



# City of San Leandro

Meeting Date: November 7, 2016

## Staff Report

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**File Number:** 16-584 **Agenda Section:** CONSENT CALENDAR  
**Agenda Number:** 8.N.

**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 September 30, 2016

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### SUMMARY AND RECOMMENDATIONS

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

### OVERVIEW

At September 30, 2016, the City's investment portfolio had a market value of \$98.9 million. Of the total \$98.9 million, \$54.1 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 0.60%, while the average book yield for the Chandler managed funds was 1.16%. 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 1.16%, which exceeds the benchmark rate of return on the 2-year U.S. Treasury securities of 0.77%, and the 5-year U.S. Treasury securities of 1.14%.

Amounts invested with LAIF are essentially liquid; funds can be withdrawn with minimal notice as City operations require.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

- Investment Report

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



# **City of San Leandro**

## City Council Investment Report

Quarter Ending  
September 30, 2016



**City of San Leandro**  
September 30, 2016

**COMPLIANCE WITH INVESTMENT POLICY**

*Assets managed by Chandler Asset Management are in full compliance with State law and with the Client'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
Asset Backed Securities, Mortgage Backed/ Pass-Through Securities, CMOs	"AA" or higher by a NRSRO; "A" or higher for the issuer's long term debt by at least one NRSRO; 20% maximum; 5% per single Asset-Backed or Commercial Mortgage issuer; There is no issuer limitation on any Mortgage security where the issuer is US Treasury or a Federal Agency/Government-sponsored Enterprise (GSE).	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

	9/30/2016	6/30/2016
LAIF - City Pool #98-01-809	\$45,030,153	\$52,691,550
LAIF - Successor Agency	2,360,641	2,627,067
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	6,700,878	9,854,368
<b>Total LAIF and Bank Accounts</b>	<b>\$54,091,674</b>	<b>\$65,172,987</b>
Investment Portfolio Market Value	\$44,830,457	\$44,842,321
<b>Total Market Value</b>	<b>\$98,922,131</b>	<b>\$110,015,308</b>
LAIF Quarterly Apportionment Rate	0.60%	0.55%
2 year US Treasury Yield to Maturity	0.77%	0.58%
5 year US Treasury Yield to Maturity	1.14%	1.01%
<b>Investment Portfolio:</b>		
Average Maturity (yrs)	1.65	1.76
Modified Duration	1.61	1.72
Average Book Yield	1.16%	1.14%
Average Yield to Maturity at Market	0.87%	0.73%
Average Quality S&P/Moody	AA/Aa1	AA/Aa1

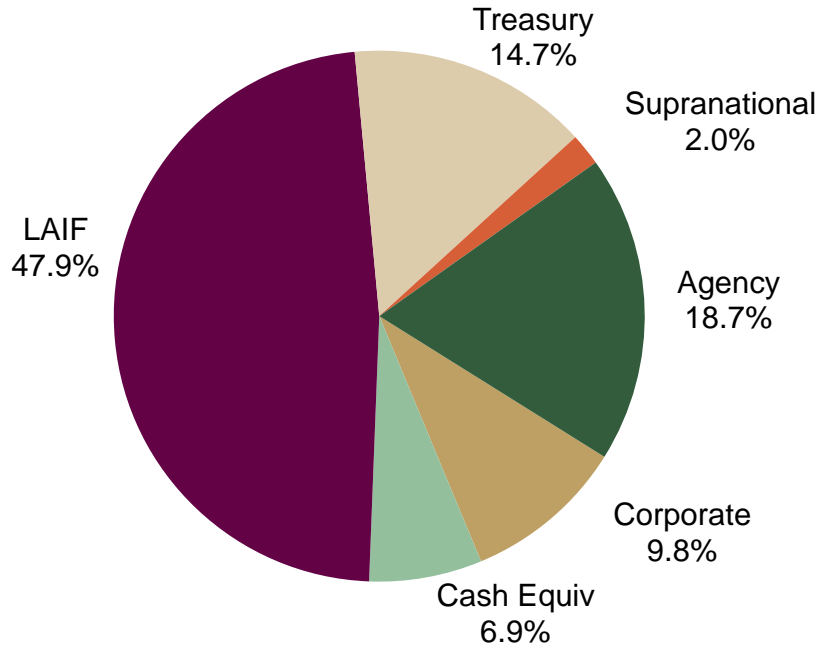
## Portfolio Activity

Three securities were purchased during the quarter in the Treasury, Agency, and Corporates sectors of the market. The purchased securities ranged in maturity from March 2019 to May 2020. Three securities matured to facilitate the new additions to the portfolio. The duration of the portfolio decreased, currently 1.61 versus 1.72 at the end of the prior quarter.

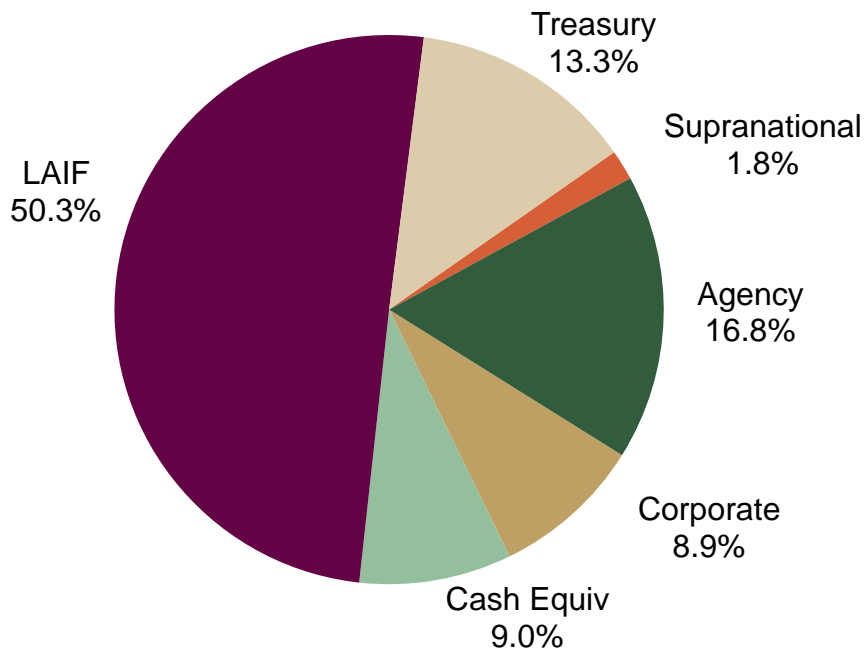


## Sector Distribution

September 30, 2016



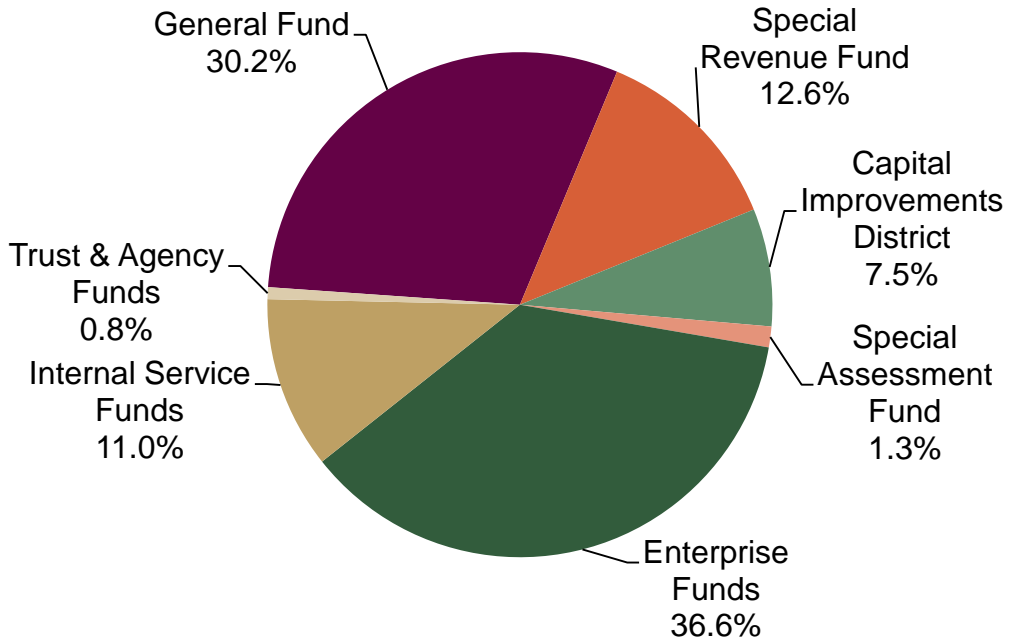
June 30, 2016



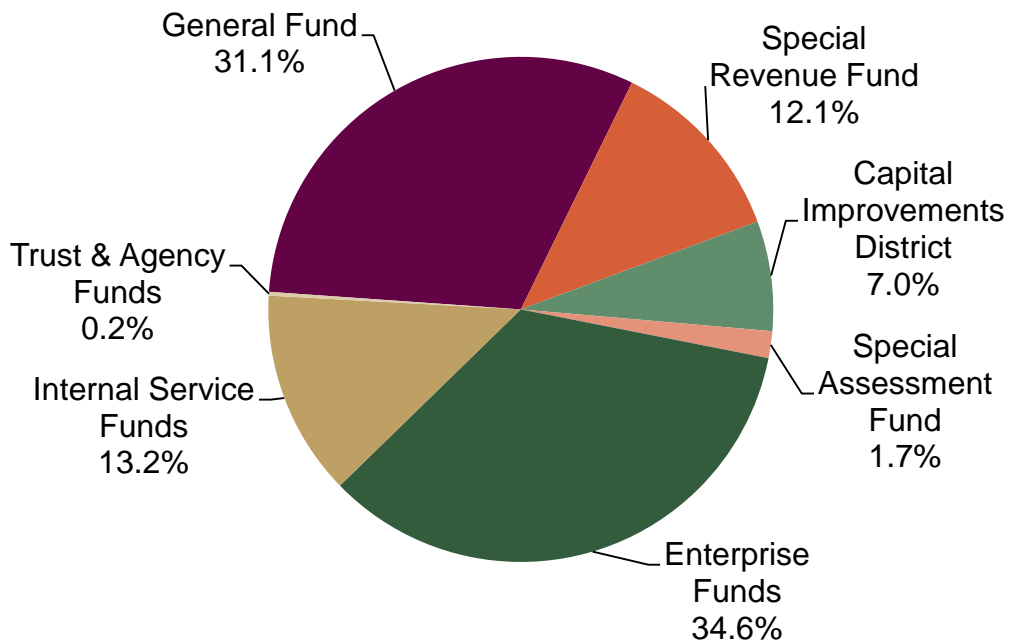


## City Fund Allocation

September 30, 2016



June 30, 2016









# City of San Leandro

Meeting Date: November 7, 2016

## Resolution - Council

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**File Number:** 16-585

**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  
September 30, 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 September 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  
September 30, 2016



**City of San Leandro**  
September 30, 2016

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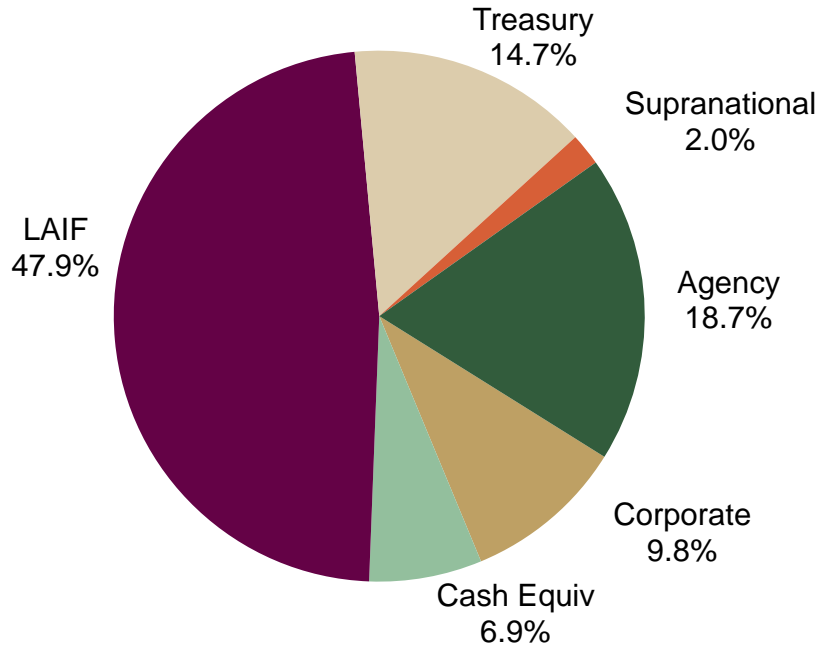
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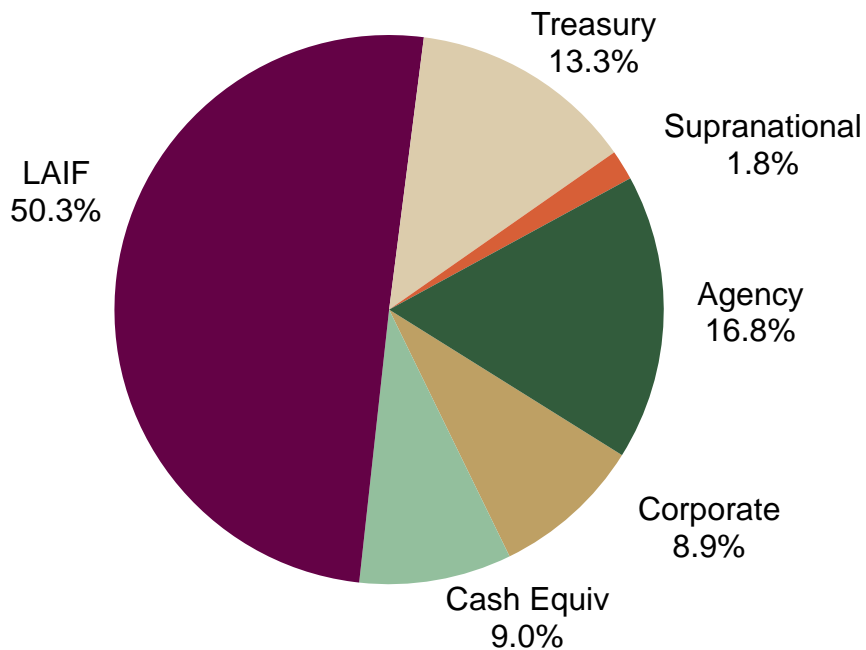


## Sector Distribution

September 30, 2016



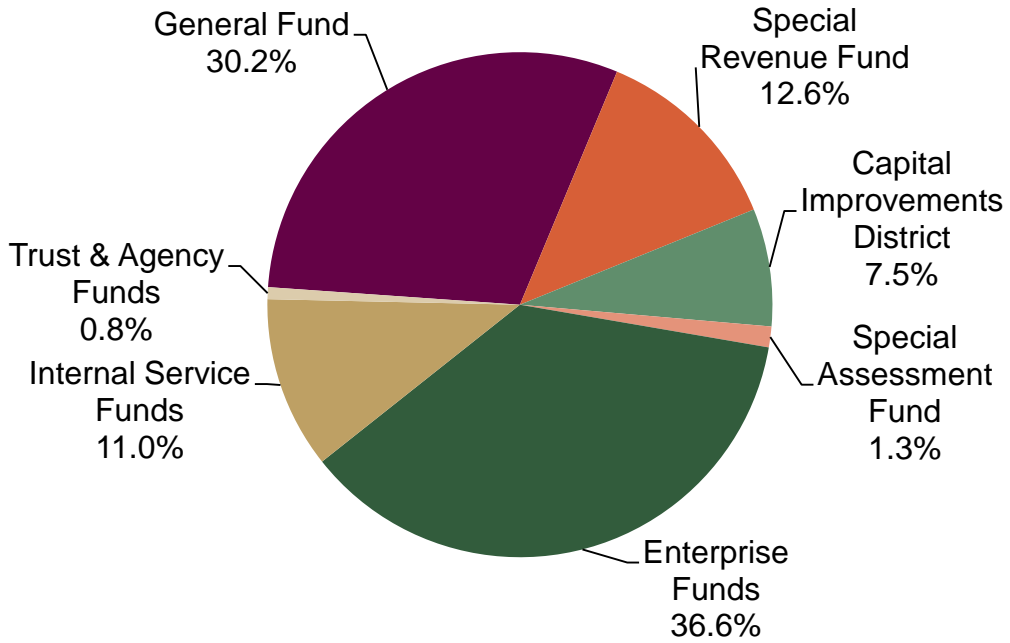
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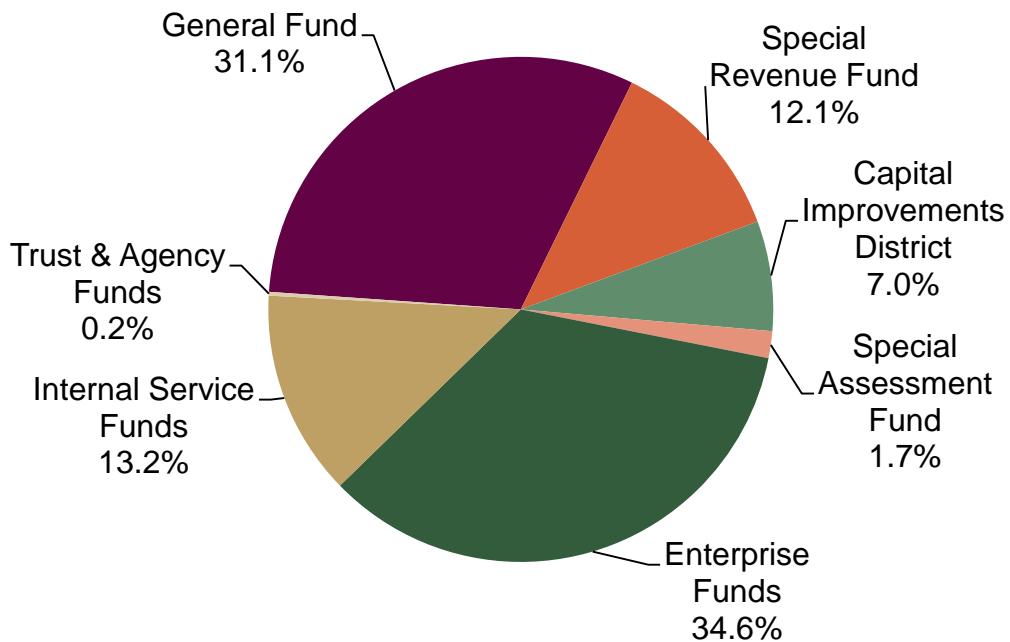


## City Fund Allocation

September 30, 2016



June 30, 2016



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

CUSIP	Issuer	Coupon	Maturity Date	Par	Purchase Price	Book Value	Purchase Yield	MVACC
<b>LAIF</b>								
SYS113	LAIF - City Pool			\$45,030,152.70	100.00000	\$45,030,152.70		\$45,030,152.70
SYS114	LAIF - Successor Agency			2,360,640.79	100.00000	\$2,360,640.79		\$2,360,640.79
	LAIF - Economic Development Agency			2.34		\$2.34		\$2.34
	<b>subtotal</b>			<b>\$47,390,795.83</b>		<b>\$47,390,795.83</b>		<b>\$47,390,795.83</b>
<b>Passbook/Checking Accounts</b>								
	Public Funds Checking			182,936.51	100.00000	182,936.51		182,936.51
	<b>subtotal</b>			<b>\$ 182,936.51</b>		<b>\$ 182,936.51</b>		<b>\$ 182,936.51</b>
<b>Government Issues</b>								
60934N104	GOVT OBLIG MMF Federated Prime Value Oblig	0.260	30-Sep-16	98,080.57	100.00000	98,080.57	0.26	98,080.57
02665WAB7	Note American Honda Finance	1.125	07-Oct-16	475,000.00	100.00560	475,026.62	0.78	477,585.66
3135G0ES8	Note FNMA	1.375	15-Nov-16	650,000.00	100.04824	650,313.56	0.97	654,119.99
912828RU6	Note US Treasury	0.875	30-Nov-16	775,000.00	99.99586	774,967.91	0.90	778,119.04
084670BD9	Note Berkshire Hathaway	1.900	31-Jan-17	525,000.00	100.09436	525,495.40	1.61	528,319.28
912828SC5	Note US Treasury	0.875	31-Jan-17	800,000.00	100.06691	800,535.27	0.67	802,624.15
17275RAT9	Note Cisco Systems	1.100	03-Mar-17	500,000.00	100.05067	500,253.34	0.98	500,628.28
3137EADC0	Note FHLMC	1.000	08-Mar-17	800,000.00	100.11106	800,888.46	0.74	802,347.91
3133782N0	Note FHLB	0.875	10-Mar-17	325,000.00	100.04014	325,130.47	0.78	325,762.27
3135G0ZB2	Note FNMA	0.750	20-Apr-17	1,000,000.00	99.96870	999,687.00	0.81	1,004,573.17
91159HHD5	Callable Note Cont 4/15/2017 US Bancorp	1.650	15-May-17	500,000.00	100.08756	500,437.82	1.48	504,572.67
912828SY7	Note US Treasury	0.625	31-May-17	775,000.00	99.85727	773,893.88	0.84	776,778.95
913017BU2	Note United Tech Corp	1.800	01-Jun-17	500,000.00	100.46835	502,341.75	1.08	505,406.00
313379DD8	Note FHLB	1.000	21-Jun-17	800,000.00	99.86498	798,919.84	1.19	804,514.22
3137EADJ5	Note FHLMC	1.000	28-Jul-17	800,000.00	100.05226	800,418.06	0.94	803,883.20
48126EAA5	Note JP Morgan	2.000	15-Aug-17	475,000.00	100.33228	476,578.31	1.61	478,932.32
912828TM2	Note US Treasury	0.625	31-Aug-17	825,000.00	99.72044	822,693.63	0.94	825,216.34
3133EDVU3	Note FFCB	1.125	22-Sep-17	750,000.00	99.91847	749,388.53	1.21	753,420.19
3133EDXA5	Note FFCB	1.150	10-Oct-17	775,000.00	100.12750	775,988.13	1.02	782,241.99
68389XAN5	Note Oracle Corp	1.200	15-Oct-17	400,000.00	99.96573	399,862.91	1.23	402,228.93
74005PBC7	Note Praxair	1.050	07-Nov-17	450,000.00	99.30223	446,860.03	1.71	451,744.65
912828UA6	Note US Treasury	0.625	30-Nov-17	1,020,000.00	99.69821	1,016,921.79	0.89	1,021,345.80
166764AA8	Callable Note Cont 11/5/17 Chevron Corp	1.104	05-Dec-17	650,000.00	99.50113	646,757.36	1.54	651,839.07
40428HPH9	Note HSBC USA Inc	1.625	16-Jan-18	500,000.00	100.02727	500,136.33	1.60	501,966.21
24422EST7	Note John Deere Capital Corp	1.350	16-Jan-18	500,000.00	100.06438	500,321.92	1.30	502,581.75
94974BFG0	Note Wells Fargo Corp	1.500	16-Jan-18	700,000.00	100.15214	701,064.99	1.38	703,078.60
912828UJ7	Note US Treasury	0.875	31-Jan-18	1,175,000.00	99.66797	1,171,098.66	1.13	1,179,210.25
3135G0TG8	Note FNMA	0.875	08-Feb-18	800,000.00	99.34796	794,783.69	1.37	802,100.96
912828H94	Note US Treasury	1.000	15-Feb-18	1,000,000.00	99.97685	999,768.52	1.02	1,005,027.17
3137EADP1	Note FHLMC	0.875	07-Mar-18	965,000.00	99.60229	961,162.06	1.16	966,319.48
313378A43	Note FHLB	1.375	09-Mar-18	800,000.00	100.14681	801,174.45	1.27	807,194.62
808513AK1	Callable Note Cont 2/10/2018 Charles Schwab Corp	1.500	10-Mar-18	500,000.00	100.05458	500,272.88	1.46	502,258.00
912828J68	Note US Treasury	1.000	15-Mar-18	500,000.00	99.94150	499,707.49	1.04	502,154.49
36962G6W9	Note General Electric Capital Corp	1.625	02-Apr-18	128,000.00	100.02164	128,027.70	1.61	130,340.72
912828K25	Note US Treasury	0.750	15-Apr-18	800,000.00	99.87955	799,036.36	0.83	802,895.29
747525AG8	Note Qualcomm Inc	1.400	18-May-18	550,000.00	99.57813	547,679.73	1.66	553,679.74
3135G0WJ8	Note FNMA	0.875	21-May-18	1,050,000.00	99.45072	1,044,232.58	1.22	1,054,250.11
313379DT3	Note FHLB	1.250	08-Jun-18	650,000.00	100.22102	651,436.60	1.12	656,965.80
912828XK1	Note US Treasury	0.875	15-Jul-18	725,000.00	99.78196	723,419.21	1.00	727,675.70
3135G0E33	Note FNMA	1.125	20-Jul-18	400,000.00	100.06903	400,276.10	1.09	402,893.10
06406HCL1	Callable Note Cont 7/2/2018 Bank of New York	2.100	01-Aug-18	500,000.00	100.45215	502,260.77	1.83	509,269.50
3130A6AE7	Note FHLB	1.125	14-Sep-18	975,000.00	100.29184	977,845.40	0.97	979,784.57
912828L40	Note US Treasury	1.000	15-Sep-18	1,300,000.00	100.05415	1,300,703.98	0.97	1,305,804.49
912828L81	Note US Treasury	0.875	15-Oct-18	1,000,000.00	99.43490	994,348.96	1.16	1,005,681.30
89236TAY1	Note Toyota Motor Credit Corp	2.000	24-Oct-18	450,000.00	100.99169	454,462.60	1.51	460,510.30
313376BR5	Note FHLB	1.750	14-Dec-18	1,000,000.00	100.86625	1,008,662.50	1.35	1,023,255.39
912828N22	Note US Treasury	1.250	15-Dec-18	1,000,000.00	99.96215	999,621.54	1.27	1,013,063.52
3135G0H63	Note FNMA	1.375	28-Jan-19	1,000,000.00	99.99224	999,922.40	1.38	1,013,453.25
3133782M2	Note FHLB	1.500	08-Mar-19	775,000.00	101.02419	782,937.45	1.07	785,871.96
532457BF4	Note Eli Lilly & Co	1.950	15-Mar-19	400,000.00	102.02873	408,114.92	1.11	407,261.47
30231GAD4	Callable Note Cont 2/15/2019 Exxon Mobil Corp	1.819	15-Mar-19	450,000.00	101.24918	455,621.31	1.30	456,052.25
459058DL4	Note Intl. Bank Recon & Development	1.875	15-Mar-19	900,000.00	102.06119	918,550.68	1.02	920,154.00
912828C65	Note US Treasury	1.625	31-Mar-19	1,000,000.00	100.64618	1,006,461.79	1.36	1,019,067.64
3137EADZ9	Note FHLMC	1.125	15-Apr-19	385,000.00	100.35052	386,349.52	0.98	388,995.73
037833AQ3	Note Apple Inc	2.100	06-May-19	500,000.00	102.13709	510,685.45	1.26	515,160.67
3135G0ZE6	Note FNMA	1.750	20-Jun-19	1,000,000.00	101.00058	1,010,005.79	1.37	1,026,220.72
3130A8DB6	Note FHLB	1.125	21-Jun-19	550,000.00	100.22206	551,221.33	1.04	554,002.90
3137EADK2	Note FHLMC	1.250	01-Aug-19	450,000.00	99.19326	446,369.68	1.54	454,203.60
4581X0BY3	Note Inter-American Dev Bank	1.125	12-Sep-19	500,000.00	100.01444	500,072.21	1.12	500,403.38
45950KCD0	Note International Finance Corp	1.750	16-Sep-19	500,000.00	101.82107	509,105.34	1.12	508,995.58
3137EADM8	Note FHLMC	1.250	02-Oct-19	850,000.00	100.13935	851,184.48	1.20	861,283.99
912828UB4	Note US Treasury	1.000	30-Nov-19	775,000.00	100.06119	775,474.24	0.98	779,148.31
912828UV0	Note US Treasury	1.125	31-Mar-20	1,000,000.00	98.51425	985,142.45	1.57	1,004,835.92
3137EADR7	Note FHLMC	1.375	01-May-20	790,000.00	101.05594	798,341.91	1.07	803,099.91
<b>subtotal</b>				<b>\$ 43,238,000.00</b>		<b>\$ 44,518,506.61</b>		<b>\$ 44,830,456.99</b>
<b>Total</b>				<b>\$ 90,811,732.34</b>		<b>\$ 92,092,238.95</b>		<b>\$ 92,404,189.33</b>