

**Santa Ynez Community Services District**  
**Board Memorandum**

**TO:** Board of Directors  
**FROM:** Loch Dreizler, General Manager  
**DATE:** March 18, 2026  
**SUBJECT:** Reinvest a Portion of our Money Market funds back into Certificates of Deposit

**Recommendation:** The staff and the Finance Committee recommend investing in Certificates of Deposit using funds from the Money Market.

Note: Our advisor at King Capital has invested in our CDs so they mature at different times; this method spreads out the risks of CD investing over time. This is known as a CD Ladder.

**Proposed Motion:** Approve the District's Treasurer (General Manager) to reinvest money market funds into four (4) Certificates of Deposit, each approximately \$250,000, for the best term and rate recommended by our advisor at King Capital, understanding that percentages fluctuate daily and the rates we receive may differ from those shown when this board memo was prepared.

**Proposed Alternative Motions:** Defer to the Finance Committee to return with a recommendation at the April Board meeting.

**Policy Implications** The District's Investment Policy 11-03 outlines our objectives when investing and managing District Funds:

1. Safeguard the principal.
2. Meet our liquidity needs.
3. When possible, achieve returns on our investments.

**Fiscal Implications** The new CD will likely have a 2- to 5-year term and depend on the market interest rate at the time of investment. Current options offered by our advisor at King Capital are for reference only and are subject to limited availability, depending on rates as of 3/19/26. See Rates Below:

1. Goldman Sachs Bank USA – 3.80% 2-year (matures 3/17/28), settles 3/17, non-callable
2. Morgan Stanley Private Bank – 3.85% 3-year (matures 3/19/29), settles 3/18, non-callable

3. Morgan Stanley Bank NA – 3.95% 4-year (matures 3/18/30), settles 3/18, non-callable
4. JP Morgan Chase Bank NA – 4.00% 5-year (matures 3/26/31), non-callable after 3 years (1X call only), settles 3/26

**For example**, reinvesting a \$200,000 CD will earn the District approximately \$42,000 after 5 years at a 4.00% annual yield (JP Morgan Chase option).

This continues our CD Ladder strategy to maintain staggered maturities while maximizing returns consistent with District policy.

**Non-callable Certificate of Deposit (CD):** The issuing bank **cannot** redeem (“call”) the CD before its stated maturity date. The depositor is guaranteed the full term and agreed-upon interest rate, providing certainty and protection against the bank forcing an early return of funds (usually only early withdrawal by the depositor is possible, subject to penalty).

**Callable Certificate of Deposit (CD):** The issuing bank **has the right** to redeem (“call”) the CD before maturity, typically after a specified non-call period (e.g., “non-callable for 3 years”). If called, the bank returns the principal plus accrued interest, often when market rates have fallen so the bank can reissue debt at a lower cost. This introduces reinvestment risk for the depositor, as funds may need to be reinvested at lower prevailing rates.

**For brokered CDs** (the type the District purchases through King Capital, including the Goldman Sachs, Morgan Stanley, and JP Morgan Chase, **There are no early withdrawal penalties.**

SYCSD cannot request a direct “withdrawal” from the issuing bank. Instead, to access funds before maturity, the CD is **sold** on the secondary market through the broker/advisor.

- No fixed penalty or interest forfeiture applies.
- The only “cost” is market-driven: if prevailing interest rates have risen since purchase, the CD typically sells below face value (\$100), resulting in a possible loss of principal. If rates have fallen, it may sell at a premium.