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DATE: May 19, 2026
TO: Mayor and Members of the City Council
FROM: Travis Sanborn, Finance Director
THROUGH: Kyle Knopp, City Manager
SUBJECT: Authorization to Transfer General Fund Surplus Cash to the Local Agency Investment Fund (LAIF)

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Authorize the Finance Director to transfer \$1,500,000 from the City's General Fund checking account to the City's Local Agency Investment Fund (LAIF) account to maximize the return on idle surplus cash balances in accordance with the City's Investment Policy and California Government Code §§53601 et seq.

BACKGROUND AND DISCUSSION

Overview of LAIF

The Local Agency Investment Fund (LAIF) is a voluntary investment program administered by the California State Treasurer's Office under California Government Code §53601(a). LAIF enables local governmental agencies to invest surplus funds alongside State monies in the Pooled Money Investment Account (PMIA), a portfolio of approximately \$165 billion. The program's primary investment objectives are safety, liquidity, and yield. Participating agencies may deposit and withdraw funds on a same-day basis with no fees or penalties, making LAIF one of the most accessible and low-risk investment options available to California local governments.

The City of Rio Dell has maintained an active LAIF account and has historically used LAIF as the primary vehicle for investing surplus operating balances. The LAIF account earned \$71,822.40 in interest during the first quarter of calendar year 2026, reflecting an approximate annualized yield of 3.9 percent on the City's invested balance. As of April 30, 2026, the City's LAIF balance stands at \$7,400,947.78.

LAIF Account Summary	Current (April 30, 2026)	Projected Post-Transfer
LAIF Balance	\$7,400,947.78	\$8,900,947.78
Transfer Amount	---	\$1,500,000.00
Q1 2026 Interest Earned	\$71,822.40	---
Approx. Annual Yield	~3.9%	~3.9%

Basis for the Transfer

The City regularly evaluates its cash position to identify balances that exceed near-term operational requirements and are appropriate for short-term investment. Finance staff has determined that \$1,500,000 currently held in the General Fund is available for investment and is not needed to meet immediate obligations. This determination accounts for projected expenditures, outstanding commitments, and the City2019s ongoing capital improvement program activities.

Transferring these funds to LAIF accomplishes three objectives consistent with the City’s fiduciary responsibilities: (1) it maximizes the return on idle public funds; (2) it maintains full liquidity, as LAIF funds may be withdrawn at any time with same-day availability; and (3) it complies with the City’s Investment Policy and applicable state law governing the investment of local agency funds.

At a yield of approximately 3.9 percent, the \$1,500,000 transfer is projected to generate roughly \$58,500 in additional annual interest income for the City at current rates. LAIF funds remain fully accessible and can be recalled to the operating account on short notice should the need arise.

Legal and Policy Authority

The investment of City funds in LAIF is authorized under California Government Code §§53601 et seq., which permits local agencies to invest surplus funds in the State Treasurer’s LAIF program. This action is consistent with the City’s adopted Investment Policy, which identifies LAIF as an authorized investment vehicle and directs Finance staff to prioritize safety, liquidity, and yield in that order.

FISCAL IMPACT

The proposed transfer of \$1,500,000 from the General Fund checking account to LAIF has no net negative fiscal impact. General Fund cash is being repositioned from a lower-yield demand deposit account to LAIF, where it will earn a higher rate of return while remaining fully liquid. At the current approximate LAIF yield of 3.9 percent, the transfer is projected to generate approximately \$58,500 in additional annual interest income. Interest earnings are apportioned quarterly by the State Controller and credited directly to the City’s LAIF account.

ATTACHMENTS

- City of Rio Dell LAIF April 2026 Monthly Statement (Account No. 98-12-728)