



CITY COUNCIL REPORT

9.D.

DATE: NOVEMBER 19, 2024
TO: MAYOR AND COUNCIL MEMBERS
FROM: MARKISHA GUILLORY, FINANCE DIRECTOR
SUBJECT: FY 2024/25 FIRST QUARTER INVESTMENT REPORT

RECOMMENDATION

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

First Quarter Investment Summary

As of September 30, 2024, total cash and investments decreased by \$5,642,491 from the previous quarter, from \$54,416,184 to \$48,773,693. 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, 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 September 30, 2024 is summarized in Attachment A. The total investment portfolio yielded 4.36% for the first quarter (July through September 2024), down from the 4.443% yielded in the previous quarter (April through June 2024).

For the first quarter, LAIF earned an average annual yield of 4.575%, up from an average annual yield of 4.48% for the fourth quarter.

The General Reserve, which holds the longer-term investments, earned an average annual yield of 3.811%, slightly down from the 4.001% average annual yield in the fourth quarter. No new investment instruments were purchased during the first quarter. Additionally, two certificates of deposit matured, Partners 1st Federal Credit Union and Synchrony 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 September 30, 2024 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 9-30-24
- B. Section 115 Investment Report - Quarter Ending 9-30-24

CITY OF PINOLE
INVESTMENT REPORT SEPTEMBER 2024
PORTFOLIO SUMMARY

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	25,610,588	25,663,373	25,663,373	56.81%	1	4.575	1
Investment Pool - CalTrust	3,535,160	3,535,160	3,535,160	7.83%	1	4.065	0
Money Market Savings	5,544,560	5,544,560	5,544,560	12.27%	1	4.825	0
Mutual Funds	6,495,000	6,495,000	6,495,000	14.38%	1	4.497	0
Certificates of Deposit	2,482,000	2,481,178	2,481,178	5.49%	304	3.288	2
Medium-Term Corporate Notes	1,000,000	967,740	967,740	2.14%	711	2.120	15
Federal Agency Securities	500,000	487,775	487,775	1.08%	253	0.700	3
Subtotal Investments	\$ 45,167,307	\$ 45,174,786	\$ 45,174,786	100.00%	212	4.360	3

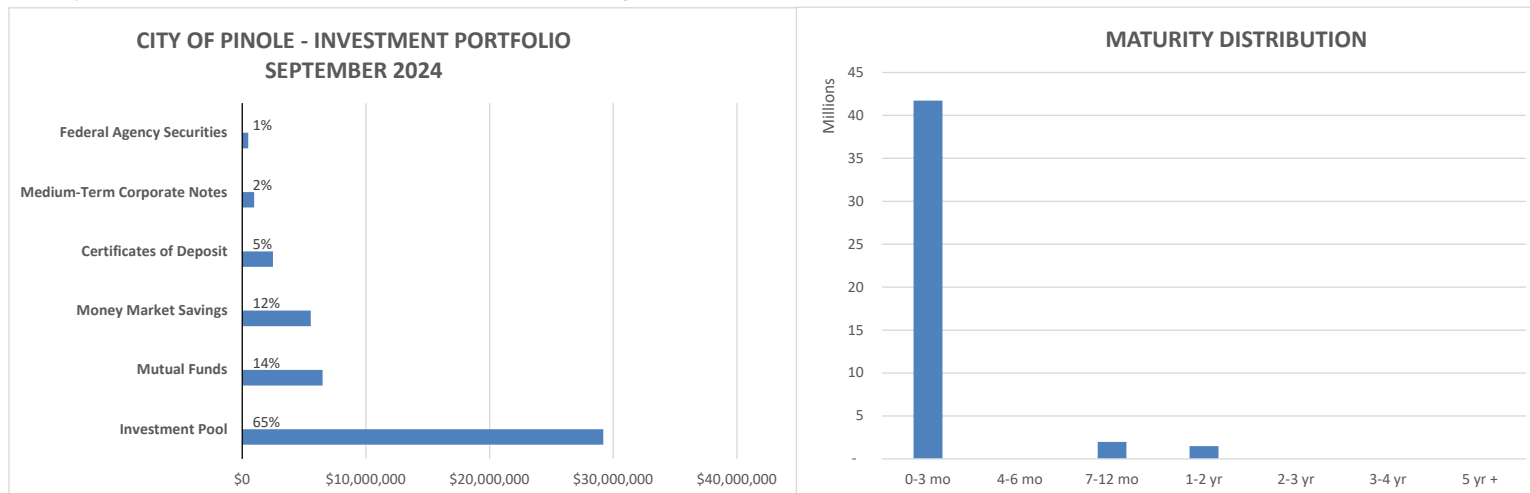
Average Years to Maturity: 0.6

Cash				
Mechanics Bank - Vendor Checking *	948,063	948,063	948,063	1
Mechanics Bank - WWTP Debt Svc. Checking	1,089,183	1,089,183	1,089,183	1
BMO - Payroll Checking *	729,376	729,376	729,376	1
BMO - Checking (Credit Card Clearing) *	832,286	832,286	832,286	1
Subtotal Cash	3,598,907	3,598,907	3,598,907	1

Total Cash and Investments \$ 48,766,214 \$ 48,773,693 \$ 48,773,693

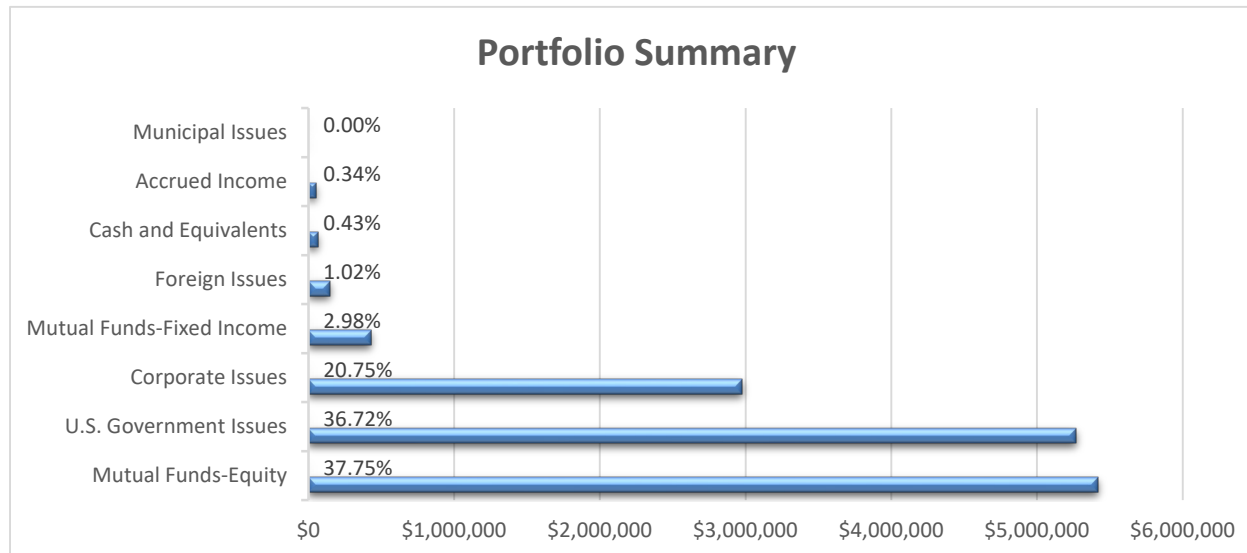
*Not included in yield calculations

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 2024
SECTION 115 TRUST PORTFOLIO SUMMARY

Investments	Market Value	Book Value	% of Market	Yield
Cash and Equivalents	62,194	62,194	0.43%	6.510
U.S. Government Issues	5,266,625	5,357,371	36.72%	3.820
Corporate Issues	2,976,106	2,969,829	20.75%	4.800
Foreign Issues	146,562	148,875	1.02%	4.780
Municipal Issues	-	-	0.00%	-
Mutual Funds-Equity	5,414,236	4,489,436	37.75%	1.290
Mutual Funds-Fixed Income	427,019	417,359	2.98%	6.340
Total Assets	14,292,742	13,445,064	99.66%	3.160
Accrued Income	49,348	49,348	0.34%	
Grand Total	\$ 14,342,090	\$ 13,494,412	100%	



CITY OF PINOLE
INVESTMENT REPORT SEPTEMBER 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													
		Local Agency Investment Fund (LAIF)	LAIF	999-10201	25,610,588	25,663,373	25,663,373	4.575	4.575	1	N/A		1
		CalTrust - Short Term Fund (City)	CalTrust	999-10202	27,029	27,029	27,029	4.440	4.440	1	N/A		0
		CalTrust - Medium Term Fund (City)	CalTrust	999-10203	3,508,131	3,508,131	3,508,131	3.690	3.690	1	N/A		0
					29,145,747	29,198,533	29,198,533	4.235	4.469	1			0
Money Market Savings													
		Mechanics Bank	City	999-10102	5,436,759	5,436,759	5,436,759	4.920	4.920	1	N/A		0
		BMO	City	999-10104	107,801	107,801	107,801	0.010	0.010	1	N/A		0
					5,544,560	5,544,560	5,544,560	2.465	4.825	1			0
Mutual Funds													
19-516680		U.S. Bank	US Bank	150-10110	33,469	33,469	33,469	1.980	1.980	1	N/A		0
19-516680	31846V203	1st American Government Obligation Fund	US Bank	150-10110	6,461,531	6,461,531	6,461,531	4.510	4.510	1	N/A		0
					6,495,000	6,495,000	6,495,000	3.245	4.497	1			0
Certificates of Deposit													
19-516680	01025RAG4	Alabama Cr Un	US Bank	150-10110	248,000	252,829	252,829	5.000	4.900	630	N/A	6/22/2026	4
19-516680	064520BG3	Bank of Princeton	US Bank	150-10110	250,000	247,373	247,373	0.500	0.500	91	N/A	12/30/2024	0
19-516680	05580A2H6	Bmw Bk North Amer	US Bank	150-10110	244,000	244,942	244,942	4.900	4.880	259	N/A	6/16/2025	1
19-516680	30960QAP2	Farmers Insurance Group Fed	US Bank	150-10110	248,000	250,118	250,118	5.250	5.210	294	N/A	7/21/2025	2
19-516680	33715LFK1	First Technology Federal Credi	US Bank	150-10110	248,000	249,426	249,426	5.100	5.070	259	N/A	6/16/2025	1
19-516680	53052LAW9	Liberty Fed Cr Un Evansville	US Bank	150-10110	248,000	250,133	250,133	5.300	5.250	287	N/A	7/14/2025	2
19-516680	70212VAB4	Partners Bk helena Ark	US Bank	150-10110	247,000	240,373	240,373	0.600	0.620	273	N/A	6/30/2025	1
19-516680	84223QAN7	Southern Bankcorp Bank	US Bank	150-10110	250,000	249,275	249,275	0.500	0.500	25	N/A	10/25/2024	0
19-516680	856283N51	State Bk Indiana Chicago Ill	US Bank	150-10110	250,000	243,550	243,550	1.000	1.030	269	N/A	6/26/2025	1
19-516680	910286GR8	United Fid Bk FSB Evansville I	US Bank	150-10110	249,000	253,161	253,161	4.800	4.720	652	N/A	7/14/2026	4
					2,482,000	2,481,178	2,481,178	3.295	3.288	304			2
Medium-Term Corporate Notes													
19-516679	037833DN7	Apple Inc.	US Bank	150-10110	1,000,000	967,740	967,740	2.050	2.120	711	AA+	9/11/2026	15
					1,000,000	967,740	967,740	2.050	2.120	711			15
Federal Agency Securities													
19-516680	3133ELH80	Federal Farm Credit Bks	US Bank	150-10110	500,000	487,775	487,775	0.680	0.700	253	AA+	6/10/2025	3
					500,000	487,775	487,775	0.680	0.700	253			3
					\$ 45,167,307	\$ 45,174,786	\$ 45,174,786	2.662	4.360	212			
													3

Average Years : 0.6