



**Town of Paradise
Council Agenda Summary
Date: August 13, 2013**

Agenda Item: 3

Originated by: Gina S. Will, Finance Director/Town Treasurer

Reviewed by: Lauren Gill, Interim Town Manager

Subject: Quarterly Investment Report

Council Action Requested:

Review and file the 4th Quarter Investment Report for the Fiscal Year Ended June 30, 2013; 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 June 30, 2013.

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.

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.

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 June 30, the Town had established a lease and escrow funds for refurbishing two police patrol vehicles.

Conclusion:

September 28, 2012, the Town received its TRAN proceeds of \$2.25 million for 2012/13. With careful spending and budget cutbacks, the Town has reduced cash flow usage and this TRAN was sufficient to fund operations and payroll for the 2012/13 fiscal year. The 2012/13 TRAN

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was repaid May 31, 2013. Staff has recently issued a request for proposal for the 2013/14 TRAN to eight regional banks. Staff expects that the 2013/14 TRAN will fund with Council approval sometime in September 2013.

The GASB 45 trust investment managed by SISC experienced a 0.5% return on investment during the 4th quarter of 2012/13. Staff remains cautiously optimistic and expects that in the short term the yield will remain relatively low. Markets remain volatile domestically. 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.

Fiscal Impact Analysis:

Isolating the gain from the GASB 45 trust, the Town earned \$1,719.52 for the quarter ended June 30, 2013. That is compared to \$4,472.22 for the quarter ended June 30, 2012. Again, isolating the GASB 45 return, the Town realized about 23 basis points less in yield from a year ago, but had larger average balances invested. Year to date, and isolating GASB 45 investment yield, the Town earned \$7,272.64 for 2012/13 compared to \$21,323.34 for 2011/12.