



CITY COUNCIL REPORT

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DATE: NOVEMBER 15, 2022

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, 2022)**

RECOMMENDATION

Staff recommends that the City Council receive the Quarterly Investment Report for the first quarter (ending September 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 September 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 investment 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 September 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.

First Quarter Investment Summary

As of September 30, 2022, total cash and investments decreased by \$7,661,369 from the previous quarter, from \$60,210,216 to \$52,548,847. 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 September 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 September 30, 2022 is summarized in Attachment A. The total investment portfolio yielded 1.59% for the first quarter (July through September 2022), up from the 1.302% yielded in the previous quarter (April through June 2022).

For the first quarter, LAIF earned an average annual yield of 1.513%, up from an average yield of 0.861% for the fourth 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 1.667%, up from the 1.473% average yield in the third quarter. No new investment instruments were purchased during the first quarter. Additionally, two certificates of deposit matured, Ally Bank and Medallion Bank, and were redeemed for cash.

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 September 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 September 30, 2022

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

ATTACHMENT A

CITY OF PINOLE INVESTMENT REPORT SEPTEMBER 2022 PORTFOLIO SUMMARY

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	35,086,538	34,411,507	34,411,507	68.54%	1	1.513	1
Investment Pool - CalTrust	3,203,777	3,203,777	3,203,777	6.38%	1	3.520	0
Money Market Savings	4,449,317	4,449,317	4,449,317	8.86%	1	0.025	0
Mutual Funds	3,185,534	3,185,534	3,185,534	6.34%	1	2.220	0
Certificates of Deposit	2,974,000	2,850,420	2,850,420	5.68%	495	1.537	2
Medium-Term Corporate Notes	1,750,000	1,653,275	1,653,275	3.29%	797	2.160	14
Federal Agency Securities	500,000	451,630	451,630	0.90%	984	0.750	9
Subtotal Investments	\$ 51,149,166	\$ 50,205,460	50,205,460	100.00%	380	1.590	4

Average Years: 1.0

Cash

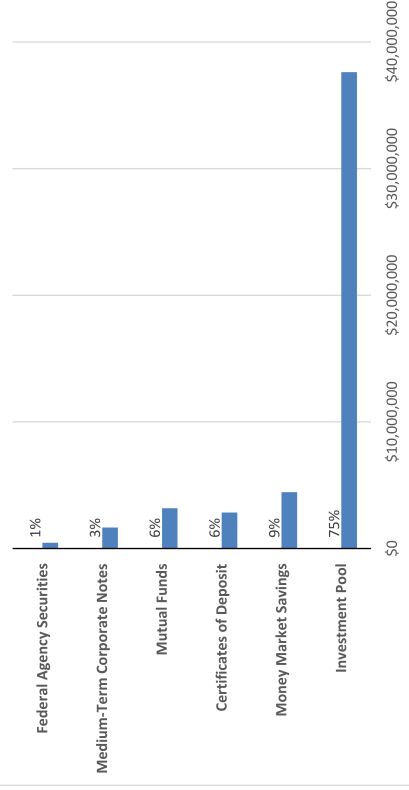
Mechanics Bank - Vendor Checking *	1,110,889	1,110,889	1,110,889		1		
Bank of the West - Payroll Checking *	721,016	721,016	721,016		1		
Bank of the West - Checking (Credit Card Clearing) *	511,482	511,482	511,482		1		
Subtotal Cash	2,343,387	2,343,387	2,343,387		1		

Total Cash and Investments \$ 53,492,553 \$ 52,548,847

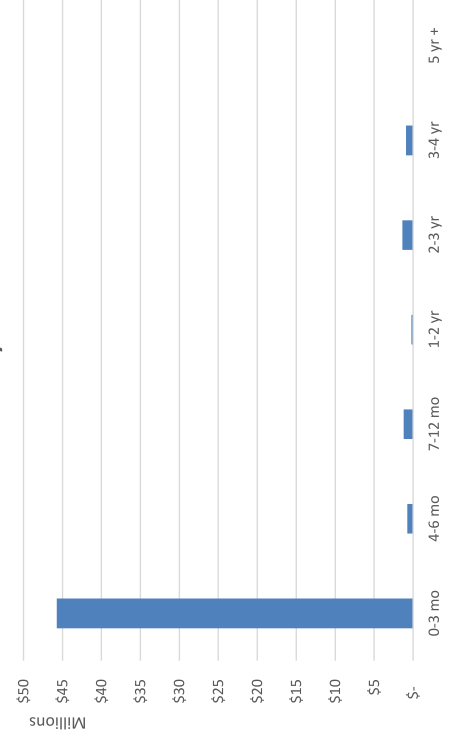
*Not included in yield calculations

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
SEPTEMBER 2022**



Maturity Distribution



CITY OF PINOLE
 INVESTMENT REPORT SEPTEMBER 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														
19-516680		Local Agency Investment Fund (LAIF)	Pooled Treasury - State of California	LAIF	999-10201	35,086,538	34,411,507	34,411,507	1.513	1.513	1	N/A		1
19-516680		CalTrust - Short Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10202	24,434	24,434	24,434	3.340	3.340	1	N/A		0
19-516680		CalTrust - Medium Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10203	3,179,343	3,179,343	3,179,343	3.700	3.700	1	N/A		0
			Subtotal and Average			38,290,315	37,615,283	37,615,283	2.851	2.851	1			0
Money Market Savings														
19-516680		Mechanics Bank	Money Market Savings (City)	City	999-10102	4,341,537	4,341,537	4,341,537	0.040	0.040	1	N/A		0
19-516680		Bank of the West	Money Market Savings - Police Evidence Trust	City	999-10104	107,780	107,780	107,780	0.010	0.010	1	N/A		0
			Subtotal and Average			4,449,317	4,449,317	4,449,317	0.025	0.025	1			0
Mutual Funds														
19-516680	31846V203	U.S. Bank	Accrued Income - City Reserve	US Bank	150-10110	16,648	16,648	16,648	1.980	1.980	1	N/A		0
19-516680		1st American Government Obligation Fund	Mutual Fund Shares - Class "D" - City Reserve	US Bank	150-10110	3,168,886	3,168,886	3,168,886	2.460	2.460	1	N/A		0
			Subtotal and Average			3,185,534	3,185,534	3,185,534	2.220	2.220	1			0
Certificates of Deposit														
19-516680	064520BG3	Bank of Princeton	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	229,598	229,598	0.500	0.500	822	N/A	12/30/2024	4
19-516680	05580ATL8	Bmw Bank North America	Certificates of Deposit - City Reserves	US Bank	150-10110	246,291	246,291	246,291	1.800	1.800	74	N/A	12/13/2022	0
19-516680	38149MA79	Goldman Sachs BK USA New York	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	243,818	243,818	2.600	2.620	248	N/A	6/5/2023	1
19-516680	59013KCZ7	Merrick Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	242,919	242,919	1.650	1.690	364	N/A	9/29/2023	2
19-516680	61690UGW4	Morgan Stanley Bank Na	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	243,808	243,808	2.600	2.620	249	N/A	6/6/2023	1
19-516680	61760AF46	Morgan Stanley Private Bk Natlanss	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	243,808	243,808	2.600	2.620	249	N/A	6/6/2023	1
19-516680	70212AB4	Partners Bk helena Ark	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	223,110	223,110	0.600	0.660	1,004	N/A	6/30/2025	4
19-516680	84223QAN7	Southern Bancorp Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	231,205	231,205	0.500	0.540	756	N/A	10/25/2024	3
19-516680	856283N51	Slate Bk Indiana Chicago Ill	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	226,768	226,768	1.000	1.100	1,000	N/A	6/26/2025	5
19-516680	85916VDN2	Sterling Bank of Poplar Bluff	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	241,252	241,252	1.650	1.690	353	N/A	9/18/2023	2
19-516680	87164W/C71	Synchrony Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	231,737	231,737	0.650	0.700	731	N/A	9/30/2024	3
19-516680	949495AF2	Wells Fargo Bank Natl Bk West	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	246,106	246,106	1.850	1.860	91	N/A	12/30/2022	0
			Subtotal and Average			2,974,000	2,850,420	2,850,420	1.500	1.537	495			2
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	909,500	909,500	2.050	2.250	1,442	AA+	9/11/2026	26
19-516680	478160BTD	Johnson Johnson	2.05% Corporate MTN 3/1/23 - City Reserves	US Bank	150-10110	750,000	743,775	743,775	2.050	2.070	152	AAA	3/1/2023	2
			Subtotal and Average			1,750,000	1,653,275	1,653,275	2.050	2.160	797			14
Federal Agency Securities														
19-516680	3133ELH80	Federal Farm Credit Bks	.680% Agency Bond 6/10/25	US Bank	150-10110	500,000	451,630	451,630	0.680	0.750	984	AA+	6/10/2025	9
			Subtotal and Average			500,000	451,630	451,630	0.680	0.750	984			9
Investment Portfolio Total and Average										380	1,554	1,590	4	

Average Years: 1.0

ATTACHMENT B

CITY OF PINOLE
 INVESTMENT REPORT SEPTEMBER 2022
 SECTION 115 TRUST PORTFOLIO SUMMARY

Investments	Market Value	Book Value	% of Market	Yield
Cash and Equivalents	871,693	871,693	5.70%	2.740
U.S. Government Issues	4,734,285	5,340,184	30.96%	3.300
Corporate Issues	3,800,077	4,390,827	24.85%	3.790
Foreign Issues	40,172	49,500	0.26%	5.480
Municipal Issues	216,203	241,037	1.41%	4.770
Mutual Funds-Equity	4,830,657	5,184,844	31.59%	1.590
Mutual Funds-Fixed Income	738,874	752,527	4.83%	1.910
Total Assets	15,231,962	16,830,612	99.62%	2.810
Accrued Income	58,089	58,089	0.38%	
Grand Total	\$ 15,290,051	\$ 16,888,701	100%	

