

# Staff Report

for the Board of Directors December 9, 2020

**TO:** Board of Directors

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

**DATE:** December 2, 2020

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

***FINANCE***

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## **RECOMMENDATION:**

Receive and file the quarterly investment, reserve, and short-term cash forecast report for the period ending September 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 September 30, 2020, managed by staff, excluding pension and other benefits. Year to date interest earnings came in at \$1,007,247 compared to prior year of \$1,121,379, a decrease of \$114,132. The fiscal year portfolio return is estimated at 1.61%.

The investment and earnings chart indicates a shift from long-term investments to short-term investments (\$44.2 million) from 3<sup>rd</sup> quarter 2019 to 3<sup>rd</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. Currently, the District has 89.4% 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 definitely the driver.

Financial Reserves:

Total unaudited cash (reserves) under staff’s management is \$106.2 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 (\$29.1 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 September 30, 2020, short-term cash balance is \$74.8 million and considers the current level of encumbrances (\$22.2 million) and performance of short-term investments. Staff estimates the year-end short-term forecast balance at \$59.8 million, anticipating drawing down \$10.4 million in 2016A bond proceeds.

	<u>Amount</u>
9/30/2020 Balance	\$ 74,876,535
Receipts	13,662,472
Disbursements	(19,585,015)
2016A Bond Draw	(10,400,000)
Maturities, Earnings	<u>1,250,000</u>
12/31/2020 Estimate	59,803,992

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

**BUDGETARY IMPACT:** N/A

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

**Nevada Irrigation District**  
**Quarterly Cash & Investment Report: September 30, 2020**  
**Short & Long-Term Investments**

Investment Type	Issuer	Interest Rate	Maturity Date	Cost Basis	Market Value	Net Unrealized Gain/Loss	Price
<b><u>L-Term Investments</u></b>							
Corporate Obligations	BANK BARODA NY Y	1.500%	10/30/2020	\$ 250,000	\$ 250,250	\$ 250	\$ 100.10
Corporate Obligations	BMW BK N A	2.200%	10/16/2020	250,000	250,245	245	100.09
Corporate Obligations	CAP ONE NATL ASSN	2.200%	10/21/2020	250,000	250,320	320	100.12
Corporate Obligations	CAPITAL ONE BK	2.200%	10/21/2020	250,000	250,320	320	100.12
Corporate Obligations	COMENITY CAP BK	1.750%	10/29/2021	250,000	253,672	3,672	101.46
Corporate Obligations	DISCOVER BK	1.500%	8/17/2021	250,000	253,147	3,147	101.25
Corporate Obligations	MB FINL BK	1.300%	10/28/2020	250,000	250,235	235	100.09
Corporate Obligations	WELLS FARGO BK	1.750%	6/17/2021	250,000	252,715	2,715	101.08
Government Obligations	FEDERAL HOME LN	0.300%	5/27/2022	4,800,000	4,800,480	480	100.01
Government Obligations	FEDERAL HOME LN	0.550%	9/30/2025	3,500,000	3,493,560	(6,440)	99.81
<b>Total L-Term Investments</b>				<b>\$ 10,300,000</b>	<b>\$ 10,304,944</b>	<b>\$ 4,944</b>	

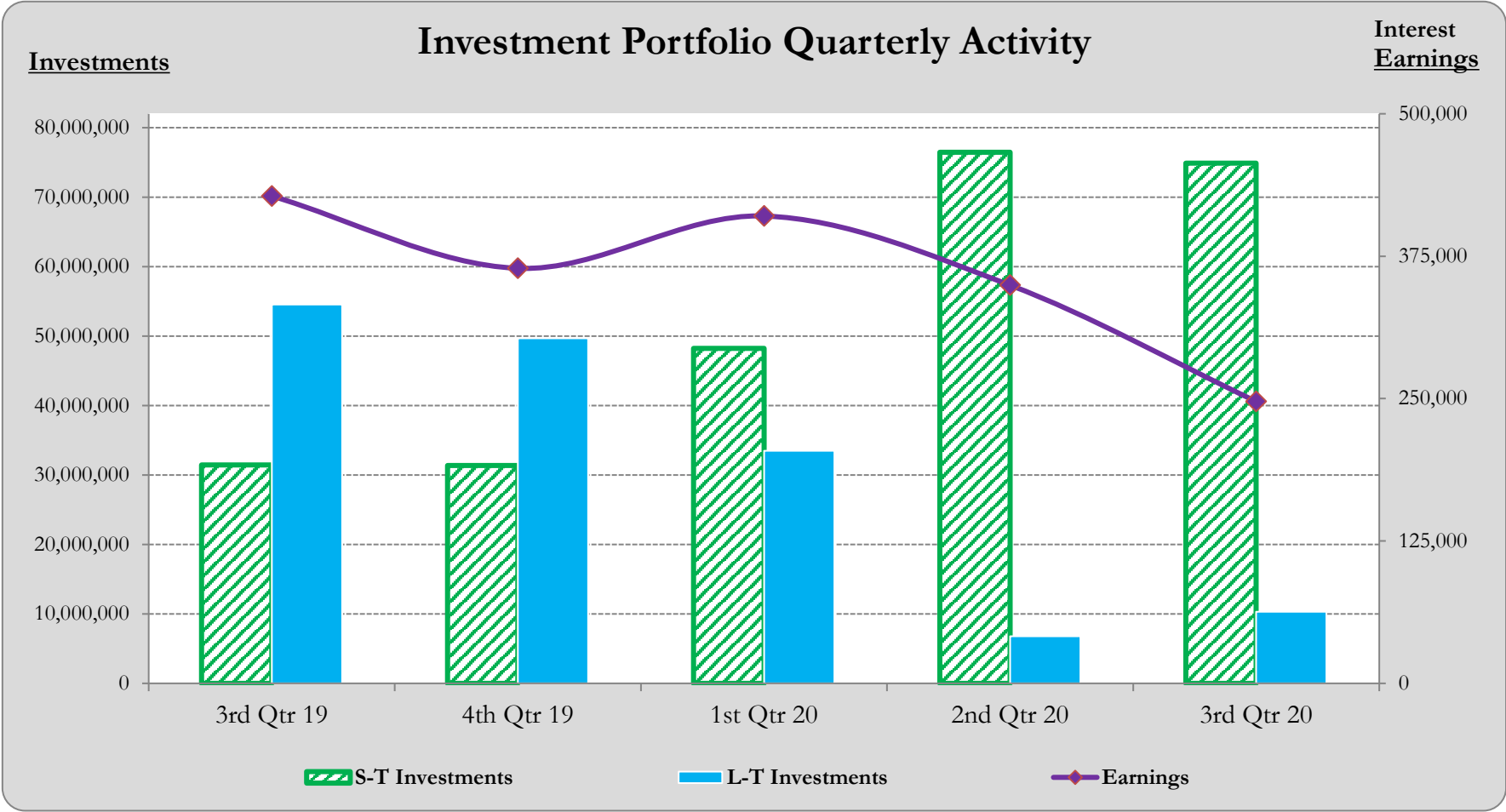
**S-Term Investments & Checking Account**

Corporate Obligations	Union Bank Money Mkt	0.01%	9/30/2020	4,459	4,459	N/A	N/A
Local Investment Pool	Local Agency IF	1.36%	9/30/2020	72,545,732	72,545,732	N/A	N/A
Checking Account	Wells Fargo Checking	0.23%	9/30/2020	2,330,800	2,330,800	N/A	N/A

**Total S-Term Investments \$ 74,880,991**

	<b>YTD Interest</b>	<b>Total Investment</b>	<b>\$ 85,180,991</b>	
L-Term Investments	428,389			
S-Term Investments	578,858			
	<b>\$ 1,007,247</b>	<b>Annualized Return</b>	<b>1.61%</b>	excludes Wells Fargo Checking Account

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



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

<b>Short-Term</b>	<b>Long-Term</b>
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Month	2020	2021	2022	2025	Grand Total
Jan					-
Feb					-
Mar					-
Apr					-
May			4,800,000		4,800,000
Jun		250,000			250,000
Jul					-
Aug		250,000			250,000
Sep	74,880,991			3,500,000	78,380,991
Oct	1,250,000	250,000			1,500,000
Nov					-
Dec					-
<b>Grand Total</b>	<b>76,130,991</b>	<b>750,000</b>	<b>4,800,000</b>	<b>3,500,000</b>	<b>85,180,991</b>
Portfolio %	89.4%	0.9%	5.6%	4.1%	100.0%

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

	Unrestricted			Restricted		Total
	Water	Recreation	Hydroelectric	CapFee	Bonds	
<b>2019 Audited Reserves</b>	<b>\$ 18,085,034</b>	<b>\$ 1,338,414</b>	<b>\$ 57,294,101</b>	<b>\$ 6,840,404</b>	<b>\$ 10,433,125</b>	<b>\$ 93,991,078</b>

**2020 Cash Breakdown:**

<u>Policy #</u>	<u>Restricted Reserves</u>						<u>Policy \$ Min</u>
3040.3.1	Capacity Fees				6,229,224	6,229,224	\$2M
3040.3.2	Debt Service				611,180	611,180	Covenant
3040.3.3	Bond/Loan/Fiduciary					8,068,574	Covenant
	<b>Restricted Total</b>	-	-	-	6,840,404	8,068,574	14,908,978
	Operating Months	3.06	4.08	4.69			
	<b>Designated Reserves</b>						
3040.4.1	Operating	9,601,847	558,222	7,309,018		17,469,087	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	19,528,806	500,000	15,000,000		35,028,806	\$37.5M
3040.4.4	Capital Improvement/FERC License			30,474,057		30,474,057	\$35M
3040.4.5	Insurance and Catastrophic Occurrence			2,500,000		2,500,000	\$5M
3040.4.6	Watershed Stewardship	500,000				500,000	\$500K
3040.4.7	Accrued Leave	1,258,988	62,389	280,494		1,601,871	50% liability
	<b>Designated Total</b>	32,389,641	1,120,611	55,563,569	-	-	89,073,821
	<b>Working Capital</b>						
3040.5.1	Operating Cash	1,000,000	250,000	1,000,000		2,250,000	
	<b>Total</b>	<b><u>33,389,641</u></b>	<b><u>1,370,611</u></b>	<b><u>56,563,569</u></b>	<b><u>6,840,404</u></b>	<b><u>8,068,574</u></b>	<b><u>106,232,799</u></b>

**Nevada Irrigation District**  
**Quarterly Cash & Investment Report: September 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	<b>\$ 31,368,121</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			
True-Up Receipts	5,683,179	(5,722,384)	1,952,997	-			
Budget Disbursements	19,029,944	17,047,158	21,743,253	19,585,015			
True-Up Disbursement	5,086,344	(1,968,156)	(5,132,039)	-			
LAIF Transfer Ins/(Outs)	5,757,000	(4,613,000)	(1,038,000)	5,600,000			
<b>Ending Balance</b>	<b>9,713,671</b>	<b>1,701,384</b>	<b>2,330,803</b>	<b>2,008,260</b>			
<b>LAIF</b>							
2016A Drawdown	-	-	-	(10,400,000)			
Transfer Ins/(Outs) WF	(5,757,000)	4,613,000	(2,462,000)	(5,600,000)			
Transfer Ins/(Outs) UB	16,596,184	30,895,139	1,003,143	1,250,000			
<b>Ending Balance</b>	<b>38,496,450</b>	<b>74,004,589</b>	<b>72,545,732</b>	<b>57,795,732</b>			
<b>Total Short-Term Cash</b>	<b><u>\$ 48,210,121</u></b>	<b><u>\$ 75,705,973</u></b>	<b><u>\$ 74,876,535</u></b>	<b><u>\$ 59,803,992</u></b>		12/31/2020 Estimate	