



**Town of Paradise
Council Agenda Summary
Date: March 10, 2015**

Agenda Item: 3

Originated by: Gina S. Will, Finance Director/Town Treasurer
Reviewed by: Lauren Gill, Town Manager
Subject: Quarterly Investment Report

Council Action Requested:

1. Review and file the 2nd Quarter Investment Report for the Fiscal Year Ending June 30, 2015; and,
2. Review and approve the attached Investment Policy; or,

Alternatives:

Refer the matter back to staff for further development and consideration.

Background:

Attached is a report on the Town's cash and investments for the quarter ended December 31, 2014.

A US Bank checking account is currently being 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. Deposits are fully collateralized and after reserve requirements, provide an earnings credit rate of 0.50% up to the amount of monthly fees. As the earnings credit rate is currently higher than the yield provided by LAIF, staff is currently maximizing the earnings potential in this account.

The Town uses the State of California managed Local Agency Investment Fund (LAIF) for investment of cash in excess of immediately needed operating capital. With same day liquidity and comparable yields, LAIF is currently the best investment option for the Town. Funds are able to be transferred electronically through phone authorization between LAIF and the Town checking account. The Town will continue to research other investment options that match LAIF's liquidity and security in order to improve investment yield.

In June of 2011, the Town established an irrevocable trust to begin funding the future obligations associated with retiree health as required by GASB 45. The funds are being managed by Self-Insured Schools of California (SISC) and can only be used for the payment of retiree health benefits.

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. As of December 31, 2014, there were \$86,303 in unspent escrow funds as the Town was in the process of purchasing approved 2014/15 budgeted equipment.

Discussion

The increased investment balance as of December 31, 2014 as compared to December 31, 2013 is both a reflection timing changes in the payment of the Town's obligations and improvement to the Town's overall cash liquidity. Last fiscal year the needed a \$3.0 million TRAN which was funded October 8, 2013. This year the Town funded a TRAN of \$2.7 million as of October 10, 2014. This TRAN will be sufficient to fund operations and payroll for the 2014/15 fiscal year.

The GASB 45 trust investment managed by SISC experienced a 2.92% return on investment during the 2nd quarter of 2014/15. The economy is picking up but interest rates remain historically low. Globally investors continue to worry about weak world markets. Long term, SISC has been successful with its allocation model of approximately 60% equity and 40% fixed income.

In August, September and December 2014, the Town Treasurer directed the Trustee, Wells Fargo Bank, to invest the reserve funds of the Pension Obligation Bond, the Paradise Redevelopment 2006 Note, and the Paradise Redevelopment 2009 Bond in accordance with the Town's investment policy. The reserve funds had been yielding less than 0.01% in mutual funds. The reserve funds are now invested in CD's which will yield between 0.35% and 0.55% over six months to one year. While these investments and balances are not part of the Town's idle or operating cash, the yield will ultimately lessen the amount the Town will be required to contribute in future debt service payments.

Finally, staff is submitting an amended Investment Policy for Town Council's review and approval. The Policy is substantively the same: it includes some minor modifications in recognition of State law changes. All Town investments currently meet the guidelines of this policy.

Fiscal Impact Analysis:

Isolating the gain from the GASB 45 trust, the Town earned \$2,953.16 for the quarter ended December 31, 2014. That is compared to \$2,287.09 for the quarter ended December 31, 2013. Again, isolating the GASB 45 return, the Town realized virtually the same yield compared to a year ago, but had more average balances invested. Year to date this fiscal year, the Town earned \$4,904.81 after isolating the GASB 45 return. Last fiscal year to date, the Town had earned \$3,308.05.