



# City of San Leandro

Meeting Date: December 2, 2019

## Staff Report

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**File Number:** 19-622 **Agenda Section:** CONSENT CALENDAR

**Agenda Number:** 8.F.

**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 September 30, 2019

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### SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council review and accept the investment report for the quarter ended September 30, 2019.

### OVERVIEW

On September 30, 2019, the City's investment portfolio had a market value of \$150.2 million. Of the total \$150.2 million, \$41.6 million was placed with the Local Agency Investment Fund (LAIF) and bank accounts and \$108.6 million was placed in the Chandler Asset Management portfolio.

The rate of return for LAIF for the quarter was 2.45%, while the average book yield for the Chandler managed funds was 2.40%. The City's investment policy establishes three criteria 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 2.40%, which is above the benchmark rate of return on the 2-year U.S. Treasury securities of 1.63%, and the 5-year U.S. Treasury securities of 1.55%.

Amounts invested with LAIF are essentially liquid; funds can be withdrawn with minimal notice as City operations require.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 over 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: December 2, 2019

## Resolution - Council

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**File Number:** 19-623

**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 the Investment Report for the Quarter Ended September 30, 2019 (Reviews the Activities of the City's Investment Portfolio)

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WHEREAS, the City of San Leandro Quarterly Investment Report for the quarter ended September 30, 2019, 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  
September 30, 2019



### 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	"AA" rated or higher by a NRSRO; 30% maximum; 10% max per issuer; Unsubordinated obligations issued by by IBRD, IFC or IADB only	Complies
Municipal Securities	Issued by City of San Leandro and its Agencies	Complies
Banker's Acceptances	"A" or highest money market rating by a NRSRO, such as S&P or Moody's; 40% maximum; 30% per issuer; 180 days max maturity	Complies
Commercial Paper	Highest rating by a NRSRO; Issuer must be a domestic corporation having assets in excess of \$500 million and A-1 and P-1 rated or better by S&P and Moody's for its debt other than commercial paper; 25% maximum; 10% max of the outstanding commercial paper of any single 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)	FDIC Insured or Collateralized 110%	Complies
Medium Term Corp Notes	"A" rated 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., or operating within the U.S.	Complies
Money Market Mutual 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, Collateralized Mortgage Obligations	"AA" rated or higher by a 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
Local Agency Investment Fund (LAIF)	Maximum program limit; Not used by IA	Complies
Social Responsibility	The investment policy prohibits investing in an entity that received a significant portion of their revenues from the gun manufacturing, fossil fuel production, private prisons, and tobacco producers	Complies *
Maximum Maturity	5 years	Complies

*\*Complied at time of purchase: Portfolio currently holds Fossil Fuel issuer: Chevron (166764BG4)*

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

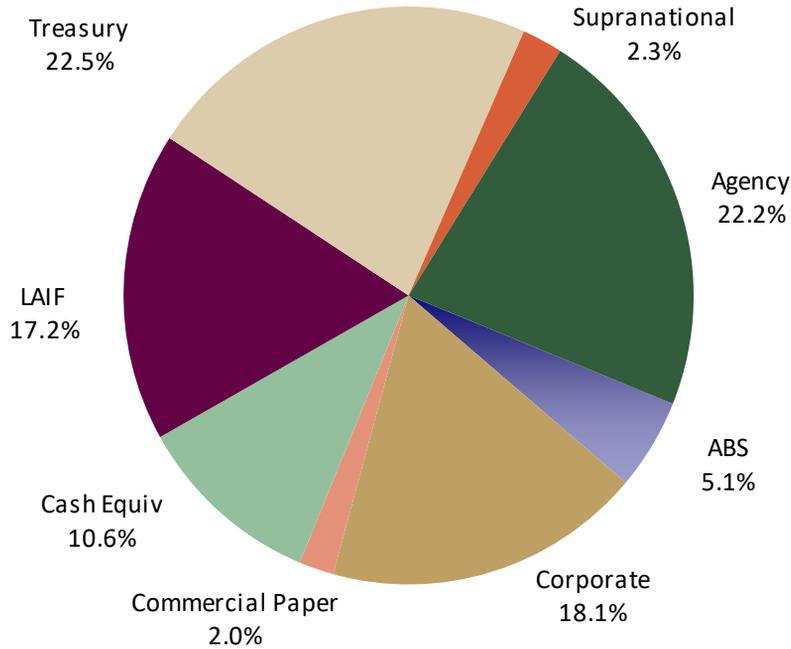
	9/30/2019	6/30/2019
LAIF - City Pool #98-01-809	\$25,995,020	\$59,108,776
LAIF - Successor Agency	27,498	27,324
Passbook/Checking Accounts	15,591,083	4,689,216
<b>Total LAIF and Bank Accounts</b>	<b>\$41,613,601</b>	<b>\$63,825,316</b>
Investment Portfolio Market Value	\$108,638,882	\$107,826,964
<b>Total Market Value</b>	<b>\$150,252,483</b>	<b>\$171,652,280</b>
LAIF Quarterly Apportionment Rate	2.45%	2.57%
2 year US Treasury Yield to Maturity	1.63%	1.75%
5 year US Treasury Yield to Maturity	1.55%	1.76%
<b>Investment Portfolio:</b>		
Average Maturity (yrs)	1.93	1.94
Modified Duration	17.71	1.73
Average Book Yield	2.40%	2.44%
Average Yield to Maturity at Market	1.83%	2.03%
Average Quality S&P/Moody	AA/Aa1	AA/Aa1

## Portfolio Activity

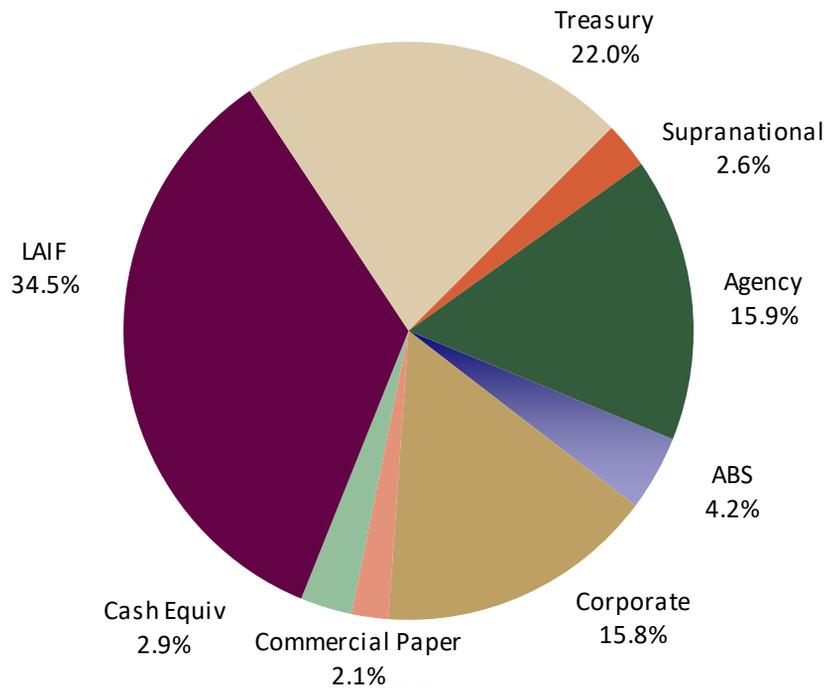
There was \$10.2 million invested in a diversified mix of agency, commercial paper and ABS over the course of the quarter, with the goal of maintaining the maturity and duration profile of the City's investment portfolio consistent with internal targets. Eight maturities totaling \$9.1 million and paydowns from ABS funded the new purchases. The maturities of the purchases ranged from February 2020 to June 2024.



## Sector Distribution September 30, 2019



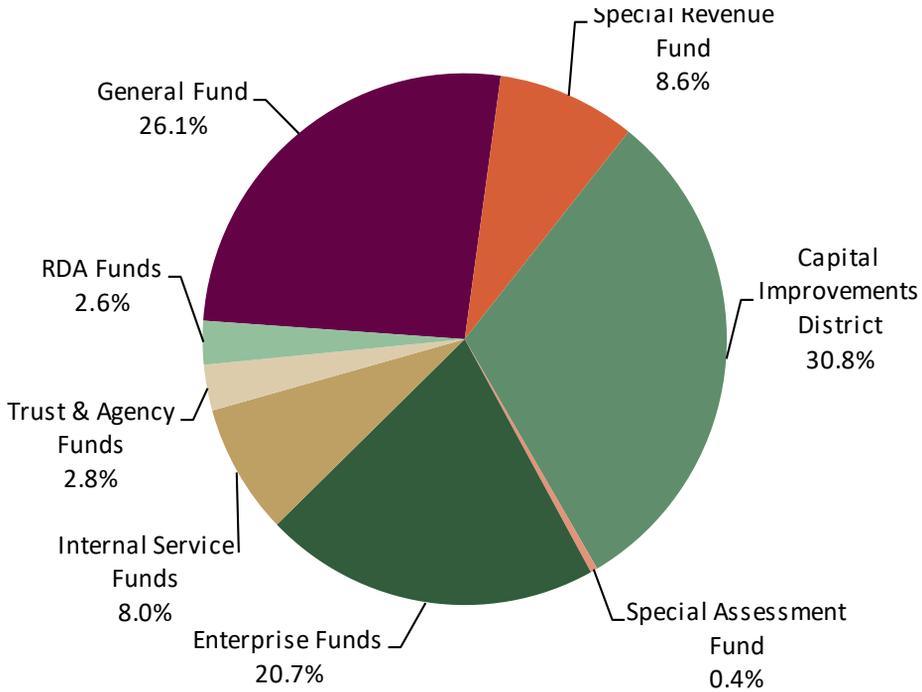
June 30, 2019



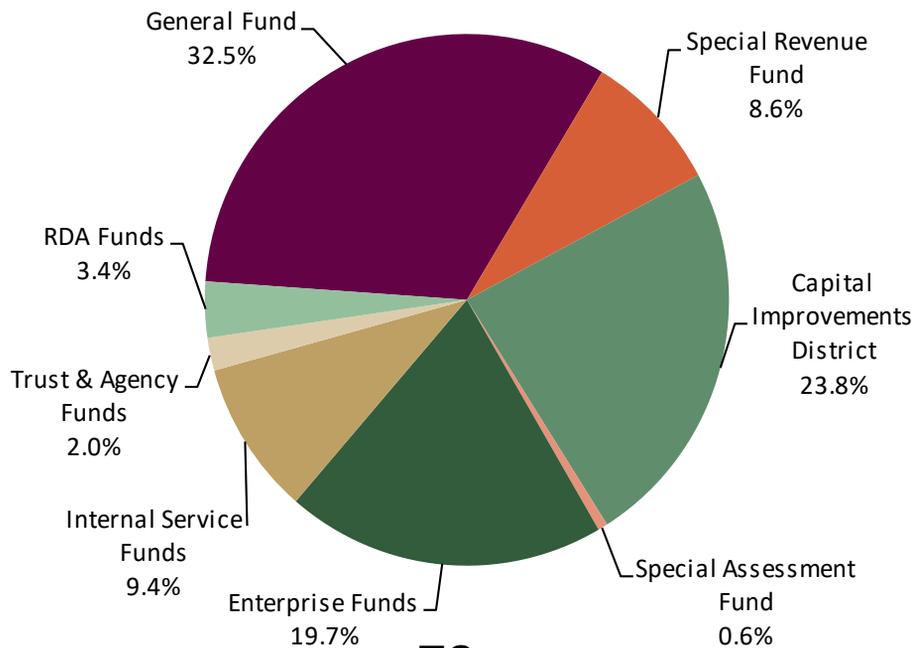
**75**



## City Fund Allocation September 30, 2019



## June 30, 2019



CUSIP	Issuer	Coupon	Maturity Date	Par	Purchase Price	Book Value	Purchase Yield	MVACC
<b>LAIF</b>								
5YS113	LAIF - City Pool			\$25,995,019.97	100.00000	\$25,995,019.97		\$25,995,019.97
5YS114	LAIF - Successor Agency			\$27,498.27	100.00000	\$27,498.27		\$27,498.27
			<b>subtotal</b>	<b>\$26,022,518.24</b>		<b>\$26,022,518.24</b>		<b>\$26,022,518.24</b>
<b>Passbook/Checking Accounts</b>								
	Public Funds Checking			15,591,082.56	100.00000	15,591,082.56		15,591,082.56
			<b>subtotal</b>	<b>\$ 15,591,082.56</b>		<b>\$ 15,591,082.56</b>		<b>\$ 15,591,082.56</b>
<b>Government Issues</b>								
60934N104	Government Obligations Fund Federated Investors	0.020	09-Sep-19	484,445.08	100.00000	484,445.08	2.03	484,445.08
458140BY3	Note Inter-American Dev Bank	1.125	12-Sep-19	500,000.00	100.00003	500,000.13	1.12	502,752.75
459282R00	Note International Finance Corp	1.750	15-Nov-19	400,000.00	100.01012	500,050.59	1.12	504,199.17
62479MWG4	Discount CP MUFJG Bank Ltd/NY	2.510	16-Sep-19	2,000,000.00	99.95784	1,999,156.81	2.57	1,999,156.81
89233HWH3	Discount CP Toyota Motor Credit	2.240	17-Sep-19	1,600,000.00	99.95622	1,599,299.54	2.28	1,599,299.54
3137EADM8	Note FHLMC	1.250	02-Oct-19	850,000.00	100.00280	850,023.78	1.20	854,239.04
3130ACM92	Note FHLB	1.500	21-Oct-19	800,000.00	99.87329	798,986.33	2.65	804,129.33
31520A3R7	Note FH Treasury	1.375	15-Nov-19	875,000.00	99.99034	874,935.53	2.43	877,793.20
912828UB4	Note US Treasury	1.000	30-Nov-19	1,125,000.00	99.90647	1,123,947.83	1.43	1,125,469.00
3133EILU1	Note FFCB	2.420	24-Jan-20	1,000,000.00	99.97004	999,700.38	2.50	1,005,321.22
69371RN69	Note Paccar Financial Corp	1.950	27-Feb-20	700,000.00	99.87564	699,129.48	2.22	699,851.02
3135GOT29	Note FNMA	1.500	28-Feb-20	675,000.00	99.91426	674,421.28	1.69	674,009.10
313378J77	Note FHLB	1.875	13-Mar-20	1,000,000.00	99.67799	996,779.93	2.53	1,009,518.75
912828AC1	Note US Treasury	2.250	31-Mar-20	2,000,000.00	99.81353	1,996,279.01	2.59	2,024,102.98
912828UV0	Note US Treasury	1.125	31-Mar-20	1,000,000.00	99.76382	997,638.15	1.57	1,000,869.25
3137EAEF2	Note FHLMC	1.375	20-Apr-20	550,000.00	99.93509	549,643.02	1.48	551,279.42
3137EAE7	Note FHLMC	2.500	23-Apr-20	1,000,000.00	99.98887	999,888.70	2.52	1,013,181.89
3137EADR7	Note FHLMC	1.375	01-May-20	790,000.00	100.18891	791,492.36	1.07	791,550.84
459282RM6	Note US Treasury	1.625	15-May-20	400,000.00	99.93205	397,568.18	2.54	401,194.39
912828X96	Note US Treasury	1.500	15-May-20	2,000,000.00	99.42032	1,988,406.33	2.37	2,004,853.57
313383HU8	Note FHLB	1.750	12-Jun-20	1,825,000.00	99.76582	1,820,726.18	2.07	1,832,642.70
17275RAX0	Note Cisco Systems	2.450	15-Jun-20	500,000.00	99.92703	499,635.15	2.55	504,700.86
02665WBT7	Note American Honda Finance	1.950	20-Jul-20	1,000,000.00	99.38307	993,830.66	2.68	1,001,768.34
3130AZS77	Note FHLB	1.830	29-Jul-20	930,000.00	99.48404	925,201.56	2.43	932,471.17
912828X47	Note US Treasury	1.625	31-Jul-20	1,000,000.00	99.61900	995,109.04	2.06	1,000,208.46
40428PVB8	Note HSBC USA Inc	2.750	07-Aug-20	750,000.00	100.21173	751,587.94	2.51	756,355.38
912828VV9	Note US Treasury	2.125	31-Aug-20	1,800,000.00	99.74348	1,795,382.59	2.40	1,806,675.82
02665WAZ4	Note American Honda Finance	2.450	24-Sep-20	500,000.00	100.73101	503,655.06	1.72	507,781.11
3130ACE26	Note FHLB	1.375	28-Sep-20	825,000.00	99.71531	822,651.31	1.65	826,452.42
912828A45	Note US Treasury	2.250	30-Sep-20	1,000,000.00	99.14732	991,473.02	2.21	1,000,166.96
89238BAB8	2018-A A2A Toyota Auto Receivables Owner	2.100	15-Oct-20	136,393.12	99.99585	136,387.46	2.12	136,582.07
912828Z22	Note US Treasury	1.625	15-Oct-20	2,000,000.00	99.09401	1,981,880.14	2.47	2,010,174.08
00404EA74	Callable Note Cont 10/3/2020 Chubb INA Holdings Inc	2.300	03-Nov-20	750,000.00	100.15635	751,172.66	2.15	758,549.91
594918BG8	Callable Note Cont. 10/3/2020 Microsoft	2.000	03-Nov-20	650,000.00	100.04917	650,319.63	1.95	655,431.93
3137EAEK1	Note FHLMC	1.875	17-Nov-20	1,000,000.00	99.84867	998,486.71	2.01	1,006,812.42
912828A92	Note US Treasury	2.750	30-Nov-20	1,000,000.00	100.38411	1,007,784.83	2.12	1,014,362.96
3130A3UQ5	Note FHLB	1.875	11-Dec-20	1,000,000.00	99.82194	998,219.36	2.02	1,006,328.42
43814RAC0	2016-A A3 Honda Auto Receivables	1.210	18-Dec-20	119,859.16	99.51063	119,272.61	2.58	119,657.85
45950CKM0	Note International Finance Corp	2.250	25-Jan-21	1,000,000.00	99.58867	995,888.73	2.56	1,009,135.50
91159HHL7	Callable Note 1X 12/29/2020 US Bancorp	2.350	29-Jan-21	750,000.00	100.27309	755,048.17	2.13	756,860.97
912828A99	Note US Treasury	1.375	21-Jan-21	1,000,000.00	99.33042	991,304.92	2.19	993,934.25
3137EAEI9	Note FHLMC	2.375	16-Feb-21	775,000.00	99.92258	774,400.00	2.43	778,639.18
89238MAD0	2017-A A3 Toyota Auto Receivables Owner	1.730	16-Feb-21	265,834.52	99.78853	265,272.35	2.02	265,865.99
45920DJF9	Note IBM Corp	2.250	19-Feb-21	750,000.00	99.85829	748,937.14	2.35	753,737.63
912828P87	Note US Treasury	1.125	28-Feb-21	1,000,000.00	98.76938	987,693.83	1.99	991,793.07
912828A12	Callable Note Cont 2/1/2021 JP Morgan Chase	2.750	01-Mar-21	775,000.00	100.20662	776,287.79	2.13	780,352.25
24422ESL4	Note John Deere Capital Corp	2.800	04-Mar-21	825,000.00	100.22989	826,896.61	2.64	835,357.60
084670BQ0	Callable Note Cont 2/15/2021 Berkshire Hathaway	2.200	15-Mar-21	525,000.00	99.91191	524,537.55	2.26	533,413.88
9128284B3	Note US Treasury	2.375	15-Mar-21	1,000,000.00	99.76696	997,669.64	2.53	1,021,552.31
912828C57	Note US Treasury	2.250	31-Mar-21	1,000,000.00	99.57604	995,760.35	2.53	1,018,497.49
3135GOU27	Note FNMA	2.500	13-Apr-21	1,425,000.00	99.57294	1,418,914.35	2.78	1,457,799.70
912828A04	Note Inter-American Dev Bank	2.625	19-Apr-21	1,000,000.00	99.70788	997,978.83	2.76	1,000,231.93
912828Q78	Note US Treasury	1.375	30-Apr-21	1,000,000.00	99.57036	990,573.62	1.65	1,000,986.43
369550B87	Note General Dynamics Corp	3.000	11-May-21	825,000.00	99.60561	821,746.29	3.25	847,638.55
166764BG4	Callable Note Cont 4/15/2021 Chevron Corp	2.100	16-May-21	800,000.00	99.25352	794,028.15	2.56	808,329.60
808513AW5	Callable Note Cont 4/21/2021 Charles Schwab Corp	3.250	21-May-21	825,000.00	100.19318	826,593.72	3.12	849,696.61
3137EAEH1	Note Inter. Bank Recon & Development	1.375	24-May-21	1,000,000.00	98.96279	985,776.73	2.01	996,445.25
912828R77	Note US Treasury	1.375	31-May-21	1,500,000.00	98.35456	1,475,318.37	2.37	1,498,540.45
3135GOU35	Note FNMA	2.750	22-Jun-21	1,775,000.00	100.13583	1,777,411.03	2.67	1,820,053.64
912828Y20	Note US Treasury	2.625	15-Jul-21	1,100,000.00	100.26178	1,102,879.54	2.48	1,124,109.69
43814TAC6	2017-A A3 Honda Auto Receivables	1.720	21-Jul-21	210,646.28	99.64651	209,901.67	2.11	210,523.23
912828S76	Note US Treasury	1.125	31-Jul-21	1,000,000.00	98.81798	988,179.75	1.78	991,956.40
912828AW7	Note US Treasury	2.000	15-Aug-21	1,000,000.00	100.04935	1,004,433.48	2.73	1,010,231.93
43811BAC8	2017-2 A3 Honda Auto Receivables	1.680	16-Aug-21	90,371.14	99.10045	89,558.21	2.60	90,318.24
912828D72	Note US Treasury	2.000	31-Aug-21	1,100,000.00	99.08971	1,089,986.79	2.48	1,109,026.00
02665WBG5	Note American Honda Finance	1.700	09-Sep-21	250,000.00	98.61462	246,536.56	2.43	248,431.81
63889XBK0	Callable Note Cont 8/15/2021 Oracle Corp	1.900	15-Sep-21	975,000.00	98.81532	963,449.39	2.51	983,274.94
89238MAD9	Note Toyota Motor Credit Corp	2.400	15-Sep-21	950,000.00	98.10732	946,119.58	2.82	959,352.25
17275RBU0	Callable Note Cont 8/20/2021 Cisco Systems	1.850	20-Sep-21	550,000.00	99.01915	544,605.31	2.36	554,040.36
43814WAB1	2019-A A2 HAROT	2.750	20-Sep-21	814,958.45	99.99490	814,958.45	2.77	820,400.64
912828T34	Note US Treasury	1.125	30-Sep-21	1,000,000.00	98.14720	981,472.00	2.07	995,518.25
47788BAD6	2017-B A3 John Deere Owner Trust	1.820	15-Oct-21	2,195,927.97	99.02812	2,088,902.75	3.16	2,100,838.19
912828P96	Note US Treasury	1.690	15-Oct-21	1,640,000.00	99.45367	1,633,204.21	2.26	1,642,877.35
912828U65	Note US Treasury	1.750	30-Nov-21	1,500,000.00	98.55597	1,478,339.53	2.43	1,512,882.07
313376C94	Note FHLB	2.625	10-Dec-21	1,000,000.00	100.08869	1,000,886.94	2.58	1,028,588.50
47789AB2	2019-A A2 John Deere Owner Trust	2.850	15-Dec-21	605,000.00	99.99626	604,977.36	2.87	609,109.87
404280BF5	Note HSBC Holdings PLC	2.650	05-Jan-22	500,000.00	99.43564	497,178.22	2.91	506,405.86
89236TDF7	Note Toyota Motor Credit Corp	2.600	11-Jan-22	450,000.00	98.20914	441,941.15	3.42	458,743.55
45810CAW6	Note Inter-American Dev Bank	2.125	18-Jan-22	800,000.00	98.37558	798,700.66	2.20	812,033.96
89238KAD4	2017-D A3 Toyota Auto Receivables Owner	1.930	18-Jan-22	900,000.00	99.38001	894,420.09	2.73	900,882.40
594918BW3	Callable Note Cont 1/6/2022 Microsoft	2.400	06-Feb-22	500,000.00	99.69831	498,491.55	2.53	508,286.83
69353RF89	Callable Note Cont 1/18/2022 PNC Bank	2.625	17-Feb-22	1,200,000.00	99.27157	1,191,258.83	2.93	1,218,904.90
313378CR0	Note FHLB	2.250	11-Mar-22	1,250,000.00	98.17768	1,227,220.94	3.02	1,238,614.38
912828W89	Note US Treasury	2.375	31-Mar-22	1,000,000.00	97.86721	975,339.28	2.75	1,000,657.35
3135GOU59	Note FNMA	2.250	12-Apr-22	2,570,000.00	100.63760	2,560,686.40	2.40	2,638,981.37
161571GX6	Pool #2015-A4 Chase CHAIT	1.840	15-Apr-22	1,000,000.00	99.63921	996,392.13	3.03	999,977.78
912828X47	Note US Treasury	1.875	30-Apr-22	1,800,000.00	98.31523	1,769,674.09	2.54	1,827,314.09
45920JX0	Note IBM Corp	2.850	13-May-22	500,000.00	99.01705	5		