



City of San Leandro

Civic Center
835 East 14th Street
San Leandro, California

Meeting Agenda

Finance Committee

*Mayor Pauline Russo Cutter
Councilmember Ed Hernandez
Councilmember Benny Lee*

Tuesday, July 18, 2017

5:30 PM

Sister Cities Gallery

1. CALL TO ORDER

1.A. Attendance

1.B. Announcements

2. DISCUSSION ITEMS

2.A [17-432](#) City Treasury Investments Overview

2.B [17-431](#) Summary of Voter Approved Measures OO, PP, and NN

2.C [17-433](#) Staff Report for CalPERS Pre-Payment Option for Unfunded Liability

2.D [17-436](#) Budget in Brief Discussion

3. PUBLIC COMMENTS

4. COMMITTEE MEMBER COMMENTS

5. ADJOURN



City of San Leandro

Meeting Date: July 18, 2017

Presentation

File Number: 17-432

Agenda Section: DISCUSSION ITEMS

Agenda Number: 2.A

TO: Finance Committee

FROM: Chris Zapata
City Manager

BY:

FINANCE REVIEW: Not Applicable

TITLE: City Treasury Investments Overview

Presentation for City Treasury Investments Overview

PRESENTED BY: David Baum, Director, Finance

City of San Leandro

Period Ending
June 30, 2017



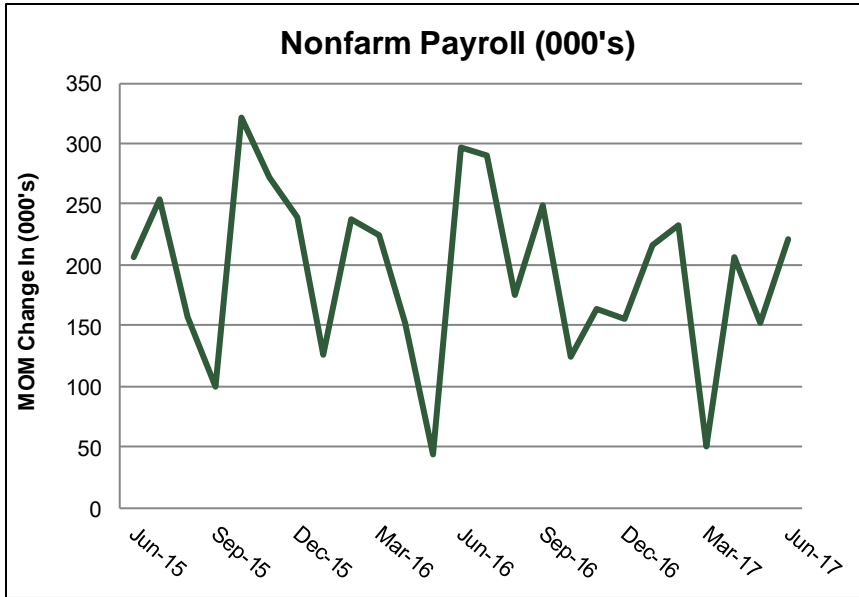
SECTION 1	Economic Update
SECTION 2	Account Profile
SECTION 3	Portfolio Holdings
SECTION 4	Transactions

SECTION 1

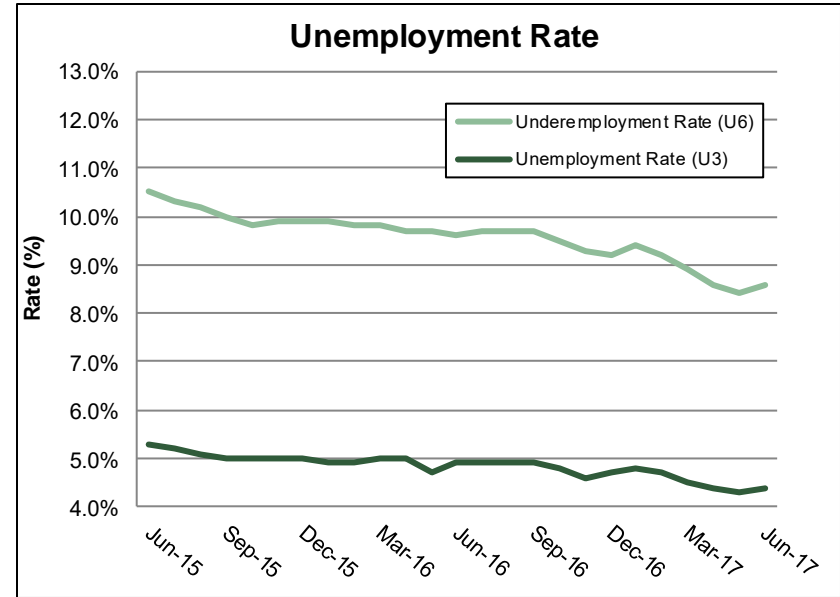
Economic Update



- The Federal Open Market Committee (FOMC) raised the fed funds target rate by 25 basis points to a range of 1.00%-1.25% at the June 13-14 meeting. However, the FOMC statement indicated that the stance of monetary policy remains accommodative. The FOMC also noted that economic activity has been rising moderately and job gains have been solid, but inflation has recently declined. Nevertheless, the FOMC expects inflation to stabilize around 2.0% over the medium term. The Committee expects to begin trimming the Fed's balance sheet later this year. The Fed's updated Summary of Economic Projections reflects downward revisions to the Fed's median unemployment rate projections for this year and future years, as well as a downward revision to the Fed's median 2017 inflation forecast. The updated projections suggest that the Fed anticipates the labor market to tighten further over the coming years without much impact on inflation. The Fed still expects the fed funds rate to reach 1.4% by the end of this year (which implies one more rate hike before year-end) and 3.0% over the longer-run.
- Domestic economic data remains indicative of slow growth. The economy is likely at or near full employment, consumer confidence is strong, manufacturing indicators are indicative of modest expansion, and housing trends remain favorable. Looking ahead, a potential boost in fiscal stimulus could provide a further tailwind to economic growth. GDP grew by 1.4% in the first quarter, following growth of 2.1% in the fourth quarter. We expect modest economic growth of about 2.0%-2.5% for the full year 2017.
- Treasury yields increased modestly in June, led by the 5-year note. The 2-year and 10-year Treasury yields both increased by ten basis points month-over-month, while the 5-year Treasury yield increased 14 basis points. The move higher in domestic yields occurred late in the month, coinciding with hawkish comments from ECB President Draghi. His comments also provided a catalyst for sovereign yields in Germany and Japan to move higher. On a year-over-year basis, Treasury yields have increased meaningfully, with the 2-year Treasury yield up 80 basis points and the 10-year Treasury yield up 83 basis points. The Federal Reserve has raised the fed funds target rate by 25 basis points three times in the past year.

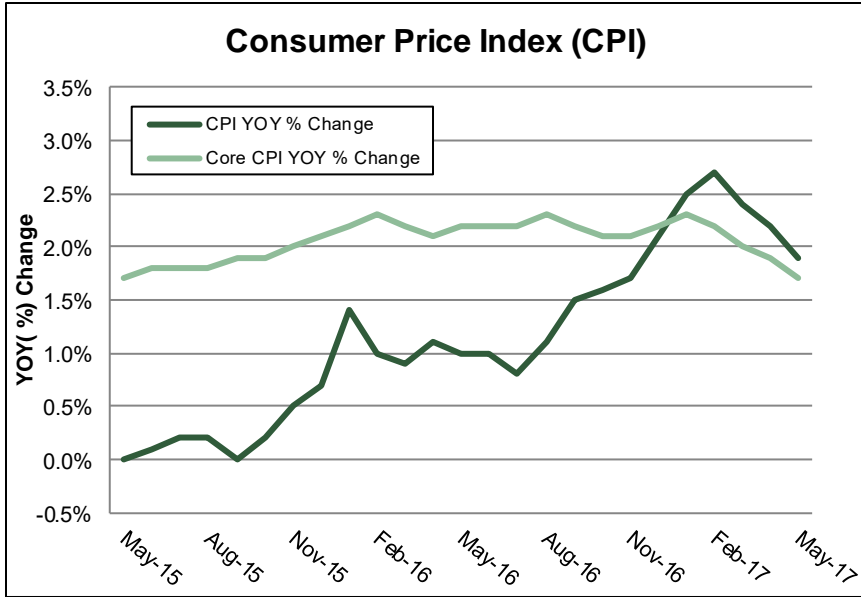


Source: US Department of Labor

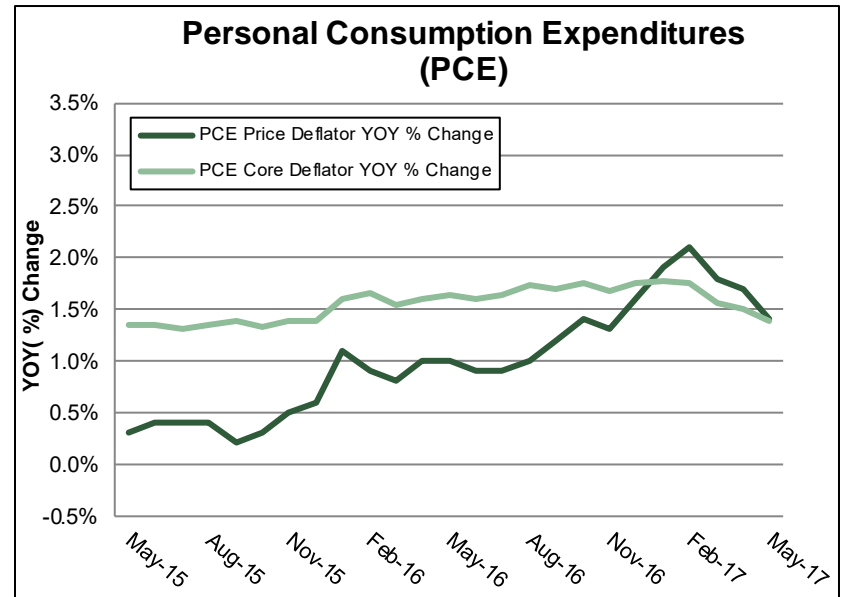


Source: US Department of Labor

Job growth was stronger than expected in June but wages remained lackluster. Nonfarm payrolls increased by 222,000 versus the consensus forecast of 178,000. In addition, April and May payrolls were revised up by 47,000 in total. The average increase in monthly payrolls was 194,000 during the second quarter, up from 166,000 per month during the first quarter. The unemployment rate ticked up to 4.4% in June from 4.3% in May, but the labor participation rate also edged up to 62.8% from 62.7%. A broader measure of unemployment called the U-6, which includes those who are marginally attached to the labor force and employed part time for economic reasons, increased to 8.6% in June from 8.4% in May, however this compares to 9.6% in June 2016. Wage growth rose just 0.2% in June, following a downwardly revised gain of 0.1% in May. On a year-over-year basis, wages were up 2.5% in June, versus 2.4% in May.

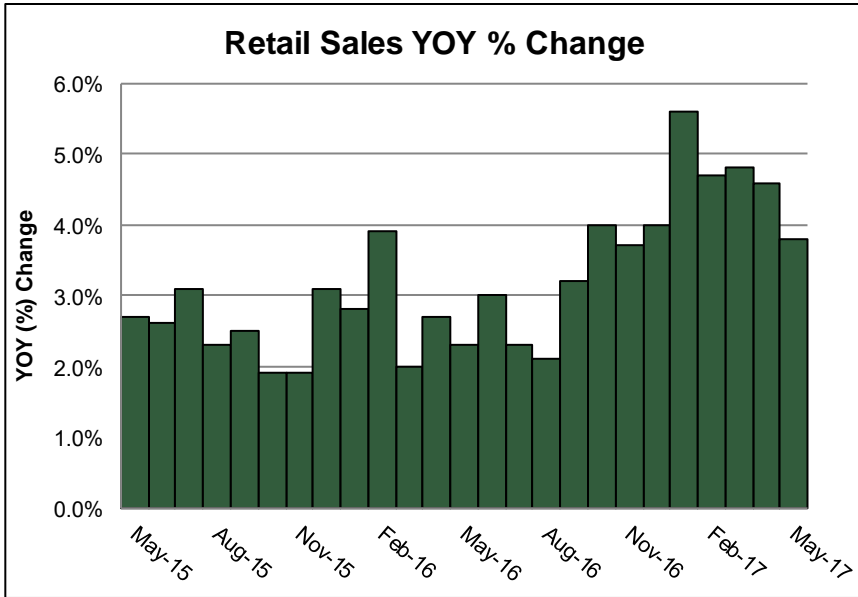


Source: US Department of Labor



Source: US Department of Labor

The Consumer Price Index (CPI) was up 1.9% year-over-year in May, versus up 2.2% year-over-year in April. Core CPI (CPI less food and energy) was up just 1.7% year-over-year in May, versus up 1.9% year-over-year in April. The Personal Consumption Expenditures (PCE) index was up 1.4% year-over-year in May, versus up 1.7% year-over-year in April. Core PCE (excluding food and energy) was also up just 1.4% year-over-year in May, versus up 1.5% year-over-year in April. Core CPI is has fallen back below the Fed's 2.0% target, and the Fed's primary inflation gauge (PCE) also remains below the target.



Source: US Department of Commerce

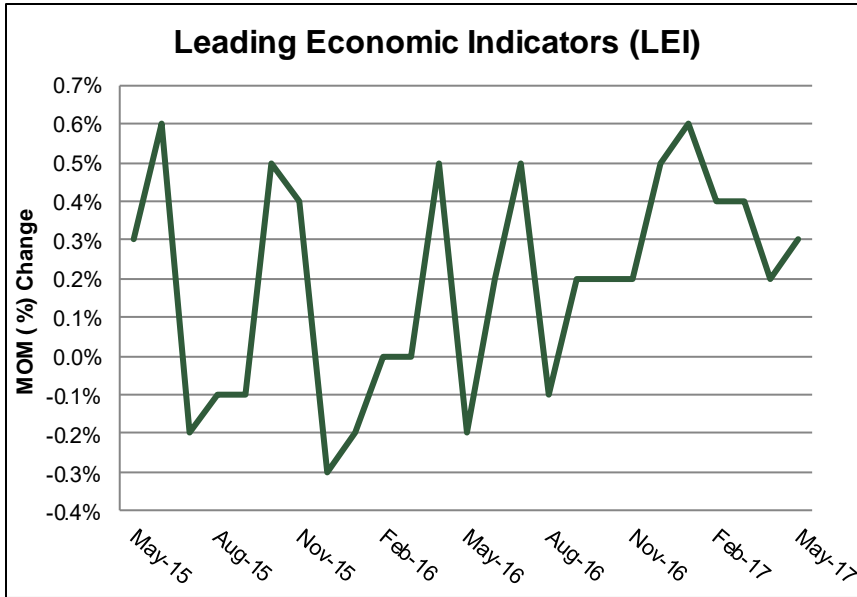


Source: Federal Reserve

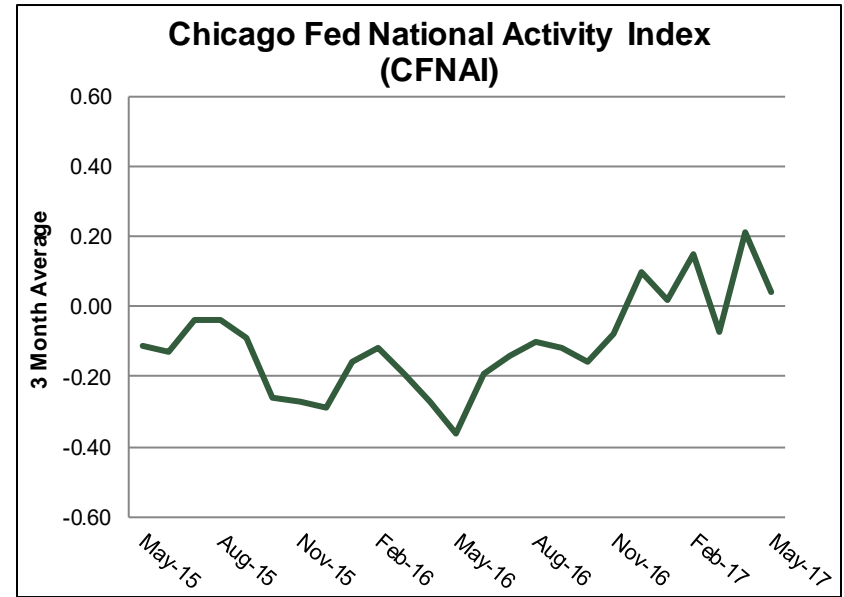
On a year-over-year basis, total retail sales were up 3.8% in May compared with a 4.6% increase in April. On a month-over-month basis, retail sales declined 0.3% in May, below expectations for a 0.1% increase, following a 0.4% increase in April. Excluding autos and gas, retail sales were flat in May, following a 0.5% gain in April. Overall, consumer spending trends remain soft. However, the consumer confidence index remained strong in June at 118.9 versus 117.6 in May.



Economic Activity

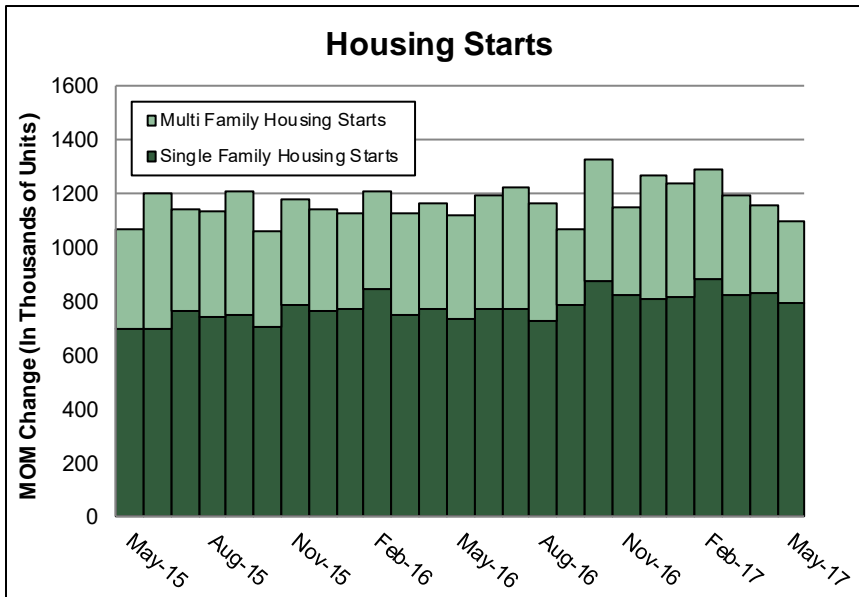


Source: The Conference Board

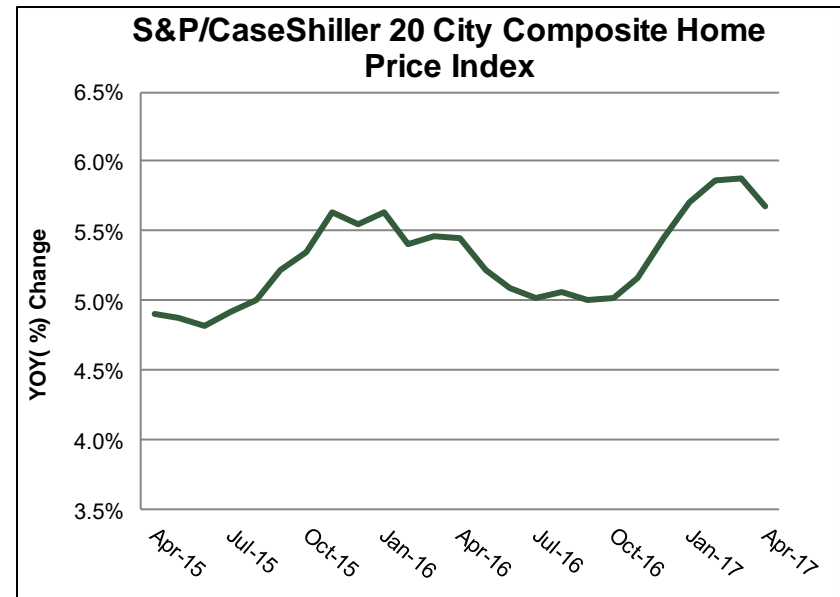


Source: Federal Reserve Bank of Chicago

The Index of Leading Economic Indicators (LEI) rose 0.3% in May, in line with expectations, following a 0.2% increase in April. According to the Conference Board, the LEI suggests economic growth will remain on, or possibly moderately above, its long-term trend of about 2% growth through year-end. However, the Chicago Fed National Activity Index (CFNAI) declined to 0.04 in May on a 3-month moving average basis from 0.21 in April. The index declined meaningfully in May, which weighed on the three month moving average.

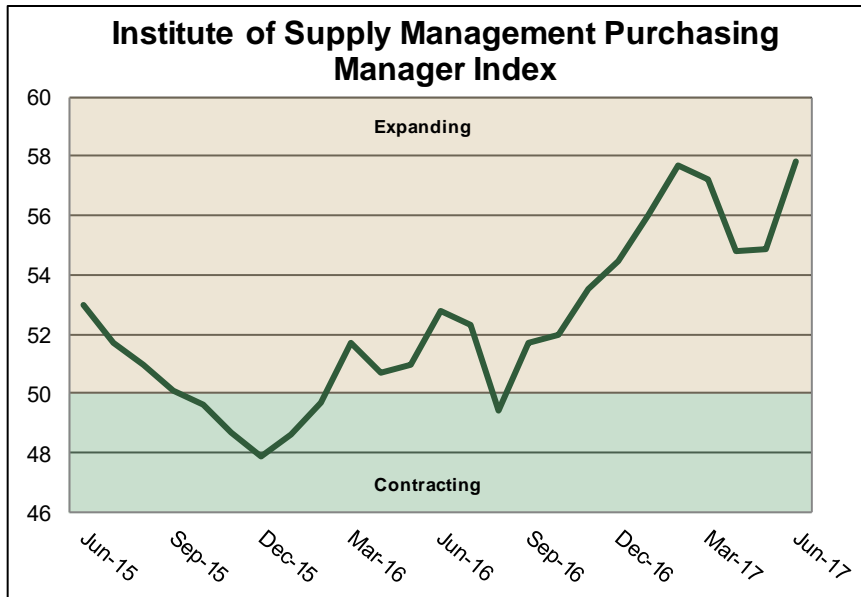


Source: US Census Bureau

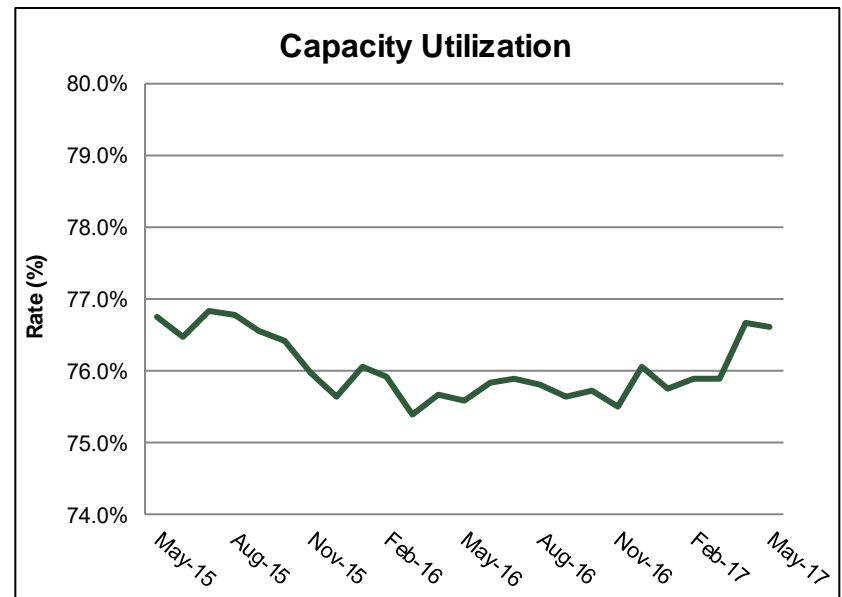


Source: S&P

Total housing starts fell 5.5% in May, following a 2.8% decrease in April, missing expectations. Single-family starts declined 3.9% in May, and multi-family starts fell 9.7%. Permits were also weaker than expected in May, down 4.9%. According to the Case-Shiller 20-City home price index, home prices were up 5.7% year-over-year in April, versus up 5.9% year-over-year in March.



Source: Institute for Supply Management



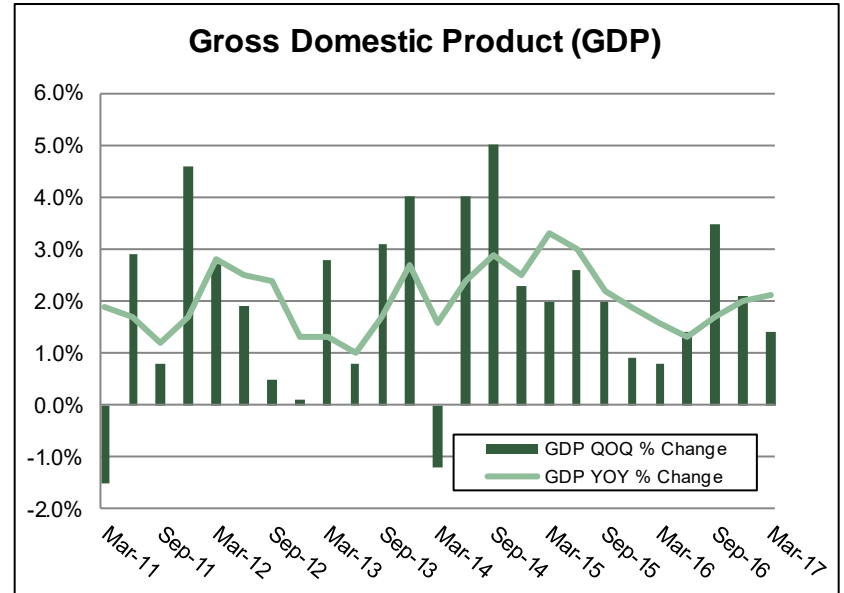
Source: Federal Reserve

The Institute for Supply Management (ISM) manufacturing index increased to 57.8 in June from 54.9 in May, suggesting that manufacturing activity is accelerating. The report was stronger than expected. Notably, a reading above 50.0 suggests the manufacturing sector is expanding. However, capacity utilization, which is production divided by capacity, decreased to 76.6% in May from 76.7% in April. The capacity utilization rate remains below the long-run average of 79.9% (1972-2016), suggesting there is still excess capacity in the industrial sector.

GA | Gross Domestic Product (GDP)

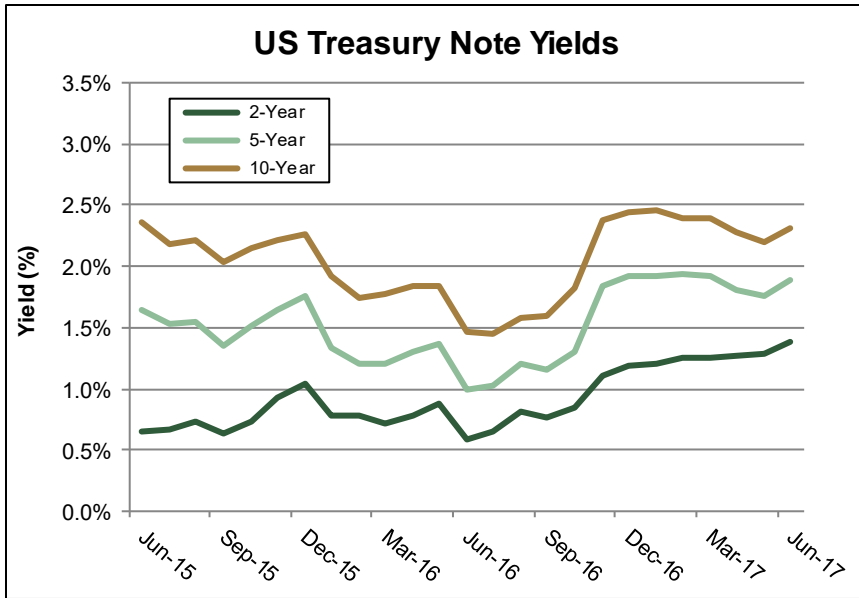
Components of GDP	6/16	9/16	12/16	3/17
Personal Consumption Expenditures	2.9%	2.0%	2.4%	0.8%
Gross Private Domestic Investment	-1.3%	0.5%	1.5%	0.6%
Net Exports and Imports	0.2%	0.9%	-1.8%	0.2%
Federal Government Expenditures	0.0%	0.2%	-0.1%	-0.1%
State and Local (Consumption and Gross Investment)	-0.3%	0.0%	0.1%	0.0%
Total	1.4%	3.5%	2.1%	1.4%

Source: US Department of Commerce

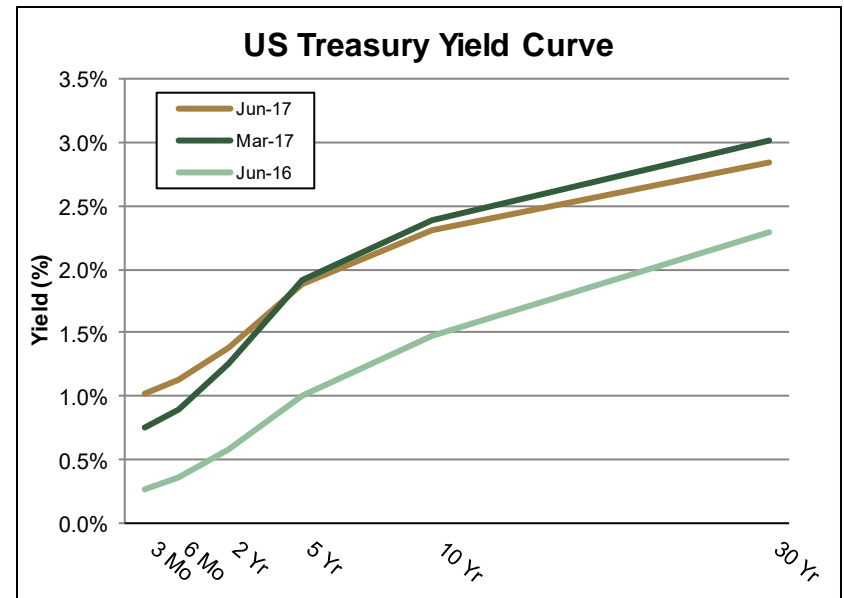


Source: US Department of Commerce

First quarter GDP growth was revised up to 1.4% from the second estimate of 1.2% and the advance estimate of 0.7%. The most recent upward revision was driven by an increase in consumer spending and net exports. Economic growth is believed to have improved in the second quarter to a pace of about 3.0%. The consensus forecast currently calls for GDP growth of about 2.4% in the third quarter.



Source: Bloomberg



Source: Bloomberg

Over the past three months the yield curve flattened. The spread between 2-year and 10-year Treasury yields narrowed to 92 basis points as of June 30, compared to 114 basis points on March 31. In the three months ending in June, the 2-year Treasury yield increased nearly 13 basis points while the 10-year Treasury yield decreased eight basis points. Immediately following the US Presidential election last fall, the Treasury yield curve steepened meaningfully, driven by heightened expectations for fiscal stimulus and economic growth under the Trump administration. However, as the post-election exuberance started to wane earlier this year, the yield curve flattened. Since the election, the 2-year Treasury yield is up about 60 basis points and the 10-year Treasury yield is up about 50 basis points.

SECTION 2

Account Profile

Investment Objectives

The investment objectives of the City of San Leandro are first, to preserve principal; second, to provide liquidity; and third, to earn a return that is commensurate with the first two objectives.

Chandler Asset Management Performance Objectives

The performance objective for the City of San Leandro is to achieve a rate of return over a market cycle that equals or exceeds the return on a market index of similar duration and sector allocation.

Strategy

In order to achieve these objectives, the portfolio invests in high quality fixed income securities consistent with the investment policy and California Government Code.



City of San Leandro

June 30, 2017

COMPLIANCE WITH INVESTMENT POLICY

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 Notes	"A" or better by a NRSRO; 30% maximum; Issuers must be corporations organized and operating within 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



Portfolio Characteristics

City of San Leandro

	6/30/2017		3/31/2017
	Benchmark*	Portfolio	Portfolio
Average Maturity (yrs)	1.86	1.61	1.59
Modified Duration	1.81	1.56	1.54
Average Purchase Yield	n/a	1.33%	1.28%
Average Market Yield	1.40%	1.45%	1.32%
Average Quality**	AAA	AA+/Aa1	AA+/Aa1
Contributions/Withdrawals		0	
Total Market Value		44,969,189	44,842,668

*BAML 1-3 Yr US Treasury/Agency Index

**Benchmark is a blended rating of S&P, Moody's, and Fitch. Portfolio is S&P and Moody's respectively.

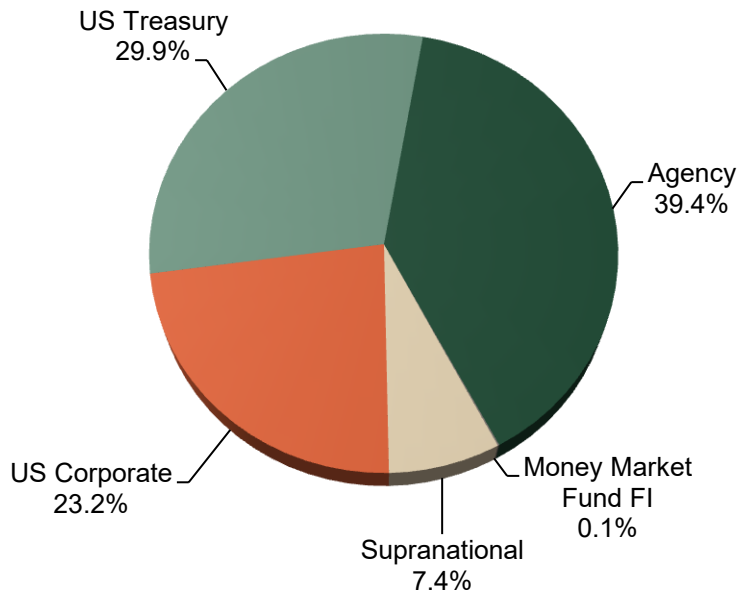
Several securities were purchased across the Treasury, Agency and Corporate sectors of the market to extend the maturity profile of the City's portfolio to be closer to internal targets and the benchmark. The purchased securities ranged in maturity from April 2020 to January 2021. One security was called and four matured to facilitate the new holdings in the portfolio.



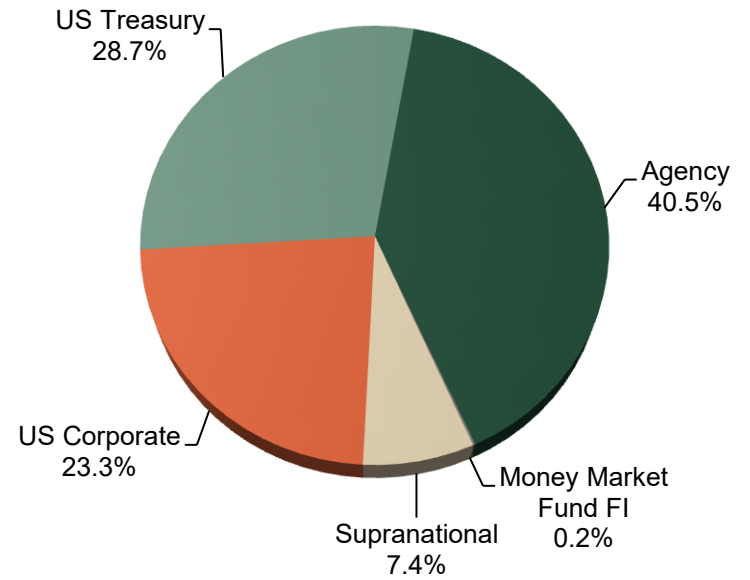
Sector Distribution

City of San Leandro

June 30, 2017



March 31, 2017



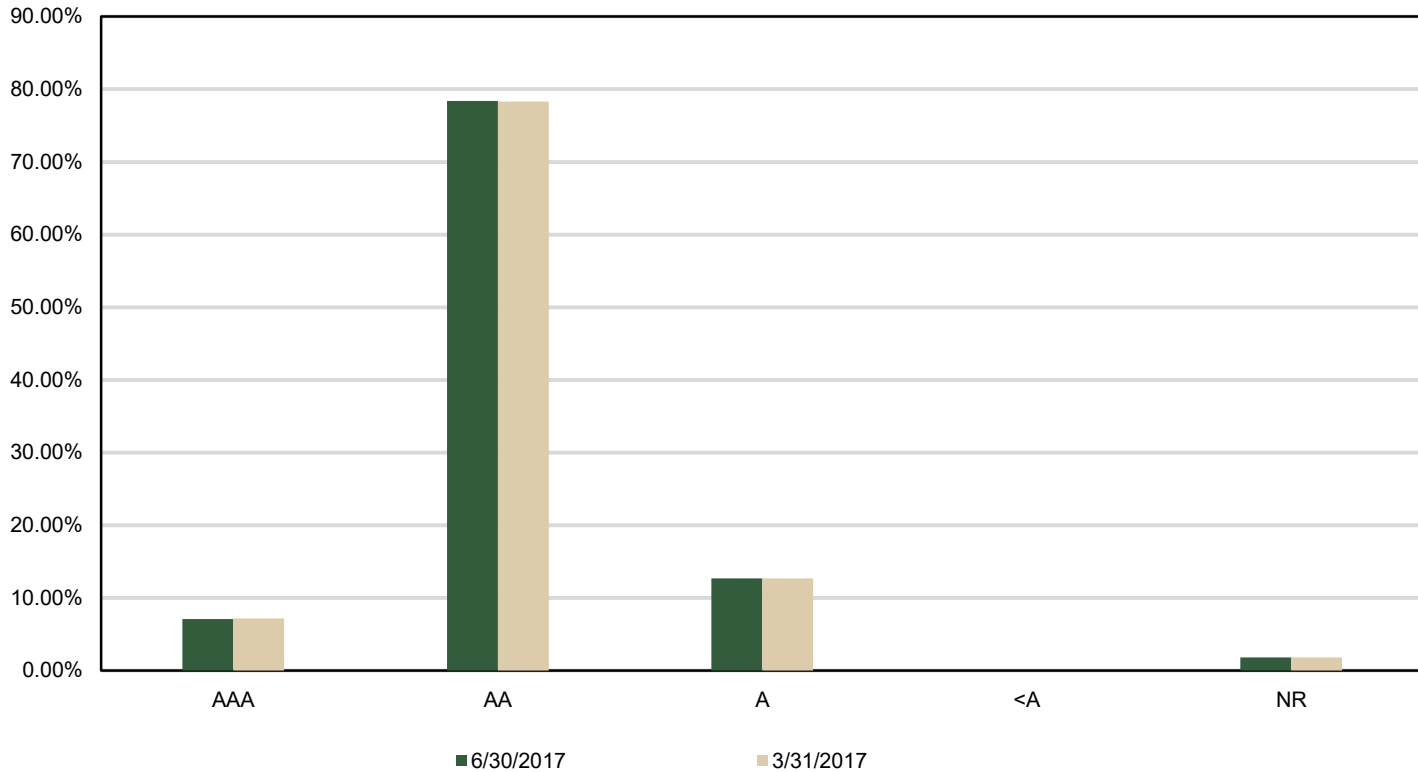
City of San Leandro – Account #460
As of 6/30/2017

Issue Name	Investment Type	% Portfolio
Government of United States	US Treasury	29.93%
Federal Home Loan Bank	Agency	14.38%
Federal National Mortgage Association	Agency	10.98%
Federal Home Loan Mortgage Corp	Agency	10.64%
Federal Farm Credit Bank	Agency	3.40%
Intl Bank Recon and Development	Supranational	3.33%
Inter-American Dev Bank	Supranational	2.91%
Wells Fargo Corp	US Corporate	1.57%
Microsoft	US Corporate	1.46%
ChevronTexaco Corp	US Corporate	1.45%
Qualcomm Inc	US Corporate	1.22%
Cisco Systems	US Corporate	1.21%
Berkshire Hathaway	US Corporate	1.18%
Honda Motor Corporation	US Corporate	1.13%
US Bancorp	US Corporate	1.13%
Bank of New York	US Corporate	1.13%
Apple Inc	US Corporate	1.13%
Chubb Corporation	US Corporate	1.12%
International Finance Corp	Supranational	1.12%
HSBC USA Corp	US Corporate	1.12%
Deere & Company	US Corporate	1.12%
Charles Schwab Corp/The	US Corporate	1.12%
JP Morgan Chase & Co	US Corporate	1.07%
Exxon Mobil Corp	US Corporate	1.01%
Toyota Motor Corp	US Corporate	1.01%
Praxair	US Corporate	1.00%
Eli Lilly & Co	US Corporate	0.90%
Oracle Corp	US Corporate	0.89%
General Electric Co	US Corporate	0.29%
Federated GOVT Obligation MMF	Money Market Fund FI	0.05%
Total		100.00%



City of San Leandro

June 30, 2017 vs. March 31, 2017



	AAA	AA	A	<A	NR
06/30/17	7.1%	78.4%	12.7%	0.0%	1.8%
03/31/17	7.2%	78.3%	12.7%	0.0%	1.8%

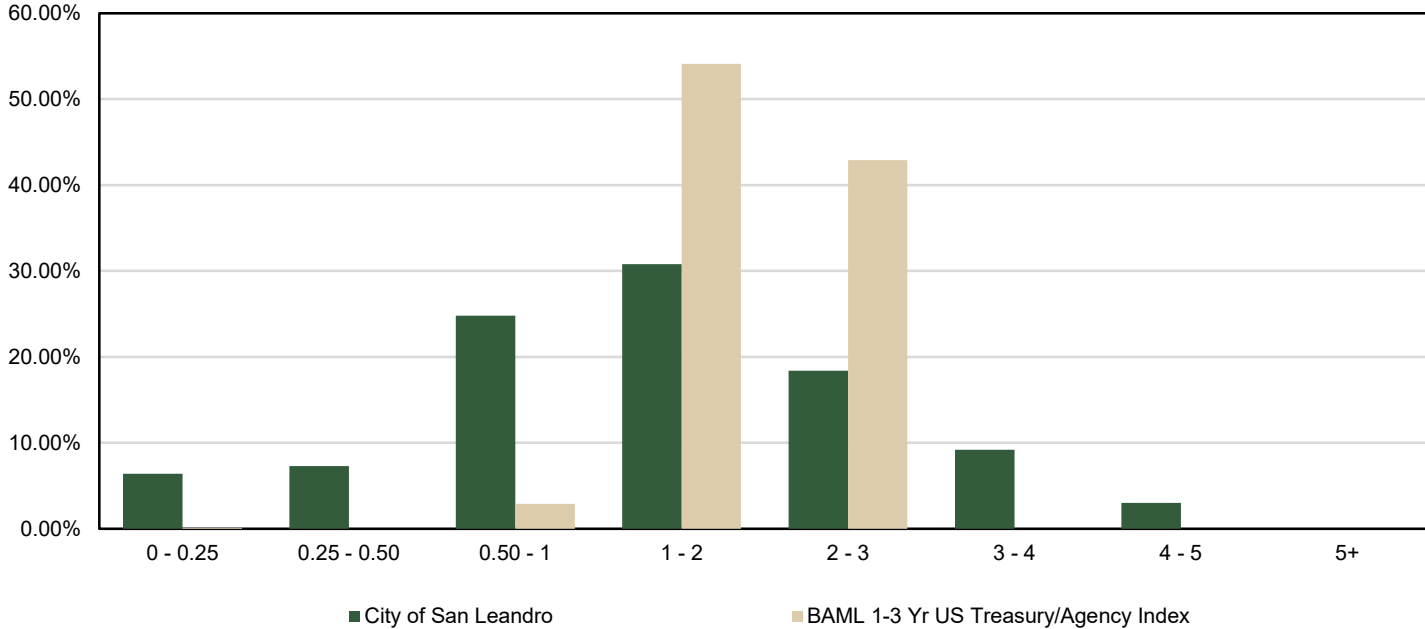
Source: S&P Ratings



Duration Distribution

City of San Leandro

Portfolio Compared to the Benchmark as of June 30, 2017



	0 - 0.25	0.25 - 0.50	0.50 - 1	1 - 2	2 - 3	3 - 4	4 - 5	5+
Portfolio	6.4%	7.3%	24.8%	30.8%	18.4%	9.2%	3.0%	0.0%
Benchmark*	0.1%	0.0%	2.9%	54.1%	42.9%	0.0%	0.0%	0.0%

*BAML 1-3 Yr US Treasury/Agency Index



Investment Performance

City of San Leandro

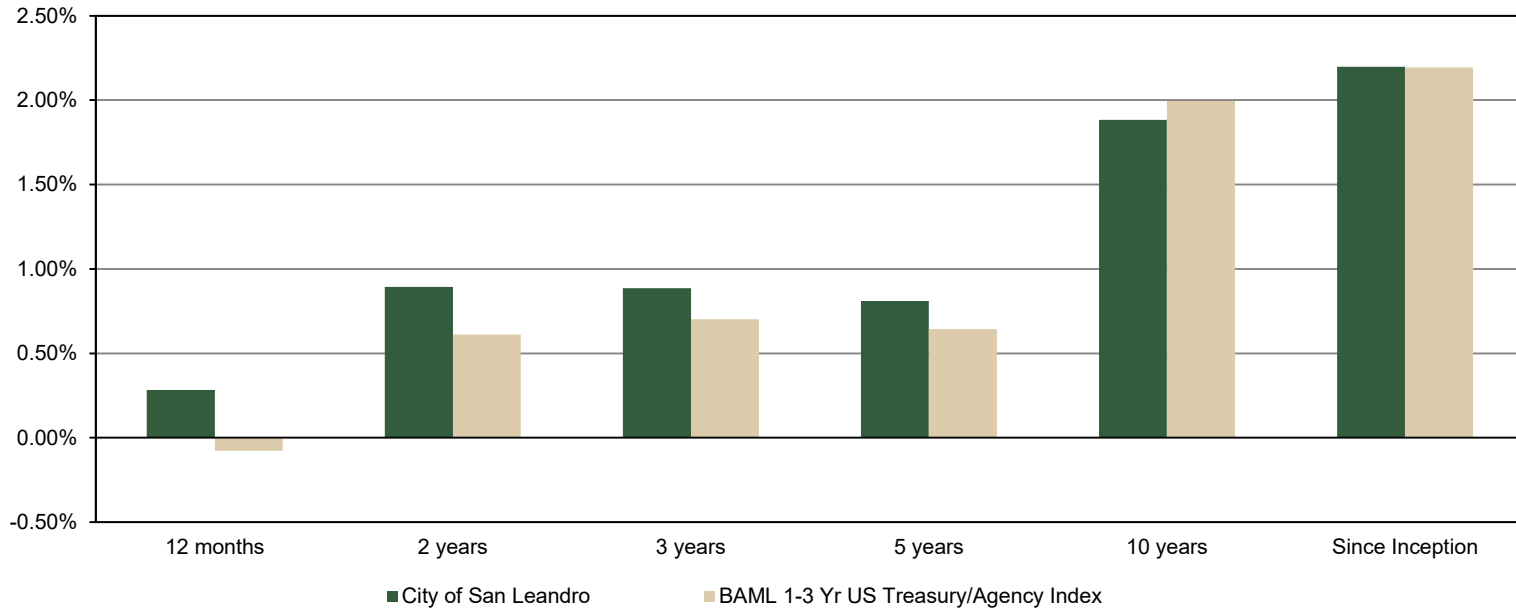
Period Ending

June 30, 2017

Total Rate of Return

Annualized Since Inception

April 30, 2004



	3 months	12 months	Annualized				Since Inception
			2 years	3 years	5 years	10 years	
City of San Leandro	0.28%	0.28%	0.89%	0.89%	0.81%	1.88%	2.20%
BAML 1-3 Yr US Treasury/Agency Index	0.18%	-0.08%	0.61%	0.70%	0.64%	2.00%	2.19%

Total rate of return: A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains and losses in the portfolio.

SECTION 3

Portfolio Holdings



Holdings Report

City of San Leandro - Account #460

For the Month Ending 6/30/2017

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
Agency									
3137EADJ5	FHLMC Note 1.000% Due 07/28/2017	800,000.00	03/05/2014 0.94%	801,728.00 800,037.63	100.00 1.04%	799,972.00 3,400.00	1.79% (65.63)	Aaa / AA+ AAA	0.08 0.08
3133EDVU3	FFCB Note 1.125% Due 09/22/2017	750,000.00	09/18/2014 1.21%	748,117.50 749,857.44	99.99 1.16%	749,934.00 2,320.31	1.67% 76.56	Aaa / AA+ AAA	0.23 0.23
3133EDXA5	FFCB Note 1.150% Due 10/10/2017	775,000.00	11/18/2014 1.02%	777,790.00 775,266.85	100.02 1.09%	775,121.68 2,005.31	1.73% (145.17)	Aaa / AA+ AAA	0.28 0.28
3135G0TG8	FNMA Note 0.875% Due 02/08/2018	800,000.00	12/16/2013 1.37%	784,056.00 797,660.56	99.80 1.20%	798,439.20 2,780.56	1.78% 778.64	Aaa / AA+ AAA	0.61 0.60
3137EADP1	FHLMC Note 0.875% Due 03/07/2018	965,000.00	11/25/2014 1.16%	956,199.20 963,169.26	99.74 1.25%	962,501.62 2,673.85	2.15% (667.64)	Aaa / AA+ AAA	0.68 0.68
313378A43	FHLB Note 1.375% Due 03/09/2018	800,000.00	02/28/2014 1.27%	803,288.00 800,562.57	100.10 1.23%	800,800.80 3,422.22	1.79% 238.23	Aaa / AA+ AAA	0.69 0.68
3135G0WJ8	FNMA Note 0.875% Due 05/21/2018	1,050,000.00	12/16/2014 1.22%	1,037,914.50 1,046,869.94	99.66 1.26%	1,046,410.05 1,020.83	2.33% (459.89)	Aaa / AA+ AAA	0.89 0.88
313379DT3	FHLB Note 1.250% Due 06/08/2018	650,000.00	08/18/2015 1.12%	652,392.00 650,798.89	99.96 1.29%	649,761.45 519.10	1.45% (1,037.44)	Aaa / AA+ AAA	0.94 0.93
3135G0E33	FNMA Note 1.125% Due 07/20/2018	400,000.00	07/28/2015 1.09%	400,456.80 400,161.37	99.80 1.32%	399,190.80 2,012.50	0.89% (970.57)	Aaa / AA+ AAA	1.05 1.04
3130A6AE7	FHLB Note 1.125% Due 09/14/2018	975,000.00	10/26/2015 0.97%	979,202.25 976,755.93	99.69 1.38%	971,997.00 3,260.16	2.17% (4,758.93)	Aaa / AA+ AAA	1.21 1.19
313376BR5	FHLB Note 1.750% Due 12/14/2018	1,000,000.00	01/06/2016 1.35%	1,011,550.00 1,005,721.13	100.54 1.37%	1,005,388.00 826.39	2.24% (333.13)	Aaa / AA+ AAA	1.46 1.43
3135G0H63	FNMA Note 1.375% Due 01/28/2019	1,000,000.00	01/06/2016 1.38%	999,898.00 999,947.35	99.99 1.38%	999,863.00 5,843.75	2.24% (84.35)	Aaa / AA+ AAA	1.58 1.55
3133782M2	FHLB Note 1.500% Due 03/08/2019	775,000.00	02/16/2016 1.07%	784,966.50 780,497.22	100.12 1.43%	775,951.70 3,648.96	1.73% (4,545.52)	Aaa / AA+ AAA	1.69 1.65
3137EADZ9	FHLMC Note 1.125% Due 04/15/2019	385,000.00	06/23/2016 0.98%	386,493.80 385,951.66	99.55 1.38%	383,270.20 914.38	0.85% (2,681.46)	Aaa / AA+ AAA	1.79 1.76
3135G0ZE6	FNMA Note 1.750% Due 06/20/2019	1,000,000.00	05/29/2015 1.37%	1,014,928.00 1,007,252.18	100.66 1.41%	1,006,566.00 534.72	2.24% (686.18)	Aaa / AA+ AAA	1.97 1.93
3130A8DB6	FHLB Note 1.125% Due 06/21/2019	550,000.00	06/06/2016 1.04%	551,364.00 550,885.55	99.44 1.41%	546,910.10 171.88	1.22% (3,975.45)	Aaa / AA+ AAA	1.98 1.94
3137EADK2	FHLMC Note 1.250% Due 08/01/2019	450,000.00	12/15/2015 1.54%	445,351.50 447,328.17	99.60 1.44%	448,203.60 2,343.75	1.00% 875.43	Aaa / AA+ AAA	2.09 2.04
3137EADM8	FHLMC Note 1.250% Due 10/02/2019	850,000.00	03/28/2016 1.20%	851,385.50 850,889.44	99.45 1.50%	845,324.15 2,626.74	1.89% (5,565.29)	Aaa / AA+ AAA	2.26 2.21
3130AA3R7	FHLB Note 1.375% Due 11/15/2019	875,000.00	11/29/2016 1.43%	873,617.50 873,890.16	99.69 1.51%	872,310.25 1,537.33	1.94% (1,579.91)	Aaa / AA+ AAA	2.38 2.32
3135G0T29	FNMA Note 1.500% Due 02/28/2020	675,000.00	03/07/2017 1.69%	671,321.25 671,710.45	99.74 1.60%	673,230.83 3,459.38	1.50% 1,520.38	Aaa / AA+ AAA	2.67 2.58



Holdings Report

City of San Leandro - Account #460

For the Month Ending 6/30/2017

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
3137EAEF2	FHLMC Note 1.375% Due 04/20/2020	550,000.00	04/19/2017 1.48%	548,245.50 548,360.76	99.41 1.59%	546,746.75 1,491.49	1.22% (1,614.01)	Aaa / AA+ AAA	2.81 2.73
3137EADR7	FHLMC Note 1.375% Due 05/01/2020	790,000.00	08/25/2016 1.07%	798,571.50 796,600.82	99.34 1.62%	784,748.87 1,810.42	1.75% (11,851.95)	Aaa / AA+ AAA	2.84 2.76
313383HU8	FHLB Note 1.750% Due 06/12/2020	825,000.00	06/05/2017 1.54%	830,123.25 830,007.02	100.34 1.63%	827,802.53 761.98	1.84% (2,204.49)	Aaa / AA+ NR	2.95 2.86
Total Agency		17,690,000.00	1.24%	17,708,960.55 17,710,182.35	1.36%	17,670,444.58 49,386.01	39.40% (39,737.77)	Aaa / AA+ Aaa	1.49 1.46

Money Market Fund FI

60934N104	Federated Investors Government Obligations Fund	24,667.77	Various 0.82%	24,667.77 24,667.77	1.00 0.82%	24,667.77 0.00	0.05% 0.00	Aaa / AAA NR	0.00 0.00
Total Money Market Fund FI		24,667.77	0.82%	24,667.77	0.82%	24,667.77	0.05% 0.00	Aaa / AAA NR	0.00 0.00

Supranational

459058DL4	Intl. Bank Recon & Development Note 1.875% Due 03/15/2019	900,000.00	04/12/2016 1.02%	922,095.00 912,892.20	100.58 1.53%	905,255.10 4,968.75	2.02% (7,637.10)	Aaa / AAA AAA	1.71 1.67
4581X0BY3	Inter-American Dev Bank Note 1.125% Due 09/12/2019	500,000.00	06/06/2016 1.12%	500,080.00 500,053.89	98.66 1.75%	493,322.00 1,703.13	1.10% (6,731.89)	Aaa / AAA AAA	2.20 2.15
45950KCD0	International Finance Corp Note 1.750% Due 09/16/2019	500,000.00	06/23/2016 1.12%	509,940.00 506,803.72	100.43 1.55%	502,135.50 2,552.08	1.12% (4,668.22)	Aaa / AAA NR	2.21 2.15
459058FH1	Intl. Bank Recon & Development Note 1.375% Due 05/24/2021	600,000.00	03/21/2017 2.01%	584,772.00 585,762.52	97.91 1.93%	587,470.80 847.92	1.31% 1,708.28	Aaa / AAA AAA	3.90 3.77
4581X0CW6	Inter-American Dev Bank Note 2.125% Due 01/18/2022	800,000.00	01/26/2017 2.20%	797,264.00 797,491.87	100.60 1.99%	804,805.60 7,697.22	1.81% 7,313.73	Aaa / NR AAA	4.56 4.28
Total Supranational		3,300,000.00	1.52%	3,314,151.00 3,303,004.20	1.75%	3,292,989.00 17,769.10	7.36% (10,015.20)	Aaa / AAA Aaa	2.95 2.83

US Corporate

48126EAA5	JP Morgan Note 2.000% Due 08/15/2017	475,000.00	01/29/2014 1.61%	481,412.50 475,223.35	100.07 1.42%	475,339.15 3,588.89	1.07% 115.80	A3 / A- A+	0.13 0.12
68389XAN5	Oracle Corp Note 1.200% Due 10/15/2017	400,000.00	02/21/2013 1.23%	399,388.00 399,961.66	99.95 1.37%	399,800.40 1,013.33	0.89% (161.26)	A1 / AA- A+	0.29 0.29
74005PBC7	Praxair Note 1.050% Due 11/07/2017	450,000.00	08/13/2013 1.71%	437,940.00 448,992.40	99.85 1.47%	449,339.85 708.75	1.00% 347.45	A2 / A NR	0.36 0.35
166764AA8	Chevron Corp Callable Note Cont 11/5/17 1.104% Due 12/05/2017	650,000.00	10/10/2013 1.54%	638,605.50 648,816.06	99.94 1.27%	649,621.70 518.27	1.45% 805.64	Aa2 / AA- NR	0.43 0.35
94974BFG0	Wells Fargo Corp Note 1.500% Due 01/16/2018	700,000.00	10/17/2014 1.38%	702,667.00 700,449.01	99.97 1.56%	699,775.30 4,812.50	1.57% (673.71)	A2 / A AA-	0.55 0.54
24422EST7	John Deere Capital Corp Note 1.350% Due 01/16/2018	500,000.00	01/22/2015 1.30%	500,740.00 500,135.72	99.92 1.50%	499,589.00 3,093.75	1.12% (546.72)	A2 / A A	0.55 0.54



Holdings Report

City of San Leandro - Account #460

For the Month Ending 6/30/2017

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
40428HPH9	HSBC USA Inc Note 1.625% Due 01/16/2018	500,000.00	02/20/2015 1.60%	500,305.00 500,057.48	100.03 1.56%	500,168.00 3,723.96	1.12% 110.52	A2 / A AA-	0.55 0.54
808513AK1	Charles Schwab Corp Callable Note Cont 2/10/2018 1.500% Due 03/10/2018	500,000.00	03/16/2015 1.46%	500,565.00 500,130.98	100.03 1.45%	500,139.00 2,312.50	1.12% 8.02	A2 / A A	0.69 0.60
36962G6W9	General Electric Capital Corp Note 1.625% Due 04/02/2018	128,000.00	11/18/2015 1.61%	128,043.52 128,013.90	100.16 1.42%	128,198.53 514.22	0.29% 184.63	A1 / AA- AA-	0.76 0.75
747525AG8	Qualcomm Inc Note 1.400% Due 05/18/2018	550,000.00	01/22/2016 1.66%	546,711.00 548,746.12	99.94 1.47%	549,654.05 876.94	1.22% 907.93	A1 / A NR	0.88 0.87
06406HCL1	Bank of New York Callable Note Cont 7/2/2018 2.100% Due 08/01/2018	500,000.00	02/28/2014 1.83%	505,590.00 501,294.90	100.50 1.60%	502,485.50 4,375.00	1.13% 1,190.60	A1 / A AA-	1.09 0.98
89236TAY1	Toyota Motor Credit Corp Note 2.000% Due 10/24/2018	450,000.00	10/14/2015 1.51%	456,525.00 452,844.69	100.54 1.58%	452,443.05 1,675.00	1.01% (401.64)	Aa3 / AA- A	1.32 1.29
30231GAD4	Exxon Mobil Corp Callable Note Cont 2/15/2019 1.819% Due 03/15/2019	450,000.00	05/13/2016 1.30%	456,475.50 453,906.65	100.39 1.57%	451,775.70 2,410.18	1.01% (2,130.95)	Aaa / AA+ NR	1.71 1.59
532457BF4	Eli Lilly & Co Note 1.950% Due 03/15/2019	400,000.00	08/11/2016 1.11%	408,532.00 405,639.64	100.44 1.69%	401,770.80 2,296.67	0.90% (3,868.84)	A2 / AA- A	1.71 1.67
037833AQ3	Apple Inc Note 2.100% Due 05/06/2019	500,000.00	05/13/2016 1.26%	512,220.00 507,605.06	100.94 1.58%	504,687.50 1,604.17	1.13% (2,917.56)	Aa1 / AA+ NR	1.85 1.80
02665WAZ4	American Honda Finance Note 2.450% Due 09/24/2020	500,000.00	10/07/2016 1.72%	513,870.00 511,359.55	101.35 2.01%	506,774.50 3,300.69	1.13% (4,585.05)	A1 / A+ NR	3.24 3.08
594918BG8	Microsoft Callable Note Cont. 10/03/20 2.000% Due 11/03/2020	650,000.00	11/14/2016 1.95%	651,163.50 650,977.80	100.36 1.89%	652,340.65 2,094.44	1.46% 1,362.85	Aaa / AAA AA+	3.35 3.13
00440EAT4	ACE INA Holdings Inc Callable Note Cont 10/3/2020 2.300% Due 11/03/2020	500,000.00	04/19/2017 2.05%	504,055.00 503,835.81	100.57 2.12%	502,851.00 1,852.78	1.12% (984.81)	A3 / A A	3.35 3.11
91159HHL7	US Bancorp Callable Note 1X 12/29/2020 2.350% Due 01/29/2021	500,000.00	06/02/2017 2.02%	505,555.00 505,452.52	100.49 2.20%	502,474.50 4,961.11	1.13% (2,978.02)	A1 / A+ AA	3.59 3.31
084670BQ0	Berkshire Hathaway Callable Note Cont 2/15/2021 2.200% Due 03/15/2021	525,000.00	01/26/2017 2.26%	523,740.00 523,866.50	100.77 1.98%	529,029.38 3,400.83	1.18% 5,162.88	Aa2 / AA A+	3.71 3.49
17275RBJ0	Cisco Systems Callable Note Cont 8/20/2021 1.850% Due 09/20/2021	550,000.00	03/01/2017 2.36%	537,922.00 538,773.79	98.77 2.16%	543,220.15 2,854.65	1.21% 4,446.36	A1 / AA- NR	4.23 4.02
Total US Corporate		10,378,000.00	1.66%	10,412,025.52 10,406,083.59	1.67%	10,401,477.71 51,988.63	23.25% (4,605.88)	A1 / A+ A+	1.69 1.59

US Treasury									
912828TM2	US Treasury Note 0.625% Due 08/31/2017	825,000.00	05/19/2014 0.94%	816,720.54 824,578.78	99.94 0.99%	824,484.38 1,723.42	1.84% (94.40)	Aaa / AA+ AAA	0.17 0.17
912828UA6	US Treasury Note 0.625% Due 11/30/2017	1,020,000.00	Various 0.89%	1,011,954.98 1,018,899.08	99.79 1.12%	1,017,895.74 539.96	2.26% (1,003.34)	Aaa / AA+ AAA	0.42 0.42
912828UJ7	US Treasury Note 0.875% Due 01/31/2018	1,175,000.00	Various 1.13%	1,165,080.11 1,173,285.66	99.82 1.18%	1,172,942.58 4,288.59	2.62% (343.08)	Aaa / AA+ AAA	0.59 0.58
912828H94	US Treasury Note 1.000% Due 02/15/2018	1,000,000.00	02/13/2015 1.02%	999,495.54 999,894.40	99.86 1.22%	998,596.00 3,756.91	2.23% (1,298.40)	Aaa / AA+ AAA	0.63 0.62



Holdings Report

City of San Leandro - Account #460

For the Month Ending 6/30/2017

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
912828J68	US Treasury Note 1.000% Due 03/15/2018	500,000.00	03/16/2015 1.04%	499,396.21 499,858.16	99.83 1.24%	499,160.00 1,467.39	1.11% (698.16)	Aaa / AA+ AAA	0.71 0.70
912828K25	US Treasury Note 0.750% Due 04/15/2018	800,000.00	04/20/2015 0.83%	798,127.68 799,505.30	99.59 1.27%	796,718.40 1,262.30	1.77% (2,786.90)	Aaa / AA+ AAA	0.79 0.79
912828XK1	US Treasury Note 0.875% Due 07/15/2018	725,000.00	Various 1.00%	722,713.36 724,081.11	99.56 1.30%	721,828.13 2,926.54	1.61% (2,252.98)	Aaa / AA+ AAA	1.04 1.03
912828L40	US Treasury Note 1.000% Due 09/15/2018	1,300,000.00	09/24/2015 0.97%	1,301,070.76 1,300,434.81	99.63 1.31%	1,295,125.00 3,815.22	2.89% (5,309.81)	Aaa / AA+ AAA	1.21 1.19
912828L81	US Treasury Note 0.875% Due 10/15/2018	1,000,000.00	Various 1.16%	992,198.66 996,422.53	99.42 1.33%	994,219.00 1,840.85	2.21% (2,203.53)	Aaa / AA+ AAA	1.29 1.28
912828N22	US Treasury Note 1.250% Due 12/15/2018	1,000,000.00	01/06/2016 1.27%	999,495.54 999,749.89	99.85 1.35%	998,516.00 546.45	2.22% (1,233.89)	Aaa / AA+ AAA	1.46 1.44
912828C65	US Treasury Note 1.625% Due 03/31/2019	1,000,000.00	01/06/2016 1.36%	1,008,362.73 1,004,525.38	100.45 1.36%	1,004,492.00 4,084.70	2.24% (33.38)	Aaa / AA+ AAA	1.75 1.72
912828UB4	US Treasury Note 1.000% Due 11/30/2019	775,000.00	08/30/2016 0.98%	775,486.97 775,362.15	98.95 1.45%	766,826.08 656.42	1.71% (8,536.07)	Aaa / AA+ AAA	2.42 2.38
912828UV0	US Treasury Note 1.125% Due 03/31/2020	1,000,000.00	Various 1.57%	981,265.07 988,318.74	98.96 1.51%	989,648.00 2,827.86	2.21% 1,329.26	Aaa / AA+ AAA	2.75 2.69
912828XM7	US Treasury Note 1.625% Due 07/31/2020	500,000.00	04/19/2017 1.47%	502,501.68 502,351.33	100.12 1.59%	500,586.00 3,389.16	1.12% (1,765.33)	Aaa / AA+ AAA	3.09 2.98
912828L65	US Treasury Note 1.375% Due 09/30/2020	425,000.00	06/20/2017 1.58%	422,228.96 422,252.11	99.26 1.61%	421,845.65 1,468.92	0.94% (406.46)	Aaa / AA+ AAA	3.25 3.15
912828N89	US Treasury Note 1.375% Due 01/31/2021	425,000.00	06/20/2017 1.63%	421,149.86 421,179.03	98.95 1.68%	420,550.68 2,437.59	0.94% (628.35)	Aaa / AA+ AAA	3.59 3.46
Total US Treasury		13,470,000.00	1.14%	13,417,248.65 13,450,698.46	1.32%	13,423,433.64 37,032.28	29.93% (27,264.82)	Aaa / AA+ Aaa	1.39 1.37
TOTAL PORTFOLIO		44,862,667.77	1.33%	44,877,053.49 44,894,636.37	1.45%	44,813,012.70 156,176.02	100.00% (81,623.67)	Aa1 / AA+ Aaa	1.61 1.56
TOTAL MARKET VALUE PLUS ACCRUALS						44,969,188.72			

SECTION 4

Transactions



Transaction Ledger

City of San Leandro - Account #460

March 31, 2017 through June 30, 2017

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
ACQUISITIONS										
Purchase	04/20/2017	3137EAEF2	550,000.00	FHLMC Note 1.375% Due: 04/20/2020	99.681	1.48%	548,245.50	0.00	548,245.50	0.00
Purchase	04/20/2017	912828XM7	500,000.00	US Treasury Note 1.625% Due: 07/31/2020	100.500	1.47%	502,501.68	1,773.14	504,274.82	0.00
Purchase	04/24/2017	00440EAT4	500,000.00	ACE INA Holdings Inc Callable Note Cont 10/3/2020 2.3% Due: 11/03/2020	100.811	2.05%	504,055.00	5,462.50	509,517.50	0.00
Purchase	06/06/2017	313383HU8	825,000.00	FHLB Note 1.75% Due: 06/12/2020	100.621	1.54%	830,123.25	6,978.13	837,101.38	0.00
Purchase	06/07/2017	91159HHL7	500,000.00	US Bancorp Callable Note 1X 12/29/2020 2.35% Due: 01/29/2021	101.111	2.02%	505,555.00	4,177.78	509,732.78	0.00
Purchase	06/21/2017	912828L65	425,000.00	US Treasury Note 1.375% Due: 09/30/2020	99.348	1.58%	422,228.96	1,309.26	423,538.22	0.00
Purchase	06/21/2017	912828N89	425,000.00	US Treasury Note 1.375% Due: 01/31/2021	99.094	1.63%	421,149.86	2,276.16	423,426.02	0.00
	Subtotal		3,725,000.00				3,733,859.25	21,976.97	3,755,836.22	0.00
TOTAL ACQUISITIONS			3,725,000.00				3,733,859.25	21,976.97	3,755,836.22	0.00
DISPOSITIONS										
Call	04/15/2017	91159HHD5	500,000.00	US Bancorp Callable Note Cont 4/15/2017 1.65% Due: 05/15/2017	100.000	1.65%	500,000.00	3,437.50	503,437.50	0.00
	Subtotal		500,000.00				500,000.00	3,437.50	503,437.50	0.00
Maturity	04/20/2017	3135G0ZB2	1,000,000.00	FNMA Note 0.75% Due: 04/20/2017	100.000		1,000,000.00	0.00	1,000,000.00	0.00
Maturity	05/31/2017	912828SY7	775,000.00	US Treasury Note 0.625% Due: 05/31/2017	100.000		775,000.00	0.00	775,000.00	0.00
Maturity	06/01/2017	913017BU2	500,000.00	United Tech Corp Note 1.8% Due: 06/01/2017	100.000		500,000.00	0.00	500,000.00	0.00



Transaction Ledger

City of San Leandro - Account #460

March 31, 2017 through June 30, 2017

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
Maturity	06/21/2017	313379DD8	800,000.00	FHLB Note 1% Due: 06/21/2017	100.000		800,000.00	0.00	800,000.00	0.00
	Subtotal		3,075,000.00				3,075,000.00	0.00	3,075,000.00	0.00
TOTAL DISPOSITIONS			3,575,000.00				3,575,000.00	3,437.50	3,578,437.50	0.00



Information contained herein is confidential. Prices are provided by IDC, an independent pricing source. In the event IDC does not provide a price or if the price provided is not reflective of fair market value, Chandler will obtain pricing from an alternative approved third party pricing source in accordance with our written valuation policy and procedures. Our valuation procedures are also disclosed in Item 5 of our Form ADV Part 2A.



City of San Leandro

Meeting Date: July 18, 2017

Staff Report

File Number: 17-431

Agenda Section: DISCUSSION ITEMS

Agenda Number: 2.B

TO: Finance Committee

FROM: Chris Zapata
City Manager

BY: David Baum
Finance Director

FINANCE REVIEW: Not Applicable

TITLE: Summary of Voter Approved Measures OO, PP, and NN

In November 2016, San Leandro voters approved Measures OO, PP, and NN. The Measures passed and took effect on January 1, 2017. A summary of these measures and revenue estimates through June 30, 2017 are set forth below.

- 1) A medical cannabis business tax of up to 10% of gross receipts;
- 2) A modified business license tax that would reduce fees for small businesses, while charging up to 10% of gross receipts for parking lots, and also charging \$100 per 1,000 square feet of real property that is used for warehouse businesses; and
- 3) An increased transient occupancy tax of up to 14%.

These potential revenue sources align with previously adopted City Council goals and policy priorities, as outlined below. Furthermore, these new revenue sources would not directly impact the vast majority of San Leandro residents, as they would be paid by a select number of businesses and people from out of town.

Overview of Potential Cannabis Business Tax - no revenue pending the opening of the first dispensary

Now that the City has issued three cannabis dispensary permits, the City has an opportunity to derive an important new source of revenue from these businesses. Similar to many other communities that have permitted the operation of cannabis businesses, the tax in San Leandro is based on the cannabis dispensaries' annual gross receipts. Given that the specific rates of such taxes vary by jurisdiction, coupled with the rapidly evolving legal and regulatory landscape surrounding the cannabis industry, the ballot measure was structured such that the tax amount would be "up to" 10% of gross receipts. The language allows the City flexibility to modify the rate over time up to that maximum 10% threshold. The ordinance has also been structured such that it would apply to any business involving the use of any component of the

cannabis plant

Given that no permitted cannabis dispensaries are yet operating in San Leandro, there is uncertainty as to how much revenue will be derived from the tax. However, based upon revenue estimates provided by permit recipients (Harborside San Leandro, Blum and Davis Street Wellness) as part of its application materials for their dispensary permits, staff estimates that this revenue measure could potentially generate more than \$500,000 per year based on the initial rate of 6% of gross receipts.

Overview of Modifications to the Business License Tax - \$500,000 is expected through June 30

The modifications to the business license tax have been designed to align the City's business license tax rates with City Council priorities to support small businesses located in San Leandro, while also incentivizing the productive use of the City's industrial areas.

Small Business Discount:

As structured in the ordinance, the per-employee component of the business license tax for small San Leandro businesses with three or fewer employees is eliminated. Previously, these businesses paid a flat fee of \$128.20, plus a per-employee fee that varies by business type. The per-employee fee is waived for small businesses.

This modification results in a tax reduction for approximately 2,300 small businesses located in San Leandro and an estimated decrease in business license tax revenue of \$250,000 annually.

Warehouse Rate Change:

Additionally, the ordinance modifies the tax rate applied to warehouse and distribution businesses. They were previously charged a flat fee of \$128.20, plus a per-employee fee. The ordinance charge them \$100 per 1,000 square feet of building space. The rationale for this change is to align the business license fee with the impact of such businesses, much of which comes from the physical size of their business rather than the number of employees. Warehouse and distribution businesses cause heavy wear on local streets through truck and delivery traffic, but generate relatively few jobs and limited business license revenue or sales tax. By modifying the business license tax rate based on square footage, the tax would better reflect such businesses' impacts on City infrastructure and services. The estimated additional business license revenue to be generated from this change in collection methodology is \$450,000 annually.

Parking Lot Range Change:

Lastly, the ordinance would modify the business tax rate that is applied to parking lots (such as those providing long-term parking for Oakland International Airport). Previously, parking lots paid a flat fee of \$128.20, plus \$38.50 per parking space. The ordinance charges such businesses a rate of 10% of gross receipts. In comparison, the rate in the Oakland is set at 18.5% of gross receipts. The rate would enable the City of San Leandro to capture additional revenue while still providing parking lot businesses in San Leandro a competitive advantage over those located in Oakland. The estimated additional business license revenue to be generated from this change in collection methodology is more than \$600,000 annually.

In summary, staff estimates that the above modifications to the City's business license tax which align the taxes collected with the economic priorities of the City could generate more than \$800,000 annually, while simultaneously reducing the tax burden for approximately 2,300 small businesses located in San Leandro.

Overview of Increase in Transient Occupancy Tax - \$235,000 is expected through June 30, 2017

The City's previous transient occupancy tax (TOT) was 10%, which is charged to travelers when renting overnight accommodations of a limited duration in a hotel, inn, tourist home or house, motel or other lodging located within San Leandro. Other communities in the region have established higher rates, including the cities of Oakland and San Francisco, each of which presently have TOT rates of 14%. In addition, the redevelopment of the San Leandro shoreline area is expected to result in the creation of at least one new hotel in San Leandro, which could provide an important source of additional TOT revenue in the future. An additional \$400,000 in annual revenue is anticipated, with the potential for greater increases in the future as new hotels are constructed.

Conclusion

In total, Measures OO, PP, and NN will generate an estimated \$735,000 through June 30, 2017. This is based on six months unaudited receipts; approximately \$310,000 quarterly receipts are accrued and expected to be received at the end of July.

PREPARED BY: David Baum, Finance Director, Finance



City of San Leandro

Meeting Date: July 18, 2017

Staff Report

File Number: 17-433

Agenda Section: DISCUSSION ITEMS

Agenda Number: 2.C

TO: Finance Committee

FROM: Chris Zapata
City Manager

BY: David Baum
Finance Director

FINANCE REVIEW: Not Applicable

TITLE: Staff Report for CalPERS Pre-Payment Option for Unfunded Liability

SUMMARY AND RECOMMENDATIONS

CalPERS is offering a pre-payment option for the unfunded liability portion of the Annual Required Contribution (ARC) related to the City's Miscellaneous, Safety and PEPRA employee pensions. The total upfront payment amount is \$ 8,263,205. The upfront payment option will save the City \$ 304,270 in avoided interest costs, which accrue interest at a 7.1% interest rate if paid monthly. The wire transfer is due to CalPERS on or before 7/31. Set forth below is a summary of the savings for each of the City's three pension plans - Miscellaneous, Safety and PEPRA.

BACKGROUND

The City's Adopted Biennial Budget for FY 17-18 allocates \$15,304,309 for the City's contribution to CalPERS, which is presented in Section 9 of the Adopted Biennial Budget. This is the third year that the City has been offered the pre-payment option. We have exercised the option in each of the past two years.

Analysis

CalPERS Prepayment Option 7/31/2017

	Misc	Safety	PEPRA	Total
Pay over 12 months	\$4,854,660	\$3,711,880	\$935	\$8,567,475
Pre-Pay Full Year	\$4,682,248	\$3,580,055	\$902	\$8,263,205
Upfront Discount	\$172,412	\$131,825	\$33	\$304,270
% Savings				3.6%

Note: PEPRA refers to Public Employee Pension Reform Act, which caused certain new employees joining the City on or after January 1, 2013 to receive a reduced pension benefit

PREPARED BY: David Baum, Director, Finance



City of San Leandro

Meeting Date: July 18, 2017

Oral/Discussion Item

File Number: 17-436

Agenda Section: DISCUSSION ITEMS

Agenda Number: 2.D

TO: Finance Committee

FROM: Chris Zapata
City Manager

BY:

FINANCE REVIEW: Not Applicable

TITLE: Budget in Brief Discussion

Discussion regarding Budget in Brief

PRESENTED BY: David Baum, Director, Finance