



City of San Leandro

Meeting Date: November 19, 2018

Staff Report

File Number: 18-522 **Agenda Section:** CONSENT CALENDAR

Agenda Number: 8.L.

TO: City Council

FROM: Jeff Kay
City Manager

BY: David Baum
Finance Director

FINANCE REVIEW: David Baum
Finance Director

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

SUMMARY AND RECOMMENDATIONS

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

OVERVIEW

At September 30, 2018, the City's investment portfolio had a market value of \$114.1 million. Of the total \$114.1 million, \$48.6 million was placed with the Local Agency Investment Fund (LAIF) and bank accounts and \$65.5 million was placed in the Chandler Asset Management portfolio.

The rate of return for LAIF for the quarter was 2.16%, while the average book yield for the Chandler managed funds was 2.06%. 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 2.06%, which is below the benchmark rate of return on the 2-year U.S. Treasury securities of 2.81%, and the 5-year U.S. Treasury securities of 2.94%.

Amounts invested with LAIF are essentially liquid; funds can be withdrawn with minimal notice as City operations require.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 agrees 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: November 19, 2018

Resolution - Council

File Number: 18-523

Agenda Section: CONSENT CALENDAR

Agenda Number:

TO: City Council

FROM: Jeff Kay
City Manager

BY: David Baum
Finance Director

FINANCE REVIEW: David Baum
Finance Director

TITLE: RESOLUTION of the City of San Leandro City Council to Accept the Investment Report for the Quarter Ended September 30, 2018 (Reviews the Activities of the City's Investment Portfolio)

WHEREAS, the City of San Leandro Quarterly Investment Report for the quarter ended September 30, 2018, a copy of which is attached, is presented to this City 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, 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

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

	9/30/2018	6/30/2018
LAIF - City Pool #98-01-809	\$44,694,166	\$61,409,179
LAIF - Successor Agency	26,844	26,718
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	3,927,847	5,993,542
Total LAIF and Bank Accounts	\$48,648,859	\$67,429,441
Investment Portfolio Market Value	\$65,451,694	\$65,201,329
Total Market Value	\$114,100,554	\$132,630,770
LAIF Quarterly Apportionment Rate	2.16%	1.90%
2 year US Treasury Yield to Maturity	2.81%	2.52%
5 year US Treasury Yield to Maturity	2.94%	2.73%
Investment Portfolio:		
Average Maturity (yrs)	1.88	1.86
Modified Duration	1.68	1.70
Average Book Yield	2.06%	1.91%
Average Yield to Maturity at Market	2.80%	2.57%
Average Quality S&P/Moody	AA+/Aa1	AA+/Aa1

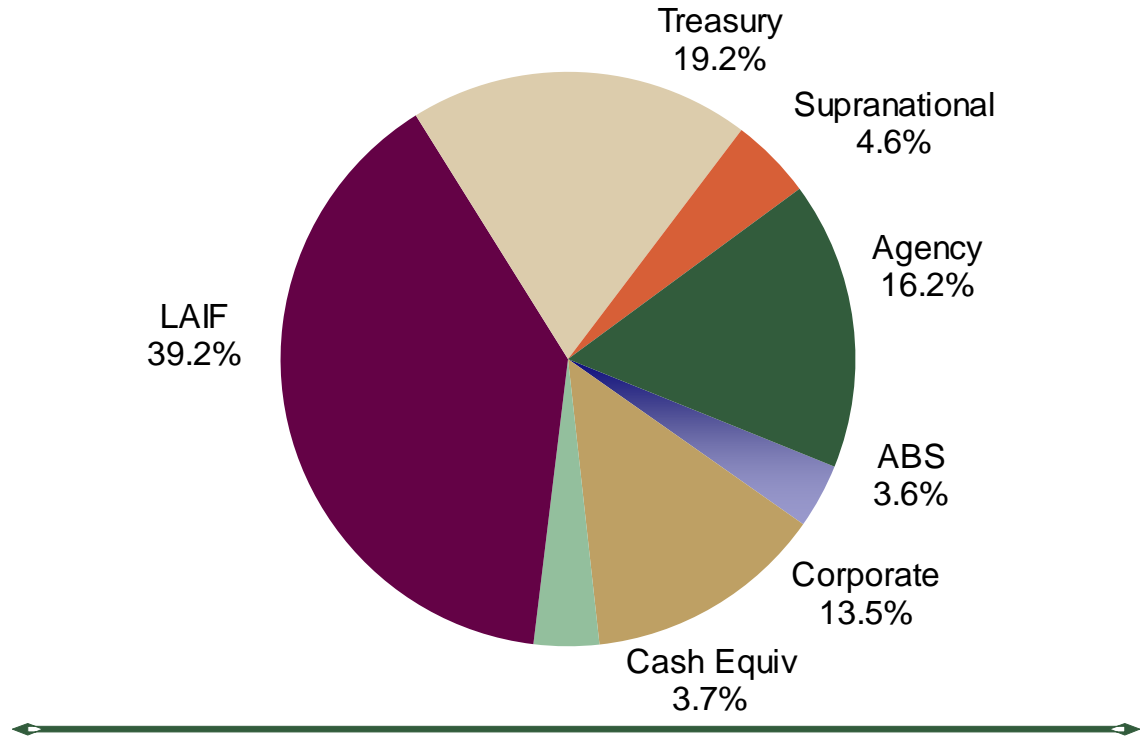
Portfolio Activity

There was \$6.2 million invested in a diversified mix of Treasury, agency, 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 October 2019 to January 2023. The proceeds to fund the purchases came from paydowns and six maturities.

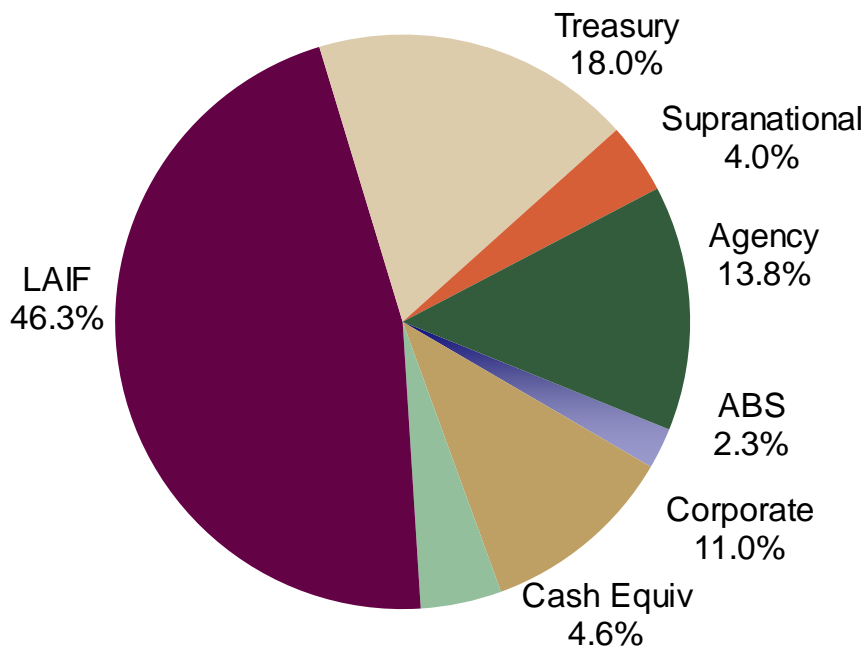


Sector Distribution

September 30, 2018

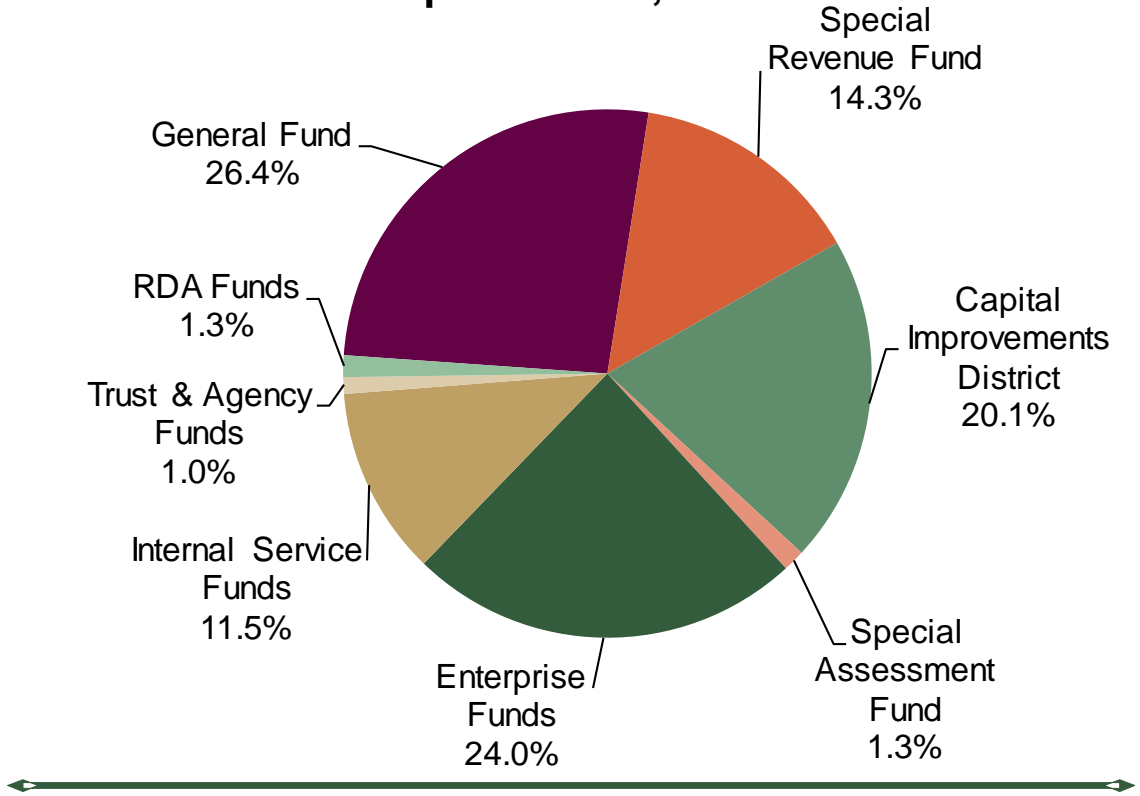


June 30, 2018

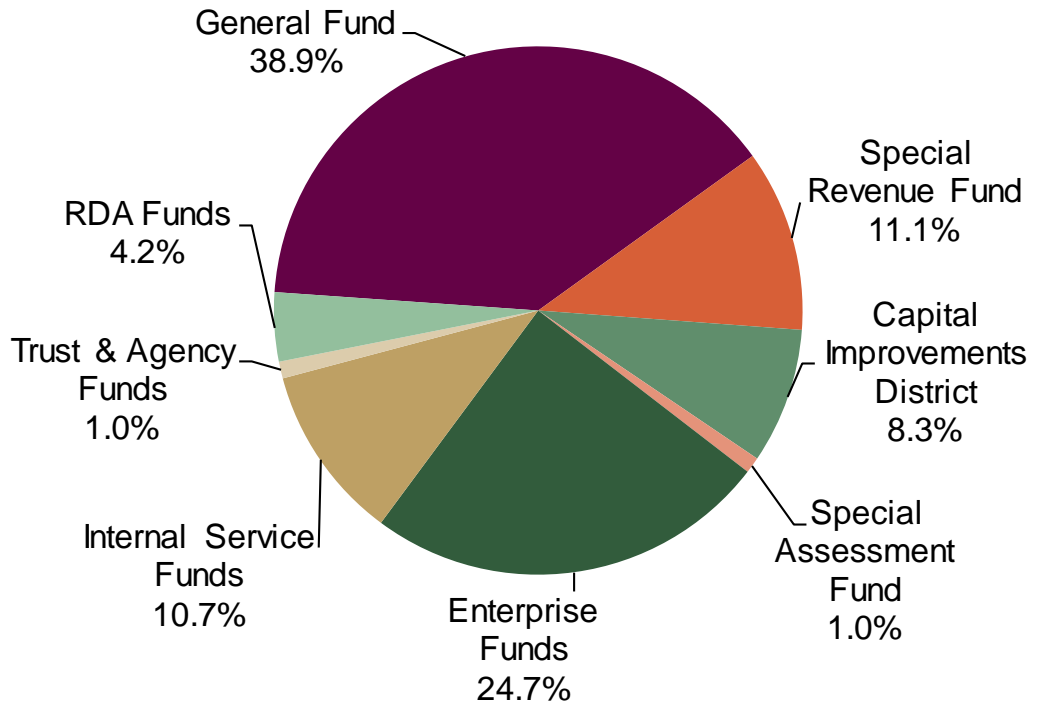




City Fund Allocation September 30, 2018



June 30, 2018





City of San Leandro
Investments by All Types
Active Investments
September 30, 2018

CUSIP	Issuer	Coupon	Maturity Date	Par	Purchase Price	Book Value	Purchase Yield	MVACC
LAIF								
SYS113	LAIF - City Pool			\$44,694,166.05	100.00000	\$44,694,166.05		\$44,694,166.05
SYS114	LAIF - Successor Agency			26,844.38	100.00000	\$26,844.38		\$26,844.38
	LAIF - Economic Development Agency			2.39		\$2.39		\$2.39
subtotal				\$44,721,012.82		\$44,721,012.82		\$44,721,012.82
Passbook/Checking Accounts								
	Public Funds Checking			3,927,846.51	100.00000	3,927,846.51		3,927,846.51
subtotal				\$ 3,927,846.51		\$ 3,927,846.51		\$ 3,927,846.51
Government Issues								
60934N104	Government Obligations Fund Federated Investors	1.890	30-Sep-18	262,713.75	100.00000	262,713.75	1.89	262,713.75
912828L81	Note US Treasury	0.875	15-Oct-18	1,000,000.00	99.98937	999,893.67	1.16	1,003,595.30
89236TAY1	Note Toyota Motor Credit Corp	2.000	24-Oct-18	450,000.00	100.03029	450,136.31	1.51	453,805.30
912828A34	Note US Treasury	1.250	30-Nov-18	2,000,000.00	99.87184	1,997,436.89	2.04	2,005,399.64
313376BR5	Note FHLB	1.750	14-Dec-18	1,000,000.00	100.07973	1,000,797.29	1.35	1,004,235.39
912828N22	Note US Treasury	1.250	15-Dec-18	1,000,000.00	99.99647	999,964.74	1.27	1,001,754.52
3135GOH63	Note FNMA	1.375	28-Jan-19	1,000,000.00	99.99891	999,989.12	1.38	999,343.25
912828K01	Note US Treasury	2.750	15-Feb-19	2,000,000.00	100.19944	2,003,988.87	2.21	2,009,758.46
3133782M2	Note FHLB	1.500	08-Mar-19	775,000.00	100.18223	776,412.29	1.07	772,885.29
532457BF4	Note Eli Lilly & Co	1.950	15-Mar-19	400,000.00	100.37401	401,496.05	1.11	398,573.07
30231GAD4	Callable Note Cont 2/15/2019 Exxon Mobil Corp	1.819	15-Mar-19	450,000.00	100.19655	450,884.49	1.28	448,815.35
459058DL4	Note Intl. Bank Recon & Development	1.875	15-Mar-19	900,000.00	100.38000	903,419.96	1.02	898,482.90
912828C65	Note US Treasury	1.625	31-Mar-19	1,000,000.00	100.12839	1,001,283.85	1.36	996,099.64
3137EADZ9	Note FHLMC	1.125	15-Apr-19	385,000.00	100.07419	385,285.64	0.98	384,275.24
037833AQ3	Note Apple Inc	2.100	06-May-19	500,000.00	100.48970	502,448.51	1.26	502,958.67
3135GOZE6	Note FNMA	1.750	20-Jun-19	1,000,000.00	100.26427	1,002,642.66	1.37	999,430.72
3130A8DB6	Note FHLB	1.125	21-Jun-19	550,000.00	100.05881	550,323.47	1.04	546,129.10
3137EADK2	Note FHLMC	1.250	01-Aug-19	450,000.00	99.76282	448,932.67	1.54	446,020.80
4581XOBY3	Note Inter-American Dev Bank	1.125	12-Sep-19	500,000.00	100.00464	500,023.22	1.12	493,001.38
45950KCD0	Note International Finance Corp	1.750	16-Sep-19	500,000.00	100.59016	502,950.81	1.12	495,712.08
3137EADM8	Note FHLMC	1.250	02-Oct-19	850,000.00	100.04654	850,395.55	1.20	843,570.84
3130ACM92	Note FHLB	1.500	21-Oct-19	800,000.00	98.81018	790,481.41	2.65	795,692.53
3130AA3R7	Note FHLB	1.375	15-Nov-19	875,000.00	99.94002	874,475.16	1.43	866,990.64
912828UB4	Note US Treasury	1.000	30-Nov-19	1,125,000.00	99.50927	1,119,479.32	1.43	1,106,939.99
3133EJLU1	Note FFCB	2.420	24-Jan-20	1,000,000.00	99.89425	998,942.50	2.50	1,000,576.89
69371RN69	Note Paccar Financial Corp	1.950	27-Feb-20	700,000.00	99.62400	697,367.97	2.22	691,214.07
3135GOT29	Note FNMA	1.500	28-Feb-20	675,000.00	99.74179	673,257.08	1.69	664,384.28
313378J77	Note FHLB	1.875	13-Mar-20	1,000,000.00	99.07923	990,792.33	2.53	987,656.50
912828UV0	Note US Treasury	1.125	31-Mar-20	1,000,000.00	99.36358	993,635.81	1.57	976,085.92
3137EAEF2	Note FHLMC	1.375	20-Apr-20	550,000.00	99.83497	549,092.33	1.48	541,650.62
3137EAEI7	Note FHLMC	2.500	23-Apr-20	1,000,000.00	99.97193	999,719.29	2.52	1,006,610.00
3137EADR7	Note FHLMC	1.375	01-May-20	790,000.00	100.46662	793,686.26	1.07	777,319.84
313383HU8	Note FHLB	1.750	12-Jun-20	825,000.00	100.34938	827,882.41	1.54	814,472.68
912828XM7	Note US Treasury	1.625	31-Jul-20	1,000,000.00	99.21759	992,175.86	2.06	981,565.78
40428HPV8	Note HSBC USA Inc	2.750	07-Aug-20	250,000.00	100.53008	251,325.21	2.45	248,959.50
912828VV9	Note US Treasury	2.125	31-Aug-20	800,000.00	99.50036	796,002.91	2.40	791,049.40
02665WAZ4	Note American Honda Finance	2.450	24-Sep-20	500,000.00	101.39277	506,963.86	1.72	494,433.19
3130ACE26	Note FHLB	1.375	28-Sep-20	825,000.00	99.46028	820,547.28	1.65	801,866.66
912828L65	Note US Treasury	1.375	30-Sep-20	1,000,000.00	98.38743	983,874.26	2.20	971,990.78
892338BAB8	2018-A A2A Toyota Auto Receivables Owner	2.100	15-Oct-20	690,000.00	99.99229	689,946.82	2.12	688,591.25
00440EAT4	Callable Note Cont 10/3/2020 Chubb INA Holdings	2.300	03-Nov-20	750,000.00	100.29533	752,214.96	2.15	743,449.17
594918BG8	Callable Note Cont. 10/03/20 Microsoft	2.000	03-Nov-20	650,000.00	100.09266	650,602.29	1.95	643,838.14
3137EAEK1	Note FHLMC	1.875	17-Nov-20	1,000,000.00	99.72872	997,287.24	2.01	987,001.17
912828A42	Note US Treasury	2.000	30-Nov-20	725,000.00	100.67971	729,927.91	1.68	717,044.08
3130A3UQ5	Note FHLB	1.875	11-Dec-20	1,000,000.00	99.68819	996,881.93	2.02	983,299.17
43814RAC0	2016-4 A3 Honda Auto Receivables	1.210	18-Dec-20	422,559.78	99.14861	418,962.13	2.58	418,905.46
45950KCM0	Note International Finance Corp	2.250	25-Jan-21	1,000,000.00	99.30737	993,073.67	2.56	988,276.00
91159HHL7	Callable Note 1X 12/29/2020 US Bancorp	2.350	29-Jan-21	750,000.00	100.47035	753,527.66	2.13	738,666.17
912828N89	Note US Treasury	1.375	31-Jan-21	1,000,000.00	98.87802	988,780.15	1.87	968,996.57
3137EAEI9	Note FHLMC	2.375	16-Feb-21	775,000.00	99.87185	774,006.86	2.43	768,384.41
892338MAD0	2017-A A3 Toyota Auto Receivables Owner	1.730	16-Feb-21	695,000.00	99.64996	692,567.21	2.02	690,615.17
459200JF9	Note IBM Corp	2.250	19-Feb-21	750,000.00	99.76596	748,244.68	2.35	736,826.25
912828P87	Note US Treasury	1.125	28-Feb-21	1,000,000.00	99.98106	979,810.55	1.99	960,690.40
46625HQJ2	Callable Note Cont 2/1/2021 JP Morgan Chase	2.550	01-Mar-21	775,000.00	100.49642	778,847.26	2.33	762,738.73
24422ESL4	Note John Deere Capital Corp	2.800	04-Mar-21	825,000.00	100.37607	828,102.59	2.64	819,803.33
084670BQ0	Callable Note Cont 2/15/2021 Berkshire Hathaway	2.200	15-Mar-21	525,000.00	99.85702	524,249.36	2.26	515,298.93
3135GOU27	Note FNMA	2.500	13-Apr-21	725,000.00	99.45398	727,041.36	2.72	726,085.08
4581XODB1	Note Inter-American Dev Bank	2.625	19-Apr-21	1,000,000.00	99.67944	996,794.36	2.76	1,002,727.50
912828Q78	Note US Treasury	1.375	30-Apr-21	1,000,000.00	99.32321	993,232.14	1.65	968,910.52
369550BE7	Note General Dynamics Corp	3.000	11-May-21	825,000.00	99.38284	819,908.40	3.25	830,212.90
166764BG4	Callable Note Cont 4/15/2021 Chevron Corp	2.100	16-May-21	800,000.00	98.83530	790,682.36	2.56	786,644.01
808513AW5	Callable Note Cont 4/21/2021 Charles Schwab Corp	3.250	21-May-21	825,000.00	100.30600	827,524.52	3.12	834,710.11
459058FH1	Note Intl. Bank Recon & Development	1.375	24-May-21	600,000.00	98.38915	590,334.92	2.01	578,990.22
912828R77	Note US Treasury	1.375	31-May-21	1,500,000.00	97.45467	1,461,819.99	2.37	1,449,509.85
3135GOU35	Note FNMA	2.750	22-Jun-21	775,000.00	99.89878	774,920.80	2.75	776,940.86
43814TAC6	2017-1 A3 Honda Auto Receivables	1.720	21-Jul-21	499,313.54	99.46769	496,655.65	2.11	495,164.13
912828S76	Note US Treasury	1.125	31-Jul-21	1,000,000.00	98.22868	982,286.76	1.77	954,356.39
9128284W7	Note US Treasury	2.750	15-Aug-21	1,000,000.00	100.06450	1,000,645.00	2.73	999,801.23
43811BAC8	2017-2 A3 Honda Auto Receivables	1.680	16-Aug-21	150,000.00	98.66214	147,993.21	2.60	148,228.60
02665WBG5	Note American Honda Finance	1.700	09-Sep-21	250,000.00	97.96179	244,904.47	2.43	239,667.97
65477UAD2	2015-A4 NAROT	1.500	15-Sep-21	628,579.28	99.48473	625,340.42	1.86	626,612.30
68389XBK0	Callable Note Cont 8/01/21 Oracle Corp	1.900	15-Sep-21	475,000.00	98.77826	469,196.73	2.33	459,025.49
89233P5F9	Note Toyota Motor Credit Corp	3.400	15-Sep-21	450,000.00	101.05224	454,735.08	3.02	453,056.45
17275RBJ0	Callable Note Cont 8/20/2021 Cisco Systems	1.850	20-Sep-21	550,000.00	98.56380	542,100.89	2.36	530,655.00
912828T34	Note US Treasury	1.125	30-Sep-21	1,000,000.00	97.29851	972,985.13	2.07	949,718.91
47788BAD6	2017-B A3 John Deere Owner Trust	1.820	15-Oct-21	300,000.00	98.59165	295,774.96	3.16	296,132.05
912828F96	Note US Treasury	2.000	31-Oct-21	640,000.00	99.59558	637,411.72	2.14	628,631.40
912828U65	Note US Treasury	1.750	30-Nov-21	1,500,000.00	97.94421	1,469,163.17	2.43	1,456,908.22
404280BF5	Note HSBC Holdings PLC	2.650	05-Jan-22	500,000.00	99.20671	496,033.53	2.91	488,700.28
4581XOCW6	Note Inter-American Dev Bank	2.125	18-Jan-22	800,000.00	99.77269	798,181.53	2.20	780,656.82
69353RFB9	Callable Note Cont 1/18/2022 PNC Bank	2.625	17-Feb-22	800,000.00	99.86293	798,903.41	2.66	781,787.47
532457BQ0	Note Eli Lilly & Co	2.350	15-May-22	500,000.00	98.95297	489,264.83	2.98	490,039.39
02587AAJ3	2017-1 American Express Credit	1.930	15-Sep-22	800,000.00	98.65669	789,245.55	2.93	789,595.81
06051GEU9	Note Bank of America Corp	3.300	11-Jan-23	825,000.00	98.74564	814,651.56	3.62	819,595.70
06406RAE7	Callable Note Cont 12/29/2022 Bank of NY Mellon	2.950	29-Jan-23	500,000.00	98.05815	490,290.75	3.44	490,285.27
subtotal				\$ 64,525,452.60		\$ 65,940,177.53		\$ 65,451,694.29
Total				\$ 113,174,311.93		\$ 114,589,036.86		\$ 114,100,553.62