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DATE: August 1, 2023

TO: Mayor and Members of the City Council

FROM: Travis Sanborn, Finance Director

THROUGH: Kyle Knopp, City Manager

SUBJECT: Request to Transfer City Monies to California Local Agency Investment Fund

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Approve the transfer of City Monies to the California Local Agency Investment Fund (LAIF)

BACKGROUND

City staff is requesting authorization from the City Council to transfer \$2,250,000 million from the City Checking account to the California Local Agency Investment Fund (LAIF).

The Local Agency Investment Fund (LAIF), a voluntary program created by statute, began in 1977 as an investment alternative for California's local governments and special districts and it continues today under Treasurer Fiona Ma's administration. The enabling legislation for the LAIF is Section 16429.1 et seq. of the California Government Code.

This program offers local agencies the opportunity to participate in a major portfolio, which invests hundreds of millions of dollars, using the investment expertise of the State Treasurer's Office professional investment staff at no additional cost to the taxpayer.

The LAIF is part of the Pooled Money Investment Account (PMIA). The PMIA began in 1955 and oversight is provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. The PMIB members are the State Treasurer, Director of Finance, and State Controller.

The Local Investment Advisory Board (LIAB) provides oversight for LAIF. The Board consists of five members as designated by statute. The State Treasurer, as Chair, or her designated representative, appoints two members qualified by training and experience in the field of investment or finance, and two members who are treasurers, finance or fiscal officers or business

managers employed by any county, city or local district or municipal corporation of this state. The term of each appointment is two years or at the pleasure of the Treasurer.

All securities are purchased under the authority of Government Code Section 16430 and 16480.4. The State Treasurer's Office takes delivery of all securities purchased on a delivery versus payment basis using a third-party custodian. All investments are purchased at market and a market valuation is conducted monthly.

Additionally, the PMIA has Policies, Goals and Objectives for the portfolio to make certain that our goals of Safety, Liquidity and Yield are not jeopardized and that prudent management prevails. These policies are formulated by Investment Division staff and reviewed by both the PMIB and the LIAB on an annual basis.

The State Treasurer's Office is audited by the Bureau of State Audits on an annual basis and the resulting opinion is posted to the State Treasurer's Office website following its publication. The Bureau of State Audits also has a continuing audit process throughout the year. All investments and LAIF claims are audited on a daily basis by the State Controller's Office as well as an internal audit process.

Under Federal Law, the State of California cannot declare bankruptcy, thereby allowing the Government Code Section 16429.3 to stand. This Section states that "moneys placed with the Treasurer for deposit in the LAIF by cities, counties, special districts, nonprofit corporations, or qualified quasi-governmental agencies shall not be subject to either of the following: (a) transfer or loan pursuant to Sections 16310, 16312, or 16313, or (b) impoundment or seizure by any state official or state agency."

During the 2002 legislative session, California Government Code Section 16429.4 was added to the LAIF's enabling legislation. This Section states that "the right of a city, county, city and county, special district, nonprofit corporation, or qualified quasi-governmental agency to withdraw its deposited moneys from the LAIF, upon demand, may not be altered, impaired, or denied in any way, by any state official or state agency based upon the state's failure to adopt a State Budget by July 1 of each new fiscal year."

The LAIF has grown from 293 participants and \$468 million in 1977 to 2,361 participants and \$25.7 billion at the end of June 2023.

DISCUSSION

For the quarter ending June 30, 2023, LAIF was paying 3.15% interest. The City Checking account currently pays no interest. During Fiscal Year 2022-2023, the City collected \$110,148 in interest as a result of its investment in LAIF. The City has a current balance of \$4,814,369 invested in LAIF.

Transferring \$2.25 million from the City Checking account to LAIF would generate an additional \$70,875 in interest income for the City each year at the current rate. This additional

interest income would help to offset rising costs and could be used to fund important city projects.

The transfer of funds would be a one-time event. The City would continue to maintain a checking account for day-to-day operations. However, any excess funds would be transferred to LAIF to earn a higher interest rate.

The City Council adopted Resolution 1431-2019, allowing the City Manager and Finance Director, or their successors, the authority to deposit or withdraw monies in LAIF and may execute and deliver any and all documents necessary or advisable in order to effectuate the purposes of the resolution and the transactions contemplated.

City Staff believes that this is a prudent financial decision that will benefit the City in the long run. We respectfully request that the City Council approve our request to transfer \$2.25 million from the City Checking account to LAIF.

ATTACHMENTS

Resolution No. 1431-2019 Authorizing Investment of City Monies in the Local Agency Investment Fund (LAIF)



RESOLUTION NO. 1431-2019
A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF RIO DELL AUTHORIZING
INVESTMENT OF CITY MONIES IN THE
LOCAL AGENCY INVESTMENT FUND (LAIF)

WHEREAS, The Local Agency Investment Fund is established in the State Treasury under Government Code section 16429.1 et. seq. for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, the City Council hereby finds that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with Government Code section 16429.1 et. seq. for the purpose of investment as provided therein is in the best interests of the City of Rio Dell.

NOW THEREFORE BE IT RESOLVED, that the City Council hereby authorizes the deposit and withdrawal of City of Rio Dell monies in the Local Agency Investment Fund in the State Treasury in accordance with Government Code section 16429.1 et. seq. for the purpose of investment as provided therein.

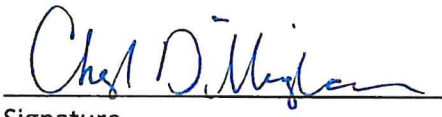
BE IT FURTHER RESOLVED, as follows:

Section 1. The following Rio Dell City officers holding the titles specified herein below or their successors in office are each hereby authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund and may execute and deliver any and all documents necessary or advisable in order to effectuate the purposes of this resolution and the transactions contemplated hereby:

Kyle Knopp
City Manager

Cheryl Dillingham
Finance Director


Signature

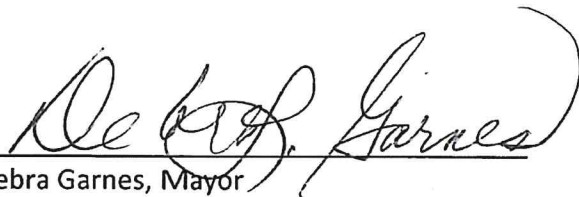

Signature

Section 2. This resolution shall remain in full force and effect until rescinded by the Rio Dell City Council by resolution and a certified copy of the resolution rescinding this resolution is filed with the State Treasurer's Office.

BE IT FURTHER RESOLVED that resolution 1345-2017 authorizing deposit or withdrawal of money from the Local Agency Fund is superseded and cancelled.

PASSED AND ADOPTED by the City Council of the City of Rio Dell of the State of California on this 6th day of August, 2019 by the following vote:

Ayes: Garnes, Woodall, Strahan and Wilson
Noes: None
Abstain: None
Absent: None


Debra Garnes, Mayor

ATTEST:


Karen Dunham, City Clerk