

CAPISTRANO BAY DISTRICT
AGENDA REPORT
March 26, 2024

Financial Report

ITEM 9b

Investment Program/City National Bank

As of March 20th, the District has completed opening an investment account with City National Bank, depositing \$249,000 into a 3-month CD program at 4.85% interest rate.

Report from last month:

The District is in the process of opening an investment account with City National Bank. They are offering 3-month CD's at 4.85%. There is a hitch in the process, however, as explained below.

The District's funds are designated as public funds and as such, banking and investment programs are limited in the amount of risk the Government will allow. Given that all funds are protected by the FDIC up to \$250,000, there is a collateralization requirement of 110% for any deposits exceeding the FDIC limit.

In our efforts to find a bank willing to take our deposits, we've run into resistance from all institutions with the exception of our long-time depository, Farmers & Merchants Bank. FMB has agreed, since opening the account maybe 12 years ago, to accept the public funds collateralization requirements. What this translates into, however, is a lower interest rate offer due to the issues surrounding public funds, to wit; 4% on any amount deposited in CD's (they don't offer Treasury Bills).

What City National Bank has offered us is 4.85% on a deposit limit of \$250,000. In view of this and the direction given by the Board at the January Board meeting, the District is opening an investment account with CNB. The District will also discuss investing in Treasury Bills as they have a greater liquidity component, provided CNB offers that program.

To take this one step further, as our reserves begin to build up, the District has an opportunity to establish additional investment accounts elsewhere as long as we maintain the limit protected by FDIC, thus gaining the interest rate advantage by not triggering the public funds collateralization requirements.