



CITY COUNCIL REPORT

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DATE: FEBRUARY 4, 2020

TO: MAYOR AND COUNCIL MEMBERS

**FROM: ANDREA MILLER, FINANCE DIRECTOR
DEBBIE LONG, CITY TREASURER**

**SUBJECT: RECEIVE THE QUARTERLY INVESTMENT REPORT FOR THE
QUARTER ENDING DECEMBER 31, 2019**

RECOMMENDATION

Receive the Quarterly Investment Report for the quarter ending December 31, 2019.

BACKGROUND

The City of Pinole Investment Policy calls for a Quarterly Investment Report to be submitted to the City Council. The enclosed Investment Report for the reporting period ended December 31, 2019 conforms to the reporting guidelines for California public agencies set forth in Section 53646 of the Government Code.

REVIEW AND ANALYSIS

All investments held at December 31, 2019 conform to the City's Investment Policy and State Regulations. A summary of the balances held in the investment portfolio (Attachment A), at December 31, 2019, follows:

Investments	Market Value	% of Portfolio
Investment Pool - LAIF	22,963,053	55.20%
Investment Pool - JPA	3,258,500	7.83%
Money Market Savings	8,143,135	19.58%
Mutual Funds	100,925	0.24%
Certificates of Deposit	3,855,335	9.27%
Medium-Term Corporate Notes	2,279,233	5.48%
Federal Agency Securities	996,880	2.40%
Investment Total	\$ 41,597,060	100.0%

Investment Yield and Duration:

The current aggregate yield of the City’s investment portfolio is stabilized at 1.600%. This investment yield is lower than the current yield of 2.040% for the State of California’s Local Agency Investment Fund (LAIF). LAIF yields have slightly decreased over the past year but remain higher than long-term investment yields in some cases which have caused our aggregate yield to be less than the LAIF yield. In addition, 19.58% of our portfolio is in money market savings accounts which earn 0.063% interest. LAIF and other pooled funds make up 63.28% of our investment portfolio.

Long-term investments make up 17.14% of our portfolio, and currently yield 2.028% average; which is slightly lower than LAIF. 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.

Investments	Q2-2020 Yield	Q2-2019 Yield
Investment Pool - LAIF	2.040	2.210
Investment Pool - JPA	1.765	2.635
Money Market Savings	0.063	0.063
Mutual Funds	1.595	1.940
Certificates of Deposit	2.023	1.933
Medium-Term Corporate Notes	2.543	2.975
Federal Agency Securities	1.520	1.495
Municipal Bonds	[1] 0.000	2.250
Average Yield	1.600	1.860

[1] Municipal Bonds are at 0% yield because the City no longer holds any.

Cash Flows:

Sufficient cash inflows were available from July 2019 through December 2019 to meet all City expenditures. In addition, the City has sufficient cash flow at December 31, 2019 to cover anticipated expenditures through the next six months.

Investment Strategy:

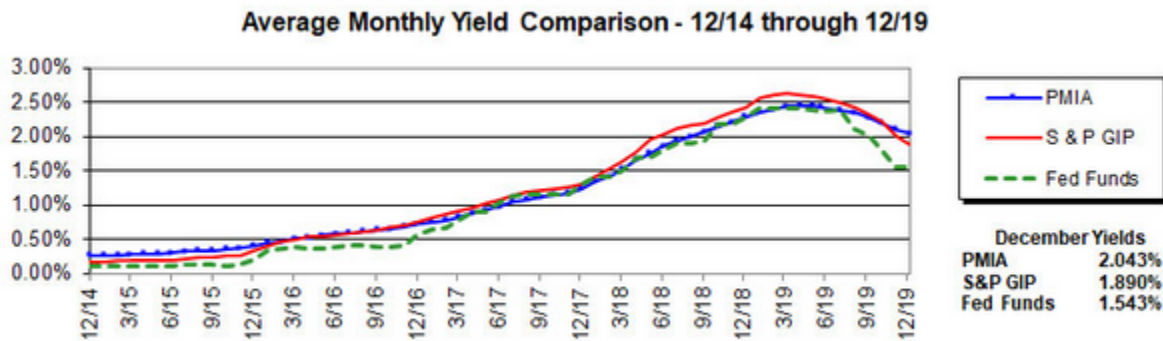
The City utilizes a passive investment management approach by buying and holding securities until maturity. A “laddered maturity” investment strategy is applied to a portion of the asset allocation in our investment portfolio, currently 17.14%. A laddered portfolio is structured with securities that have different maturity dates. As securities are called or mature, proceeds are reinvested in a new security with a longer term at the end of the ladder. Laddering helps to minimize interest-rate risk, increase liquidity, and diversify credit risk.

Of the total investment portfolio, 82.86% is held in investment pools and money market accounts. Of this amount, LAIF currently represents 55.20% of the City's investment portfolio. Interest earnings of \$133,347 were generated in LAIF for the quarter ended December 31, 2019. The Investment Policy allows for up to 100% of the City's investment portfolio in LAIF which is currently at 2.040% yield.

Safekeeping for a General Reserve Investment Account:

The City continues to maintain a Safekeeping account to augment the City's participation in the State's Local Agency Investment Fund (LAIF) and the County's CalTrust Pools. This provides the Finance Director with the ability to implement a directed investment plan with longer investment duration thereby yielding greater investment earnings on federal agency securities of comparable credit risk.

The Federal Reserve has cut interest rates three times since July; by 0.25% on July 31, 2019, by 0.25% on September 18, 2019, and by another 0.25% on October 30, 2019. The Federal Funds Rate has historically compared to LAIF (PMIA, Pooled Money Investment Account) interest rates (see chart below). Currently the Federal Funds Rate is below LAIF.



Staff continues to monitor rates of return on City funds invested and make recommendations as needed to complement our participation in LAIF and to maintain steady investment yields. All City investments held are in accordance with the City's Investment Policy.

FISCAL IMPACT

All City cash and investments are pooled and interest is allocated to funds quarterly based on the average balance of each fund during the quarter ending. Interest earnings for the period ending December 31, 2019 are higher than the prior year's second quarter earnings of \$105,000 as a result of the increase in LAIF account allocations and higher yields.

ATTACHMENTS

A –Investment Report - Quarter Ending December 31, 2019

**CITY OF PINOLE
INVESTMENT REPORT DECEMBER 2019
PORTFOLIO SUMMARY**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	22,963,053	22,963,053	22,963,053	55.20%	1	2.040	1
Investment Pool - JPA	3,258,500	3,258,500	3,258,500	7.83%	1	1.765	0
Money Market Savings	8,143,135	8,143,135	8,143,135	19.58%	1	0.063	0
Mutual Funds	100,925	100,925	100,925	0.24%	1	1.595	0
Certificates of Deposit	3,840,000	3,855,335	3,855,335	9.27%	905	2.023	5
Medium-Term Corporate Notes	2,250,000	2,279,233	2,279,233	5.48%	751	2.543	11
Federal Agency Securities	1,000,000	996,880	996,880	2.40%	603	1.520	14
Subtotal Investments	\$ 41,555,613	\$ 41,597,060	41,597,060	100.00%	377	1.600	5

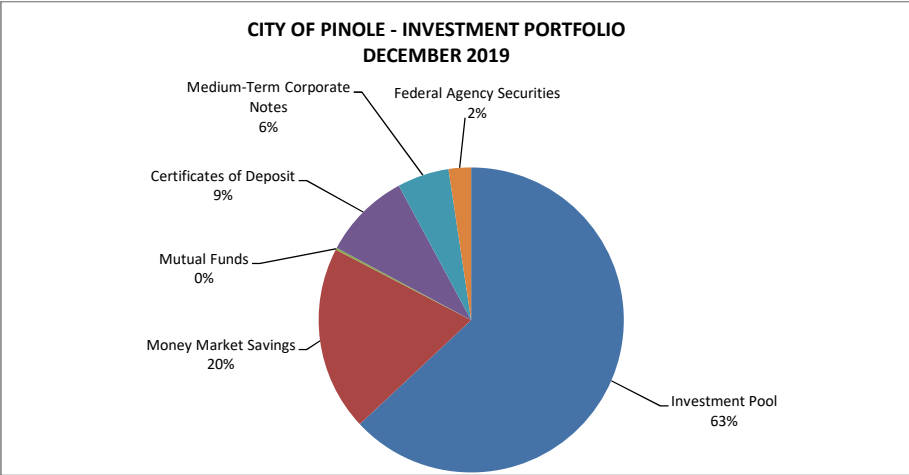
Average Years:	1.0
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Cash			
Mechanics Bank - Vendor Checking *	1,648,523	1,648,523	1,648,523
Bank of the West - Payroll Checking *	995,352	995,352	995,352
Bank of the West - Checking (Credit Card Clearing) *	560,530	560,530	560,530
Subtotal Cash	3,204,405	3,204,405	3,204,405

Total Cash and Investments	\$ 44,760,018	\$ 44,801,465	\$ 44,801,465
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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 DECEMBER 2019
 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	22,963,053	22,963,053	22,963,053	2.040	2.040	1	N/A		1
		CalTrust - Short Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10202	24,139	24,139	24,139	1.820	1.820	1	N/A		0
		CalTrust - Medium Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10203	3,234,361	3,234,361	3,234,361	1.710	1.710	1	N/A		0
			Subtotal and Average			26,221,554	26,221,554	26,221,554	1.857	1.857	1			0
Money Market Savings														
		Mechanics Bank	Money Market Savings (City)	City	999-10102	5,418,026	5,418,026	5,418,026	0.080	0.080	1	N/A		0
		Bank of the West	Money Market Savings - Police Evidence Trust	City	999-10104	107,731	107,731	107,731	0.080	0.080	1	N/A		0
84501100	999491905	Wells Fargo Bank	Money Market - WPCP Escrow	Wells Fargo	503-10302	2,617,377	2,617,377	2,617,377	0.030	0.030	1	N/A		0
			Subtotal and Average			8,143,135	8,143,135	8,143,135	0.063	0.063	1			0
Mutual Funds														
19-516680		U.S. Bank	Accrued Income - City Reserve	US Bank	150-10110	31,934	31,934	31,934	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	68,991	68,991	68,991	1.210	1.210	1	N/A		0
			Subtotal and Average			100,925	100,925	100,925	1.595	1.595	1			0
Certificates of Deposit														
19-516680	02007GLR2	Ally Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	247,049	247,049	1.800	1.800	986	N/A	9/12/2022	6
19-516680	02587DJ90	American Express Centurion	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	248,252	248,252	2.250	2.240	344	N/A	12/9/2020	2
19-516680	05580ATL8	Bmw Bank North America	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	246,849	246,849	1.800	1.800	1,078	N/A	12/13/2022	6
19-516680	140420A59	Capital One Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	248,000	247,065	247,065	1.600	1.610	581	N/A	8/3/2021	3
19-516680	29976DQ86	Everbank Jacksonville FL	Certificates of Deposit - City Reserves	US Bank	150-10110	125,000	124,619	124,619	1.500	1.500	590	N/A	8/12/2021	2
19-516680	38149MA9	Goldman Sachs BK USA New York	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	252,261	252,261	2.600	2.530	1,252	N/A	6/5/2023	8
19-516680	48126XAH8	JP Morgan Chase Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	246,081	246,081	1.650	1.660	594	N/A	8/16/2021	4
19-516680	58404DFE6	Medallion Bk Salt Lake City	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	248,378	248,378	1.700	1.700	993	N/A	9/19/2022	6
19-516680	59013KCZ7	Merrick Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	247,324	247,324	1.650	1.660	1,368	N/A	9/29/2023	8
19-516680	61690UGW4	Morgan Stanley Bank Na	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	252,266	252,266	2.600	2.530	1,253	N/A	6/6/2023	8
19-516680	61760AF46	Morgan Stanley Private Bk Natlassn	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	252,266	252,266	2.600	2.530	1,253	N/A	6/6/2023	8
19-516680	795450XM2	Sallie Mae Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	125,000	125,645	125,645	2.200	2.190	351	N/A	12/16/2020	1
19-516680	856285QG9	State Bk Indiana New York N Y	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	250,653	250,653	2.850	2.840	1,632	N/A	6/19/2024	10
19-516680	85916VDN2	Sterling Bank of Poplar Bluff	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	245,357	245,357	1.650	1.660	1,357	N/A	9/18/2023	8
19-516680	9497485W3	Wells Fargo Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	248,699	248,699	1.750	1.750	534	N/A	6/17/2021	3
19-516680	949495AF2	Wells Fargo Bank Natl Bk West	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	247,168	247,168	1.850	1.850	1,095	N/A	12/30/2022	7
19-516680	96009JAR8	Westfield Bank Mass	Certificates of Deposit - City Reserves	US Bank	150-10110	125,000	125,404	125,404	2.550	2.540	132	N/A	5/11/2020	0
			Subtotal and Average			3,840,000	3,855,335	3,855,335	2.035	2.023	905			5
Medium-Term Corporate Notes														
19-516680	037833BS8	Apple Inc.	2.25% Corporate MTN 02/23/2021 - City Reserves	US Bank	150-10110	500,000	502,975	502,975	2.250	2.240	420	AA+	2/23/2021	5
19-516680	478160BT0	Johnson Johnson	2.05% Corporate MTN 3/1/23 - City Reserves	US Bank	150-10110	750,000	754,583	754,583	2.050	2.040	1,156	AAA	3/1/2023	21
19-516680	594918BW3	Microsoft Corp	2.40 % Corporate MTN 02/06/22- City Reserves	US Bank	150-10110	500,000	507,070	507,070	2.400	2.370	768	AAA	2/6/2022	9
19-516680	94988J5T0	Wells Fargo Bank Na	3.625 % Corporate MTN 10/22/21- City Reserves	US Bank	150-10110	500,000	514,605	514,605	3.625	3.520	661	A+	10/22/2021	8
			Subtotal and Average			2,250,000	2,279,233	2,279,233	2.581	2.543	751			11
Federal Agency Securities														
19-516680	3130A92D2	Federal Home Loan Banks	1.52% Agency Bond 8/25/2021 - City Reserves	US Bank	150-10110	1,000,000	996,880	996,880	1.520	1.520	603	AA+	8/25/2021	14
			Subtotal and Average			1,000,000	996,880	996,880	1.520	1.520	603			14
Investment Portfolio Total and Average						\$ 41,555,613	\$ 41,597,060	\$ 41,597,060	1.609	1.600	377			5

Average Years : 1.0