

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

Agenda Date: January 18, 2011

Reviewed by: BP

SUBJECT: A rendering of the quarterly Cash and Investments Treasury Report of the City of Albany as of September 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

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 September 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 three CDs into LAIF. There were two CDs totaling \$500,000 at September 30, 2010 and currently we have no CDs.
- 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.

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 0.51%. The yield for the quarter on CalTrust investments was 0.60%.

SUSTAINABILITY

Not applicable

Attachments:

Cash and Investments Treasury Report