



STAFF REPORT – CITY COUNCIL MEETING

January 17, 2024

TO: Honorable Mayor and City Council Members

FROM: Tabatha Miller, Finance Director

PREPARER: Tabatha Miller, Finance Director

DATE: January 08, 2024

TITLE: **Authorize Investment in the California Cooperative Liquid Assets Securities System (CLASS).**

RECOMMENDATION:

It is recommended that the Council adopt Resolution No. 234-25, authorizing the City of Arcata to establish a California Cooperative Liquid Assets Security System (CLASS) account and invest funds in the CLASS investment pool.

INTRODUCTION:

The California Cooperative Liquid Assets Securities System (CLASS) is a short-term cash investment pool with a constant net asset value per share of \$1.00. The CLASS Prime Investment pool's current seven-day yield as of 1-07-2024 is 5.53%.

BACKGROUND:

CLASS is a short-term cash reserve portfolio and cash management product with same day liquidity like Local Agency Investment Fund (LAIF) and with no investment or account minimums. The investment pool differs from LAIF in that LAIF was created by statute and is operated by the State Treasurer's Office investment staff with annual audits performed by the Bureau of State Audits. CLASS, like the California Asset Management Program (CAMP), was established as a Joint Power Authority (JPA), as of June 6, 2022, and serves the investment needs of California public agencies. CLASS is governed by a Board of Trustees and is sponsored by the California Special Districts Association (CSDA) and the League of California Cities.

DISCUSSION:

The City has utilized the Local Agency Investment Fund (LAIF) for many years as it generally provides safety and liquidity at higher earnings rates than traditional bank accounts. However, there are other investment options that may and currently are providing higher yields for similar highly liquid and safe products. The City's LAIF account most recently reported quarter-to-date effective yield as of 12-29-2023 of 3.81% with an average maturity of 231 days. The CLASS Prime Fund's current seven-day yield as of 01-07-2024 is 5.53% with no fees and unlimited transactions.

The CLASS investment is AAAM rated by S&P Global Ratings, which demonstrates extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. Like LAIF, it offers same day liquidity – which allows the City to move funds in and out of the account on the same day, subject to a mid-morning cutoff time. Following California Government Code Section 53601, which authorizes public agency investment types, CLASS may invest in the following:

- U.S. Government and agency obligations,
- Repurchase agreements collateralized by the U.S. Government and agency obligations,
- Bankers’ acceptances,
- Negotiable certificates of deposit,
- Commercial paper,
- Corporate notes,
- Supranationals,
- Asset-Backed Securities, and
- Money Market Funds.

These investments are very similar to those allowed to LAIF by California Government Code Section 1640 and 16480.4.

BUDGET/FISCAL IMPACT:

Currently, the average monthly yield in the CLASS investment account is higher than the LAIF account. Same day liquidity in these accounts provides the ability to select the account with the highest earnings rate. As rates fluctuate over time the additional investment options allow the City to maximize its short-term investment earnings. The City currently has approximately \$18.6 million invested in the LAIF product. For illustration, if interest earnings remain at 3.81% for the LAIF account and 5.53% for the CAMP, and the City maintains a \$18.6 million balance in each account, the LAIF account will return approximately \$177,000 and the CLASS account will return approximately \$246,000 for the quarter from 1-1-2024 to 3-31-2024. Over a year, assuming the same investment and earnings returns, the difference between investments is approximately \$277,000.

ATTACHMENTS:

- A. Resolution No. 234-35 Authorizing CLASS Investment Account (DOCX)