

# Crestline Village Water District

INVESTMENT PRESENTATION

BY: MARK EDELMAN, SR. VICE PRESIENT



# What is the role of a Financial Advisor?

- The FA understands the overall financial goals of the District and the cash flow needs.
- The FA fully comprehends the Investment Policy and ideology of safety, liquidity, diversification, and then yield.
- The FA has expert knowledge of the marketplace and the capability to identify beneficial investment opportunities for their clients.
- The FA provides suitable investment recommendations, shares portfolio investment ideas, monitors credit quality, and understands the construction of the portfolio.

# California Code Section 53601 – Allowable Investments Per State Code

FIGURE 1

ALLOWABLE INVESTMENT INSTRUMENTS PER STATE GOVERNMENT CODE (AS OF JANUARY 1, 2022)<sup>a</sup> APPLICABLE TO ALL LOCAL AGENCIES<sup>b</sup>

See "Table of Notes for Figure 1" on the next page for footnotes related to this figure.

INVESTMENT TYPE	MAXIMUM MATURITY <sup>c</sup>	MAXIMUM SPECIFIED % OF PORTFOLIO <sup>d</sup>	MINIMUM QUALITY REQUIREMENTS	GOV'T CODE SECTIONS
Local Agency Bonds	5 years	None	None	53601(a)
U.S. Treasury Obligations	5 years	None	None	53601(b)
State Obligations— CA And Others	5 years	None	None	53601(c) 53601(d)
CA Local Agency Obligations	5 years	None	None	53601(e)
U.S Agency Obligations	5 years	None	None	53601(f)
Bankers' Acceptances	180 days	40% <sup>e</sup>	None	53601(g)
Commercial Paper—Non-Pooled Funds <sup>f</sup> (under \$100,000,000 of investments)	270 days or less	25% of the agency's money <sup>g</sup>	Highest letter and number rating by an NRSRO <sup>h</sup>	53601(h)(2)(c)
Commercial Paper—Non-Pooled Funds (min. \$100,000,000 of investments)	270 days or less	40% of the agency's money <sup>g</sup>	Highest letter and number rating by an NRSRO <sup>h</sup>	53601(h)(2)(c)
Commercial Paper— Pooled Funds <sup>i</sup>	270 days or less	40% of the agency's money <sup>g</sup>	Highest letter and number rating by an NRSRO <sup>h</sup>	53635(a)(1)
Negotiable Certificates of Deposit	5 years	30% <sup>j</sup>	None	53601(i)
Non-negotiable Certificates of Deposit	5 years	None	None	53630 et seq.
Placement Service Deposits	5 years	50% <sup>k</sup>	None	53601.8 and 53635.8
Placement Service Certificates of Deposit	5 years	50% <sup>k</sup>	None	53601.8 and 53635.8
Repurchase Agreements	1 year	None	None	53601(j)
Reverse Repurchase Agreements and Securities Lending Agreements	92 days <sup>l</sup>	20% of the base value of the portfolio	None <sup>h</sup>	53601(j)
Medium-Term Notes <sup>m</sup>	5 years or less	30%	"A" rating category or its equivalent or better	53601(k)
Mutual Funds And Money Market Mutual Funds	N/A	20%	Multiple <sup>n,o</sup>	53601(l) and 53601.6(b)
Collateralized Bank Deposits <sup>r</sup>	5 years	None	None	53630 et seq. and 53601(n)
Mortgage Pass-Through and Asset-Backed Securities	5 years or less	20%	"AA" rating category or its equivalent or better	53601(o)
County Pooled Investment Funds	N/A	None	None	27133
Joint Powers Authority Pool	N/A	None	Multiple <sup>s</sup>	53601(p)
Local Agency Investment Fund (LAIF)	N/A	None	None	16429.1
Voluntary Investment Program Fund <sup>t</sup>	N/A	None	None	16340
Supranational Obligations <sup>u</sup>	5 years or less	30%	"AA" rating category or its equivalent or better	53601(q)
Public Bank Obligations	5 years	None	None	53601(r), 53635(c) and 57603



# Why should CVWD proactively engage with a Financial Advisor to carry out its policy and return on investment?

- All investments are based on the CA Code Section 53601 permitted investments or BBID's Investment Policy. The portfolio can be customized to CVWD cash needs.
- All investments shown in the example portfolio are FDIC Insured CDs or NCUA Credit Union CDs.
- All investments are liquid and can be sold prior to maturity. If there's a need to liquidate a position, then the price is determined by market conditions on that day.
- If held to maturity you receive all interest and full principal.
- The portfolio utilizes a laddered investment strategy. This helps mitigate interest rate risk by spacing out maturities along the yield curve.

# Who is King Capital Advisors and what is their corporate philosophy?

- KCA is a full-service broker/dealer that specializes in the Fixed-Income marketplace with the ability to offer a wide range of investment opportunities.
- Our philosophy comprises of integrity, innovation, and our “commitment for excellence” goal to providing our clients with the best service in the industry.
- KCA strives to set our firm apart by providing top notch service, honoring our word, and working as a team with our clients to achieve their objectives.

# Your King Capital Advisor – Mark Edelman, SVP

- 15 years of experience working with public funds throughout the state of California and comprehensive understanding of the California Code section 53601.
- Specializes in Fixed Income investments with vast network of investment products and inventories.
- Constructing portfolios that are tailored toward specific client's objectives.
- Assistance with investment policy statement.
- Cultivating long term relationships as a valued partner who understands public fund investment ideology of safety, liquidity, diversification, and yield.

# CVWD Example Cash Flow Portfolio

<u>Issuer</u>	<u>Type</u>	<u>Price</u>	<u>CPN</u>	<u>SIZE</u>	<u>YTM</u>	<u>MAT.</u>	<u>S/D Date</u>	<u>CASH FLOW</u>	<u>CALLBLE</u>
Farmer Credit Union	CD	\$100.00	5.00%	\$ 200,000	5.00%	1/18/2024	1/18/2023	\$ 10,000.00	N/A
Wells Fargo Bank	CD	\$100.00	4.50%	\$ 200,000	4.50%	1/13/2025	1/13/2023	\$ 9,000.00	N/A
MS Private Bank	CD	\$100.00	4.55%	\$ 200,000	4.55%	1/16/2026	1/17/2023	\$ 9,100.00	NC1yr S/A Calls
1st Source Bank	CD	\$100.00	4.70%	\$ 200,000	4.70%	7/19/2027	1/18/2023	\$ 9,400.00	NC6mo QTY Calls
Ideal Credit Union	CD	\$100.00	4.50%	\$ 200,000	4.50%	11/12/2027	11/12/2022	\$ 9,000.00	N/A
<b>TOTALS</b>				<b>\$ 1,000,000</b>		<b>Avg. Yield</b>	<b>4.65%</b>	<b>\$ 46,500.00</b>	

# How an improved investment strategy could benefit CVWD

- If LAIF stayed at a constant 2.00% for 1 year with a \$1,000,000 investment you would earn \$20,000.
- If CVWD implemented the recommended portfolio, on the same \$1,000,000 you would earn \$46,500.
- The funds will be fully insured if all investments are Certificates of Deposits.
- The FDIC Insurance limit is \$250,000 per institution. Diversification among banks and issuers is very important.



# IN SUMMARY

Partnering with a trusted financial expert that specializes in working with California Public Funds can:

- Benefit CVWD a reliable contact to monitor portfolio with a philosophy of safety, liquidity, and yield.
- Stay current with suitable investment opportunities for both short- and long-term cash needs.
- Create an investment policy that's within the California State Investment Guidelines and reflects CVWD's risk tolerance.
- Build a thoughtful investment portfolio that represents CVWD's financial position.
- Generate a stable and predictable stream of income to further CVWD's mission and fund future projects.

Thank you for your time today



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