

# Staff Report

for the Regular Meeting of the Board of Directors June 10, 2020

**TO:** Board of Directors

**FROM:** Marvin Davis, MBA, CPA, Finance Manager/Treasurer

**DATE:** June 3, 2020

**SUBJECT:** Quarterly Investment, Reserves & Short-Term Forecast

***FINANCE***

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## **RECOMMENDATION:**

Receive the quarterly investment, reserve, and short-term cash forecast report for the period ending March 31, 2020.

## **BACKGROUND:**

### Investment Portfolio:

The Nevada Irrigation District's Investment Policy requires and Government Code Section 53646 encourages submittal to the Board of Directors a quarterly investment report. This report presents the District's cash and investment portfolio on March 31, 2020, managed by staff, excluding pension and other benefits. Year to date interest earnings came in at \$410,273 compared to the prior year of \$301,690, an increase of \$108,583. The fiscal year portfolio return is 2.27%.

The investment and earnings chart indicates a shift from long-term investments to short-term investments (\$22.3 million) from 1<sup>st</sup> quarter 2019 to 1<sup>st</sup> quarter 2020. The shift results from the District's long-term US Agency bonds being called. This is the same approach the District follows when refunding outstanding bonds to capitalize on falling interest rates. The good news is these reserves are being invested in the Local Agency Investment Fund (LAIF), which is currently yielding more than Agency bonds.

When short-term investments (LAIF, 3-month T-Bills, etc.) are outperforming long-term investments (5, 10, 30 Year), this means that there is a lack of confidence in the performance of the financial markets in the long-run. In other words, people are more concerned with the return "of their money," rather than the return "on their money." If the markets were behaving consistent with fundamental

economics, then long-term rates would substantially outperform short-term ones. The longer you use my money, “the more you must compensate me for my lack of enjoyment.” Many factors cause volatility in the financial markets, but I believe it is safe to say that currently, the COVID-19 pandemic is definitely the driver.

Financial Reserves:

Total unaudited cash (reserves) under staff’s management is \$104.3 million, including \$10.4 million in 2016A bond proceeds. Staff estimates reserves at quarter-end, and adjustments occur at fiscal year-end depending on approved budget amendments, operating results, and policy 3040 direction. Final reserve balances are determined upon completion of the District’s audited financial statements.

The operating (3040.4.1) and capital (3040.4.4) reserve balances in the Water Fund (\$23.2 million) reflects the high level of encumbrances the Fund is currently carrying and receipt of this year’s property tax disbursement. In the accounting world, the issuance of the encumbrance/PO, does not draw down the reserve. Liquidation of the encumbrance or payment of the PO will draw down the reserve. Also, the Community Investment Stabilization reserve (3040.4.3) of \$1.5 million is committed for Table Meadow and Iron horse Drive projects awaiting the issuance of contracts. Again, the payment on these future contracts will draw down the reserve.

Short-term Cash Forecast:

The March 31, 2020, short-term cash balance is \$48,210,119 and considers the current level of encumbrances (\$17.3 million) and the performance of short-term investments. Staff estimates the year-end short-term forecast balance at \$35,286,753, anticipating drawing down \$10.4 million in 2016A bond proceeds.

	<u>Amount</u>
3/31/2020 Balance	\$ 48,210,119
2016A Bond Draw	(10,400,000)
Reserve Draw	(9,263,252)
Maturities, Earnings	<u>8,461,853</u>
12/31/2020 Estimate	35,286,753

Timely financial reporting achieves Goal No. 1 of the District’s Strategic Plan by demonstrating proactive management of our physical, financial, and human resources.

**BUDGETARY IMPACT:** N/A  
MD

- Attachments: March 31, 2020 Investment, Reserve and Short-term Cash Forecast Report

**Nevada Irrigation District**  
**Quarterly Cash & Investment Report: March 31, 2020**  
**Short & Long-Term Investments**

Investment Type	Issuer	Interest Rate	Maturity Date	Cost Basis	Market Value	Net Unrealized Gain/Loss	Price
Corporate Obligations	AMERICAN EXP F/R	1.900%	6/1/2020	\$ 250,000	\$ 250,405	\$ 405	\$ 100.16
Corporate Obligations	BANK BARODA NY Y	1.500%	10/30/2020	250,000	250,280	280	100.11
Corporate Obligations	BMW BK N A	2.200%	10/16/2020	250,000	251,610	1,610	100.64
Corporate Obligations	CAP ONE NATL ASSN	2.200%	10/21/2020	250,000	251,648	1,648	100.66
Corporate Obligations	CAPITAL ONE BK	2.200%	10/21/2020	250,000	251,648	1,648	100.66
Corporate Obligations	COMENITY CAP BK	1.750%	10/29/2021	250,000	250,553	553	100.22
Corporate Obligations	DISCOVER BK	1.500%	8/17/2021	250,000	250,725	725	100.29
Corporate Obligations	GOLDMAN SACHS BK	1.900%	5/29/2020	250,000	250,388	388	100.16
Corporate Obligations	MB FINL BK	1.300%	10/28/2020	250,000	250,278	278	100.11
Corporate Obligations	SYNCHRONY BK	1.900%	5/26/2020	250,000	250,368	368	100.15
Corporate Obligations	WELLS FARGO BK	1.750%	6/17/2021	250,000	250,988	988	100.40
Corporate Obligations	WEX BK MIDVALE	1.800%	6/2/2020	250,000	250,368	368	100.15
Government Obligations	FFCB BDS	1.340%	10/13/2020	3,000,000	3,000,420	420	100.01
Government Obligations	FFCB BDS	1.500%	7/6/2021	2,000,000	2,000,260	260	100.01
Government Obligations	FFCB BDS	1.520%	11/15/2021	4,500,000	4,500,405	405	100.01
Government Obligations	FHLB BDS	1.600%	11/26/2021	3,477,250	3,505,250	28,000	100.15
Government Obligations	FHLMC MTN	1.600%	8/9/2021	6,000,000	6,007,080	7,080	100.12
Government Obligations	FNMA NT	1.500%	5/25/2021	1,996,400	2,003,200	6,800	100.16
Government Obligations	FNMA NT	1.500%	7/27/2021	7,000,000	7,005,880	5,880	100.08
Government Obligations	FNMA NT	1.550%	7/28/2020	500,000	500,615	615	100.12
Government Obligations	FNMA NTS	1.500%	8/25/2021	2,000,000	2,002,000	2,000	100.10

**Total L-Term Investments \$ 33,473,650**

**S-Term Investments & Checking Account**

Corporate Obligations	Union Bank Money Mkt	0.01%	3/31/2020	1,499	1,499	N/A	N/A
Local Investment Pool	Local Agency IF	1.89%	3/31/2020	38,496,450	38,496,450	N/A	N/A
Checking Account	Wells Fargo Checking	0.02%	12/31/2019	9,713,669	9,713,669	N/A	N/A

**Total S-Term Investments \$ 48,211,618**

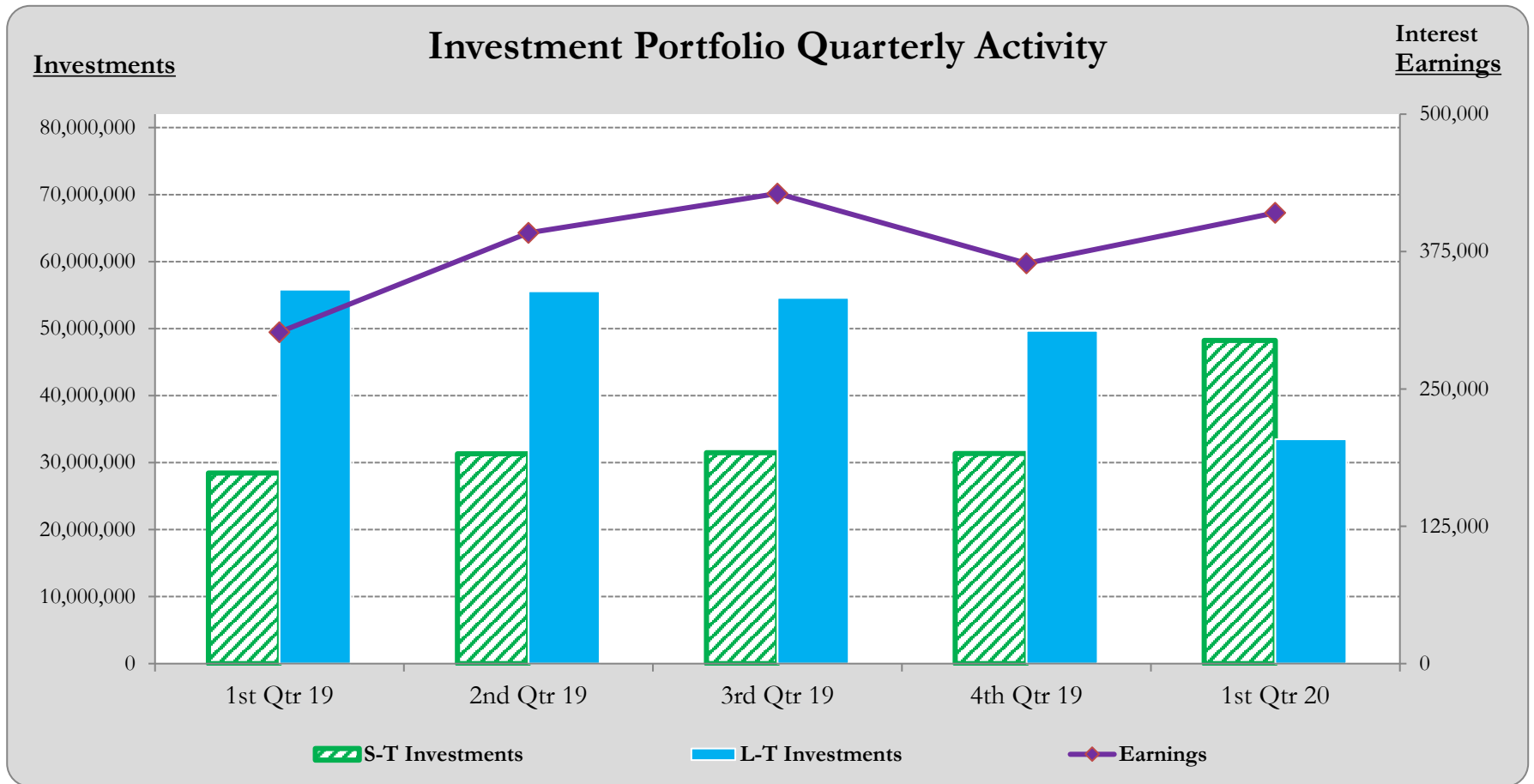
**Nevada Irrigation District**  
**Quarterly Cash & Investment Report: March 31, 2020**  
**Short & Long-Term Investments**

Investment Type	Issuer	Interest Rate	Maturity Date	Cost Basis	Market Value	Net Unrealized Gain/Loss	Price
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**L-Term Investments**

	YTD Interest	Total Investment	
L-Term Investments	243,683	<b>\$ 81,685,268</b>	
S-Term Investments	166,590		
	<b>\$ 410,273</b>	<b>Annualized Return 2.27%</b>	excludes Wells Fargo Checking Account

**Nevada Irrigation District**  
**Quarterly Cash & Investment Report: March 31, 2020**  
**Investments & Interest Earnings**



**Nevada Irrigation District**  
**Quarterly Cash & Investment Report: March 31, 2020**  
**Portfolio Maturity Ladder**

<b>Short-Term</b>	<b>Long-Term</b>
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Month	2020	2021	Grand Total
Jan			-
Feb			-
Mar	48,211,618		48,211,618
Apr			-
May	500,000	1,996,400	2,496,400
Jun	500,000	250,000	750,000
Jul	500,000	9,000,000	9,500,000
Aug		8,250,000	8,250,000
Sep			-
Oct	4,250,000	250,000	4,500,000
Nov			-
Dec		7,977,250	7,977,250
<b>Grand Total</b>	<b>53,961,618</b>	<b>27,723,650</b>	<b>81,685,268</b>
Portfolio %	66.1%	33.9%	100.0%

**Nevada Irrigation District**  
**Quarterly Cash & Investment Report: March 31, 2020**  
**Estimated Reserve Balances**

	Water	Restricted	Bonds	Recreation	Hydroelectric	Total
<b>2019 Unaudited Reserves</b>	<b>\$ 20,343,746</b>	<b>\$ 6,163,398</b>	<b>\$ 10,433,125</b>	<b>\$ 1,049,752</b>	<b>\$ 59,012,116</b>	<b>\$ 97,002,137</b>

**2020 Cash Breakdown:**

<u>Policy #</u>	<b>Restricted Reserves</b>						<u>Policy \$ Min</u>	
3040.3.1	Capacity Fees	5,552,218				5,552,218	\$2M	
3040.3.2	Debt Service	611,180				611,180	Covenant	
3040.3.3	Bond/Loan/Fiduciary		10,489,170			10,489,170	Covenant	
	<b>Restricted Total</b>	-	6,163,398	10,489,170	-	-	16,652,568	
	Operating Months	1.49			3.25	6.00		
	<b>Designated Reserves</b>							
3040.4.1	Operating	5,175,316			643,102	10,635,941	16,454,359	Suspended
3040.4.2	Water Rate Stabilization						-	\$0 min
3040.4.3	Community Investment Stabilization	1,500,000					1,500,000	\$1.5M
3040.4.4	Capital Improvement/Replacement	18,044,210			500,000	15,000,000	33,544,210	\$37.5M
3040.4.4	Capital Improvement/FERC License					27,121,350	27,121,350	\$35M
3040.4.5	Insurance and Catastrophic Occurrence					5,000,000	5,000,000	\$5M
3040.4.6	Watershed Stewardship	500,000					500,000	\$500K
3040.4.7	Accrued Leave	1,091,159			35,752	133,498	1,260,408	50% liability
	<b>Designated Total</b>	26,310,685	-	-	1,178,854	57,890,789	85,380,327	
	<b>Working Capital</b>							
3040.5.1	Operating Cash	1,000,000			250,000	1,000,000	2,250,000	
	<b>March 31, 2020 Total</b>	<b><u>27,310,685</u></b>	<b><u>6,163,398</u></b>	<b><u>10,489,170</u></b>	<b><u>1,428,854</u></b>	<b><u>58,890,789</u></b>	<b><u>104,282,896</u></b>	

**Nevada Irrigation District**  
**Quarterly Cash & Investment Report: March 31, 2020**  
**Short-Term Cash Forecast**

	Actual		Forecast				Reconcile to Budget
	2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020		
Union Bank	1,407					Receipts	66,070,539
Wells Fargo	3,709,446					Disbursements	77,405,370
LAIF	27,657,266					Budget Rec - Disb	(11,334,831)
Short-T Cash	<b>\$ 31,368,119</b>					Transfer Ins & Outs	971,579
						Interest Income	1,100,000
						Original Budget	(9,263,252)
<b>Wells Fargo</b>							
Budget Receipts	18,680,332	17,402,099	16,325,636	13,662,472			
Budget Disbursements	19,029,944	17,047,158	21,743,253	19,585,015			
LAIF Transfer Ins/(Outs)	5,757,000	(8,000,000)	5,400,000	5,900,000			
<b>Ending Balance</b>	<b>9,713,669</b>	<b>2,068,610</b>	<b>2,050,993</b>	<b>2,028,450</b>			
<b>LAIF</b>							
2016A Drawdown	-	(8,700,000)	(1,700,000)	-			
Transfer Ins/(Outs) WF	(5,757,000)	8,000,000	(5,400,000)	(5,900,000)			
Transfer Ins/(Outs) UB	16,596,184	2,964,286	775,000	4,722,567			
<b>Ending Balance</b>	<b>38,496,450</b>	<b>40,760,736</b>	<b>34,435,736</b>	<b>33,258,303</b>			
<b>Total Short-Term Cash</b>	<b><u>\$ 48,210,119</u></b>	<b><u>\$ 42,829,346</u></b>	<b><u>\$ 36,486,729</u></b>	<b><u>\$ 35,286,753</u></b>		12/31/2020 Estimate	