

City of Hercules

111 Civic Drive
Hercules, CA 94547



Meeting Agenda

Wednesday, January 15, 2020

7:00 PM

REGULAR MEETING - 7:00 PM

Council Chambers

Finance Commission

Commissioner Zania Harris
Commissioner Diana Galieva
Commissioner Lori Tretasco
Commissioner Edward Ulle
Vacant

I. CALL TO ORDER - ROLL CALL**II. PLEDGE OF ALLEGIANCE****III. INTRODUCTIONS/PRESENTATIONS**

1. [20-124](#) Introduction and Oath of Office for the Newly Appointed Finance Commissioner Members: Lori Ann Tretasco and Edward Ulle

IV. AGENDA ADDITIONS/DELETIONS**V. PUBLIC COMMUNICATIONS****VI. DIRECTOR REPORT**

Disbursement List is located at <http://www.ci.hercules.ca.us>. Click on Departments and Services. Click on Finance. Click on Disbursement List.

1. [20-125](#) Review and Discuss the Investment Report for the Quarter Ending September 30, 2019

Attachments: [Staff Report - Investment Quaterly Report 9-30-19](#)
[Quarterly Investment Report 09302019](#)

VII. CONSENT CALENDAR

1. [20-126](#) Review and Approve the Finance Commission Minutes from the December 9, 2019 Meeting

Attachments: [FC Minutes 120919](#)

VIII. DISCUSSION AND/OR ACTION ITEMS**IX. COMMISSIONER REPORTS AND ANNOUNCEMENTS****X. FUTURE AGENDA ITEMS****XI. ADJOURNMENT**

The next Regular Meeting of the Commission will be held on Wednesday, March 18, 2020 at 7:00 p.m. in the Council Chambers.

Agendas are posted in accordance with Government Code Section 54954.2(a) or Section 54956. Members of the public can view electronic agendas and staff reports from the City's website at www.ci.hercules.ca.us and can receive e-mail notification of agenda postings by signing up to receive an e-notice from the City's website. Agendas and staff reports may also be obtained by contacting the Administrative Services Department at (510) 799-8215.

Posted: January 9, 2020

THE COMMISSION ADHERES TO THE FOLLOWING POLICIES, PROCEDURES AND REGULATIONS REGARDING COMMISSION MEETINGS

SPECIAL ACCOMODATIONS: In compliance with the Americans with Disabilities Act, if you require special accommodations to participate at a commission meeting, please contact the City Clerk at 510-799-8215 at least 48 hours prior to the meeting.

AGENDA ITEMS: Persons wishing to add an item to an agenda must submit the final written documentation 12 calendar days prior to the meeting. The City retains the discretion whether to add items to the agenda. Persons wishing to address the Commission otherwise may make comments during the Public Communication period of the meeting.

AGENDA POSTING: Agendas of regular commission meetings are posted at least 72 hours prior to the meeting at City Hall, the Hercules Swim Center, Ohlone Child Care Center, and on the City's website (www.ci.hercules.ca.us),

PUBLIC COMMUNICATIONS: Persons who wish to address the Commission should complete the speaker form prior to the Commission's consideration of the item on the agenda.

Anyone who wishes to address the Commission on a topic that is not on the agenda and is relevant to the Commission should complete the speaker form prior to the start of the meeting. Speakers will be called upon during the Public Communication portion of the meeting. In accordance with the Brown Act, the Commission may not take action on items not listed on the agenda. The Commission may refer to staff any matters brought before them at this time and those matters may be placed on a future agenda.

In the interests of conducting an orderly and efficient meeting, speakers will be limited to three (3) minutes.

Anyone may also submit written comments at any time before or during the meeting.

Written and oral comments become part of the public record. Oral comments are summarized in the minutes of the commission's meeting.

CONSENT CALENDAR: All matters listed under Consent Calendar are considered to be routine and will be enacted by one motion. There will be no separate discussion of these items unless requested by a member of the Commission or a member of the public prior to the time the Commission votes on the motion to adopt.

COMMISSIONER REPORTS AND ANNOUNCEMENTS: This is the time for brief announcements by commissioners on issues of interests to the community. In accordance with provisions of the Brown Act, matters which do not appear on the agenda, but require Commission discussion may be either (a) referred to staff or other resources for factual information or (b) placed on a future meeting agenda.

LEGAL CHALLENGES: If you challenge a decision of the Commission in court, you may be limited to raising only those issues you or someone else raised at the meeting or in written correspondence delivered at, or prior to, the meeting. Actions challenging Commission decisions shall be subject to the time limitations contained in Code of Civil Procedure Section 1094.6.



Investment Report

For Quarter Ended September 30, 2019

City of Hercules, California





CITY OF HERCULES
FINANCE DEPARTMENT
111 CIVIC DRIVE
HERCULES, CALIFORNIA 94547-1771
PHONE: 510-799-8200

January 14, 2019

Honorable Mayor and City Council:

I verify that this investment portfolio conforms with all state laws and City's investment policy. The City's expenditures requirements for the next months are covered by anticipated revenues from City operations and liquidity from cash on deposit.

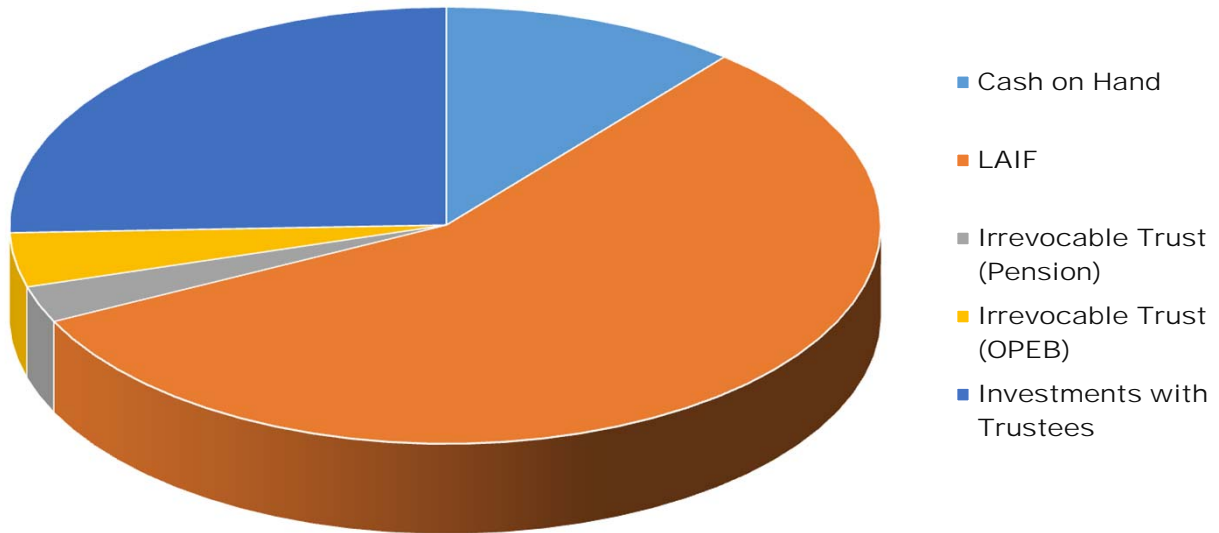
Sincerely,

A handwritten signature in blue ink, appearing to read 'Edwin Gato', is written over a faint, circular blue ink stamp.

Edwin Gato
Finance Director/City Treasurer

City of Hercules, California
Investment Portfolio Summary Report
For the Quarter Ended September 30, 2019

Investments by Type



	Book Value	% of Total	Average Duration in Days	Average Yield	Market Value
Cash on Hand	\$2,255				\$2,255
Cash on Deposit	6,804,331		1	1.54%	6,804,331
Total Cash on Hand	6,806,586	10.99%	1	1.54%	6,806,586
Local Agency Investment Fund (LAIF)	35,123,797	56.73%	1	2.28%	35,126,151
Irrevocable Trust (Pension)	1,669,837	2.70%	1	1.27%	1,669,837
Irrevocable Trust (OPEB)	2,484,415	4.01%	1	1.27%	2,484,415
Investments with Bond Trustees	15,830,592	25.57%	1	1.85%	15,830,594
Total Portfolio	\$61,915,227	100.00%	1	1.73%	\$61,917,583

Amount over (under) Market Value vs. Book Value
% of Portfolio

\$2,356
0.0038%

	General Fund	All Other Funds
FY 18-19 Investment Earnings	298,626	1,059,511
FY 19-20 Fiscal Year to Date Investment Earnings	18,157	83,944

Note: Yield shown does not account for change in market value of investments.

City of Hercules
Detail for Investment Portfolio Summary Report
For the Quarter Ended September 30, 2019

DESCRIPTION	BOOK VALUE	RATE	YIELD	PURCHASE DATE	MATURITY DATE	LIFE TO MATURITY	(DAYS) REMAINING LIFE	PAR VALUE	MARKET VALUE
CASH ON HAND									
PETTY CASH	2,255.00							2,255.00	2,255.00
CASH IN BANK									
MECHANICS BANK - GENERAL CHECKING	4,049,966.89							4,049,966.89	4,049,966.89
MECHANICS BANK - HERCULES RDA	116,050.76							116,050.76	116,050.76
MECHANICS BANK - PD ASSET SEIZURE	351,792.24							351,792.24	351,792.24
CalTRUST	19,668.31	1.5400%	1.5400%	7/1/2019	10/1/2019	92	1	19,668.31	19,668.31
WELLS FARGO (ESCROW ACCOUNT)	2,266,852.54	1.5400%	1.5400%					2,266,852.54	2,266,852.54
TOTAL AND AVERAGES	6,804,330.74	1.5400%	1.5400%			92	1	6,804,330.74	6,804,330.74
LOCAL AGENCY INVESTMENT FUND (LAIF)									
LAIF	35,123,797.18	2.2800%	2.2800%	7/1/2019	10/1/2019	92	1	35,123,797.18	35,126,151.11
IRREVOCABLE TRUST (PENSION/OPEB)									
US BANK MUTUAL (PARS-OPEB)	2,484,414.72	1.2700%	1.2700%	7/1/2019	10/1/2019	92	1	2,484,414.72	2,484,414.72
US BANK MUTUAL (PARS-PENSION)	1,669,837.17	1.2700%	1.2700%	7/1/2019	10/1/2019	92	1	1,669,837.17	1,669,837.17
TOTAL AND AVERAGES	4,154,251.89	1.2700%	1.2700%			92	1	4,154,251.89	4,154,251.89
INVESTMENTS WITH BOND TRUSTEES									
FIDELITY	984,192.23							984,192.23	984,192.23
GE CAPITAL CORPORATION	54,028.77	3.0278%	3.0278%	7/1/2019	10/1/2019	92	1	54,028.77	54,028.77
THE BANK OF NEW YORK (BNY) MELLON TRUST (HERCULES PFA SER 03B RESERVE FD)	195.85	1.7000%	1.7000%	7/1/2019	10/1/2019	92	1	195.85	196.85
THE BANK OF NEW YORK (BNY) MELLON TRUST (HERCULES PFA SER 03B PRINCIPAL ACCT)	-							-	-
THE BANK OF NEW YORK (BNY) MELLON TRUST (HERCULES PFA SER 03B REV FD)	283,528.41	1.7100%	1.7100%	7/1/2019	10/1/2019	92	1	283,528.41	283,528.41
THE BANK OF NEW YORK (BNY) MELLON TRUST (HERCULES J MUIR PKWY 05 1 REDEMP PR)	705.54	1.7100%	1.7100%	7/1/2019	10/1/2019	92	1	705.54	705.54
THE BANK OF NEW YORK (BNY) MELLON TRUST (HERCULES J MUIR PKWY 05 1 RES FD)	294,461.67	1.7100%	1.7100%	7/1/2019	10/1/2019	92	1	294,461.67	294,461.67
THE BANK OF NEW YORK (BNY) MELLON TRUST (HERCULES RDA SER 05 07 REVENUE FUND)	9,034.28	1.8400%	1.8400%	7/1/2019	10/1/2019	92	1	9,034.28	9,034.28
THE BANK OF NEW YORK (BNY) MELLON TRUST (HERCULES RDA SER 05 RESERVE FD)	2,787,149.28	1.8400%	1.8400%	7/1/2019	10/1/2019	92	1	2,787,149.28	2,787,150.28
THE BANK OF NEW YORK (BNY) MELLON TRUST (HERCULES 2007A REVENUE FD)	1,402.08	1.7100%	1.7100%	7/1/2019	10/1/2019	92	1	1,402.08	1,402.08
THE BANK OF NEW YORK (BNY) MELLON TRUST (HERCULES 2007B REVENUE FD)	1,091.75	1.7100%	1.7100%	7/1/2019	10/1/2019	92	1	1,091.75	1,091.75
THE BANK OF NEW YORK (BNY) MELLON TRUST (HERCULES 2007B RESERVE A C)	1,074,548.64	1.7100%	1.7100%	7/1/2019	10/1/2019	92	1	1,074,548.64	1,074,548.64
THE BANK OF NEW YORK (BNY) MELLON TRUST (HERCULES 2007B PROJECT FD ACCOUNT)	51,727.09	1.7100%	1.7100%	7/1/2019	10/1/2019	92	1	51,727.09	51,727.09

City of Hercules
Detail for Investment Portfolio Summary Report
For the Quarter Ended September 30, 2019

DESCRIPTION	BOOK VALUE	RATE	YIELD	PURCHASE DATE	MATURITY DATE	LIFE TO MATURITY	(DAYS) REMAINING LIFE	PAR VALUE	MARKET VALUE
THE BANK OF NEW YORK (BNY) MELLON TRUST (HERCULES 2007A RESERVE A C)	1,219,633.18	1.7100%	1.7100%	7/1/2019	10/1/2019	92	1	1,219,633.18	1,219,633.18
THE BANK OF NEW YORK (BNY) MELLON TRUST (HERCULES RDA 2007A PROJ REIMB ACCT)	605,801.93	1.8400%	1.8400%	7/1/2019	10/1/2019	92	1	605,801.93	605,801.93
THE BANK OF NEW YORK (BNY) MELLON TRUST (HERCULES RDA 2007A RESERVE ACCT)	3,778,418.71	1.8400%	1.8400%	7/1/2019	10/1/2019	92	1	3,778,418.71	3,778,418.71
THE BANK OF NEW YORK (BNY) MELLON TRUST (HERCULES PFA 2010 ACQ CONST FUND)	52.64	1.7100%	1.7100%	7/1/2019	10/1/2019	92	1	52.64	52.64
THE BANK OF NEW YORK (BNY) MELLON TRUST (HERCULES PFA REV REFUNDING BONDS ELECTRIC SYSTEM PROJECT SERIES 2010 FR)	1,646,507.00	2.1700%	2.1700%	7/1/2019	10/1/2019	92	1	1,646,507.00	1,646,507.00
THE BANK OF NEW YORK (BNY) MELLON TRUST (HERCULES PFA REV REFUNDING BONDS ELECTRIC SYSTEM PROJECT SERIES 2010 FR)	1,447,084.89	2.1700%	2.1700%	7/1/2019	10/1/2019	92	1	1,447,084.89	1,447,084.89
THE BANK OF NEW YORK (BNY) MELLON TRUST (HERCULES PFA 09 REVENUE FUND)	275,294.81	1.4800%	1.4800%	7/1/2019	10/1/2019	92	1	275,294.81	275,294.81
THE BANK OF NEW YORK (BNY) MELLON TRUST (HERCULES PFA 09 DEBT SERV PRIN ACCT)	209,728.37	1.8400%	1.8400%	7/1/2019	10/1/2019	92	1	209,728.37	209,728.37
THE BANK OF NEW YORK (BNY) MELLON TRUST (HERCULES PFA 09 DEBT SERV INT ACCT)	185,290.26	1.8400%	1.8400%	7/1/2019	10/1/2019	92	1	185,290.26	185,290.26
THE BANK OF NEW YORK (BNY) MELLON TRUST (HERCULES PFA 09 RESERVE FD)	920,715.00	1.8400%	1.8400%	7/1/2019	10/1/2019	92	1	920,715.00	920,715.00
TOTAL AND AVERAGES	15,830,592.38	1.8485%	1.8485%			92	1	15,830,592.38	15,830,594.38
TOTAL INVESTMENT REPORT	61,915,227.19	1.7346%	1.7346%			92	1	61,915,227.19	61,917,583.12



CALIFORNIA STATE TREASURER FIONA MA, CPA



PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
11/04/19	2.14	2.18	208
11/05/19	2.14	2.18	208
11/06/19	2.14	2.18	208
11/07/19	2.12	2.18	213
11/08/19	2.12	2.18	214
11/09/19	2.12	2.18	214
11/10/19	2.12	2.18	214
11/11/19	2.12	2.18	214
11/12/19	2.12	2.17	212
11/13/19	2.11	2.17	212
11/14/19	2.10	2.17	213
11/15/19	2.10	2.17	216
11/16/19	2.10	2.17	216
11/17/19	2.10	2.17	216
11/18/19	2.10	2.16	215
11/19/19	2.10	2.16	214
11/20/19	2.09	2.16	212
11/21/19	2.08	2.16	213
11/22/19	2.08	2.16	212
11/23/19	2.08	2.16	212
11/24/19	2.08	2.16	212
11/25/19	2.08	2.15	212
11/26/19	2.08	2.15	211
11/27/19	2.07	2.15	220
11/28/19	2.07	2.15	220
11/29/19	2.07	2.15	220
11/30/19	2.07	2.15	218
12/01/19	2.07	2.15	217
12/02/19	2.07	2.15	219
12/03/19	2.07	2.14	218
12/04/19	2.07	2.14	218

*Daily yield does not reflect capital gains or losses

[View Prior Month Daily Rates](#)

LAIF Performance Report

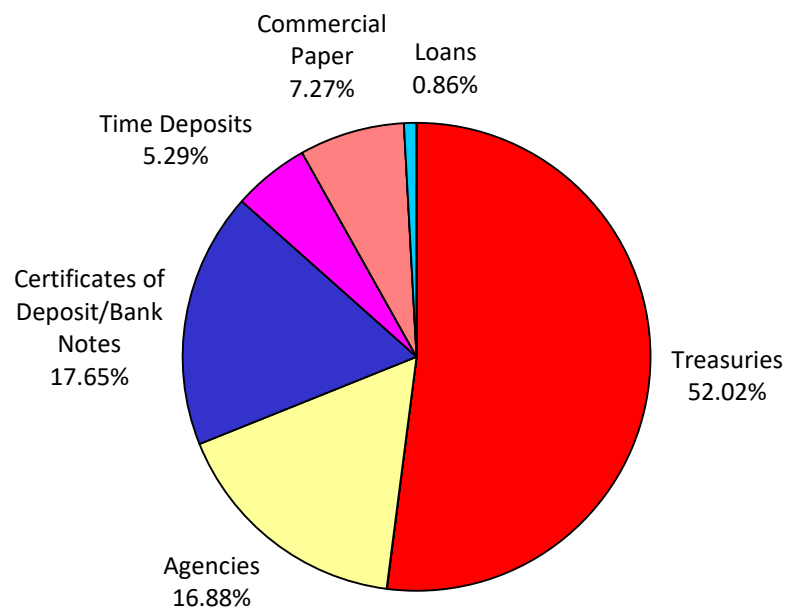
Quarter Ending 09/30/19

Apportionment Rate: 2.45
Earnings Ratio: .0006701807521016
 Fair Value Factor: 1.001642817
 Daily: 2.25%
 Quarter to Date: 2.34%
 Average Life: 185

PMIA Average Monthly Effective Yields

Nov 2019 2.103
 Oct 2019 2.190
Sep 2019 2.280

Pooled Money Investment Account Portfolio Composition 10/31/19 \$91.4 billion



Percentages may not total 100% due to rounding

Notes: The apportionment rate includes interest earned on the CalPERS Supplemental Pension Payment pursuant to Government Code 20825 (c)(1) and interest earned on the Wildfire Fund loan pursuant to Public Utility Code 3288 (a).
 Based on data available as of 12/04/2019



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of January 15, 2020

TO: Members of the Finance Commission

SUBMITTED BY: David Biggs, City Manager
Edwin Gato, Director of Finance

SUBJECT: Accept the Investment Report for the Quarter Ending September 30, 2019

RECOMMENDED ACTION:

Accept the Investment Report for the Quarter Ending September 30, 2019.

FISCAL IMPACT OF RECOMMENDATION:

This is an information report with no fiscal impact.

DISCUSSION:

This report presents the City's investment portfolio for the quarter ending September 30, 2019. It has been prepared to comply with regulations contained in California Government Code Section 53646 and City's Investment Policy. The report includes all cash and investments managed by the City. It also includes City-related investments held by bond trustees for debt service obligations as well as money held in the irrevocable trust with PARS for pension and other post-employment benefits (OPEB). The report provides information on the investment type, issuer, maturity date, cost, and current market value for each security.

The City utilizes the Local Agency Investment Fund (LAIF) as a money market fund administered by the State Treasurer. LAIF has many governmental agency participants and holds securities through its own administrator. Investments held by Bond Trustees are administered in accordance with individual bond indentures.

As of September 30, 2019, the overall pooled investment portfolio average yield (before adjustments for changes in market value) was 1.73%, which is higher than the rate for two-year U.S. Treasury Note at 1.63% and just under the LAIF average monthly rate of 2.28%.

On September 18, 2019, the Federal Reserve cut the target range for its benchmark interest rate by 0.25%. It was the second time the Fed cut rates in 2019, in an attempt to keep the economic expansion from slowing amid many signs that the slowdown is well under way. The theory is that by cutting rates, borrowing costs decrease which prompts businesses to take out loans to hire more people and expand production.

Lower interest rates also impact the bond market, as yields on everything from U.S. Treasuries to corporate bonds tend to fall, making them less attractive to new investors. At September 30, 2019, the market value of the pooled portfolio was \$2,356 better than the book value. As the City does not intend to sell its pooled investment portfolio securities prior to maturity, this will have no effect on yield.

Investment Type	Market Value	Amount Over/(Under) Cost	Average Length of Duration	Average Yield
Cash on Hand and on Deposit	\$6,806,586	-	1	1.54%
Local Agency Investment Fund (LAIF)	35,126,151	\$2,354	1	2.28%
Total Pooled Investment Portfolio	41,932,737	2,354	1	1.91%
Irrevocable Trust (Pension)	1,669,837	-	1	1.27%
Irrevocable Trust (OPEB)	2,484,415	-	1	1.27%
Investments with Bond Trustees	15,830,594	2.00	1	1.85%
Total Portfolio	\$61,917,583	\$2,356	1	1.73%

The 56.73% of the total Investment Portfolio was deposited with LAIF as of September 30, 2019. LAIF has 68.90% of its investments in U.S. Treasuries and agency notes, 17.65% in CDs and bank notes, and 13.45% in other types of investments. Additional economic summaries and specific information related to each of the investment advisors and LAIF are included in the Investment Portfolio Summary Report included in Exhibit 1.

The City invests its idle cash from all operating funds on a pooled basis to maximize returns. Earnings are allocated to each fund based on the average cash balance. Total investment income for the City as of September 30, 2019 was \$102,101. The timing of revenue collections, such as property tax, business licenses, and franchise tax, affects the quarterly investment income during the year.

Governmental Accounting Standards Board (GASB) Statement 40 requires the City to recognize the fair market value of its investments at the end of each fiscal year. The market values of investments included in this report are obtained from the State Controller's office for LAIF and from the City's registered investment managers and bond trustees for all other investments. These market valuations are subject to daily changes. The difference between market value and historical costs, known as Unrealized Investment Gains and Losses, are temporary in nature and are not cash related transactions. Since it is the City's general intention to hold its investments until maturity, when they would be redeemed at par value, any unrealized gain or loss is only reported at the end of the fiscal year in the City's Comprehensive Annual Financial Report.

Of the total cash and investments reported above, only the portions held in the City's General Fund (approximately \$8.7 million, or 14%) and Internal Service Funds (approximately \$2.2 million, or 4%) are unrestricted, although a portion of these amounts may be committed for existing obligations or designated for specific purposes. The remaining \$50.9 million, or 82%, of the City's cash and investments are restricted for specific uses, in accordance with federal, state or local agency rules and regulations.

ATTACHMENTS:

1. Quarterly Investment Report

<i>Financial Impact</i>			
Description:			
Funding Source:			
Budget Recap:			
Total Estimated cost:	\$	New Revenue:	\$
Amount Budgeted:	\$	Lost Revenue:	\$
New funding required:	\$	New Personnel:	\$
Council Policy Change: Yes <input type="checkbox"/> No <input type="checkbox"/>			



City of Hercules

111 Civic Drive
Hercules, CA 94547

Meeting Minutes

Finance Commission

J. Yamamoto, Chair
Zania Harris, Vice Chair
Lori Risby, Commissioner
Diana Galieva, Commissioner

Monday, December 9, 2019

7:00 PM

Council Chambers

Special Meeting

I. CALL TO ORDER - ROLL CALL

Meeting was called to order at 7:02 p.m. by Chair Yamamoto.

J. Yamamoto, Chairperson – Present
Zania Harris, Vice Chair – Present
Lori Risby, Commissioner – Present
Diana Galieva, Commissioner - Present

II. PLEDGE OF ALLEGIANCE

III. INTRODUCTIONS AND PRESENTATIONS - NONE

IV. AGENDA ADDITIONS/DELETIONS – NONE

V. PUBLIC COMMUNICATIONS - NONE

VI. DIRECTOR REPORT

Disbursement List is located at <http://www.ci.hercules.ca.us>. Click on Departments and Services. Click on Finance. Click on Disbursement List.

- Finance Director, Edwin Gato, discussed the CAFR FOR FY 2018-19.

VII. CONSENT CALENDAR

- Finance Commission meeting minutes for the December 9, 2019 meeting were approved.
Motion: Vice Chair Harris, Second Commissioner Galieva. Passed 4-0: Ayes: Chair Yamamoto,

Vice Chair Harris, Commissioner Risby and Commissioner Galieva.

VIII. DISCUSSION AND/OR ACTION ITEMS

IX. COMMISSIONER REPORTS AND ANNOUNCEMENTS - NONE

X. FUTURE AGENDA ITEMS

- Review Pension Liability Study

XI. ADJOURNMENT

Chair Yamamoto adjourned the meeting at 7:43 pm.

The next Regular Meeting of the Commission will be held on Wednesday, March 18, 2020 at 7:00 p.m. in the Council Chambers.

Submitted by: Deysi Ortega x_____

Approved by the majority vote of the Commission on January 15, 2019