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Sponsors: David Baum
Finance Director

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Staff Report for Resolution Approving the Investment Report for the Quarter Ended March 31, 2016

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council review and accept the investment report for the quarter ended March 31, 2016.

OVERVIEW

On March 31, 2016, the City’s investment portfolio had a market value of \$98.5 million. Of the total \$98.5M, \$53.9 million was placed with the Local Agency Investment Fund (LAIF) bank accounts and \$44.6 million was placed in the Chandler Asset Management portfolio. In this quarter (January 2016) an additional \$5M was contributed to the portfolio and invested in ten new securities (five Treasury notes, four Agency notes and one corporate note), and \$2.6 million of maturing securities were reinvested and scheduled to mature from May 2018 through March 2020.

The rate of return for LAIF for the quarter was 0.46%, while the average book yield for the Chandler managed funds was 1.12%. 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 1.12%, which exceeds the benchmark rate of return on the 2-year U.S. Treasury securities of 0.73%, and is close to the 5-year U.S. Treasury securities of 1.21%.

Amounts invested with LAIF are essentially liquid; funds can be withdrawn with minimal notice as City operations require.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 balance of the City’s portfolio is with Chandler Asset Management. These 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, and the City is able to meet its cash obligations during the next six-

month period. 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 Resolution

- Investment Report

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