



**Town of Paradise  
Council Agenda Summary  
Date: April 12, 2016**

**Agenda Item: 2**

**Originated by:** Gina S. Will, Finance 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 2nd Quarter Investment Report for the Fiscal Year Ending June 30, 2016; and,
2. Review and approve the attached Investment Policy; 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 December 31, 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 maximized 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 December 31, 2015, there were no unspent escrow funds.

**Discussion**

The increased investment balance as of December 31, 2015 as compared to December 31, 2014 is an improvement to the Town's overall cash liquidity. 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 as of September 18, 2015. The TRAN will be repaid in May 2016 after the second annual property tax payment is received in April 2016. As of December 31, 2015, the General Fund has used all of its cash flow reserve and has used most of the TRAN. The General Fund cash was restored in January 2016 with the first installment of property tax payments. There will be sufficient to funds for operations and payroll for the remainder of the 2015/16 fiscal year.

The GASB 45 trust investment managed by SISC experienced a 4.39% return on investment during the 2nd quarter of 2015/16. The economy is picking up but interest rates remain historically low and the stock market volatile. 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 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 which will yield between 0.50% and 0.75% over three 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.

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 funds had very minor changes; however, Government Code Section 53646 requires that this policy be reviewed and approved annually.

**Fiscal Impact Analysis:**

Isolating the gain from the GASB 45 trust, the Town earned \$4,077.66 for the quarter ended December 31, 2015. That is compared to \$2,953.16 for the quarter ended December 31, 2014. Again, isolating the GASB 45 return, the Town realized about three basis points more in yield compared to a year ago, and had more average balances invested. Year to date this fiscal year, the Town earned \$7,540.57 after isolating the GASB 45 return. Last fiscal year to date, the Town had earned \$4,904.81.