

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

Agenda Date: June 1, 2009

Reviewed by: BP

**SUBJECT:** A rendering of the quarterly Cash and Investments Treasury Report of the City of Albany as of March 31, 2009, 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. Attached please find the report as of March 31, 2009.

**DISCUSSION**

The City invests cash that may be expended in the near term and cash reserves, 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 withdrawal request. The market value of LAIF investments at March 31, 2009 was 0.18% greater 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 March 31, 2009, the market value was 0.89% less than cost.

In December 2008, \$1,000,000 was invested in various Certificate of Deposits with local banks, at rates ranging from 2.03% to 3.92%. This will further diversify the investment portfolio, and all CDs are FDIC insured.

The investment of debt service reserves on deposit with fiscal agents is controlled by the designated fiscal agent. As of March 31, 2009, the deposits with fiscal agents were invested in money market funds, and the yield was 0.02% for the month of March 2009.

The financial markets remain extremely volatile. Both LAIF and CalTrust have structured their portfolios so as to minimize yield reductions from market losses, but the decline in interest rates on government securities will continue to depress the yield rates of both investments pools. Because the markets remain volatile, a key factor in the performance of the pooled investment funds is their ability to stay-the-course, and not be forced to liquidate securities at low points in the market, in order to meet demands for withdrawals by participating agencies.

The yield on the LAIF account is a combination of dividends, interest, realized capital gains and losses, and unrealized capital gains and losses (changes in market 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 2.54% at December 31, 2008 to 1.91% for the quarter ended March 31, 2009. It is likely that the yield for the quarter ended June 30 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 March 2009, the City's CalTrust account earned income of \$5,825. The net increase in the account for the fiscal year to date at March 31, 2009 is \$48,759.

### **FINANCIAL IMPACT**

There are no out-of-pocket expenses incurred in the investment of the City's cash. LAIF yields for the quarter ended March 31, 2009 was 1.91%. This is down from 2.54% for the quarter ended December 31, 2008. Investments held by CalTrust yielded 1.07% in the month of March 2009.

### **SUSTAINABILITY**

Not applicable

### **Attachments:**

Cash and Investments Treasury Report