



CITY COUNCIL REPORT

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DATE: MAY 2, 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 MARCH 31, 2017**

RECOMMENDATION

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

Investments	Market Value	% of Portfolio
Investment Pool - LAIF	93,375	0.30%
Investment Pool - JPA	3,072,802	9.89%
Money Market Savings	18,721,033	60.26%
Mutual Funds	1,143,548	3.68%
Certificates of Deposit	3,956,153	12.74%
Medium-Term Corporate Notes	1,056,147	3.40%
Federal Agency Securities	2,925,485	9.42%
Municipal Bonds	96,423	0.31%
Investment Total	\$ 31,064,965	100.0%

Investment Yield and Duration:

The current aggregate yield of the City's investment portfolio is stabilized at 1.507%. This investment yield is higher than the current yield of 0.83% 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 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 January through March 2017 to meet all City expenditures. In addition, the City has sufficient cash flow at March 31, 2017 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 March 31, 2017 are in line with prior year's third quarter earnings.

ATTACHMENTS

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

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

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	93,375	93,375	93,375	0.30%	1	0.830	0
Investment Pool - JPA	3,072,802	3,072,802	3,072,802	9.89%	1	1.135	0
Money Market Savings	18,721,033	18,721,033	18,721,033	60.26%	1	0.038	0
Mutual Funds	1,143,548	1,143,548	1,143,548	3.68%	1	0.120	0
Certificates of Deposit	3,972,000	3,956,153	3,956,153	12.74%	1,178	1.864	8
Medium-Term Corporate Notes	1,030,000	1,056,147	1,056,147	3.40%	1,009	3.717	15
Federal Agency Securities	3,000,000	2,925,485	2,925,485	9.42%	1,469	1.560	36
Municipal Bonds	95,000	96,423	96,423	0.31%	761	2.220	2
Subtotal Investments	\$ 31,127,757	\$ 31,064,965	31,064,965	100.00%	631	1.507	9

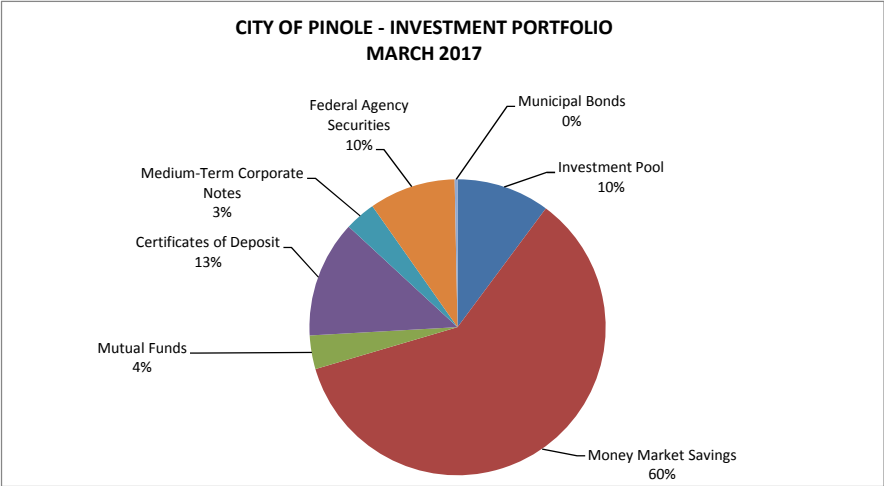
Average Years: 1.7

Cash							
Mechanics Bank - Vendor Checking *	1,534,663	1,534,663	1,534,663		1		
Bank of the West - Payroll Checking *	1,551,078	1,551,078	1,551,078		1		
Bank of the West - Checking (Credit Card Clearing) *	1,749,161	1,749,161	1,749,161		1		
Subtotal Cash	4,834,902	4,834,902	4,834,902		1		

Total Cash and Investments \$ 35,962,659 \$ 35,899,868 \$ 35,899,868

*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 MARCH 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	Date
Investment Pool														
		Local Agency Investment Fund (LAIF)	Pooled Treasury - State of California	LAIF	93,375	93,375	93,375	0.830	0.830	1	N/A		0	3/31/2017
		CalTrust - Short Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	22,811	22,811	22,811	1.030	1.030	1	N/A		0	
		CalTrust - Medium Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	3,049,991	3,049,991	3,049,991	1.240	1.240	1	N/A		0	
			Subtotal and Average		3,166,176	3,166,176	3,166,176	1.033	1.033	1			0	
Money Market Savings														
		Mechanics Bank	Money Market Savings (City)	City	16,402,025	16,402,025	16,402,025	0.030	0.035	1	N/A		1	
84501100	999491905	Bank of the West	Money Market Savings - Police Evidence Trust	City	28,558	28,558	28,558	0.080	0.080	1	N/A		0	
		Wells Fargo Bank	Money Market - WPCP Escrow	Wells Fargo	2,290,450	2,290,450	2,290,450	0.000	0.000	1	N/A		0	
			Subtotal and Average		18,721,033	18,721,033	18,721,033	0.037	0.038	1			0	
Mutual Funds														
19-516680		U.S. Bank	Accrued Income - City Reserve	US Bank	7,067	7,067	7,067	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	77,434	77,434	77,434	0.170	0.170	1	N/A		0	
108663000	31846V302	1st American Treasury Obligation Fund	Mutual Fund Shares - Class "D" - PALC Trust	US Bank	1,059,047	1,059,047	1,059,047	0.190	0.190	1	N/A		0	
			Subtotal and Average		1,143,548	1,143,548	1,143,548	0.120	0.120	1			0	
Certificates of Deposit														
19-516680	02587DJ90	American Express Centurion	Certificates of Deposit - City Reserves	US Bank	247,000	249,774	249,774	2.250	2.220	1,349	N/A	12/9/2020	11	
19-516680	140420A59	Capital One Bank	Certificates of Deposit - City Reserves	US Bank	248,000	241,867	241,867	1.600	1.640	1,586	N/A	8/3/2021	12	
19-516680	29266NV79	Enerbank USA	Certificates of Deposit - City Reserves	US Bank	249,000	249,374	249,374	1.750	1.750	983	N/A	12/9/2019	8	
19-516680	29976DQ86	Everbank Jacksonville FL	Certificates of Deposit - City Reserves	US Bank	125,000	122,100	122,100	1.500	1.540	1,595	N/A	8/12/2021	6	
19-516680	48126XAH8	JP Morgan Chase Bank	Certificates of Deposit - City Reserves	US Bank	247,000	240,840	240,840	1.650	1.690	1,599	N/A	8/16/2021	12	
19-516680	795450XM2	Sallie Mae Bank	Certificates of Deposit - City Reserves	US Bank	125,000	126,396	126,396	2.200	2.180	1,356	N/A	12/16/2020	6	
19-516680	9497485W3	Wells Fargo Bank	Certificates of Deposit - City Reserves	US Bank	249,000	244,906	244,906	1.750	1.780	1,539	N/A	6/17/2021	12	
108663000	36157PCD9	GE Capital Retail Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	247,082	247,082	1.850	1.850	13	N/A	4/13/2017	0	
108663000	795450RA5	Sallie Mae Bank	Certificates of Deposit - PALC Trust	US Bank	125,000	126,484	126,484	2.150	2.130	2	N/A	10/30/2018	0	
108663000	686184WJ7	Oriental Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	247,467	247,467	1.750	1.750	626	N/A	12/17/2018	5	
108663000	38148JGL9	Goldman Sachs Bank	Certificates of Deposit - PALC Trust	US Bank	250,000	252,898	252,898	2.200	2.170	1,012	N/A	1/7/2020	8	
108663000	700654AX4	Park National Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	247,348	247,348	1.800	1.800	1,095	N/A	3/30/2020	9	
108663000	57116AMW5	Marlin Business Bank	Certificates of Deposit - PALC Trust	US Bank	250,000	244,848	244,848	1.400	1.430	1,307	N/A	10/28/2020	10	
108663000	05580ADM3	BMW Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	249,749	249,749	2.250	2.220	1,358	N/A	12/18/2020	11	
108663000	46147USN1	Investors Community Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	245,856	245,856	1.800	1.810	1,428	N/A	2/26/2021	11	
108663000	29976DQ86	Everbank Jacksonville FL	Certificates of Deposit - PALC Trust	US Bank	125,000	122,100	122,100	1.500	1.540	1,595	N/A	8/12/2021	6	
108663000	254672X37	Discover Bank Greenwood Del	Certificates of Deposit - PALC Trust	US Bank	247,000	246,738	246,738	2.150	2.150	1,726	N/A	12/21/2021	14	
108663000	74267GUU9	Private Bank Trust	Certificates of Deposit - PALC Trust	US Bank	250,000	250,328	250,328	1.900	1.900	1,028	N/A	1/23/2020	8	
			Subtotal and Average		3,972,000	3,956,153	3,956,153	1.858	1.864	1,178			8	
Medium-Term Corporate Notes														
19-516680	037833BS8	Apple Inc.	2.25% Corporate MTN 02/23/2021 - City Reserves	US Bank	500,000	501,515	501,515	2.250	2.240	1,425	AA+	2/23/2021	23	
108663000	931142CG6	Wal Mart Stores, Inc.	5.375% Corporate MTN 04/05/2017 - PALC Trust	US Bank	130,000	130,000	130,000	5.375	5.380	5	AA	4/5/2017	0	
108663000	084670BC1	Berkshire Hathaway, Inc.	3.75% Corporate MTN 8/15/2021 - PALC Trust	US Bank	400,000	424,632	424,632	3.750	3.530	1,598	AA	8/15/2021	22	
			Subtotal and Average		1,030,000	1,056,147	1,056,147	3.792	3.717	1,009			15	
Federal Agency Securities														
19-516680	3130A2D2	Federal Home Loan Banks	1.52% Agency Bond 8/25/2021 - City Reserves	US Bank	1,000,000	970,770	970,770	1.520	1.570	1,608	AA+	8/25/2021	50	
108663000	3135G0N66	Federal National Mortgage Assn.	1.40% Agency Bond 8/24/2020 - PALC Trust	US Bank	500,000	493,560	493,560	1.400	1.420	1,242	AA+	8/24/2020	20	
108663000	3133EGAZ8	Federal Farm Credit Banks	1.58% Agency Bond 2/17/2021 - PALC Trust	US Bank	500,000	493,755	493,755	1.580	1.600	1,419	AA+	2/17/2021	23	
108663000	3134G95L7	Federal Home Loan Mortgage Corp.	1.60% Agency Bond 8/25/2021 - PALC Trust	US Bank	1,000,000	967,400	967,400	1.600	1.650	1,608	AA+	8/25/2021	50	
			Subtotal and Average		3,000,000	2,925,485	2,925,485	1.525	1.560	1,469			36	
Municipal Bonds														
108663000	13063CKL3	State of California	2.25% Muni Bond due 05/01/2019 - PALC Trust	US Bank	95,000	96,423	96,423	2.250	2.220	761	AA-	5/1/2019	2	
			Subtotal and Average		95,000	96,423	96,423	2.250	2.220	761			2	
Investment Portfolio Total and Average					\$ 31,127,757	\$ 31,064,965	\$ 31,064,965	1.516	1.507	631			9	
													Average Years :	1.7