



Legislation Details (With Text)

File #:	22-067	Version:	1	Name:	Staff Report for a City of San Leandro City Council Resolution Approving the Investment Report for the Quarter Ended December 31, 2021
Type:	Staff Report	Status:		In control:	City Council
On agenda:	2/7/2022	Final action:		Enactment #:	
Enactment date:					
Title:	Staff Report for a City of San Leandro City Council Resolution Approving the Investment Report for the Quarter Ended December 31, 2021				
Sponsors:	Susan Hsieh Finance Director				
Indexes:					
Code sections:					
Attachments:					

Date	Ver.	Action By	Action	Result
2/7/2022	1	City Council	Received and Filed	Pass

Staff Report for a City of San Leandro City Council Resolution Approving the Investment Report for the Quarter Ended December 31, 2021

SUMMARY AND RECOMMENDATIONS

Staff recommends the City Council review and accept the investment report for the quarter ended December 31, 2021.

BACKGROUND

The purpose of the City Council Investment Report is to advise the City Council of the City's investment portfolio status as of the end of the quarter, December 31, 2021. The City's Investment Policy Statement requires the quarterly report to describe the types of investments, amounts invested with approved institutions, purchase and maturity dates, and interest yields.

DISCUSSION

As of December 31, 2021, the City's investment portfolio had a market value of \$178.3 million, only \$244,000 lower than the balance for the quarter ended September 30. During the quarter, receipt of \$17.4 million of Property Tax was offset by payments for debt service of \$3.2 million, fire service of \$6.4 million, and construction projects of \$7.2 million, leaving the total relatively unchanged. Of the total market value, \$67.5 million was placed with the Local Agency Investment Fund (LAIF) and bank accounts and \$110.8 million was placed in the Chandler Asset Management portfolio.

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 rate of return for LAIF at the end of the quarter was 0.23%, while the average book yield for the Chandler managed funds was 1.19%. The LAIF return was 0.01% less than previous quarter, while the Chandler return

was 0.02% lower.

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 fell short of both standards. The Chandler managed funds average book yield was 1.19%, exceeding the benchmark rate of return for the 2-year U.S. Treasury Bills at 0.73%, but below the 5-year U.S. Treasury Notes at 1.26%.

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 \$110.8 million, 62% of the total portfolio. These investments range from one to almost five years to maturity, with the average maturity at 1.91 years (from 1.87 years on September 30).

The report confirms the City complies with all provisions of the City's Investment Policy and the City can 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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