



City of San Leandro

Meeting Date: September 8, 2020

Staff Report

File Number: 20-383 **Agenda Section:** CONSENT CALENDAR

Agenda Number: 8.K.

TO: City Council

FROM: Jeff Kay
City Manager

BY: Susan Hsieh
Finance Director

FINANCE REVIEW: Susan Hsieh
Finance Director

TITLE: Staff Report for a City of San Leandro City Council Resolution Approving the Investment Report for the Quarter Ended June 30, 2020

SUMMARY AND RECOMMENDATIONS

Staff recommends the City Council review and accept the investment report for the quarter ended June 30, 2020.

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, June 30, 2020. The City's Investment Policy Statement requires this quarterly report on types of investments, amounts invested with approved institutions, and purchase and maturity dates and interest yields.

DISCUSSION

As of June 30, 2020, the City's investment portfolio had a market value of \$190 million, \$18 million greater than one-year earlier on June 30, 2019. Of the total market value, \$78 million was placed with the Local Agency Investment Fund (LAIF) and bank accounts and \$112 million was placed in the Chandler Asset Management portfolio.

The rate of return for LAIF at the end of the quarter was 1.47%, while the average book yield for the Chandler managed funds was 2.03%. The LAIF return was 0.82% less than on December 31, 2019, while the Chandler return was 0.36% lower. LAIF's investment rate reflects a snapshot in time (the 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 nearly matched these standards. The Chandler managed funds average book yield was 2.03%, above the benchmark rates of return on the 2-year U.S. Treasury Bill of 1.38%, and the

5-year U.S. Treasury Note of 1.89%.

Amounts invested with LAIF are liquid; funds can be withdrawn with minimal notice as City operations may require. The rate of return earned by LAIF generally follows fixed income security rates.

Chandler Asset Management manages the balance of the portfolio having a market value of \$112,000,000, 58% of the total portfolio. These investments range from one to almost five years to maturity, with the average maturity at 1.91 years (a small increase from December 31, 2019).

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 gradually lengthening the average maturity of the portfolio in order to gain higher interest rates.

PREPARED BY

Susan Hsieh, Finance Director



City of San Leandro

Meeting Date: September 8, 2020

Resolution - Council

File Number: 20-384

Agenda Section: CONSENT CALENDAR

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TO: City Council

FROM: Jeff Kay
City Manager

BY: Susan Hsieh
Finance Director

FINANCE REVIEW: Susan Hsieh
Finance Director

TITLE: RESOLUTION of the City of San Leandro City Council Accepting the City Council Investment Report for the Quarter Ended June 30, 2020

WHEREAS, the quarterly City Council Investment Report for the quarter ended June 30, 2020, 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
June 30, 2020



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

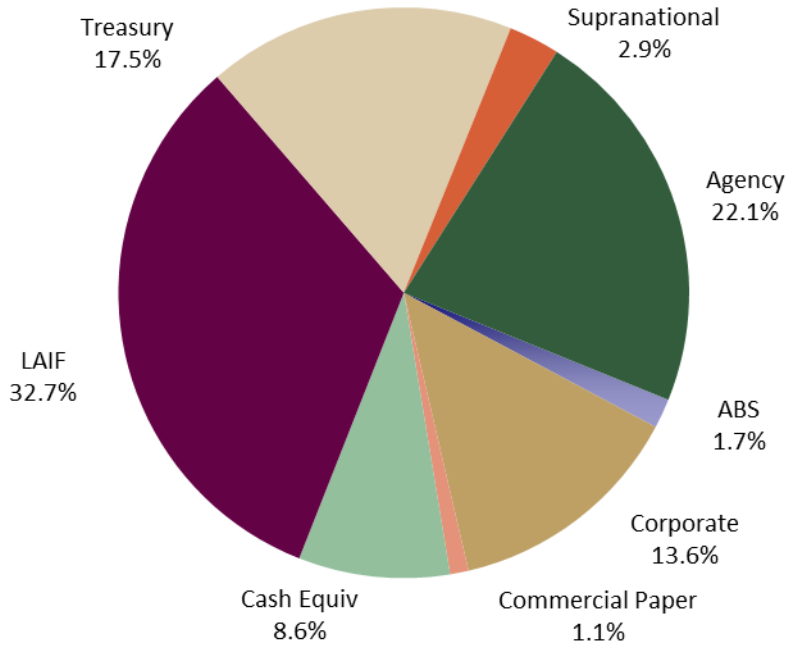
	6/30/2020	12/31/2019
LAIF - City Pool #98-01-809	\$62,131,300	\$37,263,671
LAIF - Successor Agency	27,967	27,668
Passbook/Checking Accounts	15,803,375	10,445,100
Total LAIF and Bank Accounts	\$77,962,641	\$47,736,439
Investment Portfolio Market Value	\$112,224,262	\$109,222,318
Total Market Value	\$190,186,903	\$156,958,757
LAIF Quarterly Apportionment Rate	1.47%	2.29%
2 year US Treasury Yield to Maturity	1.38%	1.89%
5 year US Treasury Yield to Maturity	1.89%	2.20%
Investment Portfolio:		
Average Maturity (yrs)	1.91	1.87
Modified Duration	1.80	1.67
Average Book Yield	2.03%	2.39%
Average Yield to Maturity at Market	0.31%	1.73%
Average Quality S&P/Moody	AA/Aa1	AA/Aa1

Portfolio Activity

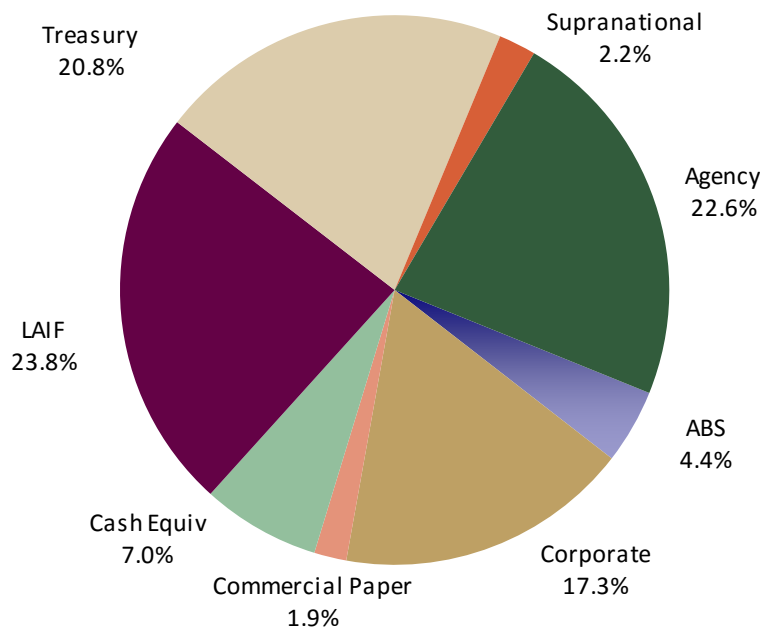
There was \$24.5 million invested in a diversified mix of agency, commercial paper, corporate notes and Treasury securities over the course of the first half of 2020, with the goal of maintaining the maturity and duration profile of the City's investment portfolio consistent with internal targets. Numerous maturities totaling \$18.9 million and paydowns from ABS funded the new purchases. The maturities of the purchases ranged from April 2020 to May 2025.



Sector Distribution June 30, 2020



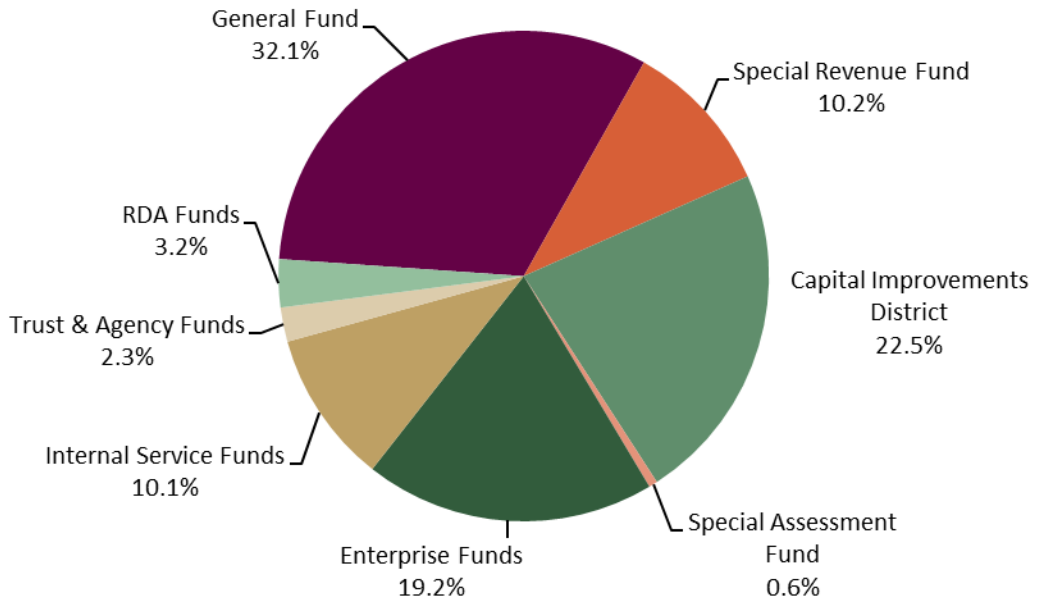
December 31, 2019



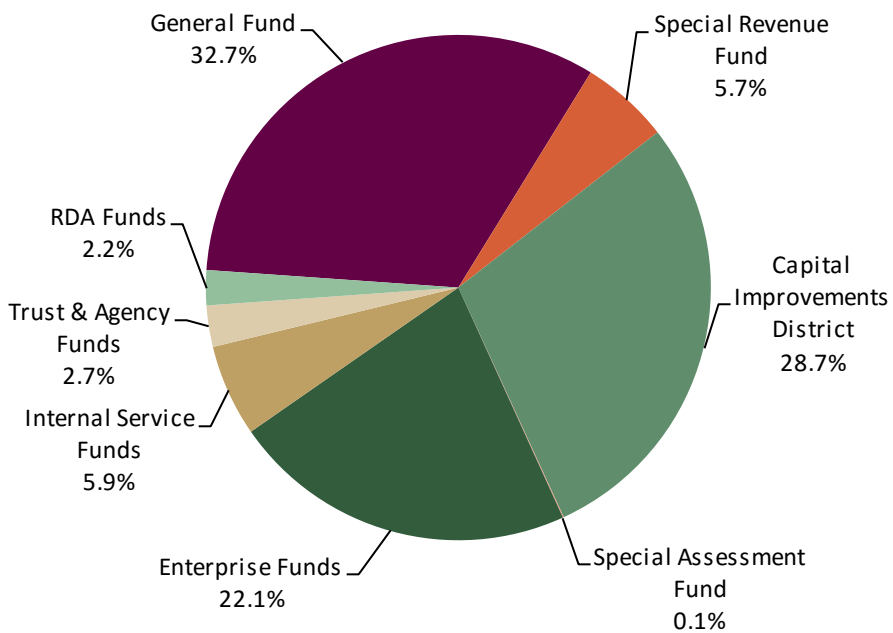
2408



City Fund Allocation June 30, 2020



December 31, 2019





CHANDLER
ASSET
MANAGEMENT

City of San Leandro
Investments by All Types
Active Investments
June 30, 2020

CUSIP	Issuer	Coupon	Maturity Date	Par	Purchase Price	Book Value	Purchase Yield	MVACC
LAIF								
SYS113	LAIF - City Pool			\$62,131,299.69	100.00000	\$62,131,299.69		\$62,131,299.69
SYS114	LAIF - Successor Agency			27,966.64	100.00000	\$27,966.64		\$27,966.64
				subtotal		\$62,159,266.33		\$62,159,266.33
Passbook/Checking Accounts								
				Public Funds Checking		15,803,374.79	100.00000	15,803,374.79
				subtotal		\$ 15,803,374.79		\$ 15,803,374.79
Government Issues								
60934N104	Government Obligations Fund Federated Investors	0.070	30-Jun-20	498,476.19	100.00000	498,476.19	0.07	498,476.19
02665WB77	Note American Honda Finance	1.950	20-Jul-20	1,000,000.00	99.96267	999,626.70	2.68	1,009,422.84
3130A5277	Note FHLB	1.830	29-Jul-20	930,000.00	99.95527	929,584.04	2.43	938,377.13
912828XM7	Note US Treasury	1.625	31-Jul-20	1,000,000.00	99.96492	999,649.15	2.07	1,007,983.72
40428HPV8	Note HSBC USA Inc	2.750	07-Aug-20	750,000.00	100.02360	750,176.97	2.51	759,930.00
62479LHU2	Discount CP MUFG Bank Ltd	0.400	28-Aug-20	2,000,000.00	99.93551	1,998,710.22	0.41	1,998,710.22
912828VV9	Note US Treasury	2.125	31-Aug-20	1,900,000.00	99.95605	1,799,208.81	2.40	1,818,582.45
02665WA24	Note American Honda Finance	2.450	24-Sep-20	500,000.00	100.16352	500,817.58	1.72	505,445.19
3130ACE26	Note FHLB	1.375	28-Sep-20	825,000.00	99.93402	824,455.64	1.65	830,348.55
912828L65	Note US Treasury	1.375	30-Sep-20	1,000,000.00	99.79898	997,989.81	2.21	1,006,424.28
912828Z22	Note US Treasury	1.625	15-Oct-20	2,000,000.00	99.76051	1,995,210.21	2.47	2,015,141.44
00440EAT4	Callable Note Cont 10/3/2020 Chubb INA Holdings Inc	2.300	03-Nov-20	750,000.00	100.03718	750,278.82	2.15	756,402.42
594918BG8	Callable Note Cont. 10/3/2020 Micro Infa	2.000	03-Nov-20	650,000.00	100.01188	650,077.24	1.95	654,742.54
3137AEAK1	Note FHLMC	1.875	17-Nov-20	1,000,000.00	99.95153	999,515.33	2.01	1,008,724.67
912828A42	Note US Treasury	2.000	30-Nov-20	725,000.00	100.13062	725,946.96	1.68	731,552.54
3130A3UQ5	Note FHLB	1.875	11-Dec-20	1,000,000.00	99.93663	999,366.28	2.02	1,008,730.67
45950KCM0	Note International Finance Corp	2.250	25-Jan-21	1,000,000.00	99.82991	998,299.08	2.56	1,020,600.00
91159HHL7	Callable Note 1X 12/29/2020 US Bancorp	2.350	29-Jan-21	750,000.00	100.10392	750,779.41	2.13	764,618.42
912828N89	Note US Treasury	1.375	31-Jan-21	1,000,000.00	99.71852	997,185.17	1.87	1,012,616.77
3137EAE19	Note FHLMC	2.375	16-Feb-21	775,000.00	99.96608	774,737.14	2.43	792,284.24
912828P87	Note US Treasury	1.125	28-Feb-21	1,000,000.00	99.44542	994,454.20	1.99	1,009,893.19
912828D72	Callable Note Cont 2/1/2021 JP Morgan Chase	2.550	01-Mar-21	775,000.00	100.12503	775,969.02	2.33	791,264.93
24422ESL4	Note John Deere Capital Corp	2.620	04-Mar-21	825,000.00	100.10453	825,868.43	2.64	846,285.00
084670BQ0	Callable Note Cont 2/15/2021 Berkshire Hathaway	2.200	15-Mar-21	525,000.00	99.95899	524,784.69	2.26	534,696.11
912828A83	Note US Treasury	2.375	15-Mar-21	1,000,000.00	99.89150	998,915.03	2.53	1,022,400.11
912828C57	Note US Treasury	2.250	31-Mar-21	1,000,000.00	99.79623	997,962.28	2.53	1,021,202.74
3135G0U27	Note FNMA	2.500	13-Apr-21	1,425,000.00	99.78978	1,422,004.31	2.78	1,458,754.93
4581XODB1	Note Inter-American Dev Bank	2.625	19-Apr-21	1,000,000.00	99.89946	998,994.58	2.76	1,023,972.00
912828Q78	Note US Treasury	1.375	30-Apr-21	1,000,000.00	99.78231	997,823.08	1.65	1,012,160.57
369550BE7	Note General Dynamics Corp	3.000	11-May-21	825,000.00	99.79665	823,322.39	3.25	847,485.41
166576BGC4	Callable Note Cont 4/15/2021 Chevron Corp	2.100	16-May-21	800,000.00	99.61217	796,897.37	2.57	813,094.10
80857AWA5	Callable Note Cont 4/21/2021 Charles Schwab Corp	3.250	21-May-21	825,000.00	100.09643	825,795.51	3.12	847,022.77
459058FH1	Note Intl. Bank Recon & Development	1.375	24-May-21	600,000.00	99.45471	596,728.28	2.01	606,597.12
912828R77	Note US Treasury	1.375	31-May-21	1,500,000.00	99.12627	1,486,894.02	2.37	1,518,153.93
3135G0U35	Note FNMA	2.750	22-Jun-21	1,775,000.00	100.07428	1,776,318.47	2.67	1,820,332.61
912828Y20	Note US Treasury	2.625	15-Jul-21	1,100,000.00	100.14720	1,101,619.21	2.48	1,141,214.12
43814TAC6	2017-1 A3 Honda Auto Receivables Trust	1.720	21-Jul-21	38,316.39	99.79985	38,239.70	2.11	38,399.88
912828S76	Note US Treasury	1.125	31-Jul-21	1,000,000.00	99.32333	993,233.34	1.78	1,015,009.81
912828A47	Note US Treasury	2.750	15-Aug-21	1,000,000.00	100.02521	1,000,252.10	2.73	1,039,061.27
438118AC8	2017-2 A3 Honda Auto Receivables Trust	1.680	16-Aug-21	25,363.32	99.47633	25,230.50	2.60	25,451.61
912828U55	Note US Treasury	2.000	01-Sep-21	1,100,000.00	99.46216	1,094,083.73	2.48	1,130,685.36
02665WBG5	Note American Honda Finance	1.700	09-Sep-21	250,000.00	99.17447	247,936.17	2.43	254,871.47
68389XBK0	Callable Note Cont 8/15/2021 Oracle Corp	1.900	15-Sep-21	975,000.00	99.29016	968,079.05	2.51	997,117.33
89233P5F9	Note Toyota Motor Credit Corp	3.400	15-Sep-21	950,000.00	100.66349	956,303.17	2.82	991,844.76
17275RBJ0	Callable Note Cont 8/20/2021 Cisco Systems	1.850	20-Sep-21	550,000.00	99.40963	546,752.99	2.36	562,634.20
43814WAB1	2019-1 A2 Honda Auto Receivables Trust	2.750	20-Sep-21	323,336.84	99.99693	323,326.92	2.77	325,335.05
912828T34	Note US Treasury	1.125	30-Sep-21	1,000,000.00	98.87500	988,749.97	2.07	1,014,702.88
47788BAD6	2017-B A3 John Deere Owner Trust	1.820	15-Oct-21	36,232.35	99.40241	36,015.83	3.16	36,330.36
912828F96	Note US Treasury	2.000	31-Oct-21	1,640,000.00	99.66599	1,634,522.31	2.26	1,685,501.09
912828U55	Note US Treasury	1.750	30-Nov-21	1,500,000.00	99.08059	1,486,208.79	2.43	1,535,680.86
31376CG94	Note FHLB	2.625	10-Dec-21	1,000,000.00	100.05686	1,000,568.63	2.58	1,035,862.25
47789IAB2	2019-A A2 John Deere Owner Trust	2.850	15-Dec-21	208,603.68	99.99759	208,598.66	2.87	209,817.26
404280BF5	Note HSBC Holdings PLC	2.650	05-Jan-22	500,000.00	99.63197	498,159.85	2.91	521,762.78
89236TDP7	Note Toyota Motor Credit Corp	2.600	11-Jan-22	450,000.00	98.82776	444,724.94	3.42	469,416.50
3137EADB2	Note FHLMC	2.375	13-Jan-22	2,000,000.00	103.02104	2,060,420.75	0.40	2,088,840.67
4581XOCW6	Note Inter-American Dev Bank	2.125	18-Jan-22	800,000.00	99.89323	799,145.85	2.20	829,963.62
89238KAD4	2017-D A3 Toyota Auto Receivables Trust	1.930	18-Jan-22	388,104.21	99.59243	386,522.43	2.73	390,672.67
594918WB3	Callable Note Cont 1/6/2022 Microsoft	2.400	06-Feb-22	500,000.00	99.79944	498,997.22	2.53	520,788.33
69353RFB9	Callable Note Cont 1/18/2022 PNC Bank	2.625	17-Feb-22	1,200,000.00	99.50953	1,194,114.36	2.94	1,254,885.40
3137AEAB8	Note FHLB	1.250	15-Mar-22	1,250,000.00	98.76489	1,234,581.10	3.02	1,299,187.75
912828W89	Note US Treasury	1.875	31-Mar-22	1,100,000.00	98.41556	1,083,957.17	2.75	1,137,792.23
3135G0V59	Note FNMA	2.250	12-Apr-22	2,570,000.00	99.75073	2,563,593.82	2.40	2,676,666.57
912828X47	Note US Treasury	1.875	30-Apr-22	1,800,000.00	98.83133	1,778,963.96	2.54	1,861,585.14
459200JX0	Note IBM Corp	2.850	13-May-22	500,000.00	100.67716	503,385.82	2.47	525,033.00
532457BQ0	Note Eli Lilly & Co	2.350	15-May-22	500,000.00	98.89075	494,453.77	2.98	520,734.89
313790Q69	Note FHLB	2.125	10-Jun-22	2,200,000.00	100.46692	2,210,272.30	1.88	2,281,768.68
161571HE7	2016-A4 A4 Chase Issuance Trust	1.490	15-Jul-22	830,000.00	99.40799	822,098.35	2.44	830,999.50
9128287C8	Note US Treasury	1.750	15-Jul-22	2,000,000.00	103.03979	2,060,795.80	0.25	2,080,449.85
912828L24	Note US Treasury	1.875	31-Aug-22	1,100,000.00	98.27225	1,080,994.72	2.72	1,147,413.28
3135G0W33	Note FNMA	2.625	06-Sep-22	2,000,000.00	99.59712	1,991,942.42	1.56	2,054,867.72
31380GJ0	Note FHLB	2.000	09-Sep-22	1,000,000.00	98.69146	986,914.63	2.63	1,044,918.22
46625HJE1	Note JP Morgan Chase	3.250	23-Sep-22	400,000.00	99.35454	397,418.15	3.56	425,920.89
3135G0T78	Note FNMA	2.000	05-Oct-22	900,000.00	98.20025	883,802.21	2.84	938,774.50
92826CAC6	Callable Note Cont 10/14/2022 Visa Inc	2.800	14-Dec-22	1,000,000.00	99.06429	990,642.88	3.21	1,057,416.22
06051GEU9	Note Bank of America Corp	3.300	11-Jan-23	1,325,000.00	99.74138	1,321,573.33	3.41	1,434,789.95
65478WAE5	2016-C A4 Nissan Auto Receivables Trust	1.380	17-Jan-23	402,624.68	99.20899	399,439.86	2.61	403,385.34
06406RAE7	Callable Note Cont 12/29/2022 Bank of NY Mellon	2.950	29-Jan-23	1,000,000.00	98.77053	987,705.30	3.47	1,075,703.55
912828Z86	Note US Treasury	1.375	15-Feb-23	1,000,000.00	103.04081	1,030,408.10	0.21	1,036,620.14
912828R88	Callable Note Cont 1/15/2023 Berkshire Hathaway	1.750	15-Mar-23	900,000.00	98.27100	896,226.01	3.40	940,281.73
912828D5D	Note US Treasury	0.000	15-Mar-23	2,000,000.00	100.77495	2,015,498.99	0.21	2,029,356.78
3137EAEQ8	Note FHLMC	0.375	20-Apr-23	2,000,000.00	100.20076	2,004,015.15	0.20	2,006,935.17
037833AK6	Note Apple Inc	2.400	03-May-23	900,000.00	97.31649	875,848.45	3.43	954,843.00
3137EAEF6	Note FHLB	0.375	05-May-23	2,000,000.00	100.13070	2,002,614.08	0.33	2,006,321.00
4581XODM7	Note Inter-American Dev Bank	0.500	24-May-23	2,000,000.00	100.05747	2,001,149.32	0.48	2,012,867.78
404280BA6	Note HSBC Holdings PLC	3.600	25-May-23	500,000.00	99.74549	498,727.47	3.69	538,382.50
313834G3	Note FHLB	2.125	09-Jun-23	1,000,000.00	100.21756	1,002,715.62	2.03	1,055,068.61
931142EK5	Callable Note Cont 5/26/2023 Wal-Mart Stores	3.400	26-Jun-23	1,000,000.00	100.42177	1,004,217.66	3.24	1,089,839.22
912828HV1	Callable Note Cont 6/23/2023 US Bank NA	3.400	24-Jul-23	500,000.00	101.56648	507,832.38		