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CAYUCOS SANITARY DISTRICT

200 Ash Avenue
PO Box 333
Cayucos, California 93430-0333
805-995-3290

GOVERNING BOARD

R. Enns, President
D. Chivens, Vice-President
S. Lyon, Director
R. Frank, Director
H. Miller, Director

COMMITTEE MEMBERS

R. Enns, President
R. Frank, Director

BOARD OF DIRECTORS FINANCE COMMITTEE MEETING AGENDA WEDNESDAY, MARCH 2, 2022 AT 10:00AM 200 ASH AVENUE, CAYUCOS, CALIFORNIA 93430

1. ESTABLISH QUORUM AND CALL TO ORDER

2. PUBLIC COMMENT:

As this is a special meeting, members of the public may speak before consideration of the item that appears on this agenda, however, there is no opportunity afforded under the Brown Act to speak on a non-agendized items.

3. DISCUSSION AND REVIEW OF THE CAYUCOS SANITARY DISTRICT'S CURRENT FINANCIAL INVESTMENTS AND LIABILITIES

4. ADJOURNMENT

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AGENDA ITEM: 3

DATE: March 2, 2022

CAYUCOS SANITARY DISTRICT

TO: FINANCE COMMITTEE

FROM: GAYLE GOOD, ADMINISTRATIVE ACCOUNTING MANAGER

DATE: MARCH 2, 2022

SUBJECT: DISCUSSION AND REVIEW OF CAYUCOS SANITARY DISTRICT'S CURRENT FINANCIAL INVESTMENTS AND LIABILITIES

ASSETS DISCUSSION:

The CSD Investment Policy directly reflects the requirements and restrictions of the State of California which strictly limits the investments that a public entity can pursue. Now that the District's short-term construction loans have become long-term, and in an effort to increase the income the District receives from its investments, staff requests review of its current holdings for optimization of its ongoing strategies. Currently, the CSD holds most of its long-term assets in investment accounts through Girard/Cetera and with CalTRUST. Immediately accessible accounts for daily operations and other uses are held at Mechanic's Bank and Wells Fargo Bank.

Cetera

As of January 2022, 8% of our portfolio is invested in Fannie Mae and Ginnie Mae bonds and considered to be "fixed income." The bulk of these bonds are scheduled to mature in 6 to 10 years. The bond portion of the account is valued at \$66,179.26 today vs. \$76,390.73 in January 2021.

The balance of the account is invested in a Money Market fund. As the bonds pay out interest and principal paydown, the funds are swept into the money market account. Total money market value in January 2021 was \$738,673.19 versus January 2022 of \$750,017.75, reflecting the bond sweeps. The money market account itself does not accrue any appreciable interest.

We have been in contact with David Shapiro, our new Financial Consultant at Cetera. After reviewing our current status and our District Investment Policy, he has put together two scenarios for rebalancing our account.

CalTRUST

As of January 2022, our portfolio at CalTRUST is held in their Medium-Term Fund and is valued at \$1,665,491.06. In January 2021, the account value was \$1,686,788.71. This loss is directly reflective of decreasing interest rates in the overall bond market.

Wells Fargo

CIP account balance: \$1,360,863.21.

Lot/Late/Standby account balance: \$207,642.14. Account earns .16% interest

CSWP Construction account balance: \$25,610.01. Account to be closed as construction is complete.

Mechanic's Bank

General checking account balance: \$416,835.47.

USDA savings account balance: \$243,363.87. Each month, we transfer \$95,944.05 to this account from our general checking account to adhere to the USDA's Letter of Conditions. This amount will decrease to \$77,944.05 in August of 2022.

LIABILITIES DISCUSSION:

We currently have two long-term liabilities, the Western Alliance Series B \$9M (4.64% interest over 10 years) loan that enabled us to complete construction of the CSWP, and the \$24,301,500 (1.75% interest over 40 years) USDA Rural Development loan.

Western Alliance: The Second Amendment to the Installment Purchase Contract was entered into February 1, 2021 to enable the District to complete construction of the CSWP. The installment payments are scheduled semi-annually in April (principal and interest) and October (interest only) commencing October of 2021 with the final payment scheduled in April of 2030. Our next payment of \$715,268 (principal \$571,275 and interest \$143,993) is due April 1, 2022.

USDA: On February 1, 2021, the District entered into a Trust Agreement, with payments scheduled semi-annually in February (interest only) and August, commencing February of 2022 with an annual total averaging \$850,000 over the next 40 years. The payments this year will be higher than in forthcoming years as our initial interest payment covered an entire year (Feb. 2021-Feb. 2022).

RECOMMENDATIONS:

1. Staff recommends that the Board review David Shapiro's recommendations and either elect to make the suggested changes or transfer the money market portion of the investments into CalTRUST or LAIF.
2. Staff recommends that the Board consider refinancing the Series B loan to maximize the opportunity of current low interest rates. Alternatively, it could convert other assets to pay down the principal.