



# City of San Leandro

Meeting Date: May 7, 2018

## Staff Report

---

**File Number:** 18-193 **Agenda Section:** CONSENT CALENDAR

**Agenda Number:** 8.F.

**TO:** City Council

**FROM:** Jeff Kay  
Interim City Manager

**BY:** David Baum  
Finance Director

**FINANCE REVIEW:** David Baum  
Finance Director

**TITLE:** Staff Report for a Resolution to Accept the Investment Report for the Quarter Ended March 31, 2018

---

### SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council review and accept the investment report for the quarter ended March 31, 2018.

### OVERVIEW

As of March 31, 2018, the City's investment portfolio had a market value of \$125.1 million. Of the total \$125.1 million, \$70.1 million was placed with the Local Agency Investment Fund (LAIF) and bank accounts and \$55.0 million was placed in the Chandler Asset Management portfolio.

The rate of return for LAIF for the quarter was 1.51%, while the average book yield for the Chandler managed funds was 1.71%. 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 1.71%, which is below the benchmark rate of return on the 2-year U.S. Treasury securities of 2.27%, and the 5-year U.S. Treasury securities of 2.56%.

Amounts invested with LAIF are essentially liquid; funds can be withdrawn with minimal notice as City operations require.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

Quarterly Investment Report

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



# City of San Leandro

Meeting Date: May 7, 2018

## Resolution - Council

---

**File Number:** 18-194

**Agenda Section:** CONSENT CALENDAR

**Agenda Number:**

**TO:** City Council

**FROM:** Jeff Kay  
Interim City Manager

**BY:** David Baum  
Finance Director

**FINANCE REVIEW:** David Baum  
Finance Director

**TITLE:** RESOLUTION Accepting Investment Report for the Quarter Ended March 31, 2018 (Reviews the Activities of the City's Investment Portfolio)

---

**WHEREAS**, the City of San Leandro Quarterly Investment Report for the quarter ended March 31, 2018, 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, 2018



**City of San Leandro**  
March 31, 2018

**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 Corp Notes	"A" or better by a NRSRO; 30% maximum; Issuers must be corporations organized and operating within the U.S. or depository institutions licensed by 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

	3/31/2018	12/31/2017
LAIF - City Pool #98-01-809	\$62,384,401	\$54,471,144
LAIF - Successor Agency	26,621	20,988
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	7,725,834	9,308,877
<b>Total LAIF and Bank Accounts</b>	<b>\$70,136,858</b>	<b>\$63,801,011</b>
Investment Portfolio Market Value	\$55,002,360	\$55,083,962
<b>Total Market Value</b>	<b>\$125,139,218</b>	<b>\$118,884,973</b>
LAIF Quarterly Apportionment Rate	1.51%	1.20%
2 year US Treasury Yield to Maturity	2.27%	1.89%
5 year US Treasury Yield to Maturity	2.56%	2.20%
<b>Investment Portfolio:</b>		
Average Maturity (yrs)	2.00	1.77
Modified Duration	1.82	1.67
Average Book Yield	1.71%	1.53%
Average Yield to Maturity at Market	2.36%	1.88%
Average Quality S&P/Moody	AA+/Aa1	AA+/Aa1

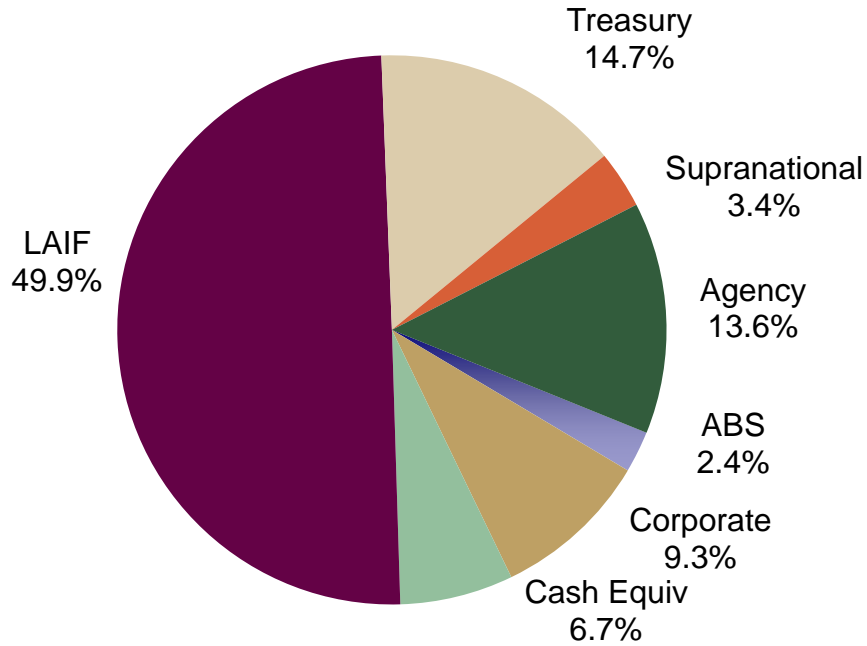
## Portfolio Activity

There was \$9.1 million invested in a diversified mix of Treasury, Agency, Auto ABS, Supranational 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 April 2018 to January 2022. The proceeds to fund the purchases came from one security call and nine maturities.

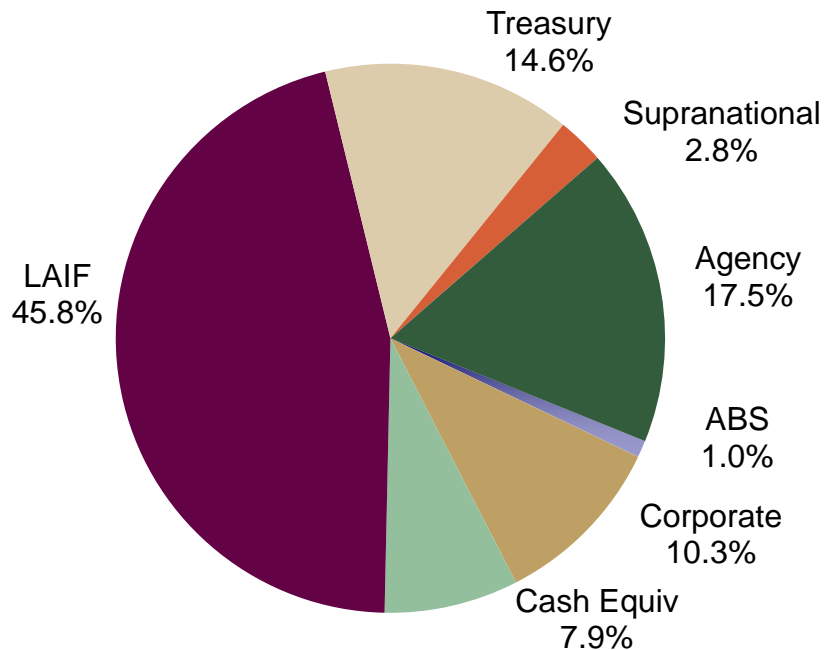


## Sector Distribution

March 31, 2018



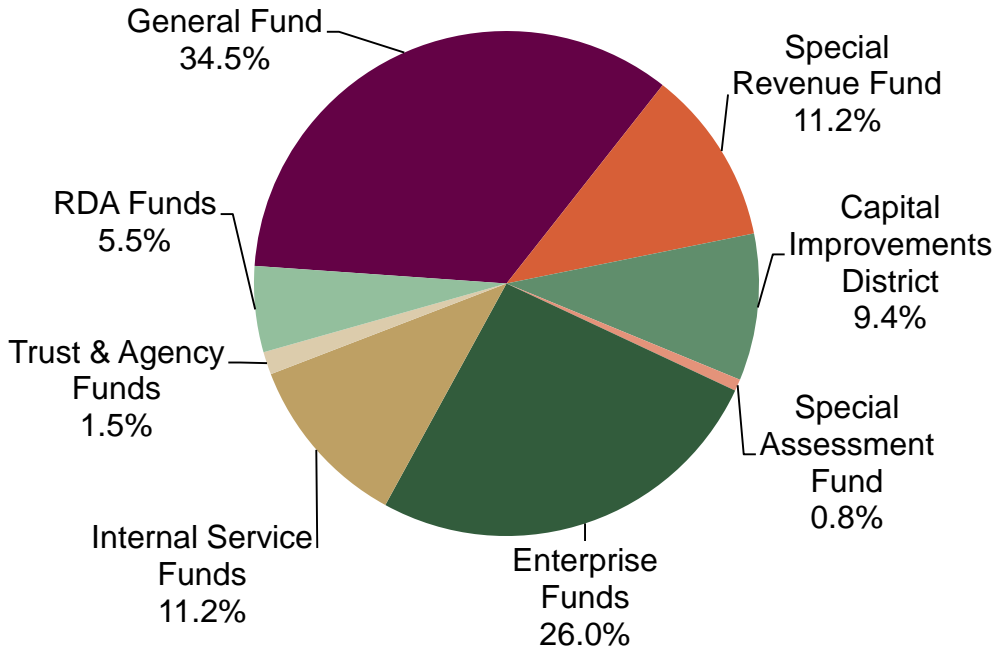
December 31, 2017



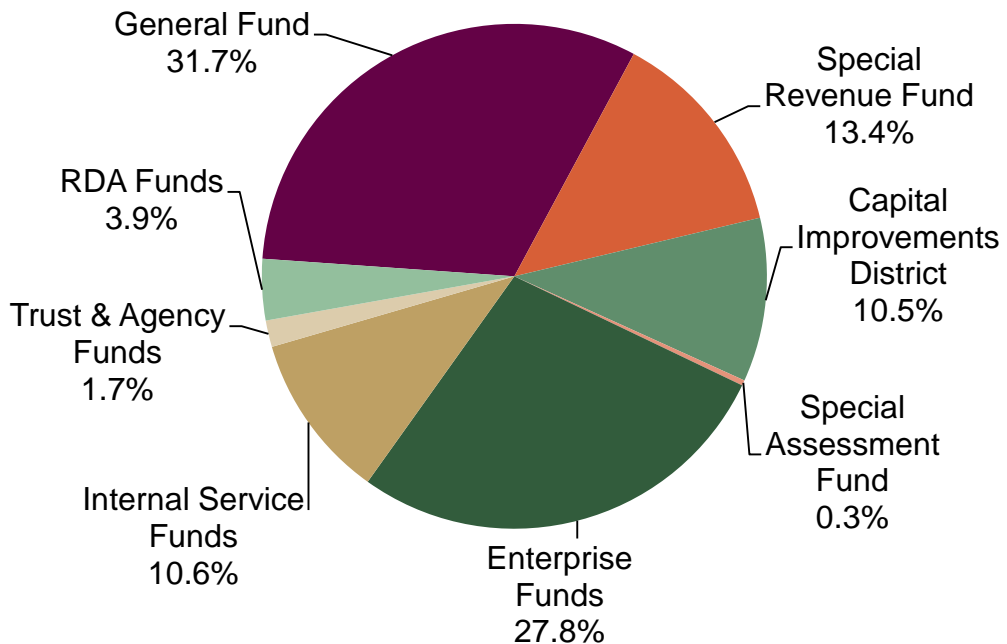


## City Fund Allocation

**March 31, 2018**



**December 31, 2017**







**City of San Leandro**  
**Investments by All Types**  
**Active Investments**  
**March 31, 2018**

CUSIP	Issuer	Coupon	Maturity Date	Par	Purchase Price	Book Value	Purchase Yield	MVACC
<b>LAIF</b>								
SYS113	LAIF - City Pool			\$62,384,400.69	100.00000	\$62,384,400.69		\$62,384,400.69
SYS114	LAIF - Successor Agency			26,621.08	100.00000	\$26,621.08		\$26,621.08
	LAIF - Economic Development Agency			2.37		\$2.37		\$2.37
	<b>subtotal</b>			<b>\$62,411,024.14</b>		<b>\$62,411,024.14</b>		<b>\$62,411,024.14</b>
<b>Passbook/Checking Accounts</b>								
	Public Funds Checking			7,725,833.51	100.00000	7,725,833.51		7,725,833.51
	<b>subtotal</b>			<b>\$ 7,725,833.51</b>		<b>\$ 7,725,833.51</b>		<b>\$ 7,725,833.51</b>
<b>Government Issues</b>								
60934N104	Government Obligations Fund Federated Investors	1.510	31-Mar-18	626,115.11	100.00000	626,115.11	1.51	626,115.11
36962G6W9	Note General Electric Capital Corp	1.625	02-Apr-18	128,000.00	100.00004	128,000.05	1.61	129,034.22
313385VE3	Discount Note FHLB	1.540	06-Apr-18	775,000.00	99.97858	774,834.00	1.56	774,834.00
912828K25	Note US Treasury	0.750	15-Apr-18	800,000.00	99.99699	799,975.95	0.83	802,530.83
747525AG8	Note Qualcomm Inc	1.400	18-May-18	550,000.00	99.96662	549,816.41	1.66	552,041.29
3135GOWJ8	Note FNMA	0.875	21-May-18	1,050,000.00	99.95400	1,049,516.97	1.22	1,052,097.61
313379DT3	Note FHLB	1.250	08-Jun-18	650,000.00	100.02444	650,158.84	1.12	651,941.30
912828XK1	Note US Treasury	0.875	15-Jul-18	725,000.00	99.96489	724,745.43	1.00	724,367.09
3135GOE33	Note FNMA	1.125	20-Jul-18	400,000.00	100.01156	400,046.23	1.09	400,012.70
0640GHCL1	Callable Note Cont 7/2/2018 Bank of New York	2.100	01-Aug-18	500,000.00	100.06510	500,325.49	1.83	501,320.50
3130A6AE7	Note FHLB	1.125	14-Sep-18	975,000.00	100.06794	975,662.46	0.97	971,557.52
912828L40	Note US Treasury	1.000	15-Sep-18	1,300,000.00	100.01267	1,300,164.66	0.97	1,295,472.04
912828L81	Note US Treasury	0.875	15-Oct-18	1,000,000.00	99.85037	998,503.69	1.16	998,140.46
89236TAY1	Note Toyota Motor Credit Corp	2.000	24-Oct-18	450,000.00	100.27130	451,220.84	1.51	452,430.10
313376BR5	Note FHLB	1.750	14-Dec-18	1,000,000.00	100.27690	1,002,768.98	1.35	1,003,014.39
912828N22	Note US Treasury	1.250	15-Dec-18	1,000,000.00	99.98787	999,878.70	1.27	998,166.45
3135GOH63	Note FNMA	1.375	28-Jan-19	1,000,000.00	99.99724	999,972.40	1.38	996,781.25
3133782M2	Note FHLB	1.500	08-Mar-19	775,000.00	100.39330	778,048.05	1.07	771,141.54
532457BF4	Note Eli Lilly & Co	1.950	15-Mar-19	400,000.00	100.78883	403,155.30	1.11	398,513.87
30231GAD4	Callable Note Cont 2/15/2019 Exxon Mobil Corp	1.819	15-Mar-19	450,000.00	100.48572	452,185.72	1.30	447,744.35
459058DL4	Note Intl. Bank Recon & Development	1.875	15-Mar-19	900,000.00	100.80144	907,213.00	1.02	897,809.70
912828C65	Note US Treasury	1.625	31-Mar-19	1,000,000.00	100.25819	1,002,581.88	1.36	995,005.40
3137EADZ9	Note FHLMC	1.125	15-Apr-19	385,000.00	100.14346	385,552.34	0.98	382,896.56
037833AQ3	Note Apple Inc	2.100	06-May-19	500,000.00	100.90268	504,513.39	1.26	502,868.67
3135GOZE6	Note FNMA	1.750	20-Jun-19	1,000,000.00	100.44885	1,004,488.49	1.37	999,785.72
3130A8DB6	Note FHLB	1.125	21-Jun-19	550,000.00	100.09974	550,548.55	1.04	544,672.15
3137EADK2	Note FHLMC	1.250	01-Aug-19	450,000.00	99.62004	448,290.17	1.54	445,128.00
4581X0BY3	Note Inter-American Dev Bank	1.125	12-Sep-19	500,000.00	100.00710	500,035.50	1.12	491,963.88
45950KCD0	Note International Finance Corp	1.750	16-Sep-19	500,000.00	100.89873	504,493.66	1.12	496,209.58
3137EADM8	Note FHLMC	1.250	02-Oct-19	850,000.00	100.06980	850,593.32	1.20	842,538.09
3130AA3R7	Note FHLB	1.375	15-Nov-19	875,000.00	99.91325	874,240.91	1.43	866,967.02
912828UB4	Note US Treasury	1.000	30-Nov-19	775,000.00	100.03221	775,249.64	0.98	761,824.73
69371RN69	Note Paccar Financial Corp	1.950	27-Feb-20	700,000.00	99.49013	696,430.88	2.22	690,872.47
3135GOT29	Note FNMA	1.500	28-Feb-20	675,000.00	99.65004	672,637.75	1.69	665,803.13
912828UV0	Note US Treasury	1.125	31-Mar-20	1,000,000.00	99.15067	991,506.65	1.57	977,218.73
3137EAEF2	Note FHLMC	1.375	20-Apr-20	550,000.00	99.78171	548,799.38	1.48	542,893.07
3137EADR7	Note FHLMC	1.375	01-May-20	790,000.00	100.61435	794,853.36	1.07	779,129.73
313383HU8	Note FHLB	1.750	12-Jun-20	825,000.00	100.45251	828,733.18	1.54	817,511.98
912828XM7	Note US Treasury	1.625	31-Jul-20	500,000.00	100.35583	501,779.16	1.47	493,319.19
40428HPV8	Note HSBC USA Inc	2.750	07-Aug-20	250,000.00	100.67358	251,683.96	2.45	249,144.00
912828VV9	Note US Treasury	2.125	31-Aug-20	800,000.00	99.36974	794,957.95	2.40	797,228.66
02665WAZ4	Note American Honda Finance	2.450	24-Sep-20	500,000.00	101.74481	508,724.06	1.72	496,025.19
3130ACE26	Note FHLB	1.375	28-Sep-20	825,000.00	99.32460	819,427.98	1.65	804,985.16
912828L65	Note US Treasury	1.375	30-Sep-20	425,000.00	99.50269	422,886.42	1.58	414,872.50
892388AB8	2018-A A2A Toyota Auto Receivables Owner	2.100	15-Oct-20	690,000.00	99.99040	689,933.76	2.12	687,826.73
00440EAT4	Callable Note Cont 10/3/2020 Chubb INA Holdings	2.300	03-Nov-20	750,000.00	100.36926	752,769.45	2.15	745,756.92
594918BG8	Callable Note Cont. 10/03/20 Microsoft	2.000	03-Nov-20	650,000.00	100.11579	650,572.66	1.95	644,530.39
3137EAEK1	Note FHLMC	1.875	17-Nov-20	1,000,000.00	99.66491	996,649.14	2.01	992,365.33
912828A42	Note US Treasury	2.000	30-Nov-20	725,000.00	100.83696	731,067.99	1.68	722,921.64
3130A3UQ5	Note FHLB	1.875	11-Dec-20	1,000,000.00	99.61705	996,170.45	2.02	991,042.17
43814RAC0	2016-A A3 Honda Auto Receivables	1.210	18-Dec-20	500,000.00	98.95602	494,780.08	2.58	493,666.97
45950KCM0	Note International Finance Corp	2.250	25-Jan-21	1,000,000.00	99.15772	991,577.19	2.56	995,965.00
91159HHL7	Callable Note 1X 12/29/2020 US Bancorp	2.350	29-Jan-21	750,000.00	100.75529	754,314.71	2.13	742,155.17
912828N89	Note US Treasury	1.375	31-Jan-21	1,000,000.00	98.63731	986,373.08	1.87	974,506.02
3137EAEI9	Note FHLMC	2.375	16-Feb-21	775,000.00	99.84487	773,797.71	2.43	775,107.53
89238MAD0	2017-A A3 Toyota Auto Receivables Owner	1.730	16-Feb-21	695,000.00	99.57624	692,054.89	2.02	688,243.83
459200IF9	Note IBM Corp	2.250	19-Feb-21	750,000.00	99.71684	747,876.30	2.35	740,085.00
912828P87	Note US Treasury	1.125	28-Feb-21	1,000,000.00	97.56168	975,616.82	1.99	965,353.27
46625HJQ2	Callable Note Cont 2/1/2021 JP Morgan Chase	2.550	01-Mar-21	775,000.00	100.60278	779,671.53	2.33	764,201.93
24422ESL4	Note John Deere Capital Corp	2.800	04-Mar-21	500,000.00	100.93977	504,698.83	2.46	499,152.50
084670BQ0	Callable Note Cont 2/15/2021 Berkshire Hathaway	2.200	15-Mar-21	525,000.00	99.82782	524,096.05	2.26	518,767.61
912828Q78	Note US Treasury	1.375	30-Apr-21	1,000,000.00	99.19174	991,917.36	1.65	975,115.54
166764BG4	Callable Note Cont 4/15/2021 Chevron Corp	2.100	16-May-21	337,000.00	99.42221	335,052.85	2.29	332,064.30
459058FH1	Note Intl. Bank Recon & Development	1.375	24-May-21	600,000.00	98.08399	588,503.96	2.01	580,766.22
912828R77	Note US Treasury	1.375	31-May-21	1,500,000.00	96.97594	1,454,639.17	2.37	1,458,749.27
43814TAC6	2017-1 A3 Honda Auto Receivables	1.720	21-Jul-21	500,000.00	99.37256	496,862.81	2.11	494,636.89
912828S76	Note US Treasury	1.125	31-Jul-21	1,000,000.00	97.91518	979,151.82	1.77	959,716.64
02665WBG5	Note American Honda Finance	1.700	09-Sep-21	250,000.00	99.61449	244,036.23	2.43	239,545.47
65477UAD2	2015-A4 NAROT	1.500	15-Sep-21	700,000.00	99.39742	695,781.97	1.86	695,316.07
68389XBK0	Callable Note Cont 8/01/21 Oracle Corp	1.900	15-Sep-21	475,000.00	98.57124	468,213.40	2.33	458,992.71
17275RBJ0	Callable Note Cont 8/20/2021 Cisco Systems	1.850	20-Sep-21	550,000.00	98.32156	540,768.59	2.36	531,225.35
912828T34	Note US Treasury	1.125	30-Sep-21	1,000,000.00	96.84703	968,470.31	2.07	955,303.75
912828F96	Note US Treasury	2.000	31-Oct-21	640,000.00	99.52985	636,991.07	2.14	635,074.43
912828U65	Note US Treasury	1.750	30-Nov-21	1,500,000.00	97.61877	1,464,281.56	2.43	1,470,594.58
404280BF5	Note HSBC Holdings PLC	2.650	05-Jan-22	500,000.00	99.08492	495,424.59	2.91	489,309.28
4581XOCW6	Note Inter-American Dev Bank	2.125	18-Jan-22	800,000.00	99.73817	797,905.37	2.20	789,813.62
69353RFB9	Callable Note Cont 1/18/2022 PNC Bank	2.625	17-Feb-22	500,000.00	101.07767	505,388.34	2.33	490,558.17
	<b>subtotal</b>			<b>\$ 54,087,000.00</b>		<b>\$ 55,410,906.90</b>		<b>\$ 55,002,360.23</b>
	<b>Total</b>			<b>\$ 124,223,857.65</b>		<b>\$ 125,547,764.55</b>		<b>\$ 125,139,217.88</b>