

SOUTH PLACER MUNICIPAL UTILITY DISTRICT
STAFF REPORT

To: Board of Directors

From: Emilie Costan, Administrative Services Manager

Cc: Herb Niederberger, General Manager
Carie Huff, District Engineer
Eric Nielsen, Superintendent

Subject: Annual Investment Report for the Fiscal Year Ended June 30, 2021

Meeting Date: November 4, 2021

Overview

The South Placer Municipal Utility District (District) generally operates in accordance with the Municipal Utilities District Act of California, codified in Public Utilities Code §11501, et seq. Public Utilities Code §12871 allows the District to invest surplus money in its treasury and the Government Code, primarily §53601 and related subsections, authorizes the type of investment vehicles allowed in a California local agency's portfolio. The investment vehicles emphasize preservation of capital and conservative investments, and the District is not permitted to purchase an investment that is not specifically authorized by law and within the scope of investments designated by the District's Board of Directors.

The District is currently utilizing a "dual portfolio" approach to its investments, consisting of a "Liquidity Portfolio" and a "Long-Term Portfolio" that is consistent with the three primary principals of public fund investment, 1) Safety, 2) Liquidity and 3) Return on Investment, in that order of priority. The Liquidity Portfolio consists of funds necessary for the District's operation and capital needs for a period of not less than one-year, plus prudent reserves in accordance with *Policy 3130 – District Reserve Policy*. Funds determined by the District in excess of the amount necessary to fund the Liquidity Portfolio may be allocated to the Long-Term Portfolio.

On December 3, 2015, the Board of Directors adopted Resolution 15-27 which reflected that *Policy 3120 – Investment of District Funds* was adopted in its entirety and included in the District Policy Handbook. In February 2016, the District adopted a strategy for the investment of District funds which was revised with Resolution 18-15 in June 2018. One of the ways the District managed its exposure to interest rate risk was by purchasing a combination of short and long-term investments and timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for District operations. Now, as Fixed Income Securities being held in the Long-Term Portfolio mature, rather than reinvesting into other Fixed Income Securities, the proceeds are distributed evenly among the Cal Trust Medium Term Holdings, the Local Agency Investing Fund, and the Placer County Treasury. As of June 30, 2021, only \$1.5 Million remained in Fixed Income Securities with those remaining certificates maturing in the following quarter.

During the last fiscal year investments experienced both gains and losses. Record low interest rates coupled by investment market volatility due to COVID-19 continued to reduce investment income to historic lows. The overall balance of the District's investment portfolio, less unrestricted deposits in financial instructions (cash) and the restricted CalPERS CEPP Trust, increased \$2,321,907 (3.7%) from the prior year.

Recommendation

Staff recommends that the Board of Directors receive and file the Annual Investment Report.

Strategic Plan Goals

This action is consistent with SPMUD Strategic Plan Goals:

Goal 1.3: Maintain Transparency with all District activities.

Goal 4.1: Maintain Compliance with Pertinent Regulations

Goal 5.2: Explore and evaluate investment and business practice alternatives.

Goal 5.3: Maintain financial responsibility by ensuring allocated funding sources are adequate to meet expenses; and that available funds and resources are managed efficiently.

Goal 5.6: Provide routine reports on Financial Stability.

Related District Ordinances and Policies

This action is in conjunction with the following District Policies:

Policy 3120 – Investment of District Funds

Policy 3130 – District Reserve Policy

Fiscal Impact

There is no direct fiscal impact associated with the preparation of this report.

Attachments:

Table 1 – Balance of Investments

Table 2 – Fund Balances

Table 3 – Short-Term and Long-Term Portfolio Breakdown

Table 4 – Remaining Maturity

Table 5 – Percentage of Portfolio Compared to Maximum Allowance

Table 6 – Credit Risk

Table 1 – Balance of Investments

Investment	Balance 06/30/21	Balance 06/30/20
Wells Fargo Fixed Income Securities & Money Market Mutual Funds	\$ 2,348,457	\$ 14,315,195
Local Agency Investment Fund (LAIF)	15,898,497	10,830,926
Caltrust Investments	23,882,582	21,811,933
Placer County Treasury Investments	16,946,764	11,893,986
	<u>\$ 59,076,300</u>	<u>\$ 58,852,040</u>
Unrestricted deposits in financial institutions	\$ 6,300,850	\$ 4,203,203
	<u>\$ 65,377,150</u>	<u>\$ 63,055,243</u>
CalPERS CEPPT - Restricted	\$ 3,440,903	\$ -
TOTAL	<u>\$ 68,818,053</u>	<u>\$ 63,055,243</u>

Table 2 – Fund Balances

Fund	Balance 06/30/21	Balance 06/30/20
Fund 100 - General Fund	\$ 16,786,026	\$ 14,646,769
Restricted - CEPPT	3,440,903	-
Fund 300 - Capital Improvement Fund	26,878,885	26,787,560
Fund 400 - Capital Replacement Fund	21,712,239	21,620,914
TOTAL	<u>\$ 68,818,053</u>	<u>\$ 63,055,243</u>

Table 3 – Short-Term and Long-Term Portfolio Breakdown**Short-Term Portfolio**

Unrestricted Deposits in Financial Institutions	\$ 6,300,850
Wells Fargo Money Market Mutual Funds	844,255
Local Agency Investment Fund (LAIF)	15,898,497
CalTRUST Short-Term Investment Fund	4,332,714
Placer County Treasury's Investment Pool	16,946,764
	<u>\$ 44,323,080</u>

Long-Term Portfolio

Wells Fargo Fixed Income Securities	\$ 1,504,202
CalTRUST Medium-Term Investment Fund	19,549,868
	<u>\$ 21,054,070</u>

Restricted

CalPERS CEPP Trust	\$ 3,440,903
	<u>\$ 3,440,903</u>

Tables 4, 5 and 6 do not include unrestricted deposits in financial institutions (\$6.3M cash) or the restricted CEPP Trust.

Table 4 – Remaining Maturity

	Remaining Maturity		
	12 Months or Less	1-5 years	Fair Value
Fixed income securities	\$ 1,504,202	\$ -	\$ 1,504,202
Money market mutual funds	844,255	-	844,255
Local Agency Investment Fund (LAIF)	15,898,497	-	15,898,497
CalTRUST Investment Fund	23,882,582	-	23,882,582
Placer County Treasury's Investment Pool	16,946,764	-	16,946,764
	<u>\$ 59,076,300</u>	<u>\$ -</u>	<u>\$ 59,076,300</u>

Table 5 – Percentage of Portfolio Compared to Maximum Allowance

Investment Type	% of Portfolio on 06/30/20	Maximum Amount of Portfolio
Local Agency Investment Fund (LAIF)	24%	75%
Placer County Treasurer's Pool	26%	75%
Investment Trust of CA (CalTRUST)	37%	75%
Bank Savings Account	10%	75%
Federal Agencies	0%	25%
Commercial Paper	0%	15%
Negotiable Certificates of Deposits	2%	20%
Repurchase Agreements	0%	20%
U.S. Treasury Obligations	0%	Unlimited
All other investments allowed by GC §53601	1%	20%

Table 6 – Credit Risk

	Total	Rating as of Fiscal Year End		
		S&P	Moody's	N/A
Fixed income securities	\$ 1,504,202	AAAm		
Money market mutual funds	844,255	AAAm		
Local Agency Investment Fund (LAIF)	15,898,497			Not rated
CalTRUST Investment Fund	23,882,582			Not rated
Placer County Treasury's Investment Pool	16,946,764			Not rated
	<u>\$ 59,076,300</u>			