



CITY COUNCIL REPORT

7B

DATE: MARCH 6, 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 DECEMBER 31, 2017**

RECOMMENDATION

Receive the Quarterly Investment Report for the quarter ending December 31, 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 December 31, 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 December 31, 2017 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, 2017, follows:

Investments	Market Value	% of Portfolio
Investment Pool - LAIF	12,157,055	34.25%
Investment Pool - JPA	3,090,332	8.71%
Money Market Savings	10,992,317	30.97%
Mutual Funds	326,533	0.92%
Certificates of Deposit	4,187,877	11.80%
Medium-Term Corporate Notes	1,719,375	4.84%
Federal Agency Securities	2,927,210	8.25%
Municipal Bonds	95,321	0.27%
Investment Total	\$ 35,496,019	100.0%

Investment Yield and Duration:

The current aggregate yield of the City's investment portfolio is stabilized at 1.462%. This investment yield is higher than the current yield of 1.28% for the State of California's Local Agency Investment Fund (LAIF), and lower than the Merrill Lynch US Corporate 1-3 Year effective yield of 2.40%, a comparable "performance" benchmark of similar "duration" and "weighted average maturity." 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 December 2017 to meet all City expenditures. In addition, the City has sufficient cash flow at December 31, 2017 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 26.08%. 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.

73.92% of the investment portfolio is held in investment pools and money market accounts. Of this amount, LAIF currently represents 34.25% of the City's investment portfolio. Interest earnings of \$36,905 were generated in LAIF for the quarter ended December 31, 2017.

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

ATTACHMENTS

Attachment A –Investment Report - Quarter Ending December 31, 2017

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

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	12,157,055	12,157,055	12,157,055	34.25%	1	1.280	0
Investment Pool - JPA	3,090,332	3,090,332	3,090,332	8.71%	1	1.640	0
Money Market Savings	10,992,317	10,992,317	10,992,317	30.97%	1	0.037	0
Mutual Funds	326,533	326,533	326,533	0.92%	1	0.547	0
Certificates of Deposit	4,225,000	4,187,877	4,187,877	11.80%	915	1.817	6
Medium-Term Corporate Notes	1,700,000	1,719,375	1,719,375	4.84%	883	2.513	12
Federal Agency Securities	3,000,000	2,927,210	2,927,210	8.25%	1,194	1.560	26
Municipal Bonds	95,000	95,321	95,321	0.27%	486	2.240	1
Subtotal Investments	\$ 35,586,236	\$ 35,496,019	35,496,019	100.00%	497	1.462	6

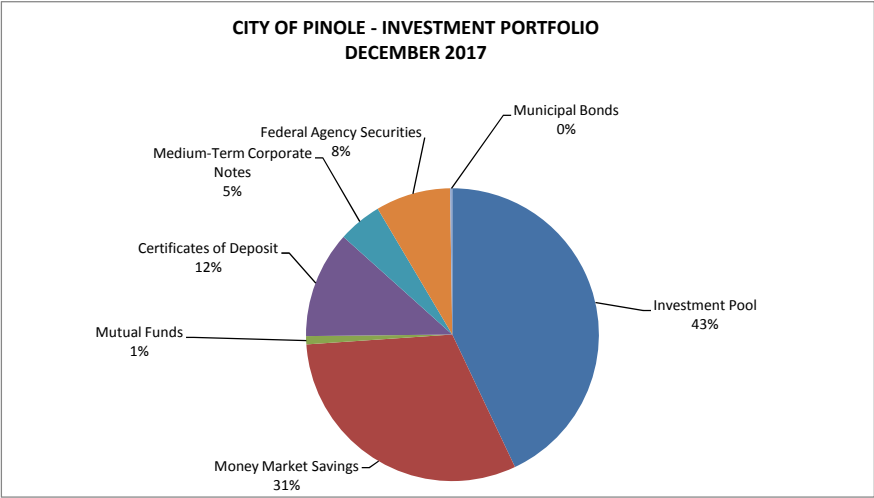
Average Years: 1.4

Cash							
Mechanics Bank - Vendor Checking *	1,789,644	1,789,644	1,789,644		1		
Bank of the West - Payroll Checking *	1,730,369	1,730,369	1,730,369		1		
Bank of the West - Checking (Credit Card Clearing) *	291,179	291,179	291,179		1		
Subtotal Cash	3,811,192	3,811,192	3,811,192		1		

Total Cash and Investments \$ 39,397,428 \$ 39,307,211 \$ 39,307,211

*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 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	12,157,055	12,157,055	12,157,055	1.280	1.280	1	N/A		0
		CalTrust - Short Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	23,012	23,012	23,012	1.430	1.430	1	N/A		0
		CalTrust - Medium Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	3,067,320	3,067,320	3,067,320	1.850	1.850	1	N/A		0
			Subtotal and Average		15,247,386	15,247,386	15,247,386	1.520	1.520	1			0
Money Market Savings													
		Mechanics Bank	Money Market Savings (City)	City	7,605,686	7,605,686	7,605,686	0.030	0.030	1	N/A		0
		Bank of the West	Money Market Savings - Police Evidence Trust	City	28,317	28,317	28,317	0.080	0.080	1	N/A		0
84501100	999491905	Wells Fargo Bank	Money Market - WPCP Escrow	Wells Fargo	3,358,314	3,358,314	3,358,314	0.000	0.000	1	N/A		0
			Subtotal and Average		10,992,317	10,992,317	10,992,317	0.037	0.037	1			0
Mutual Funds													
19-516680		U.S. Bank	Accrued Income - City Reserve	US Bank	13,214	13,214	13,214	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	109,955	109,955	109,955	0.670	0.880	1	N/A		0
108663000	31846V302	1st American Treasury Obligation Fund	Mutual Fund Shares - Class "D" - PALC Trust	US Bank	203,364	203,364	203,364	0.760	0.760	1	N/A		0
			Subtotal and Average		326,533	326,533	326,533	0.477	0.547	1			0
Certificates of Deposit													
19-516680	02587DJ90	American Express Centurion	Certificates of Deposit - City Reserves	US Bank	247,000	246,121	246,121	2.250	2.260	1,074	N/A	12/9/2020	7
19-516680	140420A59	Capital One Bank	Certificates of Deposit - City Reserves	US Bank	248,000	241,316	241,316	1.600	1.640	1,311	N/A	8/3/2021	9
19-516680	29266NV79	Enerbank USA	Certificates of Deposit - City Reserves	US Bank	249,000	247,822	247,822	1.750	1.760	708	N/A	12/9/2019	5
19-516680	29976DQ86	Everbank Jacksonville FL	Certificates of Deposit - City Reserves	US Bank	125,000	121,806	121,806	1.500	1.540	1,320	N/A	8/12/2021	5
19-516680	48126XAH8	JP Morgan Chase Bank	Certificates of Deposit - City Reserves	US Bank	247,000	240,336	240,336	1.650	1.700	1,324	N/A	8/16/2021	9
19-516680	795450XM2	Sallie Mae Bank	Certificates of Deposit - City Reserves	US Bank	125,000	125,075	125,075	2.200	2.200	1,081	N/A	12/16/2020	4
19-516680	9497485W3	Wells Fargo Bank	Certificates of Deposit - City Reserves	US Bank	249,000	243,826	243,826	1.750	1.790	1,264	N/A	6/17/2021	9
108663000	07370XCD4	Beal Bank	Certificates of Deposit - PALC Trust	US Bank	250,000	249,810	249,810	1.300	1.300	150	N/A	5/30/2018	1
108663000	98878BKC1	Zb Na Bank	Certificates of Deposit - PALC Trust	US Bank	250,000	249,785	249,785	1.350	1.350	151	N/A	5/31/2018	1
108663000	795450RA5	Sallie Mae Bank	Certificates of Deposit - PALC Trust	US Bank	125,000	125,524	125,524	2.140	2.140	303	N/A	10/30/2018	1
108663000	686184WJ7	Oriental Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	246,839	246,839	1.750	1.750	351	N/A	12/17/2018	2
108663000	38148JGL9	Goldman Sachs Bank	Certificates of Deposit - PALC Trust	US Bank	250,000	250,605	250,605	2.200	2.190	737	N/A	1/7/2020	5
108663000	700654AX4	Park National Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	245,607	245,607	1.800	1.810	820	N/A	3/30/2020	6
108663000	57116AMW5	Marlin Business Bank	Certificates of Deposit - PALC Trust	US Bank	250,000	243,888	243,888	1.400	1.430	1,032	N/A	10/28/2020	7
108663000	05580ADM3	BMW Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	247,141	247,141	2.250	2.250	1,083	N/A	12/18/2020	8
108663000	46147USN1	Investors Community Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	243,994	243,994	1.800	1.820	1,153	N/A	2/26/2021	8
108663000	29976DQ86	Everbank Jacksonville FL	Certificates of Deposit - PALC Trust	US Bank	125,000	121,806	121,806	1.500	1.540	1,320	N/A	8/12/2021	5
108663000	254672X37	Discover Bank Greenwood Del	Certificates of Deposit - PALC Trust	US Bank	247,000	245,893	245,893	2.150	2.160	1,451	N/A	12/21/2021	10
108663000	74267GUU9	Private Bank Trust	Certificates of Deposit - PALC Trust	US Bank	250,000	250,683	250,683	1.900	1.890	753	N/A	1/23/2020	5
			Subtotal and Average		4,225,000	4,187,877	4,187,877	1.802	1.817	915			6
Medium-Term Corporate Notes													
19-516680	037833BS8	Apple Inc.	2.25% Corporate MTN 02/23/2021 - City Reserves	US Bank	500,000	499,415	499,415	2.250	2.250	1,150	AA+	2/23/2021	16
108663000	166764AE0	Chevron Corp.	1.718% Corporate MTN 6/24/18 - PALC Trust	US Bank	800,000	800,000	800,000	1.718	1.720	175	AA-	6/24/2018	4
108663000	084670BC1	Berkshire Hathaway, Inc.	3.75% Corporate MTN 8/15/2021 - PALC Trust	US Bank	400,000	419,960	419,960	3.750	3.570	1,323	AA	8/15/2021	16
			Subtotal and Average		1,700,000	1,719,375	1,719,375	2.573	2.513	883			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	967,650	967,650	1.520	1.570	1,333	AA+	8/25/2021	36
108663000	3135G0N66	Federal National Mortgage Assn.	1.40% Agency Bond 8/24/2020 - PALC Trust	US Bank	500,000	491,580	491,580	1.400	1.420	967	AA+	8/24/2020	13
108663000	3133EGAZ8	Federal Farm Credit Banks	1.58% Agency Bond 2/17/2021 - PALC Trust	US Bank	500,000	490,780	490,780	1.580	1.610	1,144	AA+	2/17/2021	16
108663000	3134G95L7	Federal Home Loan Mortgage Corp.	1.60% Agency Bond 8/25/2021 - PALC Trust	US Bank	1,000,000	977,200	977,200	1.600	1.640	1,333	AA+	8/25/2021	37
			Subtotal and Average		3,000,000	2,927,210	2,927,210	1.525	1.560	1,194			26
Municipal Bonds													
108663000	13063CKL3	State of California	2.25% Muni Bond due 05/01/2019 - PALC Trust	US Bank	95,000	95,321	95,321	2.250	2.240	486	AA-	5/1/2019	1
			Subtotal and Average		95,000	95,321	95,321	2.250	2.240	486			1
Investment Portfolio Total and Average					\$ 35,586,236	\$ 35,496,019	\$ 35,496,019	1.455	1.462	497			6

Average Years : 1.4