CITY COUNCIL REPORT

9.E.

DATE: MAY 19, 2026

TO: MAYOR AND COUNCIL MEMBERS

FROM: Markisha Guillory, Finance Director, 510-724-9823, MGuillory@pinole.gov

SUBJECT: FY 2025/26 THIRD QUARTER INVESTMENT REPORT

RECOMMENDATION

Staff recommends that the City Council receive the Quarterly Investment Report for the third quarter, ending March 31, 2026.

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, 2026, 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 Pension 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, 2026 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. The City also keeps funds in mutual funds when rates are competive with other investment instruments, such as certificates of deposit.

The City also maintains funds in mutual funds when their rates are competitive with other investment instruments.

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, 2026, total cash and investments decreased by $847,931 from the previous quarter, from $41,927,007 to $41,079,076. 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, 2026 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, 2026 is summarized in Attachment A. The total investment portfolio yielded 3.655% for the third quarter (January-March 2026), slightly down from the 3.728% yielded in the previous quarter (October-December 2025).

For the third quarter, LAIF earned an average annual yield of 3.826%, down from an average annual yield of 4.025% for the second quarter.
The General Reserve, which holds longer-term investments, earned an average annual yield

of 3.215%, slightly down from the 3.304% average annual yield in the second quarter. There were no investment maturities, and no new investments were purchased during the third quarter.

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 March 31, 2026 is included in Attachment B to this report.

FISCAL IMPACT

There is no fiscal impact by the acceptance of this report.

ATTACHMENTS

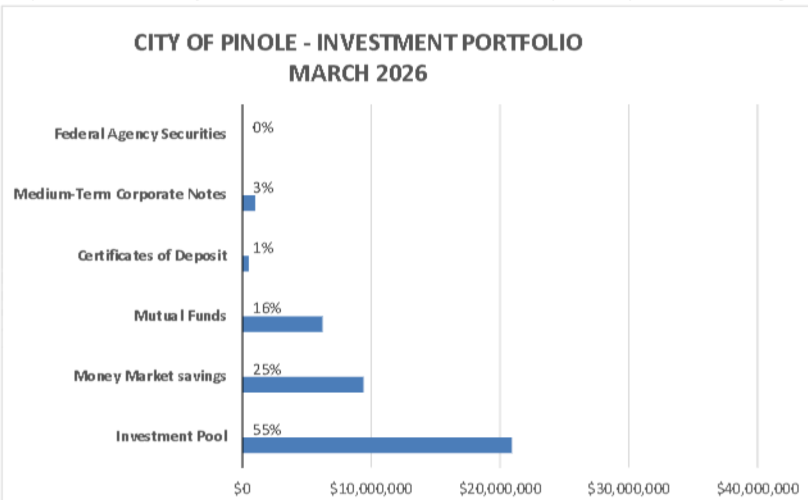
A. Investment Report-Quarter Ending March 31, 2026
B. Pension Trust Investment Report-Quarter Ending March 31, 2026

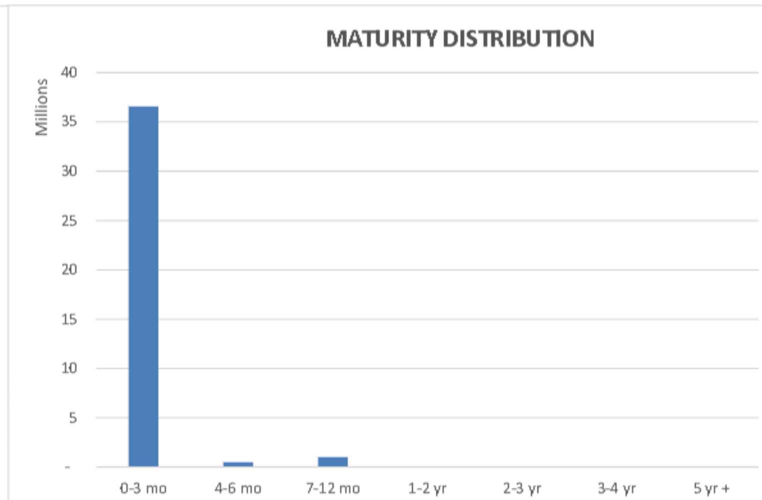
CITY OF PINOLE
INVESTMENT REPORT MARCH 2026
PORTFOLIO SUMMARY

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	17,210,488	17,210,158	17,210,158	45.22%	1	3.826	0
Investment Pool - CalTrust	3,725,196	3,725,196	3,725,196	9.79%	1	3.840	0
Money Market Savings	9,401,506	9,401,506	9,401,506	24.70%	1	3.640	0
Mutual Funds	6,234,081	6,234,081	6,234,081	16.38%	1	3.266	0
Certificates of Deposit	497,000	498,255	498,255	1.31%	94	4.890	1
Medium-Term Corporate Notes	1,000,000	992,540	992,540	2.61%	164	2.060	4
Federal Agency Securities	-	-	-	0.00%	0	0.000	0
Subtotal Investments	$ 38,068,271	$ 38,061,736	$ 38,061,736	100.00%	52	3.655	1
					Average Years to Maturity:		0.1
Cash							
Mechanics Bank - Vendor Checking *	1,071,690	1,071,690	1,071,690		1		
BMO - Payroll Checking *	594,038	594,038	594,038		1		
BMO - Checking (Credit Card Clearing) *	1,351,612	1,351,612	1,351,612		1		
Subtotal Cash	3,017,340	3,017,340	3,017,340		1		
Total Cash and Investments	**$ 41,085,611**	**$ 41,079,076**	**$ 41,079,076**				

*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.





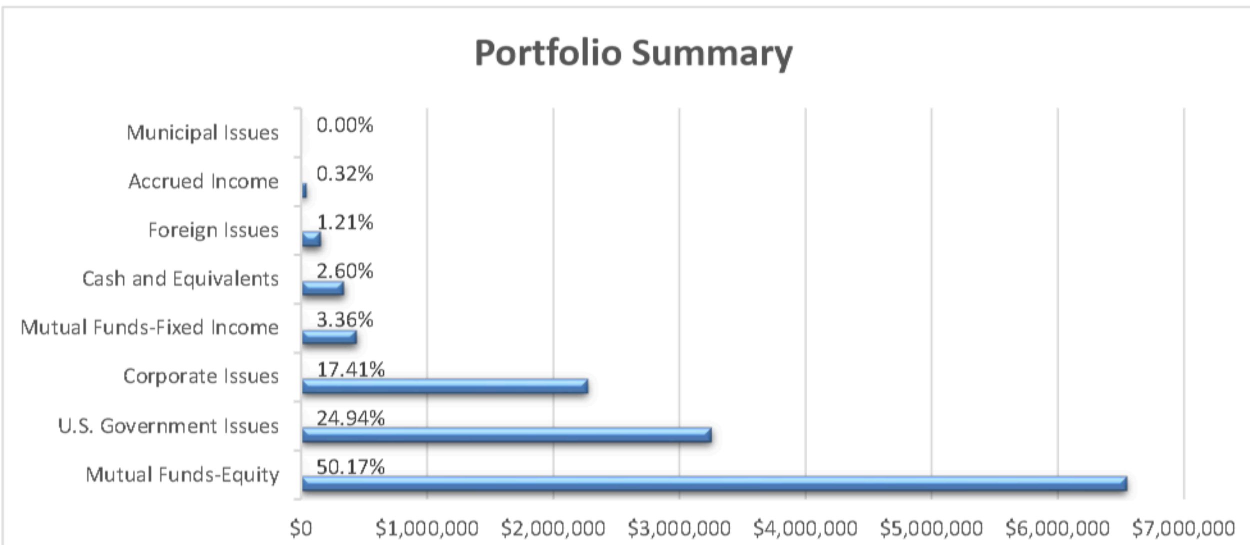
CITY OF PINOLE
INVESTMENT REPORT MARCH 2026
PORTFOLIO DETAILS

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	17,210,488	17,210,158	17,210,158	3.826	3.826	1	N/A		0
		CalTrust - Short Term Fund (City)	CalTrust	999-10202	28,662	28,662	28,662	3.870	3.870	1	N/A		0
		CalTrust - Medium Term Fund (City)	CalTrust	999-10203	3,696,534	3,696,534	3,696,534	3.810	3.810	1	N/A		0
					20,935,685	20,935,355	20,935,355	3.835	3.823	1			0
Money Market Savings													
		Mechanics Bank	City	999-10102	7,941,936	7,941,936	7,941,936	3.750	3.750	1	N/A		0
		Mechanics Bank	City	500-10311	1,157,394	1,157,394	1,157,394	3.740	3.740	1	N/A		0
		Mechanics Bank	City	999-10108	193,824	193,824	193,824	3.740	3.740	1	N/A		0
		BMO	City	999-10104	108,351	108,351	108,351	0.995	0.995	1	N/A		0
					9,401,506	9,401,506	9,401,506	3.056	3.640	1			0
Mutual Funds													
19-516680		U.S. Bank	US Bank	150-10110	19,429	19,429	19,429	1.980	1.980	1	N/A		0
19-516680	31846V203	1st American Government Obligation Fund	US Bank	150-10110	6,214,652	6,214,652	6,214,652	3.270	3.270	1	N/A		0
					6,234,081	6,234,081	6,234,081	2.625	3.266	1			0
Certificates of Deposit													
19-516680	01025RAG4	Alabama Cr Un	US Bank	150-10110	248,000	248,630	248,630	5.000	4.990	83	N/A	6/22/2026	1
19-516680	910286GR8	United Fid Bk FSB Evansville I	US Bank	150-10110	249,000	249,625	249,625	4.800	4.790	105	N/A	7/14/2026	1
					497,000	498,255	498,255	4.900	4.890	94			1
Medium-Term Corporate Notes													
19-516679	037833DN7	Apple Inc.	US Bank	150-10110	1,000,000	992,540	992,540	2.050	2.060	164	AA+	9/11/2026	4
					1,000,000	992,540	992,540	2.050	2.060	164			4
Federal Agency Securities													
					-	-	-	0.000	0.000	-			0
					$ 38,068,271	**$ 38,061,736**	**$ 38,061,736**	**3.293**	**3.655**	**52**			**1**

Average Years :	0.1

CITY OF PINOLE
INVESTMENT REPORT MARCH 2026
SECTION 115 TRUST PORTFOLIO SUMMARY-PENSION

Investments	Market Value	Book Value	% of Market	Yield
Cash and Equivalents	338,941	338,941	2.60%	4.040
U.S. Government Issues	3,255,197	3,367,528	24.94%	3.980
Corporate Issues	2,272,903	2,292,264	17.41%	5.050
Foreign Issues	157,820	158,393	1.21%	5.290
Municipal Issues	-	-	0.00%	-
Mutual Funds-Equity	6,548,601	5,957,007	50.17%	1.950
Mutual Funds-Fixed Income	439,155	444,678	3.36%	6.550
Total Assets	**13,012,617**	**12,558,811**	**99.68%**	**3.250**
Accrued Income	41,423	41,423	0.32%	
Grand Total	**$ 13,054,039**	**$ 12,600,233**	**100%**	



CITY OF PINOLE
INVESTMENT REPORT MARCH 2026
SECTION 115 TRUST PORTFOLIO SUMMARY-OPEB

Investments	Market Value	Book Value	% of Market	Yield
Cash and Equivalents	55,934	55,934	2.33%	3.570
U.S. Government Issues	-	-	0.00%	-
Corporate Issues	-	-	0.00%	-
Foreign Issues	-	-	0.00%	-
Municipal Issues	-	-	0.00%	-
Mutual Funds-Equity	1,216,992	1,251,401	50.61%	1.960
Mutual Funds-Fixed Income	1,131,748	1,144,258	47.06%	4.430
Total Assets	**2,404,673**	**2,451,593**	**99.99%**	**3.160**
Accrued Income	169	169	0.01%	
Grand Total	**$ 2,404,842**	**$ 2,451,761**	**100%**