



To: Board of Commissioners
 Re: Treasurer's Report September 30, 2020
 Date: November 17, 2020
 From: Phillip J. Sexton

Attached is the treasurer's report for September 30, 2020.

Big Picture Summary

- For **FY 19/20** based on the *preliminary* June 30, 2020 amounts we will generate \$266,000 of cash vs consuming \$160,000 of cash based on the April 2020 projection. The major difference is a reduction in major maintenance and capital projects costs.
- For **FY 20/21** the approved *budget* as adjusted at the August 25, 2020 Board meeting uses \$942,000 of cash reserves, \$276,000 comes from operating reserves and \$666,000 comes from specified reserves.
- On tonight's agenda is a proposed budget adjustment for **FY 20/21** that would result in \$1,107,000 of cash reserves being used, \$441,000 from operating reserves and \$666,000 from specified reserves.

Cash in Bank, Short-term and Long-Term Investment Balances- Cash in bank, short-term and long-term investment balances on September 30, 2020 are \$6,355,000 compared to \$6,194,000 on September 30, 2019 and \$7,525,000 on June 30, 2020. The decrease from June 30, 2020 of \$1,170,000 is consistent with our timing of property tax receipts and expenditures. FYI as noted below, we have approximately \$776,000 of unearned deposits and revenues we have collected but not yet earned, including PG&E lighthouse barrier access funds (\$252,000), harbor patrol boat grants (\$96,000) unearned mooring funds (\$205,000), RV prepaid reservation fees (\$193,000) and lessee deposits (\$30,000).

Of the current \$6,355,000 in investments, approximately \$6,032,000 or 95% is cash in bank and our short-term Local Agency Investment Fund (LAIF) with the remaining approximate \$323,000 in long-term government backed securities.

Investment Yield- Our overall investment yield on September 30, 2020 is 0.72% vs. 1.15% on June 30, 2020. The yield is consistent with our investment risk and the existing market conditions.

Cash/Investments and Potential Uses- Based on the current projected FY 20/21 amounts, unassigned cash is projected to be \$3,259,000 on June 30, 2021 as follows:

	<u>Projected June 30, 2021</u>
Cash/investment balance-beg. of year	\$ 7,525,000
FY 20/21 Projected decrease-see above	(1,107,000)
Operating cash flow reserve	(1,300,000)
Assigned funds-Specified reserves	(1,083,000)
Unearned deposits and revenues	(776,000)
Projected Unassigned funds (Liquid Resources)-June 30, 2021	<u>\$ 3,259,000</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
- Rent losses due to Olde Port Inn closure (\$110,000/year) and potential rent losses due to Fat Cats (\$85,000 annually) and those related to COVID-19 matters.
- Potential reduction in RV revenues (\$270,000-estimated) relating to Avila Beach Drive. Your Harbor Manager has secured an extension to allow RVs on Avila Drive until November 2021 or when the project is operational.
- Wastewater Treatment Plant

- 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 and over the 6-year period (from FY 18/19) we should receive an annual average of the FY 18/19 annual unitary taxes of approximately \$400,000. This projected average is the combination of the actual unitary tax paid by PG&E (which is decreasing every year as the County devalues the plant) and the supplemental SB 1090 funds which we will receive each year until FY 25/26. FYI...for FY 19/20 we received \$383,176 of SB 1090 funds and will receive an additional \$191,588 each year in 6 annual payments beginning with FY 20/21. Once the mitigation funds run out and the plant is devalued, we will have a \$400,000 shortfall in this line item compared to where we were in FY 18/19.

Other

Unfunded Liabilities

The District has the following unfunded liabilities:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Other Post-Employment Benefits (OPEB) (Implicit & Explicit) (1)	\$ 1,641,000	\$ 1,608,000	\$ 1,483,000
Net Unfunded Pension Liability (UAL) (2)	\$ 4,497,000	\$ 4,135,352	\$ 4,176,000
Compensated Absences	<u>\$ 277,623</u>	<u>\$ 277,629</u>	<u>\$ 256,000</u>
Total	<u>\$ 6,415,623</u>	<u>\$ 6,020,981</u>	<u>\$ 5,915,000</u>

- (1) The June 30, 2020 OPEB unfunded liability is based on a 2.79% discount rate (earnings rate)
- (2) The June 30, 2020 unfunded pension liability is based on a 7.0% discount rate (earnings rate)

OPEB-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 \$130,000/year to fully fund this obligation. On June 30, 2020, we have set aside in an assigned reserve \$69,000 of the unfunded \$1,641,000 liability. FY 2019/2020 our actual payments for retiree healthcare were \$18,663.

Net Unfunded Pension Liability-The June 30, 2020 net unfunded liability for our audit reporting purposes of \$4,497,000 (see above) is different than the current actuarial valuations provided by PERS and our pension software. That liability approximates \$4,850,000, which liability is more accurate.

PERS is systematically lowering the discount rate (the projected investment earnings rate) and such lowering increases the unfunded pension liability. For June 30, 2020, the discount rate is 7% while the actual PERS investment return was 4.7%. The 20-year average annual return has been 5.5%, below the assumed earnings rate. An earnings rate of 1% less would increase the liability by \$2,194,000.

Compensated Absences-The compensated absences represent the June 30, 2020 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: November 17, 2020
 DATE: INVESTMENT PORTFOLIO AT September 30, 2020

INVESTMENTS	September 30, 2020			June 30, 2020			CURRENT MARKET YIELD	PREVIOUS MARKET YIELD June 30, 2020	CURRENT NET ASSET VALUE	PREVIOUS NET ASSET VALUE June 30, 2020
	SHARES	MARKET VALUE	COST	SHARES	MARKET VALUE	COST				
Liquid Assets:										
Cash in Bank-Wells Fargo Operating		248,215	248,215		644,831	644,831				
Cash in Bank- Wells Fargo Payroll		91,206	91,206		158,635	158,635				
Cash in Bank- Pacific Western Operating		88,979	88,979		0	0				
Local Agency Investment Fund (1)	5,603,975	5,603,975	5,603,975	6,298,878	6,298,878	6,298,878	0.69%	1.22%	1.00	1.00
Cash in County Treasurer		0	0		97,293	97,293				
Securities Backed By U.S. Govt.										
Franklin Fund	53,029.86	322,952	381,829	53,030	325,603	381,829	2.36%	2.79%	6.09	6.14
Investments and Cash in Bank		6,355,327	6,414,205		7,525,240	7,581,466	0.72%	1.15%		
Cumulative Unrealized Gain (Loss) on Investment Balances			(58,877)			(56,226)				

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: November 17, 2020

RE: INVESTMENT TRANSACTIONS FOR THE THREE MONTHS ENDED September 30, 2020

INVESTMENT	COST BEGINNING BALANCE	TRANSFERS IN	TRANSFERS OUT	EARNINGS FOR YEAR	COST ENDING BALANCE	FISCAL YEAR-TO-DATE EARNINGS	CURRENT MARKET YIELD
Liquid Assets:							
Cash in Bank-Wells Fargo Operating	644,831	885,762	(1,282,378)		248,215		
Cash in Bank- Wells Fargo Payroll	158,635	1,095,000	(1,162,429)		91,206		
Cash in Bank- Pacific Western Operating	0	89,422	(442)		88,979		
Local Agency Investment Fund	6,298,878	0	(720,000)	25,097	5,603,975	25,097	0.69%
Cash In county Treasurer	97,293		(97,293)		0		
Securities Backed By US Govt.							
* Franklin Fund	381,829	0	(2,073)	2,073	381,829	2,073	2.36%
	7,581,466	2,070,184	(3,264,616)	27,171	6,414,205	27,171	0.72%

** Earnings are added to our investment account.