

# **CITY OF FORT BRAGG**

## **TREASURER'S REPORT**

**June 30, 2021**



**OVERVIEW**

The City's investment objectives in order of priority are to provide safety, ensure the preservation of capital, provide sufficient liquidity for cash needs and earn a competitive rate of return (yield) within the confines of the California Government Code and the City Investment Policy.

- **Safety** – Safety of principal is the foremost objective of the investment program. Investments for the City will be made in a manner that seeks to ensure the preservation of capital in the overall Portfolio.
- **Liquidity** – The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements, which might be reasonably anticipated.
- **Yield** – The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints, liquidity needs, and cash flow characteristics of the Portfolio.

To view the City's Investment and Fiscal policy, refer to the City's Annual Budget.

Reports on the City's investment portfolio and cash position are developed by the Finance Director/City Treasurer and reviewed by the Finance & Administration Committee quarterly.

California statutes authorize cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. During the quarter ended June 30, the City's permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	Unlimited	\$50 Million
U.S. Treasury Obligations	5 years	Unlimited	None
U.S. Government Agency Issues	5 years	Unlimited	None
Repurchase Agreements	90 days	10%	None
Bankers' Acceptances (must be dollar denominated)	270 days	40%	None
Commercial Paper - A rated minimum	180 days	15%	None
Certificates of Deposits - FDIC insured	5 years	50%	None
General obligations of any State or Political subdivision - AA rated minimum	5 years	30%	None
Money market mutual funds holding - Cash and U.S. Government Obligations	N/A	None	None

Governmental Accounting Standards Board Statement 31 requires the City to recognize the fair market value of its investments at the end of each fiscal year. The market values of investments included in this report were obtained from the State Controller's office for Local Agency Investment Funds (LAIF) and from the City's registered investment advisor STIFEL.



**ANALYSIS**

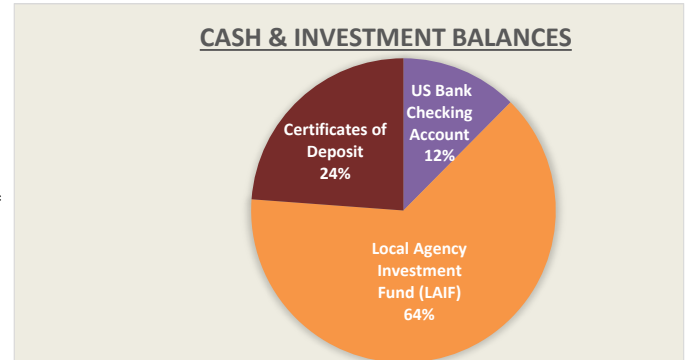
As of June 30, 2021, the City's Cash and Investment portfolio balances at market value were \$20.3M. The investment portfolio consists primarily of CDs purchased at a maximum of \$250k and investments in the California Local Agency Investment Fund (LAIF). The City's investment portfolio increased by 3% or \$523k in Q4. Due to a \$3M investment into LAIF, which was offset by the maturity of four CDs worth \$800k.

The weighted average rate of return on CDs held is 2.42%, and LAIF has dropped to 0.33%. The weighted average rate of return on the entire Portfolio is 0.81%.

**CHECKING AND INVESTMENT BALANCE**

TYPE	BALANCE	INTEREST RATE	
US Bank Checking Account	\$ 2,518,141	0.16%	*
Local Agency Investment Fund (LAIF)	12,929,575	0.33%	
Certificates of Deposit	4,832,173	2.42%	**
<b>Total</b>	<b>\$ 20,279,889</b>		

\*Earnings Allowance    \*\* Weighted Average



	BUDGET	ACTUAL	BUDGET VARIANCE
<b>Interest Income - All Funds</b>	\$ 240,980	\$ 198,613	\$ (42,367)

The net investment income earned for the fiscal year was \$288,694, including Interest earned of \$198,613 and market value adjustments (Unrealized Gains) of \$120,968 as required by GASB 31. The daily change in the market is temporary, as the City mostly holds its CDs investments until maturity, when they can be redeemed at par value.

**INVESTMENT LIQUIDITY**

The Portfolio is highly liquid, with 70% available within 30 days and 14% within one year.

AGING INTERVAL	MARKET VALUE	% OF PORTFOLIO
< 30 Days	\$ 15,447,716	76%
31 days - 1 Year	2,246,552	11%
1 -2 Years	1,797,175	9%
2 - 3 Years	524,911	3%
3 - 4 Years	263,535	1%
	<b>\$ 20,279,889</b>	



**Investment in Local Agency Investment Fund (LAIF)**

The City is a voluntary participant in the California Local Agency Investment Fund (LAIF), which is regulated by the California Government Code Section under the oversight of the Local Investment Advisory Board (Board). The Board consists of five members as designated by state statute and is chaired by the State Treasurer, responsible for the day-to-day administration of LAIF.

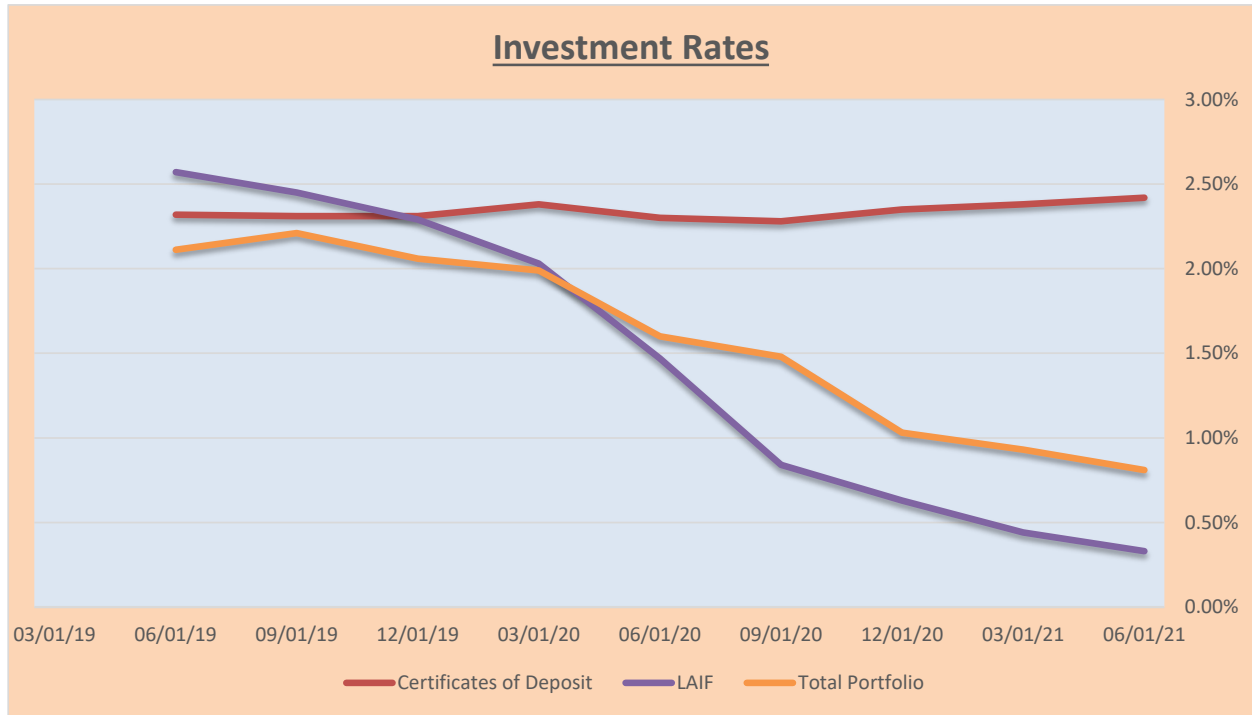
**Investment in Certificates of Deposits (STIFEL)**

<b>Holding</b>	<b>Par Value</b>	<b>Market Value</b>	<b>Est. Yield</b>	<b>Maturity Date</b>
Ally Bank	246,000	246,947	2.92%	08/16/21
General Electric CU	249,000	249,971	3.02%	08/16/21
Connex CU	248,000	248,548	1.58%	08/26/21
Ever Bank	248,000	248,796	1.53%	09/16/21
Stearns Bank NA	249,000	250,170	1.91%	09/29/21
Synchrony Bank	248,000	249,089	1.68%	10/21/21
Peoples United Bank NA	248,000	250,726	2.00%	01/18/22
Third Fed Savings	247,000	250,974	2.18%	03/21/22
BMW Bank	246,000	251,331	2.69%	04/13/22
Commenity Capital	249,000	257,508	2.98%	08/15/22
Farmers State Bank Ind	247,000	253,701	2.25%	09/19/22
Mountain America Fed Credit Union	249,000	256,933	2.29%	11/30/22
American Express BK	247,000	255,102	2.39%	12/05/22
Knoxville TVA	249,000	257,720	2.28%	01/26/23
Belmont Savings Bank	248,000	258,359	2.54%	02/28/23
Citibank	246,000	257,852	2.71%	04/11/23
First Tech Federal Credit Union	249,000	263,726	3.00%	06/14/23
Goldman Sachs	245,000	261,185	3.06%	08/15/23
Jefferson Financial Credit Union	246,000	263,535	3.05%	10/19/23
<b>Total Certificates of Deposit</b>	<u>4,704,000</u>	<u>\$ 4,832,173</u>		



## HISTORICAL RATE TREND

The graph below depicts the historical interest rate trend for the entire Portfolio and certificates of deposits.



**FOR QUESTIONS:** This summary is based on detailed information produced by the City's Finance Department. If you would like additional information or have any questions about this report, please call/email: **707-961-2825/iwhippy@fortbragg.com**