

CITY OF FORT BRAGG

TREASURER'S REPORT

March 31, 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

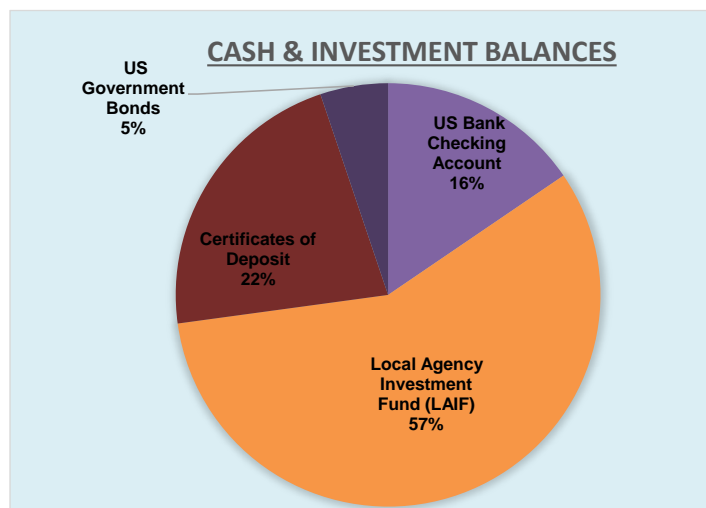
As of March 31, 2022, the City's Cash and Investment portfolio balances at market value were \$20 million. The investment portfolio consists primarily of CDs purchased at a maximum of \$250k, Government Bonds, and investments in the California Local Agency Investment Fund (LAIF).

LAIF interest rates have continued to decline from 0.33% in Q4 FY 20/21 to 0.24% in the current quarter. The weighted average rate of return on CDs held is 2.34%, and the weighted average rate of return on the entire Portfolio is 1.29%.

CHECKING AND INVESTMENT BALANCE

QOQ	Q1 FY 21/22	Q2 FY 21/22	Q3 FY 21/22	Interest
US Bank Checking Account	4,149,305	2,353,295	\$ 2,953,342	0.16%
Local Agency Investment Fund (LAIF)	12,938,679	12,946,558	10,954,086	0.24%
Certificates of Deposit	3,564,402	3,786,081	4,199,670	2.34%
US Government Bonds	-	985,945	938,035	1.95%
Total	\$ 20,652,386	\$ 20,071,879	\$ 19,093,044	

*Earnings Allowance ** Weighted Average



	Q3 BUDGET	Q3 BUDGET	Q3 ACTUAL	BUDGET VARIANCE
Interest Income - All Funds	\$ 167,865	\$ 55,955	\$ 89,839	\$ 33,884

The net investment income earned for the first quarter year was \$126,099, including Interest earned of \$89,839 and market value adjustments (Unrealized Gains) of \$54,304 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

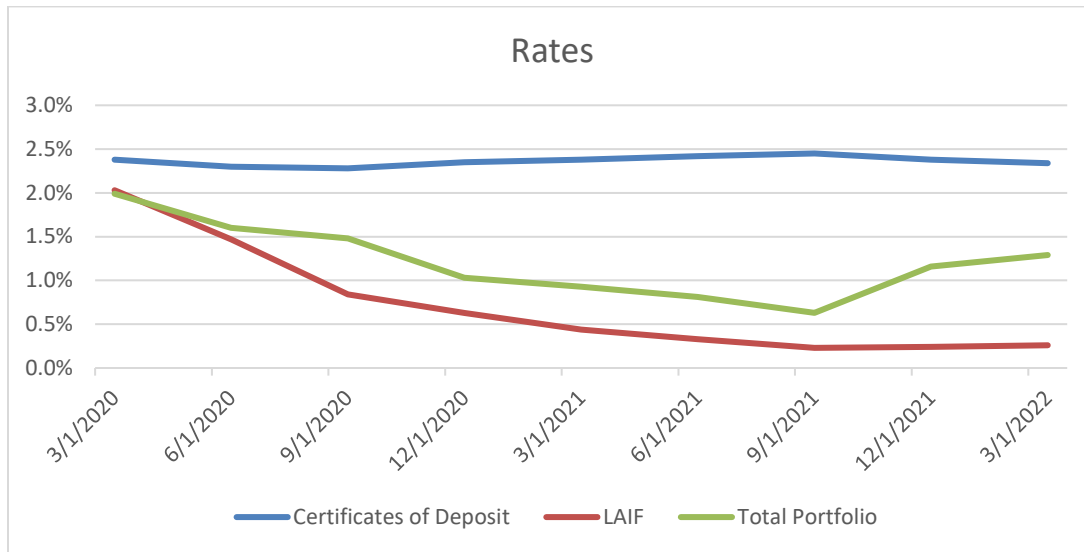
The Portfolio is highly liquid, with 73% available within 30 days and 9% within one year.

AGING INTERVAL	MARKET VALUE	% OF PORTFOLIO
< 30 Days	\$ 13,907,428	73%
31 days - 1 Year	1,750,496	9%
1 - 2 years	755,044	4%
2 - 3 Years	2,680,076	14%
	<u>\$ 19,093,044</u>	



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
BMW Bank	246,000	246,209	2.80%	04/13/22
Commenity Capital	249,000	251,318	3.12%	08/15/22
Farmers State Bank Ind	247,000	248,766	2.33%	09/19/22
Mountain America Fed Credit Union	249,000	251,443	2.38%	11/30/22
American Express BK	247,000	249,635	2.43%	12/05/22
Knoxville TVA	249,000	251,722	2.37%	01/26/23
Belmont Savings Bank	248,000	251,403	2.66%	02/28/23
Citibank	246,000	249,953	2.85%	04/11/23
First Tech Federal Credit Union	254,294	254,294	3.18%	06/14/23
Goldman Sachs	245,000	250,797	3.27%	08/15/23
Jefferson Financial Credit Union	246,000	251,977	3.27%	10/19/23
Barclays Bank	247,000	241,139	1.74%	03/17/25
True Sky Fedl	248,000	237,681	1.51%	02/04/26
State Bank of India	249,000	238,970	0.75%	10/28/24
Synchrony Bank	249,000	238,766	0.70%	10/24/24
Beal Bank	247,000	243,428	2.28%	04/01/26
Greenstate Credit Union	249,000	242,170	2.11%	03/01/27
Total Certificates of Deposit	<u>4,215,294</u>	<u>\$ 4,199,670</u>		