



# STAFF REPORT – CITY COUNCIL MEETING

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January 17, 2024

**TO:** Honorable Mayor and City Council Members

**FROM:** Tabatha Miller, Finance Director

**PREPARER:** Tabatha Miller, Finance Director

**DATE:** December 27, 2023

**TITLE:** **Authorize Investment in California Asset Management Program (CAMP).**

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## **RECOMMENDATION:**

It is recommended that the Council adopt Resolution No. 234-26, authorizing the City of Arcata to establish a California Asset Management Program (CAMP) account and invest funds in the CAMP investment pool.

## **INTRODUCTION:**

The California Asset Management Program (CAMP) is a short-term cash investment pool with a dollar-weighted average portfolio maturity of 60 days or less and a constant net asset value per share of \$1.00. The CAMP Investment Pool's current seven-day yield as of 01-05-2024 is 5.56%.

## **BACKGROUND:**

CAMP is a short-term cash reserve portfolio and cash management product with same day liquidity similar to 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. CAMP was established in 1989 as a Joint Power Authority (JPA) and a California common law trust to specifically serve the investment and arbitrage compliance needs of California public agencies. PFM Asset Management LLC serves as CAMP's Investment Advisor.

## **DISCUSSION:**

The City has utilized the LAIF for many years as it provides safety and liquidity at generally 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 investments. The City's LAIF account most recently reported quarter-to-date effective yield, as of 12-29-2023, of 3.81%. The CAMP Investment Pool's current seven-day yield, as of 01-05-2024, is 5.56%.

The CAMP investment is AAAs rated by Fitch, which indicates the highest underlying credit quality and diversification. Like LAIF, it has 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 agencies investments it may hold:

- 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 CAMP investment account is higher than the LAIF account. Same day liquidity in these accounts provides the City the flexibility 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 5.56% 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 CAMP account will return approximately \$258,000 for the quarter from 1-1-2024 to 3-31-2024. Over a year, assuming the same investment and returns as above, the difference between investments is \$325,000.

**ATTACHMENTS:**

- A. Resolution No. 234-26 Authorizing CAMP Investment Account (DOCX)