



CITY COUNCIL REPORT

7D

DATE: MAY 15, 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 MARCH 31, 2018**

RECOMMENDATION

Receive the Quarterly Investment Report for the quarter ending March 31, 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 March 31, 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 March 31, 2018 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, 2018, follows:

| Investments | Market Value | % of Portfolio |
|-----------------------------|----------------------|-----------------------|
| Investment Pool - LAIF | 12,193,960 | 32.11% |
| Investment Pool - JPA | 3,085,200 | 8.12% |
| Money Market Savings | 13,472,098 | 35.48% |
| Mutual Funds | 371,090 | 0.98% |
| Certificates of Deposit | 4,151,809 | 10.93% |
| Medium-Term Corporate Notes | 1,703,528 | 4.49% |
| Federal Agency Securities | 2,900,435 | 7.64% |
| Municipal Bonds | 95,009 | 0.25% |
| Investment Total | \$ 37,973,128 | 100.0% |

Investment Yield and Duration:

The current aggregate yield of the City's investment portfolio is stabilized at 1.559%. This investment yield is slightly lower than the current yield of 1.570% 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 3.04%, a comparable "performance" benchmark of similar "duration" and "weighted average maturity."

Cash Flows:

Sufficient cash inflows were available from July 2017 through March 2018 to meet all City expenditures. In addition, the City has sufficient cash flow at March 31, 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 23.31%. 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, 76.69% is held in investment pools and money market accounts. Of this amount, LAIF currently represents 32.11% of the City's investment portfolio. Interest earnings of \$45,369 were generated in LAIF for the quarter ended March 31, 2018. The Investment Policy allows for up to 100% of the City's investment portfolio in LAIF which is currently at 1.570% 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 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, 2018 are higher than prior year's third quarter earnings as a result of the increase in LAIF account allocations.

ATTACHMENTS

Attachment A –Investment Report - Quarter Ending March 31, 2018

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

| Investments | Par Value | Market Value | Book Value | % of Portfolio | Days to Maturity | Yield | Weighted Average Maturity |
|-----------------------------|----------------------|----------------------|-------------------|----------------|------------------|--------------|---------------------------|
| Investment Pool - LAIF | 12,193,960 | 12,193,960 | 12,193,960 | 32.11% | 1 | 1.570 | 0 |
| Investment Pool - JPA | 3,085,200 | 3,085,200 | 3,085,200 | 8.12% | 1 | 2.070 | 0 |
| Money Market Savings | 13,472,098 | 13,472,098 | 13,472,098 | 35.48% | 1 | 0.037 | 0 |
| Mutual Funds | 371,090 | 371,090 | 371,090 | 0.98% | 1 | 0.773 | 0 |
| Certificates of Deposit | 4,225,000 | 4,151,809 | 4,151,809 | 10.93% | 825 | 1.833 | 5 |
| Medium-Term Corporate Notes | 1,700,000 | 1,703,528 | 1,703,528 | 4.49% | 793 | 2.547 | 10 |
| Federal Agency Securities | 3,000,000 | 2,900,435 | 2,900,435 | 7.64% | 1,104 | 1.573 | 22 |
| Municipal Bonds | 95,000 | 95,009 | 95,009 | 0.25% | 396 | 2.250 | 1 |
| Subtotal Investments | \$ 38,142,347 | \$ 37,973,128 | 37,973,128 | 100.00% | 446 | 1.559 | 5 |

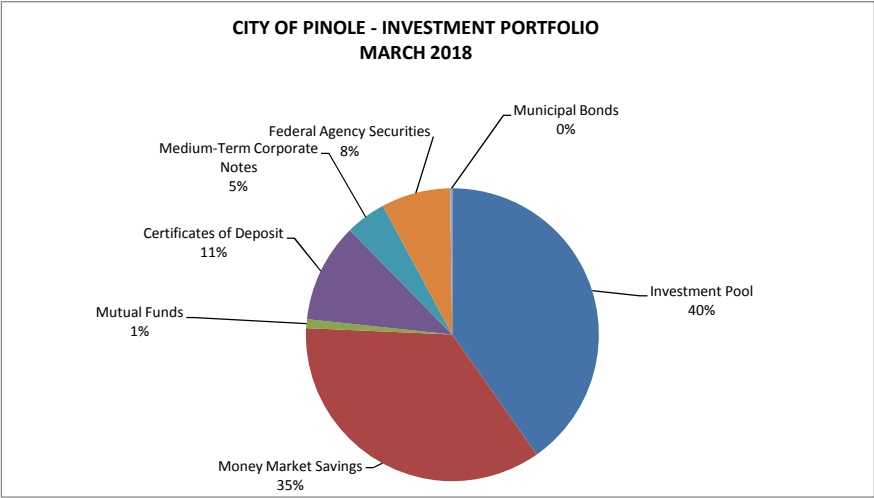
Average Years: 1.2

| Cash | | | | | | | |
|--|------------------|------------------|------------------|--|----------|--|--|
| Mechanics Bank - Vendor Checking * | 2,053,370 | 2,053,370 | 2,053,370 | | 1 | | |
| Bank of the West - Payroll Checking * | 1,621,497 | 1,621,497 | 1,621,497 | | 1 | | |
| Bank of the West - Checking (Credit Card Clearing) * | 519,622 | 519,622 | 519,622 | | 1 | | |
| Subtotal Cash | 4,194,489 | 4,194,489 | 4,194,489 | | 1 | | |

Total Cash and Investments \$ 42,336,837 \$ 42,167,617 \$ 42,167,617

*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 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 | 12,193,960 | 12,193,960 | 12,193,960 | 1.570 | 1.570 | 1 | N/A | | 0 |
| | | CalTrust - Short Term Fund (City) | Pooled Treasury - Joint Power Financing Authority | CalTrust | 23,077 | 23,077 | 23,077 | 1.790 | 1.790 | 1 | N/A | | 0 |
| | | CalTrust - Medium Term Fund (City) | Pooled Treasury - Joint Power Financing Authority | CalTrust | 3,062,123 | 3,062,123 | 3,062,123 | 2.350 | 2.350 | 1 | N/A | | 0 |
| | | | Subtotal and Average | | 15,279,160 | 15,279,160 | 15,279,160 | 1.903 | 1.903 | 1 | | | 0 |
| Money Market Savings | | | | | | | | | | | | | |
| | | Mechanics Bank | Money Market Savings (City) | City | 9,936,659 | 9,936,659 | 9,936,659 | 0.030 | 0.030 | 1 | N/A | | 0 |
| | | Bank of the West | Money Market Savings - Police Evidence Trust | City | 28,420 | 28,420 | 28,420 | 0.080 | 0.080 | 1 | N/A | | 0 |
| 84501100 | 999491905 | Wells Fargo Bank | Money Market - WPCP Escrow | Wells Fargo | 3,507,018 | 3,507,018 | 3,507,018 | 0.000 | 0.000 | 1 | N/A | | 0 |
| | | | Subtotal and Average | | 13,472,098 | 13,472,098 | 13,472,098 | 0.037 | 0.037 | 1 | | | 0 |
| Mutual Funds | | | | | | | | | | | | | |
| 19-516680 | | U.S. Bank | Accrued Income - City Reserve | US Bank | 7,169 | 7,169 | 7,169 | 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 | 128,919 | 128,919 | 128,919 | 1.230 | 1.230 | 1 | N/A | | 0 |
| 108663000 | 31846V302 | 1st American Treasury Obligation Fund | Mutual Fund Shares - Class "D" - PALC Trust | US Bank | 235,001 | 235,001 | 235,001 | 1.090 | 1.090 | 1 | N/A | | 0 |
| | | | Subtotal and Average | | 371,090 | 371,090 | 371,090 | 0.773 | 0.773 | 1 | | | 0 |
| Certificates of Deposit | | | | | | | | | | | | | |
| 19-516680 | 02587DJ90 | American Express Centurion | Certificates of Deposit - City Reserves | US Bank | 247,000 | 243,369 | 243,369 | 2.250 | 2.280 | 984 | N/A | 12/9/2020 | 6 |
| 19-516680 | 140420A59 | Capital One Bank | Certificates of Deposit - City Reserves | US Bank | 248,000 | 238,311 | 238,311 | 1.600 | 1.660 | 1,221 | N/A | 8/3/2021 | 8 |
| 19-516680 | 29266NV79 | Enerbank USA | Certificates of Deposit - City Reserves | US Bank | 249,000 | 246,311 | 246,311 | 1.750 | 1.770 | 618 | N/A | 12/9/2019 | 4 |
| 19-516680 | 29976DQ86 | Everbank Jacksonville FL | Certificates of Deposit - City Reserves | US Bank | 125,000 | 120,261 | 120,261 | 1.500 | 1.560 | 1,230 | N/A | 8/12/2021 | 4 |
| 19-516680 | 48126XAH8 | JP Morgan Chase Bank | Certificates of Deposit - City Reserves | US Bank | 247,000 | 237,313 | 237,313 | 1.650 | 1.720 | 1,234 | N/A | 8/16/2021 | 8 |
| 19-516680 | 795450XM2 | Sallie Mae Bank | Certificates of Deposit - City Reserves | US Bank | 125,000 | 123,626 | 123,626 | 2.200 | 2.220 | 991 | N/A | 12/16/2020 | 3 |
| 19-516680 | 9497485W3 | Wells Fargo Bank | Certificates of Deposit - City Reserves | US Bank | 249,000 | 240,815 | 240,815 | 1.750 | 1.810 | 1,174 | N/A | 6/17/2021 | 7 |
| 108663000 | 07370XCD4 | Beal Bank | Certificates of Deposit - PALC Trust | US Bank | 250,000 | 249,903 | 249,903 | 1.300 | 1.300 | 60 | N/A | 5/30/2018 | 0 |
| 108663000 | 98878BKC1 | Zb Na Bank | Certificates of Deposit - PALC Trust | US Bank | 250,000 | 249,815 | 249,815 | 1.350 | 1.350 | 61 | N/A | 5/31/2018 | 0 |
| 108663000 | 795450RA5 | Sallie Mae Bank | Certificates of Deposit - PALC Trust | US Bank | 125,000 | 125,233 | 125,233 | 2.150 | 2.150 | 213 | N/A | 10/30/2018 | 1 |
| 108663000 | 686184WJ7 | Oriental Bank | Certificates of Deposit - PALC Trust | US Bank | 247,000 | 246,548 | 246,548 | 1.750 | 1.750 | 261 | N/A | 12/17/2018 | 2 |
| 108663000 | 38148JGL9 | Goldman Sachs Bank | Certificates of Deposit - PALC Trust | US Bank | 250,000 | 248,713 | 248,713 | 2.200 | 2.210 | 647 | N/A | 1/7/2020 | 4 |
| 108663000 | 74267GUU9 | Private Bank Trust | Certificates of Deposit - PALC Trust | US Bank | 250,000 | 248,673 | 248,673 | 1.900 | 1.910 | 663 | N/A | 1/23/2020 | 4 |
| 108663000 | 700654AX4 | Park National Bank | Certificates of Deposit - PALC Trust | US Bank | 247,000 | 243,423 | 243,423 | 1.800 | 1.830 | 730 | N/A | 3/30/2020 | 5 |
| 108663000 | 57116AMW5 | Marlin Business Bank | Certificates of Deposit - PALC Trust | US Bank | 250,000 | 241,663 | 241,663 | 1.400 | 1.450 | 942 | N/A | 10/28/2020 | 6 |
| 108663000 | 05580ADM3 | BMW Bank | Certificates of Deposit - PALC Trust | US Bank | 247,000 | 244,278 | 244,278 | 2.250 | 2.270 | 993 | N/A | 12/18/2020 | 6 |
| 108663000 | 46147USN1 | Investors Community Bank | Certificates of Deposit - PALC Trust | US Bank | 247,000 | 241,171 | 241,171 | 1.800 | 1.840 | 1,063 | N/A | 2/26/2021 | 7 |
| 108663000 | 29976DQ86 | Everbank Jacksonville FL | Certificates of Deposit - PALC Trust | US Bank | 125,000 | 120,261 | 120,261 | 1.500 | 1.560 | 1,230 | N/A | 8/12/2021 | 4 |
| 108663000 | 254672X37 | Discover Bank Greenwood Del | Certificates of Deposit - PALC Trust | US Bank | 247,000 | 242,124 | 242,124 | 2.150 | 2.190 | 1,361 | N/A | 12/21/2021 | 9 |
| | | | Subtotal and Average | | 4,225,000 | 4,151,809 | 4,151,809 | 1.803 | 1.833 | 825 | | | 5 |
| Medium-Term Corporate Notes | | | | | | | | | | | | | |
| 19-516680 | 037833BS8 | Apple Inc. | 2.25% Corporate MTN 02/23/2021 - City Reserves | US Bank | 500,000 | 492,480 | 492,480 | 2.250 | 2.280 | 1,060 | AA+ | 2/23/2021 | 14 |
| 108663000 | 166764AE0 | Chevron Corp. | 1.718% Corporate MTN 6/24/18 - PALC Trust | US Bank | 800,000 | 798,768 | 798,768 | 1.718 | 1.720 | 85 | AA- | 6/24/2018 | 2 |
| 108663000 | 084670BC1 | Berkshire Hathaway, Inc. | 3.75% Corporate MTN 8/15/2021 - PALC Trust | US Bank | 400,000 | 412,280 | 412,280 | 3.750 | 3.640 | 1,233 | AA | 8/15/2021 | 13 |
| | | | Subtotal and Average | | 1,700,000 | 1,703,528 | 1,703,528 | 2.573 | 2.547 | 793 | | | 10 |
| Federal Agency Securities | | | | | | | | | | | | | |
| 19-516680 | 3130A2D2 | Federal Home Loan Banks | 1.52% Agency Bond 8/25/2021 - City Reserves | US Bank | 1,000,000 | 957,520 | 957,520 | 1.520 | 1.590 | 1,243 | AA+ | 8/25/2021 | 31 |
| 108663000 | 3135G0N66 | Federal National Mortgage Assn. | 1.40% Agency Bond 8/24/2020 - PALC Trust | US Bank | 500,000 | 488,595 | 488,595 | 1.400 | 1.430 | 877 | AA+ | 8/24/2020 | 11 |
| 108663000 | 3133EGAZ8 | Federal Farm Credit Banks | 1.58% Agency Bond 2/17/2021 - PALC Trust | US Bank | 500,000 | 486,490 | 486,490 | 1.580 | 1.620 | 1,054 | AA+ | 2/17/2021 | 14 |
| 108663000 | 3134G95L7 | Federal Home Loan Mortgage Corp. | 1.60% Agency Bond 8/25/2021 - PALC Trust | US Bank | 1,000,000 | 967,830 | 967,830 | 1.600 | 1.650 | 1,243 | AA+ | 8/25/2021 | 32 |
| | | | Subtotal and Average | | 3,000,000 | 2,900,435 | 2,900,435 | 1.525 | 1.573 | 1,104 | | | 22 |
| Municipal Bonds | | | | | | | | | | | | | |
| 108663000 | 13063CKL3 | State of California | 2.25% Muni Bond due 05/01/2019 - PALC Trust | US Bank | 95,000 | 95,009 | 95,009 | 2.250 | 2.250 | 396 | AA- | 5/1/2019 | 1 |
| | | | Subtotal and Average | | 95,000 | 95,009 | 95,009 | 2.250 | 2.250 | 396 | | | 1 |
| Investment Portfolio Total and Average | | | | | \$ 38,142,347 | \$ 37,973,128 | \$ 37,973,128 | 1.552 | 1.559 | 446 | | | 5 |

| | |
|-----------------|-----|
| Average Years : | 1.2 |
|-----------------|-----|