



## **CITY COUNCIL REPORT**

**DATE: FEBRUARY 15, 2022**

**TO: MAYOR AND COUNCIL MEMBERS**

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

**SUBJECT: RECEIVE THE QUARTERLY INVESTMENT REPORT FOR THE  
SECOND QUARTER (ENDING DECEMBER 31, 2021)**

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### **RECOMMENDATION**

Staff recommends that the City Council receive the Quarterly Investment Report for the second quarter (ending December 31, 2021).

### **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 December 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 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 and investments 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**

#### **Investment Policy**

All investments held at December 31, 2021 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.

### **Second Quarter Investment Summary**

As of December 31, 2021, total cash and investments increased by \$2,199,727 from the previous quarter, from \$49,585,429 to \$51,785,156. 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 payments that are due at the beginning of the fiscal year. 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 December 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 December 31, 2021 is summarized in Attachment A. The total investment portfolio yielded 0.933% for the second quarter, up from the 0.916% yielded in the previous quarter.

For the second quarter (October through December 2021), LAIF earned an average annual yield of 0.203%, down from an average yield of 0.206% for the first quarter (July through September 2021). LAIF yields have decreased over the past year and are lower than long-term investment yields in most cases.

The General Reserve, which holds the longer-term investments, earned an average yield of 1.446%, up from the 1.433% average yield in the first quarter. No new investment instruments were purchased during the second quarter. Additionally, none of the existing instruments matured.

The Federal Reserve has kept interest rates relatively unchanged since March 2020. The Federal Funds yield has historically been similar to LAIF's yield. Currently, the Federal Funds yield is higher than LAIF.

### **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 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 funds are invested on behalf of the City by Public Agency Retirement Services (PARS). The portfolio summary for the quarter ending December 31, 2021 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 December 31, 2021

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

**CITY OF PINOLE  
INVESTMENT REPORT DECEMBER 2021  
PORTFOLIO SUMMARY**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	31,480,828	31,400,209	31,400,209	63.07%	1	0.203	1
Investment Pool - CalTrust	3,348,675	3,348,675	3,348,675	6.73%	1	0.255	0
Money Market Savings	7,599,515	7,599,515	7,599,515	15.26%	1	0.025	0
Mutual Funds	1,159,473	1,159,473	1,159,473	2.33%	1	0.995	0
Certificates of Deposit	3,470,000	3,500,770	3,500,770	7.03%	695	1.509	3
Medium-Term Corporate Notes	2,250,000	2,288,150	2,288,150	4.60%	726	2.140	14
Federal Agency Securities	500,000	490,175	490,175	0.98%	1,257	0.690	12
<b>Subtotal Investments</b>	<b>\$ 49,808,492</b>	<b>\$ 49,786,968</b>	<b>49,786,968</b>	<b>100.00%</b>	<b>447</b>	<b>0.933</b>	<b>5</b>

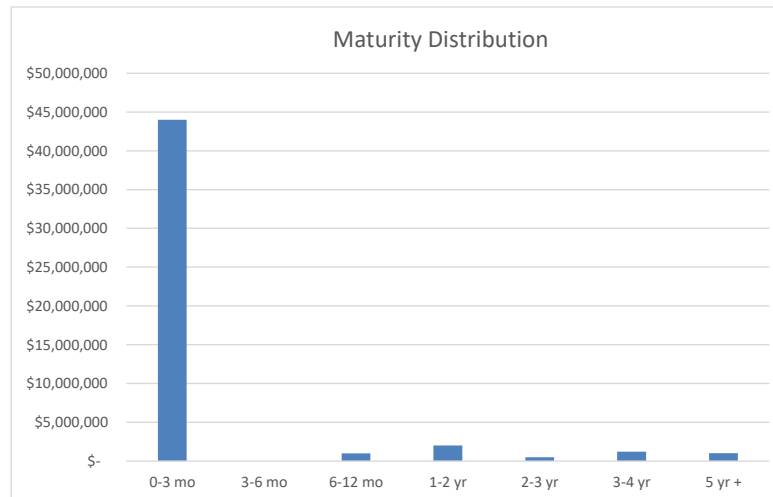
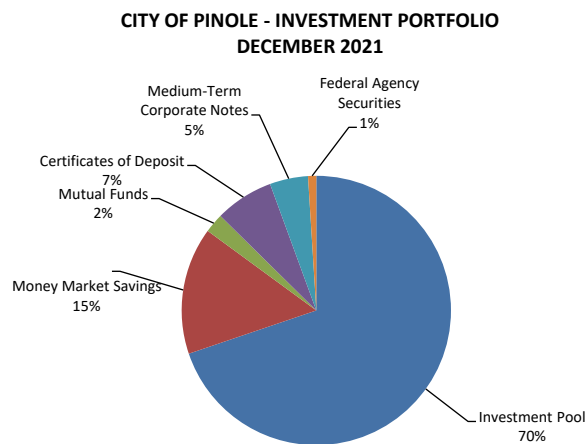
**Average Years: 1.2**

<b>Cash</b>							
Mechanics Bank - Vendor Checking *	1,081,526	1,081,526	1,081,526		1		
Bank of the West - Payroll Checking *	503,058	503,058	503,058		1		
Bank of the West - Checking (Credit Card Clearing) *	413,605	413,605	413,605		1		
<b>Subtotal Cash</b>	<b>1,998,188</b>	<b>1,998,188</b>	<b>1,998,188</b>		<b>1</b>		

**Total Cash and Investments \$ 51,806,679 \$ 51,785,156 \$ 51,785,156**

\*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 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
<b>Investment Pool</b>														
		Local Agency Investment Fund (LAIF)	Pooled Treasury - State of California	LAIF	999-10201	31,480,828	31,400,209	31,400,209	0.203	0.203	1	N/A		1
		CalTrust - Short Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10202	24,506	24,506	24,506	0.140	0.140	1	N/A		0
		CalTrust - Medium Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10203	3,324,169	3,324,169	3,324,169	0.370	0.370	1	N/A		0
			Subtotal and Average			34,829,503	34,748,884	34,748,884	0.238	0.238	1			0
<b>Money Market Savings</b>														
		Mechanics Bank	Money Market Savings (City)	City	999-10102	7,491,744	7,491,744	7,491,744	0.040	0.040	1	N/A		0
		Bank of the West	Money Market Savings - Police Evidence Trust	City	999-10104	107,772	107,772	107,772	0.010	0.010	1	N/A		0
			Subtotal and Average			7,599,515	7,599,515	7,599,515	0.025	0.025	1			0
<b>Mutual Funds</b>														
19-516680		U.S. Bank	Accrued Income - City Reserve	US Bank	150-10110	21,265	21,265	21,265	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	1,138,208	1,138,208	1,138,208	0.010	0.010	1	N/A		0
			Subtotal and Average			1,159,473	1,159,473	1,159,473	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	249,594	249,594	1.800	1.780	255	N/A	9/12/2022	1
19-516680	064520BG3	Bank of Princeton	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	247,048	247,048	0.500	0.510	1,095	N/A	12/30/2024	5
19-516680	05580ATL8	Bmw Bank North America	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	250,423	250,423	1.800	1.770	347	N/A	12/13/2022	2
19-516680	38149MAY9	Goldman Sachs BK USA New York	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	253,434	253,434	2.600	2.520	521	N/A	6/5/2023	3
19-516680	5840DFFE6	Medallion Bk Salt Lake City	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	251,512	251,512	1.700	1.680	262	N/A	9/19/2022	1
19-516680	59013KCZ7	Merrick Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	253,659	253,659	1.650	1.620	637	N/A	9/29/2023	3
19-516680	61690UGW4	Morgan Stanley Bank Na	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	253,446	253,446	2.600	2.520	522	N/A	6/6/2023	3
19-516680	61760AF46	Morgan Stanley Private Bk Natlssn	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	253,446	253,446	2.600	2.520	522	N/A	6/6/2023	3
19-516680	70212VAB4	Partners Bk helena Ark	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	243,463	243,463	0.600	0.610	1,277	N/A	6/30/2025	6
19-516680	84223QAN7	Southern Bankcorp Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	247,535	247,535	0.500	0.500	1,029	N/A	10/25/2024	5
19-516680	856283N51	State Bk Indiana Chicago Ill	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	247,228	247,228	1.000	1.010	1,273	N/A	6/26/2025	6
19-516680	85916VDN2	Sterling Bank of Poplar Bluff	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	251,560	251,560	1.650	1.620	626	N/A	9/18/2023	3
19-516680	87164WC71	Synchrony Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	247,738	247,738	0.650	0.650	1,004	N/A	9/30/2024	5
19-516680	949495AF2	Wells Fargo Bank Natl Bk West	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	250,685	250,685	1.850	1.820	364	N/A	12/30/2022	2
			Subtotal and Average			3,470,000	3,500,770	3,500,770	1.536	1.509	695			3
<b>Medium-Term Corporate Notes</b>														
19-516679	037833DN7	Apple Inc.	2.05% Corporate MTN 9/11/26 - City Reserves	US Bank	150-10110	1,000,000	1,027,260	1,027,260	2.050	2.000	1,715	AA+	9/11/2026	35
19-516680	478160BT0	Johnson Johnson	2.05% Corporate MTN 3/1/23 - City Reserves	US Bank	150-10110	750,000	760,830	760,830	2.050	2.020	425	AAA	3/1/2023	6
19-516680	594918BW3	Microsoft Corp	2.40 % Corporate MTN 02/06/22- City Reserves	US Bank	150-10110	500,000	500,060	500,060	2.400	2.400	37	AAA	2/6/2022	0
			Subtotal and Average			2,250,000	2,288,150	2,288,150	2.167	2.140	726			14
<b>Federal Agency Securities</b>														
19-516680	3133ELH80	Federal Farm Credit Bks	.680% Agency Bond 6/10/25	US Bank	150-10110	500,000	490,175	490,175	0.680	0.690	1,257	AA+	6/10/2025	12
			Subtotal and Average			500,000	490,175	490,175	0.680	0.690	1,257			12
<b>Investment Portfolio Total and Average</b>						<b>\$ 49,808,492</b>	<b>\$ 49,786,968</b>	<b>\$ 49,786,968</b>	<b>0.940</b>	<b>0.933</b>	<b>447</b>			<b>5</b>

Average Years : 1.2

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

<b>Investments</b>	<b>Market Value</b>	<b>Book Value</b>	<b>% of Market</b>	<b>Yield</b>
Cash and Equivalents	229,055	229,055	1.16%	0.020
U.S. Government Issues	5,901,723	5,871,396	29.92%	1.680
Corporate Issues	5,987,200	5,977,621	30.35%	3.240
Foreign Issues	103,982	98,625	0.53%	4.730
Mutual Funds-Equity	7,452,215	5,960,552	37.78%	1.150
<b>Total Assets</b>	<b>19,674,175</b>	<b>18,137,249</b>	<b>99.73%</b>	<b>2.010</b>
Accrued Income	53,062	53,062	0.27%	
<b>Grand Total</b>	<b>\$ 19,727,236</b>	<b>\$ 18,190,310</b>	<b>100%</b>	

