



CITY OF PACIFIC GROVE
300 Forest Avenue, Pacific Grove, California 93950

AGENDA REPORT

TO: HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: Director of Management and Budget James L. Becklenberg
MEETING DATE: May 7, 2008
Quarterly Treasurer's Report
SUBJECT: *The City's charter requires that a quarterly treasurer's report be delivered to the City Council.*

RECOMMENDATION:

Receive the report.

EXECUTIVE SUMMARY:

Article 19, section (K), of the Municipal Code of the City of Pacific Grove requires that a quarterly statement of all funds in the treasury be submitted to the Council. The purpose of the Treasurer's report is to update the City Council and the public on the status of the City's cash balances, investments and debt issues, and highlight changes from one period to another. It also includes a summary of the bank reconciliation for the end of the quarterly reporting period. The Treasurer's Report is different from a budget report, as its purpose is to report on cash balances, whereas budget reports focus projected revenues and expenditures and related implications for strategic priorities and service levels.

This report, which reports on balances as of March 31, 2007, shows that cash and investments, held citywide, totaled \$9.34 million. Of the total, approximately \$258,000 is attributable to the General Fund and may be spent on general services such as police, fire, public works, community development, library, and museum services. The remainder of the City's cash is legally reserved for specific purposes, such as State gas tax, state and federal grant funds, and the sewer fund, or designated for specific purposes such as workers compensation and liability insurance, and golf funds.

If the City had not issued Tax and Revenue Anticipation Notes to help ensure positive cash flow, the General Fund cash balance would be in a cash deficit position and would have to borrow cash from other funds to meet its obligations until property tax revenues are received in the spring. While TRANS help meet timing needs for cash, they do not alter the underlying critical need for healthier cash balances.

DISCUSSION:

Please find the entire report attached.

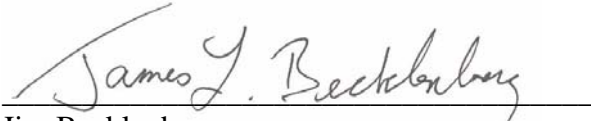
FISCAL IMPACT:

None

ATTACHMENTS:

Treasurer’s report for the quarter ended March 31, 2008.

RESPECTFULLY SUBMITTED:



Jim Becklenberg
DIRECTOR OF MANAGEMENT AND BUDGET

REVIEWED BY:



Digitally signed: I have reviewed this document

James J. Colangelo
CITY MANAGER



City of Pacific Grove
Quarterly Treasurer's Report
 Quarter Ending March 31, 2008,

May 7, 2008

Overview

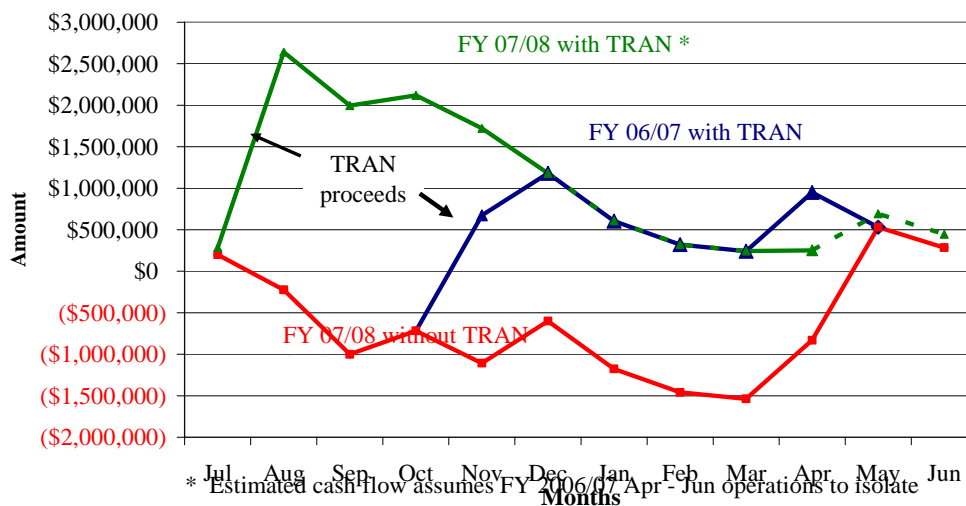
The following is a summary of the City's cash and investments based on recorded value as of March 31, 2008 compared with the prior quarter.

| | <u>March 31, 2008</u> | <u>December 31, 2007</u> |
|--|-----------------------|--------------------------|
| Cash and Investments held by the City | \$ 7,845,083 | \$ 8,251,581 |
| Cash and Investments held by Fiscal Agents | 1,498,469 | 1,475,868 |
| Total | <u>\$ 9,343,551</u> | <u>\$ 9,727,449</u> |

As of March 31, 2008, cash and investment balances totaled \$9.34 million. ***Of this total, only \$258,000 is attributable to the General Fund.*** While this cash balance, along with expected April revenues, will be sufficient to meet financial obligations in the near term, ***the City remains on a path to deplete virtually all remaining General Fund cash in the coming weeks before receiving significant property tax and transient occupancy tax (TOT) receipts in late April.*** For perspective, the General Fund bi-weekly payroll is approximately \$450,000 and routine bi-weekly payables total approximately \$200,000.

The following chart illustrates the impact the TRAN has had on the General Fund cash and investment balance. The dotted line shows the projected General fund cash flow for the remaining months of Fiscal Year 2007-08. General fund cash is projected to be \$300,000 prior to the receipt of property tax revenue. Due to effective cash management the General fund will not be effectively "borrowing" cash from other funds to meet its obligations as was anticipated in the prior Treasurer's Report.

**General Fund Cash Analysis:
 TRAN Impact on General Fund Cash Flow**





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TRAN Impact on General Fund Cash

Although the cash and investment balance managed by the City is \$7.8 million, the balance attributable to the General fund is only \$258,000 as of March 31, 2008. The City issued Tax Revenue Anticipation Notes, or TRANs, to help match relatively consistent expenditure obligations with uneven revenue sources. TRANs are short-term notes, repayable within 12 months of issuance at a relatively low interest rate.

In fiscal year 2006-07, the City issued a TRAN in the amount of \$1.78 million that was repaid in November 2007. The total amount to repay the note was \$1.84 million. The interest paid on the 2006 TRAN, 3.77% of proceeds, was offset by the interest earnings of 5.17% of principal by depositing the TRAN proceeds into the Local Agency Investment Fund, or LAIF when the funds were not in use.

The City also issued a TRAN for fiscal year 2007-08 in the amount of \$3 million. The interest rate on this TRAN is approximately 4.47% which will be offset by the interest earnings of LAIF, currently yielding 4.8%. The 2007 TRAN is payable in June. According to the terms of the TRAN the city has pledged one half of the TRAN repayment, or \$1.57 million, in the general obligation debt service fund. The City will be required to pledge the remaining half in April in order to meet the debt repayment requirement in June. **In light of the recent housing crisis and its effects on investment markets, Staff has updated estimates that the City will have earned an additional \$30,000, instead of \$ 45,000, in interest earnings for the General fund by issuing the two TRANs.**

The City is projecting that the ending cash balance in the General fund on June 30, 2008 will be \$450,000. This amount should not be confused with "fund balance", although cash is a component of fund balance, fund balance also includes other factors such as capital assets, receivables, accounts payable and other liabilities.

The remaining \$7.6 million in City cash and investments is held in funds that are reserved for specific purposes and is either reserved or restricted depending upon the terms of use of these funds. Although reserved funds are available for city-wide use, the City runs the risk of not being able to meet the obligations of that fund should the need arise to spend the cash for other purposes. Funds designated as reserved include the Golf and Cemetery enterprise funds, internal service funds, special revenue funds and capital projects funds. Restricted funds are funds where the use of revenues has been restricted by terms other than Council policy. Restricted funds include grant funds, Sewer enterprise fund, endowment and general obligation debt service funds. Please refer to the reconciliation of cash and investments to the City ledger for a breakdown of all the balances in all of the funds.

Current Portfolio Summary

Currently, short-term excess cash in all funds is primarily invested in the Local Agency Investment Fund (LAIF) administered by the State Treasurer. LAIF is a high quality investment available in terms of safety, liquidity and yield. The City has other funds invested in Gilford Securities, some of which matured during this quarter. Gilford Securities could not recommend any other investment securities that were performing as well as LAIF at this time. Holding securities to maturity is one way the City manages its



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interest rate risk. The following table demonstrates the monthly cash and investment balance for the quarter ending March 31, 2008.

| | 1st Quarter 2008 | | |
|---------------------------------|-------------------------|---------------------|---------------------|
| | Mar-08 | Feb-08 | Jan-08 |
| Categorized | | | |
| Demand Deposits | \$ 1,549,068 | \$ 877,500 | \$ 1,101,770 |
| Certificates of Deposit | \$ 390,694 | \$ 390,696 | \$ 390,870 |
| Total | <u>\$ 1,939,762</u> | <u>\$ 1,268,196</u> | <u>\$ 1,492,640</u> |
| Uncategorized | | | |
| Petty Cash | \$ 1,485 | \$ 1,485 | \$ 1,485 |
| Change Fund | \$ 1,000 | \$ 1,000 | \$ 1,000 |
| Total Deposits and Cash on Hand | <u>\$ 2,485</u> | <u>\$ 2,485</u> | <u>\$ 2,485</u> |
| Local Agency Investment Fund | \$ 5,895,074 | \$ 5,895,074 | \$ 5,895,074 |
| U.S Treasury Securities | \$ 201,890 | \$ 202,442 | \$ 202,442 |
| U.S Federal Agency Securities | \$ 690,374 | \$ 690,067 | \$ 737,143 |
| Money Market Funds | \$ 613,967 | \$ 611,420 | \$ 709,681 |
| | <u>\$ 7,401,305</u> | <u>\$ 7,399,003</u> | <u>\$ 7,544,340</u> |
| As per Treasurer's Report | <u>\$ 9,343,552</u> | <u>\$ 8,669,684</u> | <u>\$ 9,039,465</u> |

Note: Includes 2007 TRAN proceeds and repayment of 2006 TRAN

The following are brief descriptions of cash and investment categories in the table above:

Demand Deposits/CDs: Also known as "cash in the bank," this is the balance of the City's checking account with Bank of America, from which virtually all obligations are paid.

Certificates of Deposit: A Certificate of Deposit, or CD, is a time deposit. They are similar to savings accounts in that they are insured and are relatively risk-free. They are different from savings accounts in that they usually are for a fixed term (often three to six months, or one to five years), and a fixed interest rate. CDs are intended to be held until maturity, at which time, the money may be withdrawn together with the accrued interest. There currently are three CDs within the City's investment portfolio. Two CDs are managed within the Yount Memorial Endowment funds by UBS Financial Services and the other one is deposited at Monterey County Bank as collateral for the grease trap loan program.

Petty Cash and change funds: There are eight (8) petty cash funds, totaling \$1,485 currently being used by the various departments of the City. The golf course maintains one (1) change fund, carrying \$1,000.

Local Agency Investment Fund (LAIF): The Local Agency Investment Fund, or LAIF, is managed by the State Treasurer's Office Investment Division through the Pooled Money Investment Account (PMIA). The LAIF allows cities, counties and special districts to place money in a major portfolio and, at no additional costs to taxpayers, use the expertise of their Investment Division staff. Participating agencies can withdraw their funds from the LAIF at any time. The State Treasurer invests money safely and prudently while minimizing service costs and maximizing investment yields. These investments help



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manage cash flow and enhance financial security. Interest earned from the LAIF is distributed quarterly. Because of its very competitive interest rates and relative liquidity, the LAIF is the investment vehicle where the TRAN proceeds are held when not needed.

U.S. Treasury and Federal Agency securities: The City's investment policies limit the City's investments to U.S. treasury and federal agency securities. These fixed-income securities are recorded at fair market value.

Money Market Funds: A Money Market fund is a type of mutual fund that invests in short-term debt securities of agencies of the U.S. Government, banks, corporations and U.S. Treasury Bills. They are fixed at \$1 per share and only the yield fluctuates. Some advantages of a money market fund over savings and CDs are high liquidity, low risk and competitive yields. The City has four Money Market funds within its investment portfolio. They are; the McIndoo Trust managed by Gilford Securities, The 2004 Certificates of Participation Revenue Bond repayment fund managed by the Bank of New York, the 2001B Wastewater Revenue Bond repayment fund managed by Union Bank of California and the expendable portion of the Bertha L Strong Trust managed by Wells Fargo Bank.

This quarterly treasurer's report is prepared in accordance with Article 19, section (K), of the Municipal Code of the City of Pacific Grove. The scope of this report covers the first quarter of calendar year 2008, ending March 31, 2008 for the City of Pacific Grove. The purpose of the treasurer's report is to update the City Council and the public on the status of the City's cash balances, investments and debt issues, and highlight material changes from one period to another. This report includes a reconciliation between cash and investment balances and the City ledger balances, a schedule of all investments managed by the City on its own behalf, a schedule of all investments and disclosure information managed by a fiscal agent for endowments and debt service, and a report providing information on all investment types, costs, interest rates, maturity dates and current market value.

Summary of Activity for the Quarter and Future Liquidity: The decrease in recorded value of \$ 384 thousand from the prior quarter is due to the drawdown of LAIF deposits to meet City obligations of approximately \$ 942 thousand offset by the receipt of Transient-Occupancy Tax and reimbursement from the State for Storm Water fund expenditures in the amount of \$ 535 thousand. Since the vast majority of Cash and Investments held by the City is deposited into the Local Agency Investment Fund and can be withdrawn at any time, the City's cash and investment portfolio is sufficiently liquid to meet expected expenditures for the coming three months.

Report Contents: This report contains analysis specific to the effects of the TRAN on General fund cash balance and also includes the following schedules in the Quarterly Treasurer's Report as of March 31, 2008:

- Schedule of City Cash and Investments – This report provides detail information on the City's cash and investments.
- Schedule of Investments held by Fiscal Agents – This report provides detail and disclosure information on investments held by fiscal agents for endowments and debt service.
- Reconciliation of Cash and Investments to City Ledger – Balances as reported in the preceding schedules are reconciled to the City Ledger and individual fund cash balances.
- Investment Detail – This report details all cash and investments by type, cost, interest rate, maturity date, and current market value.



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Schedule of City Cash and Investments: This schedule provides information on the cash and investments managed by the City.

| Cash and Investments held by the City | <u>March 31, 2008</u> |
|---------------------------------------|--------------------------------|
| Bank of America - Checking account | \$ 1,549,067 |
| Petty Cash/Change Funds | 2,485 |
| LAIF | 5,895,074 |
| Gilford Securities | 201,890 |
| Monterey County Bank CD | <u>196,567</u> |
| Total City Cash and Investments | <u><u>\$ 7,845,083</u></u> |

Schedule of Investments held by Fiscal Agents: This schedule provides detail and disclosure information on investments held by fiscal agents

| Cash and Investments held by Fiscal Agents | <u>March 31, 2008</u> |
|--|--------------------------------|
| <u>Investment held for Endowments</u> | |
| Gilford - McIndoo Endowment | \$ 317,130 |
| UBS - Yount Trust | 884,501 |
| Wells Fargo - Strong Trust expendable | 21,990 |
| Total Endowments | <u>\$ 1,223,621</u> |
| <u>Investment held for Debt Service</u> | |
| Bank of New York - Golf COP | \$ 274,847 |
| Union Bank - Sewer Bond | <u>1</u> |
| Total Fiscal Agents Cash and Investments | <u><u>\$ 1,498,469</u></u> |

Disclosure:

The City is the beneficiary of the Bertha L Strong Trust managed by Wells Fargo. Since neither the principal nor the income of the trust are under control of the City, with the exception of the expendable portion, the amount of principal is not included in the Cash and Investments held by fiscal agents

| | <u>March 31, 2008</u> |
|---------------------------------------|------------------------------|
| Balance held by Trustee at fair value | <u><u>\$ 964,505</u></u> |



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Bank Reconciliation: Balances as reported in the preceding schedules are reconciled to the City Ledger and individual fund cash balances:

Balances per General Ledger

| | Debits | Credits | Ending |
|------------------------|---------------|----------------|---------------|
| Cash | 7,905,918.78 | (6,356,851.11) | 1,549,067.67 |
| Petty Cash/Change Fund | 2,485.00 | - | 2,485.00 |
| Investment | 7,791,998.93 | - | 7,791,998.93 |

Less:

| | | | |
|------------------|------------------------------|--|------------------------------|
| Sub-Total | <u> -</u> | | <u> -</u> |
|------------------|------------------------------|--|------------------------------|

Plus:

| | | | |
|------------------|------------------------------|--|------------------------------|
| Sub-Total | <u> -</u> | | <u> -</u> |
|------------------|------------------------------|--|------------------------------|

Account Register Balance

9,343,551.60

Balances per Statements

| | Beginning | Inflows | Outflows | Ending | |
|------------------------------------|------------------|----------------|-----------------|---------------|-----------|
| Bank of America - Checking | 1,310,319.10 | 1,776,319.41 | (1,407,549.74) | 1,679,088.77 | All Funds |
| Petty Cash | 1,485.00 | - | - | 1,485.00 | Fund 1 |
| Change Fund | 1,000.00 | - | - | 1,000.00 | Fund 77 |
| Gilford Securities | 202,442.00 | - | (552.00) | 201,890.00 | Fund 2 |
| LAIF | 2,823,692.47 | - | - | 2,823,692.47 | Fund 2 |
| LAIF - TRAN | 3,071,381.24 | - | - | 3,071,381.24 | Fund 2 |
| Monterey County Bank - CD | 196,567.07 | 888.57 | (888.57) | 196,567.07 | Fund 2 |
| Union Bank (Sewer Bond) | 107.86 | - | (106.67) | 1.19 | Fund 76 |
| Bank of New York (Golf COP) | 274,488.05 | 359.15 | - | 274,847.20 | Fund 77 |
| Gilford Securities (McIndoo Trust) | 316,442.94 | 686.54 | - | 317,129.48 | Fund 2 |
| UBS - (Yount Trust) | 884,196.24 | 304.52 | - | 884,500.76 | Fund 90 |
| Wells Fargo (Strong Trust - exp) | 20,381.13 | 1,608.98 | - | 21,990.11 | Fund 91 |

Plus:

Deposits in Transit
 Misc

| | | | |
|------------------|------------------------------|--|------------------------------|
| Sub-Total | <u> -</u> | | <u> -</u> |
|------------------|------------------------------|--|------------------------------|

Less:

Outstanding Checks 130,021.69
 EFT Withdrawals -
 Misc -

| | | | |
|------------------|-----------------------------|--|-------------------------------|
| Sub-Total | <u> 130,021.69</u> | | <u> (130,021.69)</u> |
|------------------|-----------------------------|--|-------------------------------|

Account Register Balance

9,343,551.60



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Bank Reconciliation (Cont.): Balances as reported in the preceding schedules are reconciled to the City Ledger and individual fund balances. In most cases, funds with negative cash balances are awaiting reimbursement from another agency, i.e. Monterey County, State of California

| | City | Fiscal Agents | Total |
|--|------------------|----------------------|------------------|
| Schedule of Cash and Investments | 7,845,083 | 1,498,469 | 9,343,552 |
| City Ledger | | | |
| Unrestricted | | | |
| General Fund | 257,815 | - | 257,815 |
| Petty Cash | 1,485 | - | 1,485 |
| | 0 | - | - |
| Total Unrestricted Cash and Investments | 259,300 | - | 259,300 |
| Enterprise Funds | | | |
| Cemetery | (164,784) | - | (164,784) |
| Golf | 433,525 | 274,847 | 708,372 |
| Change Fund | 1,000 | - | 1,000 |
| Sewer | 1,238,816 | 1 | 1,238,817 |
| Total Enterprise Funds | 1,508,557 | 274,848 | 1,783,405 |
| Restricted - Internal Services | | | |
| Employee Benefits | 11,183 | - | 11,183 |
| Liability Insurance | 418,577 | - | 418,577 |
| Worker's Compensation | 37,683 | - | 37,683 |
| Total Internal Services Funds | 467,443 | - | 467,443 |
| Reserved - Capital | | | |
| Building & Facilities | 380,302 | - | 380,302 |
| Library Building & Equipment | 307,148 | - | 307,148 |
| Lighthouse Maintenance & Improvement | 65,258 | - | 65,258 |
| Museum Improvement | 326,434 | - | 326,434 |
| Traffic Congestion Relief | 89,907 | - | 89,907 |
| Vehicle Replacment | 29,418 | - | 29,418 |
| Reserved - Special Revenue | | | |
| Carillon Bell Tower | 18,526 | - | 18,526 |
| Chautauqua Hall | 18,901 | - | 18,901 |
| Fire Emergency Equipment | 30,484 | - | 30,484 |
| Library Book | 61,933 | - | 61,933 |
| Ocean Rescue | 28,617 | - | 28,617 |
| Poetry Promotion | 131,898 | - | 131,898 |
| Recreation Donation | 4,206 | - | 4,206 |
| Yount Income | 43,312 | - | 43,312 |
| Total Reserved Cash and Investments | 1,536,344 | - | 1,536,344 |
| Restricted - Debt Service | | | |
| Butterfly Bond | 25,863 | - | 25,863 |
| Civic Center Bond | 49,633 | - | 49,633 |
| TRAN | 1,500,000 | - | 1,500,000 |
| Restricted - Endowment | | | |
| Cemtery Endowment | 916,792 | - | 916,792 |
| Library Trust | 544,505 | - | 544,505 |
| McIndoo Endowment | | 317,129 | 317,129 |
| Strong Trust | | 21,990 | 21,990 |
| Yount Trust | | 884,501 | 884,501 |
| Restricted - Grants | | | |
| Community Development Block Grant ¹ | (65,404) | - | (65,404) |
| Environmental Enhancement | 16,398 | - | 16,398 |
| Ocean Front Restoration | 1,045,384 | - | 1,045,384 |
| RSTP-(TAMC) ² | (135,852) | - | (135,852) |
| Storm Water ¹ | (3,807) | - | (3,807) |
| Gasoline Tax | 31,905 | - | 31,905 |
| DARE | 8,973 | - | 8,973 |
| Housing | 71,195 | - | 71,195 |
| Local Law Enforcement Block Grant | 51 | - | 51 |
| Public Safety Augmentation ² | (42,562) | - | (42,562) |
| Senior Housing | 7,236 | - | 7,236 |
| Supplemental Law Enforcement Support Grant | 103,129 | - | 103,129 |
| Total Restricted Cash and Investments | 4,073,439 | 1,223,620 | 5,297,059 |
| Grand Total Cash and Investments | 7,845,083 | 1,498,468 | 9,343,551 |

¹ Due from State of California

² Due from Monterey County



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Investment Detail: This schedule details all cash and investments by type, cost interest rate, maturity date and current market value.

| | Cost of Deposit | Rate of Interest | Maturity Date | Market Value | % of Pool |
|--|------------------------|-------------------------|----------------------|---------------------|--------------------|
| Deposits: | | | | | |
| Demand Deposit - Bank of America | 1,549,068 | 0.000% | - | 1,549,068 | |
| Petty Cash/Change Funds | 2,485 | 0.000% | - | 2,485 | |
| Certificate of Deposit - Yount Trust | 97,000 | 5.050% | 9/8/2009 | 98,280 | |
| Certificate of Deposit - Yount Trust | 95,000 | 4.700% | 11/2/2009 | 95,847 | |
| Monterey County Bank | 200,000 | 5.400% | 4/17/2008 | 196,567 | |
| | 1,943,553 | | | 1,942,247 | 20.8% |
| Federal Agency Bond/Notes: | | | | | |
| Money Fund/Sweep - Yount Trust | 5,960 | 0.000% | - | 106,144 | |
| FNMA - Yount Trust | 90,000 | 3.375% | 12/15/2008 | 90,760 | |
| FHLB - Yount Trust | 100,000 | 4.500% | 8/14/2009 | 103,031 | |
| US Govt. Securities (Gilford Securities) | 200,000 | 5.330% | 1/29/2010 | 201,890 | |
| FNMA NTS - Yount Trust | 100,000 | 4.250% | 8/15/2010 | 104,188 | |
| FHLB BOND - Yount Trust | 95,000 | 4.375% | 9/17/2010 | 99,364 | |
| FNMA NTS - Yount Trust | 90,000 | 5.125% | 4/15/2011 | 95,990 | |
| FHLB BOND - Yount Trust | 85,000 | 4.875% | 11/18/2011 | 90,897 | |
| Money Market - Union Bank | 107 | 5.080% | 6/30/2032 | 1 | |
| Money Market - Bank of New York | 274,847 | 4.600% | 6/30/2035 | 274,847 | |
| US Govt. Securities (Gilford - McIndoo) | 312,552 | 4.410% | - | 317,129 | |
| Money Market - Wells Fargo | 21,990 | 5.190% | - | 21,990 | |
| | 1,375,456 | | | 1,506,231 | 16.1% |
| Federal Agency Bond/Notes: | | | | | |
| LAIF Deposits (General) 98-27-617 | 2,823,693 | 5.170% | VARIOUS | 2,823,693 | |
| LAIF Deposits (TRAN) 11-27-010 | 3,071,381 | 5.170% | VARIOUS | 3,071,381 | |
| | 5,895,074 | | | 5,895,074 | 63.1% |
| | | 5.495% | AVERAGE | | |
| | 9,214,083 | | | 9,343,552 | 100% |
| Investment Maturity (in Years) | | | | | |
| | Fair Value | 0 - 6 Months | 6 - 12 Months | 1 - 3 Years | 3 - 5 Years |
| Deposits | 1,942,247 | 1,212,815 | 191,572 | - | |
| Federal Agency Bond/Notes | 1,506,231 | 334,845 | 189,028 | 501,593 | 460,645 |
| Federal Agency Bond/Notes | 5,895,074 | 6,836,951 | | | |
| | 9,343,552 | 8,384,611 | 380,600 | 501,593 | 460,645 |