



To: Board of Commissioners
 Re: Treasurer's Report May 31, 2019
 Date: July 23, 2019
 From: Phillip J. Sexton

Consent Item B

Attached is the treasurer's report for May 31, 2019.

Big Picture Summary

- ▶ For **FY 18/19** we are projected to generate \$50,000 of cash. It is anticipated that we will take \$305,000 out of our specified reserves and put in \$355,000 into operating reserves.
- ▶ For **FY 19/20** we are budgeted to use <\$586,200> of cash. It is anticipated that we will take \$736,500 out of our specified reserves for FY19/20 projects, put \$150,000 into specified reserves for future FY projects and put in \$300 into operating reserves.

Cash in Bank, Short-term and Long-Term Investment Balances- Cash in bank, short-term and long-term investment balances at May 31, 2019 are \$7,160,000 compared to \$5,897,000 at June 30, 2018 for a \$1,263,000 increase. The increase is normal this time of year due to timing of property tax receipts (we received \$305,500 of property tax receipts in May). We will begin using LAIF reserves each month until November, 2019 when we start receiving property tax revenues again. Between May 2019 and November 2019 it is anticipated we will use approximately \$1,200,000 of our LAIF reserves.

Of the current \$7,160,000 in investments, approximately \$6,840,000 or 95.5% is cash in bank and our short-term Local Agency Investment Fund (LAIF) with the remaining approximate \$320,000 in long-term government backed securities.

Investment Yield- Our overall investment yield at May 31, 2019 is 2.28% vs. 1.81% at June 30, 2018. The yield is consistent with our investment risk and the existing market conditions.

Cash/Investments and Potential Uses- Based on the projected FY 18/19 cash flow, unassigned cash is projected to be \$2,780,000 at June 30, 2019 as follows:

	<u>Projected June 30, 2019</u>
Cash/investment balance-beg. of year	\$ 5,896,000
FY 18/19 Projected Increase-see above	50,000
Operating cash flow reserve	(1,300,000)
Assigned funds-Specified reserves	(1,387,000)
Unearned deposits and revenues	(550,000)
Unassigned funds (Liquid Resources)-end of year	\$ <u>2,709,000</u>

Potential uses of the unassigned funds include:

- Pension and OPEB prefunding, either through Section 115 plans or in the case of the pension direct pay downs of the balance.
- Seed money for pier reconstruction,
- Potential rent losses due to Fat Cats (\$85,000 annually)
- Potential reduction in RV revenues (\$270,000-estimated) relating to Avila Beach Drive (an extension has been granted until November 2019,
- Future budget requirements.

The closure of Diablo Canyon in 2024/2025 will have an impact on our budget after the closure. Based on current legislation, until the closure we should receive an average of our current annual revenues of approximately \$400,000 in unitary tax revenues related to Diablo. The PG&E bankruptcy may impact our revenue stream...the bankruptcy court will have jurisdiction. FYI...at this point the County estimates that we will receive \$425,000 in total unitary tax for FY 18/19 and \$383,000 in FY19/20.

Other

Unfunded Liabilities

The District has the following unfunded liabilities:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Other Post-Employment Benefits (OPEB) (Implicit & Explicit)	\$ 1,483,000 (1)	\$ 1,293,000
Net Unfunded Pension Liability (UAL)	\$ 4,176,000 (2)	\$ 4,014,000
Compensated Absences	\$ 256,000	\$ 251,000
Total	<u>\$ 5,915,000</u>	<u>\$ 5,558,000</u>

- (1) For the FYE June 30, 2018, Governmental Accounting Standards Board (GASB) 75 is effective and requires different assumptions as to how the liability is valued than the prior GASB 45, so amounts between years are not comparable. The June 30, 2018 liability is based on a valuation and measurement date of June 30, 2017, rolled forward to June 30, 2018.
- (2) The June 30, 2018 unfunded pension liability is based on a 7.15% discount rate (earnings rate), with a valuation date of June 30, 2016, a measurement date of June 30, 2017 and rolled forward to June 30, 2018.

The Other Post-Employment Benefits (OPEB) relates to the present value of accrued post-employment health insurance benefits employees and retirees have earned. Based on actuarial projections it is recommended that we set aside \$146,000/year to fully fund this obligation, given a 30 year amortization period. At June 30, 2018, we have set aside in an assigned reserve of \$69,000 of the unfunded \$1,483,000 liability. FY 2018/2019 budget anticipates an actual outlay of \$21,400 to retirees. Per current Governmental Accounting Standards, only a portion of the unfunded retiree health benefits are included in the government wide and fund financial statements.

The net unfunded pension liability of \$4,176,000 is the difference between the funded plan assets (what we have put into the Public Employees Retirement System (PERS) plus our earnings) and the present value of our pension benefit obligations to our employees. As discussed, PERS is systematically lowering the discount rate (the investment earnings rate they project to achieve) and such lowering increases the unfunded pension liability. The actual earnings rate will be different than that used in the PERS valuations and accordingly the unfunded pension liability will increase or decrease. An earnings rate of 1% more reduces the liability by \$1,800,000 and an earnings rate of 1% less would increase the liability by \$2,200,000.

The compensated absences represent the June 30, 2018 value of accrued vacation and sick leave that employees are entitled to based on their past service.

Certification

In conformity with Government Code 53646 (b)(2) I certify that 1) all investment actions executed since the last report have been made in full compliance with the Investment Policy and 2) the Harbor District is projected to have sufficient cash reserves to meet its expenditure obligations for the next six months.

TO: BOARD OF COMMISSIONERS
 FROM: PHILLIP J. SEXTON, TREASURER
 DATE: July 23, 2019
 DATE: INVESTMENT PORTFOLIO AT MAY 31, 2019

INVESTMENTS	MAY 31, 2019			JUNE 30, 2018			CURRENT MARKET YIELD	PREVIOUS MARKET YIELD	CURRENT NET ASSET VALUE	PREVIOUS NET ASSET VALUE
	SHARES	MARKET VALUE	COST	SHARES	MARKET VALUE	COST				
Liquid Assets:										
Cash in bank-Wells Fargo Operating-Old		0	0		220,252	220,252				
Cash in bank-Wells Fargo Operating-New		379,701	379,701							
Cash in Bank- Wells Fargo Payroll		167,706	167,706		143,786	143,786				
Local Agency Investment Fund (1)	6,295,087	6,295,087	6,295,087	5,219,110	5,219,110	5,219,110	2.45%	1.85%	1.00	1.00
Securities Backed By U.S. Govt.										
Franklin Fund	53,029.86	317,649	381,829	53,030	313,406	381,829	2.96%	3.09%	5.99	5.91
Investments and Cash in Bank		7,160,143	7,224,323		5,896,554	5,964,977				
Cumulative Unrealized Gain (Loss) on Investment Balances			(64,180)			(68,423)				
							2.28%	1.81%		

Notes

The source of the portfolio valuations (per government code 53464(b)(1)) are as follows:
 Cash in Bank- Bank statements and bank reconciliations
 Local Agency Investment Fund- Local Agency Investment Report
 Franklin fund-Reported stock market valuation

(1) Excludes any interest accrued at year end but not yet paid.

TO: BOARD OF COMMISSIONERS
 FROM: PHILLIP J. SEXTON, TREASURER
 DATE: July 23, 2019
 RE: INVESTMENT TRANSACTIONS FOR THE ELEVEN MONTHS ENDED MAY 31, 2019

INVESTMENT	COST		TRANSFERS		TRANSFERS		EARNINGS		COST		CURRENT	
	BEGINNING BALANCE		IN	OUT	FOR YEAR	ENDING BALANCE	YEAR-TO-DATE EARNINGS	MARKET YIELD				
Liquid Assets:												
Cash in bank-Wells Fargo Operating-Old	220,252		4,643,310	(4,863,561)		0						
Cash in bank-Wells Fargo Operating-New	0		2,901,445	(2,521,745)		379,701						
Cash in Bank- Wells Fargo Payroll	143,786		2,807,073	(2,783,153)		167,706						
Local Agency Investment Fund	5,219,110		2,673,000	(1,710,000)	112,977	6,295,087	112,977	2.45%				
Securities Backed By US Govt.												
* Franklin Fund	381,829		0	(8,920)	8,920	381,829	8,920	2.96%				
	5,964,977		13,024,828	(11,887,379)	121,897	7,224,323	121,897	2.28%				

** Earnings are added to our investment account.