



**Town of Paradise
Council Agenda Summary
Date: September 9, 2014**

Agenda Item: 3(f)

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 4th Quarter Investment Report for the Fiscal Year Ended June 30, 2014; 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, 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 June 30, 2014, there were no unspent escrow funds.

Discussion

The increased cash balance as of June 30, 2014 is a result of management holding very tight reins on the budget in 2013/14 and in some cases increasing reserves in some funds. This places the Town in a slightly better cash position going into fiscal year 2014/15. Also, the CAL FIRE contract improves cash flow and availability as payments are processed quarterly instead of monthly for fire related expenses. The Town paid back its \$3 million TRAN as of May 30, 2014 and has ensured that there are sufficient funds available to meet all obligations going into the new fiscal year. Staff is proposing a \$2.7 million dollar TRAN for the 2014/15 fiscal which will be discussed more in a separate agenda summary.

The GASB 45 trust investment managed by SISC experienced a 3.91% return on investment during the 4th quarter of 2013/14. 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.

In October 2013, 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 0.25% and 0.40% over six to seven months. 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.

Fiscal Impact Analysis:

Isolating the gain from the GASB 45 trust, the Town earned \$3,358.57 for the quarter ended June 30, 2014. That is compared to \$2,954.43 for the quarter ended June 30, 2013. The yield is less than one basis point higher, but higher investment balances were available. Fiscal year to date and isolating the gain from the GASB 45 trust, the Town earned \$9,840.23 for 2013/14 and \$9,963.08 for 2012/13.