



To: Board of Commissioners  
Re: Treasurer's Report September 30, 2022  
Date: November 15, 2022  
From: Phillip J. Sexton

Consent Item B

Attached is the treasurer's report for September 30, 2022.

### **Big Picture Summary**

- FY 21/22-we are continuing to work on finalizing the financial statements and concluding the annual audit. FY 21/22 budget anticipated a use of \$1,186,000 cash reserves. As previously indicated, we anticipated to do much better than this. Preliminary financials indicate we used approximately \$100,000 of reserves. The major differences were increased revenue from RV's, parking, and property taxes and timing differences in major maintenance/capital project costs/funding.
- FY 22/23- the original budget results in \$976,000 of cash reserves being used. (There have been minor adjustments subsequent to the adoption.) The General Fund may have a deficit fund balance, while the Enterprise Fund will have a positive fund balance.

**Cash in Bank, Short-term and Long-Term Investment Balances-** Cash in bank, and short-term investment balances on September 30, 2022, are \$7,037,942 compared to \$7,771,051 on June 30, 2022. The current \$7,037,942 represents cash in bank and our short-term Local Agency Investment Fund (LAIF). A formal long-term investment strategy is pending.

**Investment Yield-** Our overall investment yield on September 30, 2022, is 1.39% vs. 0.86% on June 30, 2022. The yield is consistent with our investment risk and the existing market conditions. As interest rates have increased, we anticipate the LAIF yield will continue to increase. The October 26, 2022 daily rate is 1.84%.

**Cash/Investments and Potential Uses-** Based on the current projected FY 2022/2023 amounts:

	<b>Projected June 30, 2023</b>
<b>Cash/investment balance-6/30/22</b>	<b>\$ 7,771,051</b>
Budgeted 22/23 cash use	(976,000)
Operating cash flow reserve-board policy	(1,300,000)
Assigned funds-Specified reserves	(851,000)
Unearned deposits and revenues	(860,000)
<b>Projected Cash Reserves (Liquid Resources)</b>	<b><u>\$ 3,784,051</u></b>

The September 30, 2022 investment balance includes approximately \$2,117,000 of unearned deposits and revenues we have collected but not yet earned, including PG&E lighthouse barrier access funds (\$252,000), unearned mooring funds (\$27,000), RV prepaid reservation fees (\$323,000), unearned grant revenue of \$1,500,000 (\$240,000 from Friends of Avila Pier and \$1,260,000 from State Lands Commission), Sep and lessee deposits (\$15,000).

Potential uses of the reserves 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 economic uncertainty
- Your Harbor Director secured a two-year extension from the Coastal Commission to allow RVs on Avila Drive until November 16, 2024, thus negating the short-term impact of lost revenue from Avila Drive.
- Future budget requirements

The scheduled closure of Diablo Canyon in 2024/2025 (assuming the plan to keep the plant open does not materialize) will have an impact on our budget after the closure. Until the closure and over the 6-year period (beginning in FY 18/19) we should receive an annual average of the FY 18/19 annual unitary taxes of approximately \$400,000. In FYE 21/22 the District received \$191,000 in SB 1090 mitigation funds and \$245,000 in unitary taxes for an aggregate \$435,000. We have two SB 1090 mitigation payments remaining.

The District has the following unfunded liabilities:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Other Post-Employment Benefits (OPEB) (Implicit & Explicit) (1)	\$ 1,586,000	\$ 1,764,000	\$ 1,641,000
Net Unfunded Pension Liability (UAL) (2)	\$ 5,930,000	\$ 4,130,000	\$ 4,497,000
Compensated Absences	<u>\$ 299,600</u>	<u>\$ 290,000</u>	<u>\$ 277,623</u>
Total	<u>\$ 7,815,600</u>	<u>\$ 6,184,000</u>	<u>\$ 6,415,623</u>

(1) The June 30, 2022 OPEB unfunded liability is based on a 2.18% discount rate (earnings rate)

(2) The June 30, 2022 unfunded pension liability is based on a 7.15% 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 our actuarial computed costs are approximately \$123,000/year (current and future benefits). FY 2021/2022 our actual payments for retiree healthcare were \$16,364. On June 30, 2022, we have set aside in an assigned reserve \$69,000 of the unfunded \$1,586,000 liability.

**Net Unfunded Pension Liability**-The June 30, 2022 net unfunded liability from our Govinvest software reporting is \$5,930,000 (above), an increase of \$1.8M from 6/30/21. This is due to PERS market losses in FYE 6/30/22.

The June 30, 2022 balance per our audit report will be \$3,215,000 or \$2,715,000 less than our software. The reason being is that the requirements for the audit utilize data and historical market returns from 6/30/21, (when the market was up) and estimates employee census data based on a prior year....so it is outdated information. The Govinvest amount is more accurate.

PERS is systematically lowering the discount rate (the projected investment earnings rate) and all else being equal, such lowering increases the unfunded pension liability. For June 30, 2022, the discount rate is 6.8% (assumed future return on investments) while the actual PERS investment return for FY 21/22 was a loss of **6.10%**. The prior year was a gain of 21.3 % increase.

**Compensated Absences**-The compensated absences represent the June 30, 2022, 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 15, 2022  
 DATE: INVESTMENT PORTFOLIO AT September 30, 2022

INVESTMENTS	September 30, 2022			June 30, 2022			CURRENT	PREVIOUS	CURRENT	PREVIOUS
	SHARES	MARKET VALUE	COST	SHARES	MARKET VALUE	COST	MARKET YIELD	MARKET YIELD	NET ASSET VALUE	NET ASSET VALUE
								June 30, 2022		June 30, 2022
<b>Liquid Assets:</b>										
Cash in Bank- Pacific Western Credit Card		32,547	32,547		44,028	44,028				
Cash in Bank- Pacific Western Operating		331,795	331,795		115,934	115,934				
+ Cash in Bank- Pacific Western Payroll		187,533	187,533		162,474	162,474				
Local Agency Investment Fund (1)	6,486,067	6,486,067	6,486,067	7,192,967	7,192,967	7,192,967	1.51%	0.86%	1.00	1.00
Cash in County Treasurer		0	0		255,648	255,648				
Investments and Cash in Bank		<u>7,037,942</u>	<u>7,037,942</u>		<u>7,771,051</u>	<u>7,771,051</u>	<u>1.39%</u>	<u>0.86%</u>		
Cumulative Unrealized Gain (Loss) on Investment Balances			<u>0</u>			<u>0</u>				

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

These balance DO NOT include restricted cash (boom truck proceeds) and deposits (proceeds from our share of the ABCSD WWTP borrowings). In total these amounts aggregate \$823,000, but we do not control these accounts, and the funds are to be used for the Boom truck and additional improvements to the WWTP, expected to be completed by FYE 6/30/23.

TO: BOARD OF COMMISSIONERS  
 FROM: PHILLIP J. SEXTON, TREASURER  
 DATE: November 15, 2022

RE: INVESTMENT TRANSACTIONS FOR THE THREE MONTHS ENDE September 30, 2022

INVESTMENT	COST BEGINNING BALANCE	TRANSFERS IN	TRANSFERS OUT	EARNINGS FOR YEAR	COST ENDING BALANCE	FISCAL YEAR-TO-DATE EARNINGS	CURRENT MARKET YIELD
<b>Liquid Assets:</b>							
Cash in Bank- Pacific Western Credit Card	44,028	353,853	(365,333)		32,547		
Cash in Bank- Pacific Western Operating	115,934	2,357,413	(2,141,552)		331,795		
Cash in Bank- Pacific Western Payroll	162,474	970,000	(944,941)		187,533		
-- Local Agency Investment Fund	7,192,967		(720,000)	13,100	6,486,067	13,100	1.51%
Cash In county Treasurer	255,648		(255,648)		0		
	<u>7,771,051</u>	<u>3,681,266</u>	<u>(4,427,474)</u>	<u>13,100</u>	<u>7,037,942</u>	<u>13,100</u>	<u>1.39%</u>

\*\* Earnings are added to our investment account.