



CITY COUNCIL REPORT

8C

DATE: NOVEMBER 15, 2016

TO: MAYOR AND COUNCIL MEMBERS

FROM: ANDREA MILLER, FINANCE DIRECTOR

SUBJECT: QUARTERLY INVESTMENT REPORT (9/30/16)

RECOMMENDATION

Receive the Quarterly Investment Report for the quarter ending September 30, 2016.

BACKGROUND

The City of Pinole Investment Policy calls for a Quarterly Investment Report to be submitted to the City Council. The enclosed Investment Report for the reporting period ended September 30, 2016 conforms to the reporting guidelines for California public agencies set forth in Section 53646 of the Government Code.

REVIEW AND ANALYSIS

All investments held at September 30, 2016 conform to the City's Investment Policy and State Regulations. A summary of the balances held in the investment portfolio (Attachment A), at September 30, 2016, follows:

Investments	Market Value	% of Portfolio
Investment Pool - LAIF	93,074	0.39%
Investment Pool - JPA	3,074,410	12.90%
Money Market Savings	11,411,832	47.86%
Mutual Funds	1,185,550	4.97%
Certificates of Deposit	3,522,714	14.78%
Medium-Term Corporate Notes	1,599,950	6.71%
Federal Agency Securities	2,494,705	10.46%
Municipal Bonds	459,616	1.93%
Investment Total	\$ 23,841,851	100.0%

Investment Yield and Duration:

The current aggregate yield of the City's investment portfolio is stabilized at 1.619%. This investment yield is significantly higher than the current yield of 0.64% for the State of California's Local Agency Investment Fund (LAIF), and slightly lower than the Merrill Lynch US Corporate 1-3 Year effective yield of 1.65%, a comparable "performance" benchmark of similar "duration" and "weighted average maturity."

Cash Flows:

Sufficient cash inflows were available from July through September 2016 to meet all City expenditures. In addition, the City has sufficient cash flow at September 30, 2016 to cover anticipated expenditures through the next six months.

Investment Strategy:

The City applies a "laddered maturity" investment strategy to the asset allocation in our 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 a longer term at the end of the ladder. Laddering helps to minimize interest-rate risk, increase liquidity, and diversify credit risk.

Applying a "laddered maturity" investment strategy to our investment portfolio will generate a significant improvement in aggregate investment yield as compared to investing a large portion of the portfolio in the Mechanics Bank Money Market, LAIF and CalTrust investment alternatives.

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 significantly greater investment earnings on federal agency securities of comparable credit risk.

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. Interest earnings for the period ending September 30, 2016 are in line with prior year's first quarter earnings.

ATTACHMENTS

Attachment A –Investment Report - Quarter Ending September 30, 2016

**CITY OF PINOLE
INVESTMENT REPORT SEPTEMBER 2016
PORTFOLIO SUMMARY**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	93,074	93,074	93,074	0.39%	1	0.640	0
Investment Pool - JPA	3,074,410	3,074,410	3,074,410	12.90%	1	0.910	0
Money Market Savings	11,411,832	11,411,832	11,411,832	47.86%	1	0.037	0
Mutual Funds	1,185,550	1,185,550	1,185,550	4.97%	1	0.003	0
Certificates of Deposit	3,478,000	3,522,714	3,522,714	14.78%	1,295	1.819	12
Medium-Term Corporate Notes	1,580,000	1,599,950	1,599,950	6.71%	353	3.227	6
Federal Agency Securities	2,500,000	2,494,705	2,494,705	10.46%	1,668	1.510	60
Municipal Bonds	450,000	459,616	459,616	1.93%	548	3.915	3
Subtotal Investments	\$ 23,772,866	\$ 23,841,851	23,841,851	100.00%	552	1.619	12

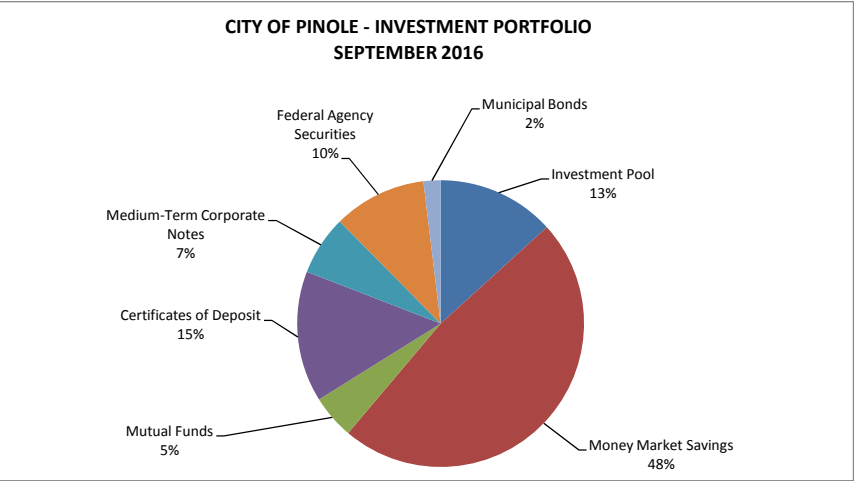
Average Years: 1.5

Cash							
Mechanics Bank - Vendor Checking *	1,580,167	1,580,167	1,580,167		1		
Bank of the West - Payroll Checking *	1,600,002	1,600,002	1,600,002		1		
Bank of the West - Checking (Credit Card Clearing) *	1,383,949	1,383,949	1,383,949		1		
Subtotal Cash	4,564,118	4,564,118	4,564,118		1		

Total Cash and Investments \$ 28,336,984 \$ 28,405,969 \$ 28,405,969

*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 SEPTEMBER 2016
PORTFOLIO DETAILS

Type / Account Number	CUSIP	Issuer	Investment Description	Manager	Par Value	Market Value	Book Value	Rate	Yield	Days to Maturity	S&P Rating	Maturity Date	Weighted Average Maturity	Date
Investment Pool														
		Local Agency Investment Fund (LAIF)	Pooled Treasury - State of California	LAIF	93,074	93,074	93,074	0.640	0.640	1	N/A		0	9/30/2016
		CalTrust - Short Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	22,734	22,734	22,734	0.810	0.810	1	N/A		0	
		CalTrust - Medium Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	3,051,676	3,051,676	3,051,676	1.010	1.010	1	N/A		0	
			Subtotal and Average		3,167,484	3,167,484	3,167,484	0.820	0.820	1			0	
Money Market Savings														
		Mechanics Bank	Money Market Savings (City)	City	10,375,105	10,375,105	10,375,105	0.030	0.030	1	N/A		0	
84501100	999491905	Bank of the West	Money Market Savings - Police Evidence Trust	City	28,546	28,546	28,546	0.080	0.080	1	N/A		0	
		Wells Fargo Bank	Money Market - WPCP Escrow	Wells Fargo	1,008,181	1,008,181	1,008,181	0.000	0.000	1	N/A		0	
			Subtotal and Average		11,411,832	11,411,832	11,411,832	0.037	0.037	1			0	
Mutual Funds														
19-516680		U.S. Bank	Accrued Income - City Reserve	US Bank	7,103	7,103	7,103	0.000	0.000	1	N/A		0	
19-516680	31846V203	1st American Government Obligation Fund	Mutual Fund Shares - Class "D" - City Reserve	US Bank	52,450	52,450	52,450	0.001	0.010	1	N/A		0	
108663000	31846V302	1st American Treasury Obligation Fund	Mutual Fund Shares - Class "D" - PALC Trust	US Bank	1,125,997	1,125,997	1,125,997	0.000	0.000	1	N/A		0	
			Subtotal and Average		1,185,550	1,185,550	1,185,550	0.000	0.003	1			0	
Certificates of Deposit														
19-516680	02587DJ90	American Express Centurion	Certificates of Deposit - City Reserves	US Bank	247,000	255,608	255,608	2.250	2.170	1,531	N/A	12/9/2020	16	
19-516680	140420A59	Capital One Bank	Certificates of Deposit - City Reserves	US Bank	248,000	247,789	247,789	1.600	1.600	1,768	N/A	8/3/2021	18	
19-516680	29266NV79	Enerbank USA	Certificates of Deposit - City Reserves	US Bank	249,000	255,566	255,566	1.750	1.700	1,165	N/A	12/9/2019	12	
19-516680	29976DQ86	Everbank Jacksonville FL	Certificates of Deposit - City Reserves	US Bank	125,000	124,865	124,865	1.500	1.500	1,777	N/A	8/12/2021	9	
19-516680	48126XAH8	JP Morgan Chase Bank	Certificates of Deposit - City Reserves	US Bank	247,000	246,711	246,711	1.650	1.650	1,781	N/A	8/16/2021	18	
19-516680	795450XM2	Sallie Mae Bank	Certificates of Deposit - City Reserves	US Bank	125,000	129,361	129,361	2.200	2.130	1,538	N/A	12/16/2020	8	
19-516680	9497485W3	Wells Fargo Bank	Certificates of Deposit - City Reserves	US Bank	249,000	250,775	250,775	1.750	1.740	1,721	N/A	6/17/2021	18	
108663000	856284D76	State Bank India	Certificates of Deposit - PALC Trust	US Bank	247,000	248,549	248,549	1.650	1.640	174	N/A	3/23/2017	2	
108663000	36157PCD9	GE Capital Retail Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	248,660	248,660	1.850	1.840	195	N/A	4/13/2017	2	
108663000	795450RA5	Sallie Mae Bank	Certificates of Deposit - PALC Trust	US Bank	125,000	128,029	128,029	2.150	2.100	760	N/A	10/30/2018	4	
108663000	886184WJ7	Oriental Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	247,553	247,553	1.750	1.750	808	N/A	12/17/2018	8	
108663000	38148JGL9	Goldman Sachs Bank	Certificates of Deposit - PALC Trust	US Bank	250,000	257,850	257,850	2.200	2.130	1,194	N/A	1/7/2020	13	
108663000	05580ADM3	BMW Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	255,608	255,608	2.250	2.170	1,540	N/A	12/18/2020	17	
108663000	29976DQ86	Everbank Jacksonville FL	Certificates of Deposit - PALC Trust	US Bank	125,000	124,865	124,865	1.500	1.500	1,777	N/A	8/12/2021	9	
108663000	140420B86	Capital One Bank	Certificates of Deposit - PALC Trust	US Bank	250,000	249,698	249,698	1.600	1.600	1,782	N/A	8/17/2021	19	
108663000	74267GJUU9	Private Bank Trust	Certificates of Deposit - PALC Trust	US Bank	250,000	251,228	251,228	1.900	1.890	1,210	N/A	1/23/2020	13	
			Subtotal and Average		3,478,000	3,522,714	3,522,714	1.847	1.819	1,295			12	
Medium-Term Corporate Notes														
19-516680	037833BS8	Apple Inc.	2.25% Corporate MTN 02/23/2021 - City Reserves	US Bank	500,000	512,900	512,900	2.250	2.190	1,607	AA+	2/23/2021	35	
108663000	084670BD9	Berkshire Hathaway, Inc.	1.9% Corporate MTN 01/31/2017 - PALC Trust	US Bank	150,000	150,465	150,465	1.900	1.890	123	AA	1/31/2017	1	
108663000	532457BB3	Eli Lilly Company	5.2% Corporate MTN 03/15/2017 - PALC Trust	US Bank	150,000	152,829	152,829	5.200	5.100	166	AA-	3/15/2017	1	
108663000	931142CG6	Wal Mart Stores, Inc.	5.375% Corporate MTN 04/05/2017 - PALC Trust	US Bank	130,000	132,848	132,848	5.375	5.260	187	AA	4/5/2017	1	
108663000	21886CAD2	Cooperative Centrale Raiffeisen	3.375% Corporate MTN due 01/19/2017 - PALC Trust	US Bank	150,000	151,016	151,016	3.375	3.350	111	A+	1/19/2017	1	
108663000	96121BA3	Wespac Banking Corporation	2.3% Corporate MTN 02/15/2017 - PALC Trust	US Bank	130,000	130,040	130,040	2.300	2.300	138	AA-	2/15/2017	1	
108663000	96121BA5	Wespac Banking Corporation	2.5% Corporate MTN 02/15/2017 - PALC Trust	US Bank	370,000	369,852	369,852	2.500	2.500	138	AA-	2/15/2017	2	
			Subtotal and Average		1,580,000	1,599,950	1,599,950	3.271	3.227	353			6	
Federal Agency Securities														
19-516680	3130A2D2	Federal Home Loan Banks	1.52% Agency Bond 8/25/2021 - City Reserves	US Bank	1,000,000	995,810	995,810	1.520	1.530	1,790	AA+	8/25/2021	75	
108663000	3135G0N66	Federal National Mortgage Assn.	1.40% Agency Bond 8/24/2020 - PALC Trust	US Bank	500,000	500,045	500,045	1.400	1.400	1,424	AA+	8/24/2020	30	
108663000	3134G95L7	Federal Home Loan Mortgage Corp.	1.60% Agency Bond 8/25/2021 - PALC Trust	US Bank	1,000,000	998,850	998,850	1.600	1.600	1,790	AA+	8/25/2021	75	
			Subtotal and Average		2,500,000	2,494,705	2,494,705	1.507	1.510	1,668			60	
Municipal Bonds														
108663000	13063BFQ0	State of California	5.75% Muni Bond due 03/01/2017 - PALC Trust	US Bank	355,000	362,352	362,352	5.750	5.630	152	AA-	3/1/2017	2	
108663000	13063CKL3	State of California	2.25% Muni Bond due 05/01/2019 - PALC Trust	US Bank	95,000	97,264	97,264	2.250	2.200	943	AA-	5/1/2019	4	
			Subtotal and Average		450,000	459,616	459,616	4.000	3.915	548			3	
Investment Portfolio Total and Average					\$ 23,772,866	\$ 23,841,851	\$ 23,841,851	1.640	1.619	552			12	

Average Years : 1.5