



CITY COUNCIL REPORT

9D

DATE: SEPTEMBER 20, 2022

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, 2022)**

RECOMMENDATION

Staff recommends that the City Council receive the Quarterly Investment Report for the fourth quarter (ending June 30, 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 June 30, 2022, conform to the City's Investment Policy as well as all applicable State and federal requirements, including 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 that are held across all City funds. The cash and investment balances across all City funds are "pooled" for investment purposes, with the exception of the assets of the General Reserve, which is discussed further below. Cash is invested in accordance with the City's Investment Policy. Interest earnings on investments are allocated to the various funds based on the cash and investments balances of those funds.

The City also maintains a 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.

REVIEW AND ANALYSIS

Investment Policy

All investments held at June 30, 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.

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 the City’s 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 investments to best achieve the objectives laid out in the Investment Policy.

Fourth Quarter Investment Summary

As of June 30, 2022, total cash and investments increased by \$6,725,489 from the previous quarter, from \$53,484,727 to \$60,210,216. 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 that is paid semiannually. 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 June 30, 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 that investment.

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, 2022 is summarized in Attachment A. The total investment portfolio yielded 1.302% for the fourth quarter (April through June 2022), up from the 0.24% yielded in the previous quarter (January through March 2022).

For the fourth quarter, LAIF earned an average annual yield of 0.861%, up from an average yield of 0.365% for the third quarter. LAIF yields gradually decreased between June 2019 and November 2021 and are lower than long-term investment yields in most cases. However, LAIF has shown a gradual increase in yield since December 2021.

The General Reserve, which holds the longer-term investments, earned an average yield of 1.473%, up from the 1.332% average yield in the third quarter. No new investment instruments were purchased during the fourth quarter. Additionally, there were no maturities.

Section 115 Trust

The Section 115 Trust is comprised of 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, 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 June 30, 2022

B- Section 115 Trust Investment Report – Quarter Ending June 30, 2022

**CITY OF PINOLE
INVESTMENT REPORT - JUNE 2022
PORTFOLIO SUMMARY**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	35,024,205	34,573,283	34,573,283	59.63%	1	0.861	1
Investment Pool - CalTrust	3,250,212	3,250,212	3,250,212	5.61%	1	2.410	0
Money Market Savings	11,973,449	11,973,449	11,973,449	20.65%	1	0.025	0
Mutual Funds	2,656,229	2,656,229	2,656,229	4.58%	1	1.485	0
Certificates of Deposit	3,470,000	3,374,469	3,374,469	5.82%	514	1.557	2
Medium-Term Corporate Notes	1,750,000	1,687,595	1,687,595	2.91%	889	2.120	14
Federal Agency Securities	500,000	466,210	466,210	0.80%	1,076	0.730	9
Subtotal Investments	\$ 58,624,094	\$ 57,981,446	57,981,446	100.00%	414	1.302	4

Average Years: 1.1

Cash

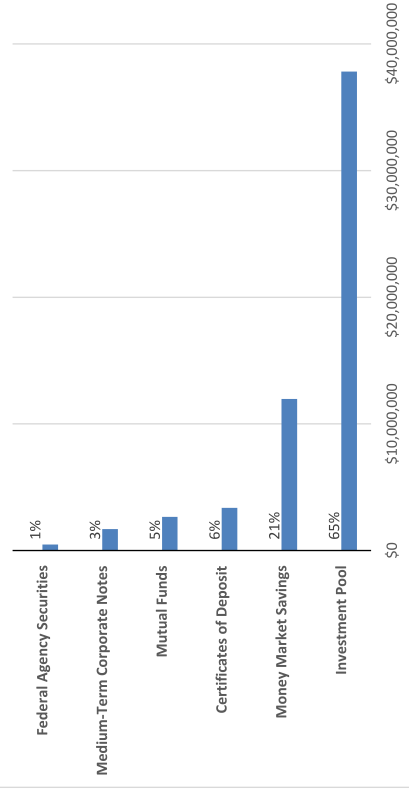
Mechanics Bank - Vendor Checking *	1,127,866	1,127,866	1,127,866	1
Bank of the West - Payroll Checking *	577,323	577,323	577,323	1
Bank of the West - Checking (Credit Card Clearing) *	523,581	523,581	523,581	1
Subtotal Cash	2,228,769	2,228,769	2,228,769	1

Total Cash and Investments \$ 60,852,864 \$ 60,210,216

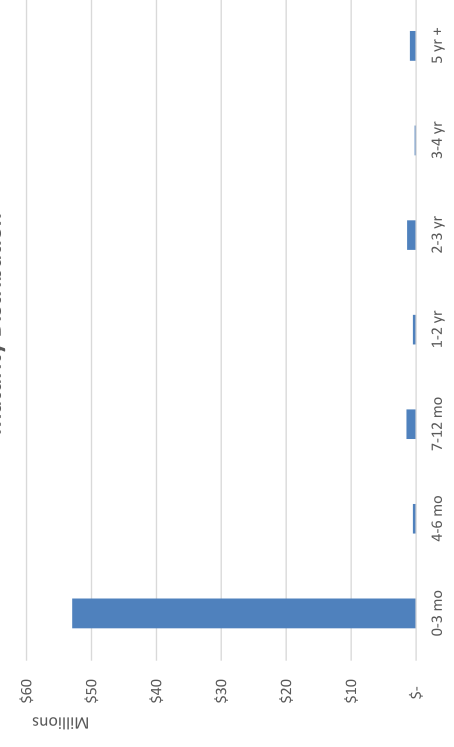
*Not included in yield calculations

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 PORTFOLIO
JUNE 2022**



Maturity Distribution



CITY OF PINOLE
INVESTMENT REPORT JUNE 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	LAF	999-10201	35,024,205	34,573,283	34,573,283	0.861	0.861	1	N/A		1
		CalTrust - Short Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10202	24,368	24,368	24,368	2.000	2.000	1	N/A		0
		CalTrust - Medium Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10203	3,225,843	3,225,843	3,225,843	2.820	2.820	1	N/A		0
			Subtotal and Average			38,274,417	37,823,495	37,823,495	1.894	1.894	1			0
Money Market Savings														
		Mechanics Bank	Money Market Savings (City)	City	999-10102	11,865,672	11,865,672	11,865,672	0.040	0.040	1	N/A		0
		Bank of the West	Money Market Savings - Police Evidence Trust	City	999-10104	107,777	107,777	107,777	0.010	0.010	1	N/A		0
			Subtotal and Average			11,973,449	11,973,449	11,973,449	0.025	0.025	1			0
Mutual Funds														
		U.S. Bank	Accrued Income - City Reserve	US Bank	150-10110	17,744	17,744	17,744	1.980	1.980	1	N/A		0
		1st American Government Obligation Fund	Mutual Fund Shares - Class "D" - City Reserve	US Bank	150-10110	2,638,485	2,638,485	2,638,485	0.990	0.990	1	N/A		0
			Subtotal and Average			2,656,229	2,656,229	2,656,229	1.485	1.485	1			0
Certificates of Deposit														
		Ally Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	246,995	246,995	1.800	1.800	74	N/A	9/12/2022	0
		Bank of Princeton	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	232,935	232,935	0.500	0.500	914	N/A	12/30/2024	4
		Bmw Bank North America	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	246,723	246,723	1.800	1.800	166	N/A	12/13/2022	1
		Goldman Sachs BK USA New York	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	245,665	245,665	2.600	2.600	340	N/A	6/5/2023	1
		Medallion BK Salt Lake City	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	248,945	248,945	1.700	1.700	81	N/A	9/19/2022	0
		Merrick Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	244,961	244,961	1.650	1.650	456	N/A	9/29/2023	2
		Morgan Stanley Bank Na	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	245,656	245,656	2.600	2.600	341	N/A	6/6/2023	1
		Morgan Stanley Private Bk Natlanss	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	245,656	245,656	2.600	2.600	341	N/A	6/6/2023	1
		Partners Bk helena Ark	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	227,302	227,302	0.600	0.600	1,096	N/A	6/30/2025	4
		Southern Bankcorp Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	234,218	234,218	0.500	0.500	848	N/A	10/25/2024	3
		Slate Bk Indiana Chicago Ill	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	230,943	230,943	1.000	1.000	1,092	N/A	6/26/2025	4
		Sterling Bank of Poplar Bluff	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	243,139	243,139	1.650	1.650	445	N/A	9/18/2023	2
		Synchrony Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	234,638	234,638	0.690	0.690	823	N/A	9/30/2024	3
		Wells Fargo Bank Natl Bk West	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	246,694	246,694	1.850	1.850	183	N/A	12/30/2022	1
			Subtotal and Average			3,470,000	3,374,469	3,374,469	1.536	1.557	514			2
Medium-Term Corporate Notes														
		Apple Inc.	2.05% Corporate MTN 9/11/26 - City Reserves	US Bank	150-10110	1,000,000	941,510	941,510	2.050	2.180	1,534	AA+	9/11/2026	25
		Johnson Johnson	2.05% Corporate MTN 3/1/23 - City Reserves	US Bank	150-10110	750,000	746,085	746,085	2.050	2.060	244	AAA	3/1/2023	3
			Subtotal and Average			1,750,000	1,687,595	1,687,595	2.050	2.120	889			14
Federal Agency Securities														
		Federal Farm Credit Bks	.680% Agency Bond 6/10/25	US Bank	150-10110	500,000	466,210	466,210	0.680	0.730	1,076	AA+	6/10/2025	9
			Subtotal and Average			500,000	466,210	466,210	0.680	0.730	1,076			9
Investment Portfolio Total and Average														
						\$ 58,624,094	\$ 57,981,446	\$ 57,981,446	1.278	1.302	414			4

Average Years : 1.1

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

Investments	Market Value	Book Value	% of Market	Yield
Cash and Equivalents	764,807	764,807	4.47%	1.260
U.S. Government Issues	5,096,451	5,459,319	29.79%	3.120
Corporate Issues	4,617,801	5,186,629	26.99%	3.780
Foreign Issues	41,724	49,500	0.24%	5.280
Municipal Issues	198,236	206,037	1.16%	4.470
Mutual Funds-Equity	5,809,818	5,865,380	33.96%	1.450
Mutual Funds-Fixed Income	517,217	516,704	3.02%	1.800
Total Assets	17,046,054	18,048,376	99.64%	2.630
Accrued Income	60,883	60,883	0.36%	
Grand Total	\$ 17,106,937	\$ 18,109,259	100%	

