

# CITY OF SAN LEANDRO

## MEMORANDUM

DATE: June 1, 2012

TO: Finance Committee

FROM: Chris Zapata, City Manager

BY: David Baum, Finance Director  
Mary Ann Perini, Budget and Compliance Manager

SUBJECT: Investment Report, Quarter Ended March 31, 2012

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### RECOMMENDATION

Staff recommends that the Finance Committee review and accept the attached investment report for the quarter ended March 31, 2012.

### OVERVIEW

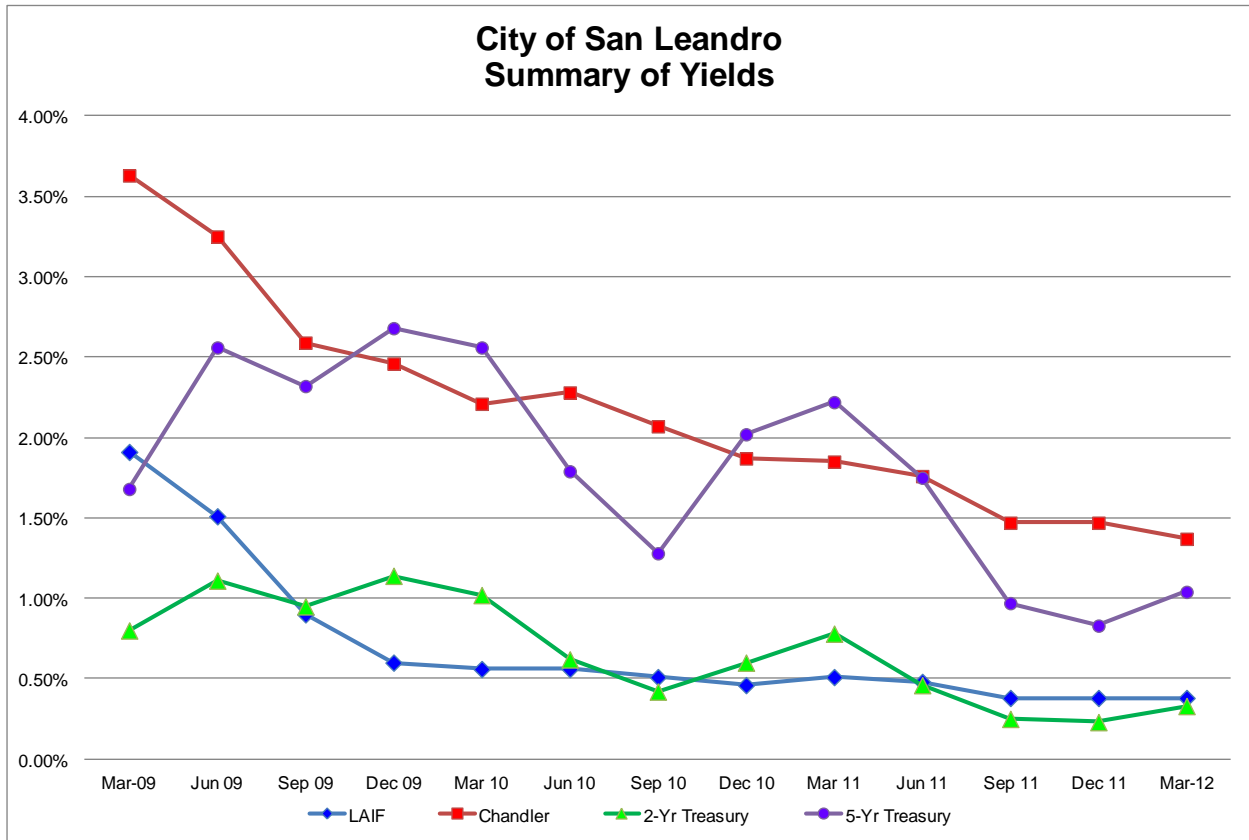
At March 31, 2012, the City's investment portfolio had a market value of \$76 million. Of the total \$76 million, \$48.2 million was placed with the Local Agency Investment Fund (LAIF) and bank accounts and \$28.3 million was placed in the Chandler Asset Management portfolio. On January 31, 2012 the Redevelopment Agency LAIF accounts were closed as a result of the dissolution of the San Leandro Redevelopment Agency. These funds were transferred to the City's Economic Development Agency LAIF account in the amount of \$9,346,000.

The rate of return for LAIF for the quarter was 0.38%, while the average book yield for the Chandler managed funds was 1.37%. The City's investment policy establishes three bases for the performance standard: the LAIF rate of return and the rate of return on 2-year and 5-year U.S. Treasury securities. Amounts invested in LAIF meet this performance standard. The Chandler managed funds average book yield was 1.37%, which exceeded both the benchmark rate of return on the 2-year U.S. Treasury securities of 0.33% and the 5-year U.S. Treasury security benchmark of 1.04%.

Amounts invested with LAIF are essentially liquid and funds can be withdrawn with minimal notice as City operations require. The rate of return earned by LAIF generally follows fixed income security rates. For example, a year ago the LAIF rate was 0.50% and it was 0.38% as of December 31, 2011.

The balance of the City's portfolio is with Chandler Asset Management. These investments range from one to four years in maturity. The attached report notes that the City is in compliance with all provisions of the City's Investment Policy. 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, but carefully monitors maturity dates to ensure that both short and long-term liquidity needs are met.



## CONCLUSION

Staff recommends that the Finance Committee review and accept the attached investment report for the quarter ended March 31, 2012.



# **City of San Leandro**

## City Council Investment Report

Quarter Ending  
March 31, 2012



**City of San Leandro**

**March 31, 2012**

**COMPLIANCE WITH INVESTMENT POLICY**

*Assets managed by Chandler Asset Management are in full compliance with State law and with the City's investment policy.*

<b>Category</b>	<b>Standard</b>	<b>Comment</b>
Treasury Issues	No limitations	Complies
Agency Issues	No limitations	Complies
Banker's Acceptances	40% maximum; 30% per issuer; A-rated; 180-day max. maturity	Complies
Commercial Paper	25% maximum; 10% per issuer; 270-day max. maturity; A1/P1 and AA-rated if LT debt	Complies
Negotiable Certificates of Deposit	30% maximum; 10% per issuer; AA-rated	Complies
Medium Terms Notes	30% maximum; AA-rated	Complies
Money Market Funds	AAA/Aaa rated; assets greater than \$500MM; 20% maximum	Complies
LAIF	Currently not used by adviser	Complies
Maximum Maturity	5 years	Complies

**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.

**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

	3/31/2012	12/31/2011
LAIF - City Pool #98-01-809	\$35,626,816	\$37,596,633
LAIF - Redevelopment Agency #65-01-005	0	346,307
LAIF - RDA 1999 Bond Proceeds #11-01-001	0	189
LAIF - RDA 2008 Bond Proceeds #11-01-038	0	8,989,267
LAIF - Economic Development Agency	8,022,000	2,960,348
Passbook/Checking Accounts	4,519,712	7,011,808
<b>Total LAIF and Bank Accounts</b>	<b>\$48,168,528</b>	<b>\$56,904,552</b>
Investment Portfolio Market Value	\$28,295,633	\$28,255,661
<b>Total Market Value</b>	<b>\$76,464,161</b>	<b>\$85,160,213</b>

LAIF Quarterly Apportionment Rate	0.38%	0.38%
2 year US Treasury Yield to Maturity	0.33%	0.23%
5 year US Treasury Yield to Maturity	1.04%	0.83%

### Investment Portfolio:

Average Maturity (yrs)	1.81	1.56
Modified Duration	1.75	1.51
Average Book Yield	1.37%	1.47%
Average Yield to Maturity at Market	0.45%	0.41%
Average Quality	AA+	AA+

## Portfolio Activity

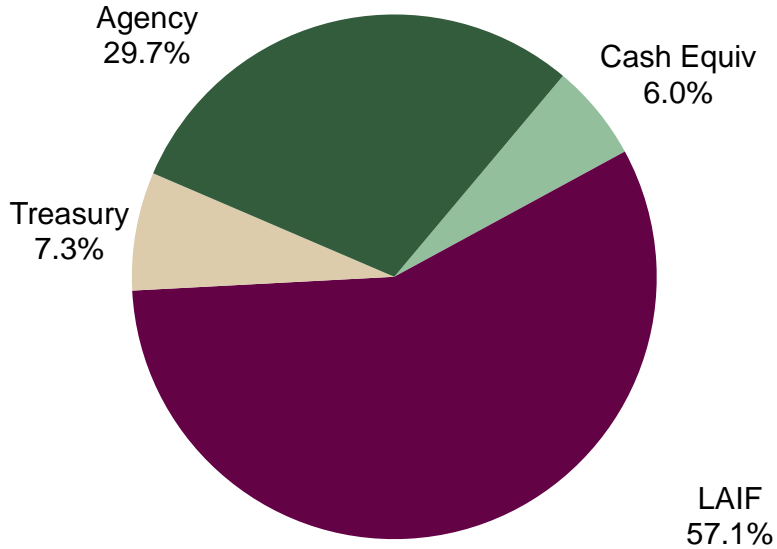
During the first quarter of 2012, activity in the portfolio managed by Chandler Asset Management consisted of the reinvestment of \$3.7 million in several Agency securities with maturities ranging from April 2015 to November 2016. The portfolio structure and maturity strategy has been directed by the City. Currently, the portfolio's average maturity is 1.81 years and is about equal to that of the 1-3 Year Government benchmark.

The Redevelopment LAIF accounts were closed on 1/31/12 for a total of \$9,346,000. These funds were then transferred to the City's Economic Development Agency LAIF account on February 9, 2012.

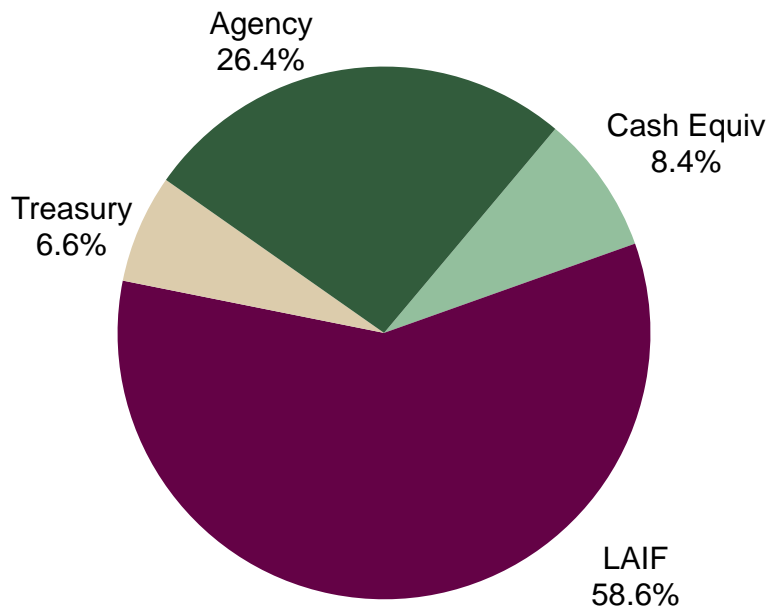


## Sector Distribution

**March 31, 2012**



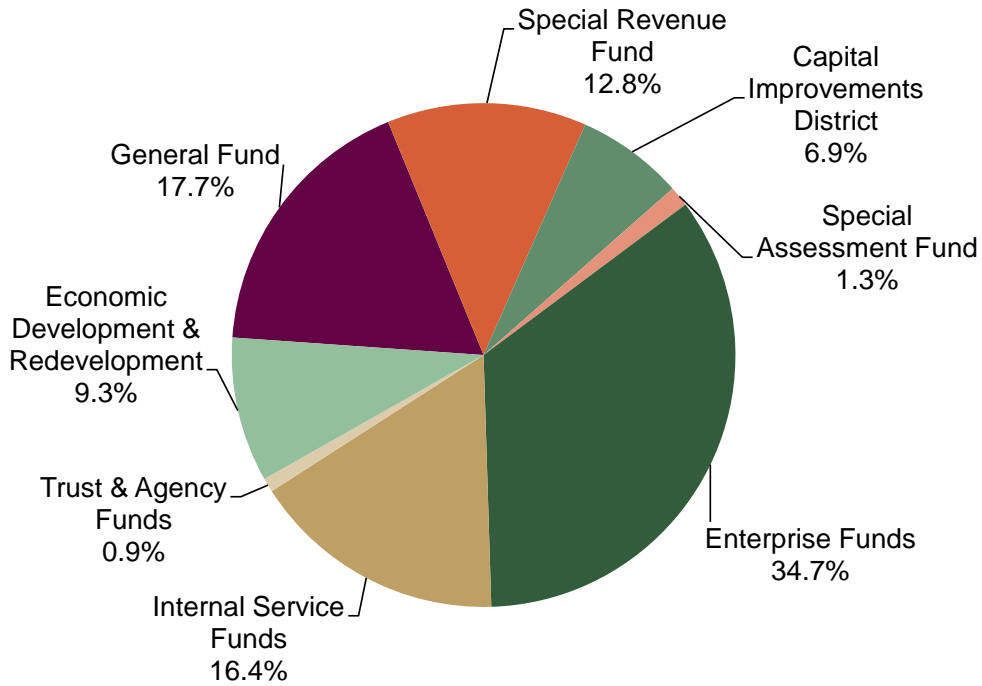
**December 31, 2011**



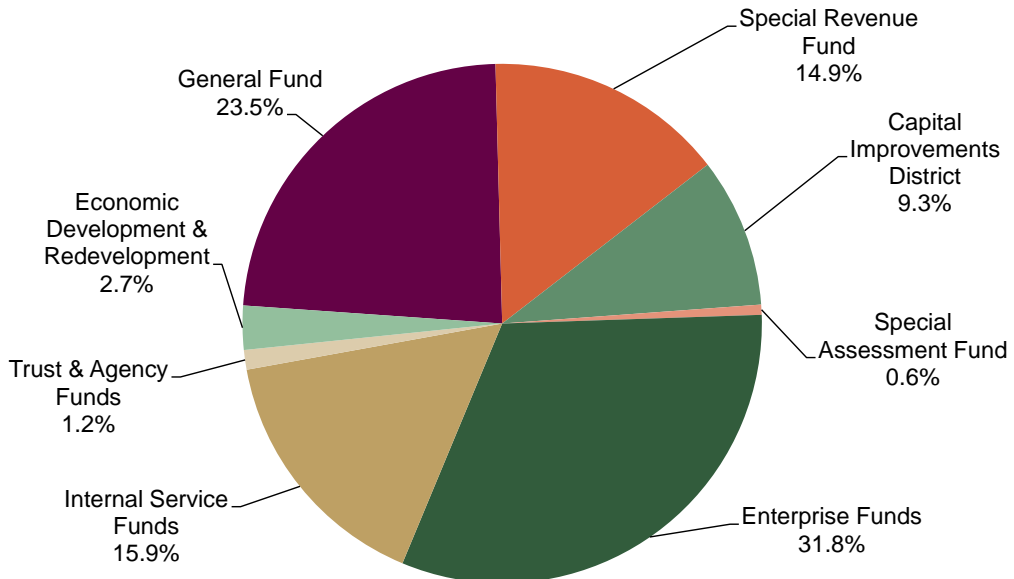


## City Fund Allocation

**March 31, 2012**



**December 31, 2011**





**City of San Leandro  
Investments by All Types  
Active Investments  
March 31, 2012**

CUSIP	Issuer	Coupon	Maturity Date	Par	Purchase Price	Book Value	Purchase Yield	MVACC
<b>LAIF</b>								
SYS113	LAIF - City Pool			\$35,626,816.00	100.00000	\$35,626,816.00		\$35,626,816.00
	LAIF - Economic Development Agency			8,022,000.00	100.00000	\$8,022,000.00		\$8,022,000.00
			<b>subtotal</b>	<b>\$43,648,816.00</b>		<b>\$43,648,816.00</b>		<b>\$ 43,648,816.00</b>
<b>Passbook/Checking Accounts</b>								
	Public Funds Checking			4,519,711.93	100.00000	4,519,711.93		4,519,711.93
			<b>subtotal</b>	<b>\$ 4,519,711.93</b>		<b>\$ 4,519,711.93</b>		<b>\$ 4,519,711.93</b>
<b>Government Issues</b>								
431114701	Govt Money Market Fund Highmark			41,543.19	100.00000	41,543.19		41,543.19
31398AWK4	Note FNMA	1.875	04/20/12	950,000.00	100.01232	950,117.06	1.63	958,785.05
31331GNQ8	Note FFCB	2.250	04/24/12	750,000.00	100.02581	750,193.59	1.83	758,307.38
912828GQ7	Note US Treasury	4.500	04/30/12	1,360,000.00	100.15720	1,362,137.93	2.41	1,390,292.42
3133MNVV0	Note FHLB	5.750	05/15/12	635,000.00	100.50256	638,191.25	1.48	653,045.57
3137EACC1	Note FHLMC	1.750	06/15/12	900,000.00	99.99167	899,925.03	1.79	907,573.30
912828GW4	Note US Treasury	4.875	06/30/12	500,000.00	100.14972	500,748.60	4.20	511,981.21
3134A4QD9	Note FHLMC	5.125	07/15/12	900,000.00	100.93485	908,413.63	1.77	922,801.90
31398AYM8	Note FNMA	1.750	08/10/12	975,000.00	99.96465	974,655.38	1.85	982,960.07
912828HC7	Note US Treasury	4.125	08/31/12	500,000.00	99.97341	499,867.07	4.20	509,937.98
31359MPF4	Note FNMA	4.375	09/15/12	655,000.00	101.18040	662,731.60	1.71	668,777.56
3137EABE8	Note FHLMC	4.125	12/21/12	700,000.00	101.82031	712,742.14	1.54	727,569.03
3137EACG2	Note FHLMC	1.375	01/09/13	675,000.00	99.86311	674,075.98	1.56	683,137.09
31331JBV4	Note FFCB	1.750	02/21/13	750,000.00	100.78485	755,886.38	0.86	760,888.08
3137EACJ6	Note FHLMC	1.625	04/15/13	675,000.00	99.90888	674,384.94	1.71	689,665.09
31331JPK3	Note FFCB	1.375	06/25/13	750,000.00	100.48949	753,671.14	0.97	763,195.25
912828JK7	Note US Treasury	3.125	08/31/13	670,000.00	103.26234	691,857.65	0.79	698,542.26
3133XRX88	Note FHLB	4.000	09/06/13	575,000.00	104.53529	601,077.91	0.79	606,736.42
31331GCS6	Note FFCB	3.875	10/07/13	575,000.00	104.48378	600,781.72	0.88	615,731.37
31360CWC2	Pool # 002443 FNMA	12.500	12/01/13	71.25	101.64211	72.42	11.07	76.39
912828KF6	Note US Treasury	1.875	02/28/14	750,000.00	101.77969	763,347.71	0.93	773,019.33
3133XWKV0	Note FHLB	2.375	03/14/14	1,250,000.00	102.32426	1,279,053.25	1.16	1,299,214.41
31398AXJ6	Note FNMA	2.500	05/15/14	750,000.00	102.62546	769,690.98	1.23	790,615.83
912828QM5	Note US Treasury	1.000	05/15/14	975,000.00	100.52431	980,112.02	0.75	991,493.31
912828LK4	Note US Treasury	2.375	08/31/14	670,000.00	102.78567	688,664.01	1.19	702,423.46
31331GL80	Note FFCB	3.000	09/22/14	975,000.00	104.96266	1,023,385.98	0.96	1,036,129.58
3133XVNU1	Note FHLB	2.750	12/12/14	1,000,000.00	103.47421	1,034,742.05	1.42	1,064,696.39
3137EACH0	Note FHLMC	2.875	02/09/15	925,000.00	103.29384	955,468.01	1.68	988,812.77
3137EADD8	Note FHLMC	0.500	04/17/15	800,000.00	99.43270	795,461.57	0.69	797,125.24
31398AU34	Note FNMA	2.375	07/28/15	600,000.00	105.91552	635,493.10	0.58	635,080.95
313370JB5	Note FHLB	1.750	09/11/15	1,225,000.00	102.72663	1,258,401.22	0.94	1,264,691.49
31398A4M1	Note FNMA	1.625	10/26/15	950,000.00	103.09402	979,393.18	0.74	985,202.75
3134A4ZT4	Note FHLMC	4.750	01/19/16	550,000.00	115.33793	634,358.60	0.65	633,967.95
3135G0BA0	Note FNMA	2.375	04/11/16	865,000.00	105.07589	908,906.41	1.08	923,245.89
313373S26	Note FHLB	2.125	06/10/16	850,000.00	104.02442	884,207.56	1.14	897,301.72
3135G0ES8	Note FNMA	1.375	11/15/16	650,000.00	101.81061	661,768.95	0.97	661,065.24
			<b>subtotal</b>	<b>\$ 27,321,614.44</b>		<b>\$ 27,905,529.21</b>		<b>\$ 28,295,632.92</b>
			<b>Total</b>	<b>\$ 75,490,142.37</b>		<b>\$ 76,074,057.14</b>		<b>\$ 76,464,160.85</b>