

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

Agenda Date: September 19, 2011

Reviewed by: BP

SUBJECT: A rendering of the quarterly Cash and Investments Treasury Report of the City of Albany as of June 30, 2011, 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 June 30, 2011 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.

- 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 0.00%. In August 2011, Bank of New York Mellon, fiscal agent for the City's 2006 Tax Note, was instructed to transfer the Note's Reserve Fund, June 30, 2011 balance of \$346,516, from the Money Market Account to FHLMC securities, which are currently yielding 0.04%.

Also in August 2011, U.S. Bank, fiscal agent for the City 1997 COP, was instructed to transfer the COP Reserve Fund, June 30, 2011 balance of \$53,500 from the Money Market Account to a FDIC insured bank certificate of deposit. The rate for a one-year CD at the time of our order to the bank was 0.16%. The yield on the LAIF accounts for the quarter was 0.48%. The yield for the quarter on CalTrust investments was 0.51%.

SUSTAINABILITY

Not applicable

Attachments:

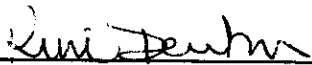
Cash and Investments Treasury Report

**CITY OF ALBANY
CASH AND INVESTMENTS TREASURY REPORT
June 30, 2011**

SUMMARY

	<u>BOOK VALUE</u>	<u>FAIR VALUE</u>
<u>GENERAL PORTFOLIO</u>		
LOCAL AGENCY INVESTMENT FUND	\$ 30,035,463	\$ 30,082,813
CHECKING AND SAVINGS DEPOSITS	2,201,935	2,201,935
FUNDS IN CALTRUST	2,274,941	2,274,941
TOTAL GENERAL PORTFOLIO	<u><u>\$ 34,512,339</u></u>	<u><u>\$ 34,559,689</u></u>
<u>FUNDS WITH FISCAL AGENTS</u>		
DEBT SERVICE RESERVE FUNDS	<u>\$ 891,233</u>	<u>\$ 891,233</u>
TOTAL FUNDS WITH FISCAL AGENTS	<u><u>\$ 891,233</u></u>	<u><u>\$ 891,233</u></u>

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 2011 was .51%.
7. This report meets the requirement of Government Code Section 53601 and 53646.



 Kim Denton, City Treasurer



 Charles A. Adams, Finance & Administrative Services Director

**CITY OF ALBANY
CASH AND INVESTMENTS TREASURY REPORT
June 30, 2011**

Funds in State Local Agency Investment Fund

<u>Fund or Account</u>	<u>Account Balance</u>	<u>Fair Value</u>
General Obligation Bonds:		
Measure C 2007	\$502,208	503,000
Assessment District 1996-1 Meas. R	2,069,344	2,072,606
Workers Compensation Ins. Reserve	1,580,811	1,583,303
Compensated Absences	1,451,893	1,454,182
General Fund and Consolidated Other Reserves	24,431,207	24,469,722
Total Funds in LAIF	<u>\$ 30,035,463</u>	<u>\$ 30,082,813</u>

See notes on Page 3.

**CITY OF ALBANY
CASH AND INVESTMENTS TREASURY REPORT
June 30, 2011**

Funds with Banking Institutions

<u>Account Name</u>	<u>Insured Deposits</u>	<u>Collateralized Deposits</u>	<u>Total Deposits</u>	<u>Interest Rate</u>
Mechanics Bank *				
Deposits Account	\$ 250,000	\$ 1,334,221	1,336,721	**
Payroll Account		358,832	358,832	
Accounts Payable		169,550	169,550	
Albany Municipal Services JPA	89,332		89,332	
Total Cash in Banks	<u>\$ 339,332</u>	<u>\$ 1,862,603</u>	<u>\$ 2,201,935</u>	

* Deposits with Mechanics Bank are FDIC insured up to \$250,000 for each federal tax ID.

**The City currently earns no net interest on demand deposits at Mechanics Bank.

**CITY OF ALBANY
CASH AND INVESTMENTS TREASURY REPORT
June 30, 2011**

Funds with Fiscal Agents

<u>Investment</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>Yield</u>	<u>Maturity Date</u>
<u>Funds with Fiscal Agents</u>				
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	64,893	64,893	*	*
Total Funds with Fiscal Agents	<u>\$ 891,233</u>	<u>\$ 891,233</u>		

* Funds are held in cash or invested in US Government Securities and bank certificates of deposits that are FDIC insured or collateralized by U.S. Federal securities. Because the securities are short term, a yield to maturity has not been computed by the fiscal agent.