



# City of San Leandro

Meeting Date: March 16, 2020

## Staff Report

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**File Number:** 20-096 **Agenda Section:** CONSENT CALENDAR

**Agenda Number:** 8.E.

**TO:** City Council

**FROM:** Jeff Kay  
City Manager

**BY:** James O'Leary  
Finance Department

**FINANCE REVIEW:** Liz Warmerdam  
Interim Finance Director

**TITLE:** Staff Report for a City of San Leandro City Council Resolution Approving the Investment Report for the Quarter Ended December 31, 2019

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### SUMMARY AND RECOMMENDATIONS

Staff recommends the City Council review and accept the investment report for the quarter ended December 31, 2019.

### BACKGROUND

The purpose of the City Council Investment Report is to inform the City Council of the City's investment portfolio status as of the end of the quarter, December 31, 2019. The City's Investment Policy Statement requires this quarterly report on the types of investments, amounts invested with approved institutions, and purchase and maturity dates and interest yields.

### DISCUSSION

As of December 31, 2019, the City's investment portfolio had a market value of \$157 million, \$8 million greater than on December 31, 2018. Of the total market value, \$48 million was placed with the Local Agency Investment Fund (LAIF) and bank accounts and \$109 million was placed in the Chandler Asset Management portfolio.

The rate of return for LAIF at the end of the quarter was 2.29%, while the average book yield for the Chandler managed funds was 2.39%. The LAIF return was 0.11% greater on December 31, 2018, while the Chandler return was 0.10% lower. LAIF's investment report reflects a snapshot in time (referred to as quarterly apportionment rate) while Chandler's reflects the performance of the portfolio over the entire quarter.

The City's investment policy establishes three criteria for the performance standard-the LAIF rate of return and the rates for both 2-year and 5-year U.S. Treasury securities. Amounts invested in LAIF met this performance standard. The Chandler managed funds average book yield was 2.39%, above the benchmark rates of return on the 2-year U.S. Treasury Bill of 1.89%, and the

5-year U.S. Treasury Note of 2.20%.

Amounts invested with LAIF are essentially liquid; funds can be withdrawn with minimal notice as City operations require.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

Chandler Asset Management manages the balance of the portfolio with a market value of \$109,000,000, 70% of the total portfolio. These investments range from one to almost five years to maturity, with the average maturity at 1.87 years (unchanged from December 31, 2018).

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-months. Chandler's strategy is to gradually lengthen the average maturity of the portfolio in order to gain higher interest rates.

**PREPARED BY**

Elizabeth D. Warmerdam, Interim Finance Director



# City of San Leandro

Meeting Date: March 16, 2020

## Resolution - Council

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**File Number:** 20-097

**Agenda Section:** CONSENT CALENDAR

**Agenda Number:**

**TO:** City Council

**FROM:** Jeff Kay  
City Manager

**BY:** James O'Leary  
Finance Department

**FINANCE REVIEW:** Liz Warmerdam  
Interim Finance Director

**TITLE:** RESOLUTION of the City of San Leandro City Council Accepting the City Council Investment Report for the Quarter Ended December 31, 2019

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WHEREAS, the quarterly City Council Investment Report for the quarter ended December 31, 2019, 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 City Council Investment Report is hereby accepted.



# City of San Leandro

## City Council Investment Report

Quarter Ending  
December 31, 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

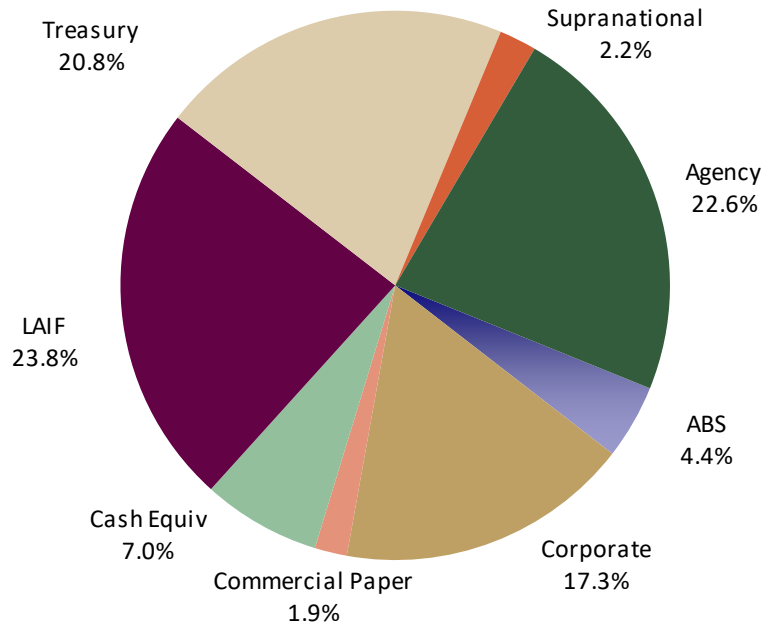
	12/31/2019	9/30/2019
LAIF - City Pool #98-01-809	\$37,263,671	\$25,995,020
LAIF - Successor Agency	27,668	27,498
Passbook/Checking Accounts	10,445,100	15,591,083
<b>Total LAIF and Bank Accounts</b>	<b>\$47,736,439</b>	<b>\$41,613,601</b>
Investment Portfolio Market Value	\$109,222,318	\$108,638,882
<b>Total Market Value</b>	<b>\$156,958,757</b>	<b>\$150,252,483</b>
LAIF Quarterly Apportionment Rate	2.29%	2.45%
2 year US Treasury Yield to Maturity	1.89%	1.63%
5 year US Treasury Yield to Maturity	2.20%	1.55%
<b>Investment Portfolio:</b>		
Average Maturity (yrs)	1.87	1.93
Modified Duration	1.67	1.71
Average Book Yield	2.39%	2.40%
Average Yield to Maturity at Market	1.73%	1.83%
Average Quality S&P/Moody	AA/Aa1	AA/Aa1

## Portfolio Activity

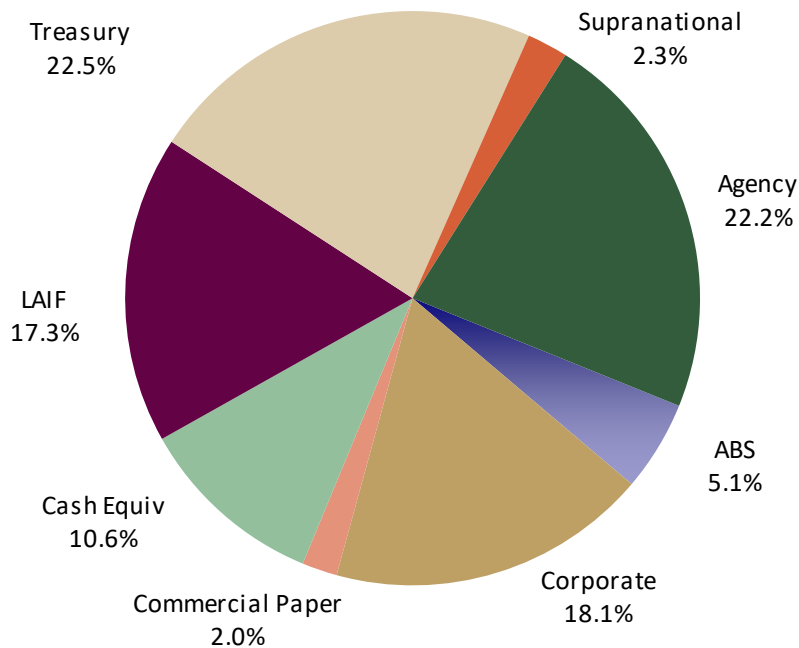
There was \$4.8 million invested across several agency securities over the course of the quarter, with the goal of maintaining the maturity and duration profile of the City's investment portfolio consistent with internal targets. Four maturities totaling \$3.7 million and paydowns from ABS funded the new purchases. The maturities of the purchases ranged from September 2024 to December 2024.



## Sector Distribution December 31, 2019

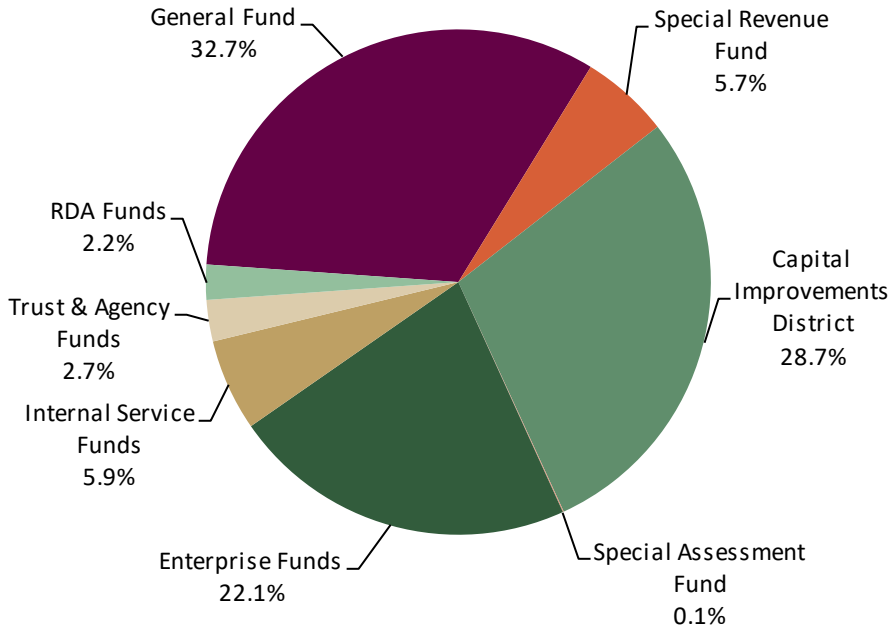


## September 30, 2019

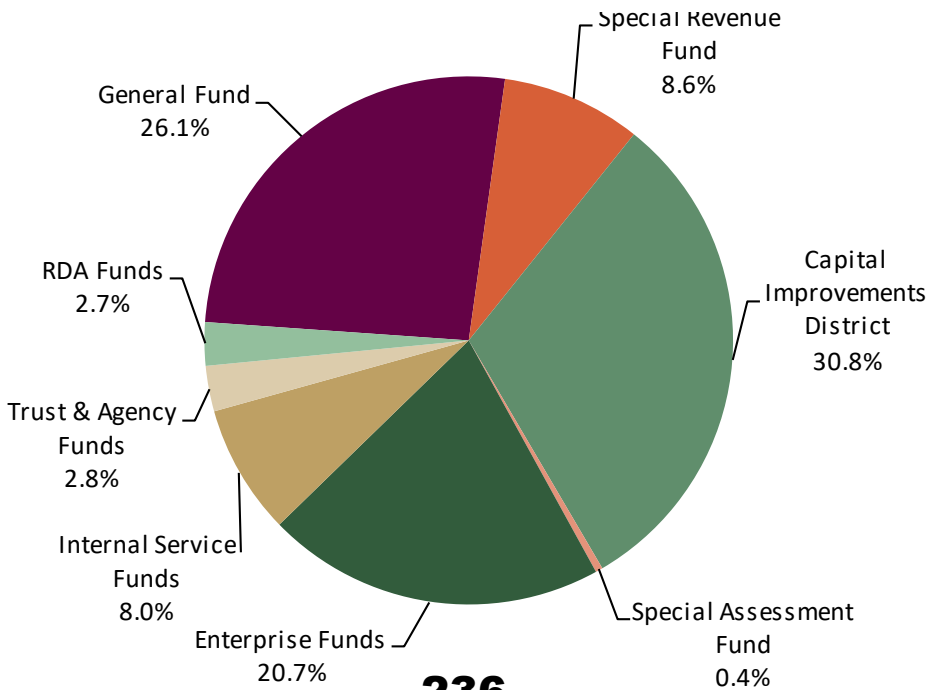




## City Fund Allocation December 31, 2019



## September 30, 2019







**CHANDLER**  
ASSET  
MANAGEMENT

**City of San Leandro**  
Investments by All Types  
Active Investments  
December 31, 2019

CUSIP	Issuer	Coupon	Maturity Date	Par	Purchase Price	Book Value	Purchase Yield	MVACC
LAIF SYS113	LAIF - City Pool			\$37,263,670.93	100.00000	\$37,263,670.93		\$37,263,670.93
LAIF SYS114	LAIF - Successor Agency			27,667.65	100.00000	27,667.65		27,667.65
				<b>subtotal</b>		<b>\$37,291,338.58</b>		<b>\$37,291,338.58</b>
<b>Passbook/Checking Accounts</b>								
				<b>Public Funds Checking</b>		<b>10,445,100.00</b>		<b>10,445,100.00</b>
				<b>subtotal</b>		<b>\$ 10,445,100.00</b>		<b>\$ 10,445,100.00</b>
<b>Government Issues</b>								
60934N104	Government Obligations Fund Federated Investors	1.500	31-Dec-19	498,687.83	100.00000	498,687.83	1.50	498,687.83
3133EJLU1	Note FFCB	2.420	24-Jan-20	1,000,000.00	99.99493	999,949.33	2.50	1,011,080.89
89233GBB1	Discount CP Toyota Motor Credit	2.000	11-Feb-20	1,000,000.00	99.77095	997,709.50	2.04	997,709.50
69374REB9	Note Paccar Financial Corp	1.950	27-Feb-20	700,000.00	99.95830	699,708.12	2.22	704,684.87
3135GOT29	Note FNMA	1.500	28-Feb-20	675,000.00	99.97092	674,800.71	1.69	678,329.11
31337BJ77	Note FHBL	1.875	13-Mar-20	1,000,000.00	99.87468	998,746.78	2.53	1,006,043.00
62479LCH6	Discount CP MUFGB Bank Ltd	2.070	17-Mar-20	2,000,000.00	99.56031	1,991,206.15	2.12	1,991,206.15
9128284C1	Note US Treasury	2.250	31-Mar-20	2,000,000.00	99.91752	1,998,350.30	2.59	2,014,246.43
912828UV0	Note US Treasury	1.125	31-Mar-20	1,000,000.00	99.89529	998,952.88	1.57	1,001,530.61
3137EAEF2	Note FHLMC	1.375	20-Apr-20	550,000.00	99.96798	549,823.91	1.48	551,051.49
3137EAEH7	Note FHLMC	2.500	23-Apr-20	1,000,000.00	99.99444	999,944.35	2.52	1,007,388.22
3137EADR7	Note FHLMC	1.375	01-May-20	790,000.00	100.09768	790,771.69	1.07	791,082.04
459200HM6	Note IBM Corp	1.625	15-May-20	400,000.00	99.66906	398,676.23	2.54	400,701.36
912828X96	Note US Treasury	1.500	15-May-20	2,000,000.00	99.68445	1,993,688.93	2.37	2,002,857.63
313383HU8	Note FHBL	1.750	12-Jun-20	1,825,000.00	99.86170	1,822,475.96	2.07	1,827,198.42
17275RAX0	Note Cisco Systems	2.450	15-Jun-20	500,000.00	99.95658	499,782.92	2.55	502,025.94
02665WB77	Note American Honda Finance	1.950	20-Jul-20	1,000,000.00	99.60508	996,050.83	2.68	1,009,243.84
31307A2Z77	Note FHBL	1.830	18-Dec-20	930,000.00	99.66455	926,800.27	2.43	930,579.89
912828XM7	Note US Treasury	1.625	31-Jul-20	1,000,000.00	99.75206	997,520.60	2.06	1,006,761.28
40428HPV8	Note HSBC USA Inc	2.750	07-Aug-20	750,000.00	100.13966	751,047.47	2.51	761,483.25
912828VV9	Note US Treasury	2.125	31-Aug-20	1,800,000.00	99.82490	1,796,848.24	2.40	1,818,409.74
02665WAZ4	Note American Honda Finance	2.450	24-Sep-20	500,000.00	100.51363	502,568.16	1.72	505,064.69
3130ACE26	Note FHBL	1.375	28-Sep-20	825,000.00	99.79909	823,342.46	1.65	826,419.90
912828BF5	Note US Treasury	1.750	19-Sep-20	1,000,000.00	99.96949	999,969.42	2.52	1,001,463.82
912828222	Note US Treasury	1.625	15-Oct-20	2,000,000.00	99.34931	1,986,986.24	2.47	2,006,692.22
00440EAT4	Callable Note Cont 10/3/2020 Chubb INA Holdings	2.300	03-Nov-20	750,000.00	100.11070	750,830.27	2.15	755,435.67
594918B68	Callable Note Cont. 10/3/2020 Microsoft	2.000	03-Nov-20	650,000.00	100.03489	650,226.78	1.95	653,470.49
3137EAEK1	Note FHLMC	1.875	17-Nov-20	1,000,000.00	99.88807	998,880.72	2.01	1,004,254.67
912828AA2	Note US Treasury	2.000	30-Nov-20	725,000.00	100.28701	727,080.81	1.68	728,618.21
3130A3UC5	Note FHBL	1.875	11-Dec-20	1,000,000.00	99.86587	998,658.69	2.02	1,003,166.67
31314RAC0	2017-A3 Honda Auto Receivables Trust	2.125	18-Dec-20	930,000.00	99.82456	929,686.96	2.35	932,529.76
45950KCM0	Note International Finance Corp	2.250	25-Jan-21	1,000,000.00	99.68108	996,810.78	2.56	1,015,744.00
91159HHL7	Callable Note 1X 12/29/2020 US Bancorp	2.350	29-Jan-21	750,000.00	100.20829	751,562.17	2.13	761,578.67
912828N89	Note US Treasury	1.375	31-Jan-21	1,000,000.00	99.47913	994,791.26	1.87	1,002,981.08
3137EAEI9	Note FHLMC	2.375	16-Feb-21	775,000.00	99.93924	774,529.14	2.43	788,546.42
89238MA00	2017-A3 Toyota Auto Receivables Trust	1.730	16-Feb-21	120,734.62	99.83404	120,534.25	2.02	120,769.95
912828M87	Note IBM Corp	2.250	19-Feb-21	750,000.00	99.88861	749,164.61	2.35	758,919.00
912828P87	Note US Treasury	1.125	28-Feb-21	1,000,000.00	99.02834	990,283.40	1.99	997,942.52
46625HJQ2	Callable Note Cont 2/1/2021 JP Morgan Chase	2.550	01-Mar-21	775,000.00	100.23081	776,788.80	2.33	787,582.13
24422ESL4	Note John Deere Capital Corp	2.800	04-Mar-21	825,000.00	100.18187	826,500.46	2.64	842,730.90
084670BQ0	Callable Note Cont 2/15/2021 Berkshire	2.200	15-Mar-21	525,000.00	99.92995	524,632.22	2.26	530,432.06
912828AB3	Note US Treasury	2.375	15-Mar-21	1,000,000.00	99.81467	998,146.69	2.53	1,015,757.70
912828C67	Note US Treasury	2.250	31-Mar-21	1,000,000.00	99.66038	996,603.80	2.53	1,013,334.21
3135GOU27	Note FNMA	2.500	13-Apr-21	1,425,000.00	99.65600	1,420,090.86	2.78	1,449,339.59
4581XODB1	Note Inter-American Dev Bank	2.625	19-Apr-21	1,000,000.00	99.83679	998,367.91	2.76	1,017,314.00
912828Q78	Note US Treasury	1.375	30-Apr-21	1,000,000.00	99.65155	996,515.48	1.65	999,295.04
369550B27	Note General Dynamics Corp	3.000	11-May-21	825,000.00	99.67879	825,350.01	3.25	842,321.43
166764B64	Callable Note Cont 4/15/2021 Chevron Corp	2.100	16-May-21	800,000.00	99.39090	795,127.21	2.56	807,152.02
808513AW5	Callable Note Cont 4/21/2021 Charles Schwab	3.250	21-May-21	825,000.00	100.15612	826,287.97	3.12	844,073.27
3137EADJ1	Note JP Bank Recon & Development	2.750	24-May-21	600,000.00	99.92907	594,607.32	2.65	597,584.33
912828R77	Note US Treasury	1.375	31-May-21	1,500,000.00	98.65016	1,479,752.43	2.37	1,497,232.78
3135GOU35	Note FNMA	2.750	22-Jun-21	1,775,000.00	100.11226	1,776,992.53	2.67	1,806,239.11
912828Y20	Note US Treasury	2.625	15-Jul-21	1,100,000.00	100.21789	1,102,396.77	2.48	1,130,440.69
43814TAC6	2017-1 A3 Honda Auto Receivables Trust	1.720	21-Jul-21	133,470.76	99.70525	133,077.36	2.11	133,422.81
912828576	Note US Treasury	1.125	31-Jul-21	1,000,000.00	99.01555	990,115.53	1.78	997,246.89
912828AW7	Note US Treasury	2.750	15-Aug-21	1,000,000.00	100.03640	1,000,364.00	2.73	1,028,229.23
31381BAC8	2017-2 A3 Honda Auto Receivables Trust	1.680	16-Aug-21	61,152.22	99.24643	60,629.20	2.64	61,172.91
912828D72	Note US Treasury	2.000	31-Aug-21	1,100,000.00	99.23238	1,091,556.13	2.48	1,114,696.27
02665WBG5	Note American Honda Finance	1.700	09-Sep-21	250,000.00	98.82907	247,072.68	2.43	250,927.97
68389XBK0	Callable Note Cont 8/15/2021 Oracle Corp	1.900	15-Sep-21	975,000.00	98.99721	965,222.78	2.51	982,497.21
89233P5F9	Note Toyota Motor Credit Corp	3.400	15-Sep-21	950,000.00	100.93731	958,904.48	2.82	984,167.81
17275RBJ0	Callable Note Cont 8/20/2021 Cisco Systems	1.850	20-Sep-21	550,000.00	99.16872	545,422.98	2.36	553,231.40
46625JHE6	2017-A2 Honda Auto Receivables Trust	2.750	09-Sep-21	700,000.00	99.06529	695,592.52	2.67	700,918.11
912828T34	Note US Treasury	1.125	30-Sep-21	1,000,000.00	98.42598	984,259.83	2.07	994,811.62
47788BAD6	2017-B A3 John Deere Owner Trust	1.820	15-Oct-21	144,016.11	99.17149	142,822.92	3.16	144,004.20
912828F96	Note US Treasury	2.000	31-Oct-21	1,640,000.00	99.54117	1,632,475.21	2.26	1,657,822.85
912828U65	Note US Treasury	1.750	30-Nov-21	1,500,000.00	98.75692	1,481,353.85	2.43	1,506,924.08
313376C94	Note FHBL	2.625	10-Dec-21	1,000,000.00	100.07650	1,000,765.01	2.58	1,020,115.25
47789JAB2	2019-A2 John Deere Owner Trust	2.850	15-Dec-21	512,471.99	99.99677	512,455.44	2.87	514,788.10
404280BF5	Note 65BC Holdings PLC	1.680	10-Jan-22	480,000.00	99.48575	479,500.62	2.93	480,868.89
89236TD77	Note Toyota Motor Credit Corp	2.600	11-Jan-22	450,000.00	98.44611	450,007.48	3.42	462,331.25
4581XOCW6	Note Inter-American Dev Bank	2.125	18-Jan-22	800,000.00	99.85890	798,871.19	2.20	814,616.42
89238KAD4	2017-D A3 Toyota Auto Receivables Trust	1.930	18-Jan-22	714,117.40	99.46138	714,271.01	2.73	714,510.70
594918BW3	Callable Note Cont 1/6/2022 Microsoft	2.400	06-Feb-22	500,000.00	99.67205	498,685.25	2.53	511,901.33
69553RF89	Callable Note Cont 1/18/2022 PNC Bank	2.625	17-Feb-22	1,200,000.00	99.36272	1,192,352.64	2.94	1,228,613.80
46625JHE8	Note FHBL	2.250	13-Mar-22	1,250,000.00	98.40322	1,239,040.26	3.02	1,271,970.00
912828W89	Note US Treasury	1.875	31-Mar-22	1,100,000.00	98.12552	1,079,380.71	2.75	1,112,244.48
3135GOU59	Note FNMA	2.250	12-Apr-22	2,570,000.00	99.68094	2,561,800.09	2.40	2,621,134.01
161571GX6	2015-A4 A4 Chase Issuance Trust	1.840	15-Apr-22	1,000,000.00	98.82623	998,262.27	3.03	1,000,586.78
912828X47	Note US Treasury	1.875	30-Apr-22	1,800,000.00	98.51292	1,773,232.58	2.54	1,817,419.83
459200JX0	Note IBM Corp	2.850	13-May-22	500,000.00	100.85814	504,290.69	2.47	513,211.00
532457BC0	Note Eli Lilly & Co	2.350	15-May-22	500,000.00	98.95117	492,975.85	2.98	507,949.39
03785Q6A9	Note US Treasury	2.400	03-May-22	2,200,000.00	98.58678	2,182,909.18	1.88	2,228,068.88
161571HE7	2016-A4 A4 Chase Issuance Trust	1.490	15-Jul-22	830,000.00	98.81511	820,165.42	2.84	828,850.62
912828L24	Note US Treasury	1.875	31-Aug-22	1,100,000.00	97.87471	1,076,621.83	2.72	1,115,047.84
3135GOW33	Note FNMA	1.375	06-Sep-22	2,000,000.00	99.50512	1,990,102.42	1.56	1,995,626.72
313380GJ0	Note FHBL	2.000	09-Sep-22	1,000,000.00	98.39377	983,937.71	2.63	1,017,139.22
02587AAJ3	2017-1 A American Express Credit Trust	1.930	15-Sep-22	800,000.00	99.08085	792,646.78	2.93	800,650.22
46625JHE9	Note JP Morgan Chase	2.250	10-Oct-22	400,000.00	98.84804	395,840.88	3.17	417,