



CITY COUNCIL REPORT

9H

DATE: MAY 17, 2022

TO: MAYOR AND COUNCIL MEMBERS

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

**SUBJECT: RECEIVE THE QUARTERLY INVESTMENT REPORT FOR THE THIRD
QUARTER (ENDING MARCH 31, 2022)**

RECOMMENDATION

Staff recommends that the City Council receive the Quarterly Investment Report for the third quarter (ending March 31, 2022).

BACKGROUND

The City of Pinole Investment Policy requires that a Quarterly Investment Report be submitted to the City Council. The City's investments, as shown in the attached Investment Report for the quarter ending March 31, 2022, 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 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

Investment Policy

All investments held at March 31, 2022 conform to the City's Investment Policy and all applicable State and federal requirements. The City's investment objectives, in order of

priority, are 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.

Third Quarter Investment Summary

As of March 31, 2022, total cash and investments increased by \$1,699,571 from the previous quarter, from \$51,785,156 to \$53,484,727. 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.

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 March 31, 2022 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 March 31, 2022 is summarized in Attachment A. The total investment portfolio yielded 1.062% for the third quarter, up from the 0.933% yielded in the previous quarter.

For the third quarter (January through March 2022), LAIF earned an average annual yield of 0.365%, up from an average yield of 0.203% for the second quarter (October through December 2021). LAIF yields have decreased over the past two years and are lower than long-term investment yields in most cases. However, LAIF is starting to show an uptick in yield over the last four months.

The General Reserve, which holds the longer-term investments, earned an average yield of 1.332%, down from the 1.446% average yield in the second quarter. No new investment instruments were purchased during the third quarter. Additionally, one of the medium-term corporate notes, Microsoft Corporation, matured and was redeemed for cash.

Investment Strategy

The City utilizes a passive investment management approach by buying and holding securities until maturity. 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. 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 March 31, 2022 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 March 31, 2022
- B. Pension Section 115 Trust Investment Report – Quarter Ending March 31, 2022

ATTACHMENT A

**CITY OF PINOLE
INVESTMENT REPORT MARCH 2022
PORTFOLIO SUMMARY**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	31,499,383	31,145,126	31,145,126	61.68%	1	0.365	1
Investment Pool - CalTrust	3,268,244	3,268,244	3,268,244	6.47%	1	1.350	0
Money Market Savings	7,834,029	7,834,029	7,834,029	15.51%	1	0.025	0
Mutual Funds	2,631,686	2,631,686	2,631,686	5.21%	1	0.995	0
Certificates of Deposit	3,470,000	3,420,640	3,420,640	6.77%	605	1.538	3
Medium-Term Corporate Notes	1,750,000	1,723,220	1,723,220	3.41%	980	2.075	18
Federal Agency Securities	500,000	471,380	471,380	0.93%	1,167	0.720	11
Subtotal Investments	\$ 50,953,342	\$ 50,494,325	50,494,325	100.00%	459	1.062	5

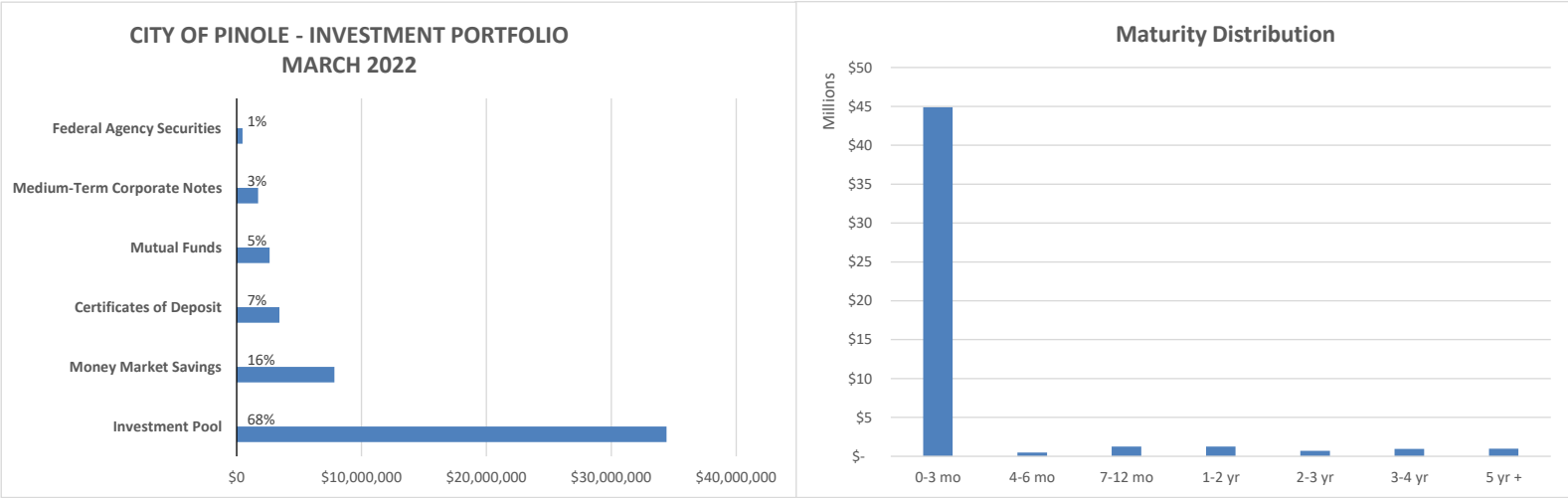
Average Years: 1.3

Cash							
Mechanics Bank - Vendor Checking *	1,738,360	1,738,360	1,738,360		1		
Bank of the West - Payroll Checking *	770,033	770,033	770,033		1		
Bank of the West - Checking (Credit Card Clearing) *	482,009	482,009	482,009		1		
Subtotal Cash	2,990,402	2,990,402	2,990,402		1		

Total Cash and Investments \$ 53,943,744 \$ 53,484,727 \$ 53,484,727

*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 MARCH 2022
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	31,499,383	31,145,126	31,145,126	0.365	0.365	1	N/A		1
		CalTrust - Short Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10202	24,398	24,398	24,398	0.900	0.900	1	N/A		0
		CalTrust - Medium Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10203	3,243,846	3,243,846	3,243,846	1.800	1.800	1	N/A		0
			Subtotal and Average			34,767,627	34,413,370	34,413,370	1.022	1.022	1			0
Money Market Savings														
		Mechanics Bank	Money Market Savings (City)	City	999-10102	7,726,255	7,726,255	7,726,255	0.040	0.040	1	N/A		0
		Bank of the West	Money Market Savings - Police Evidence Trust	City	999-10104	107,774	107,774	107,774	0.010	0.010	1	N/A		0
			Subtotal and Average			7,834,029	7,834,029	7,834,029	0.025	0.025	1			0
Mutual Funds														
19-516680		U.S. Bank	Accrued Income - City Reserve	US Bank	150-10110	12,236	12,236	12,236	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	2,619,450	2,619,450	2,619,450	0.010	0.010	1	N/A		0
			Subtotal and Average			2,631,686	2,631,686	2,631,686	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	248,136	248,136	1.800	1.790	165	N/A	9/12/2022	1
19-516680	064520BG3	Bank of Princeton	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	237,093	237,093	0.500	0.530	1,005	N/A	12/30/2024	5
19-516680	05580ATL8	Bmw Bank North America	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	248,494	248,494	1.800	1.790	257	N/A	12/13/2022	1
19-516680	38149MAY9	Goldman Sachs BK USA New York	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	249,306	249,306	2.600	2.570	431	N/A	6/5/2023	2
19-516680	58404DFE6	Medallion Bk Salt Lake City	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	250,023	250,023	1.700	1.690	172	N/A	9/19/2022	1
19-516680	59013KCZ7	Merrick Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	248,773	248,773	1.650	1.650	547	N/A	9/29/2023	3
19-516680	61690UGW4	Morgan Stanley Bank Na	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	249,309	249,309	2.600	2.560	432	N/A	6/6/2023	2
19-516680	61760AF46	Morgan Stanley Private Bk Natlassn	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	249,309	249,309	2.600	2.560	432	N/A	6/6/2023	2
19-516680	70212VAB4	Partners Bk helena Ark	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	231,901	231,901	0.600	0.640	1,187	N/A	6/30/2025	5
19-516680	84223QAN7	Southern Bankcorp Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	238,378	238,378	0.500	0.520	939	N/A	10/25/2024	4
19-516680	856283N51	State Bk Indiana Chicago III	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	235,595	235,595	1.000	1.060	1,183	N/A	6/26/2025	6
19-516680	85916VDN2	Sterling Bank of Poplar Bluff	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	246,869	246,869	1.650	1.650	536	N/A	9/18/2023	3
19-516680	87164WC71	Synchrony Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	238,821	238,821	0.650	0.680	914	N/A	9/30/2024	4
19-516680	949495AF2	Wells Fargo Bank Natl Bk West	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	248,633	248,633	1.850	1.840	274	N/A	12/30/2022	1
			Subtotal and Average			3,470,000	3,420,640	3,420,640	1.536	1.538	605			3
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	970,640	970,640	2.050	2.110	1,625	AA+	9/11/2026	31
19-516680	478160BT0	Johnson Johnson	2.05% Corporate MTN 3/1/23 - City Reserves	US Bank	150-10110	750,000	752,580	752,580	2.050	2.040	335	AAA	3/1/2023	5
			Subtotal and Average			1,750,000	1,723,220	1,723,220	2.050	2.075	980			18
Federal Agency Securities														
19-516680	3133ELH80	Federal Farm Credit Bks	.680% Agency Bond 6/10/25	US Bank	150-10110	500,000	471,380	471,380	0.680	0.720	1,167	AA+	6/10/2025	11
			Subtotal and Average			500,000	471,380	471,380	0.680	0.720	1,167			11
Investment Portfolio Total and Average						\$ 50,953,342	\$ 50,494,325	\$ 50,494,325	1.051	1.062	459			5

Average Years : 1.3

**CITY OF PINOLE
INVESTMENT REPORT MARCH 2022
PENSION TRUST SECTION 115 PORTFOLIO SUMMARY**

Investments	Market Value	Book Value	% of Market	Yield
Cash and Equivalents	714,287	714,287	3.82%	0.170
U.S. Government Issues	5,307,659	5,579,307	28.36%	1.930
Corporate Issues	5,936,182	6,249,830	31.71%	3.480
Foreign Issues	96,524	98,625	0.52%	5.100
Municipal Issues	65,944	66,037	0.35%	4.290
Mutual Funds-Equity	6,540,098	5,536,246	34.94%	1.180
Total Assets	18,660,694	18,244,333	99.70%	2.120
Accrued Income	56,945	56,945	0.30%	
Grand Total	\$ 18,717,639	\$ 18,301,278	100%	

