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Staff Report for a City of San Leandro City Council Resolution Approving the Investment Report for the Quarter Ended December 31, 2020

SUMMARY AND RECOMMENDATIONS

Staff recommends the City Council review and accept the investment report for the quarter ended December 31, 2020.

BACKGROUND

The purpose of the City Council Investment Report is to inform the City Council of the City's investment portfolio status as of the end of the quarter, December 31, 2020. The City's Investment Policy Statement requires this quarterly report on types of investments, amounts invested with approved institutions, and purchase and maturity dates and interest yields.

DISCUSSION

As of December 31, 2020, the City's investment portfolio had a market value of \$169 million, \$6 million higher than the balance for the quarter ended September 30, 2020. The increase was mainly resulted from the receipt of CARES Act funds of \$0.5 million and property tax remittance of \$16.5 million, offset by debt service payments of \$3 million, fire service payments of \$6 million, and construction project payments of \$2 million.

Of the total market value, \$63 million was placed with the Local Agency Investment Fund (LAIF) and bank accounts and \$106 million was placed in the Chandler Asset Management portfolio.

The rate of return for LAIF at the end of the quarter was 0.63%, while the average book yield for the Chandler managed funds was 1.78%. The LAIF return was 0.21% less than previous quarter, while the Chandler return was 0.11% lower. LAIF's investment rate reflects a snapshot in time (the

quarterly apportionment rate), while Chandler's reflects the performance of the portfolio over the entire quarter.

The City's investment policy establishes three criteria for the performance standard, the LAIF rate of return and the rates for both 2-year and 5-year U.S. Treasury securities. Amounts invested in LAIF exceeded both standards. The Chandler managed funds average book yield was 1.78%, far exceeding the benchmark rates of return on the 2-year U.S. Treasury Bill of 0.13%, and the 5-year U.S. Treasury Note of 0.36%.

Amounts invested with LAIF are liquid; funds can be withdrawn with minimal notice as City operations may require.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

Chandler Asset Management manages the balance of the portfolio having a market value of \$106 million, 62.8% of the total portfolio. These investments range from one to almost five years to maturity, with the average maturity at 1.83 years (a small decrease from September 30, 2020).

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-months. Chandler's strategy is gradually lengthening the average maturity of the portfolio in order to gain higher interest rates.

PREPARED BY

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