

*Mendocino County Russian River Flood Control &
Water Conservation Improvement District*

STAFF REPORT

Agenda Item 7: California Class Investment Pool

Monday, August 5, 2024

The Strategic Plan relevant priority is **Administration** through sound and sustainable management of District Finances.

Background

The California CLASS program is authorized under California Government Code Section 6509.7 and is a pooled investment option established through a joint exercise of powers agreement among California public agencies. It is a new investment pool specifically designed to meet the growing investment needs of California public agencies. The program provides an opportunity for agencies to invest cooperatively in rated pools managed in accordance with state law.

At its June 3, 2024 Meeting, the Board received a report on the California Cooperative Liquid Assets Securities System (CLASS) program (<https://californiaclass.com>) and directed the GM and Treasurer to research and prepare any recommended policy updates for Board consideration. The staff report can be found on the District website: <https://rrfc.specialdistrict.org/board-meetings>

Discussion

Further information was requested from CLASS and received regarding the comparison of CLASS Prime and LAIF, specifically differences in security and earnings. The following provides more information.

Any investments (not bank deposits) should be considered for safety based on the underlying investments credit ratings as well as the overall rating of the Investment Pool itself. CLASS is AAA rated by Standard & Poor's while LAIF is not rated. Comparing CLASS and LAIF is like comparing grapes and tomatoes. Both are "investment pools" but LAIF isn't run by an investment firm and isn't out actively seeking new participants. LAIF funds are invested along with the Pooled Money Investment Account (PMIA) which is made up of the state departments and agencies. The State Treasurer's Office is investing PMIA funds anyway and add the LAIF money to it and invest that as well. The goal of the PMIA is to have funds available to pay for the expenditures when needed. They invest the funds to match those due dates and try to get the best rate they can for those dates. LAIF is a voluntary pool and is open to any public entity in the state. LAIF is not credit rated but is backed by the full faith of the State of California. LAIF pays participants quarterly on the 15th day after quarter end. They charge an administrative fee just as CLASS does which fluctuates. The fee is based on the cost of the staff to administer the program.

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CLASS is managed by Public Trust Advisors (PTA) who is an investment firm that works only with public entities around the U.S. It manage pools in 12 different states with assets of more than \$90 billion under management. PTA works with more than 7,300 different public entities nationwide and is the largest provider of Local Government Investment Pools in America. The fee of 10 basis points (0.10%) is used to pay for staff, marketing, and expenses to run the various pools as well as make a profit. Earnings accrue daily and are paid out monthly on the last business day of each month. CLASS will pay interest three times before LAIF pays once so funds are compounding (interest on interest on interest) before LAIF pays the first time. Even if PTA rates/yields were the same, CLASS would generate more income for the District because of the compounding of interest again and again before LAIF pays once. Every dollar matters for public entities. Each dollar earned is one less dollar that needs to be raised by new taxes or fees.

California CLASS Senior Director of Investment Services, Jerry Legg, has offered meetings and/or to attend a future Board meeting to provide further information and answer questions.

Treasurer Bailey and General Manager Salomone recommend the District register to participate and invest in CLASS Prime as an additional investment option in the District's financial portfolio. Updated financial policies are presented in a following agenda item.

Recommended Action:

- Approval of Resolution #24-06 Authorizing Participation and Purchase of Shares of Beneficial Interest Issued by the California CLASS from Time to Time; and
- Direction to General manager to complete and submit the California CLASS Registration Packet

Attachments:

- DRAFT Resolution #24-06 Authorizing Participation and Purchase of Shares of Beneficial Interest Issued by the California CLASS from Time to Time

Linked on website:

- CA CLASS Registration Packet
- CA CLASS Participant List
- California CLASS Features & Benefits
- California CLASS Prime Rate Sheet
- California CLASS FAQ

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Prepared and submitted to the Board of Trustees by: *Elizabeth Salomone, General Manager*

Resolution #24-06

of the Mendocino County Russian River Flood Control & Water Conservation Improvement District

Authorizing Participation and Purchase of Shares of Beneficial Interest Issued by the California CLASS from Time to Time

WHEREAS, the Mendocino County Russian River Flood Control & Water Conservation Improvement District (“District”) is permitted and has the power pursuant to California Government Code section(s) 53601 and/or 53635 to invest all money belonging to, or in the custody of, the District in certain specific investments, including but not limited to securities and obligations as described in California Government Code section 53601, subdivision (p); and

WHEREAS, the California Cooperative Liquid Asset Securities System (“California CLASS”) is a joint powers entity created by a joint exercise of powers agreement (“Agreement”) by and among California public agencies pursuant to Government Code section 6509.7; and

WHEREAS, the Agreement sets forth the terms of the “California CLASS Investment Program” which has been established for the purpose of consolidating investment activities of the participating public agencies (referred to in the Agreement as “Participants”) and thereby reducing duplication, taking advantage of economies of scale, and performing governmental functions more efficiently; and

WHEREAS, pursuant to California Government Code section 6509.7, a joint powers entity such as the California CLASS may issue shares of beneficial interest in an underlying pool of securities owned by the joint powers entity to participating public agencies such as the District; and

WHEREAS, the District desires to invest in one or more funds of the California CLASS Investment Program to be managed by the Investment Advisor to the California CLASS pursuant to the terms of the Agreement; and

WHEREAS, the Agreement and description of the California CLASS have been presented to the District and its Board of Trustees.

BE IT RESOLVED that:

1. The Board of Trustees does hereby find that the foregoing recitals are true and correct and hereby incorporates them into its findings.
2. The General Manager of the District is hereby authorized to complete the Participant Registration materials for the California CLASS Investment Program so that the District may become a Participant under the Agreement and purchase shares of beneficial interest issued by the California CLASS from time to time with available funds of the District, and to redeem such shares as needed.

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ADOPTED by the Board of Trustees of the Mendocino County Russian River Flood Control & Water Conservation Improvement District on 5th day of August, 2024.

John Reardan	Yes / No / Abstain / Absent
Tyler Rodrigue	Yes / No / Abstain / Absent
John Bailey	Yes / No / Abstain / Absent
Christopher Watt	Yes / No / Abstain / Absent
Dave Koball	Yes / No / Abstain / Absent

Signed: _____

Christopher Watt, President

Attest: _____

Elizabeth Salomone, General Manager