



## **CITY COUNCIL REPORT**

**7D**

**DATE: AUGUST 17, 2021**

**TO: MAYOR AND COUNCIL MEMBERS**

**FROM: MARKISHA GUILLORY, FINANCE DIRECTOR  
ROY SWEARINGEN, CITY TREASURER**

**SUBJECT: RECEIVE THE QUARTERLY INVESTMENT REPORT FOR THE FOURTH  
QUARTER ENDING JUNE 30, 2021**

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### **RECOMMENDATION**

Staff recommends that the City Council receive the Quarterly Investment Report for the fourth quarter ending June 30, 2021.

### **BACKGROUND**

The City of Pinole Investment Policy requires that a Quarterly Investment Report be submitted to the City Council. The attached Investment Report for the quarter ended June 30, 2021 conforms to the City's Investment Policy as well as all applicable State and federal requirements, particularly California Government Code Section 53646.

The funds that the City invests, and which are reported in the Quarterly Investment Report, are comprised of cash and investment balances across all City funds. The cash and investment balances across all City funds are "pooled" for investment purposes, with the exception of the General Reserve, which is discussed further below. Interest earned on investments is allocated to the various funds based on the cash balances of those funds.

The City also maintains a Pension Section 115 Trust that was established for the purpose of setting aside resources to offset anticipated significant increases in future City pension costs. The cash and investments in the Trust are designated as restricted fund balance in the City's General Fund. These funds are invested according to the policy objectives and guidelines of the City's Pension Investment Policy, which is separate from the City's general Investment Policy under which pooled cash is invested.

### **REVIEW AND ANALYSIS**

All investments held at June 30, 2021 conform to the City's Investment Policy and all applicable State and federal requirements. The City's investment objectives, in order of priority, shall be safety, which is investing in the highest quality securities, liquidity, which can be converted into cash and necessary to meet cash flow disbursement requirements, and yield, which is earning a higher yield.

## **Fourth Quarter Investment Report Summary**

As of June 30, 2021, the ending balance of total funds was \$55,255,828, an increase of \$7,638,350 from the previous quarter, which totaled \$47,587,478. Typically, the City experiences swings in cash inflow and outflow due to the seasonality of large receipts, such as property taxes, and disbursements, such as annual contract expenditures that are due in full at the beginning of the fiscal year. The City will have sufficient cash flow to meet the next six months of estimated expenditures.

The investment activity included investments of State of California's Local Agency Investment Fund (LAIF) funds. The LAIF balance increased by \$137,112 to \$29,582,478. LAIF earned an average yield of 0.262% for April through June, down from an average yield of 0.357% for January through March. The LAIF rate continues to trend downward.

There were no investment purchases made during the quarter. One certificate of deposit matured and was redeemed for \$249,824; the cash remains in the General Reserve.

The total investment portfolio yielded 1.018% for the fourth quarter, down from the 1.029% yielded in the third quarter.

Staff is exploring engaging a consulting firm to assist the City with investment management in an effort to maximize returns on idle funds.

## **Investment Instruments**

The City Treasurer and Finance Director select the instruments in which to invest the City's funds in order to best meet the objectives laid out in the City's Investment Policy. The balances held in different investment instruments at June 30, 2021 are noted in Attachment A. The bulk of the City's investment funds are invested in the State of California's Local Agency Investment Fund (LAIF), because of the safety and liquidity of the investment pool.

Funds in the City's General Reserve are maintained in an account that is separate from the rest of the pooled funds. This enables the Finance Director to implement a directed investment plan for the General Reserve funds. The City's practice has been to invest these funds in instruments with longer duration, thereby yielding greater investment earnings.

## **Investment Yield and Duration**

The aggregate yield of the City's investment portfolio for the quarter ended June 30, 2021 is summarized in Attachment A. LAIF yields have decreased over the past year and are lower than long-term investment yields in most cases. Earnings on investments held until maturity typically fluctuate with market conditions and are considered "unrealized" prior to maturity. The City expects to yield a gain on all investments at maturity.

The Federal Reserve has kept interest rates relatively unchanged since March 2020. The Federal Funds yield has historically been similar to LAIF's yield (Pooled Money Investment Account (PMIA)). Currently the Federal Funds yield is below LAIF.

### **Investment Strategy**

The City utilizes a passive investment management approach by buying and holding securities until maturity. A "laddered maturity" investment strategy is applied to the long-term portion of our investment portfolio. A laddered portfolio is structured with securities that have different maturity dates. As securities are called or mature, proceeds are reinvested in a new security with another long term at the end of the ladder. Laddering helps to minimize interest-rate risk, increase liquidity, and diversify credit risk.

Staff continues to monitor rates of return on City funds invested and make modifications to best achieve the objectives laid out in the Investment Policy.

### **Pension Section 115 Trust**

The Pension Section 115 Trust comprises a diversified portfolio of investments consistent with the Trust's objectives and liquidity requirements. The funds are invested on behalf of the City by Public Agency Retirement Services (PARS). The portfolio summary for the quarter ending June 30, 2021 is included in attachment (B) to this report.

### **FISCAL IMPACT**

There is no fiscal impact as a result of receiving the Quarterly Investment Report.

### **ATTACHMENTS**

A- Investment Report - Quarter Ending June 30, 2021

B- Pension Section 115 Trust Investment Report – Quarter Ending June 30, 2021

**CITY OF PINOLE  
INVESTMENT REPORT JUNE 2021  
PORTFOLIO SUMMARY**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	29,437,856	29,582,478	29,582,478	56.09%	1	0.262	1
Investment Pool - CalTrust	3,365,865	3,365,865	3,365,865	6.38%	1	0.165	0
Money Market Savings	12,306,374	12,306,374	12,306,374	23.33%	1	0.027	0
Mutual Funds	1,535,250	1,535,250	1,535,250	2.91%	1	0.995	0
Certificates of Deposit	3,594,000	3,671,828	3,671,828	6.96%	747	1.555	4
Medium-Term Corporate Notes	1,750,000	1,778,815	1,778,815	3.37%	315	2.657	4
Federal Agency Securities	500,000	498,780	498,780	0.95%	1,441	0.680	14
Subtotal Investments	<b>\$ 52,489,344</b>	<b>\$ 52,739,390</b>	<b>52,739,390</b>	<b>100.00%</b>	<b>418</b>	<b>1.018</b>	<b>4</b>

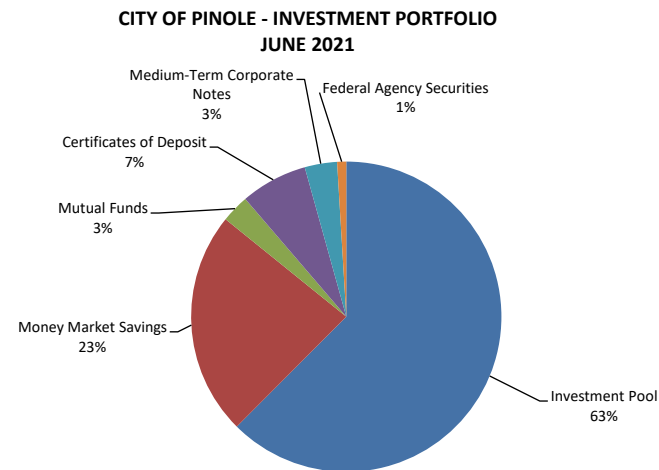
<b>Average Years:</b>	<b>1.1</b>
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Cash	Par Value	Market Value	Book Value	Days to Maturity
Mechanics Bank - Vendor Checking *	1,272,150	1,272,150	1,272,150	1
Bank of the West - Payroll Checking *	522,055	522,055	522,055	1
Bank of the West - Checking (Credit Card Clearing) *	692,233	692,233	692,233	1
Subtotal Cash	<b>2,486,438</b>	<b>2,486,438</b>	<b>2,486,438</b>	<b>1</b>

<b>Total Cash and Investments</b>	<b>\$ 54,975,782</b>	<b>\$ 55,225,828</b>	<b>\$ 55,225,828</b>
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\*Not included in yield calculations

The above investments are consistent with the City's Investment Policy and allowable under current legislation of the State of California. Investments were selected using safety, liquidity and yield as the criteria. The source of the market values for the investments are provided by US Bank in accordance with the California Government Code requirement. The City has sufficient cash flow to cover anticipated expenditures through the next six months.



CITY OF PINOLE  
INVESTMENT REPORT June 2021  
PORTFOLIO DETAILS

Type / Account Number	CUSIP	Issuer	Investment Description	Manager	GL Acct #	Par Value	Market Value	Book Value	Rate	Yield	Days to Maturity	S&P Rating	Maturity Date	Weighted Average Maturity
<b>Investment Pool</b>														
		Local Agency Investment Fund (LAIF)	Pooled Treasury - State of California	LAIF	999-10201	29,437,856	29,582,478	29,582,478	0.262	0.262	1	N/A		1
		CalTrust - Short Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10202	24,535	24,535	24,535	0.120	0.120	1	N/A		0
		CalTrust - Medium Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10203	3,341,329	3,341,329	3,341,329	0.210	0.210	1	N/A		0
			Subtotal and Average			32,803,721	32,948,343	32,948,343	0.197	0.197	1			0
<b>Money Market Savings</b>														
		Mechanics Bank	Money Market Savings (City)	City	999-10102	10,372,848	10,372,848	10,372,848	0.040	0.040	1	N/A		0
84501100	999491905	Bank of the West	Money Market Savings - Police Evidence Trust	City	999-10104	107,766	107,766	107,766	0.010	0.010	1	N/A		0
		Wells Fargo Bank	Money Market - WPCP Escrow	Wells Fargo	503-10302	1,825,761	1,825,761	1,825,761	0.030	0.030	1	N/A		0
			Subtotal and Average			12,306,374	12,306,374	12,306,374	0.027	0.027	1			0
<b>Mutual Funds</b>														
19-516680		U.S. Bank	Accrued Income - City Reserve	US Bank	150-10110	20,269	20,269	20,269	1.980	1.980	1	N/A		0
19-516680	31846V203	1st American Government Obligation Fund	Mutual Fund Shares - Class "D" - City Reserve	US Bank	150-10110	1,514,980	1,514,980	1,514,980	0.010	0.010	1	N/A		0
			Subtotal and Average			1,535,250	1,535,250	1,535,250	0.995	0.995	1			0
<b>Certificates of Deposit</b>														
19-516680	02007GLR2	Ally Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	251,997	251,997	1.800	1.760	439	N/A	9/12/2022	2
19-516680	064520BG3	Bank of Princeton	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	250,988	250,988	0.500	0.500	1,279	N/A	12/30/2024	6
19-516680	05580ATL8	Bmw Bank North America	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	252,933	252,933	1.800	1.760	531	N/A	12/13/2022	3
19-516680	140420A59	Capital One Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	248,000	248,327	248,327	1.600	1.600	34	N/A	8/3/2021	0
19-516680	29976DQ86	Everbank Jacksonville FL	Certificates of Deposit - City Reserves	US Bank	150-10110	125,000	125,216	125,216	1.500	1.500	43	N/A	8/12/2021	0
19-516680	38149MAY9	Goldman Sachs BK USA New York	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	257,341	257,341	2.600	2.480	705	N/A	6/5/2023	3
19-516680	58404DFE6	Medallion Bk Salt Lake City	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	253,783	253,783	1.700	1.670	446	N/A	9/19/2022	2
19-516680	59013KCZ7	Merrick Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	256,841	256,841	1.650	1.600	821	N/A	9/29/2023	4
19-516680	61690UGW4	Morgan Stanley Bank Na	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	257,355	257,355	2.600	2.480	706	N/A	6/6/2023	3
19-516680	61760AF46	Morgan Stanley Private Bk Natlassn	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	257,355	257,355	2.600	2.480	706	N/A	6/6/2023	3
19-516680	70212VAB4	Partners Bk helena Ark	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	248,351	248,351	0.600	0.600	1,461	N/A	6/30/2025	7
19-516680	84223QAN7	Southern Bankcorp Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	251,160	251,160	0.500	0.500	1,213	N/A	10/25/2024	6
19-516680	856285QG9	State Bk Indiana New York N Y	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	252,235	252,235	1.000	0.990	1,457	N/A	6/26/2025	7
19-516680	85916VDN2	Sterling Bank of Poplar Bluff	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	254,692	254,692	1.650	1.600	810	N/A	9/18/2023	4
19-516680	949495AF2	Wells Fargo Bank Natl Bk West	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	253,254	253,254	1.850	1.800	548	N/A	12/30/2022	3
			Subtotal and Average			3,594,000	3,671,828	3,671,828	1.597	1.555	747			4
<b>Medium-Term Corporate Notes</b>														
19-516680	478160BT0	Johnson Johnson	2.05% Corporate MTN 3/1/23 - City Reserves	US Bank	150-10110	750,000	769,140	769,140	2.050	2.000	609	AAA	3/1/2023	9
19-516680	594918BW3	Microsoft Corp	2.40 % Corporate MTN 02/06/22 - City Reserves	US Bank	150-10110	500,000	505,905	505,905	2.370	2.370	221	AAA	2/6/2022	2
19-516680	94988J5T0	Wells Fargo Bank Na	3.625 % Corporate MTN 10/22/21 - City Reserves	US Bank	150-10110	500,000	503,770	503,770	3.625	3.600	114	A+	10/22/2021	1
			Subtotal and Average			1,750,000	1,778,815	1,778,815	2.682	2.657	315			4
<b>Federal Agency Securities</b>														
19-516680	3133ELH80	Federal Farm Credit Bks	.680% Agency Bond 6/10/25	US Bank	150-10110	500,000	498,780	498,780	0.680	0.680	1,441	AA+	6/10/2025	14
			Subtotal and Average			500,000	498,780	498,780	0.680	0.680	1,441			14
<b>Investment Portfolio Total and Average</b>						<b>\$ 52,489,344</b>	<b>\$ 52,739,390</b>	<b>\$ 52,739,390</b>	<b>1.030</b>	<b>1.018</b>	<b>418</b>			<b>4</b>

Average Years : 1.1

CITY OF PINOLE  
 INVESTMENT REPORT JUNE 2021  
 PENSION TRUST SECTION 115 PORTFOLIO SUMMARY

Investments	Market Value	Book Value	% of Market	Yield
Cash and Equivalents	165,268	165,268	0.82%	0.020
U.S. Government Issues	6,074,004	5,978,735	30.20%	1.820
Corporate Issues	6,021,022	5,940,759	29.94%	3.350
Foreign Issues	220,481	205,903	1.10%	3.460
Mutual Funds-Equity	7,574,632	5,683,107	37.67%	1.190
<b>Total Assets</b>	<b>20,055,406</b>	<b>17,973,772</b>	<b>99.73%</b>	<b>2.050</b>
Accrued Income	54,926	54,926	0.27%	
<b>Grand Total</b>	<b>\$ 20,110,333</b>	<b>\$ 18,028,699</b>	<b>100%</b>	

