



# CITY COUNCIL REPORT

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**DATE: APRIL 21, 2020**

**TO: MAYOR AND COUNCIL MEMBERS**

**FROM: ANDREA MILLER, FINANCE DIRECTOR  
DEBBIE LONG, CITY TREASURER**

**SUBJECT: RECEIVE THE QUARTERLY INVESTMENT REPORT FOR THE  
QUARTER ENDING MARCH 31, 2020**

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## **RECOMMENDATION**

Receive the Quarterly Investment Report for the quarter ending March 31, 2020.

## **BACKGROUND**

The City of Pinole Investment Policy requires that a Quarterly Investment Report be submitted to the City Council. The enclosed Investment Report for the reporting period ended March 31, 2020 conforms to the reporting guidelines for California public agencies set forth in Section 53646 of the Government Code which requires a quarterly report submitted to the legislative body, summarizes securities held, and the ability to meet expenditure requirements for the next six months.

## **REVIEW AND ANALYSIS**

All investments held at March 31, 2020 conform to the City's Investment Policy and State regulations. A summary of the balances held in the investment portfolio (Attachment A), at March 31, 2020, follows.

<b>Investments</b>	<b>Market Value</b>	<b>% of Portfolio</b>
Investment Pool - LAIF	23,096,400	55.51%
Investment Pool - CalTrust	3,306,057	7.95%
Money Market Savings	7,880,384	18.94%
Mutual Funds	137,547	0.33%
Certificates of Deposit	3,884,745	9.34%
Medium-Term Corporate Notes	2,299,495	5.53%
Federal Agency Securities	1,000,120	2.40%
<b>Investment Total</b>	<b>\$ 41,604,749</b>	<b>100.0%</b>

## Investment Yield and Duration

The current aggregate yield of the City's investment portfolio is 1.553%. This investment yield is lower than the current yield of 1.790% for the State of California's Local Agency Investment Fund (LAIF). LAIF yields have slightly decreased over the past year but remain higher than long-term investment yields in some cases, which have caused our aggregate yield to be less than the LAIF yield. In addition, 18.94% of our portfolio is in money market savings accounts which earn 0.063% interest. LAIF and other pooled funds make up 63.79% of our investment portfolio.

Long-term investments (those with maturities greater than a year, such as Certificates of Deposit, Medium-Term Corporate Notes, and Federal Agency Securities) make up 17.27% of our portfolio, and currently yield 2.018% average; which is slightly more than LAIF. 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.

<b>Investments</b>	<b>Q3-2020 Yield</b>	<b>Q3-2019 Yield</b>
Investment Pool - LAIF	1.790	2.360
Investment Pool - CalTrust	1.535	2.550
Money Market Savings	0.063	0.063
Mutual Funds	1.580	1.020
Certificates of Deposit	2.010	1.929
Medium-Term Corporate Notes	2.543	2.260
Federal Agency Securities	1.520	1.550
<b>Average Yield</b>	<b>1.553</b>	<b>1.551</b>

## Cash Flows

Sufficient cash inflows were available from July 2019 through March 2020 to meet all City expenditures. In addition, the City has sufficient cash flow at March 31, 2020 to cover anticipated expenditures through the next six months.

## Investment Strategy

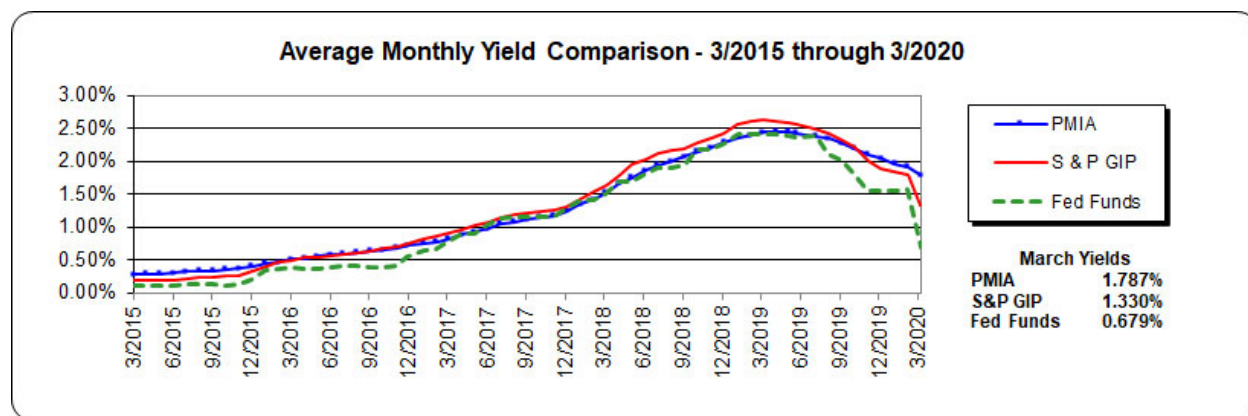
The City utilizes a passive investment management approach by buying and holding securities until maturity. A "laddered maturity" investment strategy is applied to the long-term portion of our investment portfolio, currently 17.27%. A laddered portfolio is structured with securities that have different 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.

Of the total investment portfolio, 82.73% is held in investment pools and money market accounts. Of this amount, LAIF currently represents 55.51% of the City's investment portfolio. Interest earnings of \$116,239 were generated in LAIF for the quarter ended March 31, 2020, slightly less than the prior year's third quarter earnings of \$119,127. The Investment Policy allows for up to 100% of the City's investment portfolio to be placed in LAIF, which is currently at 1.790% yield.

### Safekeeping for a General Reserve Investment Account

The City continues to maintain a Safekeeping account to augment the City's participation in the State's Local Agency Investment Fund (LAIF) and the County's CalTrust Pools. This provides the Finance Director with the ability to implement a directed investment plan with longer investment duration thereby yielding greater investment earnings on federal agency securities of comparable credit risk. The safekeeping account allows for investments to be settled on a delivery-versus-payment (DVP) basis, wherein a secure delivery and payment occur simultaneously.

The Federal Reserve has cut interest rates five times since July 1, 2019: by 0.25% on July 31, 2019, by 0.25% on September 18, 2019, by 0.25% on October 30, 2019, by 0.50% on March 2, 2020, and by 1.00% on March 15, 2020. The Federal Funds yield has historically compared to LAIF (PMIA, Pooled Money Investment Account) yields (see chart below). Currently the Federal Funds yield is below LAIF.



Staff continues to monitor rates of return on City funds invested and make recommendations as needed to complement our participation in LAIF and to maintain steady investment yields. All City investments held are in accordance with the City's Investment Policy.

### FISCAL IMPACT

All City cash and investments are pooled and interest is allocated to funds quarterly based on the average balance of each fund during the quarter ending.

**ATTACHMENTS**

A –Investment Report - Quarter Ending March 31, 2020

**CITY OF PINOLE  
INVESTMENT REPORT MARCH 2020  
PORTFOLIO SUMMARY**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	23,096,400	23,096,400	23,096,400	55.51%	1	1.790	1
Investment Pool - CalTrust	3,306,057	3,306,057	3,306,057	7.95%	1	1.535	0
Money Market Savings	7,880,384	7,880,384	7,880,384	18.94%	1	0.063	0
Mutual Funds	137,547	137,547	137,547	0.33%	1	1.580	0
Certificates of Deposit	3,840,000	3,884,745	3,884,745	9.34%	814	2.010	5
Medium-Term Corporate Notes	2,250,000	2,299,495	2,299,495	5.53%	660	2.523	10
Federal Agency Securities	1,000,000	1,000,120	1,000,120	2.40%	512	1.520	12
Subtotal Investments	\$ 41,510,389	\$ 41,604,749	41,604,749	100.00%	332	1.553	5

<b>Average Years:</b>	<b>0.9</b>
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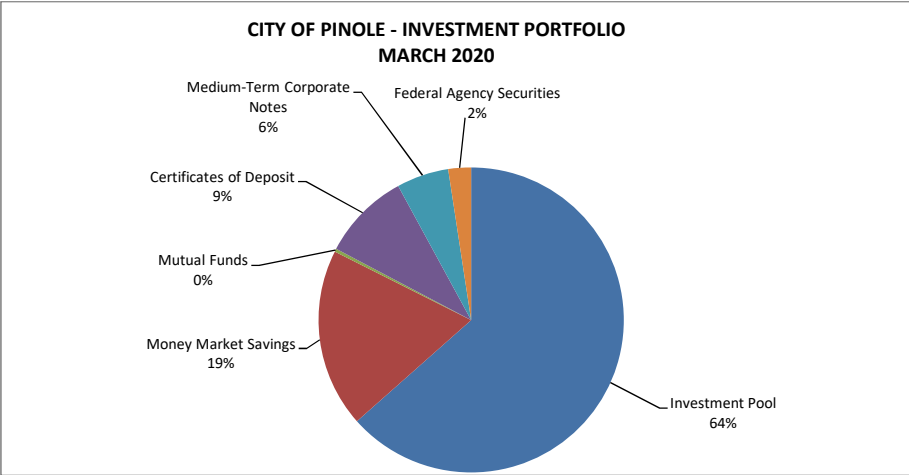
Cash	
Mechanics Bank - Vendor Checking *	1,597,140
Bank of the West - Payroll Checking *	1,384,181
Bank of the West - Checking (Credit Card Clearing) *	756,209
Subtotal Cash	3,737,530

<b>Total Cash and Investments</b>	<b>\$ 45,247,919</b>	<b>\$ 45,342,279</b>	<b>\$ 45,342,279</b>
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\*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.



**ATTACHMENT A**

**CITY OF PINOLE  
INVESTMENT REPORT MARCH 2020  
PORTFOLIO DETAILS**

Type / Account Number	CUSIP	Issuer	Investment Description	Manager	GL Acct #	Par Value	Market Value	Book Value	Rate	Yield	Days to Maturity	S&P Rating	Maturity Date	Weighted Average Maturity
<b>Investment Pool</b>														
		Local Agency Investment Fund (LAIF)	Pooled Treasury - State of California	LAIF	999-10201	23,096,400	23,096,400	23,096,400	1.790	1.790	1	N/A		1
		CalTrust - Short Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10202	24,175	24,175	24,175	1.620	1.620	1	N/A		0
		CalTrust - Medium Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10203	3,281,882	3,281,882	3,281,882	1.450	1.450	1	N/A		0
			Subtotal and Average			26,402,457	26,402,457	26,402,457	1.620	1.620	1			0
<b>Money Market Savings</b>														
		Mechanics Bank	Money Market Savings (City)	City	999-10102	5,269,468	5,269,468	5,269,468	0.080	0.080	1	N/A		0
		Bank of the West	Money Market Savings - Police Evidence Trust	City	999-10104	107,752	107,752	107,752	0.080	0.080	1	N/A		0
84501100	999491905	Wells Fargo Bank	Money Market - WPCP Escrow	Wells Fargo	503-10302	2,503,164	2,503,164	2,503,164	0.030	0.030	1	N/A		0
			Subtotal and Average			7,880,384	7,880,384	7,880,384	0.063	0.063	1			0
<b>Mutual Funds</b>														
19-516680		U.S. Bank	Accrued Income - City Reserve	US Bank	150-10110	29,372	29,372	29,372	1.980	1.980	1	N/A		0
19-516680	31846V203	1st American Government Obligation Fund	Mutual Fund Shares - Class "D" - City Reserve	US Bank	150-10110	108,175	108,175	108,175	1.180	1.180	1	N/A		0
			Subtotal and Average			137,547	137,547	137,547	1.580	1.580	1			0
<b>Certificates of Deposit</b>														
19-516680	02007GLR2	Ally Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	249,408	249,408	1.800	1.780	895	N/A	9/12/2022	5
19-516680	02587DJ90	American Express Centurion	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	248,890	248,890	2.250	2.230	253	N/A	12/9/2020	2
19-516680	05580ATL8	Bmw Bank North America	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	249,477	249,477	1.800	1.780	987	N/A	12/13/2022	6
19-516680	140420A59	Capital One Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	248,000	248,546	248,546	1.600	1.600	490	N/A	8/3/2021	3
19-516680	29976DQ86	Everbank Jacksonville FL	Certificates of Deposit - City Reserves	US Bank	150-10110	125,000	125,361	125,361	1.500	1.500	499	N/A	8/12/2021	2
19-516680	38149MAY9	Goldman Sachs BK USA New York	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	254,696	254,696	2.600	2.510	1,161	N/A	6/5/2023	7
19-516680	48126XAH8	JP Morgan Chase Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	247,188	247,188	1.650	1.650	503	N/A	8/16/2021	3
19-516680	58404DFE6	Medallion Bk Salt Lake City	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	250,830	250,830	1.700	1.690	902	N/A	9/19/2022	5
19-516680	59013KCZ7	Merrick Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	250,484	250,484	1.650	1.640	1,277	N/A	9/29/2023	8
19-516680	61690UGW4	Morgan Stanley Bank Na	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	254,703	254,703	2.600	2.510	1,162	N/A	6/6/2023	7
19-516680	61760AF46	Morgan Stanley Private Bk Natlssn	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	254,703	254,703	2.600	2.510	1,162	N/A	6/6/2023	7
19-516680	795450XM2	Sallie Mae Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	125,000	125,980	125,980	2.200	2.180	260	N/A	12/16/2020	1
19-516680	856285QG9	State Bk Indiana New York N Y	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	250,968	250,968	2.850	2.840	1,541	N/A	6/19/2024	9
19-516680	85916VDN2	Sterling Bank of Poplar Bluff	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	248,472	248,472	1.650	1.640	1,266	N/A	9/18/2023	8
19-516680	9497485W3	Wells Fargo Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	249,984	249,984	1.750	1.740	443	N/A	6/17/2021	3
19-516680	949495AF2	Wells Fargo Bank Natl Bk West	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	249,828	249,828	1.850	1.830	1,004	N/A	12/30/2022	6
19-516680	96009JAR8	Westfield Bank Mass	Certificates of Deposit - City Reserves	US Bank	150-10110	125,000	125,226	125,226	2.550	2.540	41	N/A	5/11/2020	0
			Subtotal and Average			3,840,000	3,884,745	3,884,745	2.035	2.010	814			5
<b>Medium-Term Corporate Notes</b>														
19-516680	037833BS8	Apple Inc.	2.25% Corporate MTN 02/23/2021 - City Reserves	US Bank	150-10110	500,000	505,040	505,040	2.250	2.230	329	AA+	2/23/2021	4
19-516680	478160BT0	Johnson Johnson	2.05% Corporate MTN 3/1/23 - City Reserves	US Bank	150-10110	750,000	766,830	766,830	2.050	2.000	1,065	AAA	3/1/2023	20
19-516680	594918BW3	Microsoft Corp	2.40 % Corporate MTN 02/06/22- City Reserves	US Bank	150-10110	500,000	513,930	513,930	2.400	2.330	677	AAA	2/6/2022	8
19-516680	94988J5T0	Wells Fargo Bank Na	3.625 % Corporate MTN 10/22/21- City Reserves	US Bank	150-10110	500,000	513,695	513,695	3.625	3.530	570	A+	10/22/2021	7
			Subtotal and Average			2,250,000	2,299,495	2,299,495	2.581	2.523	660			10
<b>Federal Agency Securities</b>														
19-516680	3130A92D2	Federal Home Loan Banks	1.52% Agency Bond 8/25/2021 - City Reserves	US Bank	150-10110	1,000,000	1,000,120	1,000,120	1.520	1.520	512	AA+	8/25/2021	12
			Subtotal and Average			1,000,000	1,000,120	1,000,120	1.520	1.520	512			12
<b>Investment Portfolio Total and Average</b>						<b>\$ 41,510,389</b>	<b>\$ 41,604,749</b>	<b>\$ 41,604,749</b>	<b>1.567</b>	<b>1.553</b>	<b>332</b>			<b>5</b>

**Average Years : 0.9**