

**MONTEREY PENINSULA REGIONAL PARK DISTRICT
BOARD OF DIRECTORS MEETING**

DATE: May 9, 2017
TO: Board of Directors
FROM: Kelly McCullough, Finance Manager
REVIEWED BY: Rafael Payan, General Manager
SUBJECT: Quarterly Investment Report

RECOMMENDED ACTION:

Staff recommends that the Board of Director's receive, approve and file this report.

FISCAL IMPACT:

The District's Investment Report provides information about investments, cash accounts, and third party trust accounts. There is no fiscal impact.

DISCUSSION:

The District's Investment Policy requires that the District present to the Board of Directors a quarterly financial report, which shall include a summary of all the investments the District has in its portfolio. The summary of investments shall include the type of investment instruments, purchase date, maturity date, par value, current interest rate, purchase price and the current market value. In addition, although not required, staff has included a summary of third party trust accounts.

Investment objectives of the District are established in the Investment Policy and in accordance with the California Government Code Section 53601 as follows: (1) Safety; (2) Liquidity; (3) Yield.

The current investment and cash portfolio is comprised of: demand deposit accounts; Local Agency Investment Fund; CalTRUST. The specific investments are shown on the attached page (**ATTACHMENT 1**). The report also includes information on funds held in Trust for Other Post Employment expenses and supplemental retirement benefits, but that are not spendable for operational costs.

A Rabobank Public Interest Checking account is currently used for payroll, accounts payable and other daily operating purposes. Most accounts payable disbursements are drawn through checks, and most payroll disbursements are processed through direct deposit. The market value and original cost value of cash are reported as the same number. Because this is the daily operating account, there may be large fluctuations from one quarterly report to another depending on the nature of the deposits and expenditures and cash flow needs during the quarter.

The District established a Rabobank Public Investment Money Market Account (PIMMA) in August 2014. The minimum required balance in the account is \$50,000 or there is a \$25 monthly maintenance fee. The account was indexed to match the monthly LAIF rate. However, the District was notified regarding a rate change. Effective June 9, 2015, Rabobank decided to reduce the PIMMA rate to a flat rate of 0.20% on balances up to \$50 million. Interest is paid monthly and the funds are collateralized at 110% at all times. As a Federal Regulation, we are limited to 6 withdrawals per month thus, the rate for the PIMMA is at 0.20% vs. the 0.02% in the Public Interest Checking account. Use of this account helps the District reduce wire transfer charges from

CalTRUST and LAIF to the Public Interest Checking account. Transfers between the PIMMA and Public Interest Checking are free of charge.

Local Agency Investment Fund (LAIF) is part of the Pooled Money Investment Account (PMIA) operated by the California State Treasurer for the benefit of local governmental agencies. Market valuations are provided by the State Treasurer's Office. The District is able to make deposits or withdrawals daily, if desired. Interest is paid quarterly and applied to principal. Gains or losses are reported when realized.

The LAIF account monies are not subject to use by the State to resolve budget deficits. California Government Code 16429.3 states that monies placed with the Treasurer for deposit in the LAIF by cities, counties, special districts, nonprofit corporations, or qualified quasi-governmental agencies shall not be subject to either of the following:
(a) Transfer or loan pursuant to Sections 16310, 16312, or 16313.
(b) Impoundment or seizure by any state official or state agency.

In addition to the above, the State cannot withhold LAIF monies if they fail to adopt a state budget by the June 30th deadline. California Code 16429.4, which was added to the LAIF's enabling legislation during the 2002 session, states that the right of a city, county, city and county, special district, nonprofit corporation, or qualified quasi-governmental agency, to withdraw its deposited money from the LAIF upon demand may not be altered, impaired, or denied in any way by any state official or state agency based upon the State's failure to adopt a State Budget by July 1 of each new fiscal year.

Investment Trust of California (CalTRUST) is a joint powers authority (JPA). This is a program established by public agencies in California for the purpose of pooling and investing local agency funds / operating reserves as well as bond proceeds. A Board of Trustees supervises and administers the investment program of the Trust. The Board is comprised of experienced investment officers and policy-makers of the public agency members.

CalTRUST offers the option of three accounts to provide participating agencies with a convenient method of pooling funds – a money market, a short-term account, and a medium-term account. Any California local agency may participate in the Trust and invest its funds.

For the CalTRUST Short-Term, Medium-Term, and money market Accounts, funds from all participants are pooled in each of the accounts. Participants receive units in the Trust and designated shares for the particular accounts in which they invest. All expenses associated with participation in CalTRUST are deducted from the yield.

CalTRUST invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53601, et. seq. and 53635, et. seq. Investment guidelines adopted by the Board of Trustees may further restrict the types of investments held by the Trust. Leveraging within the Trust's portfolios is prohibited.

The \$2,369,367 Seawall Mitigation funds held in CalTRUST are restricted funds and are not available for the Districts on-going operating costs. The mitigation fee was to mitigate for the loss of sandy beach in front of Ocean Harbor House due to construction of the seawall. These funds may only be used for the purchase of beachfront or dune-front property for public recreation use in southern Monterey Bay. The entire fee and any accrued interest must be used for this purpose within ten years of the fee being deposited into the MPRPD account. These funds must be fully expended by March 2021.

The California Employers Retirement Benefit Trust (CERBT) was established by the District to hold the District's Other Post Employment Benefit (OPEB) funds. These funds are not liquid funds and are not available for the Districts on-going operating costs. The District does have the ability to request reimbursement from the Trust for the annual amount paid for retiree health benefit premiums. The District is invested in CERBT Strategy 1. Each employer owns a percentage of the CERBT Strategy 1 portfolio, which invests in pooled asset classes managed by CalPERS. Employers do not have direct ownership of the securities in the portfolio.

CERBT is a self-funded trust in which participating employers pay for all administrative and investment expenses. Expenses reduce the gross investment return by the fee amount. The total annual cost for participation in the California Employers' Retiree Benefit (CERBT) has been lowered to 10 basis points (bps) of assets under management beginning January 15, 2015. The 10 bps consists of the annual investment fee charged prior to the recognition of investment gains and losses of 1.5 bps and the administration and investment management fee of 8.5 bps which is charged on a daily basis. The cost is lower because the CERBT program continues to experience strong trust growth.

The CERBT portfolio is managed by CalPERS Investment Office staff as directed by the CalPERS Investment Committee and Board of Administration. The CERBT is a state trust fund program and retains no profit from the CERBT program. Attached is the latest CERBT Fund Fact Sheet (**ATTACHMENT 2**).

Included in the report are the District's investments held in trust at US Bank for the Public Agency Retirement Services (PARS) benefit. These funds currently consist of cash and mutual funds. These funds are not liquid funds and are not available for the District's on-going operating costs. They may only be used for payment of retiree benefits.

The District has acquired the services of Highmark Capital Management to manage the investments of the PARS accounts. The goal of the Plan's investment program is to generate adequate long-term returns that, when combined with contributions, will result in sufficient assets to pay the present and future obligations of the Plan. The Plan should earn, on a long-term average basis, a rate of return equal to or in excess of the target rate of return of 6.25%. HighMark Capital Management 1st Quarter Report is attached (**ATTACHMENT 3**).

Of the \$14,325,241 in the investment and cash accounts as of March 31, 2018, only \$11,955,874 was available for on-going operational costs. The \$2,369,367 Seawall Mitigation funds may only be used for the acquisition of beachfront property in southern Monterey Bay. These funds are further reserved under the District's Unassigned Reserve Levels Policy. They are described in more detail in the monthly financial report.

In compliance with the California Code Section 53646; the Finance Manager hereby certifies that sufficient investment liquidity and anticipated revenues are available to meet the District's budgeted expenditure requirements for the next six months.

Attachments:

1. [Quarterly Summary of Investments](#)
2. [CERBT Fund Fact Sheet – Strategy 1](#)
3. [HighMark Capital, 1st Quarter Report](#)