

***SANTA YNEZ COMMUNITY SERVICES DISTRICT***

**MEMORANDUM**

**TO:** Board of Directors  
**FROM:** Loch Dreizler, General Manager  
Wendy Berry, Secretary/Treasurer  
**DATE:** September 21, 2022  
**SUBJECT:** Certificates of Deposit Investment

**Recommendation**

Adopt Resolution No. 22-21, authorizing the General Manager or Secretary/Treasurer to invest district funds into Certificates of Deposit once only as specified after Director discussion.

**Policy Implications**

Pursuant to Section 53601.8, notwithstanding Section 53601 or any other provision of this code, a local agency that has the authority under law to invest funds may, at its discretion, invest a portion of its surplus funds in certificates of deposit at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of certificates of deposit, provided that the purchases of certificates of deposit pursuant to this section, Section 53635.8, and subdivision (i) of Section 53601 do not, in total, exceed 30 percent of the agency's funds that may be invested for this purpose.

**Fiscal Implications**

Funds invested in the Certificate of Deposit will earn interest for 12 months, 18 months, and 24 months. When the Certificate of Deposit reaches maturity, the funds can be rolled over to another Certificate of Deposit or deposited back into the District's Five Star Money Market account with Board approval. Penalties will apply if there are withdrawals prior to maturity.

**Alternatives Considered**

None

**Discussion**

Discuss and then modify or confirm the dollar amount and time for the Certificate of Deposit investment. On April 16, 2014, the Board authorized the General Manager and the Secretary/Treasurer to transfer money into (2) FDIC insured Certificates of Deposit at \$150,000 each through the Cantella Group. The District opened (1) for 12 months and (1) for 18 months. As the CDs matured, the staff rolled them into new CDs until the interest rates fell and transferred them to the Five Star Money Market account. The District still has an open account with the Cantella Group.

The interest rate in the Five Star Money Market and LAIF account is 1.09%. Five Star compounds interest monthly, and LAIF compounds interest quarterly.

The current interest rate for Certificate of Deposit is:

- 12 months @ 3.25%
- 18 months @ 3.30%
- 24 months @ 3.40%

Interest in Five Star Bank (Compounded Monthly)			
Principal	Interest	(Months)	Interest Earned
\$5,156,000	1.09%	12	<b>\$56,482</b>

Interest in Five Star Bank and Cert. of Deposit (Compounded Monthly)			
Principal	Interest	Time	Interest Earned
\$4,556,000	1.09%	12	\$49,909
\$200,000	3.25%		\$6,598
\$200,000	3.30%		\$6,701
\$200,000	3.40%		\$6,907
\$5,156,000			<b>\$70,115</b>

$\$70,115 - \$56,482 = \$13,633$  in additional interest the first year.

After the first year, too many assumptions must be made to determine the total additional interest earned accurately. For example, interest rates change, whether to roll the matured 12-month CD into another CD or back into the bank account, etc. However, it is easy to estimate that the earnings from the CDs outpace the “bank only” interest to the benefit of the District.

Staff recommends investing \$200,000 each in a 12, 18, and 24-month CD, for a total investment of \$600,000.

**Attachment**  
Resolution 22-21

**RESOLUTION NO. 22-21**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA YNEZ COMMUNITY SERVICES DISTRICT AUTHORIZING INVESTMENT OF MONEYS IN CERTIFICATES OF DEPOSIT**

**WHEREAS**, on April 20, 2011, the Board of Directors (the "Board") of the Santa Ynez Community Services District (the "District") adopted Resolution No. 11-03 approving a statement of investment policy pursuant to California Government Code Section 53646 (the "Investment Policy"); and

**WHEREAS**, the Investment Policy is intended to provide guidelines for the prudent investment of the District's temporarily idle cash and outline the policies for maximizing the efficiency of the District's cash management system. The ultimate goal of the Investment Policy is to enhance the economic status of the District while protecting its cash.

**WHEREAS**, the Investment Policy provides that the District shall make only those investments authorized under Governments Code Sections 53601, 53601.8, 53635, 53635.8, 53684 and 16429.1, as said sections may be amended from time to time, subject to the limitations and requirements set forth therein.

**WHEREAS**, under Government Code Section 53601.8, the District may, at its discretion, invest a portion of its surplus funds in certificates of deposit at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of certificates of deposit, provided that the purchases of certificates of deposit do not, in total, exceed 30 percent of the District's funds invested under Section 53601.8, subject to the requirements set forth in Section 53601.8, which include but are not limited to the following:

- The District shall choose a nationally or state-chartered commercial bank, savings bank, savings and loan association, or credit union in California to invest the funds, which shall be known as the "selected" depository institution.
- The selected depository institution may use a private sector entity to help place the deposits with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States and are within the network used by the private sector entity for this purpose.
- The full amount of each deposit and the interest that may accrue on each such deposit shall at all times be insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.

- The selected depository institution shall serve as a custodian for each certificate of deposit that is issued with the placement service for the District's account.
- On the same date that the District's funds are placed by the private sector entity, the selected depository institution shall receive an amount of insured deposits from other financial institutions that, in total, are equal to, or greater than, the full amount of the principal that the District initially deposited through the selected depository institution for investment.

**WHEREAS**, the District's Board desires to authorize the investment of a portion of the District's surplus funds in certificates of deposit pursuant to Government Code Section 53601.8 on the terms and conditions set forth herein.

**NOW, THEREFORE, BE IT RESOLVED**, by the Board of Directors of the Santa Ynez Community Services District as follows:

1. The Board hereby authorizes the investment of Six Hundred Thousand Dollars (\$600,000), in certificates of deposit, allocated as follows:
  - Two Hundred Thousand Dollars (\$200,000) shall be invested in a certificate of deposit with a term of twelve (12) months.
  - Two Hundred Thousand Dollars (\$200,000) shall be invested in a certificate of deposit with a term of eighteen (18) months.
  - Two Hundred Thousand Dollars (\$200,000) shall be invested in a non-callable certificate of deposit with a term of twenty-four (24) months.
2. The funds to be invested in certificates of deposits as provided herein shall be withdrawn from the District's money market account with Five Star Bank.
3. The District shall retain the services of King Capital Advisors, who offers securities through Cantella & Co., Inc., to help place the certificates of deposits with one or more commercial banks, savings banks, savings and loan associations, or credit unions.
4. The Board hereby authorizes the District's General Manager or Secretary/Treasurer to make the certificate of deposit investments as set forth herein.
5. At such time as the certificates of deposit authorized hereunder mature or are called, the reinvestment of the principal and interest thereon in other investments, including the reinvestment in new certificates of deposit, shall require the approval of the Board.

**PASSED, APPROVED AND ADOPTED** this 21st day of September, 2022 by the following vote of the Board of Directors of the Santa Ynez Community Services District:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAIN:**

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Karen Jones, President of the  
Board of Directors

**ATTEST:**

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Wendy Berry, Secretary of the  
Board of Directors