



**Town of Paradise  
Council Agenda Summary  
Date: August 8, 2017**

**Agenda Item: 2**

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

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**Council Action Requested:**

1. Review and file the 3rd Quarter Investment Report for the Fiscal Year Ending June 30, 2017; and,
2. Review and approve Town of Paradise – 140 Investment Policy; 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 March 31, 2017.

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 0.21% 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 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, 2017, there were no available escrow funds.

**Discussion**

The \$735,680 decreased investment balance as of March 31, 2017 as compared to March 31, 2016 is a result of having borrowed \$250,000 less in a Tax Revenue Anticipation Note (TRAN) and having taken \$200,000 out of reserves to fund the purchase of a new fire engine. The reserve funds will be replaced once the old fire engine is sold. The Town is replacing 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. In addition, there are some timing differences in the collection of receipts and the disbursements of payables. It is the measurement of cash investments at June 30<sup>th</sup> that is a better indication of cash flow improvements or challenges.

The GASB 45 trust investment managed by SISC experienced a 5.28% return on investment during the 3rd quarter of 2016/17. The economy is improving; however, the markets are volatile 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 Pension Obligation Bond and the Paradise RDA Bond 2009 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 0.60% and 1.05% 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.

Finally, staff is submitting an Investment Policy for Town Council's review and approval. The investment policy has not changed as the laws governing the local agency investment of the funds had minor statutory changes; however, Government Code Section 53646 requires that this policy be reviewed and approved annually. All current reserve investments adhere to this policy.

**Fiscal Impact Analysis:**

Isolating the gain from the GASB 45 trust, the Town earned \$9,890.10 for the quarter ended March 31, 2017. That is compared to \$7,137.35 for the quarter ended March 31, 2016. Again, isolating the GASB 45 return, over 27 basis points more in average yield was realized compared to a year ago, but had about \$972,000 million less average balances invested. The Town earned \$16,568.18 this fiscal year to date as compared to \$14,677.92 last fiscal year to date.