



CITY COUNCIL REPORT

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DATE: JULY 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 JUNE 30, 2020**

RECOMMENDATION

Receive the Quarterly Investment Report for the quarter ending June 30, 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 June 30, 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 June 30, 2020 conform to the City's Investment Policy and State regulations. A summary of the balances held in the investment portfolio (Attachment A), at June 30, 2020, follows.

Investments	Market Value	% of Portfolio
Investment Pool - LAIF	27,212,639	54.92%
Investment Pool - CalTrust	3,354,428	6.77%
Money Market Savings	11,529,711	23.27%
Mutual Funds	296,661	0.60%
Certificates of Deposit	4,330,789	8.74%
Medium-Term Corporate Notes	2,321,475	4.69%
Federal Agency Securities	500,095	1.01%
Investment Total	\$ 49,545,798	100.00%

Investment Yield and Duration

The current aggregate yield of the City's investment portfolio is 1.106%. This investment yield is lower than the current yield of 1.200% for the State of California's Local Agency Investment Fund (LAIF). LAIF yields have 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, 23.27% of our portfolio is in money market savings accounts which earn 0.040% interest. LAIF and other pooled funds make up 85.56% 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 14.44% of our portfolio, and currently yield 1.602% 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.

Investments	Q4-2020 Yield	Q4-2019 Yield
Investment Pool - LAIF	1.200	2.570
Investment Pool - CalTrust	0.590	2.375
Money Market Savings	0.040	0.063
Mutual Funds	0.995	2.010
Certificates of Deposit	1.621	2.164
Medium-Term Corporate Notes	2.505	2.713
Federal Agency Securities	0.680	2.015
Average Yield	1.106	1.901

Cash Flows

Sufficient cash inflows were available from July 2019 through June 2020 to meet all City expenditures. In addition, the City has sufficient cash flow at June 30, 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 14.44%. 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.

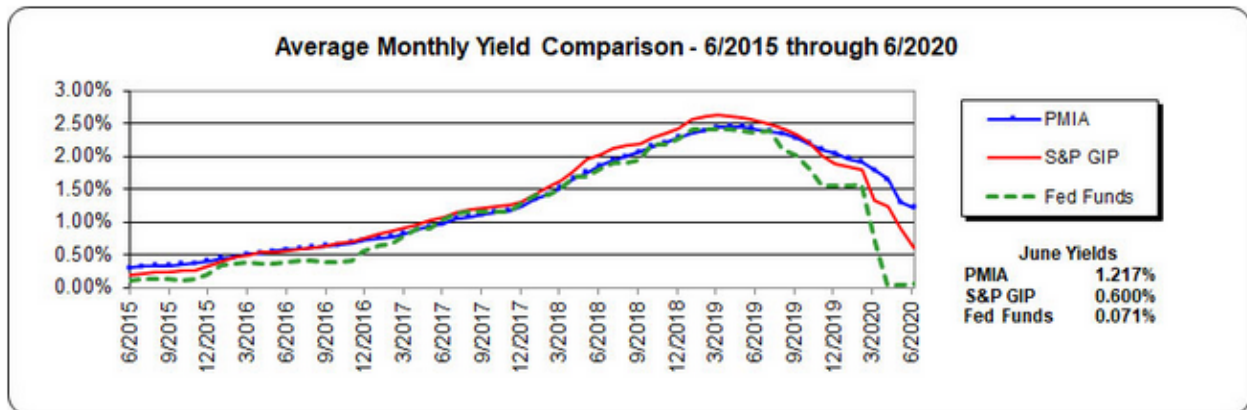
Of the total investment portfolio, 84.97% is held in investment pools and money market accounts. Of this amount, LAIF currently represents 54.92% of the City's investment

portfolio. Interest earnings of \$88,563 were generated in LAIF for the quarter ended June 30, 2020, 43% less than the prior year's fourth quarter earnings of \$156,652. The Investment Policy allows for up to 100% of the City's investment portfolio to be placed in LAIF, which is currently at 1.200% yield.

General Reserve Safekeeping 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 June 30, 2020

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

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	27,212,639	27,212,639	27,212,639	54.92%	1	1.200	1
Investment Pool - CalTrust	3,354,428	3,354,428	3,354,428	6.77%	1	0.590	0
Money Market Savings	11,529,711	11,529,711	11,529,711	23.27%	1	0.040	0
Mutual Funds	296,661	296,661	296,661	0.60%	1	0.995	0
Certificates of Deposit	4,215,000	4,330,789	4,330,789	8.74%	964	1.621	5
Medium-Term Corporate Notes	2,250,000	2,321,475	2,321,475	4.69%	569	2.505	7
Federal Agency Securities	500,000	500,095	500,095	1.01%	1,806	0.680	18
Subtotal Investments	\$ 49,358,439	\$ 49,545,798	49,545,798	100.00%	286	1.106	5

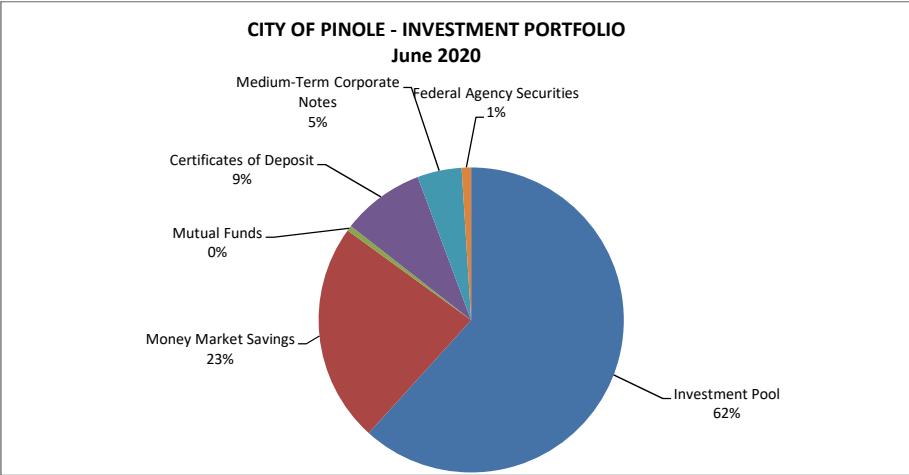
Average Years:	1.5
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Cash			
Mechanics Bank - Vendor Checking *	1,222,464	1,222,464	1,222,464
Bank of the West - Payroll Checking *	972,006	972,006	972,006
Bank of the West - Checking (Credit Card Clearing) *	464,734	464,734	464,734
Subtotal Cash	2,659,205	2,659,205	2,659,205

Total Cash and Investments	\$ 52,017,644	\$ 52,205,003	\$ 52,205,003
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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 JUNE 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
Investment Pool														
		Local Agency Investment Fund (LAIF)	Pooled Treasury - State of California	LAIF	999-10201	27,212,639	27,212,639	27,212,639	1.200	1.200	1	N/A		1
		CalTrust - Short Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10202	24,464	24,464	24,464	0.660	0.660	1	N/A		0
		CalTrust - Medium Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	999-10203	3,329,964	3,329,964	3,329,964	0.520	0.520	1	N/A		0
			Subtotal and Average			30,567,067	30,567,067	30,567,067	0.793	0.793	1			0
Money Market Savings														
		Mechanics Bank	Money Market Savings (City)	City	999-10102	7,809,128	7,809,128	7,809,128	0.080	0.080	1	N/A		0
84501100	999491905	Bank of the West	Money Market Savings - Police Evidence Trust	City	999-10104	107,755	107,755	107,755	0.010	0.010	1	N/A		0
		Wells Fargo Bank	Money Market - WPCP Escrow	Wells Fargo	503-10302	3,612,828	3,612,828	3,612,828	0.030	0.030	1	N/A		0
			Subtotal and Average			11,529,711	11,529,711	11,529,711	0.040	0.040	1			0
Mutual Funds														
19-516680		U.S. Bank	Accrued Income - City Reserve	US Bank	150-10110	24,901	24,901	24,901	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	271,760	271,760	271,760	0.010	0.010	1	N/A		0
			Subtotal and Average			296,661	296,661	296,661	0.995	0.995	1			0
Certificates of Deposit														
19-516680	02007GLR2	Ally Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	255,489	255,489	1.800	1.740	804	N/A	9/12/2022	4
19-516680	02587DJ90	American Express Centurion	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	249,305	249,305	2.250	2.230	162	N/A	12/9/2020	1
19-516680	064520BG3	Bank of Princeton	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	249,228	249,228	0.500	0.500	1,644	N/A	12/30/2024	8
19-516680	05580ATL8	Bmw Bank North America	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	256,295	256,295	1.800	1.730	896	N/A	12/13/2022	5
19-516680	140420A59	Capital One Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	248,000	251,477	251,477	1.600	1.580	399	N/A	8/3/2021	2
19-516680	29976DQ86	Everbank Jacksonville FL	Certificates of Deposit - City Reserves	US Bank	150-10110	125,000	126,863	126,863	1.500	1.480	408	N/A	8/12/2021	1
19-516680	38149MAY9	Goldman Sachs BK USA New York	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	262,406	262,406	2.600	2.440	1,070	N/A	6/5/2023	6
19-516680	58404DFE6	Medallion Bk Salt Lake City	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	257,053	257,053	1.700	1.650	811	N/A	9/19/2022	4
19-516680	59013KCZ7	Merrick Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	259,386	259,386	1.650	1.580	1,186	N/A	9/29/2023	6
19-516680	61690UGW4	Morgan Stanley Bank Na	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	262,418	262,418	2.600	2.440	1,071	N/A	6/6/2023	6
19-516680	61760AF46	Morgan Stanley Private Bk Natlssn	Certificates of Deposit - City Reserves	US Bank	150-10110	246,000	262,418	262,418	2.600	2.440	1,071	N/A	6/6/2023	6
19-516680	70212VAB4	Partners Bk helena Ark	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	246,017	246,017	0.600	0.600	1,826	N/A	6/30/2025	9
19-516680	795450XM2	Sallie Mae Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	125,000	126,218	126,218	2.200	2.180	169	N/A	12/16/2020	0
19-516680	84223QAN7	Southern Bankcorp Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	249,688	249,688	0.500	0.500	1,578	N/A	10/25/2024	8
19-516680	856285QG9	State Bk Indiana New York N Y	Certificates of Deposit - City Reserves	US Bank	150-10110	250,000	250,115	250,115	1.000	1.000	1,822	N/A	6/26/2025	9
19-516680	85916VDN2	Sterling Bank of Poplar Bluff	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	257,238	257,238	1.650	1.580	1,175	N/A	9/18/2023	6
19-516680	9497485W3	Wells Fargo Bank	Certificates of Deposit - City Reserves	US Bank	150-10110	249,000	252,456	252,456	1.750	1.730	352	N/A	6/17/2021	2
19-516680	949495AF2	Wells Fargo Bank Natl Bk West	Certificates of Deposit - City Reserves	US Bank	150-10110	247,000	256,722	256,722	1.850	1.780	913	N/A	12/30/2022	5
			Subtotal and Average			4,215,000	4,330,789	4,330,789	1.675	1.621	964			5
Medium-Term Corporate Notes														
19-516680	037833BS8	Apple Inc.	2.25% Corporate MTN 02/23/2021 - City Reserves	US Bank	150-10110	500,000	505,490	505,490	2.250	2.230	238	AA+	2/23/2021	2
19-516680	478160BT0	Johnson Johnson	2.05% Corporate MTN 3/1/23 - City Reserves	US Bank	150-10110	750,000	781,110	781,110	2.050	1.970	974	AAA	3/1/2023	15
19-516680	594918BW3	Microsoft Corp	2.40 % Corporate MTN 02/06/22- City Reserves	US Bank	150-10110	500,000	515,955	515,955	2.400	2.330	586	AAA	2/6/2022	6
19-516680	94988J5T0	Wells Fargo Bank Na	3.625 % Corporate MTN 10/22/21- City Reserves	US Bank	150-10110	500,000	518,920	518,920	3.625	3.490	479	A+	10/22/2021	5
			Subtotal and Average			2,250,000	2,321,475	2,321,475	2.581	2.505	569			7
Federal Agency Securities														
19-516680	3133ELH80	Federal Farm Credit Bks	.680% Agency Bond 6/10/25	US Bank	150-10110	500,000	500,095	500,095	0.680	0.68000	1,806	AA+	6/10/2025	18
			Subtotal and Average			500,000	500,095	500,095	0.680	0.680	1,806			18
Investment Portfolio Total and Average						\$ 49,358,439	\$ 49,545,798	\$ 49,545,798	1.127	1.106	557			5

Average Years :	1.5
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