



CITY COUNCIL REPORT

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DATE: SEPTEMBER 17, 2024
TO: MAYOR AND COUNCIL MEMBERS
FROM: MARKISHA GUILLORY, FINANCE DIRECTOR
SUBJECT: FY 2023/24 FOURTH QUARTER INVESTMENT REPORT

RECOMMENDATION

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

Fourth Quarter Investment Summary

As of June 30, 2024, total cash and investments increased by \$4,714,349 from the previous quarter, from \$49,701,835 to \$54,416,184. 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, 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 June 30, 2024 is summarized in Attachment A. The total investment portfolio yielded 4.443% for the fourth quarter (April through June 2024), up from the 4.231% yielded in the previous quarter (January through March 2024).

For the fourth quarter, LAIF earned an average annual yield of 4.480%, up from an average annual yield of 4.232% 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 4.001%, slightly up from the 3.862% average annual yield in the third quarter. No new investment instruments were purchased during the fourth quarter. Additionally, a certificate of deposit matured, First Source Federal Credit Union, and was 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, 2024 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 6-30-24
- B. Section 115 Trust Investment Report- Quarter Ending 6-30-24

**CITY OF PINOLE
INVESTMENT REPORT JUNE 2024
PORTFOLIO SUMMARY**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	29,280,220	29,172,353	29,172,353	59.01%	1	4.480	1
Investment Pool - CalTrust	3,427,211	3,427,211	3,427,211	6.93%	1	4.890	0
Money Market Savings	6,581,691	6,581,691	6,581,691	13.31%	1	4.840	0
Mutual Funds	5,896,099	5,896,099	5,896,099	11.93%	1	4.913	0
Certificates of Deposit	2,979,000	2,943,637	2,943,637	5.95%	339	3.291	2
Medium-Term Corporate Notes	1,000,000	940,090	940,090	1.90%	803	2.180	15
Federal Agency Securities	500,000	478,135	478,135	0.97%	345	0.710	3
Subtotal Investments	\$ 49,664,221	\$ 49,439,216	49,439,216	100.00%	248	4.443	3

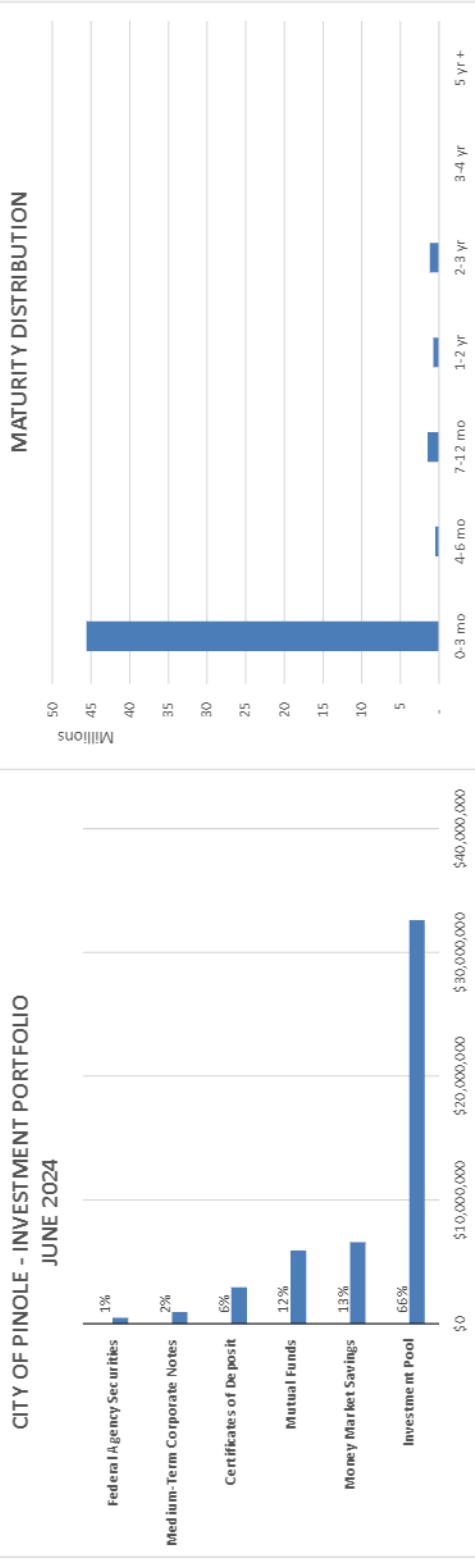
Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Cash							
Mechanics Bank - Vendor Checking *	2,812,403	2,812,403	2,812,403		1		
Mechanics Bank - WWTP Debt Svc. Checking	1,089,183	1,089,183	1,089,183		1		
BMO - Payroll Checking *	672,761	672,761	672,761		1		
BMO - Checking (Credit Card Clearing) *	402,621	402,621	402,621		1		
Subtotal Cash	4,976,968	4,976,968	4,976,968		1		

Average Years to Maturity: 0.7

Total Cash and Investments \$ 54,641,189 \$ 54,416,184 \$ 54,416,184

*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 2024 - DETAIL
PORTFOLIO DETAILS

Type / Account Number	CUSIP	Issuer	Manager	GL Acct#	Par Value	Market Value	Book Value	Rate	Yield	Days to Maturity	S&P Rating	Maturity Date	Weighted Average Maturity
Investment Pool													
19-516680	31846V203	Local Agency Investment Fund (LAIF)	LAIF	999-10201	29,280,220	29,172,353	29,172,353	4.480	4.480	1	N/A		1
		CallTrust - Short Term Fund (City)	CallTrust	999-10202	26,511	26,511	26,511	5.100	5.100	1	N/A		0
		CallTrust - Medium Term Fund (City)	CallTrust	999-10203	3,400,700	3,400,700	3,400,700	4.680	4.680	1	N/A		0
					32,707,431	32,599,563	32,599,563	4.753	4.501	1			0
Money Market Savings													
		Mechanics Bank	City	999-10102	6,473,893	6,473,893	6,473,893	4.920	4.920	1	N/A		0
		BMO	City	999-10104	107,799	107,799	107,799	0.010	0.010	1	N/A		0
					6,581,691	6,581,691	6,581,691	2.465	4.840	1			0
Mutual Funds													
19-516680		U.S. Bank	US Bank	150-10110	34,193	34,193	34,193	1.980	1.980	1	N/A		0
19-516680		1st American Government Obligation Fund	US Bank	150-10110	5,861,906	5,861,906	5,861,906	4.930	4.930	1	N/A		0
					5,896,099	5,896,099	5,896,099	3.455	4.913	1			0
Certificates of Deposit													
19-516680	01025RAG4	Alabama Ct Un	US Bank	150-10110	248,000	248,590	248,590	5.000	4.990	722	N/A	6/22/2026	4
19-516680	064520BG3	Bank of Princeton	US Bank	150-10110	250,000	243,970	243,970	0.500	0.510	183	N/A	12/30/2024	1
19-516680	05580A2H6	Brwn Bk North Amer	US Bank	150-10110	244,000	243,195	243,195	4.900	4.920	351	N/A	6/16/2025	2
19-516680	30960QAP2	Farmers Insurance Group Fed	US Bank	150-10110	248,000	248,181	248,181	5.250	5.250	386	N/A	7/21/2025	2
19-516680	33715LFK1	First Technology Federal Credi	US Bank	150-10110	248,000	247,752	247,752	5.100	5.100	351	N/A	6/16/2025	2
19-516680	53052JAW9	Liberty Fed Ct Un Evansville	US Bank	150-10110	248,000	248,303	248,303	5.300	5.290	379	N/A	7/14/2025	2
19-516680	70212VAB4	Partners Bk helena Ark	US Bank	150-10110	247,000	235,892	235,892	0.600	0.630	365	N/A	6/30/2025	2
19-516680	70215JAA5	Partners 1ST Federal Cu	US Bank	150-10110	248,000	247,970	247,970	5.500	5.500	17	N/A	7/17/2024	0
19-516680	84223QAN7	Southern Bankcorp Bank	US Bank	150-10110	250,000	246,075	246,075	0.500	0.510	117	N/A	10/26/2024	1
19-516680	85628JNS1	State Bk Indiana Chicago Ill	US Bank	150-10110	250,000	239,118	239,118	1.000	1.050	361	N/A	6/26/2025	2
19-516680	87164WC71	Synchrony Bank	US Bank	150-10110	249,000	245,955	245,955	0.650	0.660	92	N/A	9/30/2024	0
19-516680	910286GR8	United Fid Bk FSB Evansville I	US Bank	150-10110	249,000	248,636	248,636	4.800	4.810	744	N/A	7/14/2026	4
					2,979,000	2,943,637	2,943,637	3.258	3.291	339			2
Medium-Term Corporate Notes													
19-516679	037833DN7	Apple Inc.	US Bank	150-10110	1,000,000	940,090	940,090	2.050	2.180	803	AA+	9/11/2026	15
					1,000,000	940,090	940,090	2.050	2.180	803			15
Federal Agency Securities													
19-516680	3133ELH80	Federal Farm Credit Bks	US Bank	150-10110	500,000	478,135	478,135	0.680	0.710	345	AA+	6/10/2025	3
					500,000	478,135	478,135	0.680	0.710	345			3
					\$ 49,664,221	\$ 49,439,216	\$ 49,439,216	2.777	4.4426216	248			3

Average Years: 0.7

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

Investments	Market Value	Book Value	% of Market	Yield
Cash and Equivalents	240,117	240,117	1.52%	6.400
U.S. Government Issues	5,643,045	5,992,521	35.68%	4.210
Corporate Issues	3,391,375	3,522,453	21.44%	4.920
Foreign Issues	160,412	166,053	1.01%	4.410
Municipal Issues	26,806	30,479	0.17%	4.870
Mutual Funds-Equity	5,808,987	4,763,908	36.73%	1.220
Mutual Funds-Fixed Income	480,980	480,038	3.04%	6.420
Total Assets	15,751,721	15,195,569	99.59%	3.370
Accrued Income	65,232	65,232	0.41%	
Grand Total	\$ 15,816,953	\$ 15,260,801	100%	

