



# CITY COUNCIL REPORT

# 5D

**DATE:** FEBRUARY 21, 2017

**TO:** MAYOR AND COUNCIL MEMBERS

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

**SUBJECT:** QUARTERLY INVESTMENT REPORT (12/31/16)

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## **RECOMMENDATION**

Receive the Quarterly Investment Report for the quarter ending December 31, 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 December 31, 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 December 31, 2016 conform to the City's Investment Policy and State Regulations. A summary of the balances held in the investment portfolio (Attachment A), at December 31, 2016, follows:

<b>Investments</b>	<b>Market Value</b>	<b>% of Portfolio</b>
Investment Pool - LAIF	93,216	0.33%
Investment Pool - JPA	3,061,103	10.82%
Money Market Savings	16,007,418	56.60%
Mutual Funds	276,631	0.98%
Certificates of Deposit	3,964,096	14.02%
Medium-Term Corporate Notes	2,005,510	7.09%
Federal Agency Securities	2,421,685	8.56%
Municipal Bonds	454,127	1.61%
<b>Investment Total</b>	<b>\$ 28,283,786</b>	<b>100.0%</b>

### **Investment Yield and Duration:**

The current aggregate yield of the City's investment portfolio is stabilized at 1.658%. This investment yield is significantly higher than the current yield of 0.73% 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 2.06%, 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. 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 October through December 2016 to meet all City expenditures. In addition, the City has sufficient cash flow at December 31, 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 December 31, 2016 are in line with prior year's second quarter earnings.

### **ATTACHMENTS**

Attachment A –Investment Report - Quarter Ending December 31, 2016

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

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	93,216	93,216	93,216	0.33%	1	0.730	0
Investment Pool - JPA	3,061,103	3,061,103	3,061,103	10.82%	1	1.015	0
Money Market Savings	16,007,418	16,007,418	16,007,418	56.60%	1	0.037	0
Mutual Funds	276,631	276,631	276,631	0.98%	1	0.003	0
Certificates of Deposit	3,975,000	3,964,096	3,964,096	14.02%	1,211	1.840	9
Medium-Term Corporate Notes	1,980,000	2,005,510	2,005,510	7.09%	439	3.293	7
Federal Agency Securities	2,500,000	2,421,685	2,421,685	8.56%	1,576	1.557	46
Municipal Bonds	450,000	454,127	454,127	1.61%	456	3.960	2
<b>Subtotal Investments</b>	<b>\$ 28,343,368</b>	<b>\$ 28,283,786</b>	<b>28,283,786</b>	<b>100.00%</b>	<b>526</b>	<b>1.658</b>	<b>9</b>

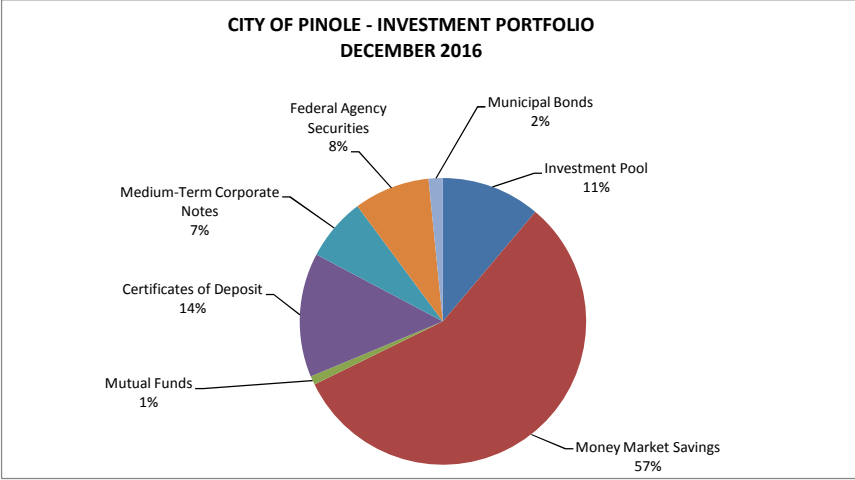
**Average Years: 1.4**

<b>Cash</b>							
Mechanics Bank - Vendor Checking *	1,680,053	1,680,053	1,680,053		1		
Bank of the West - Payroll Checking *	1,517,387	1,517,387	1,517,387		1		
Bank of the West - Checking (Credit Card Clearing) *	1,564,079	1,564,079	1,564,079		1		
<b>Subtotal Cash</b>	<b>4,761,518</b>	<b>4,761,518</b>	<b>4,761,518</b>		<b>1</b>		

**Total Cash and Investments \$ 33,104,886 \$ 33,045,304 \$ 33,045,304**

\*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 DECEMBER 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
<b>Investment Pool</b>														
		Local Agency Investment Fund (LAIF)	Pooled Treasury - State of California	LAIF	93,216	93,216	93,216	0.680	0.730	1	N/A		0	12/31/2016
		CalTrust - Short Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	22,759	22,759	22,759	0.880	0.920	1	N/A		0	
		CalTrust - Medium Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	3,038,344	3,038,344	3,038,344	1.070	1.110	1	N/A		0	
			Subtotal and Average		3,154,319	3,154,319	3,154,319	0.877	0.920	1			0	
<b>Money Market Savings</b>														
		Mechanics Bank	Money Market Savings (City)	City	14,729,574	14,729,574	14,729,574	0.030	0.030	1	N/A		1	
84501100	999491905	Bank of the West	Money Market Savings - Police Evidence Trust	City	28,552	28,552	28,552	0.080	0.080	1	N/A		0	
		Wells Fargo Bank	Money Market - WPCP Escrow	Wells Fargo	1,249,293	1,249,293	1,249,293	0.000	0.000	1	N/A		0	
			Subtotal and Average		16,007,418	16,007,418	16,007,418	0.037	0.037	1			0	
<b>Mutual Funds</b>														
19-516680		U.S. Bank	Accrued Income - City Reserve	US Bank	13,145	13,145	13,145	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	58,691	58,691	58,691	0.001	0.010	1	N/A		0	
108663000	31846V302	1st American Treasury Obligation Fund	Mutual Fund Shares - Class "D" - PALC Trust	US Bank	204,795	204,795	204,795	0.000	0.000	1	N/A		0	
			Subtotal and Average		276,631	276,631	276,631	0.000	0.003	1			0	
<b>Certificates of Deposit</b>														
19-516680	02587DJ90	American Express Centurion	Certificates of Deposit - City Reserves	US Bank	247,000	250,594	250,594	2.250	2.220	1,439	N/A	12/9/2020	13	
19-516680	140420A59	Capital One Bank	Certificates of Deposit - City Reserves	US Bank	248,000	242,232	242,232	1.600	1.640	1,676	N/A	8/3/2021	14	
19-516680	29266NV79	Enerbank USA	Certificates of Deposit - City Reserves	US Bank	249,000	250,419	250,419	1.750	1.740	1,073	N/A	12/9/2019	10	
19-516680	29976DQ86	Everbank Jacksonville FL	Certificates of Deposit - City Reserves	US Bank	125,000	122,305	122,305	1.500	1.530	1,685	N/A	8/12/2021	7	
19-516680	48126XAH8	JP Morgan Chase Bank	Certificates of Deposit - City Reserves	US Bank	247,000	241,225	241,225	1.650	1.690	1,689	N/A	8/16/2021	14	
19-516680	795450XM2	Sallie Mae Bank	Certificates of Deposit - City Reserves	US Bank	125,000	126,805	126,805	2.200	2.170	1,446	N/A	12/16/2020	6	
19-516680	9497485W3	Wells Fargo Bank	Certificates of Deposit - City Reserves	US Bank	249,000	245,282	245,282	1.750	1.780	1,629	N/A	6/17/2021	14	
108663000	856284D76	State Bank India	Certificates of Deposit - PALC Trust	US Bank	247,000	247,694	247,694	1.650	1.640	82	N/A	3/23/2017	1	
108663000	36157PCD9	GE Capital Retail Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	247,820	247,820	1.850	1.840	103	N/A	4/13/2017	1	
108663000	795450RA5	Sallie Mae Bank	Certificates of Deposit - PALC Trust	US Bank	125,000	126,904	126,904	2.150	2.120	2	N/A	10/30/2018	0	
108663000	886184WJ7	Oriental Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	248,018	248,018	1.750	1.740	716	N/A	12/17/2018	6	
108663000	38148JGL9	Goldman Sachs Bank	Certificates of Deposit - PALC Trust	US Bank	250,000	254,180	254,180	2.200	2.160	1,102	N/A	1/7/2020	10	
108663000	57116AMW5	Marlin Business Bank	Certificates of Deposit - PALC Trust	US Bank	250,000	245,195	245,195	1.400	1.430	1,397	N/A	10/29/2020	12	
108663000	05580ADM3	BMW Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	250,554	250,554	2.250	2.220	1,448	N/A	12/18/2020	13	
108663000	29976DQ86	Everbank Jacksonville FL	Certificates of Deposit - PALC Trust	US Bank	125,000	122,305	122,305	1.500	1.530	1,685	N/A	8/12/2021	7	
108663000	140420B86	Capital One Bank	Certificates of Deposit - PALC Trust	US Bank	250,000	244,028	244,028	1.600	1.640	1,690	N/A	8/17/2021	15	
108663000	254672X37	Discover Bank Greenwood Del	Certificates of Deposit - PALC Trust	US Bank	247,000	247,746	247,746	2.150	2.140	1,816	N/A	12/21/2021	16	
108663000	74267GUU9	Private Bank Trust	Certificates of Deposit - PALC Trust	US Bank	250,000	250,790	250,790	1.900	1.890	1,118	N/A	1/23/2020	10	
			Subtotal and Average		3,975,000	3,964,096	3,964,096	1.839	1.840	1,211			9	
<b>Medium-Term Corporate Notes</b>														
19-516680	037833BS8	Apple Inc.	2.25% Corporate MTN 02/23/2021 - City Reserves	US Bank	500,000	499,585	499,585	2.250	2.250	1,515	AA+	2/23/2021	27	
108663000	084670BD9	Berkshire Hathaway, Inc.	1.9% Corporate MTN 01/31/2017 - PALC Trust	US Bank	150,000	150,078	150,078	1.900	1.900	31	AA	1/31/2017	0	
108663000	532457BB3	Eli Lilly Company	5.2% Corporate MTN 03/15/2017 - PALC Trust	US Bank	150,000	151,220	151,220	5.200	5.160	74	AA-	3/15/2017	0	
108663000	931142CG6	Wal Mart Stores, Inc.	5.375% Corporate MTN 04/05/2017 - PALC Trust	US Bank	130,000	131,425	131,425	5.375	5.320	95	AA	4/5/2017	0	
108663000	084670BC1	Berkshire Hathaway, Inc.	3.75% Corporate MTN 8/15/2021 - PALC Trust	US Bank	400,000	423,612	423,612	3.750	3.540	1,688	AA	8/15/2021	25	
108663000	21686CAD2	Cooperative Centrale Raiffeisen	3.375% Corporate MTN due 01/19/2017 - PALC Trust	US Bank	150,000	150,137	150,137	3.375	3.370	19	A+	1/19/2017	0	
108663000	96121BAY3	Wespac Banking Corporation	2.3% Corporate MTN 02/15/2017 - PALC Trust	US Bank	130,000	129,943	129,943	2.300	2.300	46	AA-	2/15/2017	0	
108663000	96121BAX5	Wespac Banking Corporation	2.5% Corporate MTN 02/15/2017 - PALC Trust	US Bank	370,000	369,512	369,512	2.500	2.500	46	AA-	2/15/2017	1	
			Subtotal and Average		1,980,000	2,005,510	2,005,510	3.331	3.293	439			7	
<b>Federal Agency Securities</b>														
19-516680	3130A2D2	Federal Home Loan Banks	1.52% Agency Bond 8/25/2021 - City Reserves	US Bank	1,000,000	969,160	969,160	1.520	1.570	1,698	AA+	8/25/2021	58	
108663000	3135G0N66	Federal National Mortgage Assn.	1.40% Agency Bond 8/24/2020 - PALC Trust	US Bank	500,000	486,935	486,935	1.400	1.440	1,332	AA+	8/24/2020	23	
108663000	3134G95L7	Federal Home Loan Mortgage Corp.	1.60% Agency Bond 8/25/2021 - PALC Trust	US Bank	1,000,000	965,590	965,590	1.600	1.660	1,698	AA+	8/25/2021	58	
			Subtotal and Average		2,500,000	2,421,685	2,421,685	1.507	1.557	1,576			46	
<b>Municipal Bonds</b>														
108663000	13063BFQ0	State of California	5.75% Muni Bond due 03/01/2017 - PALC Trust	US Bank	355,000	357,797	357,797	5.750	5.700	60	AA-	3/1/2017	1	
108663000	13063CKL3	State of California	2.25% Muni Bond due 05/01/2019 - PALC Trust	US Bank	95,000	96,330	96,330	2.250	2.220	851	AA-	5/1/2019	3	
			Subtotal and Average		450,000	454,127	454,127	4.000	3.960	456			2	
<b>Investment Portfolio Total and Average</b>					<b>\$ 28,343,368</b>	<b>\$ 28,283,786</b>	<b>\$ 28,283,786</b>	<b>1.656</b>	<b>1.658</b>	<b>526</b>			<b>9</b>	

Average Years : 1.4