



CITY COUNCIL REPORT

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DATE: MARCH 4, 2025
TO: MAYOR AND COUNCIL MEMBERS
FROM: Markisha Guillory, Finance Director, 510-724-9823, MGuillory@pinole.gov
SUBJECT: FY 2024/25 SECOND QUARTER INVESTMENT REPORT

RECOMMENDATION

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

Second Quarter Investment Summary

As of December 31, 2024, total cash and investments increased by \$2,246,533 from the previous quarter, from \$48,773,693 to \$51,020,226. 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, 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 December 31, 2024 is summarized in Attachment A. The total investment portfolio yielded 4.304% for the second quarter (October through December 2024), slightly down from the 4.36% yielded in the previous quarter (July through September 2024).

For the second quarter, LAIF earned an average annual yield of 4.434%, down from an average annual yield of 4.575% for the third quarter.

The General Reserve, which holds the longer-term investments, earned an average annual yield of 3.719%, slightly down from the 3.811% average annual yield in the first quarter. No new investment instruments were purchased during the second quarter. Additionally, two certificates of deposit matured, Bank of Princeton and Southern Bankcorp 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 December 31, 2024 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 December 31 2024
- B. Section 115 Investment Report -Quarter Ending December 31 2024