

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

Agenda Date: October 18, 2010

Reviewed by: bp

**SUBJECT:** A rendering of the quarterly Cash and Investments Treasury Report of the City of Albany as of June 30, 2010, as required by Section 53646 of the California Government Code.

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

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**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. The report for the quarter ended June 30, 2010 is attached.

**DISCUSSION**

A primary objective of the City Treasurer is to maximize earnings on cash held by the City by quickly depositing cash into income producing accounts upon receipt, and transferring cash for disbursements to checking accounts, so as to coincide with the issuance of checks or bank transfers. Cash available for deposit to income producing accounts comes from operating revenues such as taxes and fees, various reserve accounts, and proceeds of debt instruments. The City deposits cash in the following:

- Local Agency Investment Fund (LAIF) – This is a pooled investment account operated by the California State Treasurer for the benefit of local governmental agencies. The primary attraction of this investment vehicle to the City of Albany is the ability of the City to make deposits and withdrawals daily, if desired, while earning income rates generally earned by short term market securities.
- Investment Trust of California (CalTrust) – This is a joint powers authority, whose membership is open to any public agency. The City of Albany invests only in the CalTrust Short Term Fund. The low risk investments of this fund, and the ease of deposit to and withdrawal from the fund are similar to those of LAIF. The principal attraction of CalTrust to the City is that it provides diversification of the City's investments, so as to ensure ready availability of cash, should there be a disruption in State financial transactions.

- In a re-balancing of the City's investment portfolio to maximize safety of principal, subsequent to March 31, 2010, funds totaling \$4 million have been transferred from CalTrust to LAIF.
- Certificates of Deposits – CDs in the amount of \$250,000, with a term of three months to one year, are purchased from Bay Area banks to both promote the local economy and to increase the yield on investments for the City. Because the principal of these CDs is insured by the FDIC, they are virtually risk free, however, they must be held to maturity. As these CDs have been reaching maturity, and because the reinvestment interest rates are currently lower than LAIF, we have transferred the funds from two CDs into LAIF. There were three CDs totaling \$750,000 at June 30, 2010 and currently we have two CDs totaling \$500,000.
- Deposits with Fiscal Agents – These deposits are required by the terms of bonds issued by the City. The current fiscal agents are the Bank of New York Mellon and US Bank. The selection of the investments is made by the trustees, but are limited to US agency securities and top rated corporate securities.

### **SUSTAINABILITY IMPACT**

Not applicable

### **FINANCIAL IMPACT**

Fiscal and monetary policies of the federal government and the Federal Reserve Board continue to hold short term interest rates low, and as a result the earnings on the City's investment portfolio have continued to decline. While there has been some talk of inflation and economic recovery, which would likely result in increases in short term interest rates, there are no strong signs that the City's investment yield will increase within the next three months.

Deposits with fiscal agents in this quarter were invested in money market funds and the yields averaged 0.01%. The yield on the LAIF accounts for the quarter was 0.56%. The yield for the quarter on CalTrust investments was 0.64%.

### **Attachments:**

Cash and Investments Treasury Report

**CITY OF ALBANY  
CASH AND INVESTMENTS TREASURY REPORT  
June 30, 2010**

**SUMMARY**

	<u>BOOK VALUE</u>	<u>FAIR VALUE</u>
<b><u>GENERAL PORTFOLIO</u></b>		
LOCAL AGENCY INVESTMENT FUND	\$ 30,482,548	\$ 30,532,644
CHECKING AND SAVINGS DEPOSITS	2,743,706	2,743,706
FUNDS IN CALTRUST	<u>2,256,718</u>	<u>2,256,718</u>
<b>TOTAL GENERAL PORTFOLIO</b>	<b><u>\$ 35,482,972</u></b>	<b><u>\$ 35,533,068</u></b>
<b><u>FUNDS WITH FISCAL AGENTS</u></b>		
DEBT SERVICE RESERVE FUNDS	<u>\$ 904,340</u>	<u>\$ 904,340</u>
<b>TOTAL FUNDS WITH FISCAL AGENTS</b>	<b><u>\$ 904,340</u></b>	<b><u>\$ 904,340</u></b>

1. I hereby certify that the investments are in compliance with the investment policy adopted by the City Council.
2. The City has the ability to meet its budgeted expenditures.
3. The book value for the State Local Agency Investment Pool is the withdrawal value provided by the State Treasurer.
4. The fair value of funds held by the State Treasurer equates to the City's pro-rata share of the fair value of the entire State investment pool.
5. The fiscal agent provided the fair values for investments held in their accounts.
6. The apportionment rate (yield) for LAIF deposits for March 2010 was .56%.
7. This report meets the requirement of Government Code Section 53601 and 53646.

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Kim Denton, City Treasurer

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Charles A. Adams  
Finance & Administrative Services Director

**CITY OF ALBANY  
CASH AND INVESTMENTS TREASURY REPORT  
June 30, 2010**

**Funds in State Local Agency Investment Fund**

<u>Fund or Account</u>	<u>Account Balance</u>	<u>Fair Value</u>
General Obligation Bonds:		
Measure F 2007	\$ 1,591,284	\$ 1,593,890
Measure C 2007	5,014,395	5,022,638
Assessment District 1996-1 Meas. R	2,058,870	2,062,254
Workers Compensation Ins. Reserve	2,018,067	2,021,384
Self Insured Liability Reserve	1,304,431	1,306,575
General Fund and Consolidated Other Reserves	18,495,501	18,525,903
<b>Total Funds in LAIF</b>	<b>\$ 30,482,548</b>	<b>\$ 30,532,644</b>

See notes on Page 3.

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CASH AND INVESTMENTS TREASURY REPORT  
June 30, 2010**

**Funds with Banking Institutions**

<u>Account Name</u>		<u>Insured Deposits</u>	<u>Collateralized Deposits</u>	<u>Certificates of Deposits **</u>	<u>Total Deposits</u>	<u>Interest Rate</u>
<b>Mechanics Bank *</b>						
Deposits Account	*	\$250,000	\$640,296		\$ 890,296	
Payroll Account	*	250,000	\$133,721		383,721	
Accounts Payable	*	250,000	\$419,876		669,876	
Albany Municipal Services JPA	*	49,813			49,813	
<b>Certificates of Deposit</b>						
Calif. Bank & Trust				250,000	250,000	0.85%
Wachovia				250,000	250,000	0.60%
Community Bank of the Bay				250,000	250,000	1.09%
<b>Total Cash in Banks</b>		<u>\$799,813</u>	<u>\$1,193,893</u>	<u>\$ 750,000</u>	<u>\$ 2,743,706</u>	

\* All cash in Mechanics Bank is FDIC insured.

\*\* All certificates of deposits are insured by the FDIC to \$250,000.

**CITY OF ALBANY  
CASH AND INVESTMENTS TREASURY REPORT  
June 30, 2010**

**Funds with Fiscal Agents**

<b>Investment</b>	<b>Book Value</b>	<b>Fair Value</b>	<b>Yield</b>	<b>Maturity Date</b>
<b><u>Funds with Fiscal Agents</u></b>				
Bank of New York Mellon:			*	*
Assessment District 1996-1 Bonds	\$ 479,824	\$ 479,824		
General Obligation Bonds Election				
2006 Measure C	346,516	346,516		
US Bank:				
1997 Refunding COP	78,000	78,000	*	*
<b>Total Funds with Fiscal Agents</b>	<b>\$ 904,340</b>	<b>\$ 904,340</b>		

\* Funds are held in cash or invested in US Government Securities and top rated corporate debt securities that are liquid assets which may be sold at the recorded fair value at any time. Because the securities are short term, a yield to maturity has not been computed by the fiscal agent.