



TO: North County Library Authority (NCLA) Commission

FROM: Marcie Scott, Liaison

DATE: June 26, 2019

SUBJECT: NCLA Review of Investment Strategy and Consideration of Investment Options

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### **Summary**

Over the past two months the Board has received presentations from several investment fund managers and discussed options for investment of NCLA funds. A summary chart of investment options is attached (Attachment 2A). The Board may take no action tonight or may provide direction regarding a change to investment of NCLA funds.

### **Background**

The NCLA Board discussed investment of NCLA funds at the February 25, 2019 meeting. At the April 29, 2019 meeting, PFM Managing Director Monique Spyke presented information about the PFM CAMP investment fund, one of the alternatives available to NCLA. Another investment option is the Santa Clara County investment fund. On May 20, 2019, Jacqueline Flippin, Fixed Income Portfolio Manager for the County of Santa Clara, provided an overview of the Santa Clara County fund operations and performance.

Currently, NCLA holds funds in a public sector investment pool run by the California Treasurer's Office, known as the Local Agency Investment Fund (LAIF). Additionally, in September 2016, NCLA invested \$3,132,000 in the City of Los Altos investment fund managed by PFM. The Board has expressed interest in reviewing the fund performance and evaluating alternative investment options.

The status of NCLA funds based on a City of Los Altos financial report for the period of 7/1/18 – 4/15/19 is summarized below:

Cash:	\$715,616
LAIF:	\$317,968
City of Los Altos investment fund:	\$3,132,000

### **LAIF Fund**

On June 23, 2014 the NCLA Board adopted Resolution 2014-03, authorizing the deposit and withdrawal of funds in LAIF. (Attachment 2C) A change to the LAIF account may be directed by Board-approved motion. Should the Board decide to withdraw funds from LAIF to deposit in another investment fund, staff recommends NCLA maintain the LAIF account with a zero balance, and not close the account.

### **Options for Board Consideration**

The Board may take one or more of the following actions:

1. Maintain current NCLA investments in LAIF and City of Los Altos investment fund.
2. Move some or all NCLA funds to CAMP fund managed by PFM
3. Move some or all NCLA funds to existing LAIF account
4. Move some or all NCLA funds to Santa Clara County Investment Fund

There will not be a penalty assessed for withdrawing funds from the City of Los Altos investment fund. The Los Altos Administrative Services Department staff have indicated they will return NCLA's original investment in the amount of \$3,132,000 upon a Board-approved motion, along with the interest earned based on the date the funds are withdrawn. The staff will consult with PFM and confirm the amount to NCLA. The Board may choose to maintain the existing LAIF account or designate those funds to be invested in one of the other options.

A Resolution to authorize participation in the Santa Clara County Fund is attached as an option for action if the Board chooses to allocate NCLA monies to this fund. (Attachment B) A Board decision to designate additional funds into the existing LAIF account, withdraw funds from the LAIF fund, or open an account with CAMP, may be made by Board-approved motion.

### **Attachments:**

- A. Comparison of Investment Options Chart
- B. NCLA Resolution 2019-01 to invest in Santa Clara County Fund
- C. NCLA Resolution 2014-03 creating LAIF Account

	Current – co-mingled with <b>City Los Altos Investment Portfolio</b>	<b>CAMP</b> (California Asset Management Program) Joint Powers Authority	<b>LAIF</b> (Local Agency Investment Fund)	<b>County of Santa Clara Investment Portfolio</b>
Date founded/created	NCLA invested in Sept 2016	1989	1977, created by statute	
Investment Advisor	PFM	PFM	State of CA Treasurer’s Office	County Treasurer’s Office
Frequency of Reports	Quarterly	Monthly, with online access	Monthly, with online access	Quarterly, with online access
Participant Information and Total Assets	Approximately \$76 million in assets	Approximately 211 participants with \$5 billion in assets	2,360 participants with \$23.6 billion in assets	\$8.2 billion in assets
Yield	5-year: 1.16% 3-year: 1.32% 1-year: 3.20% Inception: 0.99%	2.59% as of 3/31/19  5-year: 0.88% 3-year: 1.38% 1-year: 2.29%	2.39% as of 3/31/19  Average annual yields: <a href="https://www.treasurer.ca.gov/pmia-laif/historical/annual.asp">https://www.treasurer.ca.gov/pmia-laif/historical/annual.asp</a>	2.13% as of 12/31/18  5-year: 1.12% 3-year: 1.46%
Interest	Applied quarterly	Applied monthly	Applied quarterly	Applied quarterly
Fees	6% of PFM fee (NCLA holds 6% of investment pool)	No out of pocket, net out of yield (estimated at 13 basis points)	As of 3/31/19: 9 basis points or .36% of earnings  History of admin costs: <a href="https://www.treasurer.ca.gov/pmia-laif/historical/admin_costs.asp">https://www.treasurer.ca.gov/pmia-laif/historical/admin_costs.asp</a>  Fees are deducted quarterly	3%-5%

	Current – co-mingled with <b>City Los Altos Investment Portfolio</b>	<b>CAMP</b> (California Asset Management Program) Joint Powers Authority	<b>LAIF</b> (Local Agency Investment Fund)	<b>County of Santa Clara Investment Portfolio</b>
Liquidity	May process with several days of notice	May process same day, with notice by 11 am	May process same day, with notice by 10 am	Yes, same day with ACH (electronic transaction), wire takes a few days
Ability to deposit	As needed	As needed	Max of 15 transactions per mo. (deposit or withdraw)	Fund transfer to deposit parcel tax proceeds
Ability to withdraw	Requests require several days, deposit in NCLA cash account No penalty for full withdrawal.	Processed through bank account	See above, min withdrawal \$5,000. Processed through bank account	Yes, as needed, but penalty for full withdrawal
Pay bills direct to vendors?	No	No, send wire to NCLA bank account	No	Yes, thru ACH
Requirements to open account	N/A-existing	No minimum balance	N/A – existing account For regular LAIF account, no minimum balance, max of \$65 million	Resolution by NCLA
Other			Bond LAIF Account is one-time deposit with no cap, with a monthly drawdown set up. Gains/losses are reported when realized	

RESOLUTION NO. 2019 – 01  
North County Library Authority

A RESOLUTION OF THE NORTH COUNTY LIBRARY AUTHORITY BOARD  
AUTHORIZING INVESTMENT OF FUNDS IN THE COUNTY OF SANTA CLARA  
INVESTMENT POOL

**WHEREAS**, the Board of the North County Library Authority desires additional investment options to maximize investment returns; and

**WHEREAS**, the Board has the legal authority to invest its funds in the County of Santa Clara Investment Pool (“County Investment Pool”) and does hereby find that the deposit and withdrawal of money in the County Investment Pool for the purpose of investment are in the best interests of the North County Library Authority; and

**WHEREAS**, the funds that North County Library Authority intends to invest in the County Investment Pool qualify in all other respects for investment in the County Investment Pool.

**NOW, THEREFORE, BE IT RESOLVED**, by the Board of the North County Library Authority as follows:

1. Investment of North County Library Authority funds in the County Investment Pool is hereby authorized;
2. The authority to execute the County of Santa Clara Investment Pool Disclosure and Agreement for Voluntary Deposits on behalf of North County Library Authority pursuant to Government Code Section 27133(g) is hereby delegated to the Administrative Officer (Los Altos City Manager) and Authority Treasurer (Los Altos Administrative Services Director);
3. The authority to make deposits and withdrawals of North County Library Authority funds in the County Investment Pool lies with the North County Library Authority Board and is hereby delegated to the Administrative Officer and Authority Treasurer.

This resolution was adopted at a meeting of the Board of the North County Library Authority held on the 26<sup>th</sup> day of June 2019, by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

\_\_\_\_\_  
Courtenay C. Corrigan, PRESIDENT

Attest:

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Jon Maginot, AUTHORITY CLERK

## RESOLUTION NO. 2014-03

**A RESOLUTION AUTHORIZING INVESTMENT OF MONIES IN  
THE LOCAL AGENCY INVESTMENT FUND**

**WHEREAS**, pursuant to Chapter 730 of the statutes of 1976 Section 16429.1 was added to the California Government Code to create a Local Agency Investment Fund in the State Treasury for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

**WHEREAS**, the Board of Directors does hereby find that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein as in the best interests of the North County Library Authority; and

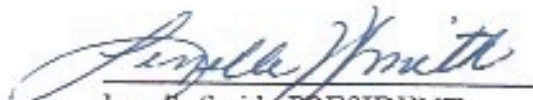
**NOW, THEREFORE, BE IT RESOLVED**, that the North County Library Authority does hereby authorize the deposit and withdrawal of Authority monies in the Local Agency Investment Fund in the State Treasury in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein, and verification by the State Treasurer's Office of all banking information provided in that regard; and

**BE IT FURTHER RESOLVED**, that the persons serving in any of the following roles shall be authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund:

Los Altos City Manager  
Los Altos Administrative Services/Finance Director  
Los Altos City Clerk

**I HEREBY CERTIFY** that the foregoing is a true and correct copy of a Resolution passed and adopted by the Board of Directors of the North County Library Authority at a meeting thereof on the 23<sup>rd</sup> day of June, 2014 by the following vote:

AYES: CORRIGAN, LAI, SATTERLEE, SMITH  
NOES: NONE  
ABSENT: PEPPER  
ABSTAIN: NONE

  
\_\_\_\_\_  
Lenelle Smith, PRESIDENT

Attest:

  
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Jon Maginot, AUTHORITY CLERK