



City of San Leandro

Meeting Date: September 6, 2016

Staff Report

File Number: 16-442 **Agenda Section:** CONSENT CALENDAR

Agenda Number: 8.K.

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 June 30, 2016

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council review and accept the investment report for the quarter ended June 30, 2016.

OVERVIEW

As of June 30, 2016, the City's investment portfolio had a market value of \$110.0 million. Of the total \$110.0 million, \$65.2 million was placed with the Local Agency Investment Fund (LAIF) and bank accounts and \$44.8 million was placed in the Chandler Asset Management portfolio.

The rate of return for LAIF for the quarter was 0.55%, while the average book yield for the Chandler managed funds was 1.14%. 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 1.14%, which exceeds the benchmark rate of return on the 2-year U.S. Treasury securities of 0.58%, and the 5-year U.S. Treasury securities of 1.01%.

Amounts invested with LAIF are essentially liquid; funds can be withdrawn with minimal notice as City operations require.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 agrees 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: September 6, 2016

Resolution - Council

File Number: 16-443 **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 June 30, 2016 (reviews the activities of the City's investment portfolio)

WHEREAS, the City of San Leandro Quarterly Investment Report for the quarter ended June 30, 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
June 30, 2016



City of San Leandro
June 30, 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

	6/30/2016	3/31/2016
LAIF - City Pool #98-01-809	\$52,691,550	\$40,145,977
LAIF - Successor Agency	2,627,067	2,624,038
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	9,854,368	11,096,658
Total LAIF and Bank Accounts	\$65,172,987	\$53,866,675
Investment Portfolio Market Value	\$44,842,320	\$44,618,975
Total Market Value	\$110,015,307	\$98,485,650
LAIF Quarterly Apportionment Rate	0.55%	0.46%
2 year US Treasury Yield to Maturity	0.58%	0.73%
5 year US Treasury Yield to Maturity	1.01%	1.21%
Investment Portfolio:		
Average Maturity (yrs)	1.76	1.76
Modified Duration	1.72	1.72
Average Book Yield	1.14%	1.12%
Average Yield to Maturity at Market	0.73%	0.82%
Average Quality S&P/Moody	AA/Aa1	AA/Aa1

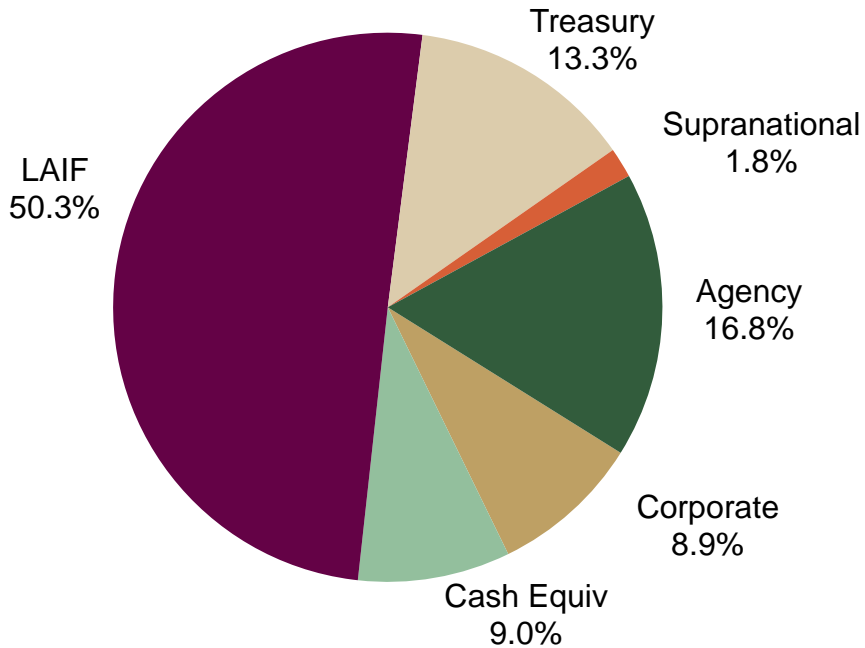
Portfolio Activity

Five securities with a total par value of 3.225 million matured during the quarter in addition to one Corporate note call which totaled 400k in par. The Chandler team reinvested the proceeds into a broad mix of securities in the Agency, Supranational, and Corporate sectors of the market keep the portfolio structure in-line with Chandler objectives. The purchased securities ranged in maturity from March 2019 to September 2019. The current duration of the portfolio is 1.72, unchanged from the prior quarter.

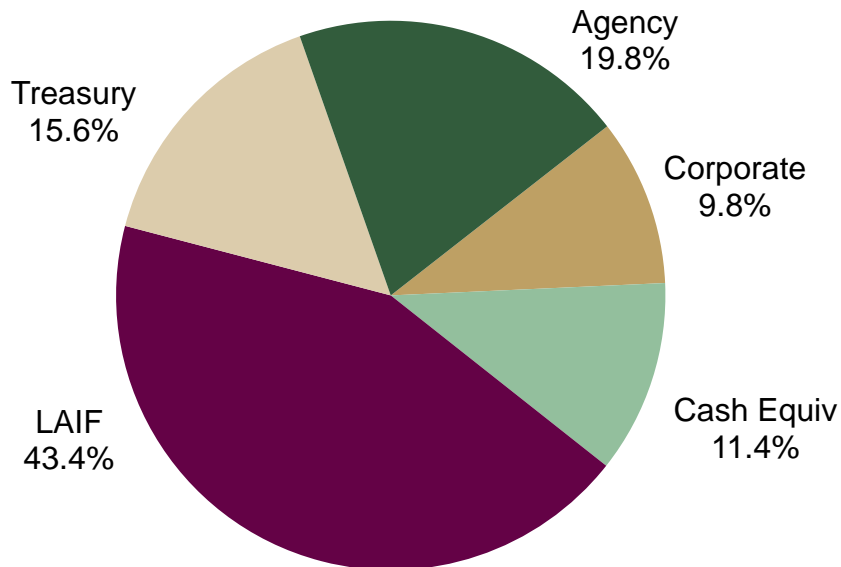


Sector Distribution

June 30, 2016



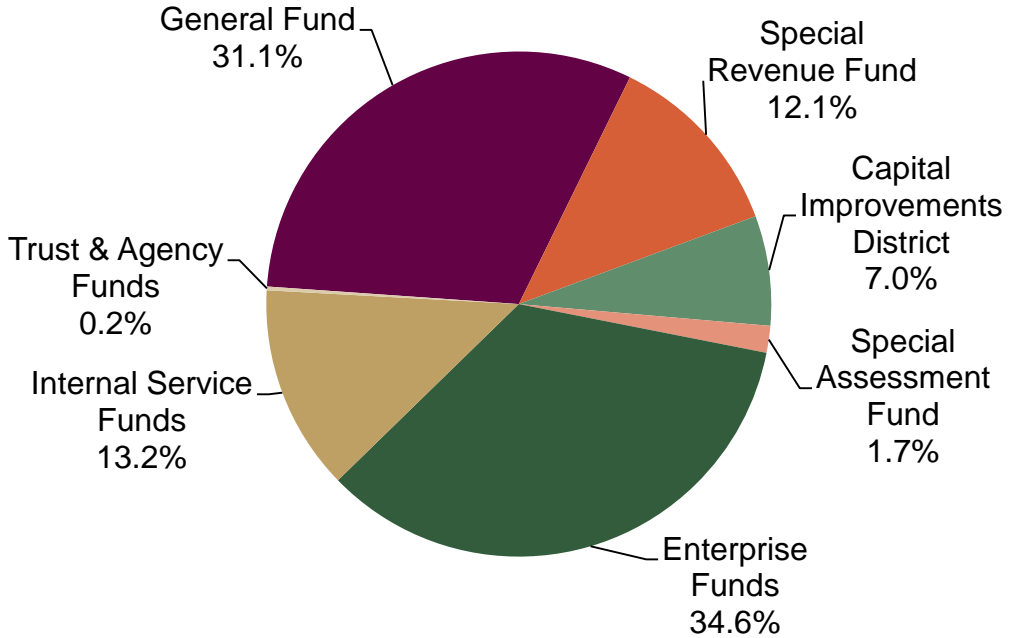
March 31, 2016



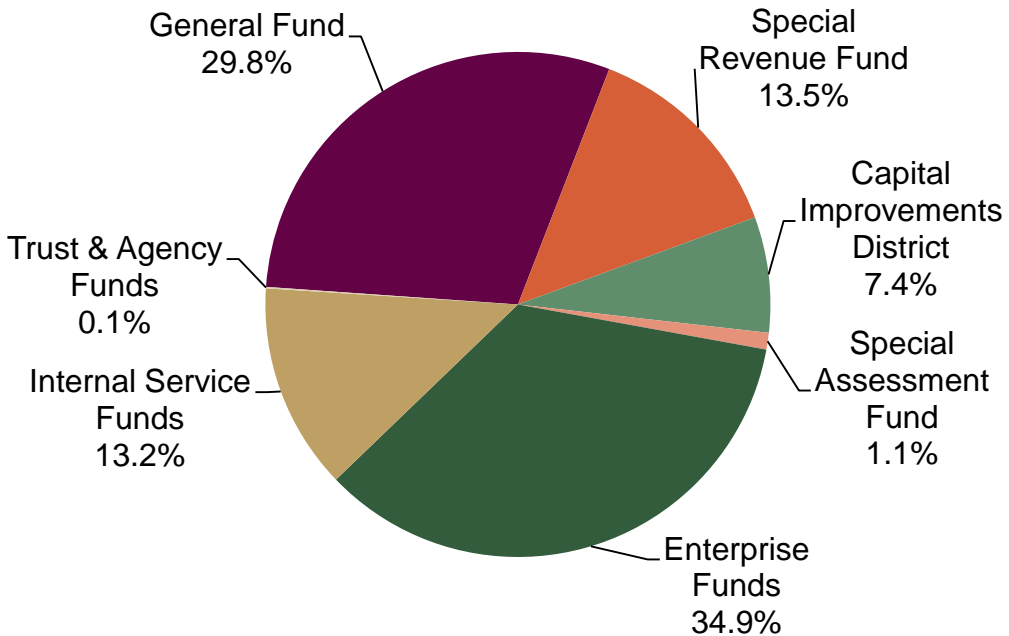


City Fund Allocation

June 30, 2016



March 31, 2016





**City of San Leandro
Investments by All Types
Active Investments
June 30, 2016**

CUSIP	Issuer	Coupon	Maturity Date	Par	Purchase Price	Book Value	Purchase Yield	MVACC
LAIF								
SYS113	LAIF - City Pool			\$52,691,549.63	100.00000	\$52,691,549.63		\$52,691,549.63
SYS114	LAIF - Successor Agency			2,627,066.72	100.00000	\$2,627,066.72		\$2,627,066.72
	LAIF - Economic Development Agency			2.34		\$2.34		\$2.34
			subtotal	\$55,318,618.69		\$55,318,618.69		\$55,318,618.69
Passbook/Checking Accounts								
	Public Funds Checking			9,854,368.25	100.00000	9,854,368.25		9,854,368.25
			subtotal	\$ 9,854,368.25		\$ 9,854,368.25		\$ 9,854,368.25
Government Issues								
60934N104	GOVT OBLIG MMF Federated Prime Value Oblig	0.250	30-Jun-16	10,014.42	100.00000	10,014.42	0.25	10,014.42
742718DV8	Note Procter & Gamble Co	1.450	15-Aug-16	400,000.00	100.09046	400,361.85	0.71	402,627.51
3137EACW7	Note FHLMC	2.000	25-Aug-16	740,000.00	100.21302	741,576.37	0.57	746,910.86
912828RF9	Note US Treasury	1.000	31-Aug-16	775,000.00	100.08102	775,627.92	0.51	778,487.80
02665WAB7	Note American Honda Finance	1.125	07-Oct-16	475,000.00	100.09155	475,434.86	0.78	476,743.26
3135GOES8	Note FNMA	1.375	15-Nov-16	650,000.00	100.14686	650,954.62	0.97	653,381.91
912828RU6	Note US Treasury	0.875	30-Nov-16	775,000.00	99.98951	774,918.72	0.90	777,163.12
084670BD9	Note Berkshire Hathaway	1.900	31-Jan-17	525,000.00	100.16552	525,868.99	1.61	532,681.51
912828SC5	Note US Treasury	0.875	31-Jan-17	800,000.00	100.11736	800,938.91	0.67	804,915.88
17275RAT9	Note Cisco Systems	1.100	03-Mar-17	500,000.00	100.08113	500,405.67	0.98	503,042.78
3137EADC0	Note FHLMC	1.000	08-Mar-17	800,000.00	100.17573	801,405.80	0.74	805,134.31
3133782N0	Note FHLB	0.875	10-Mar-17	325,000.00	100.06323	325,205.49	0.78	326,806.65
3135GOZB2	Note FNMA	0.750	20-Apr-17	1,000,000.00	99.95437	999,543.73	0.81	1,003,499.17
91159HHD5	Callable Note Cont 4/15/2017 US Bancorp	1.650	15-May-17	500,000.00	100.12867	500,643.33	1.48	503,448.17
912828SY7	Note US Treasury	0.625	31-May-17	775,000.00	99.80302	773,473.37	0.84	776,106.21
913017BU2	Note United Tech Corp	1.800	01-Jun-17	500,000.00	100.64567	503,228.34	1.08	504,576.50
313379DD8	Note FHLB	1.000	21-Jun-17	800,000.00	99.81775	798,541.99	1.19	803,339.82
3137EADJ5	Note FHLMC	1.000	28-Jul-17	800,000.00	100.06828	800,546.27	0.94	806,823.20
48126EAA5	Note JP Morgan	2.000	15-Aug-17	475,000.00	100.42841	477,034.93	1.61	483,014.47
912828TM2	Note US Treasury	0.625	31-Aug-17	825,000.00	99.64344	822,058.34	0.94	827,464.27
3133EDVU3	Note FFCB	1.125	22-Sep-17	750,000.00	99.89740	749,230.51	1.21	757,190.06
3133EDXA5	Note FFCB	1.150	10-Oct-17	775,000.00	100.15886	776,231.19	1.02	782,445.81
68389XAN5	Note Oracle Corp	1.200	15-Oct-17	400,000.00	99.95741	399,829.64	1.23	402,429.73
74005PBC7	Note Praxair	1.050	07-Nov-17	450,000.00	99.14254	446,141.42	1.71	451,052.55
912828UA6	Note US Treasury	0.625	30-Nov-17	1,020,000.00	99.63289	1,016,255.46	0.89	1,021,376.36
166764AA8	Callable Note Cont 11/5/17 Chevron Corp	1.104	05-Dec-17	650,000.00	99.39440	646,063.58	1.54	651,592.07
40428HPH9	Note HSBC USA Inc	1.625	16-Jan-18	500,000.00	100.03258	500,162.90	1.60	502,832.96
24422EST7	Note John Deere Capital Corp	1.350	16-Jan-18	500,000.00	100.07693	500,384.66	1.30	506,894.75
94974BFG0	Note Wells Fargo Corp	1.500	16-Jan-18	700,000.00	100.18180	701,272.58	1.38	708,732.50
912828UJ7	Note US Treasury	0.875	31-Jan-18	1,175,000.00	99.60525	1,170,361.65	1.13	1,184,754.67
3135GOTG8	Note FNMA	0.875	08-Feb-18	800,000.00	99.22677	793,814.19	1.37	806,859.76
912828H94	Note US Treasury	1.000	15-Feb-18	1,000,000.00	99.97261	999,726.10	1.02	1,010,325.74
3137EADP1	Note FHLMC	0.875	07-Mar-18	965,000.00	99.53219	960,485.64	1.16	969,452.35
313378AA3	Note FHLB	1.375	09-Mar-18	800,000.00	100.17258	801,380.65	1.27	812,751.82
808513AK1	Callable Note Cont 2/10/2018 Charles Schwab Corp	1.500	10-Mar-18	500,000.00	100.06414	500,320.70	1.46	507,010.00
912828JG8	Note US Treasury	1.000	15-Mar-18	500,000.00	99.93134	499,656.71	1.04	504,904.89
36962G6W9	Note General Electric Capital Corp	1.625	02-Apr-18	128,000.00	100.02527	128,032.35	1.61	130,330.80
912828K25	Note US Treasury	0.750	15-Apr-18	800,000.00	99.85979	798,878.33	0.83	803,418.30
747525AG8	Note Qualcomm Inc	1.400	18-May-18	550,000.00	99.51279	547,320.36	1.66	555,766.44
3135GOWJ8	Note FNMA	0.875	21-May-18	1,050,000.00	99.36608	1,043,343.80	1.22	1,055,176.73
313379DT3	Note FHLB	1.250	08-Jun-18	650,000.00	100.25408	651,651.51	1.12	657,858.90
912828XK1	Note US Treasury	0.875	15-Jul-18	725,000.00	99.75119	723,196.15	1.00	731,836.36
3135GOE33	Note FNMA	1.125	20-Jul-18	400,000.00	100.07869	400,314.76	1.09	405,532.10
06406HCL1	Callable Note Cont 7/2/2018 Bank of New York	2.100	01-Aug-18	500,000.00	100.51725	502,586.26	1.83	513,786.50
3130A6AE7	Note FHLB	1.125	14-Sep-18	975,000.00	100.32949	978,212.55	0.97	986,966.91
912828L40	Note US Treasury	1.000	15-Sep-18	1,300,000.00	100.06113	1,300,794.69	0.97	1,314,377.72
912828L81	Note US Treasury	0.875	15-Oct-18	1,000,000.00	99.36502	993,650.18	1.16	1,007,192.85
89236TAY1	Note Toyota Motor Credit Corp	2.000	24-Oct-18	450,000.00	101.11285	455,007.83	1.51	460,416.70
313376BR5	Note FHLB	1.750	14-Dec-18	1,000,000.00	100.96537	1,009,653.73	1.35	1,024,692.39
912828N22	Note US Treasury	1.250	15-Dec-18	1,000,000.00	99.95783	999,578.28	1.27	1,014,999.45
3135GOH63	Note FNMA	1.375	28-Jan-19	1,000,000.00	99.99140	999,913.99	1.38	1,020,276.75
3133782M2	Note FHLB	1.500	08-Mar-19	775,000.00	101.13030	783,759.79	1.07	792,726.06
30231GAD4	Callable Note Cont 2/15/2019 Exxon Mobil Corp	1.819	15-Mar-19	450,000.00	101.37759	456,199.15	1.30	460,951.63
459058DL4	Note Intl. Bank Recon & Development	1.875	15-Mar-19	900,000.00	102.27306	920,457.57	1.02	929,709.75
912828C65	Note US Treasury	1.625	31-Mar-19	1,000,000.00	100.71144	1,007,114.35	1.36	1,029,162.70
3137EADZ9	Note FHLMC	1.125	15-Apr-19	385,000.00	100.38535	386,483.60	0.98	389,474.48
037833AQ3	Note Apple Inc	2.100	06-May-19	500,000.00	102.34471	511,723.53	1.26	516,160.17
3135GOZE6	Note FNMA	1.750	20-Jun-19	1,000,000.00	101.09338	1,010,933.75	1.37	1,027,760.72
3130A8DB6	Note FHLB	1.125	21-Jun-19	550,000.00	100.24263	551,334.48	1.04	555,274.23
3137EADK2	Note FHLMC	1.250	01-Aug-19	450,000.00	99.12148	446,046.67	1.54	457,864.35
4581XOBY3	Note Inter-American Dev Bank	1.125	12-Sep-19	500,000.00	100.01568	500,078.39	1.12	503,760.63
45950KCD0	Note International Finance Corp	1.750	16-Sep-19	500,000.00	101.97620	509,880.98	1.12	514,554.08
3137EADM8	Note FHLMC	1.250	02-Oct-19	850,000.00	100.15105	851,283.91	1.20	862,720.49
912828UV0	Note US Treasury	1.125	31-Mar-20	1,000,000.00	98.40721	984,072.06	1.57	1,012,983.86
			subtotal	\$ 43,173,000.00		\$ 44,370,604.50		\$ 44,842,319.89
			Total	\$ 108,345,986.94		\$ 109,543,591.44		\$ 110,015,306.83