SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors **AGENDA NO. V-D**

FROM: Steve Mack, General Manager

Meeting Date: November 1, 2012

SUBJECT: DISCUSSION/ACTION RE DISTRICT INVESTMENT ALTERNATIVES

RECOMMENDED ACTION: Discuss and give staff direction on investment of District funds.

FISCAL IMPACT: small, as discussed below.

DISCUSSION:

At the last meeting the Board discussed options regarding the Redwood Credit Union Certificate of Deposit (CD) that expired early in October. The Board directed me to investigate other investment options available to the District prior to making a decision on reinvesting into any CD. As a reminder, the value of the CD when it expired was approximately $672,925. The interest rate of this CD had been 5% annually. The renewal rate is 1.25%. The funds from this CD were deposited into the County of Sonoma Pooled Investment Program on October 8, 2012.

Following the meeting I went online to investigate Sonoma County credit union CDs. What I found included the following:

- Redwood Credit Union – 1.25%, 5 years
- Community First CU - 0.6%, 3 years
- Patelco FCU - 2.0%, 7 years (may be ending October 31) and I don't know anything about eligibility requirements
- Sonoma FCU - 0.75%, 5 years
- Sonoma County Grange CU - 0.5%, 3 years (don't think we are eligible for membership)

The County of Sonoma Pooled Investment Program (PIP) recently made their quarterly report available. Their interest earnings of present investments is 0.818% after expenses. Their report shows a comparison to the investment returns of the Local Agency Investment Fund (LAIF), which is another very safe investment option available to the District, and currently is below 0.5%.

Staff is of the opinion that keeping the District's funds in the PIP is the best investment approach for right now. The PIP (or LAIF, but LAIF has much lower current yield) has the advantage of flexibility. The higher interest rates of the various CD's (only Redwood CU has a higher yield for five years or less), are not substantial enough to warrant locking those funds into any CD (the annual difference between $250,000 at 1.25% and 0.8% is $1,125). Interest rates are at historic lows; how long can we expect these rates to continue? Locking in the funds into a 5 year CD means we think rates will stay at these levels for that long. Staff is hesitant to make that commitment.