



CITY COUNCIL REPORT

7E

DATE: SEPTEMBER 4, 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 JUNE 30, 2018**

RECOMMENDATION

Receive the Quarterly Investment Report for the quarter ending June 30, 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 June 30, 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 June 30, 2018 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, 2018, follows:

Investments	Market Value	% of Portfolio
Investment Pool - LAIF	12,239,329	22.48%
Investment Pool - JPA	3,093,694	5.68%
Money Market Savings	29,876,396	54.88%
Mutual Funds	1,584,236	2.91%
Certificates of Deposit	3,760,361	6.91%
Medium-Term Corporate Notes	902,329	1.66%
Federal Agency Securities	2,893,195	5.31%
Municipal Bonds	94,870	0.17%
Investment Total	\$ 54,444,411	100.0%

Investment Yield and Duration:

The current aggregate yield of the City's investment portfolio is stabilized at 1.763%. This investment yield is slightly lower than the current yield of 1.90% for the State of California's Local Agency Investment Fund (LAIF) which makes up 85.95% of our investment portfolio. The Merrill Lynch US Corporate 1-3 Year effective yield is 3.26%, a comparable "performance" benchmark of "duration" and "weighted average maturity," for long-term investments which makes up 14.05% of our portfolio.

Cash Flows:

Sufficient cash inflows were available from July 2017 through June 2018 to meet all City expenditures. In addition, the City has sufficient cash flow at June 30, 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 14.05%. 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, 85.95% is held in investment pools and money market accounts. Of this amount, LAIF currently represents 22.48% of the City's investment portfolio. Interest earnings of \$58,077 were generated in LAIF for the quarter ended June 30, 2018. The Investment Policy allows for up to 100% of the City's investment portfolio in LAIF which is currently at 1.90% 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 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, 2018 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, 2018

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

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Yield	Weighted Average Maturity
Investment Pool - LAIF	12,239,329	12,239,329	12,239,329	22.48%	1	1.900	0
Investment Pool - JPA	3,093,694	3,093,694	3,093,694	5.68%	1	2.295	0
Money Market Savings	29,876,396	29,876,396	29,876,396	54.88%	1	0.047	0
Mutual Funds	1,584,236	1,584,236	1,584,236	2.91%	1	1.390	0
Certificates of Deposit	3,850,000	3,760,361	3,760,361	6.91%	816	1.939	3
Medium-Term Corporate Notes	900,000	902,329	902,329	1.66%	1,056	2.970	9
Federal Agency Securities	3,000,000	2,893,195	2,893,195	5.31%	1,013	1.580	14
Municipal Bonds	95,000	94,870	94,870	0.17%	305	2.250	1
Subtotal Investments	\$ 54,638,656	\$ 54,444,411	54,444,411	100.00%	456	1.763	4

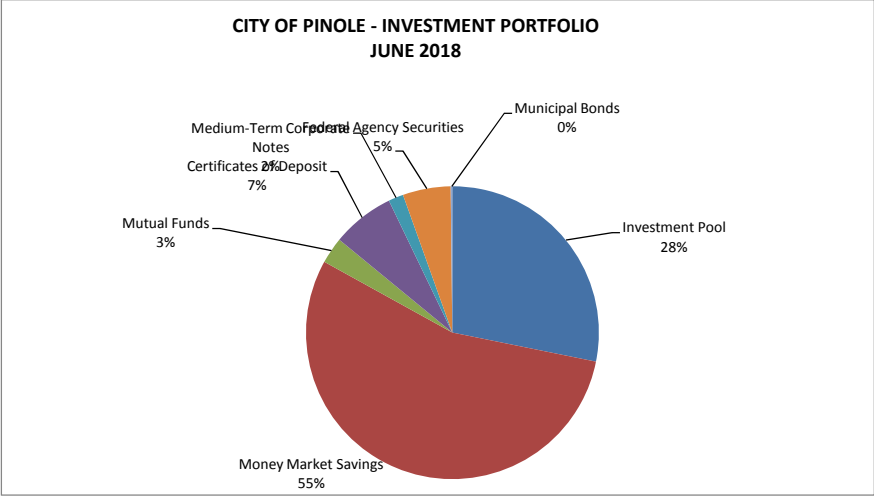
Average Years: 1.2

Cash							
Mechanics Bank - Vendor Checking *	1,763,993	1,763,993	1,763,993		1		
Bank of the West - Payroll Checking *	1,395,053	1,395,053	1,395,053		1		
Bank of the West - Checking (Credit Card Clearing) *	287,432	287,432	287,432		1		
Subtotal Cash	3,446,479	3,446,479	3,446,479		1		

Total Cash and Investments \$ 58,085,135 \$ 57,890,890 \$ 57,890,890

*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 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	12,239,329	12,239,329	12,239,329	1.900	1.900	1	N/A		0
		CalTrust - Short Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	23,208	23,208	23,208	2.110	2.110	1	N/A		0
		CalTrust - Medium Term Fund (City)	Pooled Treasury - Joint Power Financing Authority	CalTrust	3,070,486	3,070,486	3,070,486	2.480	2.480	1	N/A		0
			Subtotal and Average		15,333,023	15,333,023	15,333,023	2.163	2.163	1			0
Money Market Savings													
		Mechanics Bank	Money Market Savings (City)	City	27,561,021	27,561,021	27,561,021	0.030	0.030	1	N/A		1
		Bank of the West	Money Market Savings - Police Evidence Trust	City	28,346	28,346	28,346	0.080	0.080	1	N/A		0
84501100	999491905	Wells Fargo Bank	Money Market - WPCP Escrow	Wells Fargo	2,287,030	2,287,030	2,287,030	0.000	0.030	1	N/A		0
			Subtotal and Average		29,876,396	29,876,396	29,876,396	0.037	0.047	1			0
Mutual Funds													
19-516680		U.S. Bank	Accrued Income - City Reserve	US Bank	13,502	13,502	13,502	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	10,931	10,931	10,931	1.480	1.480	1	N/A		0
108663000	31846V302	1st American Treasury Obligation Fund	Mutual Fund Shares - Class "D" - PALC Trust	US Bank	1,559,803	1,559,803	1,559,803	1.300	1.300	1	N/A		0
			Subtotal and Average		1,584,236	1,584,236	1,584,236	0.927	1.390	1			0
Certificates of Deposit													
19-516680	02587DJ90	American Express Centurion	Certificates of Deposit - City Reserves	US Bank	247,000	242,100	242,100	2.250	2.300	893	N/A	12/9/2020	4
19-516680	140420A59	Capital One Bank	Certificates of Deposit - City Reserves	US Bank	248,000	236,654	236,654	1.600	1.680	1,130	N/A	8/3/2021	5
19-516680	29266NV79	Enerbank USA	Certificates of Deposit - City Reserves	US Bank	249,000	246,094	246,094	1.750	1.770	527	N/A	12/9/2019	2
19-516680	29976DQ86	Everbank Jacksonville FL	Certificates of Deposit - City Reserves	US Bank	125,000	119,396	119,396	1.500	1.570	1,139	N/A	8/12/2021	2
19-516680	48126XAH8	JP Morgan Chase Bank	Certificates of Deposit - City Reserves	US Bank	247,000	235,591	235,591	1.650	1.730	1,143	N/A	8/16/2021	5
19-516680	795450XM2	Sallie Mae Bank	Certificates of Deposit - City Reserves	US Bank	125,000	122,929	122,929	2.200	2.240	900	N/A	12/16/2020	2
19-516680	9497485W3	Wells Fargo Bank	Certificates of Deposit - City Reserves	US Bank	249,000	239,182	239,182	1.750	1.820	1,083	N/A	6/17/2021	5
19-516680	96009JAR8	Westfield Bank Mass	Certificates of Deposit - City Reserves	US Bank	125,000	124,534	124,534	2.550	2.560	681	N/A	5/11/2020	2
108663000	795450RA5	Sallie Mae Bank	Certificates of Deposit - PALC Trust	US Bank	125,000	125,049	125,049	2.150	2.150	122	N/A	10/30/2018	0
108663000	686184WJ7	Oriental Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	246,479	246,479	1.750	1.750	170	N/A	12/17/2018	1
108663000	38148JGL9	Goldman Sachs Bank	Certificates of Deposit - PALC Trust	US Bank	250,000	248,265	248,265	2.200	2.210	556	N/A	1/7/2020	3
108663000	74267GUU9	Private Bank Trust	Certificates of Deposit - PALC Trust	US Bank	250,000	248,213	248,213	1.900	1.910	572	N/A	1/23/2020	3
108663000	700654AX4	Park National Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	243,176	243,176	1.800	1.830	639	N/A	3/30/2020	3
108663000	57116AMW5	Marlin Business Bank	Certificates of Deposit - PALC Trust	US Bank	250,000	240,960	240,960	1.400	1.450	851	N/A	10/28/2020	4
108663000	05580ADM3	BMW Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	242,895	242,895	2.250	2.290	902	N/A	12/18/2020	4
108663000	46147USN1	Investors Community Bank	Certificates of Deposit - PALC Trust	US Bank	247,000	239,825	239,825	1.800	1.850	972	N/A	2/26/2021	4
108663000	29976DQ86	Everbank Jacksonville FL	Certificates of Deposit - PALC Trust	US Bank	125,000	119,396	119,396	1.500	1.570	1,139	N/A	8/12/2021	2
108663000	254672X37	Discover Bank Greenwood Del	Certificates of Deposit - PALC Trust	US Bank	247,000	239,625	239,625	2.150	2.220	1,270	N/A	12/21/2021	6
			Subtotal and Average		3,850,000	3,760,361	3,760,361	1.897	1.939	816			3
Medium-Term Corporate Notes													
19-516680	037833BS8	Apple Inc.	2.25% Corporate MTN 02/23/2021 - City Reserves	US Bank	500,000	491,305	491,305	2.250	2.290	969	AA+	2/23/2021	9
108663000	084670BC1	Berkshire Hathaway, Inc.	3.75% Corporate MTN 8/15/2021 - PALC Trust	US Bank	400,000	411,024	411,024	3.750	3.650	1,142	AA	8/15/2021	9
			Subtotal and Average		900,000	902,329	902,329	3.000	2.970	1,056			9
Federal Agency Securities													
19-516680	3130A2D2	Federal Home Loan Banks	1.52% Agency Bond 8/25/2021 - City Reserves	US Bank	1,000,000	955,980	955,980	1.520	1.590	1,152	AA+	8/25/2021	20
108663000	3135G0N66	Federal National Mortgage Assn.	1.40% Agency Bond 8/24/2020 - PALC Trust	US Bank	500,000	486,650	486,650	1.400	1.440	786	AA+	8/24/2020	7
108663000	3133EGAZ8	Federal Farm Credit Banks	1.58% Agency Bond 2/17/2021 - PALC Trust	US Bank	500,000	484,955	484,955	1.580	1.630	963	AA+	2/17/2021	9
108663000	3134G95L7	Federal Home Loan Mortgage Corp.	1.60% Agency Bond 8/25/2021 - PALC Trust	US Bank	1,000,000	965,610	965,610	1.600	1.660	1,152	AA+	8/25/2021	20
			Subtotal and Average		3,000,000	2,893,195	2,893,195	1.525	1.580	1,013			14
Municipal Bonds													
108663000	13063CKL3	State of California	2.25% Muni Bond due 05/01/2019 - PALC Trust	US Bank	95,000	94,870	94,870	2.250	2.250	305	AA-	5/1/2019	1
			Subtotal and Average		95,000	94,870	94,870	2.250	2.250	305			1
Investment Portfolio Total and Average					\$ 54,638,656	\$ 54,444,411	\$ 54,444,411	1.686	1.763	456			4

Average Years : 1.2