

SANTA YNEZ COMMUNITY SERVICES DISTRICT

MEMORANDUM

TO: Board of Directors
FROM: Wendy Berry, Secretary/Treasurer
DATE: August 17, 2022

SUBJECT: Discussion and approval of Resolution 22-19, a resolution of the Board of Directors of the Santa Ynez Community Services District authorizing investment of monies into FDIC insured certificate of deposits (CD).

Recommendation

Discuss, and then modify or confirm the dollar amount and time for new CDs, and adopt Resolution No. 22-19, authorizing the General Manager or Secretary/Treasurer to invest monies into FDIC insured Certificate of Deposits, for one time as specified in this memorandum.

Policy Implications

Pursuant to Section 53601.8, notwithstanding Section 53601 or any other provision of this code, a local agency that has the authority under law to invest funds may, at its discretion, invest a portion of its surplus funds in certificates of deposit at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of certificates of deposit, provided that the purchases of certificates of deposit pursuant to this section, Section 53635.8, and subdivision (i) of Section 53601 do not, in total, exceed 30 percent of the agency's funds that may be invested for this purpose.

Fiscal Implications

The monies invested in the CDs will be earning interest for 12 months, 18 months, and 24 months. When the CDs reach maturity, the money can be rolled into another CD or deposited back into the District's Five Star Money Market account with Board approval. Penalties would apply if there were withdrawals prior to maturity.

Alternatives Considered

None

Discussion

On April 16, 2014, the Board authorized the General Manager and the Secretary/Treasurer to transfer money into two CDs at \$150,000.00 each through the Cantella Group. The CDs were FDIC insured. The District opened a 12-month and 18-month CD. Staff rolled the CDs several times into new CDs until the interest rates fell dramatically. The money from the CDs was then deposited into the Five Star Money Market account. The district still has an open account with the Cantella Group.

The current interest rate in the Five Star Money Market and LAIF account is 1.01%. Five Star compounds interest monthly whereas LAIF compounds interest quarterly.

The current interest rate for CDs are:

12mo 3.00%

18mo 3.05%

Non-Callable: 2-year rates 3.25% and 3-year rates 3.30%.

Callable CDs: 2 year 3.30% or 3 year 3.45%.

Callable means once the CD is called that CD no longer exists so the money can be reinvested in any available CD at the time, or the District can redeposit into the District's Five Star account.

Staff is recommends investing \$200,000 each in a 12, 18, and 24 month CD, for a total investment of \$600,000.

Attachment

Resolution 22-19

RESOLUTION NO. 22-19

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA YNEZ COMMUNITY SERVICES DISTRICT AUTHORIZING INVESTMENT OF MONEYS IN CERTIFICATES OF DEPOSIT

WHEREAS, on April 20, 2011, the Board of Directors (the "Board") of the Santa Ynez Community Services District (the "District") adopted Resolution No. 11-03 approving a statement of investment policy pursuant to California Government Code Section 53646 (the "Investment Policy"); and

WHEREAS, the Investment Policy is intended to provide guidelines for the prudent investment of the District's temporarily idle cash and outline the policies for maximizing the efficiency of the District's cash management system. The ultimate goal of the Investment Policy is to enhance the economic status of the District while protecting its cash.

WHEREAS, the Investment Policy provides that the District shall make only those investments authorized under Governments Code Sections 53601, 53601.8, 53635, 53635.8, 53684 and 16429.1, as said sections may be amended from time to time, subject to the limitations and requirements set forth therein.

WHEREAS, under Government Code Section 53601.8, the District may, at its discretion, invest a portion of its surplus funds in certificates of deposit at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of certificates of deposit, provided that the purchases of certificates of deposit do not, in total, exceed 30 percent of the District's funds invested under Section 53601.8, subject to the requirements set forth in Section 53601.8, which include but are not limited to the following:

- The District shall choose a nationally or state-chartered commercial bank, savings bank, savings and loan association, or credit union in California to invest the funds, which shall be known as the "selected" depository institution.
- The selected depository institution may use a private sector entity to help place the deposits with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States and are within the network used by the private sector entity for this purpose.
- The full amount of each deposit and the interest that may accrue on each such deposit shall at all times be insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.

- The selected depository institution shall serve as a custodian for each certificate of deposit that is issued with the placement service for the District's account.
- On the same date that the District's funds are placed by the private sector entity, the selected depository institution shall receive an amount of insured deposits from other financial institutions that, in total, are equal to, or greater than, the full amount of the principal that the District initially deposited through the selected depository institution for investment.

WHEREAS, the District's Board desires to authorize the investment of a portion of the District's surplus funds in certificates of deposit pursuant to Government Code Section 53601.8 on the terms and conditions set forth herein.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Santa Ynez Community Services District as follows:

1. The Board hereby authorizes the investment of Six Hundred Thousand Dollars (\$600,000), in certificates of deposit, allocated as follows:

- Two Hundred Thousand Dollars (\$200,000) shall be invested in a certificate of deposit with a term of twelve (12) months.
- Two Hundred Thousand Dollars (\$200,000) shall be invested in a certificate of deposit with a term of eighteen (18) months.
- Two Hundred Thousand Dollars (\$200,000) shall be invested in a non-callable certificate of deposit with a term of twenty-four (24) months.

2. The funds to be invested in certificates of deposits as provided herein shall be withdrawn from the District's money market account with Five Star Bank.

3. The District shall retain the services of King Capital Advisors, who offers securities through Cantella & Co., Inc., to help place the certificates of deposits with one or more commercial banks, savings banks, savings and loan associations, or credit unions.

4. The Board hereby authorizes the District's General Manager or Secretary/Treasurer to make the certificate of deposit investments as set forth herein.

5. At such time as the certificates of deposit authorized hereunder mature or are called, the reinvestment of the principal and interest thereon in other investments, including the reinvestment in new certificates of deposit, shall require the approval of the Board.

PASSED, APPROVED AND ADOPTED this 17th day of August, 2022 by the following vote of the Board of Directors of the Santa Ynez Community Services District:

AYES:

NOES:

ABSENT:

ABSTAIN:

Karen Jones, President of the
Board of Directors

ATTEST:

Wendy Berry, Secretary of the
Board of Directors

