

CITY OF FORT BRAGG

TREASURER'S REPORT

September 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

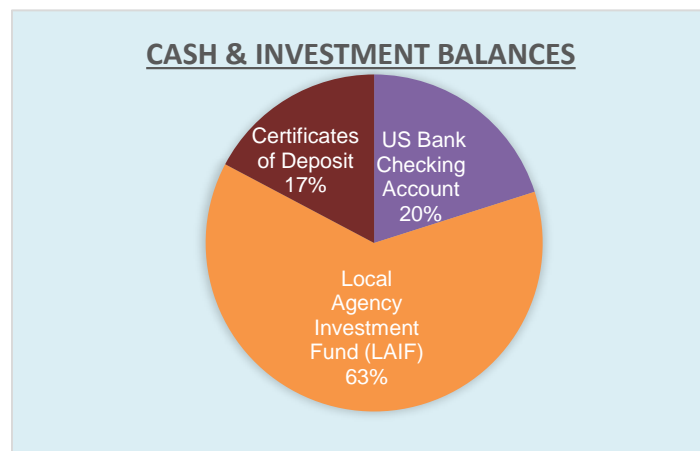
As of September 30, 2021, the City's Cash and Investment portfolio balances at market value were \$20.6M. The investment portfolio consists primarily of CDs purchased at a maximum of \$250k and investments in the California Local Agency Investment Fund (LAIF).

LAIF interest rates have continued to decline from 0.33% in Q4 FY 20/21 to 0.24%. The weighted average rate of return on CDs held is 2.57%, and the weighted average rate of return on the entire Portfolio is 0.63%.

CHECKING AND INVESTMENT BALANCE

QOQ	Q3 FY 20/21	Q4 FY 20/21	Q1 FY 21/22	Interest Rate	
US Bank Checking Account	\$ 5,263,036	\$ 2,518,141	\$ 4,149,305	0.16%	*
Local Agency Investment Fund (LAIF)	8,906,478	12,929,575	12,938,679	0.24%	
Certificates of Deposit	6,191,635	4,832,173	3,564,402	2.57%	**
	\$ 20,361,149	\$ 20,279,889	\$ 20,652,386		

*Earnings Allowance **Weighted Average



	BUDGET	Q1 BUDGET	Q1 ACTUAL	BUDGET VARIANCE
Interest Income - All Funds	\$ 167,865	\$ 41,966	\$ 35,038	\$ (6,928)

The net investment income earned for the first quarter year was \$62,808, including Interest earned of \$35,038 and market value adjustments (Unrealized Gains) of \$27,771 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

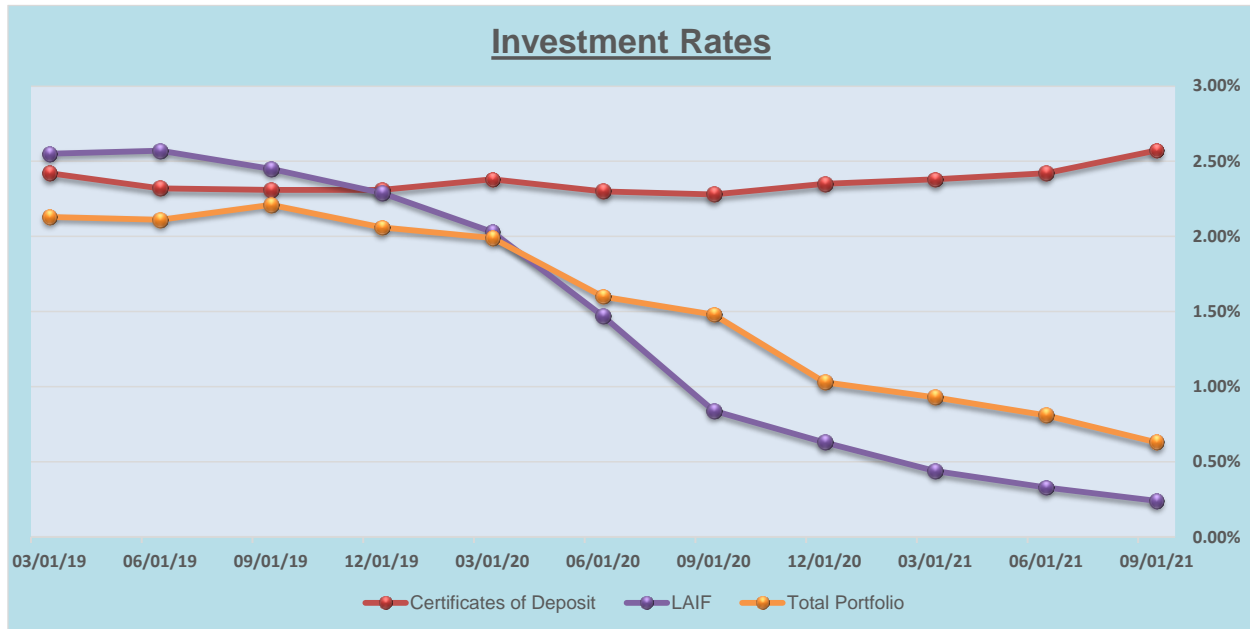
The Portfolio is highly liquid, with 84% available within 30 days and 6% within one year.

AGING INTERVAL	MARKET VALUE	% OF PORTFOLIO
< 30 Days	\$ 17,336,180	84%
31 days - 1 Year	1,256,622	6%
1 -2 Years	1,539,780	7%
2 - 3 Years	519,804	3%
	\$ 20,652,386	



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 (STIFEL)

Holding	Par Value	Market Value	Est. Yield	Maturity Date
Synchrony Bank	248,000	248,196	1.70%	10/21/21
Peoples United Bank NA	248,000	249,478	2.04%	01/18/22
Third Fed Savings	247,000	249,537	2.23%	03/21/22
BMW Bank	246,000	249,565	2.76%	04/13/22
Commenity Capital	249,000	255,666	3.07%	08/15/22
Farmers State Bank Ind	247,000	252,377	2.30%	09/19/22
Mountain America Fed Credit Union	249,000	255,531	2.34%	11/30/22
American Express BK	247,000	253,768	2.43%	12/05/22
Knoxville TVA	249,000	256,266	2.33%	01/26/23
Belmont Savings Bank	248,000	256,687	2.61%	02/28/23
Citibank	246,000	255,980	2.79%	04/11/23
First Tech Federal Credit Union	249,000	261,547	3.09%	06/14/23
Goldman Sachs	245,000	258,872	3.17%	08/15/23
Jefferson Financial Credit Union	246,000	260,932	3.16%	10/19/23
Total Certificates of Deposit	3,464,000	\$ 3,564,402		