

CAPISTRANO BAY DISTRICT
AGENDA REPORT
APRIL MEETING
July 1, 2025

Financial Report

ITEM 9c

CD/MMA with Farmers & Merchants Bank

In March the District was approached by an agent from California Bank of Commerce. This new bank was offering an unheard of 4.33% interest on their Money Market Account (MMA). Our current depository, Farmers & Merchants Bank, only offers 2.5% on an MMA, but is more competitive with their six month CD at 3.85%, which the District currently participates in.

The CBC offer is tempting given that their MMA is liquid and invested funds can be accessed daily and not limited to the six month duration that comes with FMB's CD program. However, there are a few potential downsides to the CBC offer:

- Their MMA is a variable rate and matches the variable rate of funds on deposit with LAIF. *LAIF is the Local Agency Investment Fund where the District has \$3846.00 deposited. The District chose, several years ago, to move most of our funds, about \$300K, out of LAIF since we learned that LAIF deposits are not FDIC insured nor collateralized in compliance with the Local Agency Depository Law for Special Districts.*
- To participate in the CBC offer, the District would have to either change its depository account from FMB over to CBC or move most of our reserves into this new account while retaining our current account at FMB. Both options come with the uncertainty and risk of depending on a new and unknown bank to remain financially strong and not close unexpectedly.

Adding an element of risk and uncertainty into the District's financial side is ignoring the District's fiduciary responsibility to its constituents, our property owners. For this reason, staff recommends remaining steadfast with Farmers & Merchants Bank and continuing its participation with FMB's six-month CD program.

And on that note, the current CD has matured as of June 26th and the District has a 10-day grace period (expires on July 6th) to roll this over for another six months, depending on how the Board choose to act on whether to move to this new bank, California Bank of Commerce, or remain with FMB.