



## **CITY COUNCIL REPORT**

**7E**

**DATE: MARCH 2, 2021**

**TO: MAYOR AND COUNCIL MEMBERS**

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

**SUBJECT: RECEIVE THE QUARTERLY INVESTMENT REPORT FOR THE  
QUARTER ENDING DECEMBER 31, 2020**

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### **RECOMMENDATION**

Receive the Quarterly Investment Report for the quarter ending December 31, 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 December 31, 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 \$3,056,405 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 \$17,275,228. 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.

The City also maintains a Pension Section 115 Trust, adopted by the City Council on June 19, 2018, 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**

All investments held at December 31, 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 December 31, 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 65.22% of the City’s investment portfolio. Money Market and mutual funds comprise 19.71% 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 15.07% 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.

<b>Investments</b>	<b>Market Value</b>	<b>% of Portfolio</b>
Investment Pool - LAIF	25,866,402	57.71%
Investment Pool - CalTrust	3,367,705	7.51%
Money Market Savings	8,105,188	18.08%
Mutual Funds	731,717	1.63%
Certificates of Deposit	3,952,979	8.82%
Medium-Term Corporate Notes	2,299,585	5.13%
Federal Agency Securities	500,695	1.12%
<b>Investment Total</b>	<b>\$ 44,824,272</b>	<b>100.00%</b>

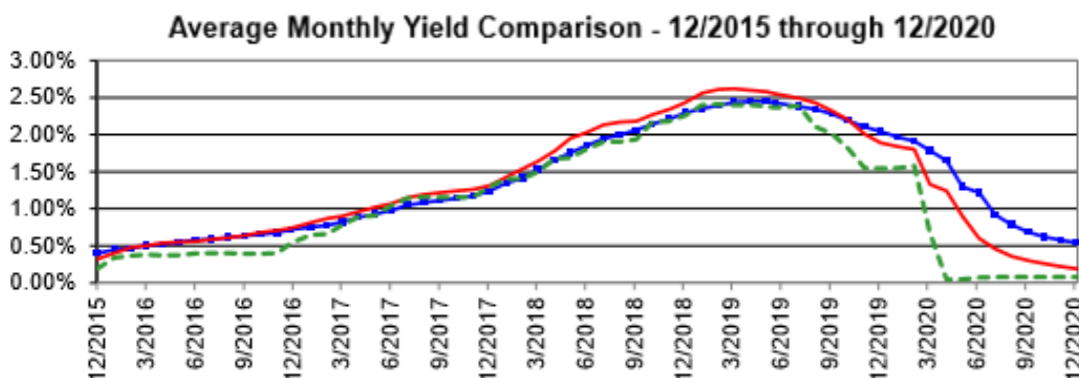
**Investment Yield and Duration**

The aggregate yield of the City’s investment portfolio for the quarter ended December 31, 2020 was 1.019%, 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 0.030% interest. Long-term investments yielded 1.588% 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.

<b>Investments</b>	<b>December 31, 2020 Yield</b>	<b>December 31, 2019 Yield</b>
Investment Pool - LAIF	0.540	2.040
Investment Pool - CalTrust	0.220	1.765
Money Market Savings	0.030	0.063

Mutual Funds	0.995	1.595
Certificates of Deposit	1.553	2.023
Medium-Term Corporate Notes	2.530	2.543
Federal Agency Securities	0.680	1.520
<b>Average Yield</b>	<b>1.019</b>	<b>1.600</b>

The Federal Reserve has kept interest rates relatively 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 December 31, 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.

### 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 portfolio summary for the quarter ending December 31, 2020 is included as an attachment (B) to this report.

**FISCAL IMPACT**

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

**ATTACHMENTS**

- A. Investment Report - Quarter Ending December 31, 2020
- B. Pension Section 115 Trust Investment Report – Quarter Ending December 31, 2020

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

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	25,866,402	25,866,402	25,866,402	57.71%	1	0.540	1
Investment Pool - CalTrust	3,367,705	3,367,705	3,367,705	7.51%	1	0.220	0
Money Market Savings	8,105,188	8,105,188	8,105,188	18.08%	1	0.030	0
Mutual Funds	731,717	731,717	731,717	1.63%	1	0.995	0
Certificates of Deposit	3,843,000	3,952,979	3,952,979	8.82%	880	1.553	5
Medium-Term Corporate Notes	2,250,000	2,299,585	2,299,585	5.13%	385	2.530	6
Federal Agency Securities	500,000	500,695	500,695	1.12%	1,622	0.680	18
Subtotal Investments	<b>\$ 44,664,013</b>	<b>\$ 44,824,272</b>	<b>44,824,272</b>	<b>100.00%</b>	<b>482</b>	<b>1.019</b>	<b>5</b>

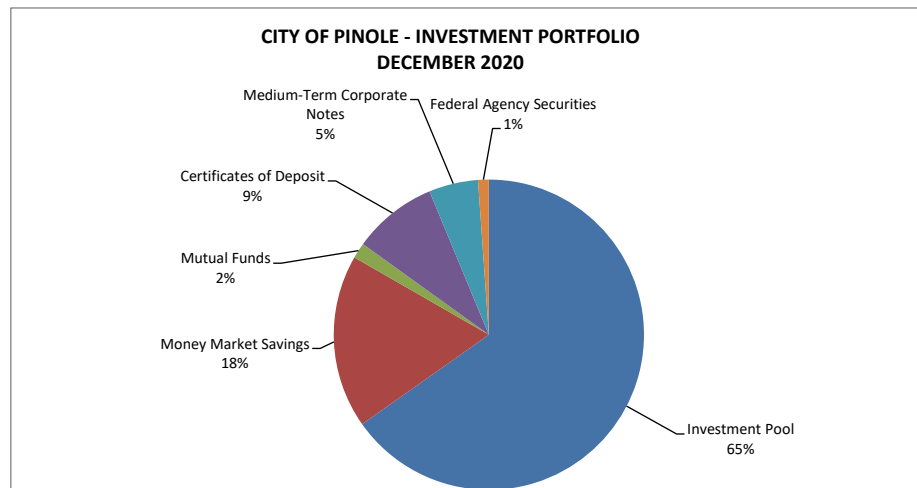
<b>Average Years:</b>	<b>1.3</b>
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Cash	Par Value	Market Value	Book Value	Days to Maturity
Mechanics Bank - Vendor Checking *	1,361,401	1,361,401	1,361,401	1
Bank of the West - Payroll Checking *	543,996	543,996	543,996	1
Bank of the West - Checking (Credit Card Clearing) *	258,495	258,495	258,495	1
Subtotal Cash	<b>2,163,892</b>	<b>2,163,892</b>	<b>2,163,892</b>	<b>1</b>

<b>Total Cash and Investments</b>	<b>\$ 46,827,905</b>	<b>\$ 46,988,164</b>	<b>\$ 46,988,164</b>
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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.



# ATTACHMENT A

**CITY OF PINOLE  
INVESTMENT REPORT DECEMBER 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
<b>Investment Pool</b>														
		Local Agency Investment Fund (LAIF)	Pooled Treasury - State of California	LAIF	999-10201	25,866,402	25,866,402	25,866,402	0.540	0.540	1	N/A		1
		CalTrust - Short Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10202	24,524	24,524	24,524	0.300	0.300	1	N/A		0
		CalTrust - Medium Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10203	3,343,181	3,343,181	3,343,181	0.140	0.140	1	N/A		0
Subtotal and Average						29,234,108	29,234,108	29,234,108	0.327	0.327	1			0
<b>Money Market Savings</b>														
		Mechanics Bank	Money Market Savings (City)	City	999-10102	6,166,456	6,166,456	6,166,456	0.050	0.050	1	N/A		0
		Bank of the West	Money Market Savings - Police Evidence Trust	City	999-10104	107,761	107,761	107,761	0.010	0.010	1	N/A		0
84501100	999491905	Wells Fargo Bank	Money Market - WPCP Escrow	Wells Fargo	503-10302	1,830,972	1,830,972	1,830,972	0.030	0.030	1	N/A		0
Subtotal and Average						8,105,188	8,105,188	8,105,188	0.030	0.030	1			0
<b>Mutual Funds</b>														
19-516680		U.S. Bank	Accrued Income - City Reserve	US Bank	150-10110	24,610	24,610	24,610	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	707,107	707,107	707,107	0.010	0.010	1	N/A		0
Subtotal and Average						731,717	731,717	731,717	0.995	0.995	1			0
<b>Certificates of Deposit</b>														
19-516680	02007GLR2	Ally Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	254,168	254,168	1.800	1.750	620	N/A	9/12/2022	4
19-516680	064520BG3	Bank of Princeton	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	252,020	252,020	0.500	0.500	1,460	N/A	12/30/2024	8
19-516680	05580ATL8	Bmw Bank North America	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	255,203	255,203	1.800	1.740	712	N/A	12/13/2022	4
19-516680	140420A59	Capital One Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	248,000	250,078	250,078	1.600	1.590	215	N/A	8/3/2021	1
19-516680	29976DQ86	Everbank Jacksonville FL	Certificates of Deposit - City Reserves	US Bank	150-10110	125,000	126,130	126,130	1.500	1.490	224	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	260,706	260,706	2.600	2.450	886	N/A	6/5/2023	5
19-516680	58404DFE6	Medallion Bk Salt Lake City	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	255,890	255,890	1.700	1.650	627	N/A	9/19/2022	4
19-516680	59013KCZ7	Merrick Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	259,142	259,142	1.650	1.580	1,002	N/A	9/29/2023	6
19-516680	61690UGW4	Morgan Stanley Bank Na	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	260,721	260,721	2.600	2.450	887	N/A	6/6/2023	5
19-516680	61760AF46	Morgan Stanley Private Bk Natlassn	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	260,721	260,721	2.600	2.450	887	N/A	6/6/2023	5
19-516680	70212VAB4	Partners Bk helena Ark	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	249,354	249,354	0.600	0.590	1,642	N/A	6/30/2025	9
19-516680	84223QAN7	Southern Bankcorp Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	252,120	252,120	0.500	0.500	1,394	N/A	10/25/2024	8
19-516680	856285QG9	State Bk Indiana New York N Y	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	253,353	253,353	1.000	0.990	1,638	N/A	6/26/2025	9
19-516680	85916VDN2	Sterling Bank of Poplar Bluff	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	256,944	256,944	1.650	1.590	991	N/A	9/18/2023	6
19-516680	9497485W3	Wells Fargo Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	250,803	250,803	1.750	1.740	168	N/A	6/17/2021	1
19-516680	949495AF2	Wells Fargo Bank Natl Bk West	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	255,628	255,628	1.850	1.790	729	N/A	12/30/2022	4
Subtotal and Average						3,843,000	3,952,979	3,952,979	1.606	1.553	880			5
<b>Medium-Term Corporate Notes</b>														
19-516680	037833BS8	Apple Inc.	2.25% Corporate MTN 02/23/2021 - City Reserves	US Bank	150-10110	500,000	500,595	500,595	2.250	2.250	54	AA+	2/23/2021	1
19-516680	478160BT0	Johnson Johnson	2.05% Corporate MTN 3/1/23 - City Reserves	US Bank	150-10110	750,000	776,925	776,925	2.050	1.980	790	AAA	3/1/2023	14
19-516680	594918BW3	Microsoft Corp	2.40 % Corporate MTN 02/06/22- City Reserves	US Bank	150-10110	500,000	510,195	510,195	2.400	2.350	402	AAA	2/6/2022	5
19-516680	94988J5T0	Wells Fargo Bank Na	3.625 % Corporate MTN 10/22/21- City Reserves	US Bank	150-10110	500,000	511,870	511,870	3.625	3.540	295	A+	10/22/2021	3
Subtotal and Average						2,250,000	2,299,585	2,299,585	2.581	2.530	385			6
<b>Federal Agency Securities</b>														
19-516680	3133ELH80	Federal Farm Credit Bks	.680% Agency Bond 6/10/25	US Bank	150-10110	500,000	500,695	500,695	0.680	0.680	1,622	AA+	6/10/2025	18
Subtotal and Average						500,000	500,695	500,695	0.680	0.680	1,622			18
<b>Investment Portfolio Total and Average</b>						<b>\$ 44,664,013</b>	<b>\$ 44,824,272</b>	<b>\$ 44,824,272</b>	<b>1.179</b>	<b>1.019</b>	<b>482</b>			<b>5</b>

Average Years : 1.3

**CITY OF PINOLE  
INVESTMENT REPORT DECEMBER 2020  
PENSION SECTION 115 TRUST PORTFOLIO SUMMARY**

<b>Investments</b>	<b>Market Value</b>	<b>Book Value</b>	<b>% of Market</b>
Cash and Equivalents	232,658	232,658	1.20%
U.S. Government Issues	5,835,502	5,642,213	30.32%
Corporate Issues	5,568,402	5,254,679	28.93%
Foreign Issues	445,866	406,641	2.32%
Mutual Funds-Equity	7,106,487	6,018,006	36.92%
<b>Total Assets</b>	<b>19,188,915</b>	<b>17,554,197</b>	<b>99.69%</b>
Accrued Income	59,998	59,998	0.31%
<b>Grand Total</b>	<b>\$ 19,248,914</b>	<b>\$ 17,614,196</b>	<b>100%</b>

