



## **CITY COUNCIL REPORT**

**DATE: FEBRUARY 21, 2023**

**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, 2022)**

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### **RECOMMENDATION**

Staff recommends that the City Council receive the Quarterly Investment Report for the second quarter (ending December 31, 2022).

### **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, 2022, conform to the City's Investment Policy as well as all applicable State and federal requirements, including 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 that are held across all City funds. The cash and investment balances across all City funds are "pooled" for investment purposes, with the exception of the assets of the General Reserve, which is discussed further below. Cash is invested in accordance with the City's Investment Policy. Interest earnings on investments are allocated to the various funds based on the cash and investment balances of those funds.

The City also maintains a 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.

### **REVIEW AND ANALYSIS**

#### **Investment Policy**

All investments held at December 31, 2022 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.

### **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 the City’s 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 investments to best achieve the objectives laid out in the Investment Policy.

### **Second Quarter Investment Summary**

As of December 31, 2022, total cash and investments increased by \$1,499,077 from the previous quarter, from \$52,548,847 to \$54,047,924. 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 that is paid semiannually. 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, 2022 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 that investment.

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, 2022 is summarized in Attachment A. The total investment portfolio yielded 2.029% for the second quarter (October through December 2022), up from the 1.59% yielded in the previous quarter (July through September 2022).

For the second quarter, LAIF earned an average annual yield of 2.173%, up from an average yield of 1.513% for the first quarter. LAIF yields gradually decreased between June 2019 and November 2021 and were lower than long-term investment yields in most cases. However, LAIF has shown gradual growth in yield since December 2021.

The General Reserve, which holds the longer-term investments, earned an average yield of 1.817%, up from the 1.667% average yield in the first quarter. No new investment instruments were purchased during the second quarter. Additionally, two certificates of deposit matured, BMW Bank North America and Wells Fargo Bank National Bank West, and were redeemed for cash.

### **Section 115 Trust**

The Section 115 Trust is comprised of 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, 2022 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, 2022

B- Section 115 Trust Investment Report – Quarter Ending December 31, 2022

# ATTACHMENT A

**CITY OF PINOLE  
INVESTMENT REPORT DECEMBER 2022  
PORTFOLIO SUMMARY**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	33,705,926	33,078,634	33,078,634	63.32%	1	2.173	1
Investment Pool - CalTrust	3,235,008	3,235,008	3,235,008	6.19%	1	4.175	0
Money Market Savings	7,726,703	7,726,703	7,726,703	14.79%	1	1.400	0
Mutual Funds	3,725,378	3,725,378	3,725,378	7.13%	1	2.885	0
Certificates of Deposit	2,480,000	2,364,757	2,364,757	4.53%	486	1.477	2
Medium-Term Corporate Notes	1,750,000	1,660,030	1,660,030	3.18%	705	2.155	12
Federal Agency Securities	500,000	453,465	453,465	0.87%	892	0.750	8
<b>Subtotal Investments</b>	<b>\$ 53,123,015</b>	<b>\$ 52,243,974</b>	<b>52,243,974</b>	<b>100.00%</b>	<b>348</b>	<b>2.029</b>	<b>4</b>

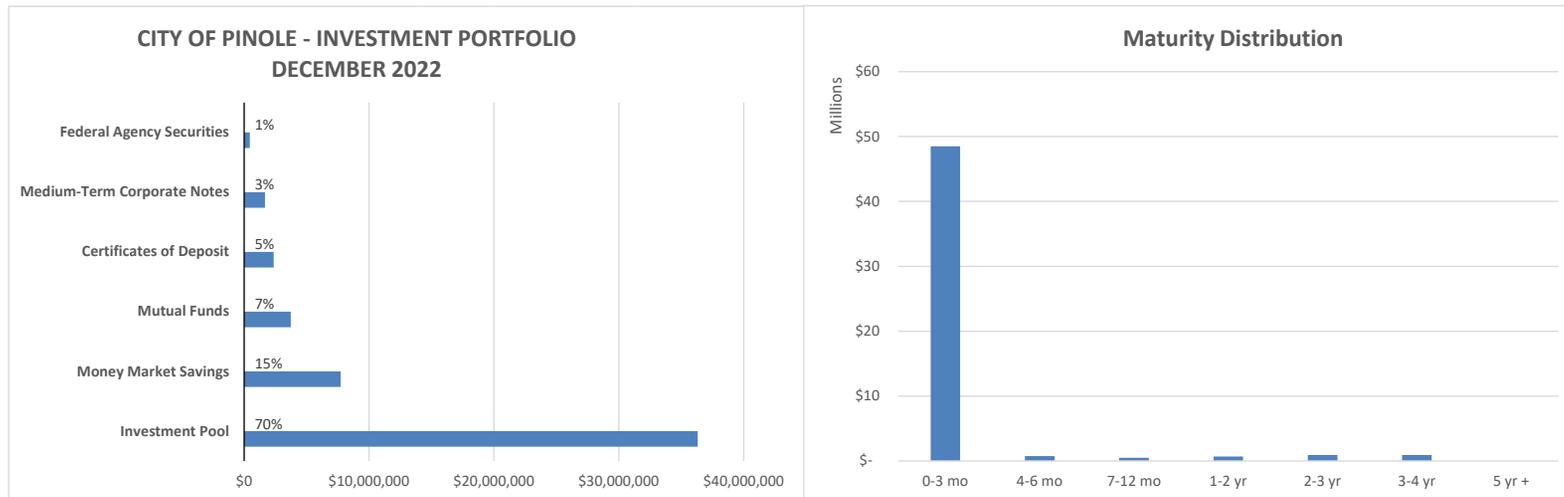
**Average Years: 1.0**

<b>Cash</b>							
Mechanics Bank - Vendor Checking *	873,842	873,842	873,842		1		
Bank of the West - Payroll Checking *	539,196	539,196	539,196		1		
Bank of the West - Checking (Credit Card Clearing) *	390,912	390,912	390,912		1		
<b>Subtotal Cash</b>	<b>1,803,950</b>	<b>1,803,950</b>	<b>1,803,950</b>		<b>1</b>		

**Total Cash and Investments \$ 54,926,965 \$ 54,047,924 \$ 54,047,924**

\*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 2022  
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	33,705,926	33,078,634	33,078,634	2.173	2.173	1	N/A		1
		CalTrust - Short Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10202	24,630	24,630	24,630	4.200	4.200	1	N/A		0
		CalTrust - Medium Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10203	3,210,379	3,210,379	3,210,379	4.150	4.150	1	N/A		0
			Subtotal and Average			36,940,934	36,313,642	36,313,642	3.508	3.508	1			0
<b>Money Market Savings</b>														
		Mechanics Bank	Money Market Savings (City)	City	999-10102	7,618,920	7,618,920	7,618,920	2.790	2.790	1	N/A		0
		Bank of the West	Money Market Savings - Police Evidence Trust	City	999-10104	107,782	107,782	107,782	0.010	0.010	1	N/A		0
			Subtotal and Average			7,726,703	7,726,703	7,726,703	1.400	1.400	1			0
<b>Mutual Funds</b>														
19-516680		U.S. Bank	Accrued Income - City Reserve	US Bank	150-10110	24,938	24,938	24,938	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	3,700,440	3,700,440	3,700,440	3.790	3.790	1	N/A		0
			Subtotal and Average			3,725,378	3,725,378	3,725,378	2.885	2.885	1			0
<b>Certificates of Deposit</b>														
19-516680	064520BG3	Bank of Princeton	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	230,425	230,425	0.500	0.540	730	N/A	12/30/2024	3
19-516680	38149MAY9	Goldman Sachs BK USA New York	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	244,278	244,278	2.600	2.620	156	N/A	6/5/2023	1
19-516680	59013KCZ7	Merrick Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	243,661	243,661	1.650	1.690	272	N/A	9/29/2023	1
19-516680	61690UGW4	Morgan Stanley Bank Na	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	244,266	244,266	2.600	2.620	157	N/A	6/6/2023	1
19-516680	61760AF46	Morgan Stanley Private Bk Natlassn	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	244,266	244,266	2.600	2.620	157	N/A	6/6/2023	1
19-516680	70212VAB4	Partners Bk helena Ark	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	223,755	223,755	0.600	0.660	912	N/A	6/30/2025	4
19-516680	84223QAN7	Southern Bankcorp Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	232,090	232,090	0.500	0.540	664	N/A	10/25/2024	3
19-516680	856283N51	State Bk Indiana Chicago Ill	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	227,368	227,368	1.000	1.100	908	N/A	6/26/2025	4
19-516680	85916VDN2	Sterling Bank of Poplar Bluff	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	242,043	242,043	1.650	1.680	261	N/A	9/18/2023	1
19-516680	87164WC71	Synchrony Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	232,606	232,606	0.650	0.700	639	N/A	9/30/2024	3
			Subtotal and Average			2,480,000	2,364,757	2,364,757	1.435	1.477	486			2
<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	912,790	912,790	2.050	2.250	1,350	AA+	9/11/2026	24
19-516680	478160BT0	Johnson Johnson	2.05% Corporate MTN 3/1/23 - City Reserves	US Bank	150-10110	750,000	747,240	747,240	2.050	2.060	60	AAA	3/1/2023	1
			Subtotal and Average			1,750,000	1,660,030	1,660,030	2.050	2.155	705			12
<b>Federal Agency Securities</b>														
19-516680	3133ELH80	Federal Farm Credit Bks	.680% Agency Bond 6/10/25	US Bank	150-10110	500,000	453,465	453,465	0.680	0.750	892	AA+	6/10/2025	8
			Subtotal and Average			500,000	453,465	453,465	0.680	0.750	892			8
<b>Investment Portfolio Total and Average</b>						<b>\$ 53,123,015</b>	<b>\$ 52,243,974</b>	<b>\$ 52,243,974</b>	<b>1.993</b>	<b>2.029</b>	<b>348</b>			<b>4</b>

Average Years : 1.0

# ATTACHMENT B

**CITY OF PINOLE  
INVESTMENT REPORT DECEMBER 2022  
SECTION 115 TRUST PORTFOLIO SUMMARY**

<b>Investments</b>	<b>Market Value</b>	<b>Book Value</b>	<b>% of Market</b>	<b>Yield</b>
Cash and Equivalents	626,050	626,050	3.95%	4.050
U.S. Government Issues	5,366,037	5,775,184	33.85%	3.560
Corporate Issues	3,660,440	4,113,158	23.09%	3.820
Foreign Issues	43,144	49,500	0.27%	5.110
Municipal Issues	152,425	165,479	0.96%	4.590
Mutual Funds-Equity	5,315,675	5,488,319	33.53%	1.460
Mutual Funds-Fixed Income	636,210	640,755	4.01%	2.030
<b>Total Assets</b>	<b>15,799,981</b>	<b>16,858,445</b>	<b>99.66%</b>	<b>2.880</b>
Accrued Income	54,502	54,502	0.34%	
<b>Grand Total</b>	<b>\$ 15,854,484</b>	<b>\$ 16,912,947</b>	<b>100%</b>	

