



CITY COUNCIL REPORT

9.E.

DATE: MARCH 5, 2024
TO: MAYOR AND COUNCIL MEMBERS
FROM: MARKISHA GUILLORY, FINANCE DIRECTOR
SUBJECT: FY 2023/24 SECOND QUARTER INVESTMENT REPORT

RECOMMENDATION

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

Second Quarter Investment Summary

As of December 31, 2023, total cash and investments increased by \$1,970,128 from the previous quarter, from \$51,267,394 to \$53,237,522. 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, 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 December 31, 2023 is summarized in Attachment A. The total investment portfolio yielded 2.786% for the second quarter (October through December 2023), up from the 2.727% yielded in the previous quarter (July through September 2023).

For the second quarter, LAIF earned an average annual yield of 3.929%, up from an average annual yield of 3.534% 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 annual

yield of 2.457%, slightly down from the 2.477% average annual yield in the second quarter. No new investment instruments were purchased during the second quarter. Additionally, there were no maturities.

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, 2023 is included in Attachment B to this report.

FISCAL IMPACT

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

ATTACHMENTS

- A. Investment Report - Quarter Ending 12-31-23
- B. Section 115 Trust Investment Report - Quarter Ending 12-31-23

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

| Investments | Par Value | Market Value | Book Value | % of Portfolio | Days to Maturity | Yield | Weighted Average Maturity |
|-----------------------------|---------------|---------------|------------|----------------|------------------|-------|---------------------------|
| Investment Pool - LAIF | 28,674,573 | 28,489,425 | 28,489,425 | 58.71% | 1 | 3.929 | 1 |
| Investment Pool - CalTrust | 3,386,492 | 3,386,492 | 3,386,492 | 6.98% | 1 | 4.675 | 0 |
| Money Market Savings | 7,376,515 | 7,376,515 | 7,376,515 | 15.20% | 1 | 2.460 | 0 |
| Mutual Funds | 4,688,653 | 4,688,653 | 4,688,653 | 9.66% | 1 | 3.485 | 0 |
| Certificates of Deposit | 3,227,000 | 3,171,139 | 3,171,139 | 6.53% | 494 | 3.433 | 2 |
| Medium-Term Corporate Notes | 1,000,000 | 941,980 | 941,980 | 1.94% | 985 | 2.180 | 19 |
| Federal Agency Securities | 500,000 | 472,560 | 472,560 | 0.97% | 527 | 0.730 | 5 |
| Subtotal Investments | \$ 48,853,233 | \$ 48,526,764 | 48,526,764 | 100.00% | 335 | 2.786 | 5 |

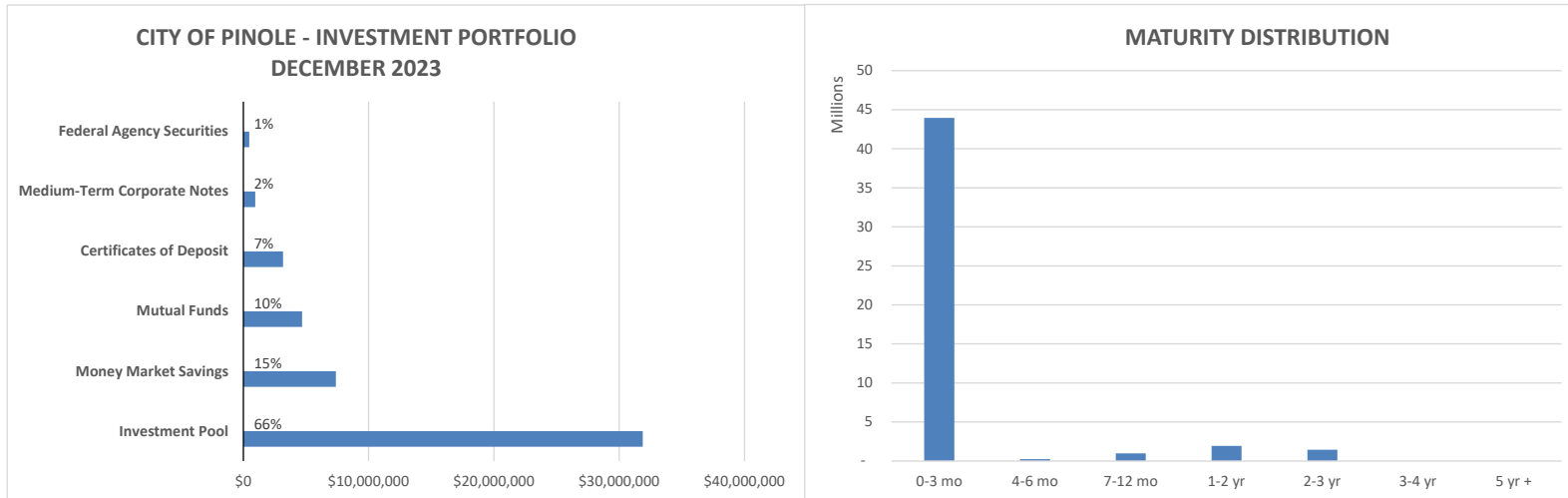
Average Years: 0.9

| Cash | | | | | | | |
|--|-----------|-----------|-----------|--|---|--|--|
| Mechanics Bank - Vendor Checking * | 3,443,890 | 3,443,890 | 3,443,890 | | 1 | | |
| Bank of the West - Payroll Checking * | 639,208 | 639,208 | 639,208 | | 1 | | |
| Bank of the West - Checking (Credit Card Clearing) * | 627,660 | 627,660 | 627,660 | | 1 | | |
| Subtotal Cash | 4,710,758 | 4,710,758 | 4,710,758 | | 1 | | |

Total Cash and Investments \$ 53,563,991 \$ 53,237,522 \$ 53,237,522

*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 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 | 28,674,573 | 28,489,425 | 28,489,425 | 3.929 | 3.929 | 1 | N/A | | 1 |
| | | CalTrust - Short Term Fund (City) | Pooled Treasury - Joint Power Financing Authority | CalTrust | 999-10202 | 25,937 | 25,937 | 25,937 | 4.940 | 4.940 | 1 | N/A | | 0 |
| | | CalTrust - Medium Term Fund (City) | Pooled Treasury - Joint Power Financing Authority | CalTrust | 999-10203 | 3,360,555 | 3,360,555 | 3,360,555 | 4.410 | 4.410 | 1 | N/A | | 0 |
| | | | Subtotal and Average | | | 32,061,065 | 31,875,917 | 31,875,917 | 4.426 | 4.426 | 1 | | | 0 |
| Money Market Savings | | | | | | | | | | | | | | |
| | | Mechanics Bank | Money Market Savings (City) | City | 999-10102 | 7,268,722 | 7,268,722 | 7,268,722 | 4.910 | 4.910 | 1 | N/A | | 0 |
| | | Bank of the West | Money Market Savings - Police Evidence Trust | City | 999-10104 | 107,793 | 107,793 | 107,793 | 0.010 | 0.010 | 1 | N/A | | 0 |
| | | | Subtotal and Average | | | 7,376,515 | 7,376,515 | 7,376,515 | 2.460 | 2.460 | 1 | | | 0 |
| Mutual Funds | | | | | | | | | | | | | | |
| 19-516680 | | U.S. Bank | Accrued Income - City Reserve | US Bank | 150-10110 | 31,562 | 31,562 | 31,562 | 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 | 4,657,091 | 4,657,091 | 4,657,091 | 4.990 | 4.990 | 1 | N/A | | 0 |
| | | | Subtotal and Average | | | 4,688,653 | 4,688,653 | 4,688,653 | 3.485 | 3.485 | 1 | | | 0 |
| Certificates of Deposit | | | | | | | | | | | | | | |
| 19-516680 | 01025RAG4 | Alabama Cr Un | Certificates of Deposit - City Reserves | US Bank | 150-10110 | 248,000 | 248,965 | 248,965 | 5.000 | 4.98000 | 904 | N/A | 6/22/2026 | 5 |
| 19-516680 | 064520BG3 | Bank of Princeton | Certificates of Deposit - City Reserves | US Bank | 150-10110 | 250,000 | 238,668 | 238,668 | 0.500 | 0.520 | 365 | N/A | 12/30/2024 | 2 |
| 19-516680 | 05580A2H6 | Bmw Bk North Amer | Certificates of Deposit - City Reserves | US Bank | 150-10110 | 244,000 | 243,646 | 243,646 | 4.900 | 4.910 | 533 | N/A | 6/16/2025 | 3 |
| 19-516680 | 30960QAP2 | Farmers Insurance Group Fed | Certificates of Deposit - City Reserves | US Bank | 150-10110 | 248,000 | 249,131 | 249,131 | 5.250 | 5.230 | 568 | 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 | 248,263 | 248,263 | 5.450 | 5.440 | 169 | N/A | 6/17/2024 | 1 |
| 19-516680 | 33715LFK1 | First Technology Federal Credi | Certificates of Deposit - City Reserves | US Bank | 150-10110 | 248,000 | 248,409 | 248,409 | 5.100 | 5.090 | 533 | 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 | 249,287 | 249,287 | 5.300 | 5.270 | 561 | N/A | 7/14/2025 | 3 |
| 19-516680 | 70212VAB4 | Partners Bk helena Ark | Certificates of Deposit - City Reserves | US Bank | 150-10110 | 247,000 | 231,441 | 231,441 | 0.600 | 0.640 | 547 | N/A | 6/30/2025 | 3 |
| 19-516680 | 70215UAA5 | Partners 1ST Federal Cu | Certificates of Deposit - City Reserves | US Bank | 150-10110 | 248,000 | 248,280 | 248,280 | 5.500 | 5.490 | 199 | N/A | 7/17/2024 | 1 |
| 19-516680 | 84223QAN7 | Southern Bankcorp Bank | Certificates of Deposit - City Reserves | US Bank | 150-10110 | 250,000 | 240,693 | 240,693 | 0.500 | 0.520 | 299 | N/A | 10/25/2024 | 1 |
| 19-516680 | 856283N51 | State Bk Indiana Chicago III | Certificates of Deposit - City Reserves | US Bank | 150-10110 | 250,000 | 234,760 | 234,760 | 1.000 | 1.060 | 543 | N/A | 6/26/2025 | 3 |
| 19-516680 | 87164WC71 | Synchrony Bank | Certificates of Deposit - City Reserves | US Bank | 150-10110 | 249,000 | 240,870 | 240,870 | 0.650 | 0.680 | 274 | N/A | 9/30/2024 | 1 |
| 19-516680 | 910286GR8 | United Fid Bk FSB Evansville I | Certificates of Deposit - City Reserves | US Bank | 150-10110 | 249,000 | 248,726 | 248,726 | 4.800 | 4.800 | 926 | N/A | 7/14/2026 | 5 |
| | | | Subtotal and Average | | | 3,227,000 | 3,171,139 | 3,171,139 | 3 | 3 | 494 | | | 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 | 941,980 | 941,980 | 2.050 | 2.180 | 985 | AA+ | 9/11/2026 | 19 |
| | | | Subtotal and Average | | | 1,000,000 | 941,980 | 941,980 | 2.050 | 2.180 | 985 | | | 19 |
| Federal Agency Securities | | | | | | | | | | | | | | |
| 19-516680 | 3133ELH80 | Federal Farm Credit Bks | .680% Agency Bond 6/10/25 | US Bank | 150-10110 | 500,000 | 472,560 | 472,560 | 0.680 | 0.730 | 527 | AA+ | 6/10/2025 | 5 |
| | | | Subtotal and Average | | | 500,000 | 472,560 | 472,560 | 0.680 | 0.730 | 527 | | | 5 |
| Investment Portfolio Total and Average | | | | | | \$ 48,853,233 | \$ 48,526,764 | \$ 48,526,764 | 2.755 | 2.786 | 335 | | | 5 |

Average Years : 0.9

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

| Investments | Market Value | Book Value | % of Market | Yield |
|---------------------------|----------------------|----------------------|--------------------|--------------|
| Cash and Equivalents | 640,665 | 638,461 | 4.20% | 5.260 |
| U.S. Government Issues | 5,499,774 | 5,697,454 | 36.07% | 4.040 |
| Corporate Issues | 3,485,853 | 3,616,553 | 22.86% | 4.770 |
| Foreign Issues | 42,982 | 49,500 | 0.28% | 5.130 |
| Municipal Issues | 154,222 | 163,099 | 1.01% | 4.470 |
| Mutual Funds-Equity | 5,364,861 | 4,679,536 | 35.19% | 1.360 |
| Mutual Funds-Fixed Income | - | - | 0.00% | - |
| Total Assets | 15,188,356 | 14,844,602 | 99.62% | 3.320 |
| Accrued Income | 57,335 | 57,335 | 0.38% | |
| Grand Total | \$ 15,245,691 | \$ 14,901,937 | 100% | |

