



APPROVED
BY THE CITY COUNCIL

JUN 16 1998

OFFICE OF THE
CITY CLERK

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OFFICE OF THE
CITY TREASURER

THOMAS P. FRIERY
TREASURER

June 8, 1998
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CITY OF SACRAMENTO
CALIFORNIA

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City Council
Sacramento, California

Honorable Members in Session:

**SUBJECT: PROPOSED CITY TREASURER, BUDGET, AND ACCOUNTING
POLICIES REGARDING UNREALIZED INVESTMENT GAINS IN
RESPONSE TO NEW GOVERNMENT ACCOUNTING STANDARDS
BOARD STATEMENT NO. 31**

LOCATION/COUNCIL DISTRICT: City Wide

RECOMMENDATIONS:

This report recommends that the City Council adopt the attached resolution adopting the City Treasurer, Budget, and Accounting policies regarding unrealized investment gains.

CONTACT PERSON: Thomas P. Friery, City Treasurer 264-5168
Ken Nishimoto, Director, Admin. Services 264-5058

FOR COUNCIL MEETING OF: June 16, 1998

SUMMARY

A new accounting standard requires that the City change its presentation on investments in the City's financial statements beginning in fiscal year 98. Investments will now be reported at market value instead of at amortized cost. This report recommends that the City Council approve the attached resolution that authorizes the City Treasurer, Budget, and Accounting staff to continue to conservatively budget and distribute investment income based upon realized gains instead of upon market value, consistent with current practice.

COMMITTEE / COMMISSION ACTION None.

BACKGROUND INFORMATION

The Governmental Accounting Standards Board (GASB) adopted GASB Statement 31 (GASB 31) which requires a formal accounting adjustment of the City Investment Pool book value to market value for financial reports for fiscal years beginning after June 15, 1997.

The formal adjustment will require recognizing unrealized gains or losses in the City investment pool income. The unrealized gains or losses have not been earned, therefore are not available for distribution or expenditures. Consequently it is not prudent to distribute or budget the unrealized income or loss to the City investment pool participants.

As a result, Staff proposes the following policies:

City Treasurer:

- Historically the City Treasurer has distributed all realized income and losses to the City investment pool participants on a monthly basis, and believes this practice should be continued. The following formula summarizes the historic distribution practice of realized income:

Coupon Interest	+	Accumulated Discount	+	Accruals of Premium/Discount	±	Realized Gains/Losses	-	Investment Management Fee	=	Distributable Income
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Budget:

- The City's annual budget will reflect estimated realized investment earnings.
- At year-end, a fund balance reserve will be established for any unrealized investment earnings included in fund balance.
- Undesignated fund balance will reflect realized earnings.

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Accounting:

- In accordance with GASB Statement No. 31, both realized and unrealized gains will be apportioned and recorded as investment income.

FINANCIAL CONSIDERATIONS

The attached resolution prescribes prudent, conservative financial management practices that ensure appropriations are based upon realized investment returns instead of temporary market fluctuations.

POLICY CONSIDERATIONS

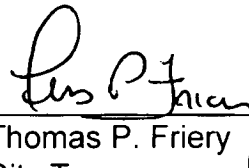
The attached resolution authorizes staff to continue current practices for budgeting and disbursing investment income.

ENVIRONMENTAL CONSIDERATIONS


"Ongoing administrative and maintenance activities which are not for purposes of a public works construction project do not constitute a "project" and are exempt from the California Environmental Quality Act (CEQA)." CEQA Guidelines, Sections 15061(b)(1), 15378(b)(3)

MBE / WBE EFFORTS Not Applicable

Respectfully submitted,

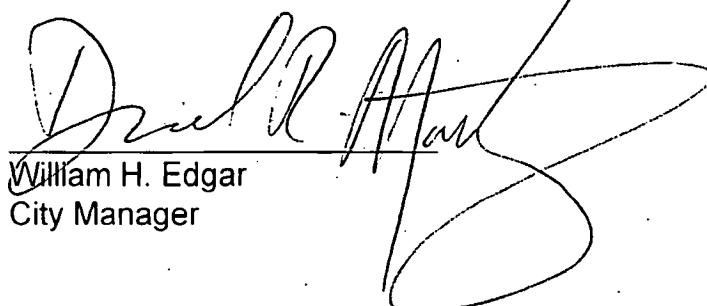


Thomas P. Friery
City Treasurer



Ken Nishimoto
Director of Administrative
Services

Approved for City Council Authorization



William H. Edgar
City Manager

APPROVED
BY THE CITY COUNCIL

JUN 16 1998

OFFICE OF THE
CITY CLERK

RESOLUTION NO. 98-264

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

A RESOLUTION PRESCRIBING THE METHOD OF DISTRIBUTION OF CITY INVESTMENT POOL INCOME

NOW THEREFORE BE IT RESOLVED by the City Council of the City of Sacramento, that the following policies regarding investment income are adopted:

City Treasurer:

- The City Treasurer shall distribute City investment pool income on a monthly basis based upon the following formula:

Coupon Interest	+	Accumulated Discount	+	Accruals of Premium/Discount	±	Realized Gains/Losses	-	Investment Management Fee	=	Distributable Income
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Budget:

- The City's annual budget will reflect estimated realized investment earnings.
- At year-end, a fund balance reserve will be established for any unrealized investment earnings included in fund balance.
- Undesignated fund balance will reflect realized earnings.

Accounting:

In accordance with GASB Statement No. 31, both realized and unrealized gains will be apportioned and recorded as investment income

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DATE ADOPTED: _____