

**WEST BASIN MUNICIPAL WATER DISTRICT****OCTOBER 14, 2004 - Finance**

Dear, No Quorum

**OCTOBER 25, 2004 - Board Meeting**

Prepared by: Margaret Moggia

Submitted by: Margaret Moggia

Approved by: Art Aguilar/Richard Nagel

## ACTION CALENDAR

SMALL BANK INVESTMENT PROGRAMSUMMARY:

In 1999, the Board authorized a Small Bank Investment Program. Since that time, the District has invested in a "Certificate of Deposit" (CD) of \$850,000 with Broadway Federal. Broadway Federal has indicated that the investment is properly collateralized in accordance with California Government Code Sections 53649 and 53652. The CD is deposited in a one-year investment and brought to the Board each year for approval to reinvest. Over the past 12-month period, the Local Agency Investment Fund (LAIF) has averaged 1.53% with the current quarter-to-date LAIF rate at 1.68%. The District is currently earning 2.50% with the CD at Broadway Federal. In addition, staff noted (as of October 1, 2004) that similar one-year investments ranged from 1.95% for a U.S Treasury note, 2.05% for a discounted U.S. Treasury note, and 2.40% on a U.S Agency note.

In anticipation for the next investment renewal period of November 18, 2004, staff contacted Broadway Federal to determine what rate the District could receive. Broadway Federal has indicated that they will be able to again offer 2.50% for a one-year CD. For additional consideration, Broadway Federal is celebrating its Diamond Anniversary and its offering a Diamond Account which is liquid and could provide the District a rate of 2.57%. Broadway Federal has no plans to modify the rate within the next year. Both options with Broadway Federal would be fully collateralized as required by the California Government Code.

The Board has three options it can take:

1. Renew a one-year CD with a rate of 2.50% with Broadway Federal;
2. Transfer the funds into the Diamond Account with a rate of 2.57% with Broadway Federal;
- or
3. Withdraw the funds from Broadway Federal and invest in LAIF or other short-term investment.

Staff recommends Option 2. With the Board's approval, staff will instruct Broadway Federal to transfer the funds to the Diamond Account upon the current CD's maturity on November 18, 2004.

FISCAL IMPACTS:

The net impact of investing in Broadway Federal for the next 12-month period compared to investing in LAIF is based on the difference in rates. Presently, the District is earning approximately 80 basis points more with this investment in Broadway Federal.

ENVIRONMENTAL COMPLIANCE:

None.

COMMITTEE STATUS:

This item was reviewed by the Finance Committee on October 14, 2004. Due to a lack of quorum, Director Dear suggested that this item be agendaized to the October 25, 2004 Board meeting for consideration.

RECOMMENDED MOTION:

That the Board approves transferring the funds into the Diamond Account with a rate of 2.57% with Broadway Federal where the funds will be properly collateralized as required by the California Government Code upon the current CD's maturity on November 18, 2004.

LIST OF EXHIBITS:

None.

G:\directors\wbmwd\04oct014