

CITY OF FORT BRAGG

TREASURER'S REPORT

September 30, 2022



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, 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

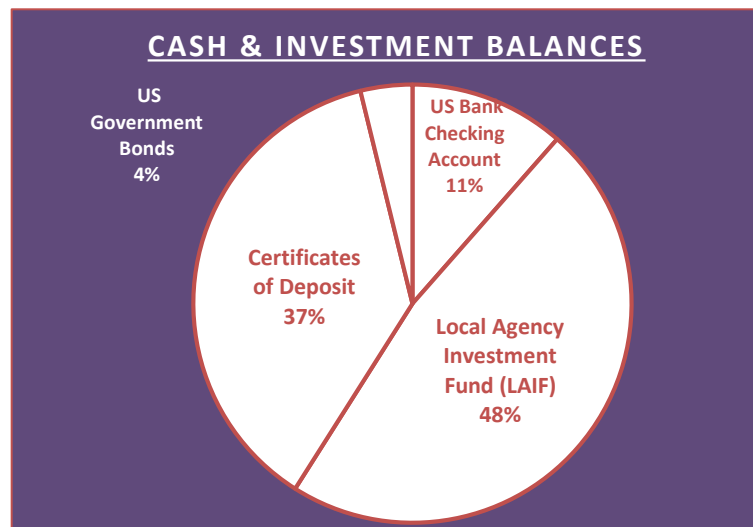
As of September 30, 2022, the City's Cash and Investment portfolio balances at market value were \$23.1 million an increase of 9 percent from the prior quarter. The investment portfolio consists primarily of CDs purchased at a maximum of \$250k, Government Bonds, and investments in the California Local Agency Investment Fund (LAIF).

LAIF interest rates have begun climbing back up from 75 basis points to 135 basis points at the end of the first quarter as the Treasury yields have increased. The weighted average rate of return on CDs were 2.94%, and the weighted average rate of return on the entire Portfolio is over 291 basis points (2.91%).

CHECKING AND INVESTMENT BALANCE

Portfolio	Q2 FY21/22	Q3 FY 21/22	Q4 FY 21/22	Q1 FY 22/23	% Yield
US Bank Checking Account	2,353,295	2,953,342	4,279,196	\$ 2,654,638	0.16%
Local Agency Investment Fund (LAIF)	12,946,558	10,954,086	10,963,909	10,984,435	1.35%
Certificates of Deposit	3,786,081	4,199,670	6,829,805	8,598,222	2.94%
US Government Bonds	985,945	938,035	923,790	883,045	1.77%
Total	\$ 20,071,879	\$ 19,045,133	\$ 22,996,700	\$ 23,120,340	

*Earnings Allowance ** Weighted Average



	FY 22/23 Budget	Actual 9/30/22	Budget Variance
Interest Income - All Funds	\$ 195,350	\$ 74,448	38%

The net investment income earned for the first quarter year was \$74,448 including Interest earned of \$137,488 and market value adjustments (Unrealized Gains) of \$206,551 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.



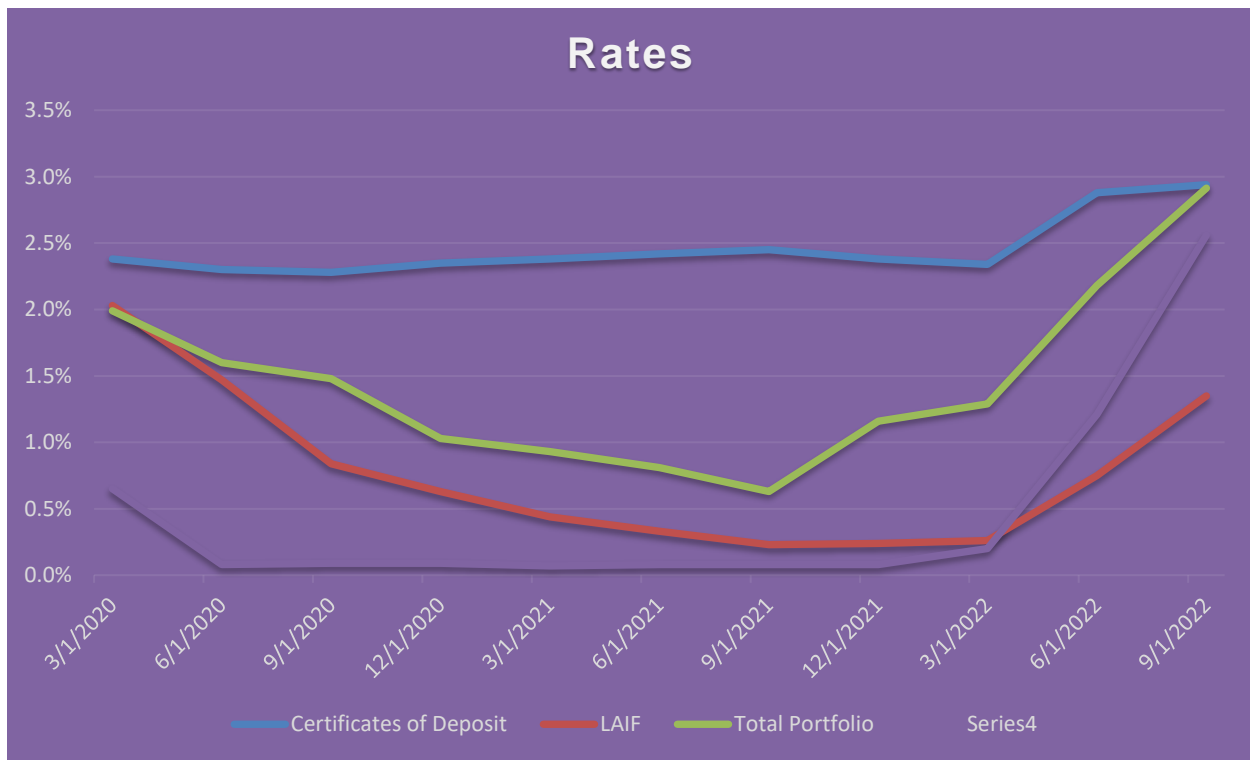
INVESTMENT LIQUIDITY

The Portfolio is highly liquid, with 59% available within 30 days and 12% within one year.

Aging Interval	Market Value	% Portfolio
< 30 Days	\$ 13,639,073	59%
31 days - 1 Year	2,698,227	12%
1 - 2 years	2,139,103	9%
2 - 4 Years	3,446,057	15%
4 - 5 Years	1,197,880	5%
	\$ 23,120,340	

HISTORICAL RATE TREND

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



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

Holding	Par Value	Market Value	Est. Yield	Maturity Date
Mountain America Fed Credit Union	249,000	248,714	2.40%	11/30/22
American Express BK	247,000	246,706	2.50%	12/05/22
Knoxville TVA	249,000	248,133	2.41%	01/26/23
Belmont Savings Bank	248,000	246,983	2.71%	02/28/23
Citibank	246,000	244,713	2.92%	04/11/23
First Tech Federal Credit Union	249,000	247,830	3.27%	06/14/23
Goldman Sachs	245,000	243,530	3.37%	08/15/23
Jefferson Financial Credit Union	246,000	243,971	3.21%	10/19/23
TVA Community	249,000	244,025	3.21%	08/05/24
APEX Bank	249,000	243,798	3.22%	08/30/24
Community Bank	245,000	239,823	3.16%	08/12/24
State Bank of India	249,000	231,590	0.80%	10/28/24
Synchrony Bank	249,000	231,483	0.75%	10/24/24
Lafayette Federal Credit Union	249,000	242,130	3.09%	12/16/24
Barclays Bank	247,000	231,992	1.81%	03/17/25
Live Oak Banking Co	247,000	241,030	3.15%	05/23/25
Connexus Credit Union	249,000	240,673	3.10%	05/27/25
Morgan Stanley PVT	246,000	238,445	3.20%	05/27/25
MeriTrust Credit Union	249,000	242,576	3.44%	07/05/25
Sallie Mae Bank	245,000	239,184	3.53%	08/04/25
Bankers Bank	249,000	237,466	2.88%	11/06/25
True Sky Fedl	248,000	225,782	1.59%	02/04/26
Beal Bank	247,000	230,290	2.41%	04/01/26
Ally Bank	245,000	238,571	3.69%	08/04/26
Baxter Credit Union	249,000	237,880	3.19%	06/22/26
Greenstate Credit Union	249,000	225,696	2.26%	03/01/27
Capital One NA	246,000	232,293	3.23%	05/04/27
Capital One Bank	246,000	232,293	3.23%	05/04/27
Numerica Credit Union	249,000	235,454	3.28%	05/04/27
Discover Bank	246,000	233,675	3.37%	05/19/27
Morgan Stanley Bank	246,000	233,611	3.37%	05/26/27
Farmers & Merchants	249,000	235,728	3.38%	08/05/27
Sharonview FCU	249,000	238,898	3.65%	08/16/27
Medallion Bank	249,000	246,431	3.52%	08/30/27
Toyota Finl	245,000	236,033	3.74%	09/09/27
USA Alliance FCU	249,000	240,790	3.83%	09/29/27
Total Certificates of Deposit	\$ 8,913,000	\$ 8,598,222		