



Legislation Text

File #: 17-034, **Version:** 1

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

SUMMARY AND RECOMMENDATIONS

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

OVERVIEW

At December 31, 2016, the City's investment portfolio had a market value of \$105.9 million. Of the total \$105.9 million, \$61.2 million was placed with the Local Agency Investment Fund (LAIF) and bank accounts and \$44.7 million was placed in the Chandler Asset Management (Chandler) portfolio.

The rate of return for LAIF for the quarter was 0.68%, while the average book yield for the Chandler managed funds was 1.19%. The City's investment policy establishes three bases for the performance standard: 1) the LAIF rate of return, 2) the rate of return on 2-year U.S. Treasury securities, and 3) the rate of return on 5-year U.S. Treasury securities. Amounts invested in LAIF meet this performance standard. The Chandler managed funds average book yield was 1.19%, which is below the 1.20% benchmark rate of return on the 2-year U.S. Treasury securities and the 1.93% benchmark rate of return on the 5-year U.S. Treasury securities.

Amounts invested with LAIF are essentially liquid; funds can be withdrawn with minimal notice as City operations require.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 Related Resolution

- Investment Report

PREPARED BY: David Baum, Finance Director, Finance