

**Council Meeting: February 8, 2011****SUBJECT: City of Sunnyvale Investment Report – 4<sup>th</sup> 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 continued 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 is having 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 7 for all City funds totaled \$960,765.26.

**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, 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 7 Investment Report



## **CITY OF SUNNYVALE**

### **PORTFOLIO EVALUATION PERIOD 7 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 August 2011.

Date: January 20, 2011

cc: Members of the City Council  
City Manager

---

Grace Leung, Finance Director

**PORTFOLIO EVALUATION - PERIOD 7 FY 2010/2011 (12/12/2010 - 1/8/2011)**

DESCRIPTION	DOLLAR AMOUNT	FY 10/11 PERIOD 7 (12/12/10 - 1/8/11)	FY 10/11 PERIOD 6 (11/14/10 - 12/11/10)	FY 09/10 PERIOD 7 (12/13/09- 1/9/10)
TOTAL PORTFOLIO MARKET VALUE		\$243,074,365.14	\$226,384,658.62	\$222,098,944.72
AVERAGE LIFE OF PORTFOLIO (DAYS)		260	209	232
CITY - WEIGHTED YIELD (Current Period)		0.77%	0.77%	1.13%
STATE POOL YIELD		0.45%	0.45%	0.56%
90 DAY T-BILL RATE (Current Period)		0.13%	0.14%	0.05%
VARIANCE FROM CITY YIELD		0.64%	0.63%	1.08%
1 YEAR TREASURY RATE (Current Period)		0.30%	0.28%	0.41%
VARIANCE FROM CITY YIELD		0.47%	0.49%	0.72%
TREASURY YIELD WITH SAME AVG LIFE AS PORTFOLIO		0.28%	0.23%	0.30%
VARIANCE FROM CITY YIELD		0.49%	0.54%	0.83%
<hr/>				
TOTAL INVESTMENTS MATURING WITHIN 0 TO 1 YEAR	\$162,987,234.77	67.05%	73.81%	71.17%
TOTAL INVESTMENTS MATURING WITHIN 1 TO 3 YEARS	\$80,086,842.27	32.95%	26.19%	28.83%
TOTAL INVESTMENTS MATURING WITHIN 3 TO 5 YEARS	\$0.00	0.00%	0.00%	0.00%
TOTAL INVESTMENTS MATURING OVER 5 YEARS **	\$288.10	0.00%	0.00%	0.00%
<hr/>				
TOTAL	\$243,074,365.14	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**  
**December 12, 2010 through January 8, 2011**

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

<b>Investments</b>	<b>Par Value</b>	<b>Market Value</b>	<b>Book Value</b>	<b>% of Portfolio</b>	<b>Term</b>	<b>Days to Maturity</b>	<b>YTM 360 Equiv.</b>	<b>YTM 365 Equiv.</b>
Managed Pool Accounts	50,000,000.00	50,000,000.00	50,000,000.00	20.60	1	1	0.503	0.510
Passbook/Checking Accounts	13,297,683.79	13,297,683.79	13,297,683.79	5.48	1	1	0.099	0.100
Federal Agency Issues - Coupon	142,028,000.00	144,346,438.03	144,104,389.75	59.38	577	283	0.883	0.895
Treasury Securities - Coupon	35,000,000.00	35,429,955.22	35,292,219.13	14.54	799	629	0.868	0.880
US Govt Mortgage Passthroughs	257.36	288.10	263.63	0.00	7,914	1,878	9.548	9.680
<b>Investments</b>	<b>240,325,941.15</b>	<b>243,074,365.14</b>	<b>242,694,556.30</b>	<b>100.00%</b>	<b>459</b>	<b>260</b>	<b>0.759</b>	<b>0.770</b>
<b>Cash and Accrued Interest</b>								
Accrued Interest at Purchase		255,545.68	255,545.68					
Subtotal		255,545.68	255,545.68					
<b>Total Cash and Investments</b>	<b>240,325,941.15</b>	<b>243,329,910.82</b>	<b>242,950,101.98</b>		<b>459</b>	<b>260</b>	<b>0.759</b>	<b>0.770</b>
<b>Total Earnings</b>	<b>January 8 Month Ending</b>	<b>Fiscal Year To Date</b>						
Current Year	133,566.49	960,765.26						

GRACE LEUNG, TREASURER

**CITY OF SUNNYVALE**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**January 8, 2011**

CUSIP	Investment #	Issuer	Purchase	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 365	Days to Maturity	Maturity Date
<b>Managed Pool Accounts</b>											
SYS90-119	90-119	STATEPOOL		50,000,000.00	50,000,000.00	50,000,000.00	0.510		0.510	1	
<b>Subtotal and Average</b>				<b>50,000,000.00</b>	<b>50,000,000.00</b>	<b>50,000,000.00</b>			<b>0.510</b>	<b>1</b>	
<b>Passbook/Checking Accounts</b>											
SYS08-006	08-006	UNION BANK OF CALIFORNIA		13,297,683.79	13,297,683.79	13,297,683.79	0.100		0.100	1	
<b>Subtotal and Average</b>				<b>13,297,683.79</b>	<b>13,297,683.79</b>	<b>13,297,683.79</b>			<b>0.100</b>	<b>1</b>	
<b>Federal Agency Issues - Coupon</b>											
31331H6B8	09-017	FEDERAL FARM CREDIT BANK	02/10/2009	1,000,000.00	1,001,250.00	1,001,008.31	5.750		1.635	9	01/18/2011
31331YG46	09-018	FEDERAL FARM CREDIT BANK	02/10/2009	1,000,000.00	1,006,875.00	1,002,629.30	2.625		1.675	102	04/21/2011
31331VSK3	09-019	FEDERAL FARM CREDIT BANK	02/10/2009	500,000.00	502,500.00	501,708.12	4.875		1.655	40	02/18/2011
31331JTN3	10-031	FEDERAL FARM CREDIT BANK	06/29/2010	4,000,000.00	4,006,250.00	4,001,858.29	0.570		0.512	292	10/28/2011
31331GKY4	11-001	FEDERAL FARM CREDIT BANK	07/29/2010	4,000,000.00	4,065,000.00	4,060,943.03	2.000		0.502	373	01/17/2012
31331GKY4	11-002	FEDERAL FARM CREDIT BANK	07/29/2010	4,000,000.00	4,065,000.00	4,057,820.61	2.000		0.578	373	01/17/2012
31331VX43	11-004	FEDERAL FARM CREDIT BANK	11/12/2010	4,000,000.00	4,210,000.00	4,213,544.69	5.230		0.349	401	02/14/2012
31331JY56	11-011	FEDERAL FARM CREDIT BANK	12/22/2010	4,000,000.00	3,983,750.00	3,976,258.73	0.400		0.730	663	11/02/2012
3133XVU82	10-007	FEDERAL HOME LOAN BANK	11/20/2009	4,000,000.00	4,001,250.00	3,999,784.30	0.375		0.417	40	02/18/2011
3133XVLE9	10-014	FEDERAL HOME LOAN BANK	02/05/2010	4,000,000.00	4,008,750.00	4,004,569.27	0.850		0.491	115	05/04/2011
3133XVLE9	10-016	FEDERAL HOME LOAN BANK	03/03/2010	4,000,000.00	4,008,750.00	4,005,277.43	0.850		0.435	115	05/04/2011
3133TXH4	10-018	FEDERAL HOME LOAN BANK	04/20/2010	4,000,000.00	4,028,750.00	4,022,734.90	1.625		0.586	199	07/27/2011
3133XRY46	10-019	FEDERAL HOME LOAN BANK	04/21/2010	4,000,000.00	4,090,000.00	4,079,807.23	3.750		0.736	243	09/09/2011
3133XRY46	10-020	FEDERAL HOME LOAN BANK	04/27/2010	4,000,000.00	4,090,000.00	4,078,476.93	3.750		0.785	243	09/09/2011
3133XWML0	10-021	FEDERAL HOME LOAN BANK	05/04/2010	4,000,000.00	4,018,750.00	4,007,319.27	0.975		0.731	275	10/11/2011
3133XRY46	10-022	FEDERAL HOME LOAN BANK	05/05/2010	4,000,000.00	4,090,000.00	4,078,862.81	3.750		0.771	243	09/09/2011
3133XWEZ8	10-023	FEDERAL HOME LOAN BANK	05/10/2010	3,000,000.00	3,007,500.00	3,002,261.05	0.750		0.598	180	07/08/2011
3133XRRU6	10-024	FEDERAL HOME LOAN BANK	05/10/2010	3,000,000.00	3,049,687.50	3,043,175.77	3.625		0.597	173	07/01/2011
3128X2QL2	10-013	FEDERAL HOME LOAN MORT CORP	02/02/2010	4,000,000.00	4,010,520.00	4,010,381.83	4.300		0.395	25	02/03/2011
3137EABN8	10-017	FEDERAL HOME LOAN MORT CORP	03/18/2010	4,000,000.00	4,068,750.00	4,061,967.03	3.875		0.577	171	06/29/2011
3137EABY4	11-003	FEDERAL HOME LOAN MORT CORP	09/20/2010	4,000,000.00	4,078,750.00	4,081,173.19	2.125		0.434	439	03/23/2012
3128X9D80	11-005	FEDERAL HOME LOAN MORT CORP	12/07/2010	4,000,000.00	4,033,000.00	4,039,472.71	1.125		0.360	472	04/25/2012
31398AWQ1	09-027	FEDERAL NATL MORTGAGE ASSN	04/24/2009	4,000,000.00	4,015,000.00	4,001,397.13	1.375		1.233	109	04/28/2011
31398AVQ2	10-011	FEDERAL NATL MORTGAGE ASSN	01/08/2010	4,000,000.00	4,012,500.00	4,009,281.47	1.750		0.615	73	03/23/2011
31398AZN5	10-029	FEDERAL NATL MORTGAGE ASSN	05/28/2010	4,000,000.00	4,022,500.00	4,004,460.56	1.000		0.871	318	11/23/2011
31359MZ30	10-030	FEDERAL NATL MORTGAGE ASSN	06/29/2010	4,000,000.00	4,141,250.00	4,137,360.34	5.000		0.500	279	10/15/2011
31398AUU4	10-032	FEDERAL NATL MORTGAGE ASSN	06/30/2010	4,000,000.00	4,063,750.00	4,058,491.80	2.000		0.530	365	01/09/2012
31398AZN5	10-033	FEDERAL NATL MORTGAGE ASSN	06/30/2010	4,000,000.00	4,022,500.00	4,016,480.32	1.000		0.525	318	11/23/2011
31398AP71	11-006	FEDERAL NATL MORTGAGE ASSN	12/08/2010	4,000,000.00	4,041,250.00	4,040,405.05	1.250		0.551	530	06/22/2012
31398AP71	11-007	FEDERAL NATL MORTGAGE ASSN	12/10/2010	4,000,000.00	4,041,250.00	4,036,572.10	1.250		0.617	530	06/22/2012

Portfolio CITY  
AP

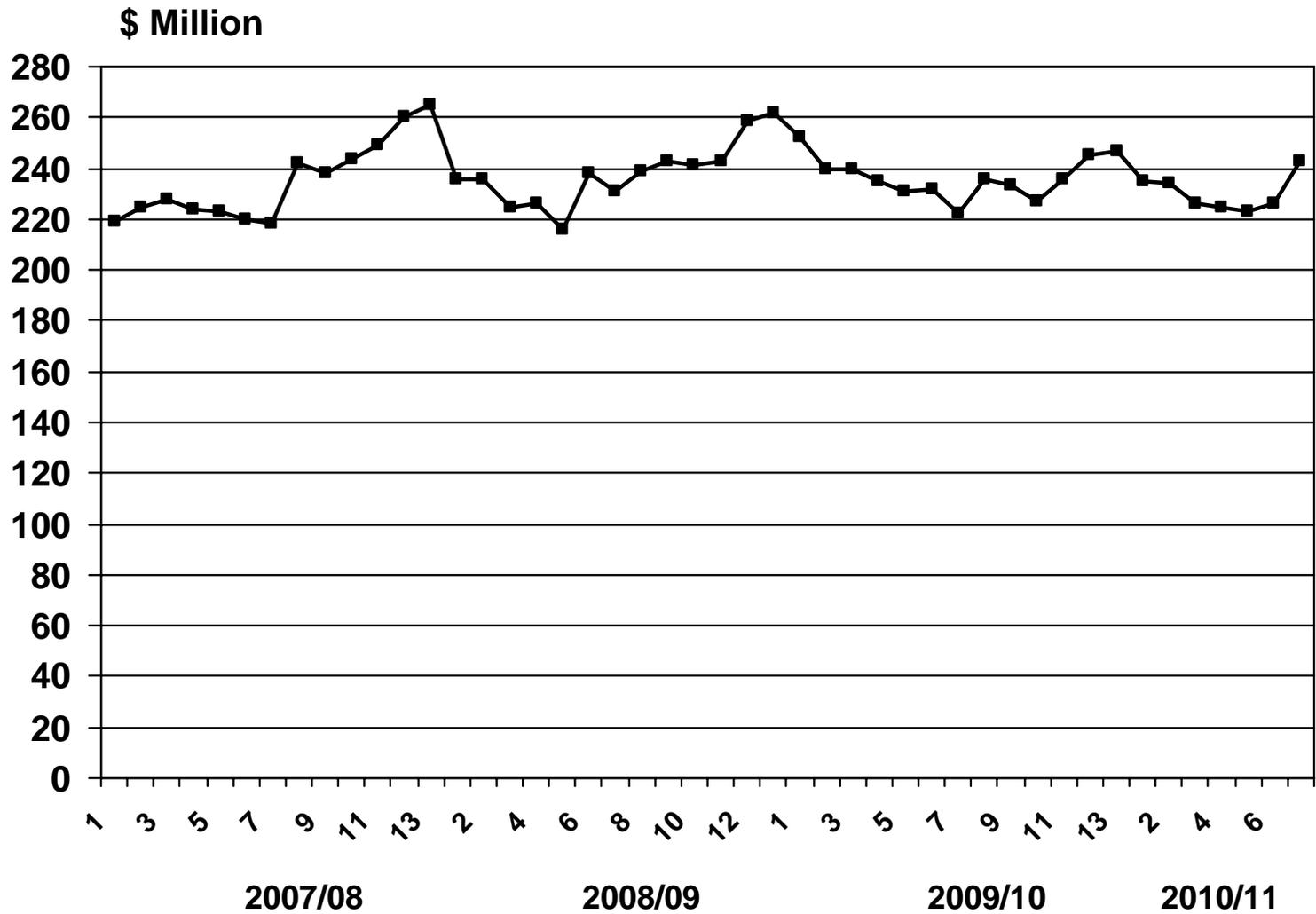
PM (PRF\_PM2) SymRept V6.21

**CITY OF SUNNYVALE**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**January 8, 2011**

CUSIP	Investment #	Issuer	Purchase	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 365	Days to Maturity	Maturity Date
<b>Federal Agency Issues - Coupon</b>											
31398AT77	11-008	FEDERAL NATL MORTGAGE ASSN	12/10/2010	4,000,000.00	4,035,000.00	4,030,427.12	1.125		0.633	568	07/30/2012
880591DN9	09-001	TENNESSEE VALLEY AUTHORITY	07/21/2008	5,000,000.00	5,004,450.00	5,002,369.90	5.625		3.625	9	01/18/2011
880591DN9	09-008	TENNESSEE VALLEY AUTHORITY	11/17/2008	4,000,000.00	4,003,560.00	4,002,641.23	5.625		2.879	9	01/18/2011
880591DT6	09-014	TENNESSEE VALLEY AUTHORITY	02/04/2009	3,128,000.00	3,394,039.53	3,316,066.04	6.790		2.220	500	05/23/2012
880591DN9	09-015	TENNESSEE VALLEY AUTHORITY	02/04/2009	4,000,000.00	4,003,560.00	4,003,996.31	5.625		1.552	9	01/18/2011
880591DN9	09-020	TENNESSEE VALLEY AUTHORITY	02/11/2009	2,400,000.00	2,402,136.00	2,402,373.83	5.625		1.591	9	01/18/2011
880591DN9	09-025	TENNESSEE VALLEY AUTHORITY	03/24/2009	3,000,000.00	3,002,670.00	3,003,024.08	5.625		1.520	9	01/18/2011
880591DT6	11-012	TENNESSEE VALLEY AUTHORITY	01/06/2011	4,000,000.00	4,340,204.00	4,343,593.40	6.790		0.500	500	05/23/2012
880591DW9	11-013	TENNESSEE VALLEY AUTHORITY	01/06/2011	4,000,000.00	4,375,736.00	4,364,414.27	4.750		1.131	935	08/01/2013
<b>Subtotal and Average</b>				<b>142,028,000.00</b>	<b>144,346,438.03</b>	<b>144,104,389.75</b>			<b>0.895</b>	<b>283</b>	
<b>Treasury Securities - Coupon</b>											
912828KH2	09-041	UNITED STATE TREASURY	06/10/2009	4,000,000.00	4,006,092.48	3,997,080.80	0.875		1.208	81	03/31/2011
912828LM0	10-025	UNITED STATE TREASURY	05/13/2010	4,000,000.00	4,056,720.52	4,022,227.31	1.375		1.039	615	09/15/2012
912828LR9	10-026	UNITED STATE TREASURY	05/14/2010	4,000,000.00	4,057,968.68	4,019,131.36	1.375		1.099	645	10/15/2012
912828LB4	10-027	UNITED STATE TREASURY	05/27/2010	3,000,000.00	3,048,399.30	3,031,239.18	1.500		0.805	553	07/15/2012
912828LH1	10-028	UNITED STATE TREASURY	05/28/2010	4,000,000.00	4,081,092.48	4,051,820.99	1.750		0.929	584	08/15/2012
912828MB3	11-009	UNITED STATE TREASURY	12/21/2010	4,000,000.00	4,040,000.56	4,037,734.48	1.125		0.633	706	12/15/2012
912828MG2	11-010	UNITED STATE TREASURY	12/22/2010	4,000,000.00	4,060,000.56	4,055,671.56	1.375		0.679	737	01/15/2013
912828MT4	11-014	UNITED STATE TREASURY	01/07/2011	4,000,000.00	4,059,360.28	4,054,238.72	1.375		0.746	796	03/15/2013
912828NN6	11-015	UNITED STATE TREASURY	01/07/2011	4,000,000.00	4,020,320.36	4,023,074.73	1.000		0.768	918	07/15/2013
<b>Subtotal and Average</b>				<b>35,000,000.00</b>	<b>35,429,955.22</b>	<b>35,292,219.13</b>			<b>0.880</b>	<b>629</b>	
<b>US Govt Mortgage Passthroughs</b>											
313401TJ0	87-009	FEDERAL HOME LOAN MORT CORP	07/01/1994	257.36	288.10	263.63	10.000		9.680	1,878	03/01/2016
<b>Subtotal and Average</b>				<b>257.36</b>	<b>288.10</b>	<b>263.63</b>			<b>9.680</b>	<b>1,878</b>	
<b>Total and Average</b>				<b>240,325,941.15</b>	<b>243,074,365.14</b>	<b>242,694,556.30</b>			<b>0.770</b>	<b>260</b>	

# INVESTMENT PORTFOLIO

## PORTFOLIO TREND



# INVESTMENT PORTFOLIO COMPARISON OF ANNUAL YIELDS

