



CITY COUNCIL REPORT

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DATE: NOVEMBER 2, 2021

TO: MAYOR AND COUNCIL MEMBERS

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

**SUBJECT: RECEIVE THE QUARTERLY INVESTMENT REPORT FOR THE FIRST
QUARTER ENDING SEPTEMBER 30, 2021**

RECOMMENDATION

Staff recommends that the City Council receive the Quarterly Investment Report for the first quarter ending September 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 ending September 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 and investments 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 September 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 is the ability to convert the investment to cash as necessary to meet cash flow requirements, and yield, which is earning a higher return.

First Quarter Investment Summary

As of September 30, 2021, the balance of the funds in total decreased by \$5,498,209 from the previous quarter, from \$55,083,638 to \$49,585,429. Typically, the City experiences swings in cash inflow and outflow due to the seasonality of large receipts, such as property taxes and large disbursements like debt service payments that are due at the beginning of the fiscal year. The City will have sufficient cash flow to meet the next six months of estimated expenditures.

Most pooled cash is invested in the State of California's Local Agency Investment Fund (LAIF). The LAIF balance increased by \$3,517,429, from \$29,440,298 to \$32,957,727. The increase was due to \$3,500,000 of idle cash being transferred from the City's money market account to LAIF. For July through September, LAIF earned an average yield of 0.206%, down from an average yield of 0.262% for April through June.

Activity in the General Reserve fund, which holds longer term investments, included several maturities and purchases in July through September. Two certificates of deposit (Capital One Bank and Everbank) and one medium-term corporate note (Wells Fargo Bank) matured and were redeemed for a total of \$877,313. Two investment instruments were purchased, a certificate of deposit (Synchrony Bank) and a medium-term corporate note (Apple Inc.), for a total of \$1,249,000.

The total investment portfolio yielded 0.916% for the first quarter, down from the 1.018% yielded in the previous quarter.

Investment Instruments

The Finance Director, in consultation with the City Treasurer, selects 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 September 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 September 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. Currently, the Federal Funds yield is higher than 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 September 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 September 30, 2021

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

ATTACHMENT A

CITY OF PINOLE INVESTMENT REPORT SEPTEMBER 2021 PORTFOLIO SUMMARY

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	32,961,891	32,957,727	32,957,727	69.94%	1	0.206	1
Investment Pool - CalTrust	3,368,484	3,368,484	3,368,484	7.15%	1	0.160	0
Money Market Savings	3,328,027	3,328,027	3,328,027	7.06%	1	0.025	0
Mutual Funds	1,134,233	1,134,233	1,134,233	2.41%	1	0.995	0
Certificates of Deposit	3,470,000	3,525,239	3,525,239	7.48%	787	1.499	4
Medium-Term Corporate Notes	2,250,000	2,310,798	2,310,798	4.90%	818	2.120	17
Federal Agency Securities	500,000	497,875	497,875	1.06%	1,349	0.680	14
Subtotal Investments	\$ 47,012,635	\$ 47,122,381	47,122,381	100.00%	493	0.916	6

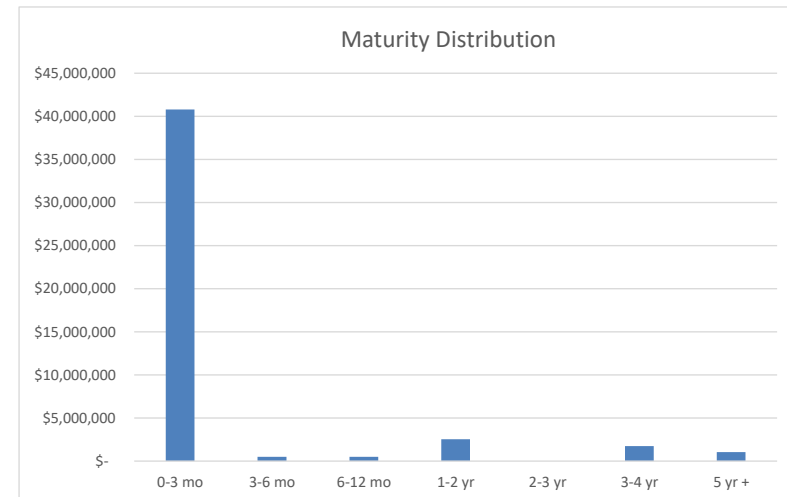
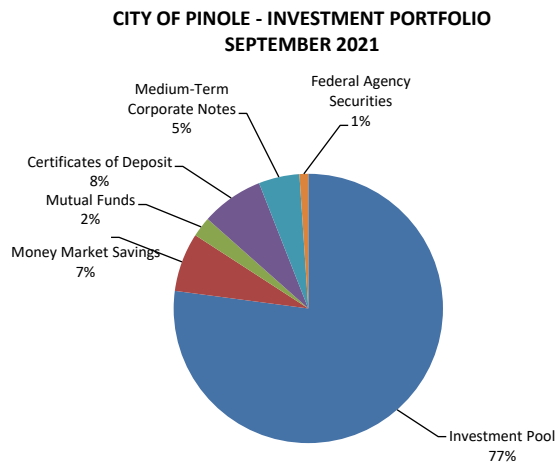
Average Years: 1.4

Cash							
Mechanics Bank - Vendor Checking *	1,348,554	1,348,554	1,348,554		1		
Bank of the West - Payroll Checking *	707,065	707,065	707,065		1		
Bank of the West - Checking (Credit Card Clearing) *	407,429	407,429	407,429		1		
Subtotal Cash	2,463,047	2,463,047	2,463,047		1		

Total Cash and Investments \$ 49,475,682 \$ 49,585,429 \$ 49,585,429

*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 SEPTEMBER 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
Investment Pool														
		Local Agency Investment Fund (LAIF)	Pooled Treasury - State of California	LAIF	999-10201	32,961,891	32,957,727	32,957,727	0.206	0.206	1	N/A		1
		CalTrust - Short Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10202	24,545	24,545	24,545	0.090	0.090	1	N/A		0
		CalTrust - Medium Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10203	3,343,938	3,343,938	3,343,938	0.230	0.230	1	N/A		0
			Subtotal and Average			36,330,375	36,326,211	36,326,211	0.175	0.175	1			0
Money Market Savings														
		Mechanics Bank	Money Market Savings (City)	City	999-10102	3,220,258	3,220,258	3,220,258	0.040	0.040	1	N/A		0
		Bank of the West	Money Market Savings - Police Evidence Trust	City	999-10104	107,769	107,769	107,769	0.010	0.010	1	N/A		0
			Subtotal and Average			3,328,027	3,328,027	3,328,027	0.025	0.025	1			0
Mutual Funds														
19-516680		U.S. Bank	Accrued Income - City Reserve	US Bank	150-10110	14,064	14,064	14,064	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	1,120,169	1,120,169	1,120,169	0.010	0.010	1	N/A		0
			Subtotal and Average			1,134,233	1,134,233	1,134,233	0.995	0.995	1			0
Certificates of Deposit														
19-516680	02007GLR2	Ally Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	250,999	250,999	1.800	1.770	347	N/A	9/12/2022	2
19-516680	064520BG3	Bank of Princeton	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	248,595	248,595	0.500	0.500	1,187	N/A	12/30/2024	6
19-516680	05580ATL8	Bmw Bank North America	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	251,878	251,878	1.800	1.760	439	N/A	12/13/2022	2
19-516680	38149MAY9	Goldman Sachs BK USA New York	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	255,569	255,569	2.600	2.500	613	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	252,855	252,855	1.700	1.670	354	N/A	9/19/2022	2
19-516680	59013KCZ7	Merrick Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	255,384	255,384	1.650	1.610	729	N/A	9/29/2023	4
19-516680	61690UGW4	Morgan Stanley Bank Na	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	255,584	255,584	2.600	2.500	614	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	255,584	255,584	2.600	2.500	614	N/A	6/6/2023	3
19-516680	70212VAB4	Partners Bk helena Ark	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	245,861	245,861	0.600	0.600	1,369	N/A	6/30/2025	7
19-516680	84223QAN7	Southern Bankcorp Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	248,810	248,810	0.500	0.500	1,121	N/A	10/25/2024	6
19-516680	856283N51	State Bk Indiana Chicago Ill	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	249,673	249,673	1.000	1.000	1,365	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	253,269	253,269	1.650	1.610	718	N/A	9/18/2023	4
19-516680	87164WC71	Synchrony Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	249,000	249,000	0.650	0.650	1,096	N/A	9/30/2024	6
19-516680	949495AF2	Wells Fargo Bank Natl Bk West	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	252,177	252,177	1.850	1.810	456	N/A	12/30/2022	2
			Subtotal and Average			3,470,000	3,525,239	3,525,239	1.536	1.499	787			4
Medium-Term Corporate Notes														
19-516679	037833DN7	Apple Inc.	2.05% Corporate MTN 9/11/26 - City Reserves	US Bank	150-10110	1,000,000	1,040,610	1,040,610	2.050	1.970	1,807	AA+	9/11/2026	40
19-516680	478160BT0	Johnson Johnson	2.05% Corporate MTN 3/1/23 - City Reserves	US Bank	150-10110	750,000	767,393	767,393	2.050	2.000	517	AAA	3/1/2023	8
19-516680	594918BW3	Microsoft Corp	2.40 % Corporate MTN 02/06/22- City Reserves	US Bank	150-10110	500,000	502,795	502,795	2.400	2.390	129	AAA	2/6/2022	1
			Subtotal and Average			2,250,000	2,310,798	2,310,798	2.167	2.120	818			17
Federal Agency Securities														
19-516680	3133ELH80	Federal Farm Credit Bks	.680% Agency Bond 6/10/25	US Bank	150-10110	500,000	497,875	497,875	0.680	0.680	1,349	AA+	6/10/2025	14
			Subtotal and Average			500,000	497,875	497,875	0.680	0.680	1,349			14
Investment Portfolio Total and Average						\$ 47,012,635	\$ 47,122,381	\$ 47,122,381	0.930	0.916	493			6

Average Years : 1.4

ATTACHMENT B

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

Investments	Market Value	Book Value	% of Market	Yield
Cash and Equivalents	390,926	390,926	2.03%	0.020
U.S. Government Issues	5,447,414	5,389,174	28.24%	1.930
Corporate Issues	6,074,543	6,028,399	31.49%	3.240
Foreign Issues	147,377	135,469	0.76%	4.720
Mutual Funds-Equity	7,173,763	5,575,570	37.19%	1.090
Total Assets	19,234,023	17,519,539	99.71%	2.010
Accrued Income	55,257	55,257	0.29%	
Grand Total	\$ 19,289,280	\$ 17,574,796	100%	

