REPORT TO THE FINANCING AUTHORITY **NO: FA 10-002**

Council Date: April 6, 2010

SUBJECT: Resolution to Establish an Account with the State of California Local Agency Investment Fund (LAIF) for the Deposit of the 2001 Water and Wastewater and 2007 Solid Waste Revenue Bond Debt Service Reserve Funds

BACKGROUND

On December 11, 2001, the Sunnyvale Financing Authority issued $32,115,000 of Water and Wastewater revenue bonds to provide funds to (i) defease and refund on a current basis the Authority's outstanding Utilities Revenue Bonds, 1992 Series A, (ii) finance certain additions and improvements to the municipal wastewater system and (iii) fund a debt service reserve fund for the Bonds. The current amount in this reserve account available for transfer to LAIF is $ 2,195,000.

On October 30, 2007, the City Council adopted a resolution which authorized the issuance of Sunnyvale Financing Authority SMaRT Station Revenue Bonds in an amount not to exceed $8.3 million to supplement the funding for the replacement of materials recovery facility equipment at the SMaRT Station. When these bonds were issued, a debt service reserve fund was established. The current amount in this reserve account available for transfer to LAIF is $760,000.

The reserve funds were invested in United States Treasury and federal agency money market mutual fund accounts with the Trustee Bank, US Bank. Due to the low interest rate environment, the interest rate paid by US Bank on these funds is currently 0%. Staff would like to transfer these funds into the State of California's Local Agency Investment Fund (LAIF) to increase investment earnings potential. The State Treasurer requires a resolution from the Sunnyvale Financing Authority in order to establish an account for these bond proceeds.

EXISTING POLICY

The policy statement of Council Policy 7.1.2 regarding investments reads: "Idle funds of the City of Sunnyvale shall be invested in accordance with principles of sound treasury management and in accordance with the provisions of

California Government Code Section 53600 et seq., the City Charter, the Sunnyvale Municipal Code and this policy."

DISCUSSION

The reserve funds of the 2001 Water and Wastewater and 2007 Solid Waste revenue bonds are currently invested in a money market mutual fund. Due to the declining interest rates, these types of accounts are currently not earning any interest. Staff is requesting approval to transfer these reserve funds from an account with US Bank into LAIF in order to increase the interest earnings on these funds.

Investments in LAIF are authorized by the City's Investment Policy. As part of its overall investment strategy, the City has invested in LAIF for many years. LAIF meets the key provisions of the City's Investment Policy as follows:

1. Safety of principal is the foremost objective of the City's investment program.

2. Liquidity- the City's investment strategy is to keep funds sufficiently liquid to enable the City to meet all operating requirements which might be anticipated. The authority has not had to draw on the reserve funds to meet debt service requirements. However, funds need to be liquid.

3. Return on Investment-the City's portfolio is maintained with the objectives of safety and liquidity first, and then the objective of obtaining a market rate of return throughout the budgetary and economic cycle.

FISCAL IMPACT

Recently, the LAIF interest rate has been .55%. In this current interest rate environment, annual interest earnings are expected to be $12,000 for the 2001 bond issue and $4,000 for the 2007 bond issue. These funds are currently earning no interest in the account with US Bank.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's Web site.

ALTERNATIVES

1. Adopt a resolution authorizing the establishment of an account with the State of California Local Agency Investment Fund for the investment of the 2001 Water and Wastewater and the 2007 Solid Waste Revenue Bonds debt service reserve funds.
2. Do not adopt a resolution authorizing the establishment of an account with the State of California Local Agency Investment Fund for the investment of the 2001 Water and Wastewater and 2007 Solid Waste Revenue Bonds debt service reserve funds.

RECOMMENDATION

Staff recommends Alternative 1, adopt a resolution authorizing the establishment of an account with the State of California Local Agency Investment Fund for the investment of the 2001 Water and Wastewater and the 2007 Solid Waste Revenue Bonds debt service reserve funds.

Reviewed by:

Mary J. Bradley, Authority Treasurer
Prepared by: Therese Balbo, Finance Manager

Approved by:

Gary M. Luebbers
Executive Director

Attachments

A. Resolution Authorizing Investment of Monies in LAIF

Attachment A

RESOLUTION NO. _____ FA

A RESOLUTION OF THE FINANCING AUTHORITY OF THE CITY OF SUNNYVALE AUTHORIZING INVESTMENT OF MONIES IN THE LOCAL AGENCY INVESTMENT FUND

AGENCY: **City of Sunnyvale – Department of Finance**
ADDRESS: **Attn: Finance Director, P.O. Box 3707, Sunnyvale, CA 94088**
PHONE #: **(408) 730-7604**

WHEREAS, pursuant to Chapter 730 of the Statutes of 1976, Section 16429.1 was added to the California Government Code to create a Local Agency Investment Fund in the State Treasury for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, the Financing Authority does hereby find that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with the provisions of Section16429.1 of the Government Code for the purpose of investment as stated therein as in the best interests of the City.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SUNNYVALE FINANCING AUTHORITY that the Financing Authority does hereby authorize the deposit and withdrawal of City monies in the Local Agency Investment Fund in the State Treasury in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein, and verification by the State Treasurer's Office of all banking information provided in that regard.

BE IT FURTHER RESOLVED that the following City officers, or their successors in office, shall be authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund:

Name:	Mary Bradley	**Title:**	Agency Treasurer	**Signature**_____
Name:	Grace Leung	**Title:**	Finance Manager	**Signature**_____
Name:	Therese Balbo	**Title:**	Finance Manager	**Signature**_____
Name:	Juan Castro	**Title:**	Accountant	**Signature**_____

Adopted by the Sunnyvale Financing Authority at a regular meeting held on March 9, 2010.

AYES:
NOES:
ABSTAIN:
ABSENT:

ATTEST: APPROVED:

_____ _____
Clerk, Financing Authority Chair, Financing Authority
(SEAL)

APPROVED AS TO FORM AND LEGALITY: _____
David E. Kahn, Financing Authority Counsel