

**Council Meeting: October 19, 2010****SUBJECT: City of Sunnyvale Investment Report – 3rd Quarter 2010****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. Staff invests all reserve funds and operating funds not immediately needed for disbursement. Funds for the City's Deferred Compensation Plan, the City's Retirement Plan and any proceeds of debt issuance are not invested by City staff. These funds are managed by third party administrators. This report 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 current turmoil in the financial markets, 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 uncertainty. 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 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 2010/2011 as of Period 3 for all City funds totaled \$422,259.55.

PUBLIC CONTACT

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

RECOMMENDATION

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

Reviewed by:

Grace Leung, Acting Finance Director

Prepared by: Therese B. Balbo, Finance Manager

Approved by:

Gary Luebbers
City Manager

Attachments

- A. City of Sunnyvale's FY 2010/2011 Period 3 Investment Report



CITY OF SUNNYVALE

PORTFOLIO EVALUATION PERIOD 3 FY 2010/2011

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 2011.

Date: October 6, 2010

Grace Leung, Acting Finance Director

cc: Members of the City Council
City Manager

PORTFOLIO EVALUATION - PERIOD 3 FY 2010/2011 (8/22/2010 - 9/18/2010)

DESCRIPTION	DOLLAR AMOUNT	FY 10/11 PERIOD 3 (8/22/10 - 9/18/10)	FY 10/11 PERIOD 2 (7/25/10 - 8/21/10)	FY 09/10 PERIOD 3 (8/23/09- 9/19/09)
TOTAL PORTFOLIO MARKET VALUE		\$226,343,834.87	\$233,589,831.48	\$240,446,907.59
AVERAGE LIFE OF PORTFOLIO (DAYS)		210	224	234
CITY - WEIGHTED YIELD (Current Period)		0.83%	0.82%	1.41%
STATE POOL YIELD		0.51%	0.52%	0.80%
90 DAY T-BILL RATE (Current Period)		0.14%	0.15%	0.13%
VARIANCE FROM CITY YIELD		0.69%	0.67%	1.28%
1 YEAR TREASURY RATE (Current Period)		0.26%	0.27%	0.42%
VARIANCE FROM CITY YIELD		0.57%	0.55%	0.99%
TREASURY YIELD WITH SAME AVG LIFE AS PORTFOLIO		0.24%	0.24%	0.31%
VARIANCE FROM CITY YIELD		0.59%	0.58%	1.10%
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TOTAL INVESTMENTS MATURING WITHIN 0 TO 1 YEAR	\$171,048,480.47	75.57%	71.00%	70.01%
TOTAL INVESTMENTS MATURING WITHIN 1 TO 3 YEARS	\$55,295,044.14	24.43%	29.00%	29.99%
TOTAL INVESTMENTS MATURING WITHIN 3 TO 5 YEARS	\$0.00	0.00%	0.00%	0.00%
TOTAL INVESTMENTS MATURING OVER 5 YEARS **	\$310.26	0.00%	0.00%	0.00%
TOTAL	<u>\$226,343,834.87</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

** 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 22, 2010 through September 18, 2010**

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	50,000,000.00	50,000,000.00	50,000,000.00	22.15	1	1	0.552	0.560
Passbook/Checking Accounts	8,293,704.71	8,293,704.71	8,293,704.71	3.67	1	1	0.108	0.110
Federal Agency Issues - Coupon	146,593,000.00	148,739,189.11	148,260,164.43	65.69	548	241	0.912	0.925
Treasury Securities - Coupon	19,000,000.00	19,310,630.79	19,141,098.36	8.48	799	605	1.013	1.027
US Govt Mortgage Passthroughs	277.27	310.26	284.03	0.00	7,914	1,990	9.548	9.680
Investments	223,886,981.98	226,343,834.87	225,695,251.53	100.00%	428	210	0.811	0.823
Cash and Accrued Interest								
Accrued Interest at Purchase		58,214.04	58,214.04					
Subtotal		58,214.04	58,214.04					
Total Cash and Investments	223,886,981.98	226,402,048.91	225,753,465.57		428	210	0.811	0.823
Total Earnings	September 18 Month Ending	Fiscal Year To Date						
Current Year	144,077.69	422,259.55						

GRACE LEUNG, ACTING TREASURER

CITY OF SUNNYVALE
Portfolio Management
Portfolio Details - Investments
September 18, 2010

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		50,000,000.00	50,000,000.00	50,000,000.00	0.560		0.560	1	
Subtotal and Average				50,000,000.00	50,000,000.00	50,000,000.00			0.560	1	
Passbook/Checking Accounts											
SYS08-006	08-006	UNION BANK OF CALIFORNIA		8,293,704.71	8,293,704.71	8,293,704.71	0.110		0.110	1	
Subtotal and Average				8,293,704.71	8,293,704.71	8,293,704.71			0.110	1	
Federal Agency Issues - Coupon											
31331H6B8	09-017	FEDERAL FARM CREDIT BANK	02/10/2009	1,000,000.00	1,018,125.00	1,013,332.09	5.750		1.635	121	01/18/2011
31331YG46	09-018	FEDERAL FARM CREDIT BANK	02/10/2009	1,000,000.00	1,013,750.00	1,005,464.83	2.625		1.675	214	04/21/2011
31331VSK3	09-019	FEDERAL FARM CREDIT BANK	02/10/2009	500,000.00	509,531.25	506,525.91	4.875		1.655	152	02/18/2011
31331VCB0	09-034	FEDERAL FARM CREDIT BANK	05/19/2009	2,500,000.00	2,514,062.50	2,512,112.76	5.000		0.907	44	11/02/2010
31331G6Q7	10-009	FEDERAL FARM CREDIT BANK	12/23/2009	4,000,000.00	4,007,500.00	4,000,000.00	1.050		1.050	460	12/23/2011
31331JTN3	10-031	FEDERAL FARM CREDIT BANK	06/29/2010	4,000,000.00	4,008,750.00	4,002,565.59	0.570		0.512	404	10/28/2011
31331GKY4	11-001	FEDERAL FARM CREDIT BANK	07/29/2010	4,000,000.00	4,082,500.00	4,079,159.70	2.000		0.502	485	01/17/2012
31331GKY4	11-002	FEDERAL FARM CREDIT BANK	07/29/2010	4,000,000.00	4,082,500.00	4,075,103.94	2.000		0.578	485	01/17/2012
3133XTMX1	09-032	FEDERAL HOME LOAN BANK	05/18/2009	4,080,000.00	4,085,100.00	4,079,977.71	1.000		1.003	60	11/18/2010
3133XGRD8	09-035	FEDERAL HOME LOAN BANK	05/20/2009	4,685,000.00	4,690,856.25	4,690,720.68	5.125		0.700	10	09/29/2010
3133XTHN9	09-036	FEDERAL HOME LOAN BANK	05/27/2009	4,000,000.00	4,002,500.00	4,001,295.59	1.250		0.780	25	10/14/2010
3133XMES6	09-040	FEDERAL HOME LOAN BANK	06/10/2009	4,000,000.00	4,015,000.00	4,012,255.61	4.375		1.001	33	10/22/2010
3133XD6V8	10-005	FEDERAL HOME LOAN BANK	10/06/2009	2,300,000.00	2,300,000.00	2,300,553.73	4.700		0.355	2	09/21/2010
3133XNHZ5	10-006	FEDERAL HOME LOAN BANK	11/05/2009	4,000,000.00	4,032,500.00	4,030,568.84	3.625		0.486	89	12/17/2010
3133XVU82	10-007	FEDERAL HOME LOAN BANK	11/20/2009	4,000,000.00	4,002,500.00	3,999,175.92	0.375		0.417	152	02/18/2011
3133XDTA9	10-010	FEDERAL HOME LOAN BANK	12/31/2009	3,000,000.00	3,030,000.00	3,029,095.49	4.750		0.425	82	12/10/2010
3133XVY62	10-012	FEDERAL HOME LOAN BANK	01/11/2010	4,000,000.00	4,000,000.00	3,999,175.54	0.250		0.361	68	11/26/2010
3133XVLE9	10-014	FEDERAL HOME LOAN BANK	02/05/2010	4,000,000.00	4,015,000.00	4,008,939.87	0.850		0.491	227	05/04/2011
3133XVLE9	10-016	FEDERAL HOME LOAN BANK	03/03/2010	4,000,000.00	4,015,000.00	4,010,325.42	0.850		0.435	227	05/04/2011
3133XTXH4	10-018	FEDERAL HOME LOAN BANK	04/20/2010	4,000,000.00	4,043,750.00	4,035,365.40	1.625		0.586	311	07/27/2011
3133XRY46	10-019	FEDERAL HOME LOAN BANK	04/21/2010	4,000,000.00	4,132,500.00	4,116,385.54	3.750		0.736	355	09/09/2011
3133XRY46	10-020	FEDERAL HOME LOAN BANK	04/27/2010	4,000,000.00	4,132,500.00	4,114,445.53	3.750		0.785	355	09/09/2011
3133XWML0	10-021	FEDERAL HOME LOAN BANK	05/04/2010	4,000,000.00	4,026,250.00	4,010,279.27	0.975		0.731	387	10/11/2011
3133XRY46	10-022	FEDERAL HOME LOAN BANK	05/05/2010	4,000,000.00	4,132,500.00	4,115,008.26	3.750		0.771	355	09/09/2011
3133XWEZ8	10-023	FEDERAL HOME LOAN BANK	05/10/2010	3,000,000.00	3,010,312.50	3,003,650.53	0.750		0.598	292	07/08/2011
3133XRRU6	10-024	FEDERAL HOME LOAN BANK	05/10/2010	3,000,000.00	3,079,687.50	3,070,788.18	3.625		0.597	285	07/01/2011
3128X8QY1	09-037	FEDERAL HOME LOAN MORT CORP	05/28/2009	4,000,000.00	4,012,452.00	4,006,818.24	1.550		0.729	87	12/15/2010
3128X2QL2	10-013	FEDERAL HOME LOAN MORT CORP	02/02/2010	4,000,000.00	4,060,528.00	4,057,965.21	4.300		0.395	137	02/03/2011
3137EABN8	10-017	FEDERAL HOME LOAN MORT CORP	03/18/2010	4,000,000.00	4,110,000.00	4,102,063.34	3.875		0.577	283	06/29/2011
31398AWQ1	09-027	FEDERAL NATL MORTGAGE ASSN	04/24/2009	4,000,000.00	4,026,250.00	4,002,807.07	1.375		1.233	221	04/28/2011

Portfolio CITY
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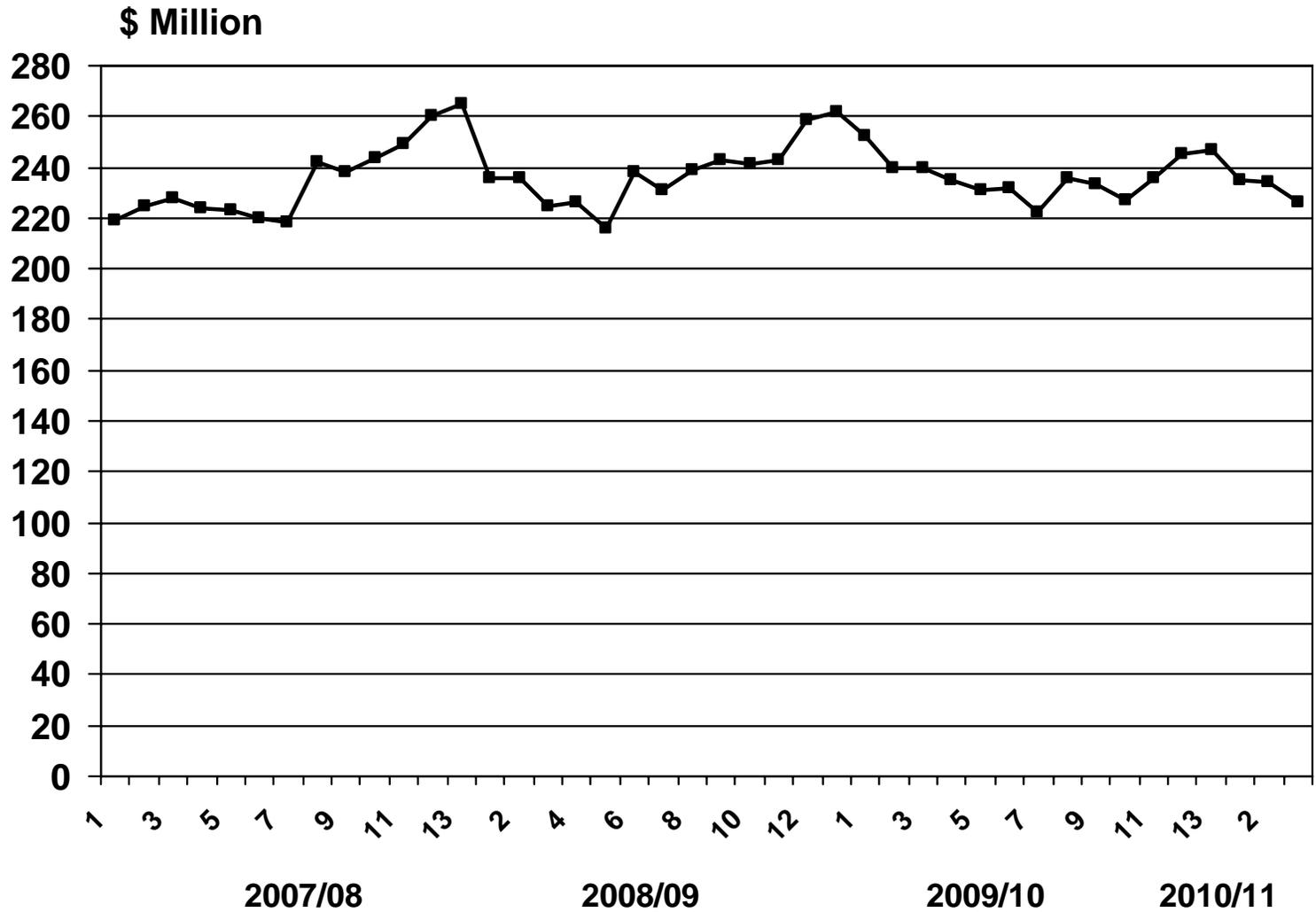
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CITY OF SUNNYVALE
Portfolio Management
Portfolio Details - Investments
September 18, 2010

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											
31398AVQ2	10-011	FEDERAL NATL MORTGAGE ASSN	01/08/2010	4,000,000.00	4,030,000.00	4,023,078.25	1.750		0.615	185	03/23/2011
31398AZN5	10-029	FEDERAL NATL MORTGAGE ASSN	05/28/2010	4,000,000.00	4,030,000.00	4,006,023.18	1.000		0.871	430	11/23/2011
31359MZ30	10-030	FEDERAL NATL MORTGAGE ASSN	06/29/2010	4,000,000.00	4,198,750.00	4,192,105.41	5.000		0.500	391	10/15/2011
31398AUU4	10-032	FEDERAL NATL MORTGAGE ASSN	06/30/2010	4,000,000.00	4,081,250.00	4,076,364.30	2.000		0.530	477	01/09/2012
31398AZN5	10-033	FEDERAL NATL MORTGAGE ASSN	06/30/2010	4,000,000.00	4,030,000.00	4,022,253.68	1.000		0.525	430	11/23/2011
880591DN9	09-001	TENNESSEE VALLEY AUTHORITY	07/21/2008	5,000,000.00	5,088,755.00	5,031,335.34	5.625		3.625	121	01/18/2011
880591DN9	09-008	TENNESSEE VALLEY AUTHORITY	11/17/2008	4,000,000.00	4,071,004.00	4,034,922.92	5.625		2.879	121	01/18/2011
880591DT6	09-014	TENNESSEE VALLEY AUTHORITY	02/04/2009	3,128,000.00	3,450,665.71	3,357,943.09	6.790		2.220	612	05/23/2012
880591DN9	09-015	TENNESSEE VALLEY AUTHORITY	02/04/2009	4,000,000.00	4,071,004.00	4,052,840.06	5.625		1.552	121	01/18/2011
880591DN9	09-020	TENNESSEE VALLEY AUTHORITY	02/11/2009	2,400,000.00	2,442,602.40	2,431,387.32	5.625		1.591	121	01/18/2011
880591DN9	09-025	TENNESSEE VALLEY AUTHORITY	03/24/2009	3,000,000.00	3,053,253.00	3,039,985.09	5.625		1.520	121	01/18/2011
Subtotal and Average				146,593,000.00	148,739,189.11	148,260,164.43			0.925	241	
Treasury Securities - Coupon											
912828KH2	09-041	UNITED STATE TREASURY	06/10/2009	4,000,000.00	4,013,752.36	3,993,044.39	0.875		1.208	193	03/31/2011
912828LM0	10-025	UNITED STATE TREASURY	05/13/2010	4,000,000.00	4,069,376.76	4,026,275.21	1.375		1.039	727	09/15/2012
912828LR9	10-026	UNITED STATE TREASURY	05/14/2010	4,000,000.00	4,070,936.84	4,022,453.39	1.375		1.099	757	10/15/2012
912828LB4	10-027	UNITED STATE TREASURY	05/27/2010	3,000,000.00	3,059,064.27	3,037,566.11	1.500		0.805	665	07/15/2012
912828LH1	10-028	UNITED STATE TREASURY	05/28/2010	4,000,000.00	4,097,500.56	4,061,759.26	1.750		0.929	696	08/15/2012
Subtotal and Average				19,000,000.00	19,310,630.79	19,141,098.36			1.027	605	
US Govt Mortgage Passthroughs											
313401TJ0	87-009	FEDERAL HOME LOAN MORT CORP	07/01/1994	277.27	310.26	284.03	10.000		9.680	1,990	03/01/2016
Subtotal and Average				277.27	310.26	284.03			9.680	1,990	
Total and Average				223,886,981.98	226,343,834.87	225,695,251.53			0.823	210	

INVESTMENT PORTFOLIO

PORTFOLIO TREND



INVESTMENT PORTFOLIO COMPARISON OF ANNUAL YIELDS

