



City of San Leandro

Meeting Date: March 4, 2019

Staff Report

File Number: 19-117

Agenda Section: CONSENT CALENDAR

Agenda Number: 8.G.

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 Approve the Investment Report for the Quarter Ended December 31, 2018

SUMMARY AND RECOMMENDATIONS

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

OVERVIEW

At December 31, 2018, the City's investment portfolio had a market value of \$149.1 million. Of the total \$149.1 million, \$67.9 million was placed with the Local Agency Investment Fund (LAIF) and bank accounts and \$81.2 million was placed in the Chandler Asset Management portfolio.

The rate of return for LAIF for the quarter was 2.40%, while the average book yield for the Chandler managed funds was 2.29%. 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 2.29%, which is below the benchmark rate of return on the 2-year U.S. Treasury securities of 2.48%, and the 5-year U.S. Treasury securities of 2.51%.

Amounts invested with LAIF are essentially liquid; funds can be withdrawn with minimal notice as City operations require.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

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Resolution - Council

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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 of the City of San Leandro City Council Accepting Investment Report for the Quarter Ended December 31, 2018 (Reviews the Activities of the City's Investment Portfolio)

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

Statement of Compliance

As of December 31, 2018

City of San Leandro

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

	12/31/2018	9/30/2018
LAIF - City Pool #98-01-809	\$62,457,341	\$44,694,166
LAIF - Successor Agency	26,990	26,844
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	5,416,837	3,927,847
Total LAIF and Bank Accounts	\$67,901,170	\$48,648,859
Investment Portfolio Market Value	\$81,215,314	\$65,451,694
Total Market Value	\$149,116,484	\$114,100,553
LAIF Quarterly Apportionment Rate	2.40%	2.16%
2 year US Treasury Yield to Maturity	2.48%	2.81%
5 year US Treasury Yield to Maturity	2.51%	2.94%
Investment Portfolio:		
Average Maturity (yrs)	1.87	1.88
Modified Duration	1.70	1.68
Average Book Yield	2.29%	2.06%
Average Yield to Maturity at Market	2.70%	2.80%
Average Quality S&P/Moody	AA+/Aa1	AA+/Aa1

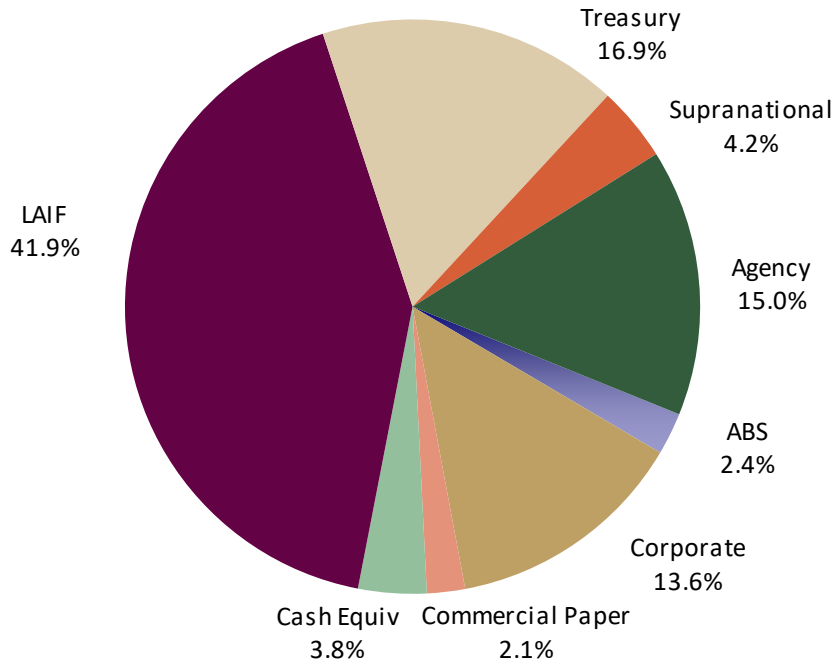
Portfolio Activity

There was \$21.2 million invested in a diversified mix of Treasury, agency, commercial paper, Supranational, 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. A \$15.0 million contribution assisted in the purchasing activities as well as five maturities. The maturities of the purchases ranged from February 2019 to June 2023.

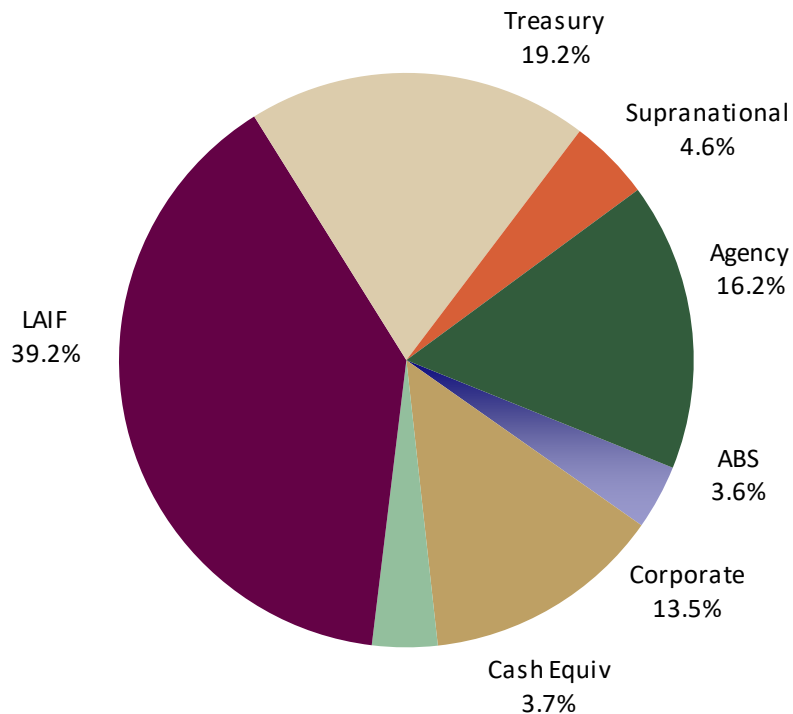


Sector Distribution

December 31, 2018

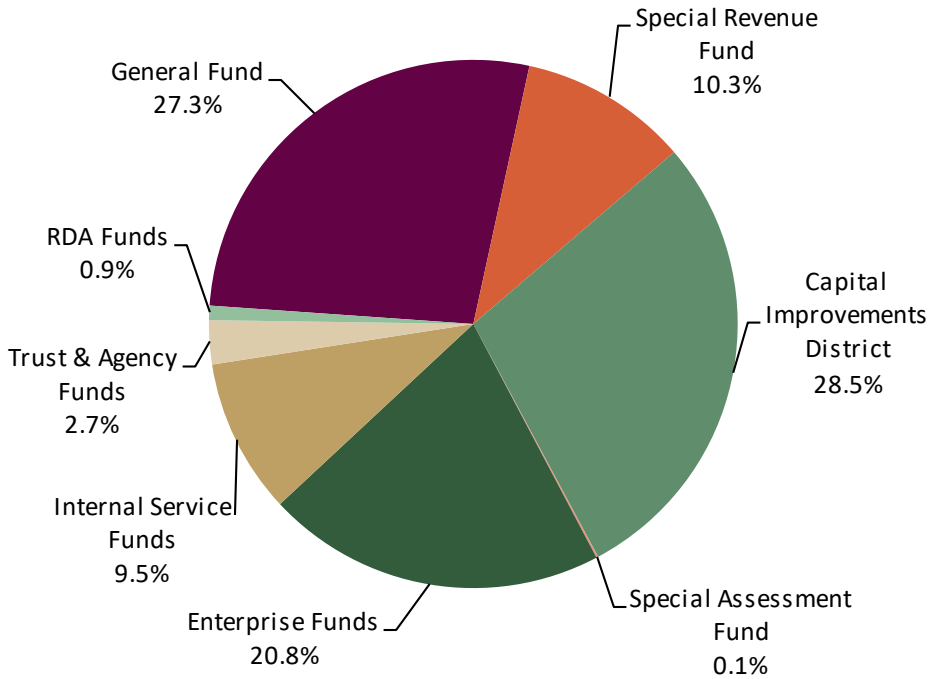


September 30, 2018





City Fund Allocation December 31, 2018



September 30, 2018

