



**Town of Paradise
Council Agenda Summary
Date: November 8, 2016**

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 4th Quarter Investment Report for the Fiscal Year Ending June 30, 2016; or,

Alternatives:

Give alternative direction for investment or reporting.

Background:

Attached is a report on the Town's cash and investments for the quarter ended June 30, 2016.

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 0.22% up to the amount of monthly fees.

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, 2016, there were no unspent escrow funds.

Discussion

The roughly \$327,000 increased investment balance as of June 30, 2016 as compared to June 30, 2015 is a reflection of improved cash flow reserves in key funds and especially the general

Quarterly Investment Report
November 8, 2016

fund. As is illustrated by both of the attached graphs, the trend and focus the last five years has been to replace depleted reserves with the goal of reducing and eliminating the need to borrow cash for operations. Last fiscal year the Town needed a \$2.5 million TRAN which was funded September 18, 2015. This fiscal year the Town funded a TRAN of \$2.25 million as of October 19, 2016.

The GASB 45 trust investment managed by SISC experienced a 0.94% return on investment during the 4th quarter of 2015/16. The economy is improving; however, investors are skeptical creating volatility and interest rates remain historically low. 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 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 0.75% over a one year 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 \$6,189.66 for the quarter ended June 30, 2016. That is compared to \$4,177.75 for the quarter ended June 30, 2015. Again, isolating the GASB 45 return, the Town realized over 14 basis points more in yield compared to a year ago (LAIF interests rates have improved over 27 basis points compared to a year ago), but had about \$288,000 less average balances invested. For the 2015/16 fiscal year, the Town earned \$20,867.58 after isolating the GASB 45 return. Last fiscal year, the Town earned \$22,787.27.