

**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, 2023

**Meeting Date:** November 2, 2023

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**Overview**

The South Placer Municipal Utility District (District) is governed by the Municipal Utilities District (MUD) 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. California Government Code, primarily §53601 and related subsections, authorizes the type of investment vehicles that are allowed in a local agency's portfolio. The investment vehicles that are allowed emphasize the preservation of capital and conservative investment. The District is not permitted to purchase an investment that is not specifically authorized by law and designated by the District's Board of Directors.

On December 3, 2015, the Board of Directors adopted Board Policy 3120 – Investment of District Funds. In February 2016, the District adopted a strategy for the investment of District funds which was later 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 any of the District's investment pools as they matured depending on market conditions and quarterly performance. By October 2021, all Fixed Income Securities had matured with all funds transferred to other investment vehicles. In December 2022, per a recommendation resulting from a California Special District Association (CSDA) investment policy compliance review, the District's investment policy was revised to remove language that specified permitted investment pools and set maximum asset allocations. In April 2023, the District transferred \$5 million into the CA Class Prime Fund.

During the last fiscal year, interest rates began to rise as the Federal Reserve increased rates to combat persistently high inflation. While equity markets continued to experience high levels of

volatility, short-term fixed income funds began to provide consistent quarterly interest earnings. The overall balance of the District's investment portfolio including unrestricted deposits in financial institutions and the District's CalPERS Section 115 Pension Trust decreased by \$4.06 million (5.25%) from the prior year despite investment earnings of approximately \$1.57 million, primarily due to a high inflationary environment impacting the operating expenses and programmed capital expenditures.

### **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. Interest income is used to fund both operating and capital expenditures.

### **Attachments:**

Table 1 – Balance of Investments

Table 2 – Fund Balances

Table 3 – Asset Allocation as of June 30, 2023

**Table 1 – Balance of Investments**

<u>Investment</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Local Agency Investment Fund (LAIF)	\$ 25,563,827	\$ 24,978,939
Placer County Treasury's Investment Pool	25,460,827	25,003,614
Investment Trust of CA (CaITRUST)	6,419,937	13,204,416
Five Star Money Market	6,097,695	100
California Class	5,062,129	-
	<u>\$ 68,604,415</u>	<u>\$ 63,187,069</u>
Unrestricted Deposits in Financial Institutions	\$ 1,534,245	\$ 11,163,677
	<u>\$ 70,138,660</u>	<u>\$ 74,350,746</u>
CalPERS CEPPT - Restricted	\$ 3,156,947	\$ 3,006,902
<b>TOTAL</b>	<b><u>\$ 73,295,607</u></b>	<b><u>\$ 77,357,648</u></b>

**Table 2 – Fund Balances**

<u>Fund</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Fund 100 - Operating Fund	\$ 14,808,953	\$ 25,250,688
Fund 300 - Capital Improvement Fund	31,500,531	27,140,321
Fund 400 - Capital Replacement Fund	23,829,176	21,959,738
	<u>\$ 70,138,660</u>	<u>\$ 74,350,747</u>
Restricted - CEPPT	\$ 3,156,947	\$ 3,006,901
<b>TOTAL</b>	<b><u>\$ 73,295,607</u></b>	<b><u>\$ 77,357,648</u></b>

**Table 3 – Asset Allocation as of June 30, 2023**

<u>Investment Type</u>	<u>% of Portfolio on June 30, 2023</u>
Local Agency Investment Fund (LAIF)	36%
Placer County Treasury's Investment Pool	36%
Investment Trust of CA (CaITRUST) Short Term Fund	9%
Five Star Money Market	9%
California Class Prime Fund	7%
Five Star Checking Account	2%