



CITY COUNCIL REPORT

9.E.

DATE: MAY 21, 2024
TO: MAYOR AND COUNCIL MEMBERS
FROM: MARKISHA GUILLORY, FINANCE DIRECTOR
SUBJECT: FY 2023/24 THIRD QUARTER INVESTMENT REPORT

RECOMMENDATION

Staff recommends that the City Council receive the Quarterly Investment Report for the third quarter (ending March 31, 2024).

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 March 31, 2024, 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 March 31, 2024 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.

Third Quarter Investment Summary

As of March 31, 2024, total cash and investments decreased by \$3,535,687 from the previous quarter, from \$53,237,522 to \$49,701,835. 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 March 31, 2024 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 weighted average yield of the City’s investment portfolio for the quarter ended March 31, 2024 is summarized in Attachment A. The total investment portfolio yielded 4.231% for the third quarter (January through March 2024), up from the 4.107% yielded in the previous quarter (October through December 2023). It should be noted that during the third quarter, the City updated the investment report to reflect a weighted average yield as opposed to a simple average for each investment category. The weighted average is a more accurate representation as it illustrates the yield the larger proportion of the investment portfolio is earning. Currently, the largest proportion of cash is invested in instruments with higher effective yields such as LAIF. The second quarter investment portfolio yield has been updated in this report to reflect the weighted average yield for comparability purposes.

For the third quarter, LAIF earned an average annual yield of 4.232%, up from an average annual yield of 3.929% for the second 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 3.863%, slightly down from the 3.961% average annual yield in the second quarter. No new investment instruments were purchased during the third 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) and guided by the City's Pension Investment Policy. The portfolio summary for the quarter ending March 31, 2024 is included in Attachment B to this report.

FISCAL IMPACT

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

ATTACHMENTS

- A. Investment Report - Quarter Ending 3-31-24
- B. Section 115 Trust Investment Report- Quarter Endng 3-31-24

CITY OF PINOLE
 INVESTMENT REPORT MARCH 2024
 PORTFOLIO SUMMARY

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	28,970,685	28,802,403	28,802,403	61.64%	1	4.232	1
Investment Pool - CalTrust	3,398,547	3,398,547	3,398,547	7.27%	1	4.805	0
Money Market Savings	4,383,036	4,383,036	4,383,036	9.38%	1	4.799	0
Mutual Funds	5,546,481	5,546,481	5,546,481	11.87%	1	4.912	0
Certificates of Deposit	3,227,000	3,181,978	3,181,978	6.81%	403	2.999	2
Medium-Term Corporate Notes	1,000,000	938,670	938,670	2.01%	894	2.180	18
Federal Agency Securities	500,000	475,160	475,160	1.02%	436	0.720	4
Subtotal Investments	\$ 47,025,749	\$ 46,726,275	46,726,275	100.00%	289	4.231	4

Average Years to Maturity: 0.8

Cash

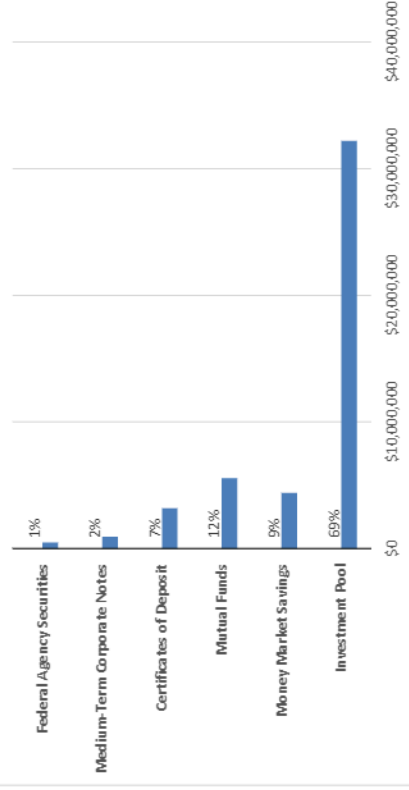
Mechanics Bank - Vendor Checking *	1,554,468	1,554,468	1,554,468		1		
BMO - Payroll Checking *	862,083	862,083	862,083		1		
BMO - Checking (Credit Card Clearing) *	559,010	559,010	559,010		1		
Subtotal Cash	2,975,560	2,975,560	2,975,560		1		

Total Cash and Investments \$ 50,001,310 \$ 49,701,835 \$ 49,701,835

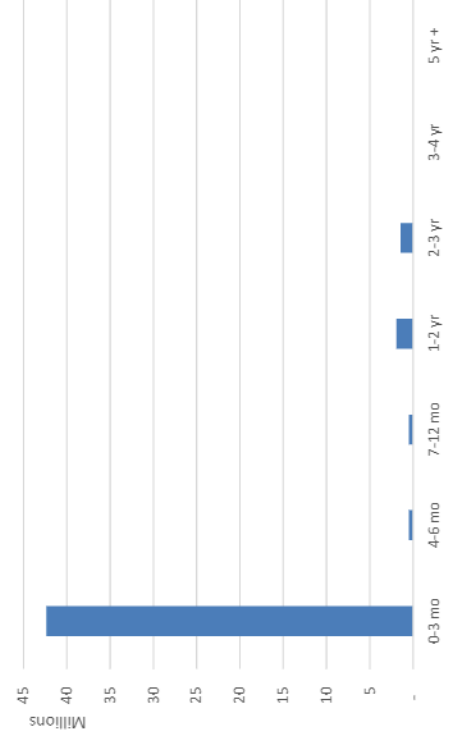
*Not included in yield calculations

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 PORTFOLIO
 MARCH 2024**



MATURITY DISTRIBUTION



CITY OF PINOLE
 INVESTMENT REPORT MARCH 2024 DETAIL
 PORTFOLIO DETAILS

Type / Account Number	CUSIP	Issuer	Manager	GL Acct #	Par Value	Market Value	Book Value	Yield	Days to Maturity	S&P Rating	Maturity Date	Weighted Average Maturity
Investment Pool												
		Local Agency Investment Fund (LAIF)	LAIF	999-10201	28,970,685	28,802,403	28,802,403	4.232	1	N/A		1
		CallTrust - Short Term Fund (City)	CallTrust	999-10202	26,205	26,205	26,205	5.030	1	N/A		0
		CallTrust - Medium Term Fund (City)	CallTrust	999-10203	3,372,342	3,372,342	3,372,342	4.580	1	N/A		0
					32,369,232	32,200,949	32,200,949	4.269	1			0
Money Market Savings												
		Mechanics Bank	City	999-10102	4,275,240	4,275,240	4,275,240	4.920	1	N/A		0
		BMO	City	999-10104	107,796	107,796	107,796	0.010	1	N/A		0
					4,383,036	4,383,036	4,383,036	4.799	1			0
Mutual Funds												
19-516680	31846V203	U.S. Bank	US Bank	150-10110	34,053	34,053	34,053	1.980	1	N/A		0
		1st American Government Obligation Fund	US Bank	150-10110	5,512,428	5,512,428	5,512,428	4.930	1	N/A		0
					5,546,481	5,546,481	5,546,481	4.912	1			0
Certificates of Deposit												
19-516680	01025RAG4	Alabama Cr Un	US Bank	150-10110	248,000	249,096	249,096	4.980	813	N/A	6/22/2026	4
19-516680	064520BG3	Bank of Princeton	US Bank	150-10110	250,000	241,335	241,335	0.520	274	N/A	12/30/2024	1
19-516680	05580A2H6	Bmw Bk North Amer	US Bank	150-10110	244,000	243,517	243,517	4.910	442	N/A	6/16/2025	2
19-516680	30960OAP2	Farmers Insurance Group Fed	US Bank	150-10110	248,000	248,739	248,739	2.230	477	N/A	7/21/2025	3
19-516680	33651FAJ8	First Source Fed Cr Un	US Bank	150-10110	248,000	247,936	247,936	2.450	78	N/A	6/17/2024	0
19-516680	33715LFK1	First Technology Federal Credit	US Bank	150-10110	248,000	248,176	248,176	5.100	442	N/A	6/16/2025	2
19-516680	53052LAW9	Liberty Fed Cr Un Evansville	US Bank	150-10110	248,000	248,863	248,863	5.280	470	N/A	7/14/2025	3
19-516680	70212VAB4	Partners Bk helena Ark	US Bank	150-10110	247,000	233,748	233,748	0.630	456	N/A	6/30/2025	2
19-516680	70215JAA5	Partners 1ST Federal Cu	US Bank	150-10110	248,000	247,888	247,888	5.500	108	N/A	7/17/2024	1
19-516680	84223OAN7	Southern Bankcorp Bank	US Bank	150-10110	250,000	243,233	243,233	0.510	208	N/A	10/25/2024	1
19-516680	856283N51	State Bk Indiana Chicago Ill	US Bank	150-10110	250,000	237,043	237,043	1.050	452	N/A	6/26/2025	2
19-516680	87164WC71	Synchrony Bank	US Bank	150-10110	249,000	243,298	243,298	0.660	183	N/A	9/30/2024	1
19-516680	910286GR8	United Fid Bk FSB Evansville I	US Bank	150-10110	249,000	249,087	249,087	4.800	835	N/A	7/14/2026	4
					3,227,000	3,181,978	3,181,978	2.999	403			2
Medium-Term Corporate Notes												
19-516679	037833DN7	Apple Inc.	US Bank	150-10110	1,000,000	938,670	938,670	2.180	894	AA+	9/11/2026	18
					1,000,000	938,670	938,670	2.180	894			18
Federal Agency Securities												
19-516680	3133ELH80	Federal Farm Credit Bks	US Bank	150-10110	500,000	475,160	475,160	0.720	436	AA+	6/10/2025	4
					500,000	475,160	475,160	0.720	436			4

\$ 47,025,749 \$ 46,726,275 \$ 46,726,275 4.231 289

Average Years : 0.8

**CITY OF PINOLE
 INVESTMENT REPORT MARCH 2024
 SECTION 115 TRUST PORTFOLIO SUMMARY**

Investments	Market Value	Book Value	% of Market	Yield
Cash and Equivalents	610,552	606,015	3.89%	5.790
U.S. Government Issues	5,398,192	5,703,187	34.44%	4.150
Corporate Issues	3,357,936	3,465,468	21.42%	4.860
Foreign Issues	44,281	49,500	0.28%	4.970
Municipal Issues	153,802	163,099	0.98%	4.480
Mutual Funds-Equity	5,570,327	4,487,736	35.53%	1.270
Mutual Funds-Fixed Income	474,279	472,446	3.03%	6.250
Total Assets	15,609,367	14,947,451	99.58%	3.410
Accrued Income	66,466	66,466	0.42%	
Grand Total	\$ 15,675,833	\$ 15,013,916	100%	

