



**Town of Paradise  
Council Agenda Summary  
Date: July 9, 2019**

**Agenda Item: 2**

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

---

**Council Action Requested:**

Review and file the 3rd Quarter Investment Report for the Fiscal Year Ended June 30, 2019.

**Alternatives:**

Give alternative direction for investment or reporting.

**Background:**

Attached is a report on the Town's cash and investments for the quarter ended March 31, 2019.

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.

The Town received a \$5 million cash advance from CalOES in December 2018 for projects and restoration that will be funded through FEMA's public assistance grant program. Those funds are required to be held in a non-interest bearing account. A US Bank non-interest bearing checking account was established to track the funds.

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 can be transferred electronically through computer 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 March 31, 2019, there were no available escrow funds.

## **Discussion**

With cash advances from CalOES and insurance, there was a \$11.3 million increase in cash/investment balances as of March 31, 2019 as compared to March 31, 2018. As a reminder nearly \$5 million is not eligible for investment. Further, staff is carefully monitoring cash balances of major funds as certain funds are restricted from “loaning” cash to other funds. For example of the \$12.9 million in cash balances as of March 31, 2019, \$4.5 is the CalOES advance and \$2.9 million is for Business and Housing purposes.

The GASB 45 trust investment managed by SISC experienced a 10.74% return on investment during the 3rd quarter of 2018/19. Long term, SISC has been successful with its allocation model of approximately 60% equity and 40% fixed income.

The Town Treasurer has directed the Trustee, Wells Fargo Bank, to invest the reserve funds of the Pension Obligation Bond in accordance with the Town’s investment policy. The reserve funds are now invested in a Treasury Note that will yield 2.31% over a ten month period. 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 \$12,291.53 for the quarter ended March 31, 2019. That is compared to \$18,703.89 for the quarter ended March 31, 2018. Again, isolating the GASB 45 return, over 80 basis points less in average yield was realized compared to a year ago because of timing and restrictions in investment. About \$11.3 million more average balances were available.