Town of Moraga	AGENDA ITEM
Audit and Finance Committee	6

Meeting Date: October 25, 2010

TOWN OF MORAGA STAFF REPORT

To: **Audit and Finance Committee**

From: **Emily Boyd, Interim Administrative Services Director**

Subject: **Review Investment Update and 1st Quarter, FY2010-11, Cash Report**

Request

Review investment update and 1st Quarter, FY2010-11, Cash Report.

Background

On August 25, 2010, the Town Council authorized staff to begin investing the $2.3M of idle one time developer fee funds in a laddered certificates of deposit (CD) program, providing such investments, at the time of their purchase, earned an annual percentage yield (APY) greater than that of LAIF (Local Area Investment Fund) where the money currently resides.

Discussion

Investment Update

Staff has contacted numerous banks but has been unable to find any whose rates exceed LAIF (0.50% at 9/30/10). Part of the difficulty is that banks have two levels of rates—one for commercial accounts and one for public funds. In California, banks must fully collateralize public funds, i.e. they must maintain an amount of deposits from other investors that, "in total, are equal to, or greater than, the full amount of the principal that the local agency initially deposited" (CA State Code Section 53601.8(e)). This restriction causes banks to offer significantly lower rates to public agencies than it does to commercial or private entities. For example, Wells Fargo on 9/17/10 offered an 18-month CD of $100,000+ with an APY of 0.20% for business accounts and 0.05% for public funds accounts.

CDARS (Certificate of Deposit Account Registry Service) is a banking network set up to handle CD portfolios. With CDARS, you sign one agreement with a participating financial institution, earn one interest rate per maturity, and receive one regular statement. Funds are split between other banks with no one bank holding more than $250,000 (the FDIC

limit). Staff approached several of the member banks but was unable to find any interested in handling CDs for the Town. Reasons cited included “not in our market area” and “only offers CDs to organizations that have demand deposit accounts with them”.

Accordingly, no CDs have been purchased. The Town’s cash is still in the LAIF investment account and in the Mechanics Bank demand deposit account.

Cash Report

Attachment A contains a cash flow report for the 1st Quarter, FY2010-11.

Total cash balance as of September 30, 2010, was $7,960,488. One Time Developer Fees ($2,390,737) and the General Fund ($1,576,502) hold approximately 50% of total cash. General Fund cash flow projections for the next three months show revenues and expenditures running approximately even.

The LAIF balance at September 30, 2010, was $7,686,105. Interest earned during the quarter was $10,420. Interest applied to the General Fund totaled $6,120. The General Fund receives interest earned on the One Time Developer Fees and various deposit funds.

Fiscal Impact

No direct impact.

Recommendations

Review and cash flow report and provide recommendations to staff as appropriate.

Report reviewed by: D. Michael Segrest, Town Manager

Attachments:

- **A) 1st Quarter, FY2010-11, Cash Report**
- **B) LAIF Statements**