

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, 2022

Meeting Date: November 3, 2022

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 the 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.

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 was maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for District operations. Per the revised Resolution 18-15, as Fixed Income Securities being held in the Long-Term Portfolio matured, rather than reinvesting them into other Fixed Income Securities, the proceeds were distributed evenly among the Cal Trust Medium Term Holdings, the Local Agency Investing Fund, and the Placer County Treasury. On January 7, 2021, the Board adopted Resolution 21-01, Updating the Strategy for the Investment of District Funds, to allow the District to move the remaining Fixed Income Securities to CalTRUST Short Term, CalTRUST Medium Term, Placer County Treasury, and the Local Agency Investment Fund (LAIF) as they mature depending on market conditions and quarterly performance. As of June 30, 2022, all Fixed Income Securities had matured with all funds transferred to other investment vehicles by the end of October 2021.

During the last fiscal year, investments experienced both gains and losses. Record low interest rates coupled with frequent market volatility and high inflation continued to reduce investment earnings to historic lows and are beginning to draw down District Reserves. The overall balance

of the District's investment portfolio, less unrestricted deposits in financial instructions (cash) and the restricted CalPERS CEPP Trust, increased by \$4,107,627 (6.9%) from the prior year.

Recommendation

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

Strategic Plan Priorities

This action is consistent with SPMUD Strategic Plan Priorities:

- Prepare for the future and foreseeable emergencies
- Provide exceptional value for the cost of sewer service

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 – Percentage of Portfolio Compared to Maximum Allowance

Table 1 – Balance of Investments

Investment	Balance 06/30/22	Balance 06/30/21
Local Agency Investment Fund (LAIF)	\$ 24,978,939	\$ 15,898,497
CalTRUST Investments	13,204,415	23,882,582
Placer County Treasury's Investment Pool	25,003,615	16,946,764
Wells Fargo Money Market	-	2,348,457
	<u>\$ 63,186,969</u>	<u>\$ 59,076,300</u>
Unrestricted Deposits in Financial Institutions	\$ 11,193,862	\$ 6,300,850
	<u>\$ 74,380,831</u>	<u>\$ 65,377,150</u>
CalPERS CEPPT - Restricted	\$ 3,006,901	\$ 3,440,903
TOTAL	<u>\$ 77,387,732</u>	<u>\$ 68,818,053</u>

Table 2 – Fund Balances

Fund	Balance 06/30/22	Balance 06/30/21
Fund 100 - General Fund	\$ 25,280,772	\$ 16,786,026
Fund 300 - Capital Improvement Fund	27,140,321	26,878,885
Fund 400 - Capital Replacement Fund	21,959,738	21,712,239
	<u>\$ 74,380,831</u>	<u>\$ 65,377,150</u>
Restricted - CEPPT	\$ 3,006,901	\$ 3,440,903
TOTAL	<u>\$ 77,387,732</u>	<u>\$ 68,818,053</u>

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

Short-Term Portfolio	
Unrestricted Deposits in Financial Institutions	\$ 11,193,862
Local Agency Investment Fund (LAIF)	24,978,939
CalTRUST Short-Term Investment Fund	4,303,219
Placer County Treasury's Investment Pool	25,003,615
	<u><u>\$ 65,479,635</u></u>
Long-Term Portfolio	
CalTRUST Medium-Term Investment Fund	<u>8,901,196</u>
	<u><u>\$ 8,901,196</u></u>
Restricted	
CalPERS CEPP Trust	<u>\$ 3,006,901</u>
	<u><u>\$ 77,387,732</u></u>

Table 4 – Percentage of Portfolio Compared to Maximum Allowance

Investment Type	% of Portfolio on 06/30/22	Maximum Amount of Portfolio
Local Agency Investment Fund (LAIF)	34%	75%
Placer County Treasurer's Pool	34%	75%
Investment Trust of CA (CalTRUST)	18%	75%
Bank Savings Account	15%	75%
Federal Agencies	0%	25%
Commercial Paper	0%	15%
Negotiable Certificates of Deposits	0%	20%
Repurchase Agreements	0%	20%
U.S. Treasury Obligations	0%	Unlimited
All other investments allowed by GC §53601	0%	20%