



City of San Leandro

Meeting Date: September 4, 2018

Staff Report

File Number: 18-408

Agenda Section: CONSENT CALENDAR

Agenda Number: 8.H.

TO: City Council

FROM: Jeff Kay
City Manager

BY: David Baum
Finance Director

FINANCE REVIEW: David Baum
Finance Director

TITLE: Staff Report for a Resolution of the City Council for the City of San Leandro to Approve the Investment Report for the Quarter Ended June 30, 2018

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council review and accept the investment report for the quarter ended June 30, 2018.

OVERVIEW

At June 30, 2018, the City's investment portfolio had a market value of \$132.6 million. Of the total \$132.6 million, \$67.4 million was placed with the Local Agency Investment Fund (LAIF) and bank accounts and \$65.2 million was placed in the Chandler Asset Management portfolio.

The rate of return for LAIF for the quarter was 1.9%, while the average book yield for the Chandler managed funds was 1.91%. 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 1.91%, which is below the benchmark rate of return on the 2-year U.S. Treasury securities of 2.52%, and the 5-year U.S. Treasury securities of 2.73%.

Amounts invested with LAIF are essentially liquid; funds can be withdrawn with minimal notice as City operations require.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

PREPARED BY: David Baum, Finance Director, Finance



City of San Leandro

Meeting Date: September 4, 2018

Resolution - Council

File Number: 18-409 **Agenda Section:** CONSENT CALENDAR

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TO: City Council

FROM: Jeff Kay
City Manager

BY: David Baum
Finance Director

FINANCE REVIEW: David Baum
Finance Director

TITLE: RESOLUTION Accepting Investment Report for the Quarter Ended June 30, 2018 (Reviews the Activities of the City's Investment Portfolio)

WHEREAS, the City of San Leandro Quarterly Investment Report for the quarter ended June 30, 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
June 30, 2018



City of San Leandro
June 30, 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; 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 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

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

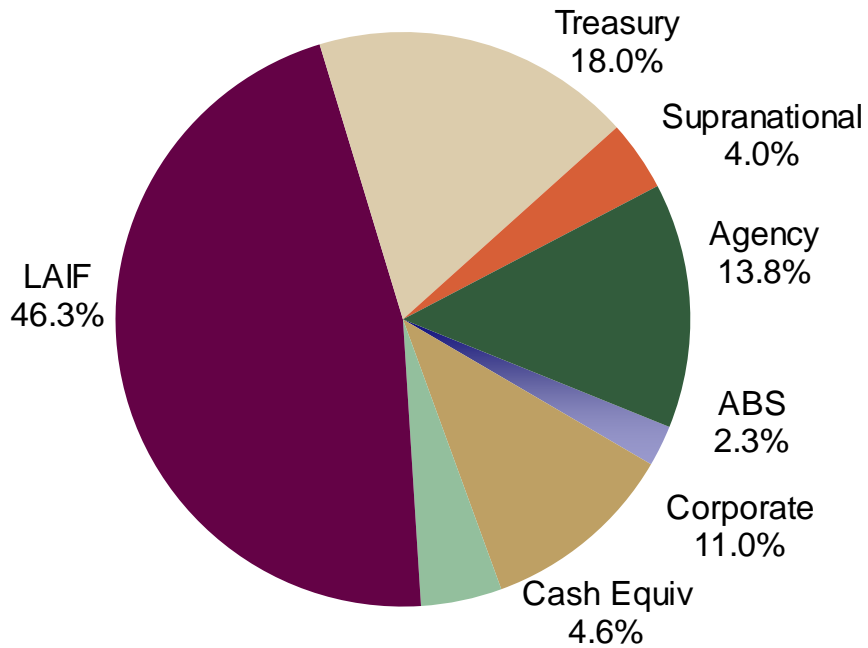
	6/30/2018	3/31/2018
LAIF - City Pool #98-01-809	\$61,409,179	\$62,384,401
LAIF - Successor Agency	26,718	26,621
LAIF - RDA 1999 Bond Proceeds #11-01-001	0	0
LAIF - RDA 2008 Bond Proceeds #11-01-038	0	0
LAIF - Economic Development Agency	2	2
Passbook/Checking Accounts	5,993,542	7,725,834
Total LAIF and Bank Accounts	\$67,429,441	\$70,136,858
Investment Portfolio Market Value	\$65,201,329	\$55,002,360
Total Market Value	\$132,630,770	\$125,139,218
LAIF Quarterly Apportionment Rate	1.90%	1.51%
2 year US Treasury Yield to Maturity	2.52%	2.27%
5 year US Treasury Yield to Maturity	2.73%	2.56%
Investment Portfolio:		
Average Maturity (yrs)	1.86	2.00
Modified Duration	1.70	1.82
Average Book Yield	1.91%	1.71%
Average Yield to Maturity at Market	2.57%	2.36%
Average Quality S&P/Moody	AA+/Aa1	AA+/Aa1

There was \$14.7 million invested in a diversified mix of Treasury, agency, 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 August 2018 to May 2022. The proceeds to fund the purchases came from six maturities a \$10 million contribution in April 2018.

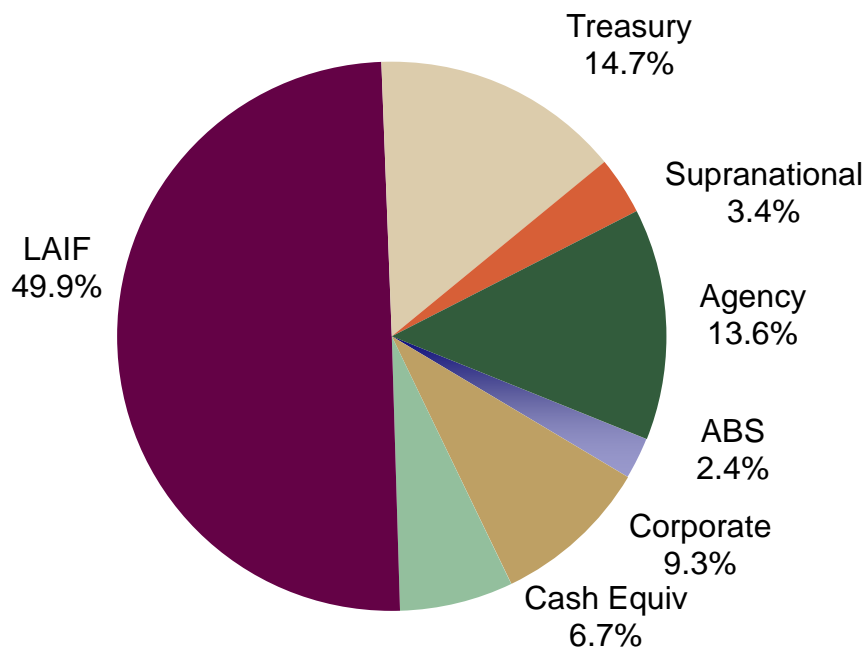


Sector Distribution

June 30, 2018

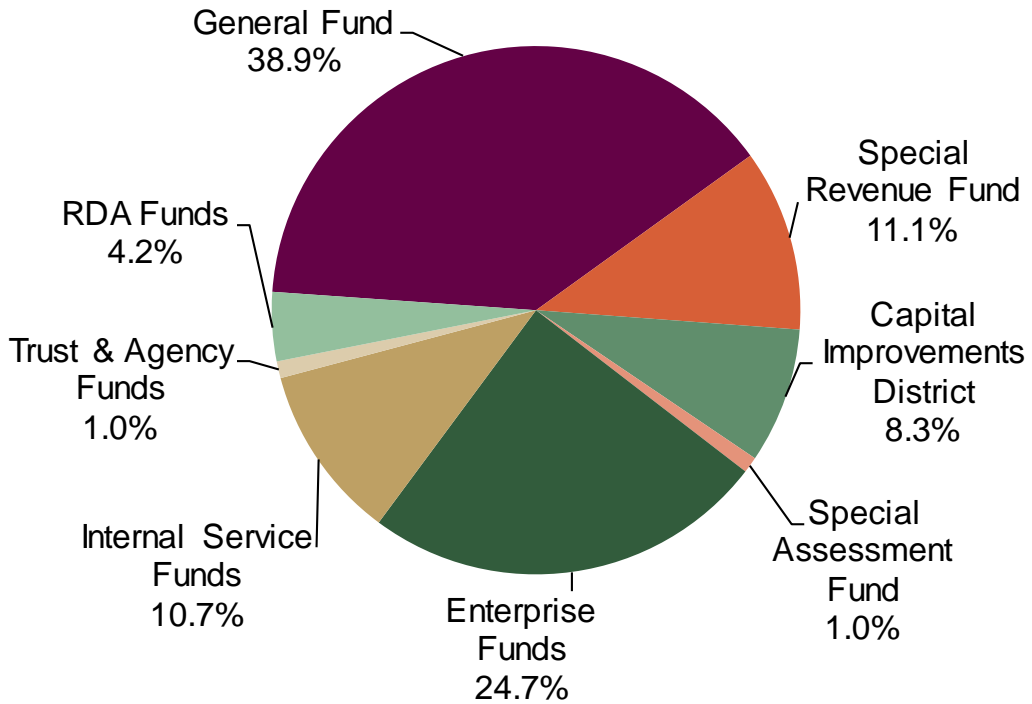


March 31, 2018

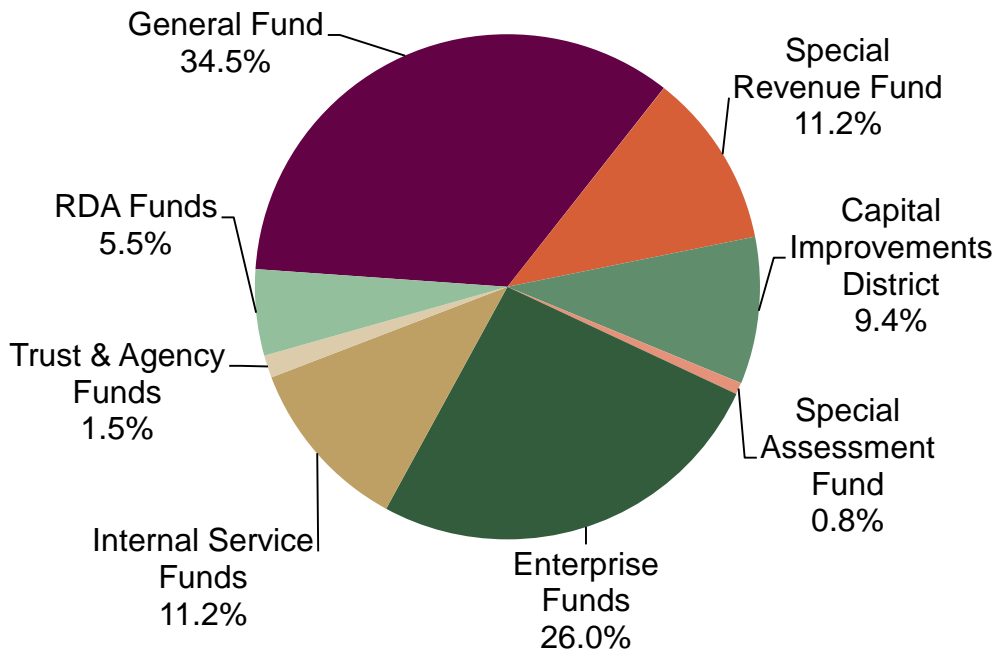




June 30, 2018



March 31, 2018





CUSIP	Issuer	Coupon	Maturity Date	Par	Purchase Price	Book Value	Purchase Yield	MVACC
LAIF								
SYS113	LAIF - City Pool			\$61,409,179.43	100.00000	\$61,409,179.43		\$61,409,179.43
SYS114	LAIF - Successor Agency			26,717.60	100.00000	\$26,717.60		\$26,717.60
	LAIF - Economic Development Agency			2.38		\$2.38		\$2.38
			subtotal	\$61,435,899.41		\$61,435,899.41		\$61,435,899.41
Passbook/Checking Accounts								
	Public Funds Checking			5,993,541.75	100.00000	5,993,541.75		5,993,541.75
			subtotal	\$ 5,993,541.75		\$ 5,993,541.75		\$ 5,993,541.75
Government Issues								
60934N104	Government Obligations Fund Federated Investors	1.740	30-Jun-18	54,362.70	100.00000	54,362.70	1.74	54,362.70
912828XK1	Note US Treasury	0.875	15-Jul-18	725,000.00	99.99532	724,966.06	1.00	727,686.57
3135G0E33	Note FNMA	1.125	20-Jul-18	400,000.00	100.00200	400,007.98	1.09	401,856.50
06406HCL1	Callable Note Cont 7/2/2018 Bank of New York	2.100	01-Aug-18	500,000.00	100.00071	500,003.54	1.83	504,190.00
912828RE2	Note US Treasury	1.500	31-Aug-18	2,000,000.00	99.93415	1,998,682.94	1.90	2,008,667.18
3130A6AE7	Note FHLB	1.125	14-Sep-18	975,000.00	100.03070	975,299.31	0.97	976,394.01
912828L40	Note US Treasury	1.000	15-Sep-18	1,300,000.00	100.00576	1,300,074.93	0.97	1,301,319.22
912828L81	Note US Treasury	0.875	15-Oct-18	1,000,000.00	99.91949	999,194.88	1.16	998,620.85
892367AY1	Note Toyota Motor Credit Corp	2.000	24-Oct-18	450,000.00	100.15145	450,681.54	1.51	450,945.10
912828A34	Note US Treasury	1.250	30-Nov-18	2,000,000.00	99.67534	1,993,506.79	2.04	1,995,241.48
313376BR5	Note FHLB	1.750	14-Dec-18	1,000,000.00	100.17885	1,000,788.53	1.35	998,788.39
912828N22	Note US Treasury	1.250	15-Dec-18	1,000,000.00	99.99215	999,921.49	1.27	996,640.45
3135G0H63	Note FNMA	1.375	28-Jan-19	1,000,000.00	99.99807	999,980.72	1.38	1,000,912.75
912828KD1	Note US Treasury	2.750	15-Feb-19	2,000,000.00	100.33338	2,006,667.52	2.21	2,026,834.98
3133782M2	Note FHLB	1.500	08-Mar-19	775,000.00	100.28834	777,234.64	1.07	774,733.66
532457BF4	Note Eli Lilly & Co	1.950	15-Mar-19	400,000.00	100.58255	402,330.21	1.11	400,398.67
30231GAD4	Callable Note Cont 2/15/2019 Exxon Mobil Corp	1.819	15-Mar-19	450,000.00	100.35870	451,614.16	1.28	450,143.53
459058DL4	Note Intl. Bank Recon & Development	1.875	15-Mar-19	900,000.00	100.59187	905,326.84	1.02	901,943.85
912828C65	Note US Treasury	1.625	31-Mar-19	1,000,000.00	100.19364	1,001,936.41	1.36	999,240.70
3137EADZ9	Note FHLMC	1.125	15-Apr-19	385,000.00	100.10902	385,419.72	0.98	382,365.07
037833AQ3	Note Apple Inc	2.100	06-May-19	500,000.00	100.69732	503,486.59	1.26	500,073.67
3135G0ZE6	Note FNMA	1.750	20-Jun-19	1,000,000.00	100.35706	1,000,570.62	1.37	994,361.72
3130A8DB6	Note FHLB	1.125	21-Jun-19	550,000.00	100.07939	550,436.63	1.04	543,494.33
3137EADK2	Note FHLMC	1.250	01-Aug-19	450,000.00	99.69104	448,609.66	1.54	446,706.60
4581X0BY3	Note Inter-American Dev Bank	1.125	12-Sep-19	500,000.00	100.00588	500,029.40	1.12	493,555.63
45950KCD0	Note International Finance Corp	1.750	16-Sep-19	500,000.00	100.74529	503,726.45	1.12	497,941.58
3137EADM8	Note FHLMC	1.250	02-Oct-19	850,000.00	100.05823	850,494.98	1.20	839,711.84
3130AA3R7	Note FHLB	1.375	15-Nov-19	875,000.00	99.92656	874,357.39	1.43	863,515.58
912828UB4	Note US Treasury	1.000	30-Nov-19	1,125,000.00	99.40305	1,118,284.27	1.43	1,103,145.75
3133EJLU1	Note FFCB	2.420	24-Jan-20	1,000,000.00	99.87398	998,739.81	2.50	1,002,855.89
69371RN69	Note Paccar Financial Corp	1.950	27-Feb-20	700,000.00	99.55669	696,896.86	2.22	693,990.27
3135G0T29	Note FNMA	1.500	28-Feb-20	675,000.00	99.69566	672,945.72	1.69	667,051.88
313378J77	Note FHLB	1.875	13-Mar-20	1,000,000.00	98.91910	989,191.00	2.53	994,376.00
912828UV0	Note US Treasury	1.125	31-Mar-20	1,000,000.00	99.25654	992,565.41	1.57	979,077.86
3137EAEF2	Note FHLMC	1.375	20-Apr-20	550,000.00	99.80819	548,945.06	1.48	540,059.74
3137EAEF7	Note FHLMC	2.500	23-Apr-20	1,000,000.00	99.96740	999,673.98	2.52	1,003,253.00
3137EADR7	Note FHLMC	1.375	01-May-20	790,000.00	100.54088	794,272.99	1.07	775,551.43
313383HU8	Note FHLB	1.750	12-Jun-20	825,000.00	100.40123	828,310.12	1.54	812,336.76
912828XM7	Note US Treasury	1.625	31-Jul-20	500,000.00	100.31783	501,589.13	1.47	493,975.16
40428HPV8	Note HSBC USA Inc	2.750	07-Aug-20	250,000.00	100.60223	251,505.57	2.45	250,449.75
912828VV9	Note US Treasury	2.125	31-Aug-20	800,000.00	99.43470	795,477.57	2.40	798,369.27
02665WAZ4	Note American Honda Finance	2.450	24-Sep-20	500,000.00	101.56975	507,848.77	1.72	496,992.69
3130ACE26	Note FHLB	1.375	28-Sep-20	825,000.00	99.39207	819,984.57	1.65	805,036.72
912828L65	Note US Treasury	1.375	30-Sep-20	425,000.00	99.55225	423,097.08	1.58	415,428.70
89238B8B8	2018-A A2A Toyota Auto Receivables Owner	2.100	15-Oct-20	690,000.00	99.99134	689,940.26	2.12	688,062.69
00440EAT4	Callable Note Cont 10/3/2020 Chubb INA Holdings	2.300	03-Nov-20	750,000.00	100.33250	752,493.72	2.15	739,432.92
594918BG8	Callable Note Cont. 10/03/20 Microsoft	2.000	03-Nov-20	650,000.00	100.10429	650,677.89	1.95	641,845.89
3137EAEK1	Note FHLMC	1.875	17-Nov-20	1,000,000.00	99.69665	996,966.45	2.01	983,812.67
912828A42	Note US Treasury	2.000	30-Nov-20	725,000.00	100.75877	730,501.07	1.68	716,315.94
3130A3UQ5	Note FHLB	1.875	11-Dec-20	1,000,000.00	99.65243	996,524.25	2.02	980,580.67
43814RAC0	2016-4 A3 Honda Auto Receivables	1.210	18-Dec-20	500,000.00	99.05179	495,258.93	2.58	494,857.97
45950KCM0	Note International Finance Corp	2.250	25-Jan-21	1,000,000.00	99.23214	992,323.35	2.56	997,887.00
91159HHL7	Callable Note 1X 12/29/2020 US Bancorp	2.350	29-Jan-21	750,000.00	100.52311	753,923.34	2.13	743,066.42
912828N89	Note US Treasury	1.375	31-Jan-21	1,000,000.00	98.75700	987,570.04	1.87	975,227.50
3137EAEI9	Note FHLMC	2.375	16-Feb-21	775,000.00	99.85829	773,901.71	2.43	775,964.29
89238MAD0	2017-A A3 Toyota Auto Receivables Owner	1.730	16-Feb-21	695,000.00	99.61290	692,309.65	2.02	688,765.08
459200JF9	Note IBM Corp	2.250	19-Feb-21	750,000.00	99.74126	748,059.48	2.35	740,028.75
912828P87	Note US Treasury	1.125	28-Feb-21	1,000,000.00	97.77022	977,702.23	1.99	965,908.19
46625HQJ2	Callable Note Cont 2/1/2021 JP Morgan Chase	2.550	01-Mar-21	775,000.00	100.54989	779,261.65	2.33	766,078.20
24422ESL4	Note John Deere Capital Corp	2.800	04-Mar-21	825,000.00	100.41517	828,425.12	2.64	825,627.83
084670BQ0	Callable Note Cont 2/15/2021 Berkshire Hathaway	2.200	15-Mar-21	525,000.00	99.84234	524,172.29	2.26	519,987.71
3135G0U27	Note FNMA	2.500	13-Apr-21	725,000.00	99.39967	720,647.63	2.72	725,090.38
4581X0DB1	Note Inter-American Dev Bank	2.625	19-Apr-21	1,000,000.00	99.64776	996,477.58	2.76	1,000,449.00
912828Q78	Note US Treasury	1.375	30-Apr-21	1,000,000.00	99.25712	992,571.16	1.65	968,618.24
369500BE7	Note General Dynamics Corp	3.000	11-May-21	825,000.00	99.32326	819,416.87	3.25	825,786.78
166764BG4	Callable Note Cont 4/15/2021 Chevron Corp	2.100	16-May-21	800,000.00	98.72345	789,787.56	2.56	783,380.01
808513AW5	Callable Note Cont 4/21/2021 Charles Schwab Corp	3.250	21-May-21	825,000.00	100.33618	827,773.46	3.12	831,201.39
459058FH1	Note Intl. Bank Recon & Development	1.375	24-May-21	600,000.00	98.23574	589,414.44	2.01	578,053.92
912828R77	Note US Treasury	1.375	31-May-21	1,500,000.00	97.21400	1,458,209.96	2.37	1,449,305.43
43814TAC6	2017-1 A3 Honda Auto Receivables	1.720	21-Jul-21	500,000.00	99.41987	497,099.34	2.11	495,221.39
912828S76	Note US Treasury	1.125	31-Jul-21	1,000,000.00	98.07107	980,710.73	1.77	960,239.69
02665WBG5	Note American Honda Finance	1.700	09-Sep-21	250,000.00	97.78719	244,467.98	2.43	240,836.72
65477UAD2	2015-A4 NAROT	1.500	15-Sep-21	700,000.00	99.44084	696,085.88	1.86	696,377.27
68389XBK0	Callable Note Cont 8/01/21 Oracle Corp	1.900	15-Sep-21	475,000.00	98.67419	468,702.38	2.33	455,056.39
89233P5F9	Note Toyota Motor Credit Corp	3.400	15-Sep-21	450,000.00	101.14188	455,138.44	3.02	458,213.90
17275RBJ0	Callable Note Cont 8/20/2021 Cisco Systems	1.850	20-Sep-21	550,000.00	98.44202	541,431.10	2.36	527,924.80
912828T34	Note US Treasury	1.125	30-Sep-21	1,000,000.00	97.07154	970,715.39	2.07	955,600.88
912828F96	Note US Treasury	2.000	31-Oct-21	640,000.00	99.56254	637,200.25	2.14	628,756.20
912828U65	Note US Treasury	1.750	30-Nov-21	1,500,000.00	97.78060	1,466,709.02	2.43	1,457,926.86
404280BF5	Note HSBC Holdings PLC	2.650	05-Jan-22	500,000.00	99.14548	495,727.39	2.91	490,593.78
4581X0CW6	Note Inter-American Dev Bank	2.125	18-Jan-22	800,000.00	99.75534	798,042.70	2.20	790,858.82
69353RFB9	Callable Note Cont 1/18/2022 PNC Bank	2.625	17-Feb-22	800,000.00	99.85380	798,830.40	2.66	787,836.67
532457BQ0	Note Eli Lilly & Co	2.350	15-May-22	500,000.00	97.70355	488,517.75	2.98	487,952.89
			subtotal	\$ 64,675,000.00		\$ 65,606,727.38		\$ 65,201,328.61
			Total	\$ 132,104,441.16		\$ 133,036,168.54		\$ 132,630,769.77