



# City of San Leandro

Meeting Date: May 4, 2015

## Staff Report

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**File Number:** 15-250

**Agenda Section:** CONSENT CALENDAR

**Agenda Number:** 8.G.

**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 March 31, 2015

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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, 2015.

### OVERVIEW

At March 31, 2015, the City's investment portfolio had a market value of \$89.1 million. Of this total, \$49.98 million was placed with the Local Agency Investment Fund (LAIF) and bank accounts and \$39.2 million was placed in the Chandler Asset Management portfolio. In the first quarter of 2015, \$3.5 million of maturing securities were reinvested in Treasury, and Corporate securities scheduled to mature between November 2017 and March 2018.

The rate of return for LAIF for the quarter was 0.26%, while the average book yield for the Chandler managed funds was 0.95%. 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 0.56%.

Amounts invested with LAIF are essentially liquid; funds can be withdrawn with minimal notice as City operations require.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, and the City is able to meet its cash obligations during the next six-month period. 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 Resolution**

- Investment Report

**PREPARED BY:** David Baum, Finance Director, Finance



# City of San Leandro

Meeting Date: May 4, 2015

## Resolution - Council

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**File Number:** 15-251 **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, 2015

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WHEREAS, the City of San Leandro Quarterly Investment Report for the quarter ended March 31, 2015, 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, 2015

## City of San Leandro

March 31, 2015

### 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

	3/31/2015	12/31/2014
LAIF - City Pool #98-01-809	\$38,921,244	\$33,904,458
LAIF - Successor Agency	2,615,974	2,614,299
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	8,443,461	9,767,105
<b>Total LAIF and Bank Accounts</b>	<b>\$49,980,681</b>	<b>\$46,285,864</b>
Investment Portfolio Market Value	\$39,154,625	\$38,914,893
<b>Total Market Value</b>	<b>\$89,135,306</b>	<b>\$85,200,757</b>

LAIF Quarterly Apportionment Rate	0.26%	0.25%
2 year US Treasury Yield to Maturity	0.56%	0.67%
5 year US Treasury Yield to Maturity	1.37%	1.65%

### Investment Portfolio:

Average Maturity (yrs)	1.81	1.78
Modified Duration	1.77	1.74
Average Book Yield	0.95%	0.91%
Average Yield to Maturity at Market	0.66%	0.79%
Average Quality S&P/Moody	AA/Aa1	AA/Aa1

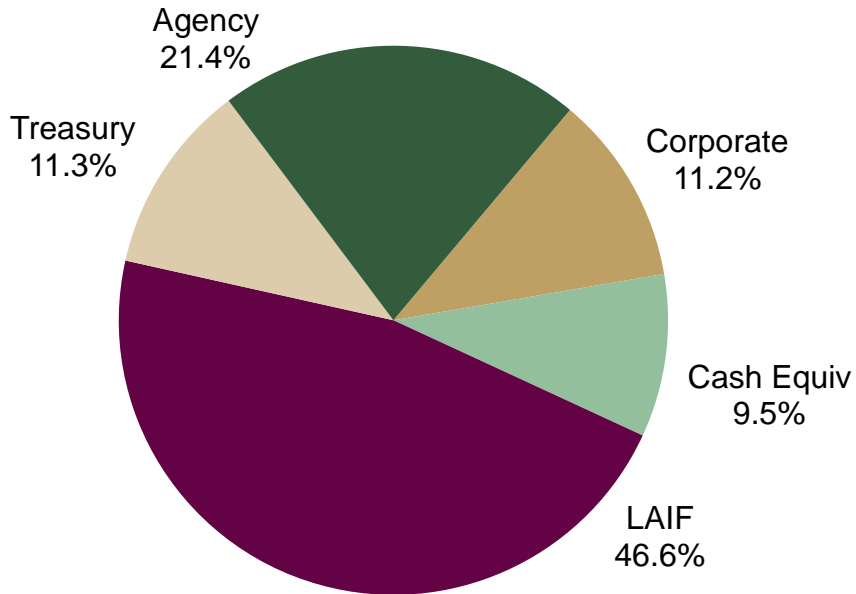
## Portfolio Activity

Several securities were purchased across the Treasury and Corporate sectors of the market to keep the portfolio structure and duration in line with Chandler objectives. The purchased securities ranged in maturity from November 2017 to March 2018. Six securities matured to facilitate the additions to the portfolio. The duration of the portfolio increased marginally; currently 1.77 versus 1.74 at the end of the prior quarter.

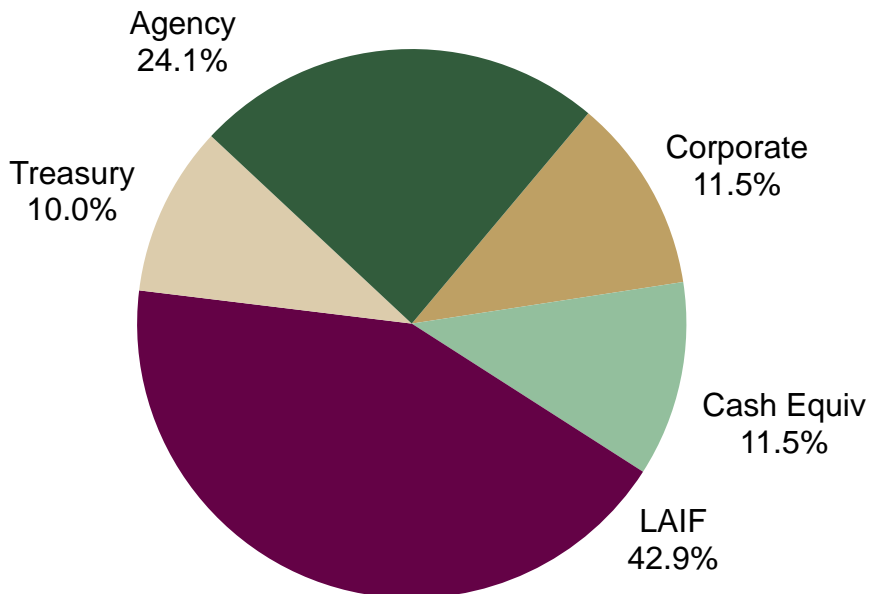


## Sector Distribution

March 31, 2015

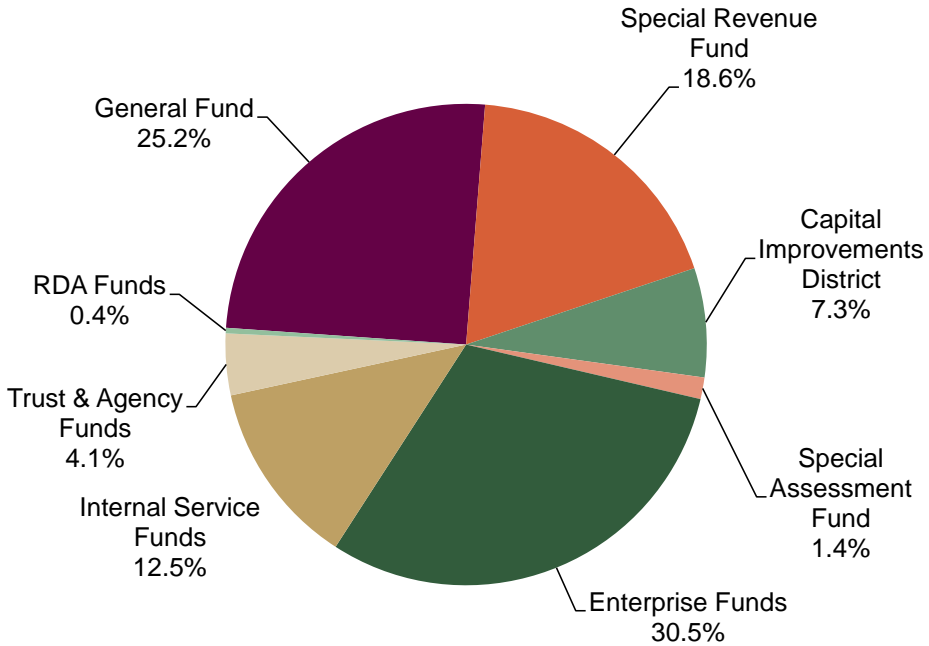


December 31, 2014

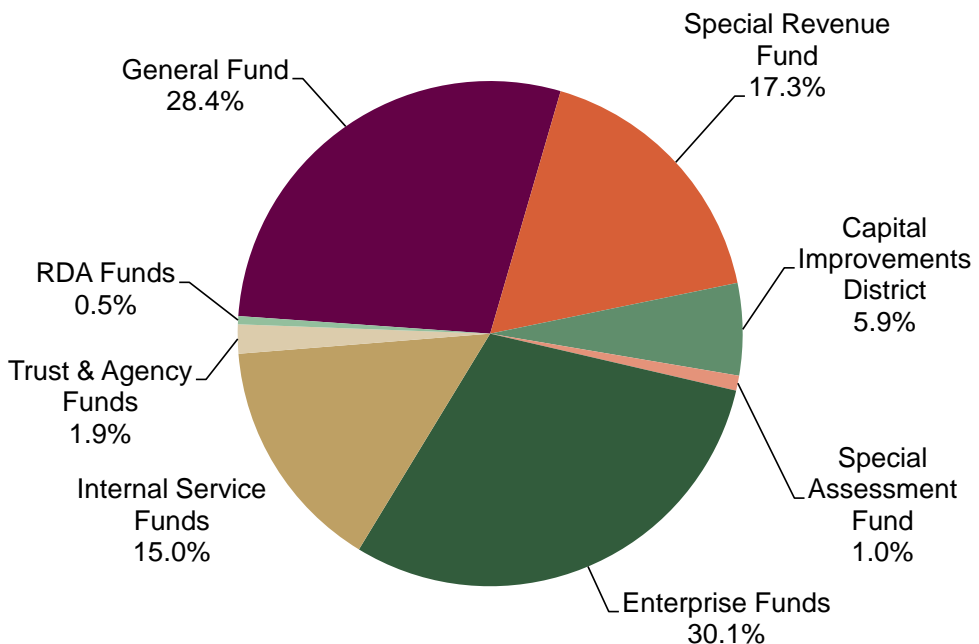




## City Fund Allocation March 31, 2015



## December 31, 2014







**City of San Leandro  
Investments by All Types  
Active Investments  
March 31, 2015**

CUSIP	Issuer	Coupon	Maturity Date	Par	Purchase Price	Book Value	Purchase Yield	MVACC
<b>LAIF</b>								
SYS113	LAIF - City Pool			\$38,921,243.95	100.00000	\$38,921,243.95		\$38,921,243.95
SYS114	LAIF - Successor Agency			2,615,974.18	100.00000	\$2,615,974.18		\$2,615,974.18
	LAIF - Economic Development Agency			2.34		\$2.34		\$2.34
			<b>subtotal</b>	<b>\$41,537,220.47</b>		<b>\$41,537,220.47</b>		<b>\$41,537,220.47</b>
<b>Passbook/Checking Accounts</b>								
	Public Funds Checking			8,443,461.46	100.00000	8,443,461.46		8,443,461.46
			<b>subtotal</b>	<b>\$ 8,443,461.46</b>		<b>\$ 8,443,461.46</b>		<b>\$ 8,443,461.46</b>
<b>Government Issues</b>								
60934N104	GOVT OBLIG MMF Federated	0.010	31-Mar-15	107,579.85	100.00000	107,579.85	0.01	107,579.85
3137EADD8	Note FHLMC	0.500	17-Apr-15	800,000.00	99.99183	799,934.64	0.69	801,972.62
3135G0KM4	Note FNMA	0.500	27-May-15	1,000,000.00	100.00788	1,000,078.81	0.45	1,002,331.22
31398AU34	Note FNMA	2.375	28-Jul-15	600,000.00	100.57546	603,452.75	0.58	606,825.75
3133EADW5	Note FFCB	0.550	17-Aug-15	650,000.00	99.98838	649,924.49	0.58	651,350.84
313370JB5	Note FHLB	1.750	11-Sep-15	1,225,000.00	100.35329	1,229,327.82	0.94	1,234,422.97
278642AB9	Note Ebay Inc	1.625	15-Oct-15	440,000.00	100.56485	442,485.34	0.57	445,402.78
31398A4M1	Note FNMA	1.625	26-Oct-15	950,000.00	100.49390	954,692.08	0.74	964,241.95
912828PE4	Note US Treasury	1.250	31-Oct-15	800,000.00	100.48560	803,884.83	0.41	809,136.50
36962G4T8	Note General Electric Capital Corp	2.250	09-Nov-15	500,000.00	100.69747	503,487.36	1.09	509,633.50
459200GU9	Note IBM Corp	2.000	05-Jan-16	440,000.00	101.01865	444,482.07	0.65	447,520.82
3134A4ZT4	Note FHLMC	4.750	19-Jan-16	550,000.00	103.23776	567,807.69	0.65	574,523.40
912828UM0	Note US Treasury	0.375	15-Feb-16	775,000.00	100.02877	775,222.93	0.34	776,148.67
3133EAJU3	Note FFCB	1.050	28-Mar-16	835,000.00	100.58882	839,916.67	0.45	840,817.03
3135G0BA0	Note FNMA	2.375	11-Apr-16	865,000.00	101.29744	876,222.85	1.08	892,095.51
037833AH3	Note Apple Inc	0.450	03-May-16	500,000.00	99.80063	499,003.13	0.63	501,037.00
3137EACT4	Note FHLMC	2.500	27-May-16	250,000.00	102.37794	255,944.84	0.43	258,108.28
912828QP8	Note US Treasury	1.750	31-May-16	760,000.00	101.54448	771,738.08	0.41	776,807.69
313373S26	Note FHLB	2.125	10-Jun-16	850,000.00	101.14608	859,741.67	1.14	872,783.47
742718DV8	Note Procter & Gamble Co	1.450	15-Aug-16	400,000.00	101.00916	404,036.62	0.71	405,514.31
3137EACW7	Note FHLMC	2.000	25-Aug-16	740,000.00	101.98304	754,674.53	0.57	757,231.64
912828RF9	Note US Treasury	1.000	31-Aug-16	775,000.00	100.68803	780,332.20	0.51	782,091.69
02665WAB7	Note American Honda Finance	1.125	07-Oct-16	475,000.00	100.51847	477,462.74	0.78	480,183.91
3135G0E58	Note FNMA	1.375	15-Nov-16	650,000.00	100.63677	654,138.99	0.97	662,380.19
912828RU6	Note US Treasury	0.875	30-Nov-16	775,000.00	99.95798	774,674.33	0.90	782,540.52
084670BD9	Note Berkshire Hathaway	1.900	31-Jan-17	525,000.00	100.51899	527,724.72	1.61	537,113.03
912828SC5	Note US Treasury	0.875	31-Jan-17	800,000.00	100.36800	802,943.98	0.67	806,409.82
674599CB9	Note Occidental Petroleum	1.750	15-Feb-17	400,000.00	101.60477	406,419.07	0.88	405,754.44
17275RAT9	Note Cisco Systems	1.100	03-Mar-17	500,000.00	100.23248	501,162.38	0.98	503,650.28
3137EADC0	Note FHLMC	1.000	08-Mar-17	800,000.00	100.49695	803,975.59	0.74	806,187.11
3133782N0	Note FHLB	0.875	10-Mar-17	325,000.00	100.17789	325,578.15	0.78	326,794.46
3135G0ZB2	Note FNMA	0.750	20-Apr-17	1,000,000.00	99.88321	998,832.08	0.81	1,005,509.17
91159HHD5	Callable Note Cont 4/15/2017 US Bancorp	1.650	15-May-17	500,000.00	100.33284	501,664.18	1.48	509,977.67
912828SY7	Note US Treasury	0.625	31-May-17	775,000.00	99.53349	771,384.53	0.84	776,683.90
913017BU2	Note United Tech Corp	1.800	01-Jun-17	500,000.00	101.52647	507,632.36	1.08	512,204.00
313379DD8	Note FHLB	1.000	21-Jun-17	800,000.00	99.58313	796,665.06	1.19	807,415.82
3137EADJ5	Note FHLMC	1.000	28-Jul-17	800,000.00	100.14789	801,183.12	0.94	807,366.40
48126EAA5	Note JP Morgan	2.000	15-Aug-17	475,000.00	100.90592	479,303.13	1.61	483,252.92
912828TM2	Note US Treasury	0.625	31-Aug-17	825,000.00	99.26092	818,902.62	0.94	823,965.85
3133EDVU3	Note FFCB	1.125	22-Sep-17	750,000.00	99.79274	748,445.56	1.21	755,169.94
3133EDXA5	Note FFCB	1.150	10-Oct-17	775,000.00	100.31466	777,438.61	1.02	784,706.49
68389XAN5	Note Oracle Corp	1.200	15-Oct-17	400,000.00	99.91609	399,664.34	1.23	403,514.13
74005PBC7	Note Praxair	1.050	07-Nov-17	450,000.00	98.34930	442,571.85	1.71	450,305.10
912828UA6	Note US Treasury	0.625	30-Nov-17	1,020,000.00	99.30838	1,012,945.48	0.89	1,017,833.29
166764AA8	Callable Note Cont 11/5/17 Chevron Corp.	1.104	05-Dec-17	650,000.00	98.86420	642,617.33	1.54	652,887.52
40428HPH9	Note HSBC USA Inc	1.625	16-Jan-18	500,000.00	100.05898	500,294.89	1.60	501,705.21
24422EST7	Note John Deere Capital Corp	1.350	16-Jan-18	500,000.00	100.13927	500,696.35	1.30	503,395.25
94974BFG0	Note Wells Fargo Corp	1.500	16-Jan-18	700,000.00	100.32910	702,303.73	1.38	705,537.00
912828UJ7	Note US Treasury	0.875	31-Jan-18	1,175,000.00	99.29367	1,166,700.64	1.13	1,177,713.40
3135G0TG8	Note FNMA	0.875	08-Feb-18	800,000.00	98.62479	788,998.32	1.37	800,509.76
912828H94	Note US Treasury	1.000	15-Feb-18	1,000,000.00	99.95154	999,515.37	1.02	1,005,227.09
3137EADP1	Note FHLMC	0.875	07-Mar-18	965,000.00	99.18400	957,125.60	1.16	964,012.17
313378A43	Note FHLB	1.375	09-Mar-18	800,000.00	100.30062	802,404.92	1.27	810,467.42
808513AK1	Callable Note Cont 2/10/2018 Charles Schwab Corp	1.500	10-Mar-18	500,000.00	100.11165	500,558.24	1.46	502,885.00
912828J68	Note US Treasury	1.000	15-Mar-18	500,000.00	99.88090	499,404.49	1.04	502,066.98
3135G0WJ8	Note FNMA	0.875	21-May-18	1,050,000.00	98.94561	1,038,928.87	1.22	1,050,822.91
06406HCL1	Callable Note Cont 7/2/2018 Bank of New York	2.100	01-Aug-18	500,000.00	100.84062	504,203.11	1.83	510,899.00
			<b>subtotal</b>	<b>\$ 36,865,000.00</b>		<b>\$ 38,858,435.98</b>		<b>\$ 39,154,624.64</b>
			<b>Total</b>	<b>\$ 86,845,681.93</b>		<b>\$ 88,839,117.91</b>		<b>\$ 89,135,306.57</b>