



**Town of Paradise
Council Agenda Summary
Date: January 13, 2015**

Agenda Item: 3

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

Council Action Requested:

Review and file the 1st Quarter Investment Report for the Fiscal Year Ended June 30, 2015; or,

Alternatives:

Refer the matter back to staff for further development and consideration.

Background:

Attached is a report on the Town's cash and investments for the quarter ended September 30, 2014.

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. As the earnings credit rate is currently higher than the yield provided by LAIF, staff is currently maximizing the earnings potential in this account.

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 September 30, 2014, Town Council had just approved a lease for the purchase of certain budgeted IT and public works equipment which will be financed over the useful life of the equipment. The escrow account was newly established and none of the funds had yet been spent.

Discussion

The GASB 45 trust investment managed by SISC experienced a 1.95% loss on investment during the 1st quarter of 2014/15. Since June 2011, the \$50,000 investment has earned \$14,676.45 which is a 29% return. SISC reports that they see this loss as a natural pullback from a 5 year US bull market. Also, the International Monetary Fund reported global economic slowdown during this quarter. Overall the Town should not be concerned. Long term, SISC has been successful with its allocation model of approximately 60% equity and 40% fixed income. Financial growth seldom reflects a straight line and small financial corrections are common over time.

For over a year, the Town Treasurer has directed the Trustee, Wells Fargo Bank, to invest the reserve funds of the Pension Obligation Bond, the Paradise Redevelopment 2006 Note, and 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 between 0.25% and 0.40% over three to five months. 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 researching changes to California Government Code 53601 that went into effect January 1, 2015. There may be some permitted investments worth including in the next Investment Policy revision. All Town investments meet the guidelines of the current policy.

Fiscal Impact Analysis:

Isolating the gain from the GASB 45 trust, the Town earned \$1,951.65 for the quarter ended September 30, 2014. That is compared to \$1,020.96 for the quarter ended September 30, 2013. Again, isolating the GASB 45 return, the Town realized two basis points less in yield compared to a year ago, but had about \$925,000 more in average balances invested.