



CITY COUNCIL REPORT

DATE: SEPTEMBER 19, 2023

TO: MAYOR AND COUNCIL MEMBERS

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

**SUBJECT: RECEIVE THE QUARTERLY INVESTMENT REPORT FOR THE FOURTH
QUARTER (ENDING JUNE 30, 2023)**

RECOMMENDATION

Staff recommends that the City Council receive the Quarterly Investment Report for the fourth quarter (ending June 30, 2023).

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 June 30, 2023, 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 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 June 30, 2023 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.

Fourth Quarter Investment Summary

As of June 30, 2023, total cash and investments increased by \$3,420,232 from the previous quarter, from \$54,776,008 to \$58,196,240. 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 June 30, 2023 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 June 30, 2023 is summarized in Attachment A. The total investment portfolio yielded 2.469% for the fourth quarter (April through June 2023), up from the 2.168% yielded in the previous quarter (January through March 2023).

For the fourth quarter, LAIF earned an average annual yield of 3.167%, up from an average annual yield of 2.831% for the third 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 annual yield of 2.195%, up from the 1.888% average annual yield in the third quarter. Four certificates of deposit were purchased during the fourth quarter with an average annual interest rate of 5.113%. Additionally, three certificates of deposit matured, Goldman Sachs, Morgan Stanley Bank, and Morgan Stanley Private Bank, 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 June 30, 2023 is included in Attachment B to this report.

FISCAL IMPACT

There is no fiscal impact as a result of receiving the Fourth Quarter Investment Report.

ATTACHMENTS

A- Investment Report - Quarter Ending June 30, 2023

B- Section 115 Trust Investment Report – Quarter Ending June 30, 2023

ATTACHMENT A

**CITY OF PINOLE
INVESTMENT REPORT JUNE 2023
PORTFOLIO SUMMARY**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	34,114,731	33,597,160	33,597,160	60.93%	1	3.167	1
Investment Pool - CalTrust	3,277,010	3,277,010	3,277,010	5.94%	1	4.795	0
Money Market Savings	9,247,906	9,247,906	9,247,906	16.77%	1	1.785	0
Mutual Funds	5,011,346	5,011,346	5,011,346	9.09%	1	3.345	0
Certificates of Deposit	2,730,000	2,626,689	2,626,689	4.76%	545	2.494	2
Medium-Term Corporate Notes	1,000,000	921,490	921,490	1.67%	1,169	2.200	20
Federal Agency Securities	500,000	457,675	457,675	0.83%	711	0.740	6
Subtotal Investments	\$ 55,880,993	\$ 55,139,275	55,139,275	100.00%	405	2.469	5

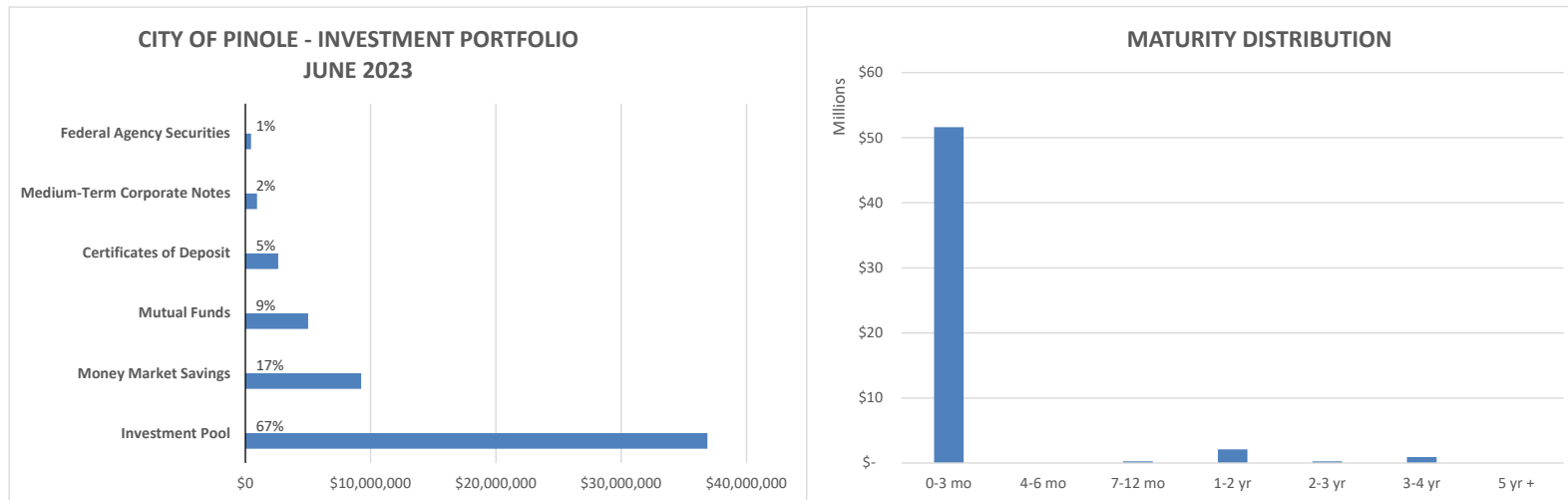
Average Years: 1.1

Cash							
Mechanics Bank - Vendor Checking *	1,622,002	1,622,002	1,622,002		1		
Bank of the West - Payroll Checking *	691,117	691,117	691,117		1		
Bank of the West - Checking (Credit Card Clearing) *	743,845	743,845	743,845		1		
Subtotal Cash	3,056,965	3,056,965	3,056,965		1		

Total Cash and Investments \$ 58,937,957 \$ 58,196,240 \$ 58,196,240

*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 JUNE 2023
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	34,114,731	33,597,160	33,597,160	3.167	3.167	1	N/A		1
		CalTrust - Short Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10202	25,170	25,170	25,170	4.860	4.860	1	N/A		0
		CalTrust - Medium Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10203	3,251,840	3,251,840	3,251,840	4.730	4.730	1	N/A		0
			Subtotal and Average			37,391,742	36,874,170	36,874,170	4.252	4.252	1			0
Money Market Savings														
		Mechanics Bank	Money Market Savings (City)	City	999-10102	9,140,118	9,140,118	9,140,118	3.560	3.560	1	N/A		0
		Bank of the West	Money Market Savings - Police Evidence Trust	City	999-10104	107,788	107,788	107,788	0.010	0.010	1	N/A		0
			Subtotal and Average			9,247,906	9,247,906	9,247,906	1.785	1.785	1			0
Mutual Funds														
19-516680		U.S. Bank	Accrued Income - City Reserve	US Bank	150-10110	30,781	30,781	30,781	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	4,980,564	4,980,564	4,980,564	4.710	4.710	1	N/A		0
			Subtotal and Average			5,011,346	5,011,346	5,011,346	3.345	3.345	1			0
Certificates of Deposit														
19-516680	01025RAG4	Alabama Cr Un	Certificates of Deposit - City Reserves	US Bank	150-10110	248,000	245,274	245,274	5.000	5.060	1,088	N/A	6/22/2026	5
19-516680	064520BG3	Bank of Princeton	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	232,210	232,210	0.500	0.540	549	N/A	12/30/2024	2
19-516680	05580A2H6	Bmw Bk North Amer	Certificates of Deposit - City Reserves	US Bank	150-10110	244,000	241,643	241,643	4.900	4.950	717	N/A	6/16/2025	3
19-516680	33651FAJ8	First Source Fed Cr Un	Certificates of Deposit - City Reserves	US Bank	150-10110	248,000	247,965	247,965	5.450	5.450	353	N/A	6/17/2024	2
19-516680	33715LFK1	First Technology Federal Credi	Certificates of Deposit - City Reserves	US Bank	150-10110	248,000	246,514	246,514	5.100	5.130	717	N/A	6/16/2025	3
19-516680	59013KCZ7	Merrick Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	246,749	246,749	1.650	1.660	91	N/A	9/29/2023	0
19-516680	70212VAB4	Partners Bk helena Ark	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	224,483	224,483	0.600	0.660	731	N/A	6/30/2025	3
19-516680	84223QAN7	Southern Bankcorp Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	234,240	234,240	0.500	0.530	483	N/A	10/25/2024	2
19-516680	856283N51	State Bk Indiana Chicago Ill	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	227,968	227,968	1.000	1.100	727	N/A	6/26/2025	3
19-516680	85916VDN2	Sterling Bank of Poplar Bluff	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	245,012	245,012	1.650	1.660	80	N/A	9/18/2023	0
19-516680	87164WC71	Synchrony Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	234,630	234,630	0.650	0.690	458	N/A	9/30/2024	2
			Subtotal and Average			2,730,000	2,626,689	2,626,689	2.455	2.494	545			2
Medium-Term Corporate Notes														
19-516679	037833DN7	Apple Inc.	2.05% Corporate MTN 9/11/26 - City Reserves	US Bank	150-10110	1,000,000	921,490	921,490	2.050	2.200	1,169	AA+	9/11/2026	20
			Subtotal and Average			1,000,000	921,490	921,490	2.050	2.200	1,169			20
Federal Agency Securities														
19-516680	3133ELH80	Federal Farm Credit Bks	.680% Agency Bond 6/10/25	US Bank	150-10110	500,000	457,675	457,675	0.680	0.740	711	AA+	6/10/2025	6
			Subtotal and Average			500,000	457,675	457,675	0.680	0.740	711			6
Investment Portfolio Total and Average						\$ 55,880,993	\$ 55,139,275	\$ 55,139,275	2.428	2.469	405			5

Average Years : 1.1

**CITY OF PINOLE
INVESTMENT REPORT JUNE 2023
SECTION 115 TRUST PORTFOLIO SUMMARY**

Investments	Market Value	Book Value	% of Market	Yield
Cash and Equivalents	614,296	614,296	3.66%	5.010
U.S. Government Issues	6,180,476	6,460,248	36.82%	3.770
Corporate Issues	3,358,644	3,659,182	20.01%	4.400
Foreign Issues	68,475	74,463	0.41%	5.150
Municipal Issues	155,847	164,815	0.93%	4.470
Mutual Funds-Equity	5,845,281	5,221,117	34.82%	1.340
Mutual Funds-Fixed Income	491,133	493,167	2.93%	2.570
Total Assets	16,714,152	16,687,289	99.56%	3.070
Accrued Income	73,657	73,657	0.44%	
Grand Total	\$ 16,787,810	\$ 16,760,946	100%	

