



CITY COUNCIL REPORT

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DATE: NOVEMBER 17, 2020

TO: MAYOR AND COUNCIL MEMBERS

**FROM: GENIE ROCHA, FINANCE CONSULTANT
DEBBIE LONG, CITY TREASURER**

**SUBJECT: RECEIVE THE QUARTERLY INVESTMENT REPORT FOR THE
QUARTER ENDING SEPTEMBER 30, 2020**

RECOMMENDATION

Receive the Quarterly Investment Report for the quarter ending September 30, 2020.

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 ended September 30, 2020 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. For example, the City's General Fund (Fund 100) has cash and investments of \$2,220,427 which is part of the total General Fund fund balance. (In addition to cash and investments, fund balance also includes receivables.) The Sewer Funds (Fund 500 and 503) have cash and investments of \$15,166,466. 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 balances of those funds.

REVIEW AND ANALYSIS

All investments held at September 30, 2020 conform to the City's Investment Policy and all applicable State and federal requirements.

Investment Instruments

The City Treasurer and Finance Director select 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, 2020 are noted in Attachment A and summarized in the table below. 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. LAIF and other pooled funds (CalTrust) make up 73.5% of the City's investment portfolio. Money Market and mutual funds comprise 9.37% and are maintained for cashflow purposes. Long-term investments (those with maturities greater than one year, such as Certificates of Deposit, Medium-Term Corporate Notes, and Federal Agency Securities) make up 17.13% of the City's portfolio. These long-term investments yield greater interest earnings for funds that are not needed for short-term cash flow purposes.

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.

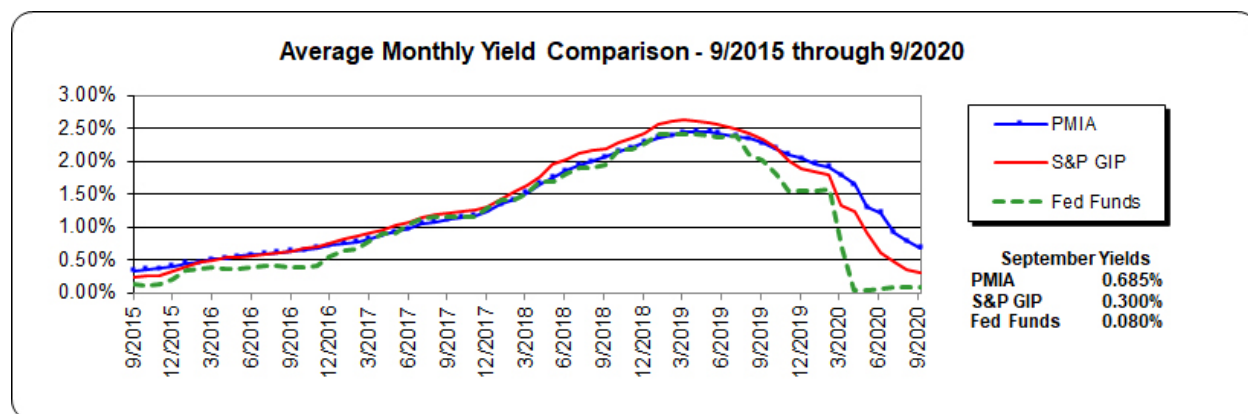
Investments	Market Value	% of Portfolio
Investment Pool - LAIF	27,308,413	65.44%
Investment Pool - CalTrust	3,364,117	8.06%
Money Market Savings	3,580,954	8.58%
Mutual Funds	328,110	.79%
Certificates of Deposit	4,337,880	10.39%
Medium-Term Corporate Notes	2,312,150	5.54%
Federal Agency Securities	500,900	1.20%
Investment Total	\$ 41,732,525	100.00%

Investment Yield and Duration

The aggregate yield of the City's investment portfolio for the quarter ended September 30, 2020 was 1.053%, summarized in the table below. LAIF yields have decreased over the past year and are lower than long-term investment yields in most cases. Money market savings accounts earned 0.040% interest. Long-term investments yielded 1.605% on average. 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	September 30, 2020 Yield	September 30, 2019 Yield
Investment Pool - LAIF	0.685	2.390
Investment Pool - CalTrust	0.365	1.940
Money Market Savings	0.040	0.063
Mutual Funds	0.995	1.750
Certificates of Deposit	1.621	2.032
Medium-Term Corporate Notes	2.513	2.710
Federal Agency Securities	0.680	2.015
Average Yield	1.053	1.777

The Federal Reserve has kept interest rates unchanged since March 2020. The Federal Funds yield has historically been similar to LAIF's yield (Pooled Money Investment Account (PMIA)) (see chart below). Currently the Federal Funds yield is below LAIF.



Cash Flows

The funds held in investments, as well as the very small amount of funds that the City maintains in traditional bank savings accounts with Mechanics Bank and which are not reported in the Quarterly Investment Report, provide the working capital for the City's operations. There are sufficient funds as of September 30, 2020 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 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.

FISCAL IMPACT

There is no fiscal impact from receiving the Quarterly Investment Report.

ATTACHMENTS

A –Investment Report - Quarter Ending September 30, 2020

**CITY OF PINOLE
INVESTMENT REPORT SEPTEMBER 2020
PORTFOLIO SUMMARY**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	27,308,413	27,308,413	27,308,413	65.44%	1	0.685	1
Investment Pool - CalTrust	3,364,117	3,364,117	3,364,117	8.06%	1	0.365	0
Money Market Savings	3,580,954	3,580,954	3,580,954	8.58%	1	0.040	0
Mutual Funds	328,110	328,110	328,110	0.79%	1	0.995	0
Certificates of Deposit	4,215,000	4,337,880	4,337,880	10.39%	872	1.621	5
Medium-Term Corporate Notes	2,250,000	2,312,150	2,312,150	5.54%	477	2.513	7
Federal Agency Securities	500,000	500,900	500,900	1.20%	1,714	0.680	21
Subtotal Investments	\$ 41,546,594	\$ 41,732,525	41,732,525	100.00%	511	1.053	6

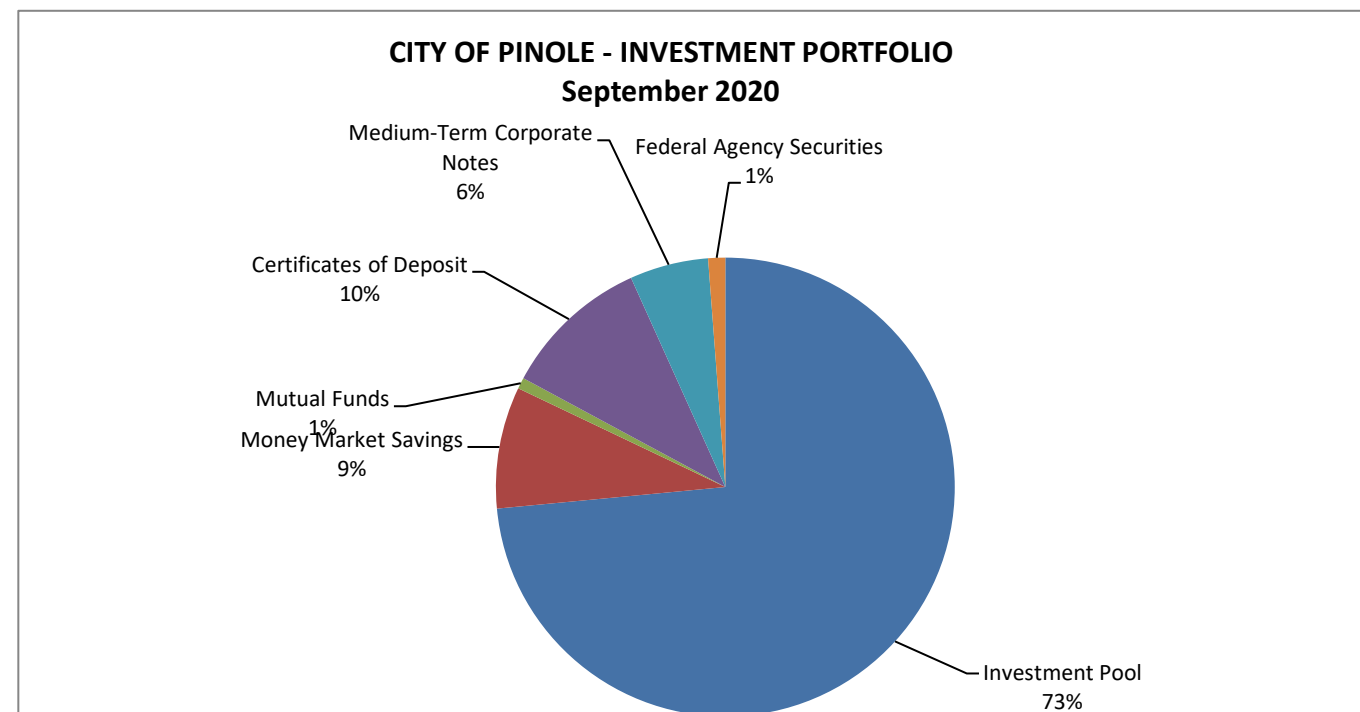
Average Years:	1.4
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Cash				
Mechanics Bank - Vendor Checking *	1,545,532	1,545,532	1,545,532	1
Bank of the West - Payroll Checking *	931,612	931,612	931,612	1
Bank of the West - Checking (Credit Card Clearing) *	171,718	171,718	171,718	1
Subtotal Cash	2,648,862	2,648,862	2,648,862	1

Total Cash and Investments	\$ 44,195,456	\$ 44,381,386	\$ 44,381,386
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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 SEPTEMBER 2020
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	27,308,413	27,308,413	27,308,413	0.685	0.685	1	N/A		1
		CalTrust - Short Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10202	24,488	24,488	24,488	0.390	0.390	1	N/A		0
		CalTrust - Medium Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10203	3,339,629	3,339,629	3,339,629	0.340	0.340	1	N/A		0
			Subtotal and Average			30,672,529	30,672,529	30,672,529	0.472	0.472	1			0
Money Market Savings														
		Mechanics Bank	Money Market Savings (City)	City	999-10102	1,632,490	1,632,490	1,632,490	0.080	0.080	1	N/A		0
		Bank of the West	Money Market Savings - Police Evidence Trust	City	999-10104	107,758	107,758	107,758	0.010	0.010	1	N/A		0
84501100	999491905	Wells Fargo Bank	Money Market - WPCP Escrow	Wells Fargo	503-10302	1,840,707	1,840,707	1,840,707	0.030	0.030	1	N/A		0
			Subtotal and Average			3,580,954	3,580,954	3,580,954	0.040	0.040	1			0
Mutual Funds														
19-516680		U.S. Bank	Accrued Income - City Reserve	US Bank	150-10110	25,713	25,713	25,713	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	302,398	302,398	302,398	0.010	0.010	1	N/A		0
			Subtotal and Average			328,110	328,110	328,110	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	254,983	254,983	1.800	1.740	712	N/A	9/12/2022	4
19-516680	02587DJ90	American Express Centurion	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	248,030	248,030	2.250	2.240	70	N/A	12/9/2020	0
19-516680	064520BG3	Bank of Princeton	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	251,898	251,898	0.500	0.500	1,552	N/A	12/30/2024	9
19-516680	05580ATL8	Bmw Bank North America	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	255,944	255,944	1.800	1.740	804	N/A	12/13/2022	5
19-516680	140420A59	Capital One Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	248,000	250,879	250,879	1.600	1.580	307	N/A	8/3/2021	2
19-516680	29976DQ86	Everbank Jacksonville FL	Certificates of Deposit - City Reserves	US Bank	150-10110	125,000	126,550	126,550	1.500	1.480	316	N/A	8/12/2021	1
19-516680	38149MAY9	Goldman Sachs BK USA New York	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	261,946	261,946	2.600	2.440	978	N/A	6/5/2023	6
19-516680	58404DFE6	Medallion Bk Salt Lake City	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	256,624	256,624	1.700	1.650	719	N/A	9/19/2022	4
19-516680	59013KCZ7	Merrick Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	259,851	259,851	1.650	1.580	1,094	N/A	9/29/2023	7
19-516680	61690UGW4	Morgan Stanley Bank Na	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	261,960	261,960	2.600	2.440	979	N/A	6/6/2023	6
19-516680	61760AF46	Morgan Stanley Private Bk Natlassn	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	261,960	261,960	2.600	2.440	979	N/A	6/6/2023	6
19-516680	70212VAB4	Partners Bk helena Ark	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	249,994	249,994	0.600	0.590	1,734	N/A	6/30/2025	10
19-516680	795450XM2	Sallie Mae Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	125,000	125,573	125,573	2.200	2.190	77	N/A	12/16/2020	0
19-516680	84223QAN7	Southern Bankcorp Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	251,900	251,900	0.500	0.500	1,486	N/A	10/25/2024	9
19-516680	856285QG9	State Bk Indiana New York N Y	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	254,030	254,030	1.000	0.980	1,730	N/A	6/26/2025	11
19-516680	85916VDN2	Sterling Bank of Poplar Bluff	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	257,663	257,663	1.650	1.580	1,083	N/A	9/18/2023	7
19-516680	9497485W3	Wells Fargo Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	251,704	251,704	1.750	1.730	260	N/A	6/17/2021	2
19-516680	949495AF2	Wells Fargo Bank Natl Bk West	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	256,391	256,391	1.850	1.780	821	N/A	12/30/2022	5
			Subtotal and Average			4,215,000	4,337,880	4,337,880	1.675	1.621	872			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	503,520	503,520	2.250	2.230	146	AA+	2/23/2021	2
19-516680	478160BT0	Johnson Johnson	2.05% Corporate MTN 3/1/23 - City Reserves	US Bank	150-10110	750,000	779,205	779,205	2.050	1.970	882	AAA	3/1/2023	16
19-516680	594918BW3	Microsoft Corp	2.40 % Corporate MTN 02/06/22- City Reserves	US Bank	150-10110	500,000	513,870	513,870	2.400	2.330	494	AAA	2/6/2022	6
19-516680	94988J5T0	Wells Fargo Bank Na	3.625 % Corporate MTN 10/22/21- City Reserves	US Bank	150-10110	500,000	515,555	515,555	3.625	3.520	387	A+	10/22/2021	5
			Subtotal and Average			2,250,000	2,312,150	2,312,150	2.581	2.513	477			7
Federal Agency Securities														
19-516680	3133ELH80	Federal Farm Credit Bks	.680% Agency Bond 6/10/25	US Bank	150-10110	500,000	500,900	500,900	0.680	0.680	1,714	AA+	6/10/2025	21
			Subtotal and Average			500,000	500,900	500,900	0.680	0.680	1,714			21

Investment Portfolio Total and Average

\$	41,546,594	\$	41,732,525	\$	41,732,525	1.074	1.053	511	6
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Average Years :	1.4
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