

**SANTA YNEZ COMMUNITY SERVICES DISTRICT
MEMORANDUM**

TO: Board of Directors
FROM: Loch Dreizler, General Manager
DATE: November 15, 2023
SUBJECT: Investment Policy and Certificates of Deposit

Proposed Motion / Recommendation

The Finance Committee and Staff recommend investing an additional portion of the reserve funds in Certificates of Deposit.

Proposed Motion #1: Approve the District's Treasurer to invest in two additional Certificates of Deposit (CDs) of \$150,000 each with King Capital Advisors:

1. \$150,000 @ 12 months
2. \$150,000 @ 18 months

Proposed Motion #2: Approve the District's Treasurer to reinvest the recently matured Certificate of Deposit (CDs) of approximately \$208,000 with King Capital Advisors for an additional 12 months.

Motion Alternatives for Consideration

1. Change the amounts in one or both of the motions above.
2. Leave investment funds in Five Star Bank or LAIF (Local Agency Investment Fund)

Policy Implications

- District Policy 11-03
- According 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 according 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

- 3.59% is the current rate being paid by Five Star Bank and LAIF
- The CDs yield between 5.0% and 5.5% depending on maturity date and investment time.
- The approximate net gain by investing in two new CDs is about \$5,000 in the first 12 months.

After the first year, too many assumptions must be made to accurately determine the total additional interest earned. For example, interest rates change, whether to roll the matured 12-month CD into another CD, back into the bank account, etc. However, it is easy to estimate that the earnings from the CDs outpace the "bank-only" interest to the benefit of the District.

Discussion

- The Objective of our policy when investing and managing District Funds is to:
 1. Safeguard the principal
 2. Meet our liquidity needs
 3. Achieve a return on our investments
- Our current investment in Certificates of Deposit is about \$600,000, which would bring the total to approximately \$900,000, close to the maximum CD investment allowed. See the investment maximum highlighted in yellow below.
- \$ 3,100,000 * 30% = \$930,000 maximum investment in Certificates of Deposit (see reserve policy calculations)

Attachment:

1. District Investment Policy 11-03 (Distributed upon request at Board Meeting).