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Staff Report for a City of San Leandro City Council Resolution Approving the Investment Report for the Quarter Ended June 30, 2021

SUMMARY AND RECOMMENDATIONS

Staff recommends the City Council review and accept the investment report for the quarter ended June 30, 2021.

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, June 30, 2021. 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 June 30, 2021, the City's investment portfolio had a market value of \$200.0 million, \$21.3 million higher than last quarter ended March 31, 2021. The increase was mainly due to \$9.3 million in American Rescue Plan Act funds from the U.S. Treasury and \$13.7 million in property tax from the County. The increase was offset by approximately \$2.9 million in debt service payment.

Of the total market value, \$74.5 million was placed with the Local Agency Investment Fund (LAIF) and bank accounts and \$111.3 million was placed in the Chandler Asset Management portfolio. A portion of the funds in the LAIF account was used to pay for fiscal year 2021-22 unfunded pension liability in July.

The rate of return for LAIF at the end of the quarter was 0.33%, while the average book yield for the Chandler managed funds was 1.35%. The LAIF return was 0.11% less than previous quarter, while the Chandler return was 0.27% 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 the 2-year U.S. Treasury yield. The Chandler managed funds average book yield was 1.35%, exceeding the benchmark rates of return on the 2-year U.S. Treasury Bill of 0.25%, and the 5-year U.S. Treasury Note of 0.87%.

Amounts invested with LAIF are liquid; funds can be withdrawn with minimal notice as City operations may require.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 \$111.3 million, 55.7% of the total portfolio. These investments range from one to almost five years to maturity, with the average maturity at 1.94 years (a slight longer duration than March 31, 2021).

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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