



CITY COUNCIL REPORT

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DATE: NOVEMBER 21, 2017

TO: MAYOR AND COUNCIL MEMBERS

**FROM: ANDREA MILLER, FINANCE DIRECTOR
DINA ROSALES, CITY TREASURER**

**SUBJECT: RECEIVE THE QUARTERLY INVESTMENT REPORT FOR THE
QUARTER ENDING SEPTEMBER 30, 2017**

RECOMMENDATION

Receive the Quarterly Investment Report for the quarter ending September 30, 2017.

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, 2017 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, 2017 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, 2017, follows:

Investments	Market Value	% of Portfolio
Investment Pool - LAIF	12,116,930	39.39%
Investment Pool - JPA	3,093,793	10.06%
Money Market Savings	6,262,220	20.36%
Mutual Funds	1,598,926	5.20%
Certificates of Deposit	3,712,730	12.07%
Medium-Term Corporate Notes	927,441	3.02%
Federal Agency Securities	2,950,935	9.59%
Municipal Bonds	95,478	0.31%
Investment Total	\$ 30,758,453	100.0%

Investment Yield and Duration:

The current aggregate yield of the City's investment portfolio is stabilized at 1.457%. This investment yield is higher than the current yield of 1.12% 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 2.05%, a comparable "performance" benchmark of similar "duration" and "weighted average maturity." This is primarily the result of unrealized losses on investments held during the second quarter even though we had gains in interest during the third and fourth quarters. Earnings on investments held until maturity typically fluctuate with market conditions and are considered "unrealized" prior to maturity. Losses on investments are typical during an election year and the City expects to yield a gain on all investments at maturity.

Cash Flows:

Sufficient cash inflows were available from July through September 2017 to meet all City expenditures. In addition, the City has sufficient cash flow at September 30, 2017 to cover anticipated expenditures through the next six months.

Investment Strategy:

The City applies a "laddered maturity" investment strategy to a portion of the asset allocation in our investment portfolio, currently 24.99%. 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.

The City increased its allocation of the investment portfolio to the LAIF account during the fourth quarter of FY 2016-17. Interest earnings of \$40,124.63 were generated for the quarter ended September 30, 2017. This is compared to combined average annual interest earnings in the LAIF and Mechanics Bank Money Market accounts of \$5,000 per year previously. LAIF currently represents 39.39% of the City's investment portfolio.

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, 2017 are higher than prior year's first quarter earnings as a result of the increase in LAIF account allocations.

ATTACHMENTS

Attachment A –Investment Report - Quarter Ending September 30, 2017

**CITY OF PINOLE
INVESTMENT REPORT SEPTEMBER 2017
PORTFOLIO SUMMARY**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	12,116,930	12,116,930	12,116,930	39.39%	1	1.120	0
Investment Pool - JPA	3,093,793	3,093,793	3,093,793	10.06%	1	1.345	0
Money Market Savings	6,262,220	6,262,220	6,262,220	20.36%	1	0.037	0
Mutual Funds	1,598,926	1,598,926	1,598,926	5.20%	1	0.360	0
Certificates of Deposit	3,725,000	3,712,730	3,712,730	12.07%	1,097	1.863	8
Medium-Term Corporate Notes	900,000	927,441	927,441	3.02%	1,329	2.885	20
Federal Agency Securities	3,000,000	2,950,935	2,950,935	9.59%	1,286	1.545	32
Municipal Bonds	95,000	95,478	95,478	0.31%	578	2.240	2
Subtotal Investments	\$ 30,791,869	\$ 30,758,453	30,758,453	100.00%	613	1.457	9

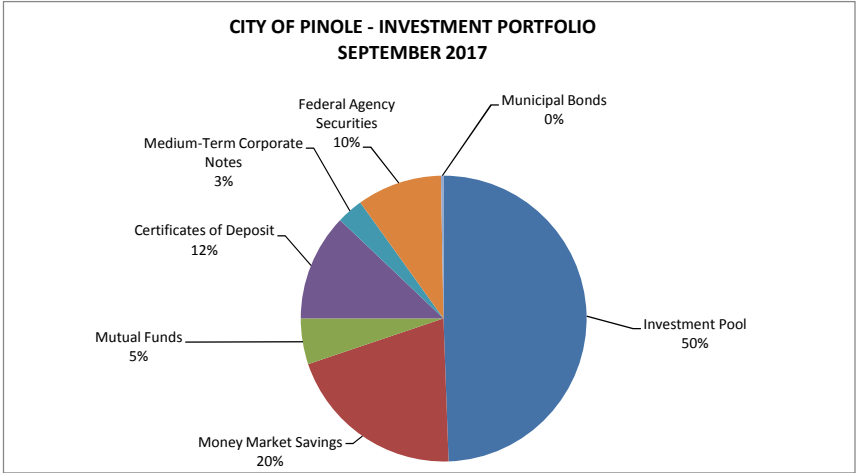
Average Years: 1.7

Cash							
Mechanics Bank - Vendor Checking *	3,679,609	3,679,609	3,679,609		1		
Bank of the West - Payroll Checking *	1,701,988	1,701,988	1,701,988		1		
Bank of the West - Checking (Credit Card Clearing) *	78,083	78,083	78,083		1		
Subtotal Cash	5,459,680	5,459,680	5,459,680		1		

Total Cash and Investments \$ 36,251,549 \$ 36,218,133 \$ 36,218,133

*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 2017
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
Investment Pool													
		Local Agency Investment Fund (LAIF)	Pooled Treasury - State of California	LAIF	12,116,930	12,116,930	12,116,930	1.120	1.120	1	N/A		0
		CalTrust - Short Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	22,961	22,961	22,961	1.230	1.230	1	N/A		0
	12,116,930	CalTrust - Medium Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	3,070,832	3,070,832	3,070,832	1.460	1.460	1	N/A		0
			Subtotal and Average		15,210,723	15,210,723	15,210,723	1.270	1.270	1			0
Money Market Savings													
		Mechanics Bank	Money Market Savings (City)	City	2,661,583	2,661,583	2,661,583	0.030	0.030	1	N/A		0
		Bank of the West	Money Market Savings - Police Evidence Trust	City	28,409	28,409	28,409	0.080	0.080	1	N/A		0
84501100	999491905	Wells Fargo Bank	Money Market - WPCP Escrow	Wells Fargo	3,572,228	3,572,228	3,572,228	0.000	0.000	1	N/A		0
			Subtotal and Average		6,262,220	6,262,220	6,262,220	0.037	0.037	1			0
Mutual Funds													
19-516680		U.S. Bank	Accrued Income - City Reserve	US Bank	7,155	7,155	7,155	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	103,051	103,051	103,051	0.610	0.610	1	N/A		0
108663000	31846V302	1st American Treasury Obligation Fund	Mutual Fund Shares - Class "D" - PALC Trust	US Bank	1,488,720	1,488,720	1,488,720	0.470	0.470	1	N/A		0
			Subtotal and Average		1,598,926	1,598,926	1,598,926	0.360	0.360	1			0
Certificates of Deposit													
19-516680	02587DJ90	American Express Centurion	Certificates of Deposit - City Reserves	US Bank	247,000	247,832	247,832	2.250	2.240	1,166	N/A	12/9/2020	9
19-516680	140420A59	Capital One Bank	Certificates of Deposit - City Reserves	US Bank	248,000	243,286	243,286	1.600	1.630	1,403	N/A	8/3/2021	11
19-516680	29266NV79	Enerbank USA	Certificates of Deposit - City Reserves	US Bank	249,000	249,052	249,052	1.750	1.750	800	N/A	12/9/2019	6
19-516680	29976DQ86	Everbank Jacksonville FL	Certificates of Deposit - City Reserves	US Bank	125,000	122,826	122,826	1.500	1.530	1,412	N/A	8/12/2021	6
19-516680	48126XAH8	JP Morgan Chase Bank	Certificates of Deposit - City Reserves	US Bank	247,000	242,342	242,342	1.650	1.680	1,416	N/A	8/16/2021	11
19-516680	795450XM2	Sallie Mae Bank	Certificates of Deposit - City Reserves	US Bank	125,000	126,078	126,078	2.200	2.180	1,173	N/A	12/16/2020	5
19-516680	9497485W3	Wells Fargo Bank	Certificates of Deposit - City Reserves	US Bank	249,000	245,825	245,825	1.750	1.770	1,356	N/A	6/17/2021	11
108663000	795450RA5	Sallie Mae Bank	Certificates of Deposit - PALC Trust	US Bank	125,000	125,846	125,846	2.150	2.140	395	N/A	10/30/2018	2
108663000	686184WJ7	Oriental Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	247,284	247,284	1.750	1.750	443	N/A	12/17/2018	4
108663000	38148JGL9	Goldman Sachs Bank	Certificates of Deposit - PALC Trust	US Bank	250,000	252,125	252,125	2.200	2.180	829	N/A	1/7/2020	7
108663000	700654AX4	Park National Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	246,978	246,978	1.800	1.800	912	N/A	3/30/2020	7
108663000	57116AMW5	Marlin Business Bank	Certificates of Deposit - PALC Trust	US Bank	250,000	245,153	245,153	1.400	1.430	1,124	N/A	10/28/2020	9
108663000	05580ADM3	BMW Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	249,127	249,127	2.250	2.230	1,175	N/A	12/18/2020	10
108663000	46147USN1	Investors Community Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	245,893	245,893	1.800	1.810	1,245	N/A	2/26/2021	10
108663000	29976DQ86	Everbank Jacksonville FL	Certificates of Deposit - PALC Trust	US Bank	125,000	122,826	122,826	1.500	1.530	1,412	N/A	8/12/2021	6
108663000	254672X37	Discover Bank Greenwood Del	Certificates of Deposit - PALC Trust	US Bank	247,000	248,020	248,020	2.150	2.140	1,543	N/A	12/21/2021	12
108663000	74267GUU9	Private Bank Trust	Certificates of Deposit - PALC Trust	US Bank	250,000	252,238	252,238	1.900	1.880	845	N/A	1/23/2020	7
			Subtotal and Average		3,725,000	3,712,730	3,712,730	1.859	1.863	1,097			8
Medium-Term Corporate Notes													
19-516680	037833BS8	Apple Inc.	2.25% Corporate MTN 02/23/2021 - City Reserves	US Bank	500,000	504,025	504,025	2.250	2.230	1,242	AA+	2/23/2021	20
108663000	084670BC1	Berkshire Hathaway, Inc.	3.75% Corporate MTN 8/15/2021 - PALC Trust	US Bank	400,000	423,416	423,416	3.750	3.540	1,415	AA	8/15/2021	19
			Subtotal and Average		900,000	927,441	927,441	3.000	2.885	1,329			20
Federal Agency Securities													
19-516680	3130A2D2	Federal Home Loan Banks	1.52% Agency Bond 8/25/2021 - City Reserves	US Bank	1,000,000	974,670	974,670	1.520	1.560	1,425	AA+	8/25/2021	45
108663000	3135G0N66	Federal National Mortgage Assn.	1.40% Agency Bond 8/24/2020 - PALC Trust	US Bank	500,000	494,530	494,530	1.400	1.410	1,059	AA+	8/24/2020	17
108663000	3133EGAZ8	Federal Farm Credit Banks	1.58% Agency Bond 2/17/2021 - PALC Trust	US Bank	500,000	495,695	495,695	1.580	1.590	1,236	AA+	2/17/2021	20
108663000	3134G95L7	Federal Home Loan Mortgage Corp.	1.60% Agency Bond 8/25/2021 - PALC Trust	US Bank	1,000,000	986,040	986,040	1.600	1.620	1,425	AA+	8/25/2021	46
			Subtotal and Average		3,000,000	2,950,935	2,950,935	1.525	1.545	1,286			32
Municipal Bonds													
108663000	13063CKL3	State of California	2.25% Muni Bond due 05/01/2019 - PALC Trust	US Bank	95,000	95,478	95,478	2.250	2.240	578	AA-	5/1/2019	2
			Subtotal and Average		95,000	95,478	95,478	2.250	2.240	578			2
Investment Portfolio Total and Average					\$ 30,791,869	\$ 30,758,453	\$ 30,758,453	1.471	1.457	613			9

Average Years : 1.7