



CITY COUNCIL REPORT

9.C.

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

CITY OF PINOLE
INVESTMENT REPORT DECEMBER 2024
PORTFOLIO SUMMARY

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	23,437,980	23,429,120	23,429,120	48.83%	1	4.434	0
Investment Pool - CalTrust	3,522,742	3,522,742	3,522,742	7.34%	1	4.315	0
Money Market Savings	10,495,016	10,495,016	10,495,016	21.87%	1	4.622	0
Mutual Funds	7,093,701	7,093,701	7,093,701	14.79%	1	4.070	0
Certificates of Deposit	1,982,000	1,984,089	1,984,089	4.14%	273	3.988	1
Medium-Term Corporate Notes	1,000,000	961,910	961,910	2.00%	619	2.130	12
Federal Agency Securities	500,000	491,890	491,890	1.03%	161	0.690	2
Subtotal Investments	\$ 48,031,439	\$ 47,978,467	\$ 47,978,467	100.00%	176	4.304	3

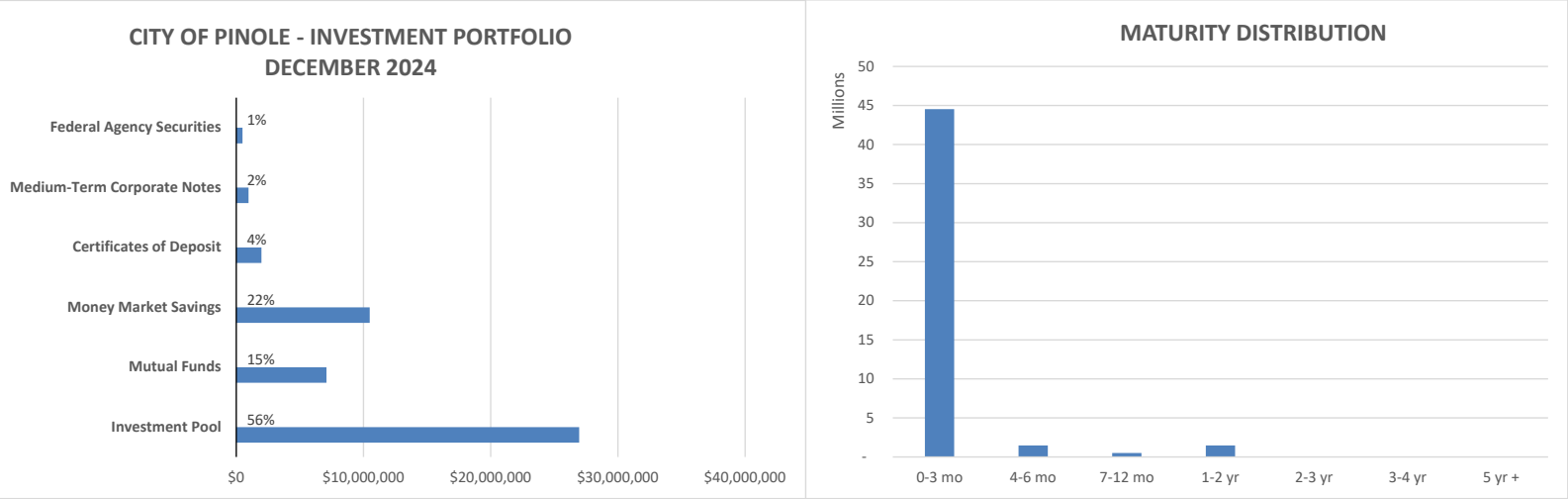
Average Years to Maturity: 0.5

Cash				
Mechanics Bank - Vendor Checking *	1,467,774	1,467,774	1,467,774	1
BMO - Payroll Checking *	914,847	914,847	914,847	1
BMO - Checking (Credit Card Clearing) *	659,138	659,138	659,138	1
Subtotal Cash	3,041,759	3,041,759	3,041,759	1

Total Cash and Investments \$ 51,073,197 \$ 51,020,226 \$ 51,020,226

*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 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	23,437,980	23,429,120	23,429,120	4.434	4.434	1	N/A		0
		CalTrust - Short Term Fund (City)	CalTrust	999-10202	27,260	27,260	27,260	4.390	4.390	1	N/A		0
		CalTrust - Medium Term Fund (City)	CalTrust	999-10203	3,495,482	3,495,482	3,495,482	4.240	4.240	1	N/A		0
					26,960,722	26,951,862	26,951,862	4.355	4.409	1			0
Money Market Savings													
		Mechanics Bank	City	999-10102	9,288,397	9,288,397	9,288,397	4.670	4.670	1	N/A		0
		Mechanics Bank	City	500-10311	1,098,816	1,098,816	1,098,816	4.670	4.670	1	N/A		0
		BMO	City	999-10104	107,804	107,804	107,804	0.010	0.010	1	N/A		0
					10,495,016	10,495,016	10,495,016	3.117	4.622	1			0
Mutual Funds													
19-516680		U.S. Bank	US Bank	150-10110	34,257	34,257	34,257	1.980	1.980	1	N/A		0
19-516680	31846V203	1st American Government Obligation Fund	US Bank	150-10110	7,059,444	7,059,444	7,059,444	4.080	4.080	1	N/A		0
					7,093,701	7,093,701	7,093,701	3.030	4.070	1			0
Certificates of Deposit													
19-516680	01025RAG4	Alabama Cr Un	US Bank	150-10110	248,000	251,306	251,306	5.000	4.930	538	N/A	6/22/2026	3
19-516680	05580A2H6	Bmw Bk North Amer	US Bank	150-10110	244,000	244,720	244,720	4.900	4.890	167	N/A	6/16/2025	1
19-516680	30960QAP2	Farmers Insurance Group Fed	US Bank	150-10110	248,000	249,453	249,453	5.250	5.220	202	N/A	7/21/2025	1
19-516680	33715LFK1	First Technology Federal Credi	US Bank	150-10110	248,000	248,994	248,994	5.100	5.080	167	N/A	6/16/2025	1
19-516680	53052LAW9	Liberty Fed Cr Un Evansville	US Bank	150-10110	248,000	249,476	249,476	5.300	5.270	195	N/A	7/14/2025	1
19-516680	70212VAB4	Partners Bk helena Ark	US Bank	150-10110	247,000	242,640	242,640	0.600	0.610	181	N/A	6/30/2025	1
19-516680	856283N51	State Bk Indiana Chicago Ill	US Bank	150-10110	250,000	245,795	245,795	1.000	1.020	177	N/A	6/26/2025	1
19-516680	910286GR8	United Fid Bk FSB Evansville I	US Bank	150-10110	249,000	251,704	251,704	4.800	4.750	560	N/A	7/14/2026	3
					1,982,000	1,984,089	1,984,089	3.994	3.988	273			1
Medium-Term Corporate Notes													
19-516679	037833DN7	Apple Inc.	US Bank	150-10110	1,000,000	961,910	961,910	2.050	2.130	619	AA+	9/11/2026	12
					1,000,000	961,910	961,910	2.050	2.130	619			12
Federal Agency Securities													
19-516680	3133ELH80	Federal Farm Credit Bks	US Bank	150-10110	500,000	491,890	491,890	0.680	0.690	161	AA+	6/10/2025	2
					500,000	491,890	491,890	0.680	0.690	161			2
					\$ 48,031,439	\$ 47,978,467	\$ 47,978,467	2.871	4.304	176			
													Average Years : 0.5

CITY OF PINOLE
INVESTMENT REPORT DECEMBER 2024
SECTION 115 TRUST PORTFOLIO SUMMARY

Investments	Market Value	Book Value	% of Market	Yield
Cash and Equivalents	57,428	57,428	0.41%	4.330
U.S. Government Issues	5,008,294	5,335,329	35.64%	4.070
Corporate Issues	3,051,686	3,102,702	21.71%	5.060
Foreign Issues	143,172	148,875	1.02%	4.900
Municipal Issues	-	-	0.00%	-
Mutual Funds-Equity	5,362,329	5,222,629	38.16%	1.490
Mutual Funds-Fixed Income	377,660	374,188	2.69%	6.310
Total Assets	14,000,568	14,241,150	99.62%	3.370
Accrued Income	53,279	53,279	0.38%	
Grand Total	\$ 14,053,847	\$ 14,294,429	100%	

