

**Council Meeting: August 9, 2011****SUBJECT: City of Sunnyvale Investment Report – 2<sup>nd</sup> Quarter 2011****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, Retiree Medical Trust, 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. 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, especially as issues such as the Federal debt ceiling continue to cause anxiety. 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 13 for all City funds totaled \$1,649,697.39.

**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 K. 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 13 Investment Report



## **CITY OF SUNNYVALE**

### **PORTFOLIO EVALUATION PERIOD 13 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 January 2012.

Date: June 27, 2011

cc: Members of the City Council  
City Manager

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Grace Leung, Finance Director

**PORTFOLIO EVALUATION - PERIOD 13 FY 2010/2011 (5/29/2011 - 6/30/2011)**

DESCRIPTION	DOLLAR AMOUNT	FY 10/11 PERIOD 13 (5/29/11 - 6/30/11)	FY 10/11 PERIOD 12 (5/1/11 - 5/28/11)	FY 09/10 PERIOD 13 (5/30/10- 6/30/10)
TOTAL PORTFOLIO MARKET VALUE		\$222,518,772.22	\$217,086,273.74	\$246,838,912.34
AVERAGE LIFE OF PORTFOLIO (DAYS)		364	327	233
CITY - WEIGHTED YIELD (Current Period)		0.70%	0.69%	0.84%
STATE POOL YIELD		0.39%	0.41%	0.53%
90 DAY T-BILL RATE (Current Period)		0.03%	0.03%	0.12%
VARIANCE FROM CITY YIELD		0.67%	0.66%	0.72%
1 YEAR TREASURY RATE (Current Period)		0.18%	0.19%	0.32%
VARIANCE FROM CITY YIELD		0.52%	0.50%	0.52%
TREASURY YIELD WITH SAME AVG LIFE AS PORTFOLIO		0.30%	0.21%	0.30%
VARIANCE FROM CITY YIELD		0.40%	0.48%	0.54%
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TOTAL INVESTMENTS MATURING WITHIN 0 TO 1 YEAR	\$122,112,943.19	54.88%	59.20%	72.99%
TOTAL INVESTMENTS MATURING WITHIN 1 TO 3 YEARS	\$100,405,576.63	45.12%	40.80%	27.01%
TOTAL INVESTMENTS MATURING WITHIN 3 TO 5 YEARS	\$0.00	0.00%	0.00%	0.00%
TOTAL INVESTMENTS MATURING OVER 5 YEARS **	\$252.40	0.00%	0.00%	0.00%
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TOTAL	\$222,518,772.22	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  
May 29, 2011 through June 30, 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	40,000,000.00	40,000,000.00	40,000,000.00	18.02	1	1	0.503	0.510
Medium Term Notes	3,000,000.00	3,042,570.00	3,032,988.17	1.37	980	921	1.629	1.651
Federal Agency Issues - Coupon	137,128,000.00	141,021,911.19	140,639,790.77	63.37	646	401	0.698	0.708
Treasury Securities - Coupon	38,000,000.00	38,454,038.63	38,244,638.87	17.23	803	565	0.760	0.771
US Govt Mortgage Passthroughs	224.81	252.40	230.29	0.00	7,914	1,705	9.548	9.680
<b>Investments</b>	<b>218,128,224.81</b>	<b>222,518,772.22</b>	<b>221,917,648.10</b>	<b>100.00%</b>	<b>562</b>	<b>364</b>	<b>0.686</b>	<b>0.696</b>
<b>Cash and Accrued Interest</b>								
Accrued Interest at Purchase		188,740.11	188,740.11					
Subtotal		188,740.11	188,740.11					
<b>Total Cash and Investments</b>	<b>218,128,224.81</b>	<b>222,707,512.33</b>	<b>222,106,388.21</b>		<b>562</b>	<b>364</b>	<b>0.686</b>	<b>0.696</b>

<b>Total Earnings</b>	<b>June 30 Period Ending</b>	<b>Fiscal Year To Date</b>	<b>Fiscal Year Ending</b>
Current Year	135,787.93	1,649,697.39	1,649,697.39

GRACE LEUNG, TREASURER

Reporting period 05/29/2011-06/30/2011

Run Date: 07/28/2011 - 13:59

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**CITY OF SUNNYVALE**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**June 30, 2011**

CUSIP	Investment #	Issuer	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
<b>Managed Pool Accounts</b>											
SYS90-119	90-119	STATEPOOL		40,000,000.00	40,000,000.00	40,000,000.00	0.510		0.510	1	
<b>Subtotal and Average</b>				<b>40,000,000.00</b>	<b>40,000,000.00</b>	<b>40,000,000.00</b>			<b>0.510</b>	<b>1</b>	
<b>Passbook/Checking Accounts</b>											
SYS08-006	08-006	UNION BANK OF CALIFORNIA		0.00	0.00	0.00	0.100		0.100	1	
<b>Subtotal and Average</b>				<b>0.00</b>	<b>0.00</b>	<b>0.00</b>			<b>0.000</b>	<b>0</b>	
<b>Medium Term Notes</b>											
36962G4X9	11-023	GENERAL ELECTRIC	05/03/2011	3,000,000.00	3,042,570.00	3,032,988.17	2.100		1.651	921	01/07/2014
<b>Subtotal and Average</b>				<b>3,000,000.00</b>	<b>3,042,570.00</b>	<b>3,032,988.17</b>			<b>1.651</b>	<b>921</b>	
<b>Federal Agency Issues - Coupon</b>											
31331JTN3	10-031	FEDERAL FARM CREDIT BANK	06/29/2010	4,000,000.00	4,006,108.00	4,000,752.32	0.570		0.512	119	10/28/2011
31331GKY4	11-001	FEDERAL FARM CREDIT BANK	07/29/2010	4,000,000.00	4,038,356.00	4,032,458.79	2.000		0.502	200	01/17/2012
31331GKY4	11-002	FEDERAL FARM CREDIT BANK	07/29/2010	4,000,000.00	4,038,356.00	4,030,795.76	2.000		0.578	200	01/17/2012
31331VX43	11-004	FEDERAL FARM CREDIT BANK	11/12/2010	4,000,000.00	4,122,312.00	4,120,558.14	5.230		0.349	228	02/14/2012
31331JY56	11-011	FEDERAL FARM CREDIT BANK	12/22/2010	4,000,000.00	4,000,792.00	3,982,512.18	0.400		0.730	490	11/02/2012
31331KET3	11-018	FEDERAL FARM CREDIT BANK	04/01/2011	3,000,000.00	3,023,298.00	2,994,389.60	0.980		1.065	815	09/23/2013
31331GCS6	11-020	FEDERAL FARM CREDIT BANK	04/29/2011	3,000,000.00	3,217,713.00	3,199,576.13	3.875		0.901	829	10/07/2013
31331KCP3	11-022	FEDERAL FARM CREDIT BANK	04/29/2011	4,000,000.00	4,029,652.00	4,020,016.17	0.900		0.593	602	02/22/2013
31331KJQ4	11-024	FEDERAL FARM CREDIT BANK	05/02/2011	4,000,000.00	4,018,136.00	4,002,203.33	0.750		0.720	671	05/02/2013
3133XTXH4	10-018	FEDERAL HOME LOAN BANK	04/20/2010	4,000,000.00	4,004,404.00	4,002,985.39	1.625		0.586	26	07/27/2011
3133XRY46	10-019	FEDERAL HOME LOAN BANK	04/21/2010	4,000,000.00	4,027,332.00	4,022,612.05	3.750		0.736	70	09/09/2011
3133XRY46	10-020	FEDERAL HOME LOAN BANK	04/27/2010	4,000,000.00	4,027,332.00	4,022,235.13	3.750		0.785	70	09/09/2011
3133XWML0	10-021	FEDERAL HOME LOAN BANK	05/04/2010	4,000,000.00	4,009,716.00	4,002,690.91	0.975		0.731	102	10/11/2011
3133XRY46	10-022	FEDERAL HOME LOAN BANK	05/05/2010	4,000,000.00	4,027,332.00	4,022,344.46	3.750		0.771	70	09/09/2011
3133XWEZ8	10-023	FEDERAL HOME LOAN BANK	05/10/2010	3,000,000.00	3,000,378.00	3,000,088.42	0.750		0.598	7	07/08/2011
3133XRRU6	10-024	FEDERAL HOME LOAN BANK	05/10/2010	3,000,000.00	3,000,000.00	3,000,000.00	3.625		0.597	0	07/01/2011
3133XQU34	11-019	FEDERAL HOME LOAN BANK	04/27/2011	4,000,000.00	4,237,360.00	4,218,659.57	3.625		0.737	698	05/29/2013
3133XSAE8	11-021	FEDERAL HOME LOAN BANK	04/29/2011	3,000,000.00	3,201,942.00	3,183,893.39	3.625		0.920	840	10/18/2013
3133XSP93	11-026	FEDERAL HOME LOAN BANK	06/10/2011	4,000,000.00	4,234,056.00	4,233,168.37	3.125		0.720	896	12/13/2013
3133XHXW7	11-027	FEDERAL HOME LOAN BANK	06/13/2011	4,000,000.00	4,399,360.00	4,402,043.44	4.875		0.656	880	11/27/2013
3137EABY4	11-003	FEDERAL HOME LOAN MORT CORP	09/20/2010	4,000,000.00	4,052,500.00	4,049,003.17	2.125		0.434	266	03/23/2012
3128X9D80	11-005	FEDERAL HOME LOAN MORT CORP	12/07/2010	4,000,000.00	4,026,612.00	4,024,903.38	1.125		0.360	299	04/25/2012
3128X1KG1	11-016	FEDERAL HOME LOAN MORT CORP	01/25/2011	4,000,000.00	4,246,852.00	4,232,859.60	4.000		0.968	712	06/12/2013
3137EABS7	11-017	FEDERAL HOME LOAN MORT CORP	04/01/2011	3,000,000.00	3,233,931.00	3,200,564.46	4.125		1.090	819	09/27/2013

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**CITY OF SUNNYVALE**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**June 30, 2011**

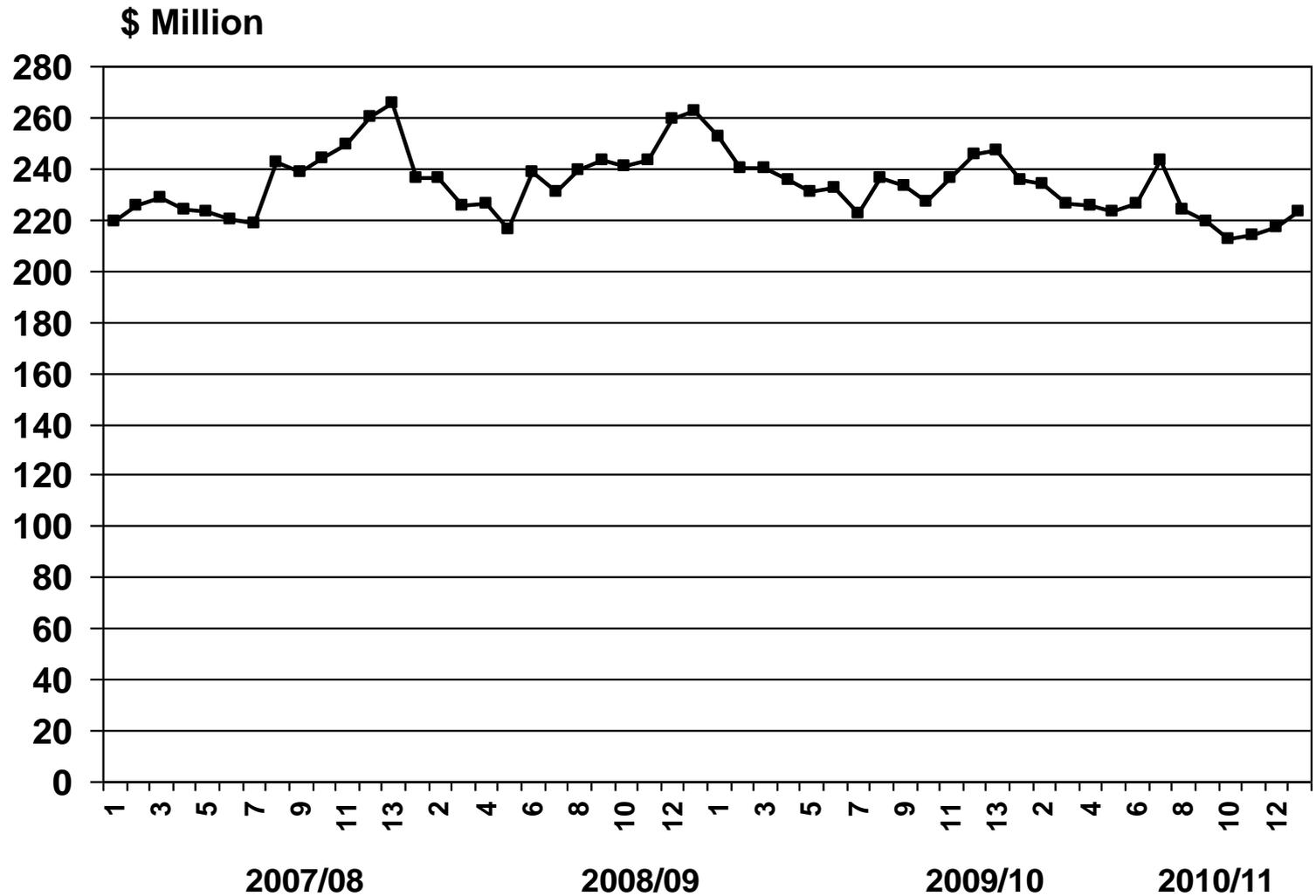
CUSIP	Investment #	Issuer	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
<b>Federal Agency Issues - Coupon</b>											
31398AZN5	10-029	FEDERAL NATL MORTGAGE ASSN	05/28/2010	4,000,000.00	4,014,508.00	4,002,017.20	1.000		0.871	145	11/23/2011
31359MZ30	10-030	FEDERAL NATL MORTGAGE ASSN	06/29/2010	4,000,000.00	4,056,592.00	4,051,758.97	5.000		0.500	106	10/15/2011
31398AUU4	10-032	FEDERAL NATL MORTGAGE ASSN	06/30/2010	4,000,000.00	4,037,404.00	4,030,545.72	2.000		0.530	192	01/09/2012
31398AZN5	10-033	FEDERAL NATL MORTGAGE ASSN	06/30/2010	4,000,000.00	4,014,508.00	4,007,452.88	1.000		0.525	145	11/23/2011
31398AP71	11-006	FEDERAL NATL MORTGAGE ASSN	12/08/2010	4,000,000.00	4,035,884.00	4,027,116.97	1.250		0.551	357	06/22/2012
31398AP71	11-007	FEDERAL NATL MORTGAGE ASSN	12/10/2010	4,000,000.00	4,035,884.00	4,024,544.57	1.250		0.617	357	06/22/2012
31398AT77	11-008	FEDERAL NATL MORTGAGE ASSN	12/10/2010	4,000,000.00	4,033,760.00	4,021,098.31	1.125		0.633	395	07/30/2012
880591DT6	09-014	TENNESSEE VALLEY AUTHORITY	02/04/2009	3,128,000.00	3,307,669.19	3,250,585.56	6.790		2.220	327	05/23/2012
880591DT6	11-012	TENNESSEE VALLEY AUTHORITY	01/06/2011	4,000,000.00	4,229,756.00	4,223,961.69	6.790		0.500	327	05/23/2012
880591DW9	11-013	TENNESSEE VALLEY AUTHORITY	01/06/2011	4,000,000.00	4,334,396.00	4,296,432.43	4.750		1.131	762	08/01/2013
880591DW9	11-025	TENNESSEE VALLEY AUTHORITY	05/20/2011	4,000,000.00	4,334,396.00	4,330,296.21	4.750		0.746	762	08/01/2013
880591CW0	11-029	TENNESSEE VALLEY AUTHORITY	06/29/2011	4,000,000.00	4,363,324.00	4,372,666.10	6.000		0.506	623	03/15/2013
<b>Subtotal and Average</b>				<b>137,128,000.00</b>	<b>141,021,911.19</b>	<b>140,639,790.77</b>			<b>0.708</b>	<b>401</b>	
<b>Treasury Securities - Coupon</b>											
912828LM0	10-025	UNITED STATE TREASURY	05/13/2010	4,000,000.00	4,052,500.00	4,015,974.75	1.375		1.039	442	09/15/2012
912828LR9	10-026	UNITED STATE TREASURY	05/14/2010	4,000,000.00	4,055,000.00	4,014,000.00	1.375		1.099	472	10/15/2012
912828LB4	10-027	UNITED STATE TREASURY	05/27/2010	3,000,000.00	3,039,140.63	3,021,466.35	1.500		0.805	380	07/15/2012
912828LH1	10-028	UNITED STATE TREASURY	05/28/2010	4,000,000.00	4,066,876.00	4,036,469.91	1.750		0.929	411	08/15/2012
912828MB3	11-009	UNITED STATE TREASURY	12/21/2010	4,000,000.00	4,045,156.00	4,028,487.93	1.125		0.633	533	12/15/2012
912828MG2	11-010	UNITED STATE TREASURY	12/22/2010	4,000,000.00	4,061,876.00	4,042,603.48	1.375		0.679	564	01/15/2013
912828MT4	11-014	UNITED STATE TREASURY	01/07/2011	4,000,000.00	4,065,640.00	4,042,450.66	1.375		0.746	623	03/15/2013
912828NN6	11-015	UNITED STATE TREASURY	01/07/2011	4,000,000.00	4,042,520.00	4,018,726.22	1.000		0.768	745	07/15/2013
912828RA0	11-028	UNITED STATE TREASURY	06/30/2011	4,000,000.00	3,993,440.00	3,992,510.26	0.375		0.469	730	06/30/2013
912828NN6	11-030	UNITED STATE TREASURY	06/30/2011	3,000,000.00	3,031,890.00	3,031,949.31	1.000		0.474	745	07/15/2013
<b>Subtotal and Average</b>				<b>38,000,000.00</b>	<b>38,454,038.63</b>	<b>38,244,638.87</b>			<b>0.771</b>	<b>565</b>	
<b>US Govt Mortgage Passthroughs</b>											
313401TJ0	87-009	FEDERAL HOME LOAN MORT CORP	07/01/1994	224.81	252.40	230.29	10.000		9.680	1,705	03/01/2016
<b>Subtotal and Average</b>				<b>224.81</b>	<b>252.40</b>	<b>230.29</b>			<b>9.680</b>	<b>1,705</b>	

**CITY OF SUNNYVALE  
Portfolio Management  
Portfolio Details - Investments  
June 30, 2011**

CUSIP	Investment #	Issuer	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity
<b>Total and Average</b>				218,128,224.81	222,518,772.22	221,917,648.10			0.696	364

# INVESTMENT PORTFOLIO

## PORTFOLIO TREND



# INVESTMENT PORTFOLIO COMPARISON OF ANNUAL YIELDS

