



**Town of Paradise
Council Agenda Summary
Date: December 12, 2017**

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 Ended June 30, 2018.

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, 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 0.22% 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 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, 2017, there were no available escrow funds.

Discussion

The \$314,020 decreased investment balance as of September 30, 2017 as compared to September 30, 2016 is primarily a result of more active capital improvement projects in the first quarter of the fiscal year. The Town had expended \$2.6 million on CIP projects as of September 30, 2017 as compared to \$2.2 million as of September 30, 2016. The Town is replacing depleted General Fund reserves with the goal of reducing and eliminating the need to borrow cash for operations. In 2016/17 the Town needed a \$2.25 million TRAN which was funded October 2016 and repaid in May 2017. This 2017/18 fiscal year the Town will issue a TRAN of \$2.1 million in October 2017.

The GASB 45 trust investment managed by SISC experienced a 3.19% return on investment during the 1st quarter of 2017/18. The economy has improved; however, interest rates remain 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 RDA Bond 2009 and the Pension Obligation 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 that will yield between 1.05% and 1.40% over nine months to 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 \$3,831.08 for the quarter ended September 30, 2017. That is compared to \$2,136.54 for the quarter ended September 30, 2016. Again, isolating the GASB 45 return, over 19 basis points more in average yield was realized compared to a year ago, and about \$479,000 more average balances were invested.