

**CITY OF ALBANY
CITY COUNCIL AGENDA
STAFF REPORT**

Agenda Date: January 19, 2010

Reviewed by: _____

SUBJECT: A rendering of the quarterly Cash and Investments Treasury Report of the City of Albany as of September 30, 2009, as required by Section 53646 of the California Government Code

REPORT BY: Kim Denton, City Treasurer
Charles A. Adams, Finance & Administrative Services Director

STAFF RECOMMENDATION

Note and file – for information only

BACKGROUND

Pursuant to Section 53646 of the California Government Code, the City is required to prepare the Cash and Investments Treasury Report every quarter. Attached please find the report as of September 30, 2009.

DISCUSSION

The City invests cash that may be expended in the near term and cash reserves, in the California State Treasurer's Local Agency Investment Fund (LAIF). This is a liquid investment pool, which allows participants to earn market rate returns of large investments, while retaining access to funds within 24 hours of withdrawal request. The market value of LAIF investments at September 30, 2009 was 0.16% greater than cost.

In January 2008, \$6,000,000 was transferred from the LAIF account to the CalTrust short-term account. This is a pooled investment fund, which is similar to LAIF, yielding market rate returns and allowing easy access to fund withdrawals. The City's investment in CalTrust is reported at market value, as determined by CalTrust.

In December 2008, \$1,000,000 was invested in various Certificate of Deposits with local banks, at rates ranging from 1.50% to 4.00%. This will further diversify the investment portfolio, and all CDs are FDIC insured.

The investment of debt service reserves on deposit with fiscal agents is controlled by the designated fiscal agent. As of September 30, 2009, the deposits with fiscal agents were

invested in money market funds, and the yields were 0.01% for the month of September 2009.

The financial markets have stabilized in the last quarter, but the Federal Reserve monetary policies have kept the interest rate on government securities very low, and we anticipate that these low rates will continue through the end of the fiscal year. While the earnings on our investments in pooled funds is low, we have not suffered any loss of principal and do not anticipate any losses in the future.

The yield on the LAIF account is a combination of dividends, interest, realized capital gains and losses, and unrealized capital gains and losses (changes in market value). As the market value of securities in the LAIF account decline, the effective yield on investments will also decline. The LAIF yield has declined from 1.51% at June 30, 2009 to 0.90% for the quarter ended September 30, 2009.

Income, gains and losses on the CalTrust account are reported as specific transactions in the month in which they occur. In the month of September 2009, the City's CalTrust account earned income of \$2,776.

FINANCIAL IMPACT

There are no out-of-pocket expenses incurred in the investment of the City's cash. LAIF yield for the quarter ended September 30, 2009 was 0.90%. This is down from 1.51% for the quarter ended June 30, 2009. Investments held by CalTrust yielded 0.56% in the month of September 2009.

SUSTAINABILITY

Not applicable

Attachments:

Cash and Investments Treasury Report