

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

Date: November 10, 2008
Agenda Date: November 17, 2008
Reviewed by: BP

Subject: A rendering of the quarterly Cash and Investments Treasury Report of the City of Albany as of September 30, 2008, as required by Section 53646 of the California Government Code.

From: Kim Denton, City Treasurer
Charlie Adams, Finance & Administrative Services Director

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, 2008.

DISCUSSION

The City invests cash that may be expended in the near term, 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 a withdrawal request. The market value of LAIF investments at September 30, 2008 was 0.09% less 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. At September 30, 2008, the market value was 0.70% less than cost.

The \$500,000 Sewer Revenue Bond proceeds held by Wells Fargo Bank's Institutional Brokerage & Sales Department were matured in July 2008. The funds were withdrawn and reinvested with LAIF.

The investment of debt service reserves on deposit with fiscal agents is controlled by the designated fiscal agent. As of September 30, 2008, the deposits with fiscal agents were invested in money market funds, and the yield was 0.57% for the reporting period.

FINANCIAL MARKET CONDITIONS

The financial markets have been extremely volatile beginning in October and the losses in market value of equity securities has caused significant declines in the yield on investments in both LAIF and CalTrust. The markets remain volatile at this time and yield earned by the City are certain to remain depressed through the end of the calendar year. The City has not experienced loss of invested principal, but such losses could occur. Loss of principal is unlikely because both the LAIF and CalTrust investment portfolios are widely diversified and contain both equity and debt securities. The greatest potential danger to both funds would be a run of withdrawals that forced the fund managers to sell debt securities at a loss or to sell equity securities that have maintained moderate market values and are currently paying dividends.

The yield on the LAIF account is a combination of dividends, interest, realized capital gains and losses, and unrealized capital gain and losses (changes in marker 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 5.23% a year ago to 2.77% for the quarter ended September 30, 2008. The daily LAIF yield has continued a downward trend thru October and into November. It is likely that yield for the quarter ended December 31, 2008 will be lower than the current yield.

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 the City's CalTrust account earned income of \$14,681, and incurred capital losses of \$36,729. For the account, the net increase in value for the year is \$16,046. Should the general decline in the stock market continue the account is likely to incur additional losses, but because the account managers have restructured the CalTrust investment portfolio, any future losses are likely to be less than those occurred to date.

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, 2008 was 2.77%. This is down from 3.11% for the quarter ended June 30, 2008. Investments held by CalTrust currently yield 2.88%.

**CITY OF ALBANY
CASH AND INVESTMENTS TREASURY REPORT
September 30, 2008**


SUMMARY

	<u>BOOK VALUE</u>	<u>MARKET VALUE</u>
<u>GENERAL PORTFOLIO</u>		
LOCAL AGENCY INVESTMENT FUND	\$ 32,867,659	\$ 32,839,317
CHECKING AND SAVINGS DEPOSITS	509,875	509,875
FUNDS IN CALTRUST	6,117,715	6,074,945
TOTAL GENERAL PORTFOLIO	<u><u>\$ 39,495,249</u></u>	<u><u>\$ 39,424,137</u></u>
<u>FUNDS WITH FISCAL AGENTS</u>		
DEBT SERVICE RESERVE FUNDS	\$ 600,454	\$ 600,454
PAYMENT FUNDS	436	436
TOTAL BOND PROCEEDS	<u><u>\$ 600,890</u></u>	<u><u>\$ 600,890</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 Market value of funds held by the State Treasurer equates to the City's pro-rata share of the market value of the entire State investment pool.
5. The fiscal agent provided the market values for investments held in their accounts.
6. This report meets the requirement of Government Code Section 53601 and 53646.



Kim Denton, City Treasurer



Charles A. Adams
Finance & Administrative Services Director

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CASH AND INVESTMENTS TREASURY REPORT
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Funds in State Local Agency Investment Fund

<u>Fund or Account</u>	<u>Account Balance</u>	<u>Market Value</u>
City Account:		
Measure F 2003	\$ 2,416,395	\$ 2,414,311
Measure F 2007	6,745,675	6,739,858
Measure C 2007	5,165,242	5,160,788
2004 Sewer Revenue Bond	1,747,948	1,746,441
General and Other Funds	<u>14,024,217</u>	<u>14,012,124</u>
	30,099,477	30,073,522
1996-1 Assessment District Bond	<u>2,768,182</u>	<u>2,765,795</u>
Total Funds in State Investment Pool	<u>\$ 32,867,659</u>	<u>\$ 32,839,317</u>

Yield for quarter ended September 30, 2008

2.770%

See Notes 3 and 4 on Page 2.

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Funds with Banking Institutions

<u>Account Name</u>	<u>Insured Deposits</u>	<u>Collateralized Deposits</u>	<u>Bank Securities</u>	<u>Total Deposits</u>	<u>Interest Rate</u>
City of Albany Deposits Checking Account		\$ 5,176		\$ 5,176	0.05%
Payroll Checking Account		159,722		159,722	0.05%
Accounts Payable Checking Account	\$ 100,000	206,043		306,043	0.05%
Albany Municipal Services JPA Checking Account		38,920		38,920	0.05%
Sewer Fund - WFB			\$ 14	14	2.51%
Total on Deposit	\$ 100,000	\$ 409,861	\$ 14	\$ 509,875	

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<u>Investment</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Yield</u>	<u>Maturity Date</u>
<u>Funds with Fiscal Agents</u>				
BNY Western Trust Company:			0.86%	*
1996-1 Assessment District Bond	\$ 480,346	\$ 480,346		
2004 Sewer Revenue Bond	144	144		
Measure F 2007	90	90		
Measure C 2007	68	68		
US Bank:			0.27%	*
1997 Refunding COP	120,242	120,242		
Total Funds with Fiscal Agent	<u>\$ 600,890</u>	<u>\$ 600,890</u>		
<u>Funds in CalTrust</u>				
CalTrust			2.88%	**
Short Term Fund	\$ 6,117,715	\$ 6,074,945		
Total Sewer Bond Proceeds	<u>\$ 6,117,715</u>	<u>\$ 6,074,945</u>		

* 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 current market value at any time.

** Funds are invested in short-term investments including CDs, commercial paper, money market funds, government agencies, etc. The average maturity for the funds is 0.69 years.