

**WEST BASIN MUNICIPAL WATER DISTRICT****AUGUST 15, 2002 – Finance Committee**

Smith, Dear

**AUGUST 26, 2002 – Board Meeting**

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Submitted by: Sharon Koike

Approved by: Darryl G. Miller

## ACTION CALENDAR

SMALL BANK INVESTMENT PROGRAMSUMMARY:

In 1999, the Board authorized a \$3 million small banking investment program for one year. A "Request for Proposal" (RFP) was issued to seek out small banks within West Basin's service area that would be interested in participating in this program for deposits up to \$1 million on a first come basis, based on competitive rates. At the end of the one-year term, the Board would evaluate the success of the program to determine if the program would be continued. As a result of this initial process, the Broadway Federal Bank responded with an interest to accept a deposit from the District that would be collateralized with U.S. Treasuries of \$1 million. A deposit of \$850,000 was placed with Broadway Federal Bank and was put in a one-year Certificate of Deposit (CD).

Over the past two years, the Board has renewed the program with Broadway Federal. West Basin received an initial interest rate of 5.25%. This initial CD matured on September 12, 2000, and upon its renewal, the Board elected to renew the CD at a rate of 6.75%. This CD matured on September 18, 2001. Last year, the Board was able to negotiate a rate of 5.00%, and this CD is set to mature on September 17, 2002.

Staff contacted Broadway Federal Bank on August 8, 2002 and asked the bank to provide us with the highest rate possible to consider for renewal. At this time the Bank indicated that they are unable to provide the District with a stated rate as rates may change within the next month. The Bank indicated that a rate could be negotiated closer to the maturity of the CD. Over the past fiscal year, the Local Agency Investment Fund (LAIF) has averaged 3.6% while the District's overall investment portfolio, including LAIF, has averaged 5.2% over the last fiscal year.

At this time, the Board has three options:

1. Renew the program providing that Broadway Federal Bank will continue to collateralize the District's deposit, and provide a competitive rate which is guaranteed for up to one year with interest paid monthly, or
2. Issue an RFP to seek out small banks within the District's service area for investments up to \$1 million provided proper collateral is available from the institution, or
3. Temporarily discontinue the small banking program until the market stabilizes at a more normal level.

FISCAL IMPACTS:

The net impact of investing in Broadway Federal for the next 12-month period compared to investing in LAIF or another type of investment is based on an estimated difference in the interest earnings rate.

ENVIRONMENTAL COMPLIANCE:

None.

COMMITTEE STATUS:

This item was reviewed by the Finance Committee on August 15, 2002 and agendaized to the August 26, 2002 Board meeting without Committee recommendation. Staff is awaiting information from Broadway Federal regarding the interest rate available, this information will be presented at the August 26, 2002 Board meeting.

RECOMMENDED MOTION:

Consider approving one of the following options for the small bank investment program:

1. Issue an RFP to seek out small banks within the District's service area, for investments up to \$1 million, not-to-exceed \$3 million for the total program; or
2. Renew Broadway Federal Bank's Certificate of Deposit collateralized and guaranteed for up to one year at the approved rate by the Board with interest paid monthly, or
3. Temporarily discontinue the small banking program until the market stabilizes at a more normal level.