



Staff Report

for the Board of Directors' Meeting of February 24, 2021

TO: Board of Directors

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

DATE: February 18, 2021

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 December 31, 2020.

BACKGROUND:

Investment Portfolio:

The Nevada Irrigation District's Investment Policy requires and the 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 December 31, 2020, managed by staff, excluding pension and other benefits. Year to date interest earnings came in at \$1,231,089 compared to prior year of \$1,485,740, a decrease of \$254,651. The fiscal year portfolio return is estimated at 1.24%.

The investment and earnings chart indicates a shift from long-term investments to short-term investments (\$33.4 million) from the 4th quarter of 2019 to the 4th quarter of 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.

When short-term investments (LAIF, 3-month T-Bills, etc.) are outperforming long-term investments (5, 10, 30 Year), there is a lack of confidence in the financial markets' performance 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 83.7% 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 \$99.8 million. Staff requisitioned the remaining 2016A restricted bond reserves (\$10.4 million) repaying Water’s capital reserves this year. 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 (\$30.3 million) reflect the high level of encumbrances the Fund is currently carrying. 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 December 31, 2020, short-term cash balance is estimated at \$83.1 million and considers the current level of encumbrances (\$18 million) and performance of short-term investments.

	<u>Amount</u>
9/30/2020 Balance	\$ 89,170,424
WF Receipts	13,788,886
WF Disbursements	(13,527,413)
BOTW, UB MMkt	(451,130)
Maturities, Earnings	2,363,585
LAIF Restricted	<u>(8,190,847)</u>
12/31/2020 Balance	83,153,505

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

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

Investment Type	Issuer	Interest Rate	Maturity Date	Cost Basis	Market Value	Net Unrealized Gain/Loss	Price
<u>L-Term Investments</u>							
Corporate Obligations	COMENITY CAP BK	1.750%	10/29/2021	\$ 250,000	\$ 252,918	\$ 2,918	\$ 101.17
Corporate Obligations	DISCOVER BK	1.500%	8/17/2021	250,000	252,310	2,310	100.92
Corporate Obligations	WELLS FARGO BK	1.750%	6/17/2021	250,000	251,810	1,810	100.72
Government Obligations	FEDERAL FARM CR	0.320%	12/23/2024	6,000,000	5,990,400	(9,600)	99.84
Government Obligations	FEDERAL FARM CR	0.490%	3/10/2025	3,000,000	2,998,650	(1,350)	99.96
Government Obligations	FEDERAL HOME LN	0.550%	9/30/2025	3,500,000	3,487,750	(12,250)	99.65
Government Obligations	FEDERAL HOME LN	0.625%	12/17/2025	3,000,000	3,009,570	9,570	100.32

Total L-Term Investments \$ 16,250,000 \$ 16,243,408 \$ (6,593)

S-Term Investments & Checking Account

Corporate Obligations	Union Bank Money Mkt	0.01%	12/31/2020	73,311	73,311	N/A	N/A
Local Investment Pool	Local Agency IF: Unrestr	1.17%	12/31/2020	72,501,318	72,501,318	N/A	N/A
Local Investment Pool	Local Agency IF: Restr	1.17%	12/31/2020	0	0	N/A	N/A
Checking Account	Bank of the West	0.70%	12/31/2020	5,578,601	5,578,601	N/A	N/A
Checking Account	Wells Fargo Checking	0.14%	12/31/2020	5,000,272	5,000,272	N/A	N/A

Total S-Term Investments \$ 83,153,502

	YTD Interest
L-Term Investments	448,122
S-Term Investments	782,967
	<u>\$ 1,231,089</u>

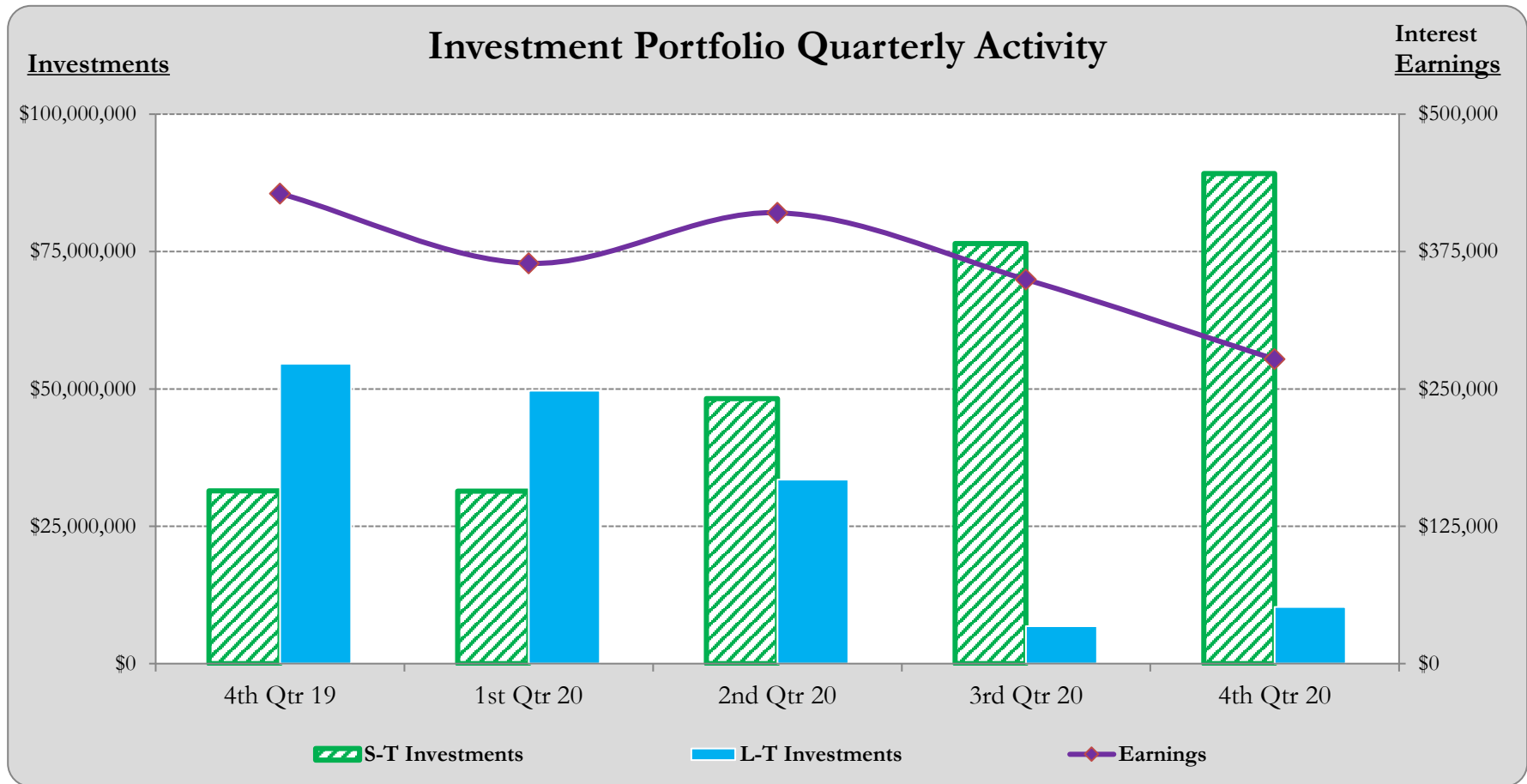
Total Investments \$ 99,403,502

Annualized Return 1.24%

Nevada Irrigation District

Quarterly Cash & Investment Report: December 31, 2020

Investments & Interest Earnings



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



Month	2020	2021	2022	2024	2025	Grand Total
Jan						-
Feb						-
Mar					3,000,000	3,000,000
Apr						-
May						-
Jun		250,000				250,000
Jul						-
Aug		250,000				250,000
Sep					3,500,000	3,500,000
Oct		250,000				250,000
Nov						-
Dec	83,153,502			6,000,000	3,000,000	92,153,502
Grand Total	83,153,502	750,000	0	6,000,000	9,500,000	99,403,502
Portfolio %	83.7%	0.8%	0.0%	6.0%	9.6%	100.0%

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

	Unrestricted			Restricted		Total
	Water	Recreation	Hydroelectric	CapFee	Bonds	

2019 Audited Reserves \$ 18,085,034 \$ 1,338,414 \$ 57,294,101 \$ 6,840,404 \$ 10,433,125 \$ 93,991,078

2020 Cash Breakdown:

<u>Policy #</u>	<u>Restricted Reserves</u>						<u>Policy \$ Min</u>	
3040.3.1	Capacity Fees				7,052,122		7,052,122	\$2M
3040.3.2	Debt Service				611,180		611,180	Covenant
3040.3.3	Bond/Loan/Fiduciary					-	-	Covenant
	Restricted Total	-	-	-	7,663,302	-	7,663,302	
	Operating Months	2.41	1.83	5.02				
	Designated Reserves							
3040.4.1	Operating	7,348,139	111,658	7,890,642			15,350,439	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	22,986,961	500,000	15,000,000			38,486,961	\$37.5M
3040.4.4	Capital Improvement/FERC License			30,000,000			30,000,000	\$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
	Designated Total	33,594,088	674,047	55,671,136	-	-	89,939,271	
	Working Capital							
3040.5.1	Operating Cash	1,000,000	250,000	1,000,000			2,250,000	
	Total	34,594,088	924,047	56,671,136	7,663,302	-	99,852,573	

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

		Actual					
		2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Reconcile to Budget
Union Bank		1,407					Receipts 66,070,539
Wells Fargo		3,709,448					Disbursements 77,405,370
LAIF Unrestricted		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		
True-Up Receipts		5,683,179	(5,722,384)	1,952,997	126,414		
Budget Disbursements		19,029,944	17,047,158	21,743,253	19,585,015		
True-Up Disbursement		5,086,344	(1,968,156)	(1,632,039)	(6,057,602)		
LAIF Transfer Ins/(Outs)		5,757,000	(4,613,000)	2,462,000	2,408,000		
Ending Balance		9,713,671	1,701,384	2,330,803	5,000,276		
Bank of the West Balance				6,098,583	5,578,601		
Union Bank MM Balance				4,459	73,311		
LAIF Unrestricted							
Transfer Ins/(Outs) WF		(5,757,000)	4,613,000	(2,462,000)	(2,408,000)		
Transfer Ins/(Outs) UB		16,596,184	30,895,139	1,003,143	2,363,585		
Ending Balance		38,496,450	74,004,589	72,545,732	72,501,317		
LAIF Restricted Bonds Balance				8,190,847	-		
Total Short-Term Cash: 12/31/2020		\$ 48,210,121	\$ 75,705,973	\$ 89,170,424	\$ 83,153,505		

Note: Assumes encumbrances will roll annually