



CITY COUNCIL REPORT

7E

DATE: DECEMBER 18, 2018

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, 2018**

RECOMMENDATION

Receive the Quarterly Investment Report for the quarter ending September 30, 2018.

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, 2018 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, 2018 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, 2018, follows:

Investments	Market Value	% of Portfolio
Investment Pool - LAIF	17,297,406	49.03%
Investment Pool - JPA	3,103,741	8.80%
Money Market Savings	5,586,278	15.84%
Mutual Funds	1,633,525	4.63%
Certificates of Deposit	3,765,891	10.67%
Medium-Term Corporate Notes	900,934	2.55%
Federal Agency Securities	2,895,490	8.21%
Municipal Bonds	94,730	0.27%
Investment Total	\$ 35,277,994	100.0%

Investment Yield and Duration:

The current aggregate yield of the City's investment portfolio is stabilized at 1.826%. This investment yield is slightly lower than the current yield of 2.090% for the State of California's Local Agency Investment Fund (LAIF). LAIF yields have continued to increase over the past year, and are higher than long-term investment yields in some cases which have caused our aggregate yield to be slightly less than the LAIF yield. In addition, 16% of our portfolio is in money market funds which earn 0.047% interest. LAIF and other pooled funds make up 74% of our investment portfolio.

Long-term investments make up 26% of our portfolio, and currently yields 2.074%; almost the same as 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.

Cash Flows:

Sufficient cash inflows were available from July through September 2018 to meet all City expenditures. In addition, the City has sufficient cash flow at September 30, 2018 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 a portion of the asset allocation in our investment portfolio, currently 26.34%. 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.

Of the total investment portfolio, 73.66% is held in investment pools and money market accounts. Of this amount, LAIF currently represents 49.03% of the City's investment portfolio. Interest earnings of \$75,976 were generated in LAIF for the quarter ended September 30, 2018. The Investment Policy allows for up to 100% of the City's investment portfolio in LAIF which is currently at 2.090% 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.

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, 2018 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, 2018

**CITY OF PINOLE
INVESTMENT REPORT SEPTEMBER 2018
PORTFOLIO SUMMARY**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	17,297,406	17,297,406	17,297,406	49.03%	1	2.090	0
Investment Pool - JPA	3,103,741	3,103,741	3,103,741	8.80%	1	2.505	0
Money Market Savings	5,586,278	5,586,278	5,586,278	15.84%	1	0.047	0
Mutual Funds	1,633,525	1,633,525	1,633,525	4.63%	1	1.620	0
Certificates of Deposit	3,850,000	3,765,891	3,765,891	10.67%	724	1.937	4
Medium-Term Corporate Notes	900,000	900,934	900,934	2.55%	964	2.975	12
Federal Agency Securities	3,000,000	2,895,490	2,895,490	8.21%	921	1.578	20
Municipal Bonds	95,000	94,730	94,730	0.27%	213	2.260	1
Subtotal Investments	\$ 35,465,949	\$ 35,277,994	35,277,994	100.00%	404	1.826	5

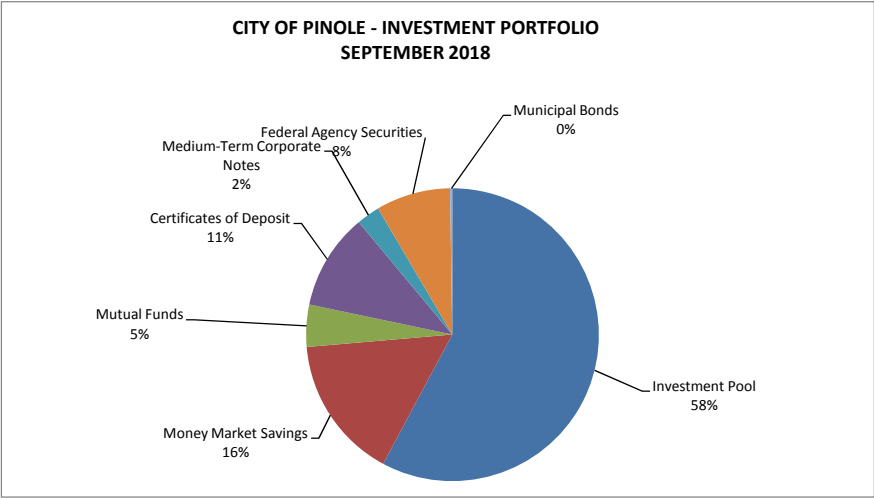
Average Years: 1.1

Cash	
Mechanics Bank - Vendor Checking *	1,747,798
Bank of the West - Payroll Checking *	1,505,837
Bank of the West - Checking (Credit Card Clearing) *	237,908
Subtotal Cash	3,491,543

Total Cash and Investments \$ 38,957,491 \$ 38,769,537 \$ 38,769,537

*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 2018
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	17,297,406	17,297,406	17,297,406	2.090	2.090	1	N/A		0
		CalTrust - Short Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	23,332	23,332	23,332	2.270	2.270	1	N/A		0
		CalTrust - Medium Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	3,080,408	3,080,408	3,080,408	2.740	2.740	1	N/A		0
			Subtotal and Average		20,401,146	20,401,146	20,401,146	2.367	2.367	1			0
Money Market Savings													
		Mechanics Bank	Money Market Savings (City)	City	3,064,381	3,064,381	3,064,381	0.030	0.030	1	N/A		0
		Bank of the West	Money Market Savings - Police Evidence Trust	City	28,232	28,232	28,232	0.080	0.080	1	N/A		0
84501100	999491905	Wells Fargo Bank	Money Market - WPCP Escrow	Wells Fargo	2,493,665	2,493,665	2,493,665	0.000	0.030	1	N/A		0
			Subtotal and Average		5,586,278	5,586,278	5,586,278	0.037	0.047	1			0
Mutual Funds													
19-516680		U.S. Bank	Accrued Income - City Reserve	US Bank	8,390	8,390	8,390	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	29,574	29,574	29,574	1.680	1.680	1	N/A		0
108663000	31846V302	1st American Treasury Obligation Fund	Mutual Fund Shares - Class "D" - PALC Trust	US Bank	1,595,561	1,595,561	1,595,561	1.560	1.560	1	N/A		0
			Subtotal and Average		1,633,525	1,633,525	1,633,525	1.080	1.620	1			0
Certificates of Deposit													
19-516680	02587DJ90	American Express Centurion	Certificates of Deposit - City Reserves	US Bank	247,000	242,351	242,351	2.250	2.290	801	N/A	12/9/2020	6
19-516680	140420A59	Capital One Bank	Certificates of Deposit - City Reserves	US Bank	248,000	237,200	237,200	1.600	1.670	1,038	N/A	8/3/2021	7
19-516680	29266NV79	Enerbank USA	Certificates of Deposit - City Reserves	US Bank	249,000	246,525	246,525	1.750	1.770	435	N/A	12/9/2019	3
19-516680	29976DQ86	Everbank Jacksonville FL	Certificates of Deposit - City Reserves	US Bank	125,000	119,654	119,654	1.500	1.570	1,047	N/A	8/12/2021	4
19-516680	48126XAH8	JP Morgan Chase Bank	Certificates of Deposit - City Reserves	US Bank	247,000	236,134	236,134	1.650	1.730	1,051	N/A	8/16/2021	7
19-516680	795450XM2	Sallie Mae Bank	Certificates of Deposit - City Reserves	US Bank	125,000	123,011	123,011	2.200	2.240	808	N/A	12/16/2020	3
19-516680	9497485W3	Wells Fargo Bank	Certificates of Deposit - City Reserves	US Bank	249,000	239,707	239,707	1.750	1.820	991	N/A	6/17/2021	7
19-516680	96009JAR8	Westfield Bank Mass	Certificates of Deposit - City Reserves	US Bank	125,000	124,590	124,590	2.550	2.560	589	N/A	5/11/2020	2
108663000	795450RA5	Sallie Mae Bank	Certificates of Deposit - PALC Trust	US Bank	125,000	125,025	125,025	2.150	2.150	30	N/A	10/30/2018	0
108663000	686184WJ7	Oriental Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	246,758	246,758	1.750	1.750	78	N/A	12/17/2018	1
108663000	38148JGL9	Goldman Sachs Bank	Certificates of Deposit - PALC Trust	US Bank	250,000	248,480	248,480	2.200	2.210	464	N/A	1/7/2020	3
108663000	74267GUU9	Private Bank Trust	Certificates of Deposit - PALC Trust	US Bank	250,000	248,435	248,435	1.900	1.910	480	N/A	1/23/2020	3
108663000	700654AX4	Park National Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	243,678	243,678	1.800	1.820	547	N/A	3/30/2020	4
108663000	57116AMW5	Marlin Business Bank	Certificates of Deposit - PALC Trust	US Bank	250,000	241,680	241,680	1.400	1.450	759	N/A	10/28/2020	5
108663000	05580ADM3	BMW Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	243,058	243,058	2.250	2.290	810	N/A	12/18/2020	6
108663000	46147USN1	Investors Community Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	240,220	240,220	1.800	1.850	880	N/A	2/26/2021	6
108663000	29976DQ86	Everbank Jacksonville FL	Certificates of Deposit - PALC Trust	US Bank	125,000	119,654	119,654	1.500	1.570	1,047	N/A	8/12/2021	4
108663000	254672X37	Discover Bank Greenwood Del	Certificates of Deposit - PALC Trust	US Bank	247,000	239,731	239,731	2.150	2.210	1,178	N/A	12/21/2021	8
			Subtotal and Average		3,850,000	3,765,891	3,765,891	1.897	1.937	724			4
Medium-Term Corporate Notes													
19-516680	037833BS8	Apple Inc.	2.25% Corporate MTN 02/23/2021 - City Reserves	US Bank	500,000	491,090	491,090	2.250	2.290	877	AA+	2/23/2021	12
108663000	084670BC1	Berkshire Hathaway, Inc.	3.75% Corporate MTN 8/15/2021 - PALC Trust	US Bank	400,000	409,844	409,844	3.750	3.660	1,050	AA	8/15/2021	12
			Subtotal and Average		900,000	900,934	900,934	3.000	2.975	964			12
Federal Agency Securities													
19-516680	3130A2D2	Federal Home Loan Banks	1.52% Agency Bond 8/25/2021 - City Reserves	US Bank	1,000,000	962,050	962,050	1.520	1.580	1,060	AA+	8/25/2021	29
108663000	3135G0N66	Federal National Mortgage Assn.	1.40% Agency Bond 8/24/2020 - PALC Trust	US Bank	500,000	486,280	486,280	1.400	1.440	694	AA+	8/24/2020	10
108663000	3133EGAZ8	Federal Farm Credit Banks	1.58% Agency Bond 2/17/2021 - PALC Trust	US Bank	500,000	485,270	485,270	1.580	1.630	871	AA+	2/17/2021	12
108663000	3134G95L7	Federal Home Loan Mortgage Corp.	1.60% Agency Bond 8/25/2021 - PALC Trust	US Bank	1,000,000	961,890	961,890	1.600	1.660	1,060	AA+	8/25/2021	29
			Subtotal and Average		3,000,000	2,895,490	2,895,490	1.525	1.578	921			20
Municipal Bonds													
108663000	13063CKL3	State of California	2.25% Muni Bond due 05/01/2019 - PALC Trust	US Bank	95,000	94,730	94,730	2.250	2.260	213	AA-	5/1/2019	1
			Subtotal and Average		95,000	94,730	94,730	2.250	2.260	213			1
Investment Portfolio Total and Average					\$ 35,465,949	\$ 35,277,994	\$ 35,277,994	1.737	1.826	404			5

Average Years : 1.1