.98 1.21 752,381.0 1333EDVU3 Note FFCB 1.125 22-Sep-17 750,000.00 99.977213 748,290.98 1.21 752,381.0 1833EDXA5 Note Oracle Corp 1.200 15-Oct-17 775,000.00 99.90795 399,631.79 1.23 399,691.7 24005PBC7 Note Oracle Corp 1.200 15-Oct-17 400,000.00 99.90795 399,631.79 1.23 399,599.7 4005PBC7 Note Praxair 1.050 07-Nov-17 450,000.00 99.2536 714,422.57 0.90 711,170.9 12828UJA Note Wells Fargo Corp 1.500 16-Jan-18 700,000.00 99.2536 714,422.57 0.90 711,170.9 12828UJ7 Note Wells Fargo Corp 1.500 16-Jan-18 700,000.00 99.11543 956,463.89 1.16 956,048.5 1333FAA43 Note FILMC 0.875 07-Mar-18 965,000.00 99.11543 956,463.89 1.16 956,048.5 1333FAADP1 Note FILMC 0.875 07-Mar-18 965,000.00 99.11543 956,463.89 1.16 956,048.5 1333FAADP1 Note FILMC 0.875 07-Mar-18 965,000.00 99.11543 956,463.89 1.16 956,048.5 1333FAADP1 Note FILMC 0.875 07-Mar-18 965,000.00 99.11543 956,463.89 1.16 956,048.5 1333FAADP1 Note FILMA 0.875 08-Mar-18 800,000.00 99.11543 956,463.89 1.16 956,048.5 1333FAADP1 Note FILMA 0.875 08-Mar-18 800,000.00 99.11543 956,463.89 1.16 956,048.5 1333FAADP1 Note FILMA 0.875 08-Mar-18 800,000.00 99.11543 956,463.89 1.16 956,048.5 1333FAADP1 Note FILMA 0.875 08-Mar-18 800,000.00 99.11543 956,463.89 1.16 956,048.5 1333FAADP1 Note FILMA 0.875 08-Mar-18 800,000.00 99.11543 956,463.89 1.16 956,048.5 1333FAADP1 Note FILMA 0.875 08-Mar-18 800,000.00 99.11543 956,463.89 1.16 956,048.5 1333FAADP1 Note FILMA 0.875 08-Mar-18	3133782N0	Note FHLB	0.875		325,000.00	100.20047	325,651.54	0.78	325,675.32	
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1.150 10-Oct-17 775,000.00 100.34534 777,676.39 1.02 776,473.65 1.05	912828TM2	· ·							818,888.92	
58389XAN5 Note Oracle Corp 1.200 15-Oct-17 400,000.00 99.90795 399,631.79 1.23 399,589.7 74005PBC7 Note Praxair 1.050 07-Nov-17 450,000.00 98.19308 441,868.87 1.71 445,959.9 912828UA6 Note US Treasury 0.625 30-Nov-17 720,000.00 99.22536 714,422.57 0.90 711,710.9 166764AA8 Callable Note Cont 11/5/17 Chevron Corp. 1.104 05-Dec-17 650,000.00 98.75979 641,938.64 1.54 646,499.9 04974BFG0 Note Wells Fargo Corp 1.500 16-Jan-18 700,000.00 100.35811 702,506.80 1.38 700,982.1 012828UJ7 Note US Treasury 0.875 31-Jan-18 875,000.00 99.01816 866,408.92 1.20 871,162.8 3135COTG8 Note FNMA 0.875 08-Feb-18 800,000.00 98.50624 788,049.90 1.37 793,615.7 313378A43 Note FHLB 1.375 09-Mar-18 800,000.00 99.11543 956,463.89 1.16 956,048.5 3135GOWJ8 Note FNMA 0.875 <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>752,381.06</td>									752,381.06	
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