



Legislation Details (With Text)

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Staff Report for Resolution Approving the Investment Report for the Quarter Ended September 30, 2014

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council review and accept the investment report for the quarter ended September 30, 2014.

OVERVIEW

At September 30, 2014, the City's investment portfolio had a market value of \$75.6 million. Of this total, \$36.7 million was placed with the Local Agency Investment Fund (LAIF) and bank accounts and \$38.8 million was placed in the Chandler Asset Management (Chandler) portfolio. In the third quarter of 2014, \$1.6 million of maturing securities were reinvested in Treasury and Agency securities scheduled to mature between September 2017 and January 2018.

The rate of return for LAIF for the quarter was 0.24%, while the average yield for the Chandler managed funds was 0.86%. 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 yield was 0.86%, which exceeds the benchmark rate of return on the 2-year U.S. Treasury securities of 0.57%.

Amounts invested with LAIF are essentially liquid; funds can be withdrawn with minimal notice as City operations require.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

The Chandler portfolio investments range from one to four years in maturity. The 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, and carefully monitors maturity dates to ensure that both short and long-term liquidity needs are met.

ATTACHMENT

Attachment to Related Resolution

- Investment Report

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