

Staff Report

for the regular meeting of the Board of Directors on August 26, 2020

TO: Board of Directors

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

DATE: August 19, 2020

SUBJECT: Quarterly Investment, Reserves & Short-Term Forecast

FINANCE

RECOMMENDATION:

Receive and file the quarterly investment, reserve, and short-term cash forecast report for the period ending June 30, 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 June 30, 2020, managed by staff, excluding pension and other benefits. Year to date interest earnings came in at \$759,798 compared to the prior year of \$693,582, an increase of \$66,216. The fiscal year portfolio return is 1.85%.

The investment and earnings chart indicates a shift from long-term investments to short-term investments (\$48.8 million) from 2nd quarter 2019 to 2nd 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. Currently, the District has 93.3% of the portfolio invested short-term. Many factors

cause volatility in the financial markets, but I believe it is safe to say that currently, the COVID-19 pandemic is the driver.

Financial Reserves:

Total unaudited cash (reserves) under staff's management is \$104 million, including \$8.1 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 (\$31.2 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 June 30, 2020, short-term cash balance is \$75.7 million and considers the current level of encumbrances (\$24 million) and the performance of short-term investments. Staff estimates the year-end short-term forecast balance at \$55.2 million, anticipating drawing down \$10.4 million in 2016A bond proceeds.

	<u>Amount</u>
6/30/2020 Balance	\$ 75,705,973
Receipts	29,988,108
Disbursements	(41,328,268)
2016A Bond Draw	(10,400,000)
Maturities, Earnings	<u>1,250,000</u>
12/31/2020 Estimate	55,215,813

Timely financial reporting achieves the District's first strategic goal by demonstrating proactive management of our physical, financial, and human resources.

BUDGETARY IMPACT: N/A

- Attachments: June 30, 2020 Investment, Reserve and Short-term Cash Forecast Report

Nevada Irrigation District
Quarterly Cash & Investment Report: June 30, 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

Corporate Obligations	BANK BARODA NY Y	1.500%	10/30/2020	\$ 250,000	\$ 250,960	\$ 960	\$ 100.38
Corporate Obligations	BMW BK N A	2.200%	10/16/2020	250,000	251,595	1,595	100.64
Corporate Obligations	CAP ONE NATL ASSN	2.200%	10/21/2020	250,000	251,668	1,668	100.67
Corporate Obligations	CAPITAL ONE BK	2.200%	10/21/2020	250,000	251,668	1,668	100.67
Corporate Obligations	COMENITY CAP BK	1.750%	10/29/2021	250,000	254,225	4,225	101.69
Corporate Obligations	DISCOVER BK	1.500%	8/17/2021	250,000	253,770	3,770	101.51
Corporate Obligations	MB FINL BK	1.300%	10/28/2020	250,000	250,930	930	100.37
Corporate Obligations	WELLS FARGO BK	1.750%	6/17/2021	250,000	253,470	3,470	101.39
Government Obligations	FEDERAL HOME LN	0.300%	5/27/2022	4,800,000	4,799,040	(960)	99.98

Total L-Term Investments \$ 6,800,000 \$ 6,817,325 \$ 17,325

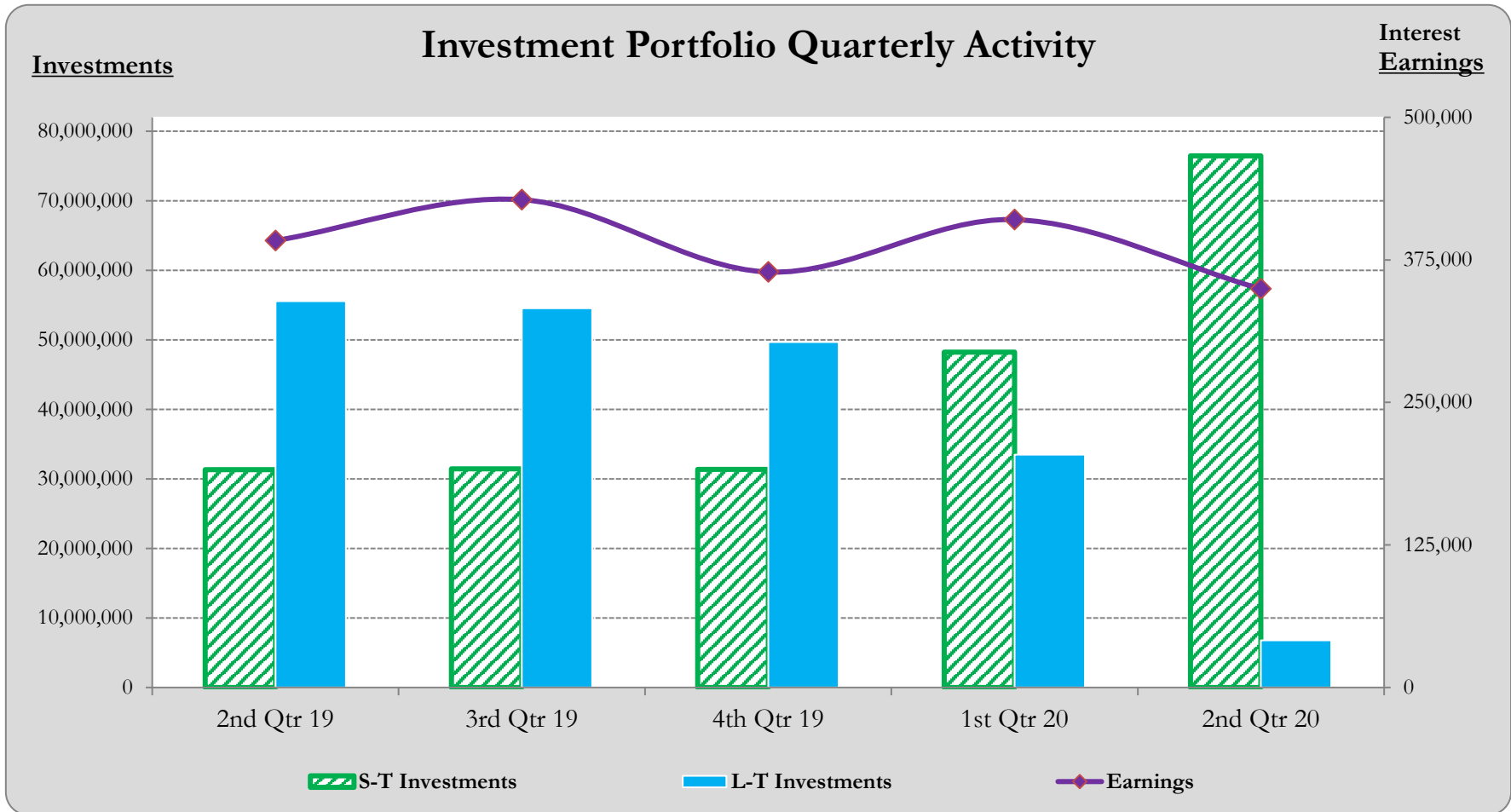
S-Term Investments & Checking Account

Corporate Obligations	Union Bank Money Mkt	0.01%	6/30/2020	762,400	762,400	N/A	N/A
Local Investment Pool	Local Agency IF	1.65%	6/30/2020	74,004,589	74,004,589	N/A	N/A
Checking Account	Wells Fargo Checking	0.24%	6/30/2020	1,701,381	1,701,381	N/A	N/A

Total S-Term Investments \$ 76,468,370

	YTD Interest		Total Investment \$ 83,268,370	
L-Term Investments	423,456			
S-Term Investments	336,342			
	\$ 759,798		Annualized Return 1.85%	excludes Wells Fargo Checking Account

Nevada Irrigation District
Quarterly Cash & Investment Report: June 30, 2020
Investments & Interest Earnings



Nevada Irrigation District
Quarterly Cash & Investment Report: June 30, 2020
Portfolio Maturity Ladder

Short-Term	Long-Term
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Month	2020	2021	2022	Grand Total
Jan				-
Feb				-
Mar				-
Apr				-
May			4,800,000	4,800,000
Jun	76,468,370	250,000		76,718,370
Jul				-
Aug		250,000		250,000
Sep				-
Oct	1,250,000	250,000		1,500,000
Nov				-
Dec				-
Grand Total	77,718,370	750,000	4,800,000	83,268,370
Portfolio %	93.3%	0.9%	5.8%	100.0%

Nevada Irrigation District
Quarterly Cash & Investment Report: June 30, 2020
Estimated Reserve Balances

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

<u>Policy #</u>	2020 Cash Breakdown:						<u>Policy \$ Min</u>	
Restricted Reserves								
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					8,068,574	8,068,574	Covenant
Restricted Total		-	-	-	6,163,398	8,068,574	14,231,972	
Operating Months		2.10	2.84	6.02				
Designated Reserves								
3040.4.1	Operating	6,275,773	311,444	9,667,448			16,254,664	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	24,894,371	500,000	15,000,000			40,394,371	\$37.5M
3040.4.4	Capital Improvement/FERC License			24,700,000			24,700,000	\$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
Designated Total		34,261,302	847,195	54,500,945	-	-	89,609,442	
Working Capital								
3040.5.1	Operating Cash	1,000,000	250,000	1,000,000			2,250,000	
Total		<u>35,261,302</u>	<u>1,097,195</u>	<u>55,500,945</u>	<u>6,163,398</u>	<u>8,068,574</u>	<u>106,091,414</u>	

Nevada Irrigation District
Quarterly Cash & Investment Report: June 30, 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	3,709,448					Disbursements	77,405,370
LAIF	27,657,266					Budget Rec - Disb	(11,334,831)
Short-T Cash	\$ 31,368,121					Transfer Ins & Outs	971,579
						Interest Income	1,100,000
						Original Budget	(9,263,252)
Wells Fargo							
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	(4,613,000)	5,800,000	5,900,000			
Ending Balance	9,713,671	1,701,384	2,083,767	2,061,224			
LAIF							
2016A Drawdown	-	-	-	(10,400,000)			
Transfer Ins/(Outs) WF	(5,757,000)	4,613,000	(5,800,000)	(5,900,000)			
Transfer Ins/(Outs) UB	16,596,184	30,895,139	-	1,250,000			
Ending Balance	38,496,450	74,004,589	68,204,589	53,154,589			
Total Short-Term Cash	<u>\$ 48,210,121</u>	<u>\$ 75,705,973</u>	<u>\$ 70,288,356</u>	<u>\$ 55,215,813</u>		12/31/2020 Estimate	