



City of San Leandro

Meeting Date: February 21, 2017

Staff Report

File Number: 17-034 **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, 2016

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council review and accept the investment report for the quarter ended December 31, 2016.

OVERVIEW

At December 31, 2016, the City's investment portfolio had a market value of \$105.9 million. Of the total \$105.9 million, \$61.2 million was placed with the Local Agency Investment Fund (LAIF) and bank accounts and \$44.7 million was placed in the Chandler Asset Management (Chandler) portfolio.

The rate of return for LAIF for the quarter was 0.68%, while the average book yield for the Chandler managed funds was 1.19%. The City's investment policy establishes three bases for the performance standard: 1) the LAIF rate of return, 2) the rate of return on 2-year U.S. Treasury securities, and 3) the rate of return on 5-year U.S. Treasury securities. Amounts invested in LAIF meet this performance standard. The Chandler managed funds average book yield was 1.19%, which is below the 1.20% benchmark rate of return on the 2-year U.S. Treasury securities and the 1.93% benchmark rate of return on the 5-year U.S. Treasury securities.

Amounts invested with LAIF are essentially liquid; funds can be withdrawn with minimal notice as City operations require.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

Meeting Date: February 21, 2017

Resolution - Council

File Number: 17-035

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, 2016 (Reviews the Activities of the City's Investment Portfolio)

WHEREAS, the City of San Leandro Quarterly Investment Report for the quarter ended December 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
December 31, 2016



City of San Leandro
December 31, 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; 270 days 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 within 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

	12/31/2016	9/30/2016
LAIF - City Pool #98-01-809	\$39,203,030	\$45,030,153
LAIF - Successor Agency	2,364,526	2,360,641
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	19,658,334	6,700,878
Total LAIF and Bank Accounts	\$61,225,893	\$54,091,674
Investment Portfolio Market Value	\$44,704,548	\$44,830,457
Total Market Value	\$105,930,441	\$98,922,131

LAIF Quarterly Apportionment Rate	0.68%	0.60%
2 year US Treasury Yield to Maturity	1.20%	0.77%
5 year US Treasury Yield to Maturity	1.93%	1.14%

Investment Portfolio:

Average Maturity (yrs)	1.55	1.65
Modified Duration	1.51	1.61
Average Book Yield	1.19%	1.16%
Average Yield to Maturity at Market	1.19%	0.87%
Average Quality S&P/Moody	AA/Aa1	AA/Aa1

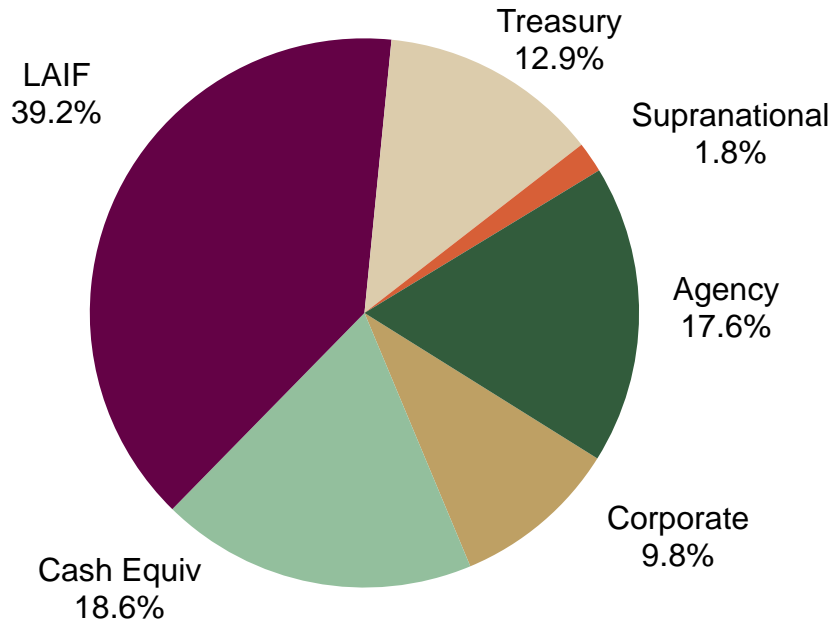
Portfolio Activity

There were three securities that matured in the City's portfolio in the fourth quarter totaling 1,900k in par. These proceeds were re-invested into two corporate notes and one Agency security, with maturities ranging from late 2019 through late 2020. These purchases increased the allocation to US Corporate slightly, while decreasing the allocation to US Treasury notes. The portfolio duration decreased from 1.61 to 1.51.

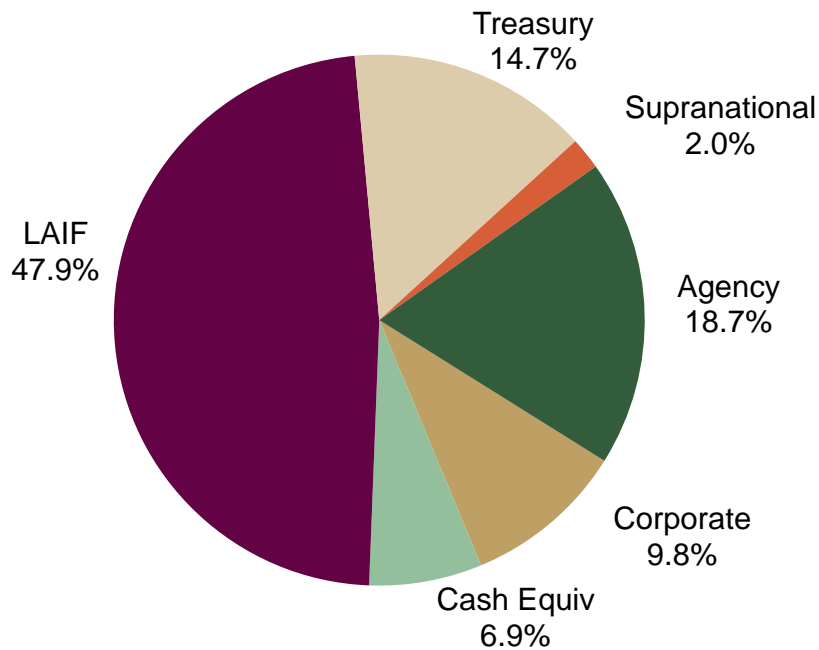


Sector Distribution

December 31, 2016



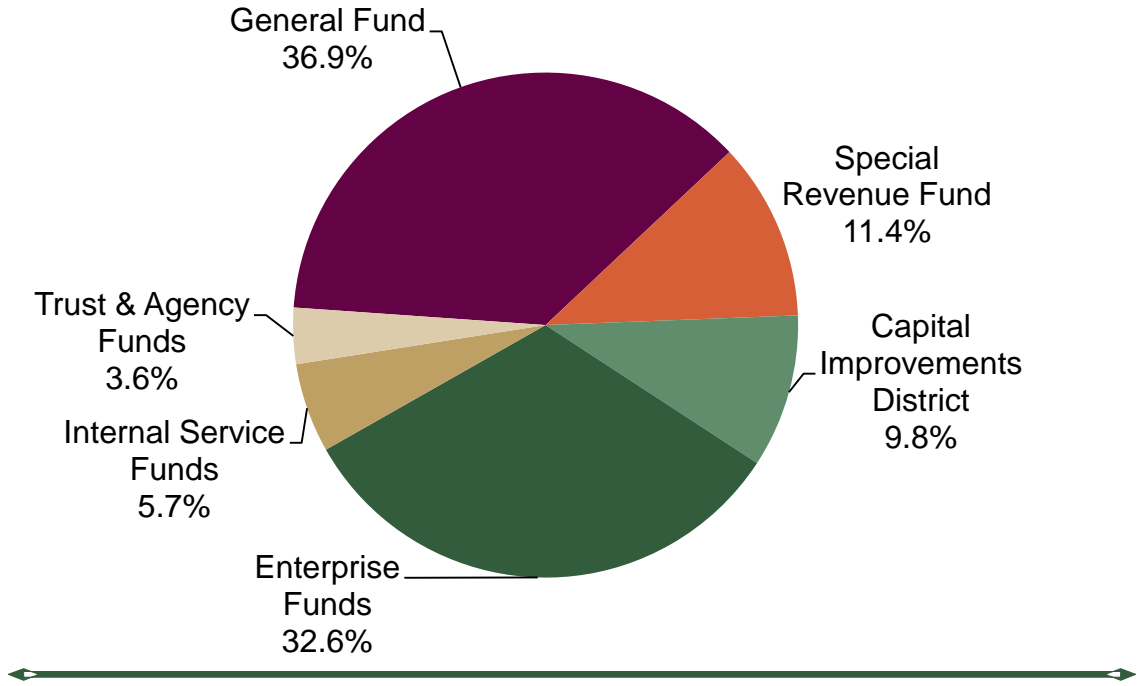
September 30, 2016



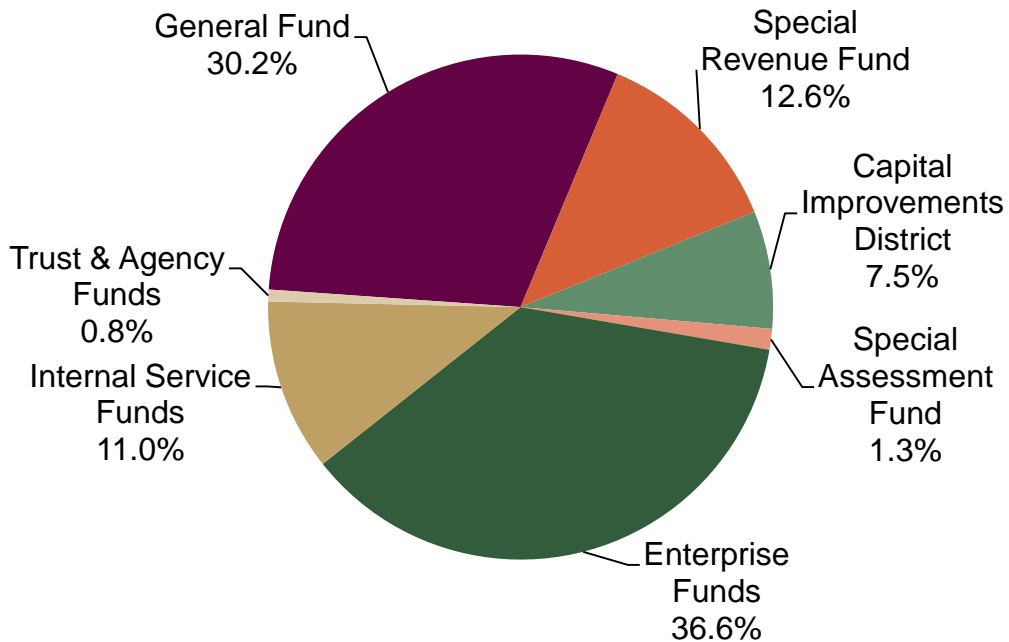


City Fund Allocation

December 31, 2016



September 30, 2016





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

CUSIP	Issuer	Coupon	Maturity Date	Par	Purchase Price	Book Value	Purchase Yield	MVACC
LAIF								
SYS113	LAIF - City Pool			\$39,203,030.32	100.00000	\$39,203,030.32		\$39,203,030.32
SYS114	LAIF - Successor Agency			2,364,526.39	100.00000	\$2,364,526.39		\$2,364,526.39
	LAIF - Economic Development Agency			2.34		\$2.34		\$2.34
			subtotal	\$41,567,559.05		\$41,567,559.05		\$41,567,559.05
Passbook/Checking Accounts								
	Public Funds Checking			19,658,333.87	100.00000	19,658,333.87		19,658,333.87
			subtotal	\$ 19,658,333.87		\$ 19,658,333.87		\$ 19,658,333.87
Government Issues								
60934N104	GOVT OBLIG MMF Federated Prime Value Oblig	0.400	31-Dec-16	77,839.21	100.00000	77,839.21	0.40	77,839.21
084670BD9	Note Berkshire Hathaway	1.900	31-Jan-17	525,000.00	100.02320	525,121.82	1.61	529,456.96
912828SC5	Note US Treasury	0.875	31-Jan-17	800,000.00	100.01645	800,131.62	0.67	803,247.75
17275RAT9	Note Cisco Systems	1.100	03-Mar-17	500,000.00	100.02020	500,101.00	0.98	501,735.28
3137EADC0	Note FHLMC	1.000	08-Mar-17	800,000.00	100.04639	800,371.13	0.74	803,151.91
3133782N0	Note FHLB	0.875	10-Mar-17	325,000.00	100.01706	325,055.45	0.78	325,995.45
3135G0ZB2	Note FNMA	0.750	20-Apr-17	1,000,000.00	99.98303	999,830.26	0.81	1,001,868.17
91159HHD5	Callable Note Cont 4/15/2017 US Bancorp	1.650	15-May-17	500,000.00	100.04646	500,232.31	1.48	501,766.67
912828SY7	Note US Treasury	0.625	31-May-17	775,000.00	99.91153	774,314.39	0.84	775,486.27
913017BU2	Note United Tech Corp	1.800	01-Jun-17	500,000.00	100.29103	501,455.16	1.08	502,056.50
313379DD8	Note FHLB	1.000	21-Jun-17	800,000.00	99.91221	799,297.69	1.19	801,423.02
3137EADJ5	Note FHLMC	1.000	28-Jul-17	800,000.00	100.03623	800,289.86	0.94	804,643.20
48126EAA5	Note JP Morgan	2.000	15-Aug-17	475,000.00	100.23615	476,121.69	1.61	480,349.24
912828TM2	Note US Treasury	0.625	31-Aug-17	825,000.00	99.79744	823,328.92	0.94	826,107.67
3133EDVU3	Note FFCB	1.125	22-Sep-17	750,000.00	99.93954	749,546.55	1.21	754,043.06
3133EDXA5	Note FFCB	1.150	10-Oct-17	775,000.00	100.09614	775,745.06	1.02	778,942.04
68389XAN5	Note Oracle Corp	1.200	15-Oct-17	400,000.00	99.97405	399,896.19	1.23	401,108.13
74005PBC7	Note Praxair	1.050	07-Nov-17	450,000.00	99.46192	447,578.63	1.71	450,058.05
912828UA6	Note US Treasury	0.625	30-Nov-17	1,020,000.00	99.76354	1,017,588.13	0.89	1,018,169.56
166764AA8	Callable Note Cont 11/5/17 Chevron Corp	1.104	05-Dec-17	650,000.00	99.60787	647,451.13	1.54	649,049.27
40428HPH9	Note HSBC USA Inc	1.625	16-Jan-18	500,000.00	100.02195	500,109.75	1.60	502,849.46
24422EST7	Note John Deere Capital Corp	1.350	16-Jan-18	500,000.00	100.05183	500,259.17	1.30	502,482.25
94974BFG0	Note Wells Fargo Corp	1.500	16-Jan-18	700,000.00	100.12249	700,857.41	1.38	703,973.90
912828UJ7	Note US Treasury	0.875	31-Jan-18	1,175,000.00	99.73070	1,171,835.67	1.13	1,178,430.63
3135G0TG8	Note FNMA	0.875	08-Feb-18	800,000.00	99.46915	795,753.18	1.37	802,236.56
912828H94	Note US Treasury	1.000	15-Feb-18	1,000,000.00	99.98109	999,810.94	1.02	1,004,129.17
3137EADP1	Note FHLMC	0.875	07-Mar-18	965,000.00	99.67238	961,838.48	1.16	966,422.25
313378A43	Note FHLB	1.375	09-Mar-18	800,000.00	100.12103	800,968.25	1.27	806,283.82
808513AK1	Callable Note Cont 2/10/2018 Charles Schwab Corp	1.500	10-Mar-18	500,000.00	100.04501	500,225.06	1.46	502,430.50
912828J68	Note US Treasury	1.000	15-Mar-18	500,000.00	99.95165	499,758.26	1.04	501,726.21
36962G6W9	Note General Electric Capital Corp	1.625	02-Apr-18	128,000.00	100.01801	128,023.05	1.61	128,932.91
912828K25	Note US Treasury	0.750	15-Apr-18	800,000.00	99.89930	799,194.39	0.83	798,816.91
747525AG8	Note Qualcomm Inc	1.400	18-May-18	550,000.00	99.64347	548,039.10	1.66	550,802.14
3135G0WJ8	Note FNMA	0.875	21-May-18	1,050,000.00	99.53537	1,045,121.36	1.22	1,048,082.93
313379DT3	Note FHLB	1.250	08-Jun-18	650,000.00	100.18795	651,221.70	1.12	651,998.50
912828XK1	Note US Treasury	0.875	15-Jun-18	725,000.00	99.81273	723,642.27	1.00	725,608.37
3135G0E33	Note FNMA	1.125	20-Jul-18	400,000.00	100.05936	400,237.44	1.09	402,018.90
06406HCL1	Callable Note Cont 7/2/2018 Bank of New York	2.100	01-Aug-18	500,000.00	100.38705	501,935.27	1.83	508,357.50
3130A6AE7	Note FHLB	1.125	14-Sep-18	975,000.00	100.25418	977,478.25	0.97	977,689.79
912828L40	Note US Treasury	1.000	15-Sep-18	1,300,000.00	100.04717	1,300,613.27	0.97	1,301,136.75
912828L81	Note US Treasury	0.875	15-Oct-18	1,000,000.00	99.50478	995,047.75	1.16	997,031.00
89236TAY1	Note Toyota Motor Credit Corp	2.000	24-Oct-18	450,000.00	100.87053	453,917.37	1.51	454,340.80
313376BR5	Note FHLB	1.750	14-Dec-18	1,000,000.00	100.76713	1,007,671.27	1.35	1,011,295.39
912828N22	Note US Treasury	1.250	15-Dec-18	1,000,000.00	99.96648	999,664.79	1.27	1,001,677.79
3135G0H63	Note FNMA	1.375	28-Jan-19	1,000,000.00	99.99308	999,930.81	1.38	1,007,231.75
3133782M2	Note FHLB	1.500	08-Mar-19	775,000.00	100.91808	782,115.10	1.07	780,985.59
532457BF4	Note Eli Lilly & Co	1.950	15-Mar-19	400,000.00	101.82019	407,280.76	1.11	404,781.87
30231GAD4	Callable Note Cont 2/15/2019 Exxon Mobil Corp	1.819	15-Mar-19	450,000.00	101.12077	455,043.48	1.30	453,148.63
459058DL4	Note Intl. Bank Recon & Development	1.875	15-Mar-19	900,000.00	101.84931	916,643.79	1.02	911,184.15
912828C65	Note US Treasury	1.625	31-Mar-19	1,000,000.00	100.58092	1,005,809.22	1.36	1,012,081.79
3137EADZ9	Note FHLMC	1.125	15-Apr-19	385,000.00	100.31570	386,215.44	0.98	384,356.29
037833AQ3	Note Apple Inc	2.100	06-May-19	500,000.00	101.92947	509,647.37	1.26	506,347.67
3135G0ZE6	Note FNMA	1.750	20-Jun-19	1,000,000.00	100.90778	1,009,077.84	1.37	1,011,020.72
3130A8DB6	Note FHLB	1.125	21-Jun-19	550,000.00	100.20149	551,108.17	1.04	547,041.28
3137EADK2	Note FHLMC	1.250	01-Aug-19	450,000.00	99.26504	446,692.68	1.54	450,491.10
4581X0BY3	Note Inter-American Dev Bank	1.125	12-Sep-19	500,000.00	100.01321	500,066.04	1.12	494,972.63
45950KCD0	Note International Finance Corp	1.750	16-Sep-19	500,000.00	101.66594	508,329.70	1.12	504,375.08
3137EADM8	Note FHLMC	1.250	02-Oct-19	850,000.00	100.12765	851,085.06	1.20	847,655.09
3130AA3R7	Note FHLB	1.375	15-Nov-19	875,000.00	99.84668	873,658.46	1.43	872,982.74
912828UB4	Note US Treasury	1.000	30-Nov-19	775,000.00	100.05632	775,436.47	0.98	766,357.30
912828UV0	Note US Treasury	1.125	31-Mar-20	1,000,000.00	98.62129	986,212.85	1.57	989,944.31
3137EADR7	Note FHLMC	1.375	01-May-20	790,000.00	100.98167	797,755.17	1.07	785,684.76
02665WAZ4	Note American Honda Finance	2.450	24-Sep-20	500,000.00	102.62010	513,100.51	1.72	505,885.69
594918BG8	Callable Note Cont. 10/03/20 Microsoft	2.000	03-Nov-20	650,000.00	100.17331	651,126.52	1.95	652,767.84
			subtotal	\$ 43,163,000.00		\$ 44,630,855.09		\$ 44,704,548.12
			Total	\$ 104,388,892.92		\$ 105,856,748.01		\$ 105,930,441.04