



# CITY COUNCIL REPORT

# 7F

**DATE: SEPTEMBER 5, 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 JUNE 30, 2017**

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## **RECOMMENDATION**

Receive the Quarterly Investment Report for the quarter ending June 30, 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 June 30, 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 June 30, 2017 conform to the City's Investment Policy and State Regulations. A summary of the balances held in the investment portfolio (Attachment A), at June 30, 2017, follows:

<b>Investments</b>	<b>Market Value</b>	<b>% of Portfolio</b>
Investment Pool - LAIF	15,093,553	40.30%
Investment Pool - JPA	3,082,466	8.23%
Money Market Savings	10,033,072	26.79%
Mutual Funds	1,553,666	4.15%
Certificates of Deposit	3,714,728	9.92%
Medium-Term Corporate Notes	929,151	2.48%
Federal Agency Securities	2,950,275	7.88%
Municipal Bonds	95,751	0.26%
<b>Investment Total</b>	<b>\$ 37,452,663</b>	<b>100.0%</b>

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

The current aggregate yield of the City's investment portfolio is stabilized at 1.406%. This investment yield is higher than the current yield of 0.93% 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 2.07%, 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 and fourth quarters. 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 April through June 2017 to meet all City expenditures. In addition, the City has sufficient cash flow at June 30, 2017 to cover anticipated expenditures through the next six months.

### **Investment Strategy:**

The City applies a "laddered maturity" investment strategy to a portion of the asset allocation in our investment portfolio, currently 20.53%. 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.

The City transferred \$15 million from the Mechanics Bank Money Market account to the LAIF account during the fourth quarter generating \$23,377 in interest earnings for the quarter ended June 30, 2017. This is compared to combined average annual interest earnings in the LAIF and Mechanics Bank Money Market accounts of \$5,000 per year. LAIF currently represents 40.30% of the City's investment portfolio.

### **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 June 30, 2017 are higher than prior year's fourth quarter earnings as a result of the increase in LAIF account allocations.

### **ATTACHMENTS**

Attachment A –Investment Report - Quarter Ending June 30, 2017

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

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	15,093,553	15,093,553	15,093,553	40.30%	1	0.930	0
Investment Pool - JPA	3,082,466	3,082,466	3,082,466	8.23%	1	1.175	0
Money Market Savings	10,033,072	10,033,072	10,033,072	26.79%	1	0.037	0
Mutual Funds	1,553,666	1,553,666	1,553,666	4.15%	1	0.200	0
Certificates of Deposit	3,725,000	3,714,728	3,714,728	9.92%	1,189	1.863	7
Medium-Term Corporate Notes	900,000	929,151	929,151	2.48%	1,421	2.875	18
Federal Agency Securities	3,000,000	2,950,275	2,950,275	7.88%	1,378	1.548	28
Municipal Bonds	95,000	95,751	95,751	0.26%	670	2.230	2
<b>Subtotal Investments</b>	<b>\$ 37,482,757</b>	<b>\$ 37,452,663</b>	<b>37,452,663</b>	<b>100.00%</b>	<b>679</b>	<b>1.406</b>	<b>8</b>

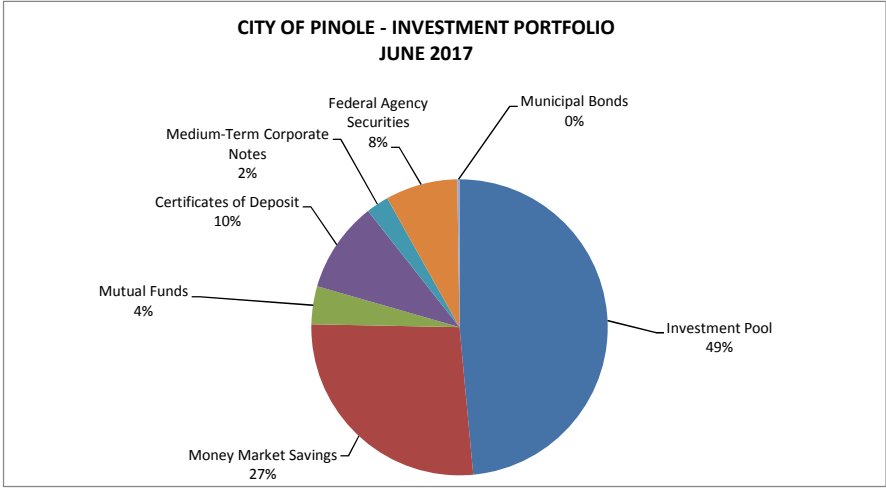
**Average Years: 1.8**

<b>Cash</b>							
Mechanics Bank - Vendor Checking *	1,841,331	1,841,331	1,841,331		1		
Bank of the West - Payroll Checking *	128,659	128,659	128,659		1		
Bank of the West - Checking (Credit Card Clearing) *	1,607,078	1,607,078	1,607,078		1		
<b>Subtotal Cash</b>	<b>3,577,069</b>	<b>3,577,069</b>	<b>3,577,069</b>		<b>1</b>		

**Total Cash and Investments \$ 41,059,826 \$ 41,029,731 \$ 41,029,731**

\*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 JUNE 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
<b>Investment Pool</b>														
		Local Agency Investment Fund (LAIF)	Pooled Treasury - State of California	LAIF	15,093,553	15,093,553	15,093,553	0.930	0.930	1	N/A		0	6/30/2017
		CalTrust - Short Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	22,871	22,871	22,871	1.070	1.070	1	N/A		0	
		CalTrust - Medium Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	3,059,595	3,059,595	3,059,595	1.280	1.280	1	N/A		0	
			Subtotal and Average		18,176,019	18,176,019	18,176,019	1.093	1.093	1			0	
<b>Money Market Savings</b>														
		Mechanics Bank	Money Market Savings (City)	City	7,438,270	7,438,270	7,438,270	0.030	0.030	1	N/A		0	
84501100	999491905	Bank of the West	Money Market Savings - Police Evidence Trust	City	28,523	28,523	28,523	0.080	0.080	1	N/A		0	
		Wells Fargo Bank	Money Market - WPCP Escrow	Wells Fargo	2,566,279	2,566,279	2,566,279	0.000	0.000	1	N/A		0	
			Subtotal and Average		10,033,072	10,033,072	10,033,072	0.037	0.037	1			0	
<b>Mutual Funds</b>														
19-516680		U.S. Bank	Accrued Income - City Reserve	US Bank	13,080	13,080	13,080	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	84,207	84,207	84,207	0.380	0.380	1	N/A		0	
108663000	31846V302	1st American Treasury Obligation Fund	Mutual Fund Shares - Class "D" - PALC Trust	US Bank	1,456,379	1,456,379	1,456,379	0.220	0.220	1	N/A		0	
			Subtotal and Average		1,553,666	1,553,666	1,553,666	0.200	0.200	1			0	
<b>Certificates of Deposit</b>														
19-516680	02587DJ90	American Express Centurion	Certificates of Deposit - City Reserves	US Bank	247,000	248,806	248,806	2.250	2.230	1,258	N/A	12/9/2020	8	
19-516680	140420A59	Capital One Bank	Certificates of Deposit - City Reserves	US Bank	248,000	242,762	242,762	1.600	1.630	1,495	N/A	8/3/2021	10	
19-516680	29266NV79	Enerbank USA	Certificates of Deposit - City Reserves	US Bank	249,000	249,326	249,326	1.750	1.750	892	N/A	12/9/2019	6	
19-516680	29976DQ86	Everbank Jacksonville FL	Certificates of Deposit - City Reserves	US Bank	125,000	122,545	122,545	1.500	1.530	1,504	N/A	8/12/2021	5	
19-516680	48126XAH8	JP Morgan Chase Bank	Certificates of Deposit - City Reserves	US Bank	247,000	241,736	241,736	1.650	1.690	1,508	N/A	8/16/2021	10	
19-516680	795450XM2	Sallie Mae Bank	Certificates of Deposit - City Reserves	US Bank	125,000	126,370	126,370	2.200	2.180	1,265	N/A	12/16/2020	4	
19-516680	9497485W3	Wells Fargo Bank	Certificates of Deposit - City Reserves	US Bank	249,000	245,624	245,624	1.750	1.770	1,448	N/A	6/17/2021	9	
108663000	795450RA5	Sallie Mae Bank	Certificates of Deposit - PALC Trust	US Bank	125,000	126,183	126,183	2.150	2.130	487	N/A	10/30/2018	2	
108663000	686184VJ7	Oriental Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	247,583	247,583	1.750	1.750	535	N/A	12/17/2018	4	
108663000	38148JGL9	Goldman Sachs Bank	Certificates of Deposit - PALC Trust	US Bank	250,000	252,643	252,643	2.200	2.180	921	N/A	1/7/2020	6	
108663000	700654AX4	Park National Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	247,336	247,336	1.800	1.800	1,004	N/A	3/30/2020	7	
108663000	57116AMW5	Marlin Business Bank	Certificates of Deposit - PALC Trust	US Bank	250,000	245,268	245,268	1.400	1.430	1,216	N/A	10/28/2020	8	
108663000	05580ADM3	BMW Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	249,702	249,702	2.250	2.230	1,267	N/A	12/18/2020	8	
108663000	46147USN1	Investors Community Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	246,081	246,081	1.800	1.810	1,337	N/A	2/26/2021	9	
108663000	29976DQ86	Everbank Jacksonville FL	Certificates of Deposit - PALC Trust	US Bank	125,000	122,545	122,545	1.500	1.530	1,504	N/A	8/12/2021	5	
108663000	254672X37	Discover Bank Greenwood Del	Certificates of Deposit - PALC Trust	US Bank	247,000	247,442	247,442	2.150	2.150	1,635	N/A	12/21/2021	11	
108663000	74267GUU9	Private Bank Trust	Certificates of Deposit - PALC Trust	US Bank	250,000	252,778	252,778	1.900	1.880	937	N/A	1/23/2020	6	
			Subtotal and Average		3,725,000	3,714,728	3,714,728	1.859	1.863	1,189			7	
<b>Medium-Term Corporate Notes</b>														
19-516680	037833BS8	Apple Inc.	2.25% Corporate MTN 02/23/2021 - City Reserves	US Bank	500,000	503,315	503,315	2.250	2.230	1,334	AA+	2/23/2021	18	
108663000	084670BC1	Berkshire Hathaway, Inc.	3.75% Corporate MTN 8/15/2021 - PALC Trust	US Bank	400,000	425,836	425,836	3.750	3.520	1,507	AA	8/15/2021	17	
			Subtotal and Average		900,000	929,151	929,151	3.000	2.875	1,421			18	
<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	974,610	974,610	1.520	1.560	1,517	AA+	8/25/2021	39	
108663000	3135G0N66	Federal National Mortgage Assn.	1.40% Agency Bond 8/24/2020 - PALC Trust	US Bank	500,000	493,490	493,490	1.400	1.420	1,151	AA+	8/24/2020	15	
108663000	3133EGAZ8	Federal Farm Credit Banks	1.58% Agency Bond 2/17/2021 - PALC Trust	US Bank	500,000	495,515	495,515	1.580	1.590	1,328	AA+	2/17/2021	18	
108663000	3134G95L7	Federal Home Loan Mortgage Corp.	1.60% Agency Bond 8/25/2021 - PALC Trust	US Bank	1,000,000	986,660	986,660	1.600	1.620	1,517	AA+	8/25/2021	40	
			Subtotal and Average		3,000,000	2,950,275	2,950,275	1.525	1.548	1,378			28	
<b>Municipal Bonds</b>														
108663000	13063CKL3	State of California	2.25% Muni Bond due 05/01/2019 - PALC Trust	US Bank	95,000	95,751	95,751	2.250	2.230	670	AA-	5/1/2019	2	
			Subtotal and Average		95,000	95,751	95,751	2.250	2.230	670			2	
<b>Investment Portfolio Total and Average</b>					<b>\$ 37,482,757</b>	<b>\$ 37,452,663</b>	<b>\$ 37,452,663</b>	<b>1.423</b>	<b>1.406</b>	<b>666</b>			<b>8</b>	
													<b>Average Years :</b>	<b>1.8</b>