



CITY COUNCIL REPORT

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DATE: MAY 4, 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 MARCH 31, 2021**

RECOMMENDATION

Receive the Quarterly Investment Report for the quarter ending March 31, 2021.

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 March 31, 2021 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. 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 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, which is separate from the City's general Investment Policy under which pooled cash is invested.

REVIEW AND ANALYSIS

All investments held at March 31, 2021 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 March 31, 2021 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 the investment pool.

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 March 31, 2021 is summarized in Attachment A. LAIF yields have decreased over the past year and are lower than long-term investment yields in most cases. 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.

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)). Currently the Federal Funds yield is below LAIF.

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.

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 March 31, 2021 to cover ongoing expenditures.

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 March 31, 2021 is included in attachment (B) to this report.

FISCAL IMPACT

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

ATTACHMENTS

A –Investment Report - Quarter Ending March 31, 2021

B -Pension Section 115 Trust Investment Report – Quarter Ending March 31, 2021

ATTACHMENT A

CITY OF PINOLE INVESTMENT REPORT MARCH 2021 PORTFOLIO SUMMARY

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	29,408,022	29,445,366	29,445,366	64.76%	1	0.357	1
Investment Pool - CalTrust	3,362,746	3,362,746	3,362,746	7.40%	1	0.225	0
Money Market Savings	5,182,098	5,182,098	5,182,098	11.40%	1	0.027	0
Mutual Funds	1,259,403	1,259,403	1,259,403	2.77%	1	0.995	0
Certificates of Deposit	3,843,000	3,930,218	3,930,218	8.64%	821	1.561	5
Medium-Term Corporate Notes	1,750,000	1,787,385	1,787,385	3.93%	437	2.640	6
Federal Agency Securities	500,000	501,185	501,185	1.10%	1,563	0.680	17
Subtotal Investments	\$ 45,305,269	\$ 45,468,400	45,468,400	100.00%	471	1.029	5

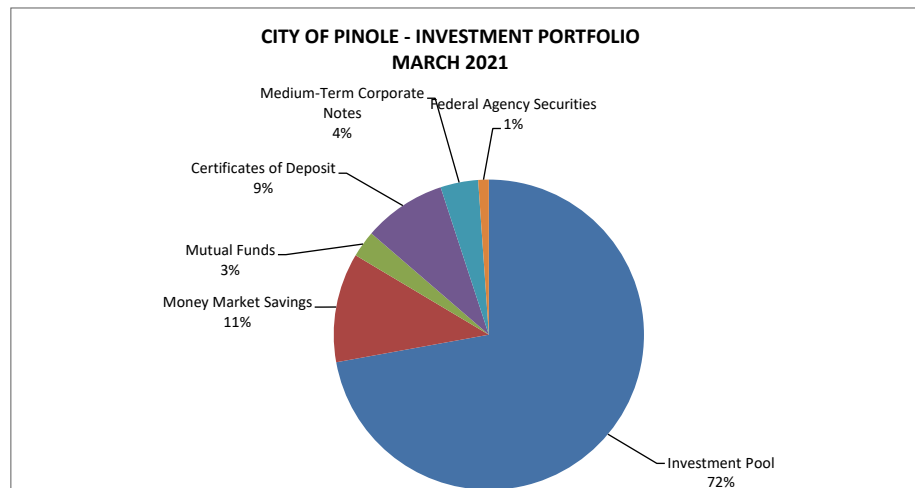
Average Years:	1.3
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Cash							
Mechanics Bank - Vendor Checking *	1,037,363	1,037,363	1,037,363		1		
Bank of the West - Payroll Checking *	591,806	591,806	591,806		1		
Bank of the West - Checking (Credit Card Clearing) *	489,910	489,910	489,910		1		
Subtotal Cash	2,119,078	2,119,078	2,119,078		1		

Total Cash and Investments	\$ 47,424,347	\$ 47,587,478	\$ 47,587,478
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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 MARCH 2021
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	29,408,022	29,445,366	29,445,366	0.357	0.357	1	N/A		1
		CalTrust - Short Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10202	24,521	24,521	24,521	0.290	0.290	1	N/A		0
		CalTrust - Medium Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10203	3,338,225	3,338,225	3,338,225	0.160	0.160	1	N/A		0
			Subtotal and Average			32,770,768	32,808,112	32,808,112	0.269	0.269	1			0
Money Market Savings														
		Mechanics Bank	Money Market Savings (City)	City	999-10102	3,248,630	3,248,630	3,248,630	0.040	0.040	1	N/A		0
84501100	999491905	Bank of the West	Money Market Savings - Police Evidence Trust	City	999-10104	107,763	107,763	107,763	0.010	0.010	1	N/A		0
		Wells Fargo Bank	Money Market - WPCP Escrow	Wells Fargo	503-10302	1,825,705	1,825,705	1,825,705	0.030	0.030	1	N/A		0
			Subtotal and Average			5,182,098	5,182,098	5,182,098	0.027	0.027	1			0
Mutual Funds														
19-516680		U.S. Bank	Accrued Income - City Reserve	US Bank	150-10110	21,966	21,966	21,966	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	1,237,437	1,237,437	1,237,437	0.010	0.010	1	N/A		0
			Subtotal and Average			1,259,403	1,259,403	1,259,403	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	253,039	253,039	1.800	1.760	561	N/A	9/12/2022	3
19-516680	064520BG3	Bank of Princeton	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	250,375	250,375	0.500	0.500	1,401	N/A	12/30/2024	8
19-516680	05580ATL8	Bmw Bank North America	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	253,990	253,990	1.800	1.750	653	N/A	12/13/2022	4
19-516680	140420A59	Capital One Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	248,000	249,203	249,203	1.600	1.590	156	N/A	8/3/2021	1
19-516680	29976DQ86	Everbank Jacksonville FL	Certificates of Deposit - City Reserves	US Bank	150-10110	125,000	125,674	125,674	1.500	1.490	165	N/A	8/12/2021	0
19-516680	38149MAY9	Goldman Sachs BK USA New York	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	258,930	258,930	2.600	2.470	827	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	254,767	254,767	1.700	1.660	568	N/A	9/19/2022	3
19-516680	59013KCZ7	Merrick Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	257,760	257,760	1.650	1.590	943	N/A	9/29/2023	5
19-516680	61690UGW4	Morgan Stanley Bank Na	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	258,945	258,945	2.600	2.470	828	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	258,945	258,945	2.600	2.470	828	N/A	6/6/2023	5
19-516680	70212VAB4	Partners Bk helena Ark	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	247,069	247,069	0.600	0.600	1,583	N/A	6/30/2025	9
19-516680	84223QAN7	Southern Bankcorp Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	250,663	250,663	0.500	0.500	1,335	N/A	10/25/2024	7
19-516680	856285QG9	State Bk Indiana New York N Y	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	251,023	251,023	1.000	1.000	1,579	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	255,638	255,638	1.650	1.590	932	N/A	9/18/2023	5
19-516680	9497485W3	Wells Fargo Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	249,824	249,824	1.750	1.740	109	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	254,375	254,375	1.850	1.800	670	N/A	12/30/2022	4
			Subtotal and Average			3,843,000	3,930,218	3,930,218	1.606	1.561	821			5
Medium-Term Corporate Notes														
19-516680	478160BT0	Johnson Johnson	2.05% Corporate MTN 3/1/23 - City Reserves	US Bank	150-10110	750,000	771,345	771,345	2.050	1.990	731	AAA	3/1/2023	12
19-516680	594918BW3	Microsoft Corp	2.40 % Corporate MTN 02/06/22- City Reserves	US Bank	150-10110	500,000	508,235	508,235	2.400	2.360	343	AAA	2/6/2022	4
19-516680	94988J5T0	Wells Fargo Bank Na	3.625 % Corporate MTN 10/22/21- City Reserves	US Bank	150-10110	500,000	507,805	507,805	3.625	3.570	236	A+	10/22/2021	3
			Subtotal and Average			1,750,000	1,787,385	1,787,385	2.692	2.640	437			6
Federal Agency Securities														
19-516680	3133ELH80	Federal Farm Credit Bks	.680% Agency Bond 6/10/25	US Bank	150-10110	500,000	501,185	501,185	0.680	0.680	1,563	AA+	6/10/2025	17
			Subtotal and Average			500,000	501,185	501,185	0.680	0.680	1,563			17
Investment Portfolio Total and Average						\$ 45,305,269	\$ 45,468,400	\$ 45,468,400	1.045	1.029	471			5

Average Years : 1.3

ATTACHMENT B

**CITY OF PINOLE
INVESTMENT REPORT MARCH 2021
PENSION TRUST SECTION 115 PORTFOLIO SUMMARY**

Investments	Market Value	Book Value	% of Market
Cash and Equivalents	52,060	52,060	0.27%
U.S. Government Issues	5,806,165	5,853,065	30.01%
Corporate Issues	5,972,239	5,967,601	30.87%
Foreign Issues	144,775	135,969	0.75%
Mutual Funds-Equity	7,314,947	5,818,253	37.81%
Total Assets	19,290,185	17,826,948	99.72%
Accrued Income	54,427	54,427	0.28%
Grand Total	\$ 19,344,612	\$ 17,881,375	100%

