



City of San Leandro

Meeting Date: February 20, 2018

Staff Report

File Number: 18-074 **Agenda Section:** CONSENT CALENDAR

Agenda Number: 8.I.

TO: City Council

FROM: Chris Zapata
City Manager

BY: David Baum
Finance Director

FINANCE REVIEW: David Baum
Finance Director

TITLE: Staff Report for Resolution to Approve the Investment Report for the Quarter Ended December 31, 2017

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council review and accept the investment report for the quarter ended December 31, 2017.

OVERVIEW

At December 31, 2017, the City's investment portfolio had a market value of \$118.9 million. Of the total \$118.9 million, \$63.8 million was placed with the Local Agency Investment Fund (LAIF) and bank accounts and \$55.1 million was placed in the Chandler Asset Management portfolio.

The rate of return for LAIF for the quarter was 1.20%, while the average book yield for the Chandler managed funds was 1.53%. 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 1.53%, which is below the benchmark rate of return on the 2-year U.S. Treasury securities of 1.89%, and the 5-year U.S. Treasury securities of 2.20%.

Amounts invested with LAIF are essentially liquid; funds can be withdrawn with minimal notice as City operations require.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

N/A

PREPARED BY: David Baum, Finance Director, Finance



City of San Leandro

Meeting Date: February 20, 2018

Resolution - Council

File Number: 18-075 **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, 2017 (Reviews the Activities of the City's Investment Portfolio)

WHEREAS, the City of San Leandro Quarterly Investment Report for the quarter ended December 31, 2017, 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, 2017



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 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

	12/31/2017	9/30/2017
LAIF - City Pool #98-01-809	\$54,471,144	\$54,317,588
LAIF - Successor Agency	20,988	2,378,550
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	9,308,877	4,637,055
Total LAIF and Bank Accounts	\$63,801,011	\$61,333,196
Investment Portfolio Market Value	\$55,083,962	\$45,119,493
Total Market Value	\$118,884,973	\$106,452,689
LAIF Quarterly Apportionment Rate	1.20%	1.07%
2 year US Treasury Yield to Maturity	1.89%	1.47%
5 year US Treasury Yield to Maturity	2.20%	1.92%
Investment Portfolio:		
Average Maturity (yrs)	1.77	1.59
Modified Duration	1.67	1.54
Average Book Yield	1.53%	1.37%
Average Yield to Maturity at Market	1.88%	1.50%
Average Quality S&P/Moody	AA+/Aa1	AA+/Aa1

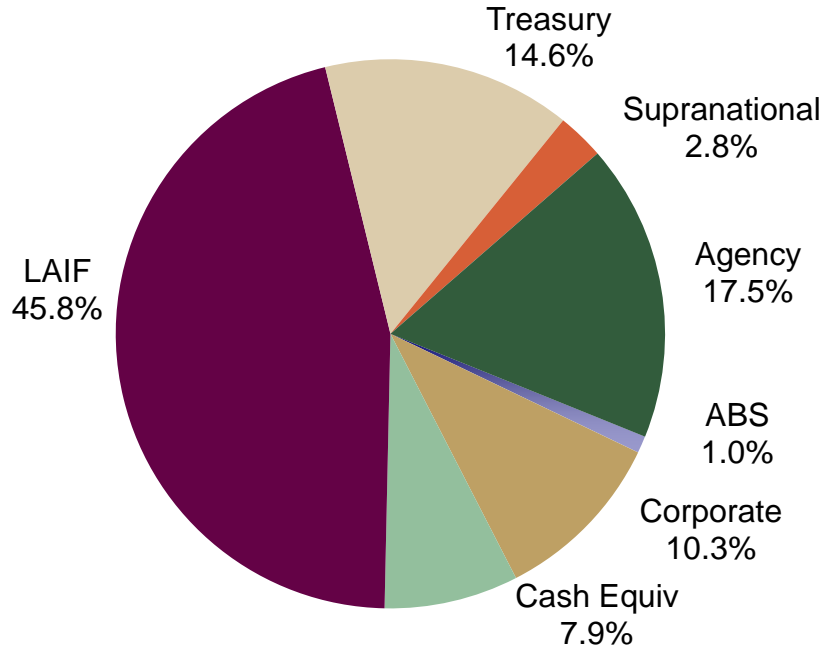
Portfolio Activity

There was \$14.1 million invested in a diversified mix of Treasury, Agency, Auto ABS and Corporate securities over the course of the quarter, with the goal of maintaining the maturity and duration profile of the City's investment portfolio consistent with internal targets. The maturities of the purchases ranged from January 2018 to February 2022. The proceeds to fund the purchases came from a \$10 million contribution in December, one security sale and five maturities.

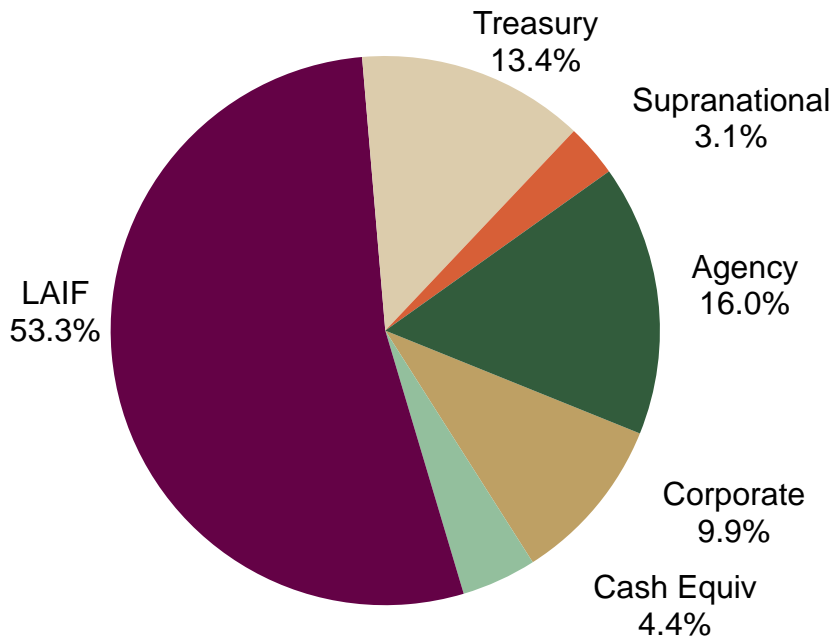


Sector Distribution

December 31, 2017



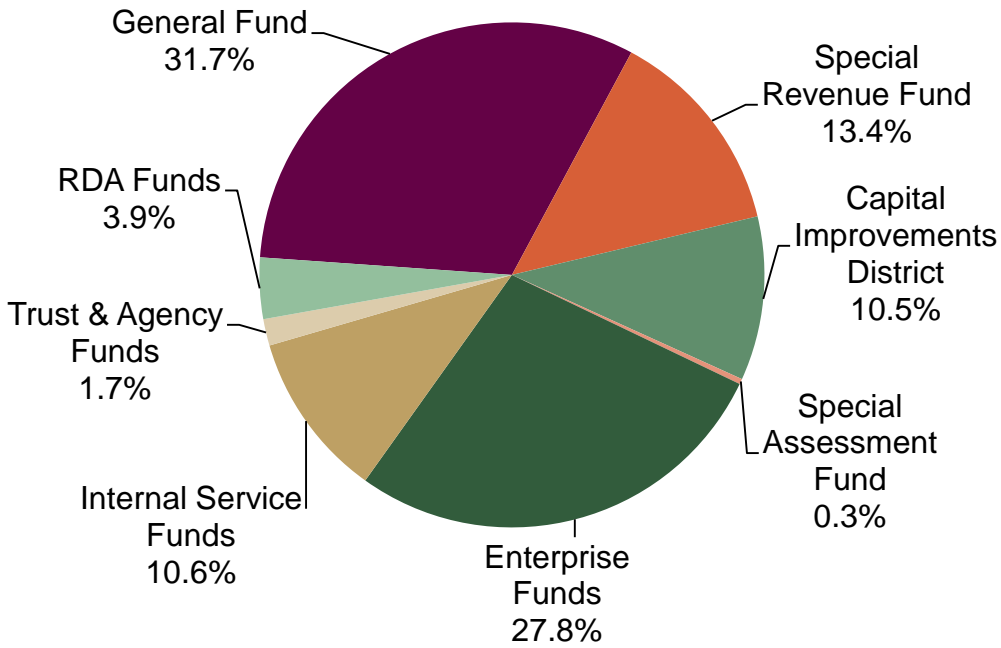
September 30, 2017



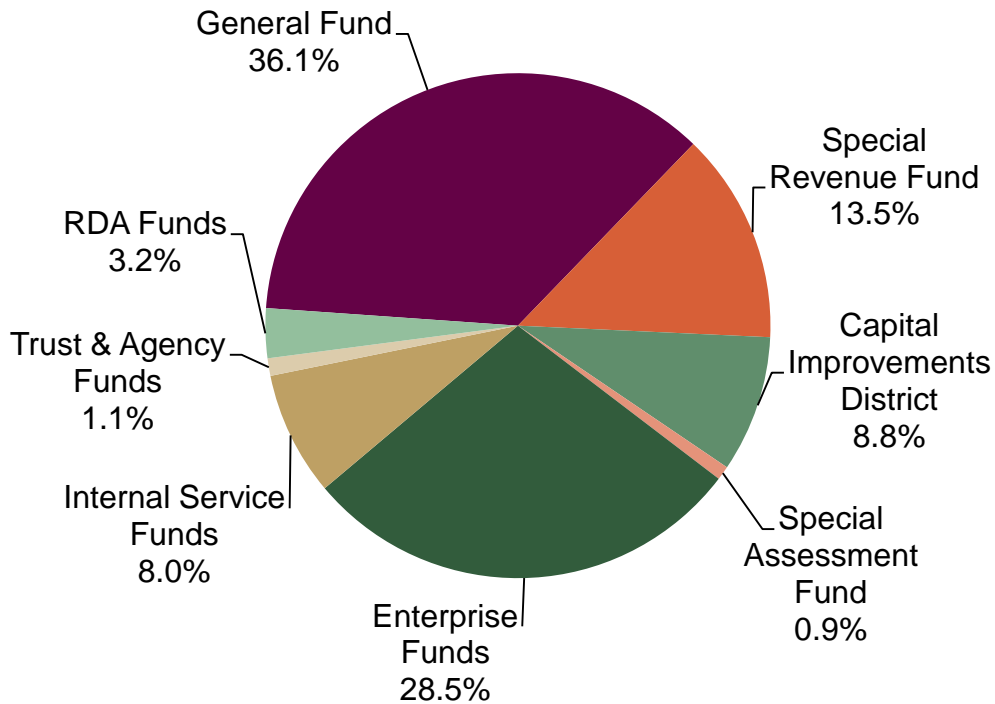


City Fund Allocation

December 31, 2017



September 30, 2017





**City of San Leandro
Investments by All Types
Active Investments
December 31, 2017**

CUSIP	Issuer	Coupon	Maturity Date	Par	Purchase Price	Book Value	Purchase Yield	MVACC
LAIF								
SYS113	LAIF - City Pool			\$54,471,143.63	100.00000	\$54,471,143.63		\$54,471,143.63
SYS114	LAIF - Successor Agency			20,987.86	100.00000	\$20,987.86		\$20,987.86
	LAIF - Economic Development Agency			2.36		\$2.36		\$2.36
	subtotal			\$54,492,133.85		\$54,492,133.85		\$54,492,133.85
Passbook/Checking Accounts								
	Public Funds Checking			9,308,877.09	100.00000	9,308,877.09		9,308,877.09
	subtotal			\$ 9,308,877.09		\$ 9,308,877.09		\$ 9,308,877.09
Government Issues								
60934N104	Government Obligations Fund Federated Investors	1.150	31-Dec-17	83,150.64	100.00000	83,150.64	1.15	83,150.64
40428HPH9	Note HSBC USA Inc	1.625	16-Jan-18	500,000.00	100.00087	500,004.33	1.60	503,686.96
24422EST7	Note John Deere Capital Corp	1.350	16-Jan-18	500,000.00	100.00205	500,010.23	1.30	502,993.25
313385SE7	Discount Note FHLB	1.270	24-Jan-18	2,700,000.00	99.91885	2,697,808.86	1.29	2,697,808.86
912828UJ7	Note US Treasury	0.875	31-Jan-18	1,175,000.00	99.97955	1,174,759.67	1.13	1,178,969.96
3135GOTG8	Note FNMA	0.875	08-Feb-18	800,000.00	99.94995	799,599.56	1.37	802,394.96
912828H94	Note US Treasury	1.000	15-Feb-18	1,000,000.00	99.99793	999,979.25	1.02	1,003,413.17
3137EADP1	Note FHLMC	0.875	07-Mar-18	965,000.00	99.95048	964,522.10	1.16	966,839.13
313378A43	Note FHLB	1.375	09-Mar-18	800,000.00	100.01877	800,150.17	1.27	803,479.82
808513AK1	Callable Note Cont 2/10/2018 Charles Schwab Corp	1.500	10-Mar-18	500,000.00	100.00707	500,035.34	1.46	501,968.50
912828J68	Note US Treasury	1.000	15-Mar-18	500,000.00	99.99194	499,959.71	1.04	501,140.71
36962G6W9	Note General Electric Capital Corp	1.625	02-Apr-18	128,000.00	100.00359	128,000.60	1.61	128,452.52
912828K25	Note US Treasury	0.750	15-Apr-18	800,000.00	99.97767	799,821.36	0.83	799,906.51
747525AG8	Note Qualcomm Inc	1.400	18-May-18	550,000.00	99.90270	549,464.85	1.66	549,997.49
3135GOWJ8	Note FNMA	0.875	21-May-18	1,050,000.00	99.87119	1,048,647.51	1.22	1,048,264.58
313379DT3	Note FHLB	1.250	08-Jun-18	650,000.00	100.05678	650,369.08	1.12	649,603.25
912828XK1	Note US Treasury	0.875	15-Jul-18	725,000.00	99.93479	724,527.21	1.00	725,324.89
3135GOE33	Note FNMA	1.125	20-Jul-18	400,000.00	100.02101	400,084.05	1.09	400,867.70
06406HCL1	Callable Note Cont 7/2/2018 Bank of New York	2.100	01-Aug-18	500,000.00	100.12878	500,643.91	1.83	504,850.00
3130A6AE7	Note FHLB	1.125	14-Sep-18	975,000.00	100.10478	976,021.63	0.97	974,134.94
912828L40	Note US Treasury	1.000	15-Sep-18	1,300,000.00	100.01949	1,300,253.39	0.97	1,297,581.25
912828L81	Note US Treasury	0.875	15-Oct-18	1,000,000.00	99.78201	997,820.10	1.16	995,391.00
89236TAY1	Note Toyota Motor Credit Corp	2.000	24-Oct-18	450,000.00	100.38983	451,754.22	1.51	452,238.40
313376BR5	Note FHLB	1.750	14-Dec-18	1,000,000.00	100.37387	1,003,738.67	1.35	999,734.39
912828N22	Note US Treasury	1.250	15-Dec-18	1,000,000.00	99.98364	999,836.39	1.27	995,349.79
3135G0H63	Note FNMA	1.375	28-Jan-19	1,000,000.00	99.99642	999,964.17	1.38	1,001,371.75
3133782M2	Note FHLB	1.500	08-Mar-19	775,000.00	100.49710	778,852.52	1.07	775,465.26
532457BF4	Note Eli Lilly & Co	1.950	15-Mar-19	400,000.00	100.99283	403,971.32	1.11	401,968.67
30231GAD4	Callable Note Cont 2/15/2019 Exxon Mobil Corp	1.819	15-Mar-19	450,000.00	100.61133	452,750.99	1.30	451,691.53
459058DL4	Note Intl. Bank Recon & Development	1.875	15-Mar-19	900,000.00	101.00871	909,078.43	1.02	904,402.65
912828C65	Note US Treasury	1.625	31-Mar-19	1,000,000.00	100.32203	1,003,220.25	1.36	1,001,221.79
3137EADZ9	Note FHLMC	1.125	15-Apr-19	385,000.00	100.17753	385,683.50	0.98	382,390.48
037833AQ3	Note Apple Inc	2.100	06-May-19	500,000.00	101.10578	505,528.90	1.26	502,752.17
3135G0ZE6	Note FNMA	1.750	20-Jun-19	1,000,000.00	100.53963	1,005,396.27	1.37	998,875.72
3130A8DB6	Note FHLB	1.125	21-Jun-19	550,000.00	100.11986	550,659.25	1.04	544,267.08
3137EADK2	Note FHLMC	1.250	01-Aug-19	450,000.00	99.54982	447,974.18	1.54	447,942.30
4581X0BY3	Note Inter-American Dev Bank	1.125	12-Sep-19	500,000.00	100.00831	500,041.54	1.12	494,471.13
45950KCD0	Note International Finance Corp	1.750	16-Sep-19	500,000.00	101.05049	505,252.43	1.12	500,261.58
3137EADM8	Note FHLMC	1.250	02-Oct-19	850,000.00	100.08125	850,690.59	1.20	842,504.09
3130AA3R7	Note FHLB	1.375	15-Nov-19	875,000.00	99.90008	874,125.70	1.43	867,762.83
912828UB4	Note US Treasury	1.000	30-Nov-19	775,000.00	100.03698	775,286.60	0.98	762,936.45
69371RN69	Note Paccar Financial Corp	1.950	27-Feb-20	700,000.00	99.42429	695,970.02	2.22	700,789.37
3135G0T29	Note FNMA	1.500	28-Feb-20	675,000.00	99.60491	672,333.16	1.69	671,454.91
912828UV0	Note US Treasury	1.125	31-Mar-20	1,000,000.00	99.04595	990,459.53	1.57	985,804.31
3137EAEF2	Note FHLMC	1.375	20-Apr-20	550,000.00	99.75551	548,655.31	1.48	543,717.24
3137EADR7	Note FHLMC	1.375	01-May-20	790,000.00	100.68701	795,427.34	1.07	779,999.13
313383HU8	Note FHLB	1.750	12-Jun-20	825,000.00	100.50322	829,151.60	1.54	820,178.38
912828M7	Note US Treasury	1.625	31-Jul-20	500,000.00	100.39342	501,967.10	1.47	499,552.64
40428HPV8	Note HSBC USA Inc	2.750	07-Aug-20	250,000.00	100.74416	251,860.40	2.45	254,120.75
02665WAZ4	Note American Honda Finance	2.450	24-Sep-20	500,000.00	101.91795	509,589.73	1.72	504,929.69
3130ACE26	Note FHLB	1.375	28-Sep-20	825,000.00	99.25788	818,877.50	1.65	813,554.02
912828L65	Note US Treasury	1.375	30-Sep-20	425,000.00	99.45366	422,678.07	1.58	420,018.60
00440EAT4	Callable Note Cont 10/3/2020 ACE INA Holdings	2.300	03-Nov-20	750,000.00	100.40562	753,042.14	2.15	751,585.17
594918BG8	Callable Note Cont. 10/03/20 Microsoft	2.000	03-Nov-20	650,000.00	100.12717	650,826.61	1.95	649,563.99
3137EAEK1	Note FHLMC	1.875	17-Nov-20	1,000,000.00	99.63353	996,335.33	2.01	997,154.83
912828A42	Note US Treasury	2.000	30-Nov-20	725,000.00	100.91430	731,628.69	1.68	726,954.78
3130A3UQ5	Note FHLB	1.875	11-Dec-20	1,000,000.00	99.58205	995,820.54	2.02	996,895.67
91159HHL7	Callable Note 1X 12/29/2020 US Bancorp	2.350	29-Jan-21	750,000.00	100.62691	754,701.79	2.13	757,570.67
912828N89	Note US Treasury	1.375	31-Jan-21	1,000,000.00	98.51893	985,189.28	1.87	986,692.07
89238MAD0	2017-A A3 Toyota Auto Receivables Owner	1.730	16-Feb-21	695,000.00	99.53999	691,802.93	2.02	692,094.13
459200JF9	Note IBM Corp	2.250	19-Feb-21	750,000.00	99.69268	747,695.13	2.35	754,003.50
912828P87	Note US Treasury	1.125	28-Feb-21	1,000,000.00	97.35543	973,554.34	1.99	976,283.52
46625HQJ2	Callable Note Cont 2/1/2021 JP Morgan Chase	2.550	01-Mar-21	775,000.00	100.65509	780,076.93	2.33	781,997.48
084670BQ0	Callable Note Cont 2/15/2021 Berkshire Hathaway	2.200	15-Mar-21	525,000.00	99.81346	524,020.65	2.26	526,753.91
912828Q78	Note US Treasury	1.375	30-Apr-21	1,000,000.00	99.12707	991,270.74	1.65	980,738.81
166764BG4	Callable Note Cont 4/15/2021 Chevron Corp	2.100	16-May-21	337,000.00	99.37664	334,899.26	2.29	335,125.95
459058FH1	Note Intl. Bank Recon & Development	1.375	24-May-21	600,000.00	97.93392	587,603.49	2.01	584,884.32
43814TAC6	2017-1 A3 Honda Auto Receivables	1.720	21-Jul-21	500,000.00	99.32578	496,628.89	2.11	496,995.89
912828S76	Note US Treasury	1.125	31-Jul-21	1,000,000.00	97.76101	977,610.05	1.77	971,738.89
02665WBG5	Note American Honda Finance	1.700	09-Sep-21	250,000.00	97.44369	243,609.23	2.43	244,816.47
68389XBK0	Callable Note Cont 8/01/21 Oracle Corp	1.900	15-Sep-21	475,000.00	98.46943	467,729.80	2.33	470,160.91
17275RBJ0	Callable Note Cont 8/20/2021 Cisco Systems	1.850	20-Sep-21	550,000.00	98.20243	540,113.37	2.36	542,631.80
912828T34	Note US Treasury	1.125	30-Sep-21	1,000,000.00	96.62499	966,249.92	2.07	967,757.32
912828F96	Note US Treasury	2.000	31-Oct-21	640,000.00	99.49753	636,784.19	2.14	639,442.19
4581X0CW6	Note Inter-American Dev Bank	2.125	18-Jan-22	800,000.00	99.72119	797,769.55	2.20	804,154.02
69353RFB9	Callable Note Cont 1/18/2022 PNC Bank	2.625	17-Feb-22	500,000.00	101.14755	505,737.73	2.33	506,018.92
	subtotal			\$ 54,190,000.00		\$ 55,167,113.81		\$ 55,083,962.40
	Total			\$ 117,991,010.94		\$ 118,968,124.75		\$ 118,884,973.34