

CITY OF FORT BRAGG

TREASURER'S REPORT

December 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

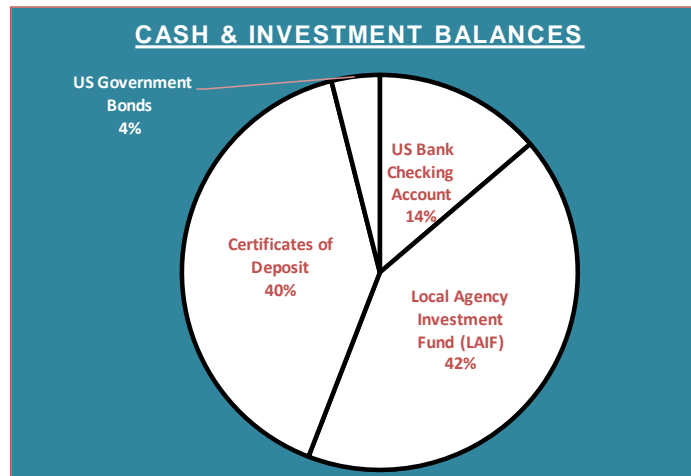
As of December 31, 2022, the City's Cash and Investment portfolio balances at market value were \$22,597,583 a decrease of 2% from the prior quarter. The investment portfolio consists primarily of CDs purchased at a maximum of \$250k (FDIC insured), Government Bonds, and investments in the California 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 3.15%, and the weighted average rate of return on the entire Portfolio is over 350 basis points (3.50%).

CHECKING AND INVESTMENT BALANCE

QOQ	Q3 FY 21/22	Q4 FY 21/22	Q1 FY 22/23	Q2 FY 22/23	Interest Rate
US Bank Checking Account	\$ 2,953,342	\$ 4,279,196	\$ 2,654,638	\$ 3,103,582	0.16% *
Local Agency Investment Fund (LAIF)	10,954,086	10,963,909	10,984,435	9,521,811	2.07%
Certificates of Deposit	4,199,670	6,829,805	8,598,222	9,082,959	3.15% **
Government Bonds	938,035	923,790	883,045	889,230	1.76%
	\$ 19,045,133	\$ 22,996,700	\$ 23,120,340	\$ 22,597,583	

*Earnings Allowance **Weighted Average



	FY 22/23 Budget	Actual 12/31/22	Budget Variance
Interest Income - All Funds	\$ 195,350	\$ 138,150	71%

The net investment income earned for the first quarter year was \$138,150 and market value adjustments (Unrealized Gains) of \$194,054 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.



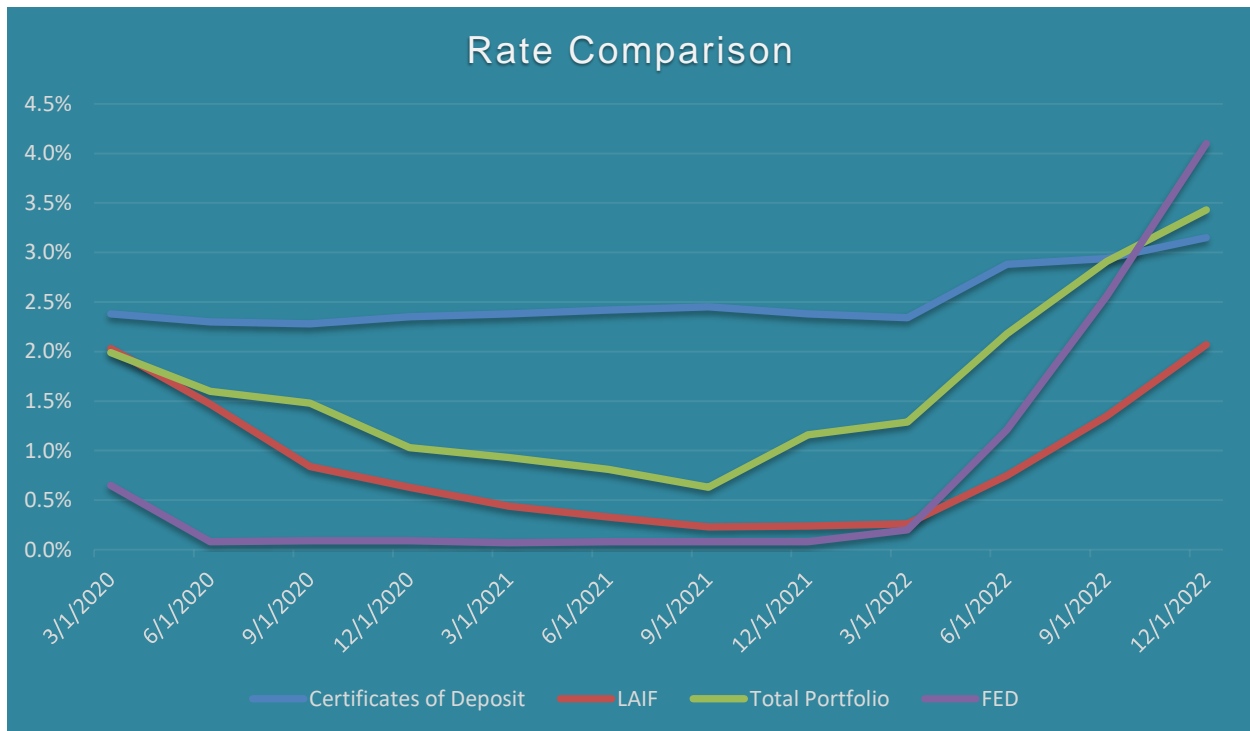
INVESTMENT LIQUIDITY

The Portfolio is highly liquid, with 56% available within 30 days and 10% within one year.

Aging Interval	Market Value	% Portfolio
< 30 Days	\$ 12,625,394	56%
31 days - 1 Year	2,202,559	10%
1 - 2 years	2,138,611	9%
2 - 4 Years	4,198,353	19%
4 - 5 Years	1,432,665	6%
	\$ 22,597,583	

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	
Knoxville TVA	249,000	248,701	2.41%	01/26/23	STIFEL
Belmont Savings Bank	248,000	247,454	2.71%	02/28/23	STIFEL
Citibank	246,000	245,139	2.92%	04/11/23	STIFEL
First Tech Federal Credit Union	249,000	247,879	3.27%	06/14/23	STIFEL
Goldman Sachs	245,000	243,378	3.37%	08/15/23	STIFEL
Jefferson Financial Credit Union	246,000	243,638	3.21%	10/19/23	STIFEL
TVA Community	249,000	243,385	3.21%	08/05/24	STIFEL
APEX Bank	249,000	243,161	3.22%	08/30/24	STIFEL
Community Bank	245,000	239,823	3.16%	08/12/24	TV1
State Bank of India	249,000	231,590	0.80%	10/28/24	TV1
Synchrony Bank	249,000	231,483	0.75%	10/24/24	TV1
Lafayette Federal Credit Union	249,000	241,525	3.09%	12/16/24	STIFEL
Barclays Bank	247,000	232,106	1.81%	03/17/25	STIFEL
Live Oak Banking Co	249,000	241,030	3.15%	05/23/25	STIFEL
Connexus Credit Union	249,000	240,673	3.10%	05/27/25	STIFEL
Morgan Stanley PVT	246,000	238,445	3.20%	05/27/25	STIFEL
MeriTrust Credit Union	249,000	242,576	3.44%	07/05/25	STIFEL
Sallie Mae Bank	245,000	239,184	3.53%	08/04/25	TV1
Bankers Bank	249,000	237,466	2.88%	11/06/25	STIFEL
United Heritage Credit Union	249,000	250,828	4.81%	11/17/25	STIFEL
True Sky Fedl	248,000	225,782	1.59%	02/04/26	STIFEL
Beal Bank	247,000	230,290	2.41%	04/01/26	STIFEL
Ally Bank	245,000	238,571	3.69%	08/04/26	TV1
Baxter Credit Union	249,000	237,880	3.19%	06/22/26	STIFEL
Austin Telco	249,000	249,568	4.64%	10/30/26	STIFEL
Alabama Credit Union	249,000	251,346	4.80%	11/23/26	STIFEL
Greenstate Credit Union	249,000	225,696	2.26%	03/01/27	STIFEL
Capital One NA	246,000	231,201	3.23%	05/04/27	STIFEL
Capital One Bank	246,000	231,201	3.23%	05/04/27	STIFEL
Numerica Credit Union	249,000	234,311	3.28%	05/04/27	STIFEL
Discover Bank	246,000	232,519	3.37%	05/19/27	STIFEL
Morgan Stanley Bank	246,000	232,465	3.37%	05/26/27	STIFEL
Farmers & Merchants	249,000	235,728	3.38%	08/05/27	TV1
Sharonview FCU	249,000	237,646	3.65%	08/16/27	STIFEL
Medallion Bank	249,000	235,987	3.52%	08/30/27	STIFEL
Toyota Finl	245,000	234,793	3.74%	09/09/27	STIFEL
USA Alliance FCU	249,000	239,488	3.83%	09/29/27	STIFEL
Forbright Bank	249,000	249,022	4.60%	10/22/23	STIFEL
Total Certificates of Deposit	\$ 9,415,000	\$ 9,082,959			