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CITY OF SACRAMENTO

OFFICE OF THE TREASURER

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THOMAS P. FRIERY
TREASURER

DONALD E. SPERLING
ASST. TREASURER

July 3, 1980

City Council
Sacramento, California

Honorable Members in Session

SUBJECT: Designation of Persons Authorized to Make
Deposits and Withdrawals of Moneys in the
Local Agency Investment Fund of the State
Treasury

SUMMARY

The Office of the State Treasurer has advised the City Treasurer that City Council Resolution number 77-025 dated January 18, 1977 contains the surname of the former City Treasurer as authorized to deposit and withdraw funds from the Local Agency Investment Fund (LAIF). Further, the Office of the State Treasurer has advised that it may be appropriate to eliminate the surname of the City Treasurer for the authorizing replacement resolution so as to avoid the necessity to pass subsequent resolutions coincidental with a City Treasurer leaving office.

At the present time, LAIF provides a yield of approximately 10.60% versus 8.75% which is available on other short-term investments the City Treasurer would have to purchase if not authorized to deposit in LAIF.

BACKGROUND

LAIF is an investment pool managed by the State Treasurer. Cities, counties and agencies are permitted to deposit funds for investment day to day and earn a rate of return based on the quarterly earning rate of the LAIF pool.

From time to time LAIF has provided a higher rate of return than could be obtained by the City Treasurer from separate investment. When this phenomenon occurred, deposits were made to LAIF.

The recent astronomical decline in short-term interest rates from approximately 18% in March to 8 3/4% in June has reduced the interest income to be earned from short-term investments. However, the State Treasurer, as a result of the pool, had been able to purchase longer term investments in March not requiring

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reinvestment in today's market at lower rates. Therefore, cities and counties are permitted to deposit in LAIF at a current return of approximately 10.60%. It should be considered that so long as interest rates stay at current levels and cities and counties continue to deposit monies in LAIF, that the return on LAIF will decline throughout the remainder of the year.

However, at the present LAIF is the highest yielding investment vehicle for short-term funds. It should be considered that approximately \$27 million of the \$50 million of city investment funds were extended in long-term investments during January through March 1980 at yields substantially higher than today's yields. This strategy plus the ability to deposit new monies or reinvestment monies in LAIF will permit city funds to earn slightly in excess of 11% for the fiscal year to end June 30, 1981.

RECOMMENDATION

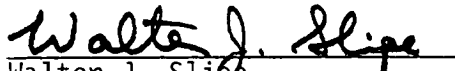
The City Council adopt the attached resolution authorizing the City Treasurer to deposit funds in LAIF.

Respectfully submitted,


THOMAS P. FRIERY
CITY TREASURER

RECOMMENDATION APPROVED

COUNCIL AGENDA JULY 15, 1980


Walter J. Slips
City Manager

TPF:kca
Enclosure

RESOLUTION NO. 80-466

Adopted by The Sacramento City Council on date of

A RESOLUTION AUTHORIZING TREASURER TO PARTICIPATE
IN LOCAL AGENCY INVESTMENT FUND OF STATE TREASURY

WHEREAS, the State of California has created a Local Agency
Investment Fund; and

WHEREAS, the City Treasurer desires to have the option of
participating in such fund;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF
SACRAMENTO:

1. That Resolution No. 77-025, dated January 18, 1977, is
hereby repealed.

2. That the City Treasurer of the City of Sacramento, a
municipal corporation, 915 I Street, City Hall, Sacramento, and his
designated deputies are authorized to deposit and withdraw City funds
to and from the Local Agency Investment Fund in the State Treasury
in accordance with the provisions of Government Code §16429.1
et seq. for the purpose of investment as stated above.

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MAYOR

ATTEST:

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JUL 15 1980

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