



# City of San Leandro

Meeting Date: May 16, 2016

## Staff Report

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**File Number:** 16-232

**Agenda Section:** CONSENT CALENDAR

**Agenda Number:** 8.M.

**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, 2016

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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, 2016.

#### OVERVIEW

On March 31, 2016, the City's investment portfolio had a market value of \$98.5 million. Of the total \$98.5M, \$53.9 million was placed with the Local Agency Investment Fund (LAIF) bank accounts and \$44.6 million was placed in the Chandler Asset Management portfolio. In this quarter (January 2016) an additional \$5M was contributed to the portfolio and invested in ten new securities (five Treasury notes, four Agency notes and one corporate note), and \$2.6 million of maturing securities were reinvested and scheduled to mature from May 2018 through March 2020.

The rate of return for LAIF for the quarter was 0.46%, while the average book yield for the Chandler managed funds was 1.12%. 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 1.12%, which exceeds the benchmark rate of return on the 2-year U.S. Treasury securities of 0.73%, and is close to the 5-year U.S. Treasury securities of 1.21%.

Amounts invested with LAIF are essentially liquid; funds can be withdrawn with minimal notice as City operations require.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 16, 2016

## Resolution - Council

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**File Number:** 16-233

**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, 2016 (reviews 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 March 31, 2016, 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, 2016



**City of San Leandro**  
**March 31, 2016**

**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
Supranationals	Issued by IBRD, IFC or IADB only; "AA" rated or higher by a NRSRO; 30% maximum; 10% max per issuer	Complies
Municipal Securities	Issued by City of San Leandro and its Agencies	Complies
Banker's Acceptances	"A" or higher by a NRSRO; 40% maximum; 30% per issuer; 180 days max maturity	Complies
Commercial Paper	A-1/P-1 or highest rating by a NRSRO; Issuer rating by S&P and Moody's; Issuer must be a domestic corporation having assets in excess of \$500 million; 25% maximum; 10% per issuer; 270days max maturity	Complies
Negotiable Certificates of Deposit (including CDARS)	30% maximum (including CDARS); FDIC Insured or Collateralized 110%	Complies
Time Deposits (TD)/ Certificates of Deposit (CD)	Collateralized 110%	Complies
Medium Term Notes	"A" or better by a NRSRO; 30% maximum; Issuers must be corporations organized and operating in the U.S.	Complies
Money Market Funds	Highest rating by two NRSROs or SEC registered adviser with assets greater than \$500 million; 20% maximum	Complies
Repurchase Agreements	20% maximum; 360 days max maturity; 102% collateralized; Not used by IA	Complies
Reverse Repurchase Agreements	20% maximum; 92 days max maturity; Not used by IA	Complies
LAIF	Maximum program limit; Not used by IA	Complies
Maximum Maturity	5 years	Complies

The City of San Leandro is able to meet its pool's expenditure requirement for the next six months.

**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. Furthermore, the City is able to meet its cash obligations during the next six-month period.

**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

	3/31/2016	12/31/2015
LAIF - City Pool #98-01-809	\$40,145,977	\$29,216,419
LAIF - Successor Agency	2,624,038	2,621,611
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	11,096,658	14,700,568
<b>Total LAIF and Bank Accounts</b>	<b>\$53,866,675</b>	<b>\$46,538,601</b>
Investment Portfolio Market Value	\$44,618,975	\$39,192,913
<b>Total Market Value</b>	<b>\$98,485,650</b>	<b>\$85,731,514</b>
LAIF Quarterly Apportionment Rate	0.46%	0.37%
2 year US Treasury Yield to Maturity	0.73%	1.06%
5 year US Treasury Yield to Maturity	1.21%	1.76%
<b>Investment Portfolio:</b>		
Average Maturity (yrs)	1.76	1.65
Modified Duration	1.72	1.62
Average Book Yield	1.12%	1.04%
Average Yield to Maturity at Market	0.82%	1.13%
Average Quality S&P/Moody	AA/Aa1	AA/Aa1

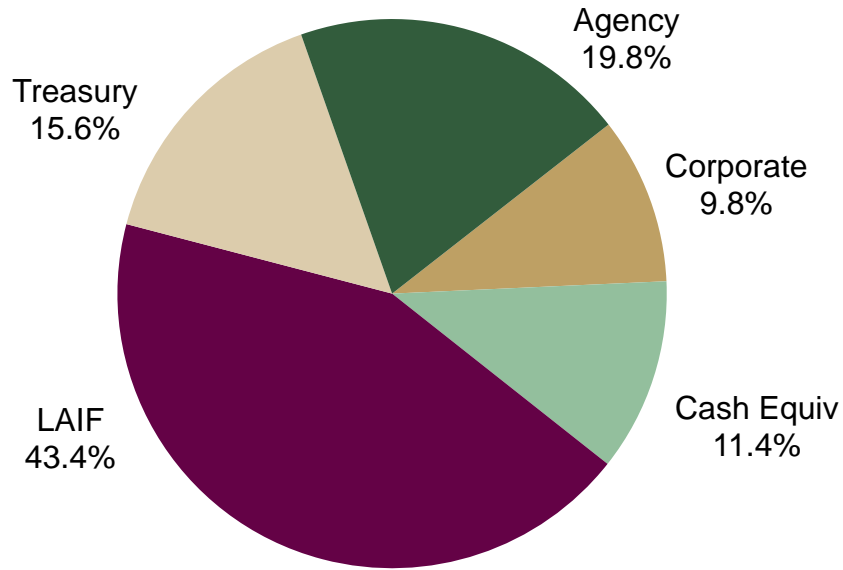
## Portfolio Activity

Four securities with a total par value of 2.60 million matured during the quarter; additionally \$5 million was contributed to the portfolio in January. The Chandler team reinvested the proceeds into a total of ten new securities, five Treasury notes, four Agency notes, and one Corporate note. The purchased securities ranged in maturity from May 2018 to March 2020. The current duration of the portfolio is 1.72, close to the 1-3 year Treasury and Agency benchmark.

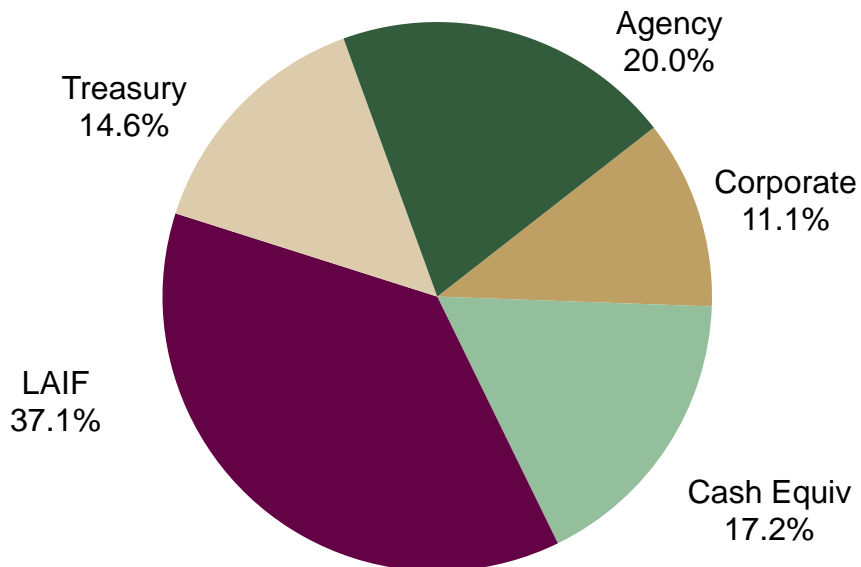


## Sector Distribution

**March 31, 2016**



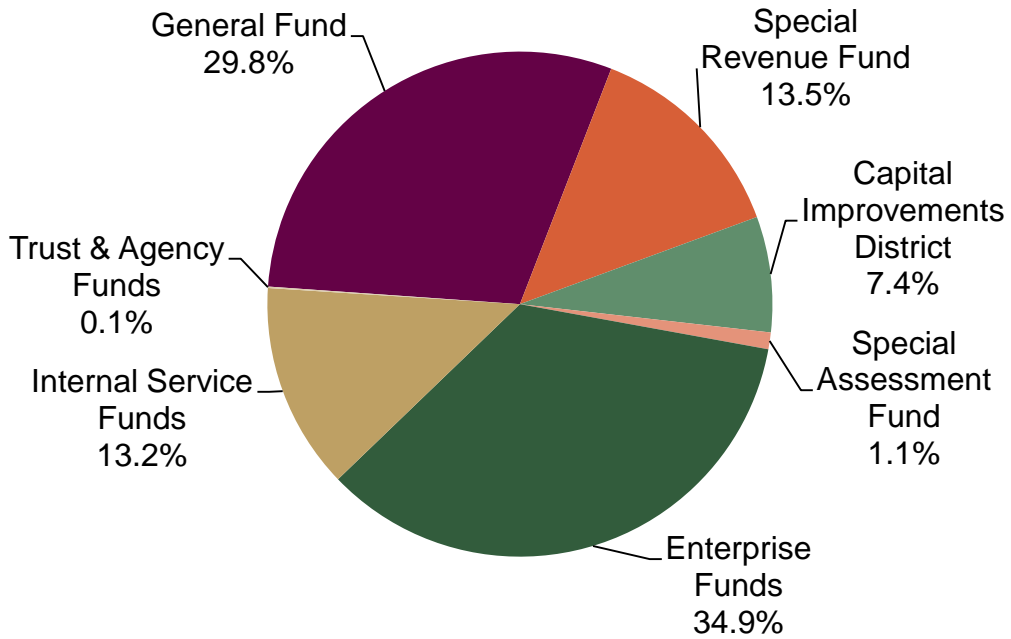
**December 31, 2015**



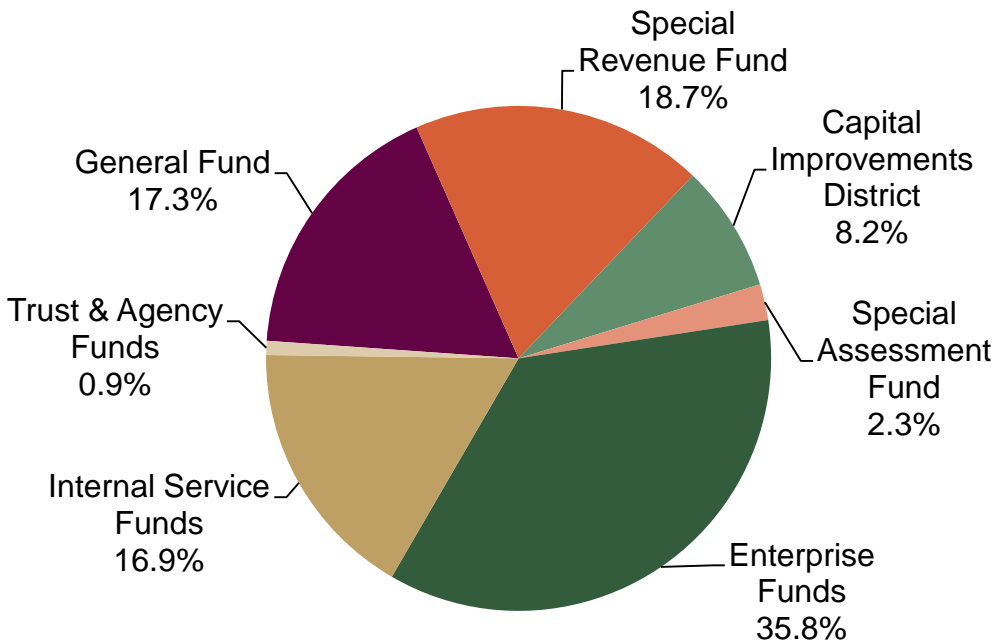


## City Fund Allocation

**March 31, 2016**



**December 31, 2015**







**City of San Leandro  
Investments by All Types  
Active Investments  
March 31, 2016**

CUSIP	Issuer	Coupon	Maturity Date	Par	Purchase Price	Book Value	Purchase Yield	MVACC
<b>LAIF</b>								
SYS113	LAIF - City Pool			\$40,145,977.23	100.00000	\$40,145,977.23		\$40,145,977.23
SYS114	LAIF - Successor Agency			2,624,037.75	100.00000	\$2,624,037.75		\$2,624,037.75
	LAIF - Economic Development Agency			2.34		\$2.34		\$2.34
			<b>subtotal</b>	<b>\$42,770,017.32</b>		<b>\$42,770,017.32</b>		<b>\$42,770,017.32</b>
<b>Passbook/Checking Accounts</b>								
	Public Funds Checking			11,096,657.70	100.00000	11,096,657.70		11,096,657.70
			<b>subtotal</b>	<b>\$ 11,096,657.70</b>		<b>\$ 11,096,657.70</b>		<b>\$ 11,096,657.70</b>
<b>Government Issues</b>								
60934N104	GOVT OBLIG MMF Federated Prime Value Oblig	0.200	31-Mar-16	96,312.97	100.00000	96,312.97	0.20	96,312.97
3135G0BA0	Note FNMA	2.375	11-Apr-16	865,000.00	100.03451	865,298.48	1.08	875,224.55
037833AH3	Note Apple Inc	0.450	03-May-16	500,000.00	99.98397	499,919.85	0.63	500,881.00
3137EACT4	Note FHLMC	2.500	27-May-16	250,000.00	100.31556	250,788.89	0.43	253,002.78
912828QP8	Note US Treasury	1.750	31-May-16	760,000.00	100.21753	761,653.25	0.41	766,272.39
313373S26	Note FHLB	2.125	10-Jun-16	850,000.00	100.18400	851,564.03	1.14	858,301.17
742718DV8	Note Procter & Gamble Co	1.450	15-Aug-16	400,000.00	100.27340	401,093.59	0.71	402,103.11
3137EACW7	Note FHLMC	2.000	25-Aug-16	740,000.00	100.56548	744,184.53	0.57	745,865.98
912828RF9	Note US Treasury	1.000	31-Aug-16	775,000.00	100.20189	776,564.66	0.51	777,581.19
02665WAB7	Note American Honda Finance	1.125	07-Oct-16	475,000.00	100.17656	475,838.66	0.78	478,594.56
3135G0ES8	Note FNMA	1.375	15-Nov-16	650,000.00	100.24442	651,588.70	0.97	656,810.99
912828RU6	Note US Treasury	0.875	30-Nov-16	775,000.00	99.98323	774,870.05	0.90	779,125.77
084670BD9	Note Berkshire Hathaway	1.900	31-Jan-17	525,000.00	100.23591	526,238.51	1.61	531,371.11
912828SC5	Note US Treasury	0.875	31-Jan-17	800,000.00	100.16727	801,338.17	0.67	802,954.68
674599CB9	Note Occidental Petroleum	1.750	15-Feb-17	400,000.00	100.74858	402,994.32	0.88	401,699.64
17275RAT9	Note Cisco Systems	1.100	03-Mar-17	500,000.00	100.11127	500,556.35	0.98	501,904.78
3137EADCO	Note FHLMC	1.000	08-Mar-17	800,000.00	100.23969	801,917.51	0.74	802,955.11
3133782N0	Note FHLB	0.875	10-Mar-17	325,000.00	100.08606	325,279.70	0.78	325,838.64
3135G0ZB2	Note FNMA	0.750	20-Apr-17	1,000,000.00	99.94020	999,402.03	0.81	1,003,722.17
91159HHD5	Callable Note Cont 4/15/2017 US Bancorp	1.650	15-May-17	500,000.00	100.16932	500,846.61	1.48	505,741.67
912828SY7	Note US Treasury	0.625	31-May-17	775,000.00	99.74935	773,057.43	0.84	776,173.67
913017BU2	Note United Tech Corp	1.800	01-Jun-17	500,000.00	100.82106	504,105.29	1.08	507,842.50
313379DD8	Note FHLB	1.000	21-Jun-17	800,000.00	99.77103	798,168.25	1.19	805,241.42
3137EADJ5	Note FHLMC	1.000	28-Jun-17	800,000.00	100.08414	800,673.08	0.94	804,290.40
48126EAA5	Note JP Morgan	2.000	15-Aug-17	475,000.00	100.52349	477,486.58	1.61	480,895.49
912828TM2	Note US Treasury	0.625	31-Aug-17	825,000.00	99.56727	821,429.96	0.94	824,449.30
3133EDVU3	Note FFCB	1.125	22-Sep-17	750,000.00	99.87656	749,074.21	1.21	754,386.19
3133EDXA5	Note FFCB	1.150	10-Oct-17	775,000.00	100.18989	776,471.62	1.02	783,542.44
68389XAN5	Note Oracle Corp	1.200	15-Oct-17	400,000.00	99.94918	399,796.72	1.23	404,548.53
74005PBC7	Note Praxair	1.050	07-Nov-17	450,000.00	98.98458	445,430.63	1.71	450,244.80
912828UA6	Note US Treasury	0.625	30-Nov-17	1,020,000.00	99.56827	1,015,596.36	0.89	1,020,508.38
166764AA8	Callable Note Cont 11/5/17 Chevron Corp	1.104	05-Dec-17	650,000.00	99.28882	645,377.35	1.54	651,186.47
40428HPH9	Note HSBC USA Inc	1.625	16-Jan-18	500,000.00	100.03784	500,189.18	1.60	500,824.71
24422EST7	Note John Deere Capital Corp	1.350	16-Jan-18	500,000.00	100.08935	500,446.73	1.30	502,548.25
94974BFG0	Note Wells Fargo Corp	1.500	16-Jan-18	700,000.00	100.21113	701,477.91	1.38	706,297.90
912828UJ7	Note US Treasury	0.875	31-Jan-18	1,175,000.00	99.54321	1,169,632.66	1.13	1,179,752.10
3135G0TG8	Note FNMA	0.875	08-Feb-18	800,000.00	99.10690	792,855.23	1.37	802,867.36
912828H94	Note US Treasury	1.000	15-Feb-18	1,000,000.00	99.96841	999,684.14	1.02	1,005,990.74
3137EADP1	Note FHLMC	0.875	07-Mar-18	965,000.00	99.46286	959,816.57	1.16	967,004.63
313378A43	Note FHLB	1.375	09-Mar-18	800,000.00	100.19808	801,584.61	1.27	809,456.22
808513AK1	Callable Note Cont 2/10/2018 Charles Schwab Corp	1.500	10-Mar-18	500,000.00	100.07360	500,368.00	1.46	503,518.00
912828J68	Note US Treasury	1.000	15-Mar-18	500,000.00	99.92130	499,606.49	1.04	502,672.48
36962G6W9	Note General Electric Capital Corp	1.625	02-Apr-18	128,000.00	100.02887	128,036.95	1.61	130,609.13
912828K25	Note US Treasury	0.750	15-Apr-18	800,000.00	99.84025	798,722.01	0.83	802,488.89
747525AG8	Note Qualcomm Inc	1.400	18-May-18	550,000.00	99.44816	546,964.90	1.66	555,582.19
3135G0WJ8	Note FNMA	0.875	21-May-18	1,050,000.00	99.28235	1,042,464.68	1.22	1,054,608.16
313379DT3	Note FHLB	1.250	08-Jun-18	650,000.00	100.28678	651,864.08	1.12	657,951.85
912828XK1	Note US Treasury	0.875	15-Jul-18	725,000.00	99.72076	722,975.52	1.00	727,673.04
3135G0E33	Note FNMA	1.125	20-Jul-18	400,000.00	100.08825	400,353.00	1.09	403,716.30
06406HCL1	Callable Note Cont 7/2/2018 Bank of New York	2.100	01-Aug-18	500,000.00	100.58164	502,908.22	1.83	509,263.50
3130A6AE7	Note FHLB	1.125	14-Sep-18	975,000.00	100.36674	978,575.70	0.97	980,396.87
912828L40	Note US Treasury	1.000	15-Sep-18	1,300,000.00	100.06803	1,300,884.41	0.97	1,306,796.34
912828L81	Note US Treasury	0.875	15-Oct-18	1,000,000.00	99.29590	992,958.99	1.16	1,005,602.30
89236TAY1	Note Toyota Motor Credit Corp	2.000	24-Oct-18	450,000.00	101.23270	455,547.14	1.51	462,043.90
313376BR5	Note FHLB	1.750	14-Dec-18	1,000,000.00	101.06342	1,010,634.19	1.35	1,028,470.39
912828N22	Note US Treasury	1.250	15-Dec-18	1,000,000.00	99.95355	999,535.50	1.27	1,015,016.52
3135G0H63	Note FNMA	1.375	28-Jan-19	1,000,000.00	99.99057	999,905.68	1.38	1,015,435.25
3133782M2	Note FHLB	1.500	08-Mar-19	775,000.00	101.23525	784,573.20	1.07	788,578.26
912828C65	Note US Treasury	1.625	31-Mar-19	1,000,000.00	100.77598	1,007,759.82	1.36	1,021,685.40
3135G0ZE6	Note FNMA	1.750	20-Jun-19	1,000,000.00	101.18516	1,011,851.62	1.37	1,027,230.72
3137EADK2	Note FHLMC	1.250	01-Aug-19	450,000.00	99.05048	445,727.17	1.54	454,589.25
3137EADM8	Note FHLMC	1.250	02-Oct-19	850,000.00	100.16262	851,382.26	1.20	858,942.24
912828UV0	Note US Treasury	1.125	31-Mar-20	1,000,000.00	98.30133	983,013.30	1.57	1,001,788.73
			<b>subtotal</b>	<b>\$ 40,488,000.00</b>		<b>\$ 41,977,095.47</b>		<b>\$ 44,618,975.47</b>
			<b>Total</b>	<b>\$ 94,354,675.02</b>		<b>\$ 95,843,770.49</b>		<b>\$ 98,485,650.49</b>