



**Town of Paradise
Council Agenda Summary
Date: January 14, 2020**

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 1st Quarter Investment Report for the Fiscal Year Ending June 30, 2020.

Alternatives:

Give alternative direction for investment or reporting.

Background:

Attached is a report on the Town's cash and investments for the quarter ended September 30, 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. As FEMA eligible expenses and/or projects are completed, funds are transferred to the Town operating checking account to fund those activities. The remaining advance 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 September 30, 2019, there were no available escrow funds.

Discussion

With cash advances from CalOES, insurance, and Housing Program payoffs, there was a \$18.2 million increase in cash/investment balances as of September 30, 2019 as compared to September 30, 2018. Staff is carefully monitoring cash balances of major funds as certain funds are restricted from “loaning” cash to other funds. For example, of the \$20.1 million in cash balances as of September 30, 2019, \$3.4 million is the CalOES advance and \$4.2 million is for Business and Housing programs. \$1.7 million is from donations and recovery grants, most of which come with specific spending requirements. Finally, the \$5.7 million in advances received from insurance must be carefully planned and budgeted in order to repair or replace items destroyed in the fire.

The GASB 45 trust investment managed by SISC experienced a 0.27% return on investment during the 1st quarter of 2019/20. 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 \$98,770.32 for the quarter ended September 30, 2019. That is compared to \$6,980.14 for the quarter ended September 30, 2018. Again, isolating the GASB 45 return, over 78 basis points more in average yield was realized compared to a year ago. About \$15.1 million more average balances were available for investment.