

Mid-Year/Quarterly Investment Report

Dated: February 8, 2011

ORIGINATED BY: Gina Will, Finance Director/Town Treasurer

REVIEWED BY: Charles L. Rough, Jr., Town Manager

RECOMMENDATION:

1. The Town Council is requested to review and file the Mid-Year/2nd Quarter Investment Report for the Fiscal Year Ending June 30, 2011

BACKGROUND:

Attached is a report on the Town's cash and investments for the quarter ended December 31, 2010.

For the first time in many years the Town is using an agency other than LAIF for investment of cash in excess of immediately needed operating capital. As Council is aware, Rabobank has guaranteed a yield of 15 basis points above LAIF for a fully collateralized money market account. The Rabobank account is also highly liquid. All these elements combined qualifies it according to the Town's Investment Policy. Funds can be securely transferred via a wire transfer between Rabobank and the Town's operating checking account. Rabobank is a short term solution until LAIF's interest rate improves and/or better options are identified.

The Town has left some funds in the State of California managed Local Agency Investment Fund (LAIF) in order to maintain some account activity to prevent closure and to prepare a fallback position for the Town.

A Wells Fargo Bank checking account is currently used for payroll, accounts payable and other operating purposes. Most accounts payable disbursements are drawn through checks, and most payroll disbursements are processed through direct deposit.

The Town establishes escrow funds at the start of each new lease. The escrow fund is drawn down to zero through the process of purchasing equipment against the lease. Interest is accrued on any unspent escrow balance. The "other" investment type represents these available escrow funds as well as petty cash balances.

SUMMARY:

With receipt of the first property tax, motor vehicle in lieu and pooled sales tax received from the County for the year totaling \$3.7 million, the Town is well positioned from a cash flow perspective to meet its financial obligations. However, the total cash balance as of December 31, 2010 is misleading if compared to the December 31, 2009 balances. To reconcile the two it is important to remember that usually the County doesn't send the first big property tax payment until the first week of January. Thus removing the \$3.7 million and the amounts held with fiscal agents, the Town is actually up about \$850,000 compared to last fiscal year at the same time. It is also important to remember that the Town was obligated to repay half of its TRAN financing by January 31, 2011 which is \$968,947.22

The Town will continue to monitor budget performance in order to establish and maintain appropriate cash reserves to meet its obligations for the remainder of the 2010/11 fiscal year.

FINANCIAL IMPACT:

The Town earned \$1,744.81 for the quarter ended December 31, 2010 and \$6,052.70 through mid-year 2010/11. That is compared to \$1,392.64 for the quarter ended December 31, 2009 and \$5,687.73 through mid-year 2010-11. The Rabobank yield is about equal to the yield of the prior fiscal year quarter at 0.60%, but LAIF's yield was 0.47% at December 31, 2010 compared to 0.61% at the quarter ended December 31, 2009.

TOWN OF PARADISE
 QUARTERLY SUMMARY OF INVESTMENTS
 For Quarter Ended December 31, 2010

<u>Investment</u>	<u>Type</u>	<u>For Quarter Ended Dec. 31, 2010</u>			<u>For Quarter Ended Dec. 31, 2009</u>			<u>Net Change</u>
		<u>Yield</u>	<u>Book Value</u>	<u>Market Value*</u>	<u>Yield</u>	<u>Book Value</u>	<u>Market Value*</u>	
Wells Fargo Bank	Checking		435,819.42	435,819.42		55,250.65	55,250.65	380,568.77
Local Agency Investment Fund (LAIF)	Savings	0.47%	917,202.91	918,543.24	0.61%	100,638.51	100,733.90	816,564.40
Rabobank	Money Market	0.60%	3,400,112.53	3,400,112.53		-	-	3,400,112.53
Fiscal Agents & Petty Cash	Other	0.19%	281,443.92	281,443.92	0.11%	35,884.84	35,884.84	245,559.08
Totals			5,034,578.78	5,035,919.11		191,774.00	191,869.39	4,842,804.78
Total Quarterly Earnings on accrual basis			1,744.81		1,392.64			
Year-to-Date Earnings (July 1st - December 31st)			6,052.70		5,687.73			

* Market Value determined by LAIF

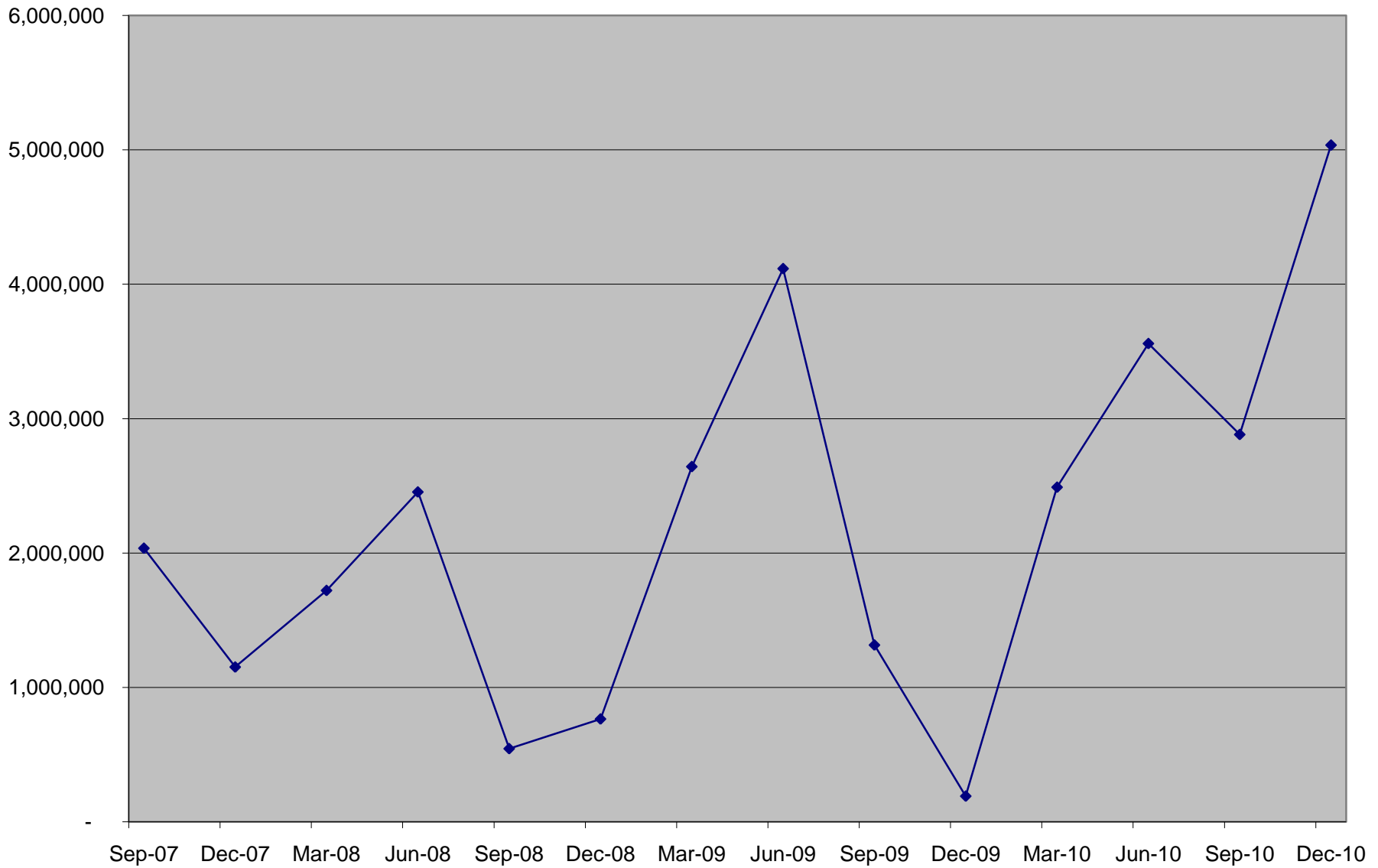
In compliance with the California Code Section 43646; the Treasurer of the Town of Paradise hereby certifies that sufficient investment liquidity and anticipated revenues are available to meet the Town's budgeted expenditure requirements for the next six months.

Investments in the report meet the requirements of the Town of Paradise's adopted investment policy.

Respectfully submitted,

Gina S. Will
 Finance Director/Town Treasurer

**Town of Paradise
Investment Balances
September 2007 - December 2010**



	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
Series1	2,035,863	1,152,033	1,721,649	2,454,193	544,749	765,446	2,642,871	4,115,703	1,315,739	191,774	2,489,668	3,558,461	2,881,720	5,034,579