



Council Meeting: November 18, 2008

SUBJECT: City of Sunnyvale Investment Report – 3rd Quarter

BACKGROUND

In accordance with Government Code Section 53646, staff is submitting the attached investment report for Council's review. The report includes all investments managed by the City of Sunnyvale and provides information on the values (par, book and market), type of investment, issuer, maturity date and yield of each security. Summary information by type of security and detailed information on each security is provided. An evaluation of portfolio performance this accounting period compared to the previous accounting period and compared to the same accounting period of last fiscal year is also included.

Securities are priced by an independent pricing service at the end of every accounting period. In some cases, the City may have investments with a current market value that is greater or less than the recorded value. These changes in market value are due to fluctuations in the marketplace having no effect on yield, as the City does not intend to sell securities prior to maturity.

The market value is higher than recorded value for this quarter due to changes in the market as mentioned in the previous paragraph.

DISCUSSION

In light of the turmoil in the financial markets over the past few weeks, staff continues to remain fiscally conservative and focus investment decisions in accordance with safety, liquidity and yield in that order. Safety of principal is the foremost objective of the investment program.

Diversification is required in order that potential losses on individual securities do not exceed the income generated. The City's investment policy addresses diversification as follows: No more than 5% of the total portfolio may be invested in securities of any single issuer, other than the U.S. Government, its agencies and instrumentalities and the State's Local Agency Investment Fund (LAIF.) There are no limitations on investments issued by the U.S. Treasury. Securities issued and fully guaranteed by a federal agency or Government Sponsored Enterprise are limited to no more than 30% of the portfolio. No more than 20% of the portfolio may be invested in LAIF. Our portfolio fully complies with these limitations. The individual investments may be seen in Attachment A of this report.

Because U.S. Treasury obligations are considered to be the safest investment vehicle, currently many market participants are investing heavily in these instruments due to the current financial panic. As this flight to quality continues, increasing demand for U.S. Treasury securities has caused yields on these conservative investments to decline significantly. This will have a negative impact on the City's investment earnings.

The instability in the financial markets also impacts the City's variable rate bonds. In 2001 the City issued variable rate Certificates of Participation to purchase the Sunnyvale Office Center. The interest rate on these bonds is set weekly, with historical rates varying from as low as 1% to an average of about 3%. As previously mentioned, the market disruption has resulted in a shift to obligations of the U.S. Government. As a result, the demand for variable rate bonds has dropped, causing an increase in the interest paid by the City to investors of these bonds. As of last week, the interest rate on our variable rate Certificates of Participation was 7%.

Staff recently brought before Council an amendment to the investment policy which will allow the City to invest in municipal obligations issued by other states and local agencies as well as by the City of Sunnyvale itself. While municipal obligations are among the safest investments available, previously they have not been attractive investments to the City because the interest rates are typically tax-exempt and therefore lower than other safe alternatives. However, staff now plans to take advantage of the current market conditions by investing in the Sunnyvale Office Center bonds. The higher interest rate will help to offset the lower yields on other investments in the portfolio.

The duration of the instability of the market is not known. Staff will keep the Council apprised of changes in the market that affect the investment portfolio as necessary.

FISCAL IMPACT

Interest earnings for FY 2008/2009 as of Period 3 for all City funds totaled \$1,672,122.88.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, in the Council Chambers lobby, in the Office of the City Clerk, at the Library, Senior Center, Community Center and Department of Public Safety; posting the agenda and report on the City's Web site; and making the report available at the Library and the Office of the City Clerk.

RECOMMENDATION

It is recommended that the City Council receive and file the investment report.

Reviewed by:

Mary J. Bradley, Director, Finance
Prepared by: Therese B. Balbo, Finance Manager

Approved by:

Amy Chan
City Manager

Attachments

City of Sunnyvale's FY 2008/2009 Period 3 Investment Report



CITY OF SUNNYVALE

PORTFOLIO EVALUATION PERIOD 3 FY 2008/2009

INFORMATION UPDATE:

Pursuant to the California Government Code, attached is detailed information on all securities, investments, and moneys held by the City. I hereby certify that the City's portfolio complies with the City's adopted Investment Policy and the reporting requirements of State Law, and that sufficient funds are available to meet expenditure requirements for the next 6 months, ending April 2009.

Date: October 8, 2008

Mary J. Bradley, Director of Finance

cc: Members of the City Council
City Manager

PORTFOLIO EVALUATION - PERIOD 3 FY 2008/2009 (8/24/2008 - 9/20/2008)

DESCRIPTION	DOLLAR AMOUNT	FY 08/09 PERIOD 3 (8/24/08 - 9/20/08)	FY 08/09 PERIOD 2 (7/27/08 - 8/23/08)	FY 07/08 PERIOD 3 (8/26/07- 9/22/07)
TOTAL PORTFOLIO MARKET VALUE		\$225,111,817.66	\$236,366,742.30	\$228,165,236.13
AVERAGE LIFE OF PORTFOLIO (DAYS)		203	215	162
CITY - WEIGHTED YIELD (Current Period)		3.01%	3.10%	5.09%
STATE POOL YIELD		2.77%	2.79%	5.24%
90 DAY T-BILL RATE (Current Period)		1.46%	1.74%	4.09%
VARIANCE FROM CITY YIELD		1.55%	1.36%	1.00%
1 YEAR TREASURY RATE (Current Period)		1.99%	2.21%	4.20%
VARIANCE FROM CITY YIELD		1.02%	0.89%	0.89%
TREASURY YIELD WITH SAME AVG LIFE AS PORTFOLIO		1.86%	2.04%	4.31%
VARIANCE FROM CITY YIELD		1.15%	1.06%	0.78%
<hr/>				
TOTAL INVESTMENTS MATURING WITHIN 0 TO 1 YEAR	\$177,916,184.01	79.03%	78.78%	89.92%
TOTAL INVESTMENTS MATURING WITHIN 1 TO 3 YEARS	\$47,194,969.66	20.97%	21.22%	10.08%
TOTAL INVESTMENTS MATURING WITHIN 3 TO 5 YEARS	\$0.00	0.00%	0.00%	0.00%
TOTAL INVESTMENTS MATURING OVER 5 YEARS **	\$663.99	0.00%	0.00%	0.00%
TOTAL	\$225,111,817.66	100.0%	100.0%	100.0%

** In accordance with Government Code 53601, the City Council, as part of the City's investment program, granted express authority to invest in US Treasury and US Agency securities with final stated maturities up to seven years. No investment shall be made in any other security type that at the time of investment has a term remaining to maturity in excess of five years unless granted express authority by the City Council to do so.



CITY OF SUNNYVALE
Portfolio Management
Portfolio Summary
August 24, 2008 through September 20, 2008

City of Sunnyvale
 650 West Olive Ave.
 Sunnyvale, CA, 94086
 (408)730-7604

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Managed Pool Accounts	39,999,955.31	39,999,955.31	39,999,955.31	17.77	1	1	3.067	3.110
Passbook/Checking Accounts	15,568,218.25	15,568,218.25	15,568,218.25	6.92	1	1	2.278	2.310
Medium Term Notes	7,140,000.00	7,090,225.24	7,087,414.31	3.15	698	288	4.952	5.021
Federal Agency Issues - Coupon	119,873,000.00	120,881,386.84	121,060,401.65	53.79	476	217	3.108	3.151
Treasury Securities - Coupon	41,000,000.00	41,568,125.00	41,338,346.46	18.37	540	421	2.612	2.648
US Govt Mortgage Passthroughs	3,746.91	3,907.02	3,743.52	0.00	5,859	663	9.323	9.453
Investments	223,584,920.47	225,111,817.66	225,058,079.50	100.00%	378	203	3.010	3.052
Cash and Accrued Interest								
Accrued Interest at Purchase		143,773.06	143,773.06					
Subtotal		143,773.06	143,773.06					
Total Cash and Investments	223,584,920.47	225,255,590.72	225,201,852.56		378	203	3.010	3.052
Total Earnings								
	September 20 Month Ending	Fiscal Year To Date						
Current Year	543,360.25	1,672,122.88						

MARY J. BRADLEY, TREASURER

CITY OF SUNNYVALE
Portfolio Management
Portfolio Details - Investments
September 20, 2008

CUSIP	Investment #	Issuer	Purchase	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 365	Days to Maturity	Maturity Date
Managed Pool Accounts											
SYS90-119	90-119	STATEPOOL		39,999,955.31	39,999,955.31	39,999,955.31	3.110		3.110	1	
Subtotal and Average				39,999,955.31	39,999,955.31	39,999,955.31			3.110	1	
Passbook/Checking Accounts											
SYS08-006	08-006	UNION BANK OF CALIFORNIA		15,568,218.25	15,568,218.25	15,568,218.25	2.310		2.310	1	
Subtotal and Average				15,568,218.25	15,568,218.25	15,568,218.25			2.310	1	
Medium Term Notes											
36962GR48	07-036	GENERAL ELECTRIC	06/15/2007	3,000,000.00	2,999,246.98	2,964,120.60	4.125		5.484	345	09/01/2009
36962GH49	08-044	GENERAL ELECTRIC	05/19/2008	1,140,000.00	1,128,514.42	1,141,423.17	3.125		2.881	192	04/01/2009
98153BAE4	07-035	World Savings Bank (Wachovia B	06/12/2007	3,000,000.00	2,962,463.84	2,981,870.54	4.500		5.380	267	06/15/2009
Subtotal and Average				7,140,000.00	7,090,225.24	7,087,414.31			5.021	288	
Federal Agency Issues - Coupon											
3133XMQG9	08-012	FEDERAL FARM CREDIT BANK	10/24/2007	4,000,000.00	4,005,000.00	4,000,462.00	4.625		4.495	33	10/24/2008
31331TQV6	08-013	FEDERAL FARM CREDIT BANK	11/16/2007	3,000,000.00	3,000,937.50	2,992,628.57	3.300		4.047	124	01/23/2009
31331S2L6	08-014	FEDERAL FARM CREDIT BANK	11/16/2007	3,000,000.00	3,001,875.00	3,000,072.13	4.250		4.199	19	10/10/2008
31331XBQ4	08-039	FEDERAL FARM CREDIT BANK	05/01/2008	2,373,000.00	2,419,718.44	2,430,683.88	5.000		2.707	397	10/23/2009
31331XH47	08-040	FEDERAL FARM CREDIT BANK	04/30/2008	3,000,000.00	3,053,437.50	3,070,024.37	5.250		2.494	316	08/03/2009
31331XBQ4	08-042	FEDERAL FARM CREDIT BANK	05/02/2008	4,000,000.00	4,078,750.00	4,097,977.85	5.000		2.690	397	10/23/2009
31331XH47	08-043	FEDERAL FARM CREDIT BANK	05/15/2008	3,000,000.00	3,053,437.50	3,065,819.18	5.250		2.657	316	08/03/2009
31331YQ86	08-045	FEDERAL FARM CREDIT BANK	05/20/2008	3,000,000.00	2,985,000.00	2,997,602.39	2.750		2.821	425	11/20/2009
3133XDT76	06-084	FEDERAL HOME LOAN BANK	03/08/2006	3,000,000.00	3,010,312.50	2,998,034.49	4.750		5.058	82	12/12/2008
3133XFLG9	07-037	FEDERAL HOME LOAN BANK	06/15/2007	3,000,000.00	3,043,125.00	2,998,230.88	5.250		5.337	264	06/12/2009
3133XLRX3	08-016	FEDERAL HOME LOAN BANK	12/12/2007	3,000,000.00	3,018,750.00	3,011,713.36	5.250		3.985	117	01/16/2009
3133XLJL8	08-023	FEDERAL HOME LOAN BANK	01/28/2008	4,000,000.00	4,021,250.00	4,026,074.23	5.250		2.676	94	12/24/2008
3133XJTC2	08-025	FEDERAL HOME LOAN BANK	01/30/2008	4,000,000.00	4,027,500.00	4,034,219.23	5.125		2.726	134	02/02/2009
3133XEN96	08-026	FEDERAL HOME LOAN BANK	01/31/2008	4,000,000.00	4,028,750.00	4,038,284.98	4.750		2.693	173	03/13/2009
3133XPA61	08-027	FEDERAL HOME LOAN BANK	02/01/2008	4,000,000.00	3,997,500.00	4,006,789.02	3.000		2.490	124	01/23/2009
3133XKLY9	08-028	FEDERAL HOME LOAN BANK	02/05/2008	4,000,000.00	4,035,000.00	4,050,731.85	4.750		2.556	215	04/24/2009
3133XFLG9	08-030	FEDERAL HOME LOAN BANK	02/08/2008	4,000,000.00	4,057,500.00	4,080,198.18	5.250		2.420	264	06/12/2009
3133XQ2C5	08-032	FEDERAL HOME LOAN BANK	03/07/2008	3,500,000.00	3,492,343.75	3,506,380.40	2.630		2.202	159	02/27/2009
3133XL6B4	08-033	FEDERAL HOME LOAN BANK	03/07/2008	4,000,000.00	4,053,750.00	4,078,265.86	5.125		2.282	256	06/04/2009
3133XQBD3	08-036	FEDERAL HOME LOAN BANK	03/26/2008	4,000,000.00	3,982,500.00	4,003,576.51	2.375		2.181	170	03/10/2009
3133XGEQ3	08-037	FEDERAL HOME LOAN BANK	04/04/2008	4,000,000.00	4,071,250.00	4,098,234.35	5.250		2.370	318	08/05/2009
3137EAAE9	08-029	FEDERAL HOME LOAN MORT CORP	02/08/2008	4,000,000.00	4,048,750.00	4,074,581.43	5.250		2.390	242	05/21/2009
3134A4UQ5	08-031	FEDERAL HOME LOAN MORT CORP	02/08/2008	4,000,000.00	3,998,750.00	4,020,046.46	3.375		2.470	206	04/15/2009
3137EAAE9	08-034	FEDERAL HOME LOAN MORT CORP	03/25/2008	4,000,000.00	4,048,750.00	4,077,930.77	5.250		2.270	242	05/21/2009

Portfolio CITY
AP

PM (PRF_PM2) SymRept V6.21

CITY OF SUNNYVALE
Portfolio Management
Portfolio Details - Investments
September 20, 2008

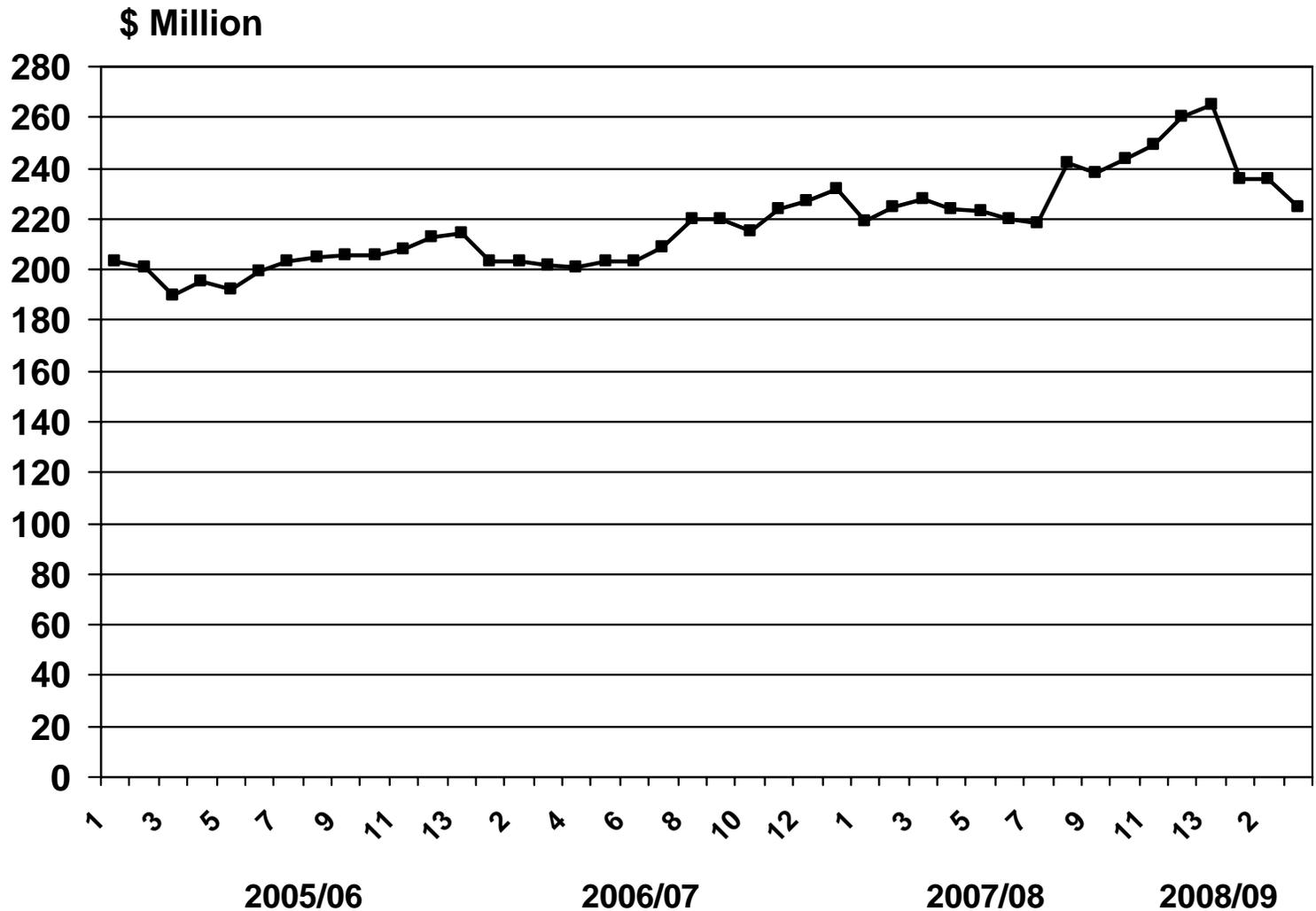
CUSIP	Investment #	Issuer	Purchase	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 365	Days to Maturity	Maturity Date
Federal Agency Issues - Coupon											
3133XFYK6	08-035	FEDERAL HOME LOAN MORT CORP	03/25/2008	4,000,000.00	4,071,250.00	4,100,338.98	5.375		2.259	299	07/17/2009
3128X7JW5	08-038	FEDERAL HOME LOAN MORT CORP	04/21/2008	4,000,000.00	3,974,672.24	3,993,421.19	2.265		2.562	205	04/14/2009
31359MTR4	08-011	FEDERAL NATL MORTGAGE ASSN	10/19/2007	3,000,000.00	3,000,937.50	2,993,091.20	3.375		4.395	85	12/15/2008
31359MUQ4	08-015	FEDERAL NATL MORTGAGE ASSN	11/16/2007	4,000,000.00	3,995,000.00	3,983,666.67	3.125		3.993	176	03/16/2009
31359MZH9	08-020	FEDERAL NATL MORTGAGE ASSN	01/10/2008	4,000,000.00	4,003,750.00	4,002,209.75	4.500		3.645	24	10/15/2008
31398AAF9	08-021	FEDERAL NATL MORTGAGE ASSN	01/17/2008	4,000,000.00	4,007,500.00	4,007,460.14	4.900		3.261	43	11/03/2008
880591DB5	06-090	TENNESSEE VALLEY AUTHORITY	05/04/2006	3,000,000.00	3,011,520.08	3,000,799.74	5.375		5.175	53	11/13/2008
880591DB5	07-034	TENNESSEE VALLEY AUTHORITY	06/11/2007	3,000,000.00	3,011,520.08	3,000,450.94	5.375		5.262	53	11/13/2008
880591DN9	09-001	TENNESSEE VALLEY AUTHORITY	07/21/2008	5,000,000.00	5,271,299.75	5,220,400.67	5.625		3.625	849	01/18/2011
Subtotal and Average				119,873,000.00	120,881,386.84	121,060,401.65			3.151	217	
Treasury Securities - Coupon											
912828CH1	07-033	UNITED STATE TREASURY	06/08/2007	2,000,000.00	2,025,000.00	1,986,334.87	3.875		4.997	236	05/15/2009
912828BZ2	08-004	UNITED STATE TREASURY	08/24/2007	3,000,000.00	3,016,875.00	2,985,989.49	3.000		4.213	147	02/15/2009
912828GY0	08-041	UNITED STATE TREASURY	05/02/2008	4,000,000.00	4,086,250.00	4,085,559.07	4.625		2.084	313	07/31/2009
912828DZ0	08-046	UNITED STATE TREASURY	06/19/2008	4,000,000.00	4,130,000.00	4,073,905.82	3.875		2.818	662	07/15/2010
912828HL7	08-047	UNITED STATE TREASURY	06/26/2008	4,000,000.00	4,060,000.00	4,033,180.38	3.250		2.581	466	12/31/2009
912828HJ2	08-048	UNITED STATE TREASURY	06/27/2008	4,000,000.00	4,048,750.00	4,035,484.64	3.125		2.362	435	11/30/2009
912828HJ2	08-049	UNITED STATE TREASURY	06/30/2008	4,000,000.00	4,048,750.00	4,035,165.30	3.125		2.369	435	11/30/2009
912828HD5	08-050	UNITED STATE TREASURY	06/30/2008	4,000,000.00	4,078,750.00	4,068,027.90	4.000		2.303	374	09/30/2009
912828HS2	09-002	UNITED STATE TREASURY	07/24/2008	4,000,000.00	3,992,500.00	3,968,255.03	2.000		2.565	525	02/28/2010
912828HD5	09-003	UNITED STATE TREASURY	08/22/2008	4,000,000.00	4,078,750.00	4,071,748.75	4.000		2.216	374	09/30/2009
912828HP8	09-004	UNITED STATE TREASURY	08/22/2008	4,000,000.00	4,002,500.00	3,994,695.21	2.125		2.224	497	01/31/2010
Subtotal and Average				41,000,000.00	41,568,125.00	41,338,346.46			2.648	421	
US Govt Mortgage Passthroughs											
313401KA8	86-081	FEDERAL HOME LOAN MORT CORP	07/01/1994	184.87	201.47	199.31	13.500		12.154	740	10/01/2010
313401TJ0	87-009	FEDERAL HOME LOAN MORT CORP	07/01/1994	596.82	663.99	611.37	10.000		9.680	2,718	03/01/2016
31340RGH1	88-137	FEDERAL HOME LOAN MORT CORP	07/01/1994	1,874.03	1,920.62	1,855.29	9.000		9.215	192	04/01/2009
362055UF0	88-135	GOVT NATL MORTGAGE ASSN	07/01/1994	20.86	21.08	20.60	9.000		9.241	55	11/15/2008
362063F46	88-136	GOVT NATL MORTGAGE ASSN	07/01/1994	1,070.33	1,099.86	1,056.95	9.000		9.234	297	07/15/2009
Subtotal and Average				3,746.91	3,907.02	3,743.52			9.453	663	
Total and Average				223,584,920.47	225,111,817.66	225,058,079.50			3.052	203	

**CITY OF SUNNYVALE
Portfolio Management
Portfolio Details - Cash
September 20, 2008**

CUSIP	Investment #	Issuer	Purchase	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 365	Days to Maturity
Subtotal and Average			Accrued Interest at Purchase		143,773.06	143,773.06				0
			Subtotal		143,773.06	143,773.06				
Total Cash and Investmentss				223,584,920.47	225,255,590.72	225,201,852.56			3.052	203

INVESTMENT PORTFOLIO

PORTFOLIO TREND



INVESTMENT PORTFOLIO COMPARISON OF ANNUAL YIELDS

