

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Amounts invested with LAIF are essentially liquid; funds can be withdrawn with minimal notice as City operations require.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

Meeting Date: March 4, 2019

Resolution - Council

File Number: 19-118 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 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	

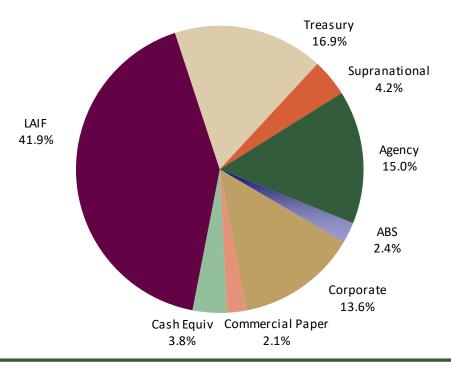
Portfolio Activity

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.

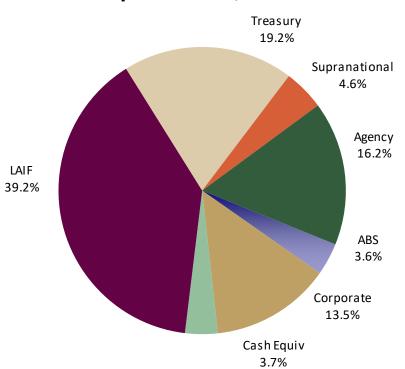


Sector Distribution

December 31, 2018

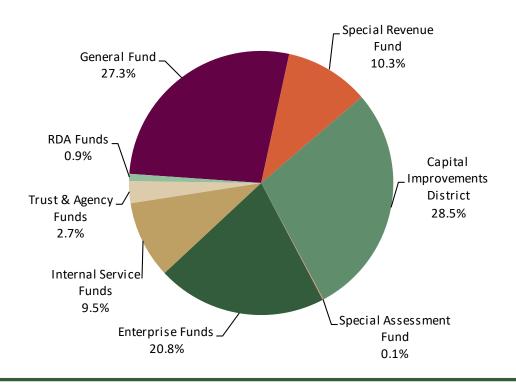


September 30, 2018

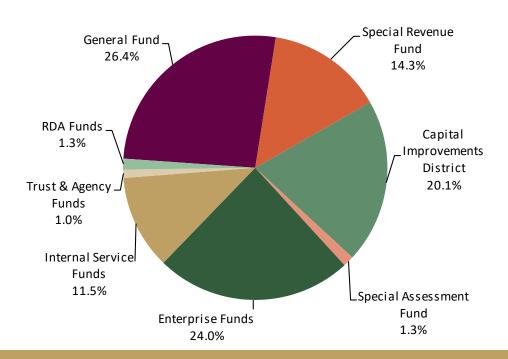




City Fund Allocation December 31, 2018



September 30, 2018





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

	December 31, 2016								
CUSIP	Issuer	Coupon	Maturity Date	Par	Purchase Price	Book Value	Purchase Yield	MVACC	
LAIF SYS113	LAIF - City Pool		Dute	\$62,457,340.55	100.00000	\$62,457,340.55	ricia	\$62,457,340.55	
SYS114	LAIF - Successor Agency LAIF - Economic Development Agency			26,990.24 2.40	100.00000	\$26,990.24 \$2.40		\$26,990.2	
D			subtotal	\$62,484,333.19		\$62,484,333.19	_	\$62,484,333.19	
Passbook/Checking Accounts Public Funds Checking			subtotal	5,416,836.72 \$ 5,416,836.72	100.00000	5,416,836.72 \$ 5,416,836.72	. <u> </u>	5,416,836.72 5,416,836.72	
Government Is	ssues Government Obligations Fund Federated Investors	2.260	31-Dec-18	310,850.43	100.00000	310,850.43	2.26	310,850.43	
313384AP4 459052AP1	Discount Note IBRD	2.375	14-Jan-19	1,000,000.00	99.91419	999,141.91	2.41	999,141.9	
62479MNN9	Discount CP MUFG Bank Ltd/NY	2.440	14-Jan-19 22-Jan-19	1,000,000.00 1,600,000.00	99.91184 99.85463	999,118.41 1,597,674.07	2.48	999,118.4 1,597,674.0	
3135G0H63	Note FNMA	1.375	28-Jan-19	1,000,000.00	99.99975	999,997.53	1.38	1,005,057.7	
912828KD1	Note US Treasury	2.750	15-Feb-19	2,000,000.00	100.06551	2,001,310.22	2.21	2,021,622.4	
912828P53	Note US Treasury	0.750	15-Feb-19	1,000,000.00	99.80129	998,012.91	2.37	1,000,892.8	
89233HPK4	Discount CP Toyota Motor Credit	2.550	19-Feb-19	1,600,000.00	99.65262	1,594,441.94	2.60	1,594,441.9	
3133782M2	Note FHLB	1.500	08-Mar-19	775,000.00	100.07612	775,589.95	1.07	777,287.2	
532457BF4	Note Eli Lilly & Co	1.950	15-Mar-19	400,000.00	100.16547	400,661.89	1.11	401,387.8	
30231GAD4	Callable Note Cont 2/15/2019 Exxon Mobil Corp	1.819	15-Mar-19	450,000.00	100.06456	450,290.53	1.28	451,581.2	
459058DL4	Note Intl. Bank Recon & Development	1.875	15-Mar-19	900,000.00	100.16812	901,513.07	1.02	903,859.9	
912828C65	Note US Treasury	1.625	31-Mar-19	1,000,000.00	100.06313	1,000,631.28	1.36	1,002,192.7	
3137EADZ9	Note FHLMC	1.125	15-Apr-19	385,000.00	100.03937	385,151.57	0.98	384,479.1	
037833AQ3	Note Apple Inc	2.100	06-May-19	500,000.00	100.28209	501,410.43	1.26	500,514.1	
912828WL0	Note US Treasury	1.500	31-May-19	1,000,000.00	99.60032	996,003.21	2.48	997,256.6	
3135G0ZE6	Note FNMA	1.750	20-Jun-19		100.17147	1,001,714.70	1.37	996,888.7	
3130A8DB6	Note FHLB	1.125	21-Jun-19	550,000.00	100.03824	550,210.32	1.04	546,393.3	
9128282K5	Note US Treasury	1.375	31-Jul-19	1,000,000.00	99.32352	993,235.19	2.55	998,918.0	
3137EADK2	Note FHLMC	1.250	01-Aug-19	450,000.00	99.83460	449,255.68	1.54	448,598.8	
4581X0BY3	Note Inter-American Dev Bank	1.125	12-Sep-19	500,000.00	100.00341	500,017.05	1.12	496,366.1	
45950KCD0	Note International Finance Corp	1.750	16-Sep-19	500,000.00	100.43503	502,175.17	1.12	499,197.5	
3137EADM8	Note FHLMC	1.250	02-Oct-19	850,000.00	100.03484	850,296.12	1.20	843,843.6	
3130ACM92	Note FHLB	1.500	21-Oct-19	800,000.00	99.09450	792,755.98	2.65	794,881.3	
3130AA3R7	Note FHLB	1.375	15-Nov-19	875,000.00	99.95348	874,592.93	1.43	867,064.5	
912828UB4	Note US Treasury	1.000	30-Nov-19	1,125,000.00	99.61550	1,120,674.39	1.43	1,109,421.1	
3133EJLU1	Note FFCB	2.420	24-Jan-20	1,000,000.00	99.91452	999,145.19	2.50	1,008,548.8	
69371RN69	Note Paccar Financial Corp	1.950	27-Feb-20	700,000.00	99.69130	697,839.07	2.22	697,754.8	
3135G0T29	Note FNMA	1.500	28-Feb-20	675,000.00	99.78792	673,568.43	1.69	670,776.5	
313378J77	Note FHLB	1.875	13-Mar-20	1,000,000.00	99.23937	992,393.67	2.53	997,071.0	
912828UV0	Note US Treasury	1.125	31-Mar-20	1,000,000.00	99.47062	994,706.20	1.57	985,491.3	
3137EAEF2	Note FHLMC	1.375	20-Apr-20	550,000.00	99.86175	549,239.61	1.48	543,165.5	
3137EAEM7	Note FHLMC	2.500	23-Apr-20	1,000,000.00	99.97646	999,764.60	2.52	1,003,335.2	
3137EADR7	Note FHLMC	1.375	01-May-20	790,000.00	100.39234	793,099.52	1.07	779,610.4	
313383HU8	Note FHLB	1.750	12-Jun-20	825,000.00	100.29754 99.32518	827,454.70	1.54	816,244.7	
912828XM7	Note US Treasury	1.625	31-Jul-20	1,000,000.00	100.45794	993,251.83	2.06	992,620.2	
40428HPV8	Note HSBC USA Inc	2.750	07-Aug-20	250,000.00		251,144.86	2.45	250,029.7	
912828VV9	Note US Treasury	2.125	31-Aug-20	800,000.00	99.56603	796,528.24	2.40	800,463.4	
02665WAZ4	Note American Honda Finance	2.450	24-Sep-20	500,000.00	101.21579	506,078.95	1.72	497,304.6	
3130ACE26 912828L65	Note FHLB Note US Treasury	1.375	28-Sep-20	825,000.00 1,000,000.00	99.52848 98.59065	821,109.98	1.65	811,248.9	
89238BAB8	2018-A A2A Toyota Auto Receivables Owner	2.100	30-Sep-20 15-Oct-20	530,311.19	99.99325	985,906.54 530,275.37	2.12	983,865.0 528,739.4	
9128282Z2	Note US Treasury Callable Note Cont 10/3/2020 Chubb INA Holdings Inc	1.625	15-Oct-20	1,000,000.00	98.38139	983,813.85	2.56	987,896.1	
00440EAT4		2.300	03-Nov-20	750,000.00	100.25816	751,936.21	2.15	742,053.4	
594918BG8	Callable Note Cont. 10/03/20 Microsoft	2.000	03-Nov-20	650,000.00	100.08103	650,526.70	1.95	644,856.0	
3137EAEK1	Note FHLMC	1.875	17-Nov-20	1,000,000.00	99.76080	997,608.03	2.01	989,839.6	
912828A42	Note US Treasury	2.000	30-Nov-20	725,000.00	100.60066	729,354.75	1.68	719,562.6	
3130A3UQ5	Note FHLB	1.875	11-Dec-20	1,000,000.00	99.72396	997,239.61	2.02	987,884.6	
43814RAC0	2016-4 A3 Honda Auto Receivables	1.210	18-Dec-20	329,273.82	99.24543	326,789.21	2.58	326,452.5	
45950KCM0	Note International Finance Corp	2.250	25-Jan-21	1,000,000.00	99.38260	993,826.00	2.56	1,003,187.0	
91159HHL7	Callable Note 1X 12/29/2020 US Bancorp	2.350	29-Jan-21	750,000.00	100.41760	753,131.98	2.13	746,365.6	
912828N89 3137EAEL9	Note US Treasury	1.375	31-Jan-21	1,000,000.00	98.99903	989,990.27	1.87	982,824.0	
89238MAD0	Note FHLMC	2.375	16-Feb-21	775,000.00	99.88542	774,112.00	2.43	779,211.5	
	2017-A A3 Toyota Auto Receivables Owner	1.730	16-Feb-21	624,818.67	99.68702	622,863.09	2.02	620,847.2	
459200JF9	Note IBM Corp	2.250	19-Feb-21	750,000.00	99.79065	748,429.87	2.35	741,076.50	
912828P87	Note US Treasury	1.125	28-Feb-21	1,000,000.00	98.19189	981,918.87	1.99	974,955.5	
46625HQJ2	Callable Note Cont 2/1/2021 JP Morgan Chase Note John Deere Capital Corp	2.550	01-Mar-21	775,000.00	100.44295	778,432.86	2.33	770,660.00	
24422ESL4		2.800	04-Mar-21	825,000.00	100.33698	827,780.05	2.64	827,781.00	
084670BQ0	Callable Note Cont 2/15/2021 Berkshire Hathaway	2.200	15-Mar-21	525,000.00	99.87170	524,326.44	2.26	521,514.9	
9128284B3	Note US Treasury	2.375	15-Mar-21	1,000,000.00	99.66058	996,605.78	2.53	1,004,429.6	
3135G0U27	Note FNMA	2.500	13-Apr-21	1,425,000.00	99.38770	1,416,274.78	2.78	1,431,555.9	
4581X0DB1	Note Inter-American Dev Bank	2.625	19-Apr-21	1,000,000.00	99.71111	997,111.14	2.76	1,006,240.0	
912828Q78	Note US Treasury	1.375	30-Apr-21		99.38931	993,893.11	1.65	977,666.9	
369550BE7	Note General Dynamics Corp	3.000	11-May-21	825,000.00	99.44241	820,399.92	3.25	829,104.9	
166764BG4	Callable Note Cont 4/15/2021 Chevron Corp	2.100	16-May-21	800,000.00	98.94715	791,577.16	2.56	786,656.8	
808513AW5	Callable Note Cont 4/21/2021 Charles Schwab Corp	3.250	21-May-21	825,000.00	100.27583	827,275.59	3.12	832,005.1	
459058FH1	Note Intl. Bank Recon & Development	1.375	24-May-21	600,000.00	98.54257	591,255.41	2.01	584,332.3	
912828R77	Note US Treasury	1.375	31-May-21	1,500,000.00	97.69533	1,465,430.02	2.37	1,463,258.6	
3135G0U35 43814TAC6	Note FNMA 2017-1 A3 Honda Auto Receivables	2.750	22-Jun-21	1,775,000.00	100.18841	1,778,344.34 408,794.34	2.67	1,786,179.8	
912828576	Note US Treasury	1.720 1.125	21-Jul-21 31-Jul-21	410,784.53 1,000,000.00	99.51551 98.38628	983,862.80	2.11 1.77	407,448.8 970,918.8	
9128284W7	Note US Treasury	2.750	15-Aug-21	1,000,000.00	100.05884	1,000,588.43	2.73	1,017,145.2	
43811BAC8	2017-2 A3 Honda Auto Receivables	1.680	16-Aug-21	150,000.00	98.77936	148,169.04	2.60	148,561.0	
02665WBG5	Note American Honda Finance	1.700	09-Sep-21	250,000.00	98.13638	245,340.96	2.43	241,662.2	
65477UAD2	2015-A4 NAROT	1.500	15-Sep-21	424,940.82	99.52862	422,937.75	1.86	423,448.7	
68389XBK0	Callable Note Cont 8/01/21 Oracle Corp	1.900	15-Sep-21	475,000.00	98.88233	469,691.09	2.33	463,505.6	
89233P5F9	Note Toyota Motor Credit Corp	3.400	15-Sep-21	450,000.00	100.96261	454,331.73	3.02	458,032.5	
17275RBJ0	Callable Note Cont 8/20/2021 Cisco Systems	1.850	20-Sep-21	550,000.00	98.68558	542,770.67	2.36	537,651.5	
912828T34	Note US Treasury	1.125	30-Sep-21	1,000,000.00	97.52549	975,254.87	2.07	967,366.3	
47788BAD6	2017-B A3 John Deere Owner Trust	1.820	15-Oct-21	300,000.00	98.70838	296,125.14	3.16	296,853.2	
912828F96	Note US Treasury	2.000	31-Oct-21	640,000.00	99.62863	637,623.20	2.14	633,966.9	
912828U65	Note US Treasury	1.750	30-Nov-21	1,500,000.00	98.10782	1,471,617.31	2.43	1,472,073.6	
104280BF5	Note HSBC Holdings PLC	2.650	05-Jan-22	500,000.00	99.26793	496,339.67	2.91	491,541.7	
39236TDP7	Note Toyota Motor Credit Corp	2.600	11-Jan-22	450,000.00	97.68070	439,563.13	3.42	448,362.8	
\$581X0CW6	Note Inter-American Dev Bank	2.125	18-Jan-22	800,000.00	99.79005	798,320.37	2.20	796,191.6	
59353RFB9 313378CR0	Callable Note Cont 1/18/2022 PNC Bank Note FHLB	2.625	17-Feb-22	1,200,000.00	99.06829	1,188,819.51	2.93	1,184,570.2	
912828W89	Note US Treasury	2.250 1.875	11-Mar-22 31-Mar-22	1,250,000.00 1,100,000.00	97.67469 97.29115	1,220,933.63 1,070,202.62	3.02 2.75	1,243,668.7 1,084,644.5	
532457BQ0	Note Eli Lilly & Co	2.350	15-May-22	500,000.00	98.00238	490,011.91	2.98	492,545.3	
912828L24	Note US Treasury	1.875	31-Aug-22	1,100,000.00	97.07746	1,067,852.01	2.72	1,083,461.3	
02587AAJ3	2017-1 American Express Credit	1.930	15-Sep-22	800,000.00	98.74128	789,930.26	2.93	791,224.6	
16625HJE1	Note JP Morgan Chase	3.250	23-Sep-22	400,000.00	98.92079	395,683.17	3.56	400,362.4	
3135G0T78	Note FNMA	2.000	05-Oct-22	900,000.00	97.00840	873,075.59	2.84	887,286.4	
92826CAC6	Callable Note Cont 10/14/2022 Visa Inc	2.800	14-Dec-22	1,000,000.00	98.49304	984,930.44	3.21	988,776.2	
06051GEU9	Note Bank of America Corp	3.300	11-Jan-23	825,000.00	98.81948	815,260.68	3.62	825,364.9	
06406RAE7	Callable Note Cont 12/29/2022 Bank of NY Mellon	2.950	29-Jan-23	1,000,000.00	98.05660	980,566.02	3.47	996,717.5	
084670BR8	Callable Note Cont 1/15/2023 Berkshire Hathaway	2.750	15-Mar-23	600,000.00	97.46820	584,809.22	3.40	593,863.3	
037833AK6	Note Apple Inc	2.400	03-May-23	900,000.00	95.89962	863,096.62	3.43	873,717.9	
931142EK5	Callable Note Cont 5/26/2023 Wal-Mart Stores	3.400	26-Jun-23	1,000,000.00	100.63962	1,006,396.19	3.24	1,010,777.2	
			subtotal Total	\$ 79,410,129.03 \$ 147,311,298.94		\$ 81,191,379.05 \$ 149,092,548.96	\$	81,215,313.92 149,116,483.83	