

**Council Meeting: October 16, 2012****SUBJECT: City of Sunnyvale Investment Report – 3rd Quarter 2012****BACKGROUND**

In accordance with California 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 funds not immediately needed for disbursement. The current portfolio market value is \$234,021,747.

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.

EXISTING POLICY

California Government Code Section 53600 et seq., strictly governs which investments public agencies can hold. In some cases, State law also governs what percentage of the portfolio can be invested in certain security types, maximum maturities, and minimum credit ratings by the major rating agencies (Standard & Poor's and Moody's Investors Service). Public agencies can only invest in fixed income securities. The purchase of stock is prohibited. As a result, the City can primarily invest in highly rated securities such as U.S. Treasury, Federal agency, and government sponsored enterprise debt.

The California Government Code also requires investment objectives of safety, liquidity, and yield in that order. As such, safety of principal is the foremost objective of the City's investment program. The portfolio must remain sufficiently liquid to enable the City to meet all cash requirements. The City's portfolio is diversified by type of investment, issuer, and maturity date. Diversification is required in order that potential losses on individual securities do not exceed the income generated.

The City Council adopted a policy governing the investment of City funds on July 30, 1985. This policy is adopted annually and was adopted for the 2012/2013 Fiscal Year by Council at the September 11, 2012 meeting. The City's investment policy follows the Government Code and includes additional restrictions on allowable investments.

DISCUSSION

This report provides information on the values (par, book and market), the type of investment, issuer, maturity date and yield of each investment. The par value of a bond is the amount that the issuer agrees to repay the City by the maturity date. The book value is what the City initially paid for the bond and market value is what the bond is worth now.

The market value is determined 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 and have no effect on the City's financials. The City will receive full par value for the investment at maturity.

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. The City's portfolio has a current yield of .64%. Yields on allowable investments continue to be historically low with the sluggish economic recovery in the U.S. and concerns with the world economy fueling demand for high quality investments.

Short term investments are placed in an interest bearing checking account with our primary banking institution, Union Bank and with the State's Local Agency Investment Fund (LAIF) to meet the liquidity needs of the City. LAIF is a program created by statute as an investment alternative for California's local governments and special districts. This program offers local agencies the opportunity to participate in a major portfolio pool administered by the State Treasurer's office. The current yield for the LAIF portfolio is .35%.

FISCAL IMPACT

Interest earnings for FY 2012/2013 as of Period 3 for all City funds totaled \$326,821.

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 2012/2013 Period 3 Investment Report



CITY OF SUNNYVALE

PORTFOLIO EVALUATION PERIOD 3 FY 2012/2013

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 March 2013.

Date: September 24, 2012

cc: Members of the City Council
City Manager

Grace Leung, Finance Director

PORTFOLIO EVALUATION - PERIOD 3 FY 2012/2013 (8/19/2012 - 9/15/2012)

DESCRIPTION	DOLLAR AMOUNT	FY 12/13 PERIOD 3 (8/19/12 - 9/15/12)	FY 12/13 PERIOD 2 (7/22/12 - 8/18/12)	FY 11/12 PERIOD 3 (8/21/11- 9/17/11)
TOTAL PORTFOLIO MARKET VALUE		\$234,021,746.50	\$231,092,380.94	\$209,918,886.83
AVERAGE LIFE OF PORTFOLIO (DAYS)		423	424	354
CITY - WEIGHTED YIELD (Current Period)		0.64%	0.66%	0.68%
STATE POOL YIELD		0.35%	0.37%	0.38%
90 DAY T-BILL RATE (Current Period)		0.10%	0.10%	0.01%
VARIANCE FROM CITY YIELD		0.54%	0.57%	0.67%
1 YEAR TREASURY RATE (Current Period)		0.18%	0.18%	0.10%
VARIANCE FROM CITY YIELD		0.46%	0.48%	0.58%
TREASURY YIELD WITH SAME AVG LIFE AS PORTFOLIO		0.29%	0.22%	0.13%
VARIANCE FROM CITY YIELD		0.35%	0.44%	0.55%
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TOTAL INVESTMENTS MATURING WITHIN 0 TO 1 YEAR	\$104,483,965.11	44.65%	46.98%	55.49%
TOTAL INVESTMENTS MATURING WITHIN 1 TO 3 YEARS	\$118,062,514.08	50.45%	48.07%	44.51%
TOTAL INVESTMENTS MATURING WITHIN 3 TO 5 YEARS	\$11,475,267.31	4.90%	4.95%	0.00%
TOTAL INVESTMENTS MATURING OVER 5 YEARS **	\$0.00	0.00%	0.00%	0.00%
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TOTAL	\$234,021,746.50	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 and Government Sponsored Enterprise 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 19, 2012 through September 15, 2012

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	44,712,900.11	44,712,900.11	44,712,900.11	19.17	1	1	0.355	0.360
Medium Term Notes	31,520,000.00	32,244,283.08	32,145,469.54	13.78	1,028	807	0.886	0.898
Federal Agency Issues - Coupon	119,000,000.00	121,821,730.00	121,381,557.59	52.04	835	487	0.597	0.606
Treasury Securities - Coupon	31,000,000.00	31,095,473.00	31,026,752.32	13.30	834	296	0.656	0.665
US Govt Mortgage Passthroughs	144.63	160.31	148.16	0.00	7,914	1,262	9.548	9.680
Municipal Bonds	4,000,000.00	4,147,200.00	4,000,000.00	1.71	1,435	1,110	2.633	2.670
Investments	230,233,044.74	234,021,746.50	233,266,827.72	100.00%	712	423	0.633	0.642
Cash and Accrued Interest								
Accrued Interest at Purchase		44,776.93	44,776.93					
Subtotal		44,776.93	44,776.93					
Total Cash and Investments	230,233,044.74	234,066,523.43	233,311,604.65		712	423	0.633	0.642

Total Earnings	September 15 Period Ending	Fiscal Year To Date
Current Year	116,044.26	326,821.18

GRACE LEUNG, TREASURER

Reporting period 08/19/2012-09/15/2012

Run Date: 09/28/2012 - 09:26

Portfolio CITY
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 PM (PRF_PM1) 7.3.0
 Report Ver. 7.3.3

CITY OF SUNNYVALE
Portfolio Management
Portfolio Details - Investments
September 15, 2012

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		44,712,900.11	44,712,900.11	44,712,900.11	0.360		0.360	1	
Subtotal and Average				44,712,900.11	44,712,900.11	44,712,900.11			0.360	1	
Medium Term Notes											
36962G4X9	11-023	GENERAL ELECTRIC	05/03/2011	3,000,000.00	3,058,017.00	3,017,149.48	2.100		1.651	478	01/07/2014
36962G5L4	12-010	GENERAL ELECTRIC	12/29/2011	4,000,000.00	4,001,172.00	4,000,000.00	1.500		1.500	834	12/29/2014
36962G5P5	12-012	GENERAL ELECTRIC	01/11/2012	3,000,000.00	2,987,499.00	3,000,000.00	1.500		1.500	845	01/09/2015
478160AX2	12-008	Johnson and Johnson	12/15/2011	5,000,000.00	5,078,090.00	5,056,113.22	1.200		0.523	606	05/15/2014
57629WBK5	12-017	MassMutual	01/30/2012	1,520,000.00	1,574,498.08	1,564,736.58	2.875		1.007	582	04/21/2014
594918AG9	12-020	Microsoft Corp	05/02/2012	4,000,000.00	4,147,148.00	4,122,559.25	1.625		0.601	1,104	09/25/2015
594918AB0	12-021	Microsoft Corp	05/04/2012	4,000,000.00	4,174,436.00	4,172,990.36	2.950		0.405	623	06/01/2014
594918AK0	12-023	Microsoft Corp	05/18/2012	3,000,000.00	3,180,759.00	3,185,816.96	2.500		0.650	1,240	02/08/2016
89233P5Z5	12-022	TOYOTA	05/14/2012	4,000,000.00	4,042,664.00	4,026,103.69	1.000		0.727	884	02/17/2015
Subtotal and Average				31,520,000.00	32,244,283.08	32,145,469.54			0.898	807	
Federal Agency Issues - Coupon											
31331JY56	11-011	FEDERAL FARM CREDIT BANK	12/22/2010	4,000,000.00	4,001,200.00	3,998,327.57	0.400		0.730	47	11/02/2012
31331KET3	11-018	FEDERAL FARM CREDIT BANK	04/01/2011	3,000,000.00	3,022,761.00	2,997,432.65	0.980		1.065	372	09/23/2013
31331GCS6	11-020	FEDERAL FARM CREDIT BANK	04/29/2011	3,000,000.00	3,115,014.00	3,093,184.44	3.875		0.901	386	10/07/2013
31331KCP3	11-022	FEDERAL FARM CREDIT BANK	04/29/2011	4,000,000.00	4,012,684.00	4,005,283.45	0.900		0.593	159	02/22/2013
31331KJQ4	11-024	FEDERAL FARM CREDIT BANK	05/02/2011	4,000,000.00	4,013,232.00	4,000,753.33	0.750		0.720	228	05/02/2013
31331KAH3	12-003	FEDERAL FARM CREDIT BANK	10/17/2011	4,000,000.00	4,048,956.00	4,033,312.13	1.125		0.545	529	02/27/2014
31331XLH3	12-009	FEDERAL FARM CREDIT BANK	12/28/2011	3,000,000.00	3,184,602.00	3,175,843.90	4.900		0.477	487	01/16/2014
3133EABH0	12-016	FEDERAL FARM CREDIT BANK	01/27/2012	4,000,000.00	4,005,744.00	3,999,525.98	0.375		0.383	533	03/03/2014
31331GL80	12-028	FEDERAL FARM CREDIT BANK	06/27/2012	4,000,000.00	4,218,136.00	4,209,088.00	3.000		0.394	736	09/22/2014
3133EAQ68	13-002	FEDERAL FARM CREDIT BANK	09/14/2012	3,000,000.00	2,996,139.00	2,998,833.32	0.250		0.270	711	08/28/2014
3133XQU34	11-019	FEDERAL HOME LOAN BANK	04/27/2011	4,000,000.00	4,095,204.00	4,080,408.24	3.625		0.737	255	05/29/2013
3133XSAE8	11-021	FEDERAL HOME LOAN BANK	04/29/2011	3,000,000.00	3,109,773.00	3,087,165.91	3.625		0.920	397	10/18/2013
3133XSP93	11-026	FEDERAL HOME LOAN BANK	06/10/2011	4,000,000.00	4,142,428.00	4,118,170.37	3.125		0.720	453	12/13/2013
3133XHXW7	11-027	FEDERAL HOME LOAN BANK	06/13/2011	4,000,000.00	4,221,472.00	4,200,093.21	4.875		0.656	437	11/27/2013
313371PU4	12-001	FEDERAL HOME LOAN BANK	09/14/2011	4,000,000.00	4,007,676.00	4,004,199.26	0.500		0.415	453	12/13/2013
3133XWKV0	12-002	FEDERAL HOME LOAN BANK	09/14/2011	4,000,000.00	4,125,292.00	4,113,075.64	2.375		0.470	544	03/14/2014
3133XUMR1	12-027	FEDERAL HOME LOAN BANK	06/27/2012	4,000,000.00	4,232,712.00	4,222,209.73	3.250		0.440	726	09/12/2014
3128X1KG1	11-016	FEDERAL HOME LOAN MORT CORP	01/25/2011	4,000,000.00	4,111,136.00	4,088,360.42	4.000		0.968	269	06/12/2013
3137EABS7	11-017	FEDERAL HOME LOAN MORT CORP	04/01/2011	3,000,000.00	3,120,723.00	3,092,319.37	4.125		1.090	376	09/27/2013
3137EACZ0	12-005	FEDERAL HOME LOAN MORT CORP	11/29/2011	4,000,000.00	4,006,428.00	3,994,760.77	0.375		0.377	437	11/27/2013

CITY OF SUNNYVALE
Portfolio Management
Portfolio Details - Investments
September 15, 2012

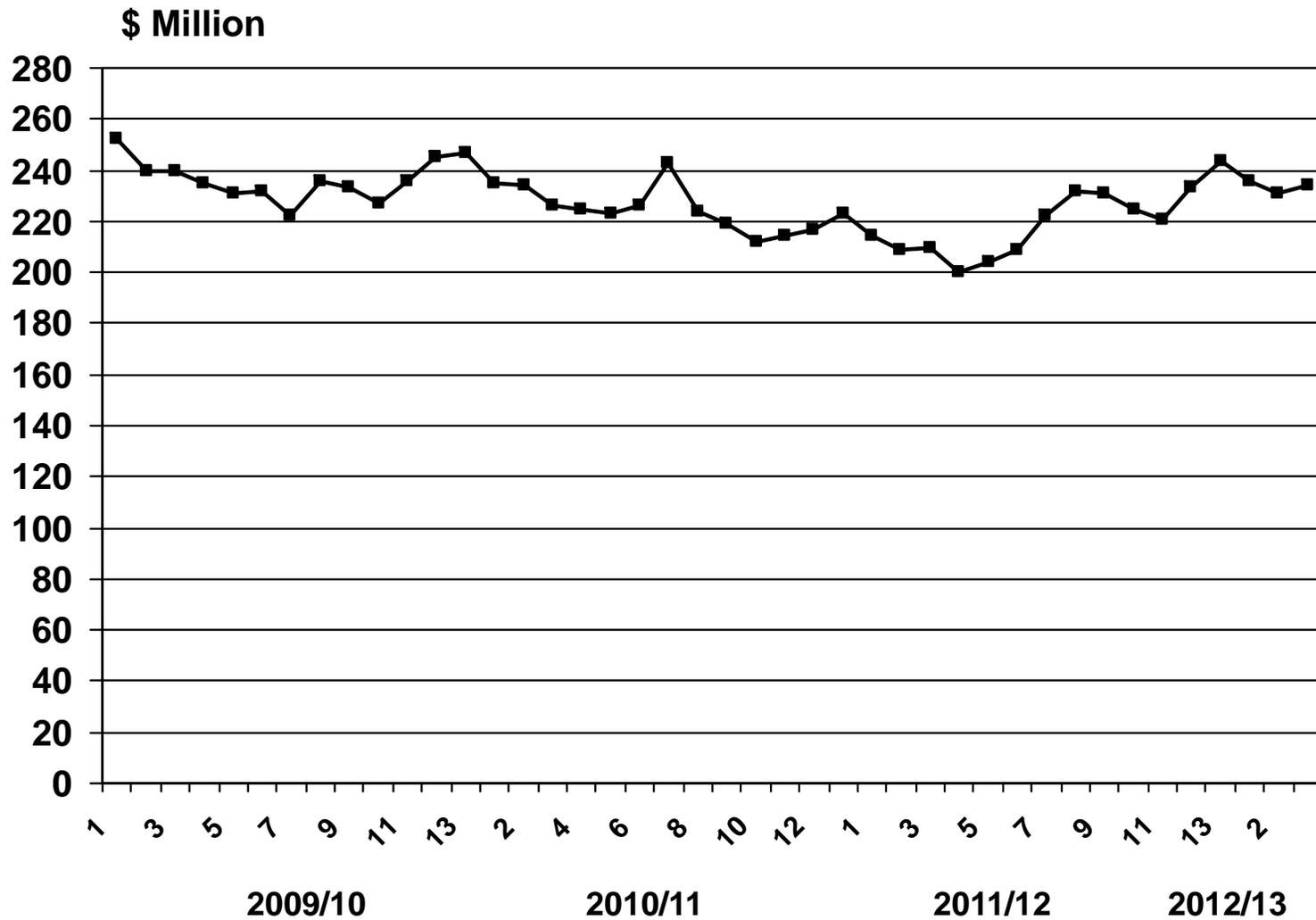
CUSIP	Investment #	Issuer	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Federal Agency Issues - Coupon											
3137EACU1	12-014	FEDERAL HOME LOAN MORT CORP	01/19/2012	4,000,000.00	4,051,800.00	4,041,431.39	1.000		0.443	682	07/30/2014
3134G2UA8	12-019	FEDERAL HOME LOAN MORT CORP	04/30/2012	3,000,000.00	3,036,705.00	3,034,490.96	1.000		0.400	703	08/20/2014
3137EADD8	12-024	FEDERAL HOME LOAN MORT CORP	05/29/2012	4,000,000.00	4,012,276.00	3,993,849.48	0.500		0.560	943	04/17/2015
3137EACY3	12-026	FEDERAL HOME LOAN MORT CORP	06/11/2012	3,000,000.00	3,027,225.00	3,020,831.74	0.750		0.431	800	11/25/2014
31359MUT8	12-006	FEDERAL NATL MORTGAGE ASSN	12/01/2011	4,000,000.00	4,242,172.00	4,225,201.41	4.125		0.535	576	04/15/2014
31398A2W1	12-007	FEDERAL NATL MORTGAGE ASSN	12/09/2011	4,000,000.00	4,062,192.00	4,049,780.13	1.350		0.479	526	02/24/2014
3135G0BY8	12-015	FEDERAL NATL MORTGAGE ASSN	01/20/2012	4,000,000.00	4,044,252.00	4,029,097.83	0.875		0.499	711	08/28/2014
3135G0BJ1	12-018	FEDERAL NATL MORTGAGE ASSN	02/24/2012	4,000,000.00	4,060,424.00	4,048,816.37	1.125		0.435	649	06/27/2014
3136FPWZ6	12-025	FEDERAL NATL MORTGAGE ASSN	06/11/2012	3,000,000.00	3,062,484.00	3,053,840.86	1.300		0.467	792	11/17/2014
880591DW9	11-013	TENNESSEE VALLEY AUTHORITY	01/06/2011	4,000,000.00	4,158,368.00	4,124,501.62	4.750		1.131	319	08/01/2013
880591DW9	11-025	TENNESSEE VALLEY AUTHORITY	05/20/2011	4,000,000.00	4,158,368.00	4,138,724.41	4.750		0.746	319	08/01/2013
880591CW0	11-029	TENNESSEE VALLEY AUTHORITY	06/29/2011	4,000,000.00	4,114,152.00	4,108,643.70	6.000		0.506	180	03/15/2013
Subtotal and Average				119,000,000.00	121,821,730.00	121,381,557.59			0.606	487	
Treasury Securities - Coupon											
912828LR9	10-026	UNITED STATE TREASURY	05/14/2010	4,000,000.00	4,003,752.00	4,000,860.17	1.375		1.099	29	10/15/2012
912828MB3	11-009	UNITED STATE TREASURY	12/21/2010	4,000,000.00	4,009,532.00	4,004,810.34	1.125		0.633	90	12/15/2012
912828MG2	11-010	UNITED STATE TREASURY	12/22/2010	4,000,000.00	4,016,092.00	4,009,140.11	1.375		0.679	121	01/15/2013
912828MT4	11-014	UNITED STATE TREASURY	01/07/2011	4,000,000.00	4,024,064.00	4,012,265.04	1.375		0.746	180	03/15/2013
912828NN6	11-015	UNITED STATE TREASURY	01/07/2011	4,000,000.00	4,026,876.00	4,007,591.03	1.000		0.768	302	07/15/2013
912828RA0	11-028	UNITED STATE TREASURY	06/30/2011	4,000,000.00	4,006,248.00	3,997,055.40	0.375		0.469	287	06/30/2013
912828NN6	11-030	UNITED STATE TREASURY	06/30/2011	3,000,000.00	3,020,157.00	3,012,951.26	1.000		0.474	302	07/15/2013
912828TK6	13-001	UNITED STATE TREASURY	08/21/2012	4,000,000.00	3,988,752.00	3,982,078.97	0.250		0.405	1,063	08/15/2015
Subtotal and Average				31,000,000.00	31,095,473.00	31,026,752.32			0.665	296	
US Govt Mortgage Passthroughs											
313401TJ0	87-009	FEDERAL HOME LOAN MORT CORP	07/01/1994	144.63	160.31	148.16	10.000		9.680	1,262	03/01/2016
Subtotal and Average				144.63	160.31	148.16			9.680	1,262	
Municipal Bonds											
13063BNR9	12-004	Muni Bond -ST of CA Water Res	10/27/2011	4,000,000.00	4,147,200.00	4,000,000.00	2.674		2.670	1,110	10/01/2015
Subtotal and Average				4,000,000.00	4,147,200.00	4,000,000.00			2.670	1,110	

**CITY OF SUNNYVALE
Portfolio Management
Portfolio Details - Investments
September 15, 2012**

CUSIP	Investment #	Issuer	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity
Total and Average				230,233,044.74	234,021,746.50	233,266,827.72			0.642	423

INVESTMENT PORTFOLIO

PORTFOLIO TREND



INVESTMENT PORTFOLIO COMPARISON OF ANNUAL YIELDS

