

Staff Report

for the Board of Directors' Meeting of January 13, 2021

TO: Board of Directors

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

DATE: January 6, 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 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 \$1,036,808 compared to prior year of \$1,121,379, a decrease of \$84,571. The fiscal year portfolio return is estimated at 1.42%.

The investment and earnings chart indicates a shift from long-term investments to short-term investments (\$44.2 million) from the 3rd quarter of 2019 to the 3rd 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. 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), 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 90.9% of the portfolio invested short-term. Many factors cause volatility in the financial markets, but I believe it is safe to say that the COVID-19 pandemic is currently 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 District 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. 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. 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 \$89.2 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 \$84.5 million anticipating drawing down the remaining 2016A bond proceeds (\$8.1 million).

	<u>Amount</u>
9/30/2020 Balance	\$ 89,170,424
Receipts	13,662,472
Disbursements	(19,585,015)
Maturities, Earnings	1,250,000
LAIF Unrestricted	8,190,847
LAIF Restricted Bonds	<u>(8,190,847)</u>
12/31/2020 Estimate	84,497,881

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
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

Total L-Term Investments \$ 10,300,000 \$ 10,304,944 \$ 4,944

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
Local Investment Pool	Local Agency IF-2016 Bond	1.36%	9/30/2020	8,190,847	8,190,847	N/A	N/A
Checking Account	Bank of the West	0.70%	9/30/2020	6,098,583	6,098,583	N/A	N/A
Checking Account	Wells Fargo Checking	0.23%	9/30/2020	2,330,800	2,330,800	N/A	N/A

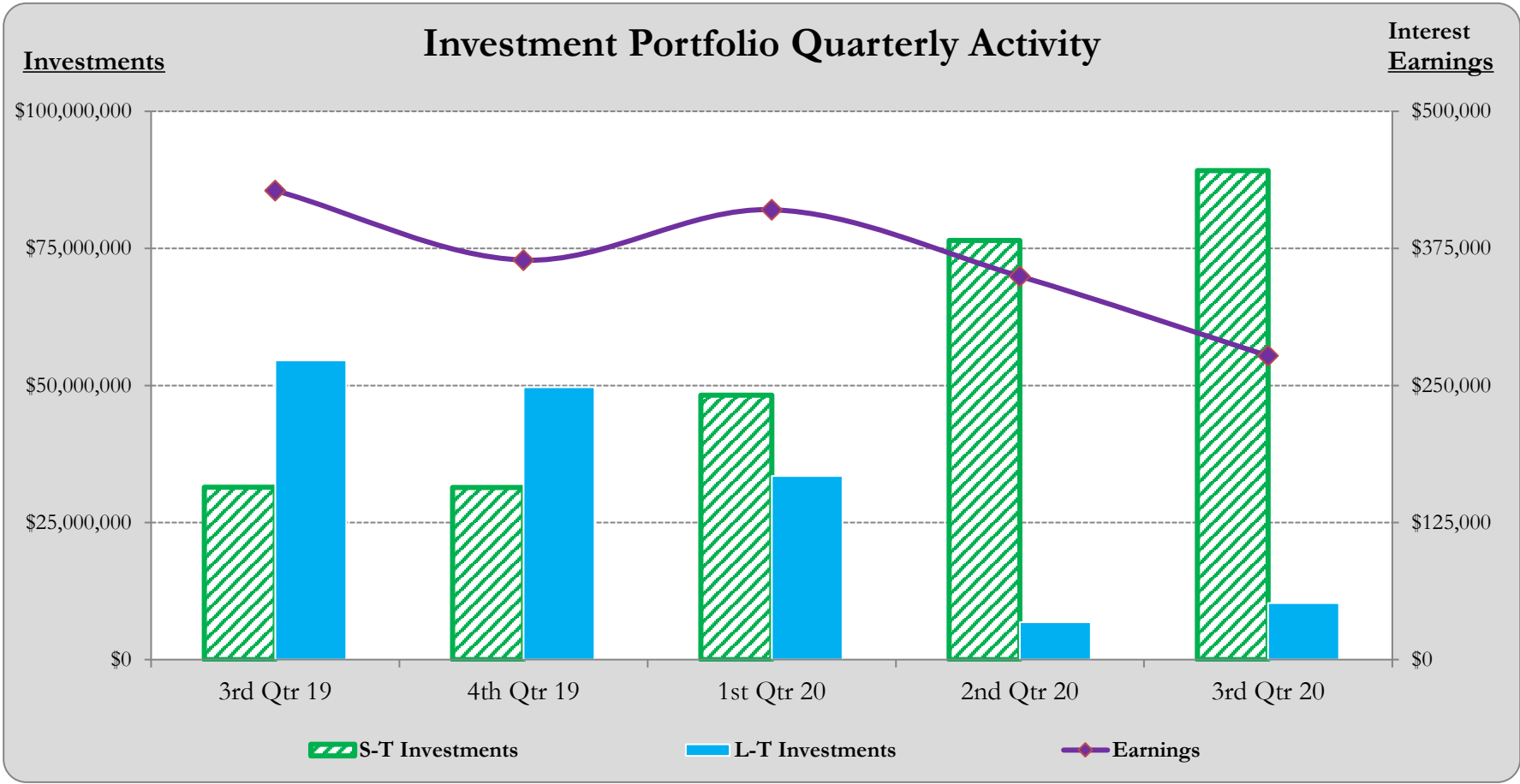
Total S-Term Investments \$ 89,170,421

	YTD Interest		Total Investments \$ 99,470,421
L-Term Investments	428,389		
S-Term Investments	608,419		
	\$ 1,036,808		Annualized Return 1.39%

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


Short-Term	Long-Term
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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	89,170,421			3,500,000	92,670,421
Oct	1,250,000	250,000			1,500,000
Nov					-
Dec					-
Grand Total	90,420,421	750,000	4,800,000	3,500,000	99,470,421
Portfolio %	90.9%	0.8%	4.8%	3.5%	100.0%

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

		Unrestricted			Restricted			
		Water	Recreation	Hydroelectric	CapFee	Bonds	Total	
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				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	8,068,574	Covenant
Restricted Total		-	-	-	6,840,404	8,068,574	14,908,978	
Operating Months		3.06	4.08	4.69				
Designated Reserves								
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
Designated Total		32,389,641	1,120,611	55,563,569	-	-	89,073,821	
Working Capital								
3040.5.1	Operating Cash	1,000,000	250,000	1,000,000			2,250,000	
Total		<u>33,389,641</u>	<u>1,370,611</u>	<u>56,563,569</u>	<u>6,840,404</u>	<u>8,068,574</u>	<u>106,232,799</u>	

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

										
Actual					Forecast					
					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	-		
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)	-		
LAIF Transfer Ins/(Outs)					5,757,000	(4,613,000)	2,462,000	5,600,000		
Ending Balance					9,713,671	1,701,384	2,330,803	2,008,260		
Bank of the West Balance							6,098,583	6,098,583		
Union Bank MM Balance							4,459	4,459		
LAIF Unrestricted										
Transfer Ins/(Outs) WF					(5,757,000)	4,613,000	(2,462,000)	(5,600,000)		
From LAIF Restricted							0	8,190,847		
Transfer Ins/(Outs) UB					16,596,184	30,895,139	1,003,143	1,250,000		
Ending Balance					38,496,450	74,004,589	72,545,732	76,386,579		
LAIF Restricted Bonds Balance							-	8,190,847	-	
Total Short-Term Cash					\$ 48,210,121	\$ 75,705,973	\$ 89,170,424	\$ 84,497,881		12/31/2020 Estimate

Note: Assumes encumbrances will roll annually