



CITY COUNCIL REPORT

DATE: NOVEMBER 7, 2023

TO: MAYOR AND COUNCIL MEMBERS

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

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

RECOMMENDATION

Staff recommends that the City Council receive the Quarterly Investment Report for the first quarter (ending September 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 September 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 September 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.

First Quarter Investment Summary

As of September 30, 2023, total cash and investments decreased by \$6,928,846 from the previous quarter, from \$58,196,240 to \$51,267,394. 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 September 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 September 30, 2023 is summarized in Attachment A. The total investment portfolio yielded 2.727% for the first quarter (July through September 2023), up from the 2.469% yielded in the previous quarter (April through June 2023).

For the first quarter, LAIF earned an average annual yield of 3.534%, up from an average annual yield of 3.167% for the fourth quarter. LAIF has shown gradual growth in yield over the last twelve months.

The General Reserve, which holds the longer-term investments, earned an average annual yield of 2.477%, up from the 2.195% average annual yield in the fourth quarter. Four certificates of deposit were purchased during the first quarter with an average annual interest rate of 5.213%. Additionally, two certificates of deposit matured, Merrick Bank and Sterling Bank of Poplar Bluff, 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 September 30, 2023 is included in Attachment B to this report.

FISCAL IMPACT

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

ATTACHMENTS

A- Investment Report - Quarter Ending September 30, 2023

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

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

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	30,382,580	29,966,574	29,966,574	61.57%	1	3.534	1
Investment Pool - CalTrust	3,293,083	3,293,083	3,293,083	6.77%	1	5.080	0
Money Market Savings	6,304,186	6,304,186	6,304,186	12.95%	1	1.890	0
Mutual Funds	4,598,178	4,598,178	4,598,178	9.45%	1	3.470	0
Certificates of Deposit	3,227,000	3,129,895	3,129,895	6.43%	586	3.468	3
Medium-Term Corporate Notes	1,000,000	918,920	918,920	1.89%	1,077	2.230	20
Federal Agency Securities	500,000	462,190	462,190	0.95%	619	0.740	6
Subtotal Investments	\$ 49,305,027	\$ 48,673,025	48,673,025	100.00%	381	2.727	5

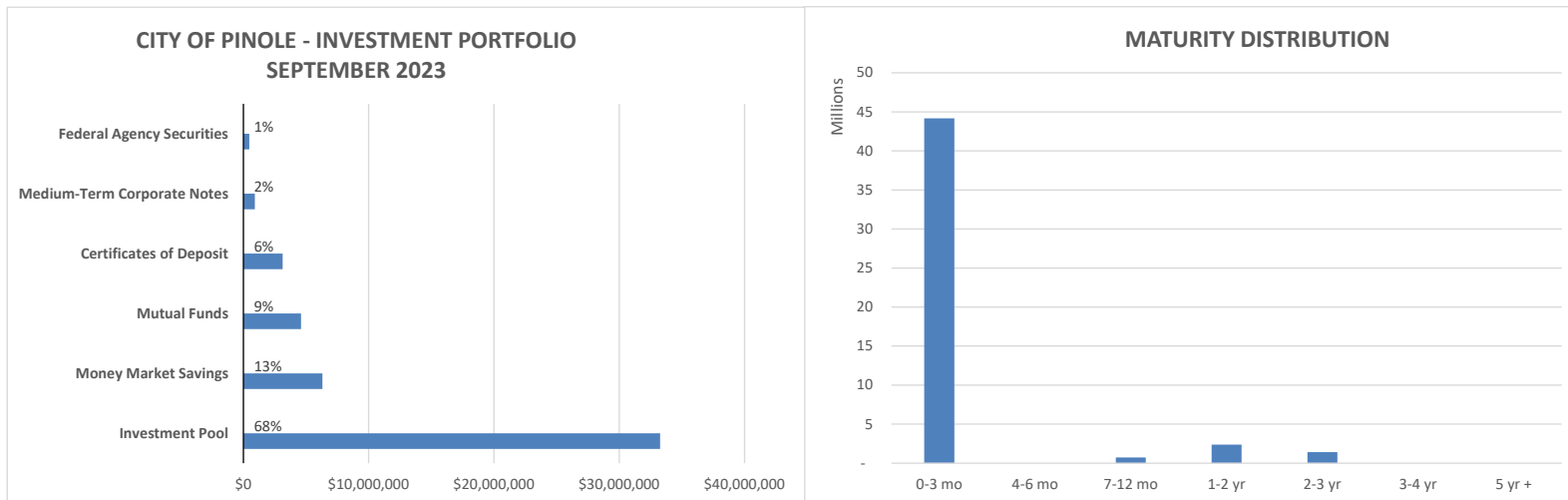
Average Years: 1.0

Cash							
Mechanics Bank - Vendor Checking *	1,289,400	1,289,400	1,289,400		1		
Bank of the West - Payroll Checking *	765,119	765,119	765,119		1		
Bank of the West - Checking (Credit Card Clearing) *	539,850	539,850	539,850		1		
Subtotal Cash	2,594,369	2,594,369	2,594,369		1		

Total Cash and Investments \$ 51,899,396 \$ 51,267,394 \$ 51,267,394

*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 SEPTEMBER 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	30,382,580	29,966,574	29,966,574	3.534	3.534	1	N/A		1
		CalTrust - Short Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10202	25,472	25,472	25,472	5.190	5.190	1	N/A		0
		CalTrust - Medium Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10203	3,267,611	3,267,611	3,267,611	4.970	4.970	1	N/A		0
			Subtotal and Average			33,675,663	33,259,657	33,259,657	4.565	4.565	1			0
Money Market Savings														
		Mechanics Bank	Money Market Savings (City)	City	999-10102	6,196,396	6,196,396	6,196,396	3.770	3.770	1	N/A		0
		Bank of the West	Money Market Savings - Police Evidence Trust	City	999-10104	107,790	107,790	107,790	0.010	0.010	1	N/A		0
			Subtotal and Average			6,304,186	6,304,186	6,304,186	1.890	1.890	1			0
Mutual Funds														
19-516680		U.S. Bank	Accrued Income - City Reserve	US Bank	150-10110	28,432	28,432	28,432	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	4,569,747	4,569,747	4,569,747	4.960	4.960	1	N/A		0
			Subtotal and Average			4,598,178	4,598,178	4,598,178	3.470	3.470	1			0
Certificates of Deposit														
19-516680	01025RAG4	Alabama Cr Un	Certificates of Deposit - City Reserves	US Bank	150-10110	248,000	245,222	245,222	5.000	5.06000	996	N/A	6/22/2026	5
19-516680	064520BG3	Bank of Princeton	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	234,405	234,405	0.500	0.530	457	N/A	12/30/2024	2
19-516680	05580A2H6	Bmw Bk North Amer	Certificates of Deposit - City Reserves	US Bank	150-10110	244,000	241,162	241,162	4.900	4.960	625	N/A	6/16/2025	3
19-516680	30960QAP2	Farmers Insurance Group Fed	Certificates of Deposit - City Reserves	US Bank	150-10110	248,000	246,495	246,495	5.250	5.280	660	N/A	7/21/2025	3
19-516680	33651FAJ8	First Source Fed Cr Un	Certificates of Deposit - City Reserves	US Bank	150-10110	248,000	247,764	247,764	5.450	5.450	261	N/A	6/17/2024	1
19-516680	33715LFK1	First Technology Federal Credi	Certificates of Deposit - City Reserves	US Bank	150-10110	248,000	245,919	245,919	5.100	5.140	625	N/A	6/16/2025	3
19-516680	53052LAW9	Liberty Fed Cr Un Evansville	Certificates of Deposit - City Reserves	US Bank	150-10110	248,000	246,713	246,713	5.300	5.330	653	N/A	7/14/2025	3
19-516680	70212VAB4	Partners Bk helena Ark	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	226,388	226,388	0.600	0.650	639	N/A	6/30/2025	3
19-516680	70215UAA5	Partners 1ST Federal Cu	Certificates of Deposit - City Reserves	US Bank	150-10110	248,000	247,568	247,568	5.500	5.510	291	N/A	7/17/2024	1
19-516680	84223QAN7	Southern Bankcorp Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	236,530	236,530	0.500	0.530	391	N/A	10/25/2024	2
19-516680	856283N51	State Bk Indiana Chicago III	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	229,878	229,878	1.000	1.090	635	N/A	6/26/2025	3
19-516680	87164WC71	Synchrony Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	236,911	236,911	0.650	0.680	366	N/A	9/30/2024	2
19-516680	910286GR8	United Fid Bk FSB Evansville I	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	244,939	244,939	4.800	4.880	1,018	N/A	7/14/2026	5
			Subtotal and Average			3,227,000	3,129,895	3,129,895	3	3	586			3
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	918,920	918,920	2.050	2.230	1,077	AA+	9/11/2026	20
			Subtotal and Average			1,000,000	918,920	918,920	2.050	2.230	1,077			20
Federal Agency Securities														
19-516680	3133ELH80	Federal Farm Credit Bks	.680% Agency Bond 6/10/25	US Bank	150-10110	500,000	462,190	462,190	0.680	0.740	619	AA+	6/10/2025	6
			Subtotal and Average			500,000	462,190	462,190	0.680	0.740	619			6
Investment Portfolio Total and Average						\$ 49,305,027	\$ 48,673,025	\$ 48,673,025	2.680	2.727	381			5

Average Years :	1.0
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**CITY OF PINOLE
INVESTMENT REPORT SEPTEMBER 2023
SECTION 115 TRUST PORTFOLIO SUMMARY**

Investments	Market Value	Book Value	% of Market	Yield
Cash and Equivalents	608,277	608,277	4.32%	5.240
U.S. Government Issues	5,269,157	5,846,929	37.44%	4.000
Corporate Issues	3,083,375	3,439,674	21.91%	4.800
Foreign Issues	64,387	74,463	0.46%	5.480
Municipal Issues	146,715	164,815	1.04%	4.750
Mutual Funds-Equity	4,828,079	4,525,001	34.31%	1.390
Mutual Funds-Fixed Income	1	1	0.00%	3.500
Total Assets	13,999,991	14,659,160	99.49%	3.350
Accrued Income	72,186	72,186	0.51%	
Grand Total	\$ 14,072,177	\$ 14,731,346	100%	

