

**Council Meeting: October 18, 2011****SUBJECT: City of Sunnyvale Investment Report – 3rd 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 continued turmoil in the financial markets, staff remains fiscally conservative with investment decisions focused on 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 high level of financial uncertainty. Increasing demand for U.S. Treasury securities has caused yields on these conservative investments to decline significantly. This has had and will continue to 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 2011/2012 as of Period 3 for all City funds totaled \$314,231.93.

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 2011/2012 Period 3 Investment Report



CITY OF SUNNYVALE

PORTFOLIO EVALUATION PERIOD 3 FY 2011/2012

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 2012.

Date: October 4, 2011

cc: Members of the City Council
City Manager

Grace Leung, Finance Director

PORTFOLIO EVALUATION - PERIOD 3 FY 2011/2012 (8/21/2011 - 9/17/2011)

DESCRIPTION	DOLLAR AMOUNT	FY 11/12 PERIOD 3 (8/21/11 - 9/17/11)	FY 11/12 PERIOD 2 (7/24/11 - 8/20/11)	FY 10/11 PERIOD 3 (8/22/10- 9/18/10)
TOTAL PORTFOLIO MARKET VALUE		\$209,918,886.83	\$209,409,612.14	\$226,343,834.87
AVERAGE LIFE OF PORTFOLIO (DAYS)		354	344	210
CITY - WEIGHTED YIELD (Current Period)		0.68%	0.70%	0.83%
STATE POOL YIELD		0.38%	0.37%	0.51%
90 DAY T-BILL RATE (Current Period)		0.01%	0.03%	0.14%
VARIANCE FROM CITY YIELD		0.67%	0.67%	0.69%
1 YEAR TREASURY RATE (Current Period)		0.10%	0.14%	0.26%
VARIANCE FROM CITY YIELD		0.58%	0.56%	0.57%
TREASURY YIELD WITH SAME AVG LIFE AS PORTFOLIO		0.13%	0.20%	0.24%
VARIANCE FROM CITY YIELD		0.55%	0.50%	0.59%
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TOTAL INVESTMENTS MATURING WITHIN 0 TO 1 YEAR	\$116,478,312.10	55.49%	57.33%	75.57%
TOTAL INVESTMENTS MATURING WITHIN 1 TO 3 YEARS	\$93,440,339.00	44.51%	42.67%	24.43%
TOTAL INVESTMENTS MATURING WITHIN 3 TO 5 YEARS	\$0.00	0.00%	0.00%	0.00%
TOTAL INVESTMENTS MATURING OVER 5 YEARS **	\$235.73	0.00%	0.00%	0.00%
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TOTAL	\$209,918,886.83	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 21, 2011 through September 17, 2011

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	41,556,962.73	41,556,962.73	41,556,962.73	19.88	1	1	0.473	0.480
Medium Term Notes	3,000,000.00	3,038,586.00	3,030,184.54	1.45	980	842	1.629	1.651
Federal Agency Issues - Coupon	123,128,000.00	126,825,860.37	126,249,217.13	60.39	691	419	0.685	0.694
Treasury Securities - Coupon	38,000,000.00	38,497,242.00	38,207,831.63	18.28	803	486	0.760	0.771
US Govt Mortgage Passthroughs	209.28	235.73	214.38	0.00	7,914	1,626	9.548	9.680
Investments	205,685,172.01	209,918,886.83	209,044,410.41	100.00%	579	354	0.670	0.680
Cash and Accrued Interest								
Accrued Interest at Purchase		26,177.65	26,177.65					
Subtotal		26,177.65	26,177.65					
Total Cash and Investments	205,685,172.01	209,945,064.48	209,070,588.06		579	354	0.670	0.680

Total Earnings	September 17 Period Ending	Fiscal Year To Date
Current Year	108,451.64	314,231.93

GRACE LEUNG, TREASURER

Reporting period 08/21/2011-09/17/2011

Run Date: 10/07/2011 - 10:50

Portfolio CITY
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CITY OF SUNNYVALE
Portfolio Management
Portfolio Details - Investments
September 17, 2011

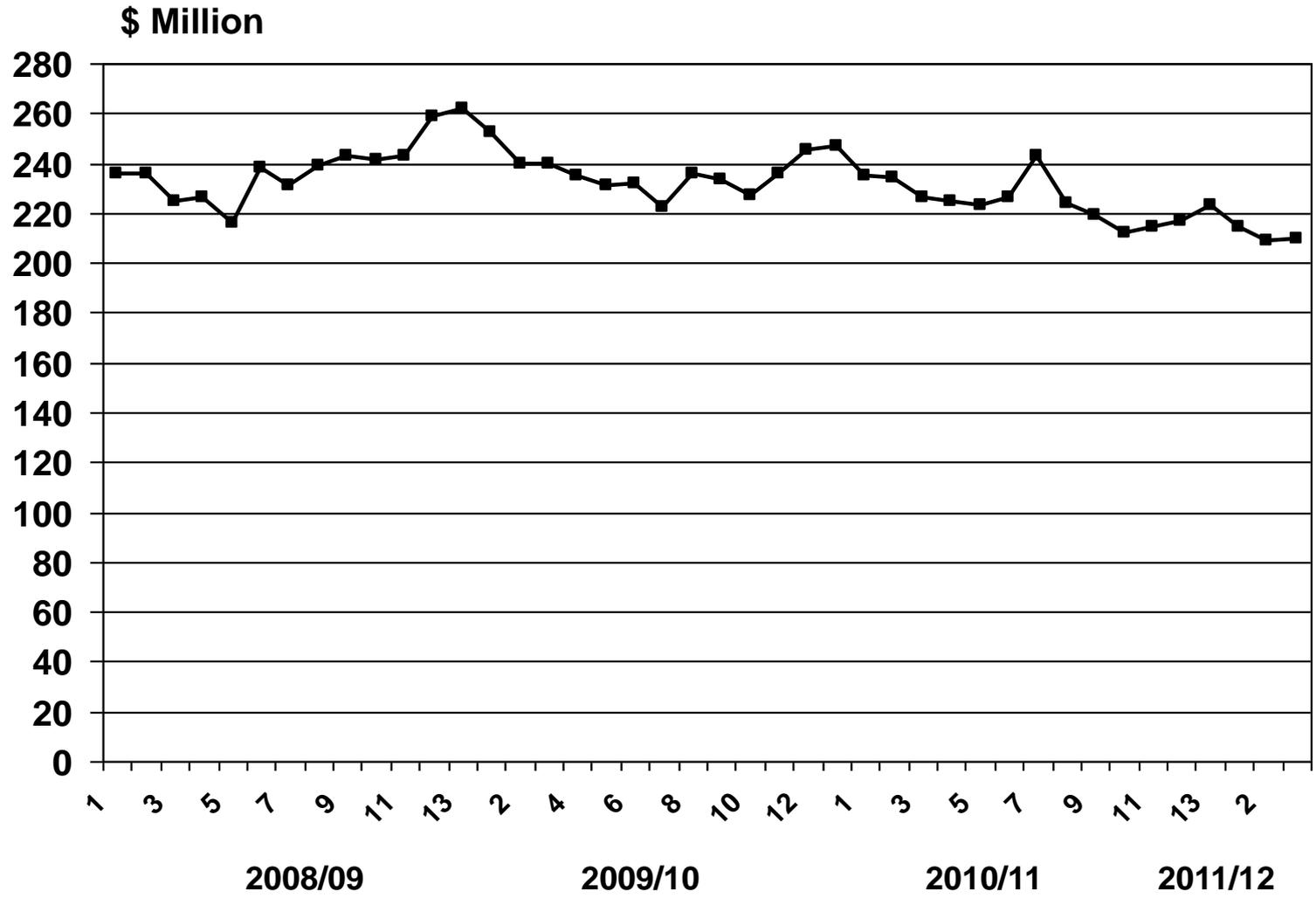
CUSIP	Investment #	Issuer	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Managed Pool Accounts											
SYS90-119	90-119	STATEPOOL		41,556,962.73	41,556,962.73	41,556,962.73	0.480		0.480	1	
Subtotal and Average				41,556,962.73	41,556,962.73	41,556,962.73			0.480	1	
Medium Term Notes											
36962G4X9	11-023	GENERAL ELECTRIC	05/03/2011	3,000,000.00	3,038,586.00	3,030,184.54	2.100		1.651	842	01/07/2014
Subtotal and Average				3,000,000.00	3,038,586.00	3,030,184.54			1.651	842	
Federal Agency Issues - Coupon											
31331JTN3	10-031	FEDERAL FARM CREDIT BANK	06/29/2010	4,000,000.00	4,002,080.00	4,000,257.20	0.570		0.512	40	10/28/2011
31331GKY4	11-001	FEDERAL FARM CREDIT BANK	07/29/2010	4,000,000.00	4,024,992.00	4,019,707.12	2.000		0.502	121	01/17/2012
31331GKY4	11-002	FEDERAL FARM CREDIT BANK	07/29/2010	4,000,000.00	4,024,992.00	4,018,697.42	2.000		0.578	121	01/17/2012
31331VX43	11-004	FEDERAL FARM CREDIT BANK	11/12/2010	4,000,000.00	4,081,664.00	4,078,930.44	5.230		0.349	149	02/14/2012
31331JY56	11-011	FEDERAL FARM CREDIT BANK	12/22/2010	4,000,000.00	4,006,352.00	3,985,311.68	0.400		0.730	411	11/02/2012
31331KET3	11-018	FEDERAL FARM CREDIT BANK	04/01/2011	3,000,000.00	3,039,261.00	2,994,928.25	0.980		1.065	736	09/23/2013
31331GCS6	11-020	FEDERAL FARM CREDIT BANK	04/29/2011	3,000,000.00	3,216,534.00	3,180,743.58	3.875		0.901	750	10/07/2013
31331KCP3	11-022	FEDERAL FARM CREDIT BANK	04/29/2011	4,000,000.00	4,035,460.00	4,017,408.31	0.900		0.593	523	02/22/2013
31331KJQ4	11-024	FEDERAL FARM CREDIT BANK	05/02/2011	4,000,000.00	4,029,048.00	4,001,946.67	0.750		0.720	592	05/02/2013
3133XWML0	10-021	FEDERAL HOME LOAN BANK	05/04/2010	4,000,000.00	4,002,164.00	4,000,618.91	0.975		0.731	23	10/11/2011
3133XQU34	11-019	FEDERAL HOME LOAN BANK	04/27/2011	4,000,000.00	4,223,208.00	4,194,187.50	3.625		0.737	619	05/29/2013
3133XSAE8	11-021	FEDERAL HOME LOAN BANK	04/29/2011	3,000,000.00	3,201,156.00	3,166,771.51	3.625		0.920	761	10/18/2013
3133XSP93	11-026	FEDERAL HOME LOAN BANK	06/10/2011	4,000,000.00	4,242,680.00	4,212,812.40	3.125		0.720	817	12/13/2013
3133XHXW7	11-027	FEDERAL HOME LOAN BANK	06/13/2011	4,000,000.00	4,391,932.00	4,366,295.93	4.875		0.656	801	11/27/2013
313371PU4	12-001	FEDERAL HOME LOAN BANK	09/14/2011	4,000,000.00	4,009,452.00	4,007,562.42	0.500		0.415	817	12/13/2013
3133XWKV0	12-002	FEDERAL HOME LOAN BANK	09/14/2011	4,000,000.00	4,191,324.00	4,188,319.29	2.375		0.470	908	03/14/2014
3137EABY4	11-003	FEDERAL HOME LOAN MORT CORP	09/20/2010	4,000,000.00	4,039,264.00	4,034,601.47	2.125		0.434	187	03/23/2012
3128X9D80	11-005	FEDERAL HOME LOAN MORT CORP	12/07/2010	4,000,000.00	4,021,452.00	4,018,381.07	1.125		0.360	220	04/25/2012
3128X1KG1	11-016	FEDERAL HOME LOAN MORT CORP	01/25/2011	4,000,000.00	4,253,196.00	4,207,281.59	4.000		0.968	633	06/12/2013
3137EABS7	11-017	FEDERAL HOME LOAN MORT CORP	04/01/2011	3,000,000.00	3,228,042.00	3,181,403.84	4.125		1.090	740	09/27/2013
31398AZN5	10-029	FEDERAL NATL MORTGAGE ASSN	05/28/2010	4,000,000.00	4,006,612.00	4,000,923.36	1.000		0.871	66	11/23/2011
31359MZ30	10-030	FEDERAL NATL MORTGAGE ASSN	06/29/2010	4,000,000.00	4,014,176.00	4,013,437.42	5.000		0.500	27	10/15/2011
31398AUU4	10-032	FEDERAL NATL MORTGAGE ASSN	06/30/2010	4,000,000.00	4,023,332.00	4,018,034.97	2.000		0.530	113	01/09/2012
31398AZN5	10-033	FEDERAL NATL MORTGAGE ASSN	06/30/2010	4,000,000.00	4,006,612.00	4,003,411.53	1.000		0.525	66	11/23/2011
31398AP71	11-006	FEDERAL NATL MORTGAGE ASSN	12/08/2010	4,000,000.00	4,030,588.00	4,021,168.23	1.250		0.551	278	06/22/2012
31398AP71	11-007	FEDERAL NATL MORTGAGE ASSN	12/10/2010	4,000,000.00	4,030,588.00	4,019,160.14	1.250		0.617	278	06/22/2012
31398AT77	11-008	FEDERAL NATL MORTGAGE ASSN	12/10/2010	4,000,000.00	4,030,528.00	4,016,922.03	1.125		0.633	316	07/30/2012
880591DT6	09-014	TENNESSEE VALLEY AUTHORITY	02/04/2009	3,128,000.00	3,265,103.37	3,221,271.62	6.790		2.220	248	05/23/2012

CITY OF SUNNYVALE
Portfolio Management
Portfolio Details - Investments
September 17, 2011

CUSIP	Investment #	Issuer	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Federal Agency Issues - Coupon											
880591DT6	11-012	TENNESSEE VALLEY AUTHORITY	01/06/2011	4,000,000.00	4,175,324.00	4,170,405.63	6.790		0.500	248	05/23/2012
880591DW9	11-013	TENNESSEE VALLEY AUTHORITY	01/06/2011	4,000,000.00	4,321,432.00	4,265,998.70	4.750		1.131	683	08/01/2013
880591DW9	11-025	TENNESSEE VALLEY AUTHORITY	05/20/2011	4,000,000.00	4,321,432.00	4,296,385.80	4.750		0.746	683	08/01/2013
880591CW0	11-029	TENNESSEE VALLEY AUTHORITY	06/29/2011	4,000,000.00	4,335,880.00	4,325,931.10	6.000		0.506	544	03/15/2013
Subtotal and Average				123,128,000.00	126,825,860.37	126,249,217.13			0.694	419	
Treasury Securities - Coupon											
912828LM0	10-025	UNITED STATE TREASURY	05/13/2010	4,000,000.00	4,048,908.00	4,013,119.53	1.375		1.039	363	09/15/2012
912828LR9	10-026	UNITED STATE TREASURY	05/14/2010	4,000,000.00	4,052,500.00	4,011,656.78	1.375		1.099	393	10/15/2012
912828LB4	10-027	UNITED STATE TREASURY	05/27/2010	3,000,000.00	3,034,218.00	3,017,003.61	1.500		0.805	301	07/15/2012
912828LH1	10-028	UNITED STATE TREASURY	05/28/2010	4,000,000.00	4,058,752.00	4,029,459.88	1.750		0.929	332	08/15/2012
912828MB3	11-009	UNITED STATE TREASURY	12/21/2010	4,000,000.00	4,048,124.00	4,024,265.52	1.125		0.633	454	12/15/2012
912828MG2	11-010	UNITED STATE TREASURY	12/22/2010	4,000,000.00	4,064,220.00	4,036,635.97	1.375		0.679	485	01/15/2013
912828MT4	11-014	UNITED STATE TREASURY	01/07/2011	4,000,000.00	4,071,880.00	4,037,067.67	1.375		0.746	544	03/15/2013
912828NN6	11-015	UNITED STATE TREASURY	01/07/2011	4,000,000.00	4,059,680.00	4,016,740.49	1.000		0.768	666	07/15/2013
912828RA0	11-028	UNITED STATE TREASURY	06/30/2011	4,000,000.00	4,014,200.00	3,993,320.79	0.375		0.469	651	06/30/2013
912828NN6	11-030	UNITED STATE TREASURY	06/30/2011	3,000,000.00	3,044,760.00	3,028,561.39	1.000		0.474	666	07/15/2013
Subtotal and Average				38,000,000.00	38,497,242.00	38,207,831.63			0.771	486	
US Govt Mortgage Passthroughs											
313401TJ0	87-009	FEDERAL HOME LOAN MORT CORP	07/01/1994	209.28	235.73	214.38	10.000		9.680	1,626	03/01/2016
Subtotal and Average				209.28	235.73	214.38			9.680	1,626	
Total and Average				205,685,172.01	209,918,886.83	209,044,410.41			0.680	354	

INVESTMENT PORTFOLIO

PORTFOLIO TREND



INVESTMENT PORTFOLIO COMPARISON OF ANNUAL YIELDS

