

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

Agenda Date: January 17, 2012

Reviewed by: BP

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

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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 September 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.

### **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 are currently 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 balance of \$346,516, from the Money Market Account to FHLMC securities.

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 0.38%. The yield for the quarter on CalTrust investments was 0.54%.

### **Attachments:**

Cash and Investments Treasury Report