



**Town of Paradise
Council Agenda Summary
Date: December 8, 2015**

Agenda Item: 2

Originated by: Gina S. Will, Finance 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, 2016; 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, 2015.

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 most new leases. 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, 2015, all previous year escrow funds had been spent. The lease purchase completed for 2015/16 will not have escrow funds.

Discussion

The increased investment balance as of September 30, 2015 as compared to September 30, 2014 indicates improvement to the Town's overall cash liquidity and reserves. The attached graph illustrates the trend of increasing cash balances over the recent fiscal year ends. Last fiscal year the Town needed a \$2.7 million TRAN which was funded October 10, 2014. This year the Town funded a TRAN of \$2.5 million toward the end of September 2015. The TRAN will be repaid in May of 2016 and will be sufficient to fund operations and payroll for the remainder of the 2015/16 fiscal year.

The GASB 45 trust investment managed by SISC experienced an 8.00% loss on investment during the 1st quarter of 2015/16. The return for the entire fiscal 2014/15 fiscal year was 0.70%. The economy is picking up but interest rates remain historically low. Globally investors continue to worry about weak world markets. At the time of the initial investment, SISC had comparable yields and low fees compared to other investment options; however, after four years it is time for staff to reevaluate if this is still the best choice. Staff will make a recommendation for continued investment soon.

In December 2014, the Town Treasurer directed the Trustee, Wells Fargo Bank, to invest the reserve funds of 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 0.45% and 0.55% over a one year period. The reserve funds for the Pension Obligation Bond will be invested in soon for the 2015/16 fiscal year. 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 loss from the GASB 45 trust, the Town earned \$3,462.91 for the quarter ended September 30, 2015. That is compared to \$1,951.65 for the quarter ended September 30, 2015. Again, isolating the GASB 45 return, the Town realized four basis points more in yield compared to a year ago, and had just over \$1.5 million more in average balances invested.