



Monterey One Water

Providing Cooperative Water Solutions

Interim Investment Report

For the Month Ended September 2019





Monterey One Water
September 2018 Investment Report
Investment Summary

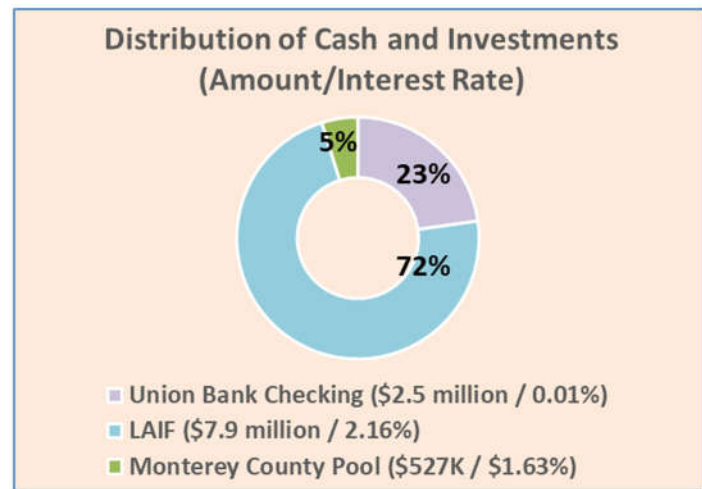
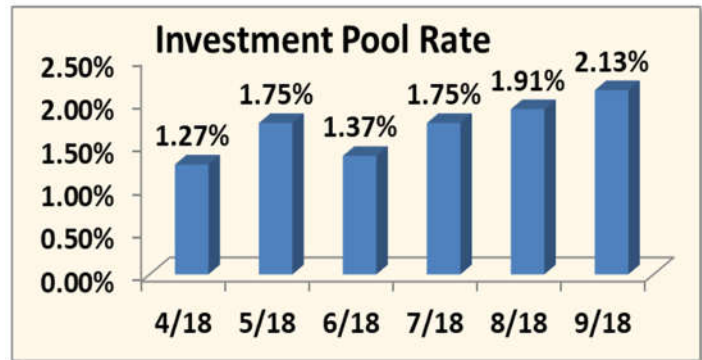
Cash and Investments through September are as follows:

Item	Amount
Unrestricted Cash and Investments	\$ 7.7 Million
Restricted Cash and Investments	3.3 Million
Total	\$11.0 Million
Net Deposits (Withdrawals) for Month	\$(7.3 Million)

The Agency has a \$10 million line of credit (LOC) with Bank of the West in August, which had no funds drawn down through September 2018. The decrease in cash and investments is due to the payoff of a \$5 million LOC drawdown and expenditures on the Pure Water Monterey project.

The Agency's available working capital balance (current assets less current liabilities) in its General Fund is projected to be approximately \$5.9 million at the end of Fiscal Year 2018-19. This is below the recommended minimum reserve balance of \$6.7 million, which consists of a 25% reserve for operating expenses and a 25% reserve of current year capital expenses.

The Agency's investments are in compliance with its current investment policy, which emphasizes the safety, liquidity, and yield of its investments. The Agency anticipates having sufficient funds to meet its expenditures for the next six months.



Investment Policy Summary and Compliance

The following provides a summary of the Agency's investment policy, which provides guidelines that Agency staff follows in placing investments. Investments of bond proceeds are governed by the covenants of each debt issue.

Investment Type	Maximum % or \$	Minimum Required Rating	Maximum Maturity	Agency in Compliance?
Demand Deposits	None	None	5 years	Yes
U.S. Treasuries	None	N/A	5 years	None Held
U.S. Agencies	75% (25% for one issuer)	N/A	5 years	None Held
Money Market Funds	CAMP/CalTrust - 20%	AAA	N/A	Yes
Bankers Acceptances	25% (10% with one institution)	A1/P1	180 days	None Held
Commercial Paper	20% (10% with one firm)	A1/P1	270 days	None Held
Time / Negotiable CDs	10% / 30% (10% with one bank)	A1 < 1 year A for 1-5 years	5 years	None Held
LAIF	Per State Statute \$65 million per account	N/A	N/A	Yes
State / Local Agency Debt Issues	25%	AA (except Agency's bonds)	5 years	None Held
County Pool	20%	None	N/A	Yes



Monterey One Water

Cash and Investments Summary - All Funds

As of September 30, 2018

Institution	% of Total	Average Life (Days)	% Yield	Book Value	Market Value
Cash Deposits					
Union Bank Checking	100%	1	0.01%	\$ 2,492,837	\$ 2,492,837
Investments					
LAIF	94%	193	2.16%	7,938,668	7,938,668
Monterey County Pool	6%	233	1.63%	527,981	527,981
Total Investments	100%	195	2.13%	8,466,649	8,466,649
Total Cash and Investments	100%	151	1.65%	\$ 10,959,486	\$ 10,959,486
Net Deposits / (Withdrawals) for Month					\$ (7,253,839)

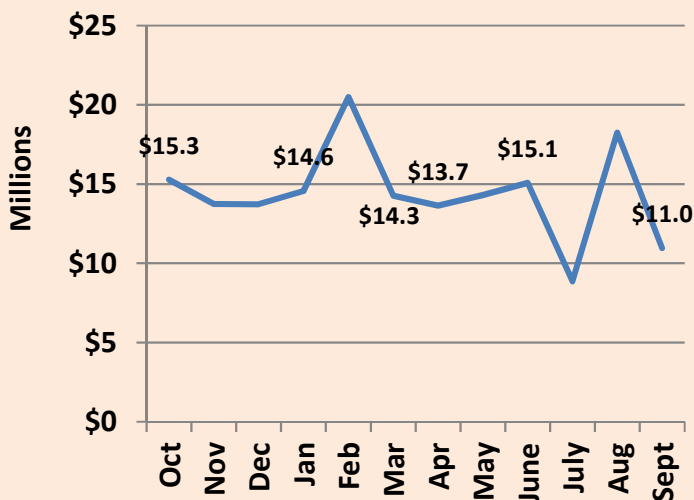
Comparable Benchmarks

One Year Treasury Bill	2.58%
CAMP	2.36%
Caltrust	2.39%

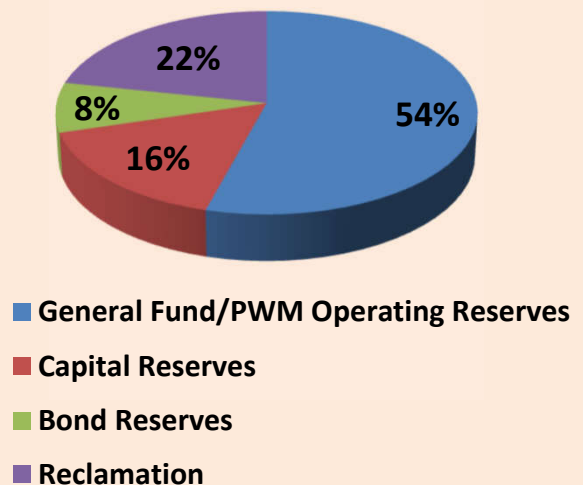
Cash Reserve Summary

	Unrestricted	Restricted	Total
General Fund/PWM Operating Reserves	\$ 5,944,801		\$ 5,944,801
Capital Reserves	879,027	\$ 888,690	1,767,717
Bond Reserves	867,242		867,242
Reclamation		2,379,726	2,379,726
Total Book Values	\$ 7,691,070	\$ 3,268,416	\$ 10,959,486

Cash Flow Last 12 Months



Cash and Investments by Fund

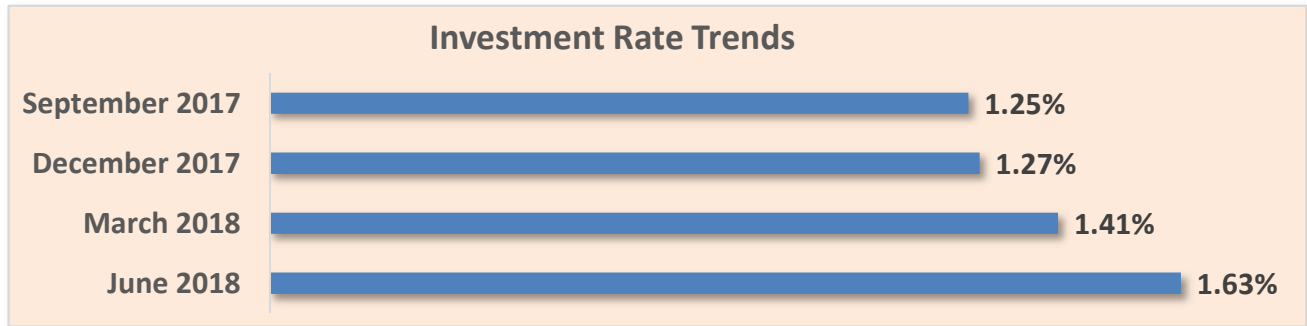
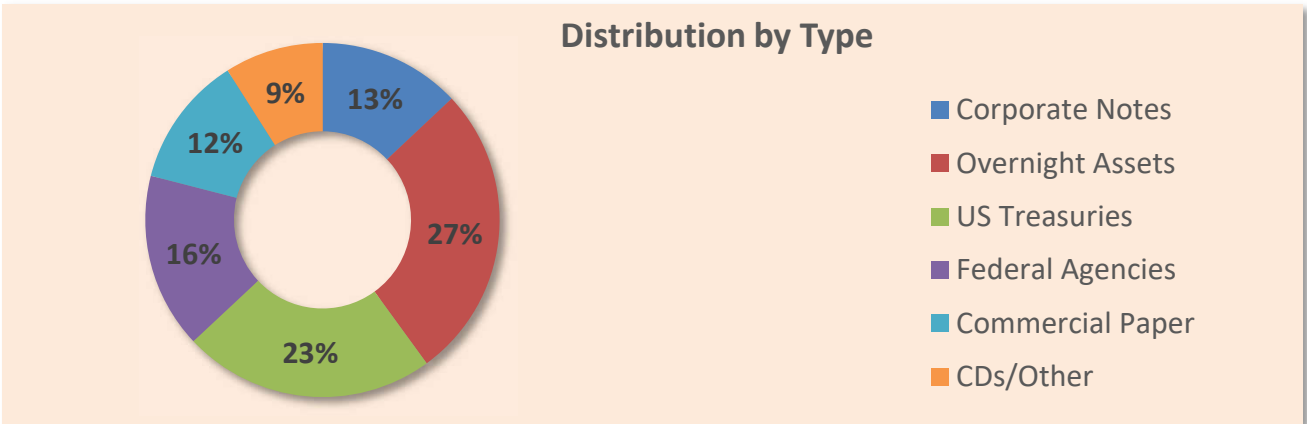


Note: See Attached Reports for Distribution by Sector of Investments in County Pool and LAIF

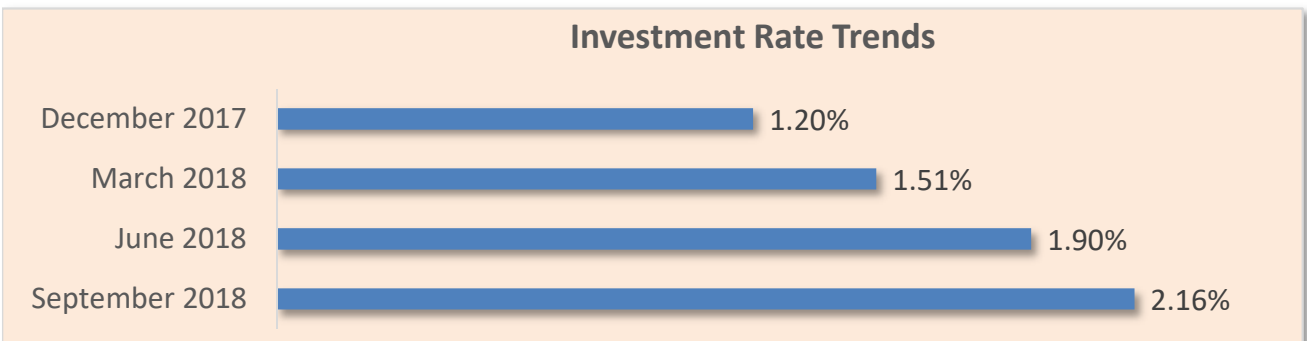
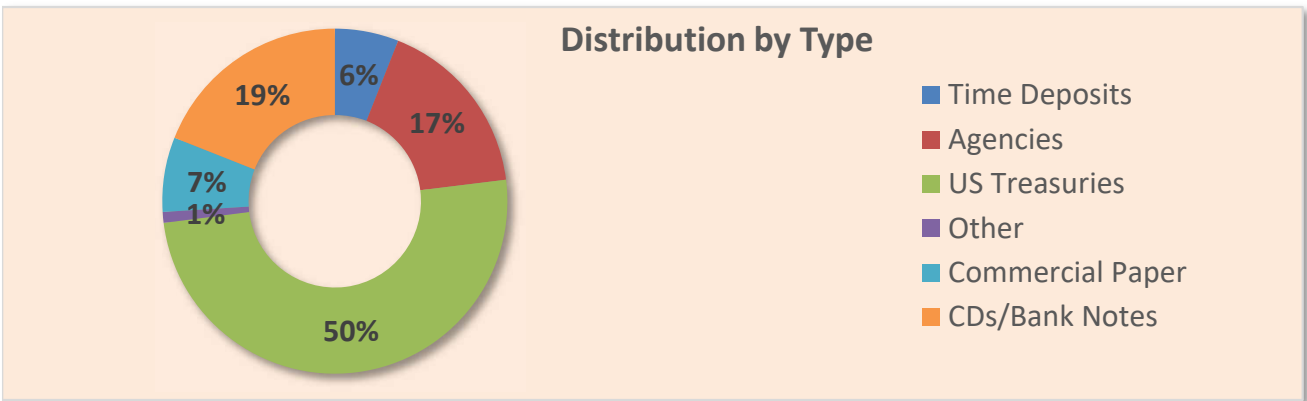


Monterey One Water Investment Distributions Monterey County Pool and LAIF

County Pool Investment Pool through June 30, 2018 (Most Current Available)



LAIF through September 30, 2018 (Most Current Available)





KEY FACTS

- Consumer Price Index - Up 2.3%
- Retail Sales Up 4.7%
- Housing Starts Down 5.3%
- Wages Up 2.8%
- Payrolls Up 134,000
- Unemployment Rate - 3.7%
- GDP Up 3.5%
- Prime Rate 5.25%
- 2 Year Treasury 2.82% Up .05%
- 30 Year Treasury 3.21% Up .18%
- NASDAQ Up 0.78% for mo.
- S&P 500 Up .43% for mo.

Market Summary

As expected, the Federal Open Market Committee (FOMC) voted to raise the fed funds target rate by 25 basis points to a range of 2.00%-2.25% at the September 26th meeting. The Fed raised its median forecast for GDP growth in 2018 and 2019 and left its forecasts for unemployment and inflation relatively unchanged. The Fed also kept its fed funds rate forecasts unchanged except for the longer-run target which increased to 3.0%.

The Fed's forecast points to one more fed funds rate hike this year and three more hikes next year. Market participants believe there is a very high probability that there will be another rate hike in December. The Core PCE Index suggests that inflation is in line with the Fed's 2.0% target. Market participants are forecasting annualized GDP growth of about 3.0% in the third quarter, 2.8% in the fourth quarter, and 2.5% next year. Treasury yields increased in September. The 2-year Treasury yield was up 19 basis points to 2.82%, while the 10-year Treasury yield was up 20 basis points to 3.06%.

Economic Summary

Inflation

The Consumer Price Index (CPI) was up 2.3% year-over-year in September, versus up 2.7% year-over-year in August. Core CPI (CPI less food and energy) was up 2.2% year-over-year in September, unchanged from 2.2% year-over-year in August. The Personal Consumption Expenditures (PCE) index was up 2.0% year-over-year in September, down from 2.2% year-over-year in August. Core PCE (excluding food and energy) was up 2.0% on a year-over-year basis in September, unchanged from 2.0% in August. Core PCE inflation, the Fed's primary inflation gauge, remains around the Fed's 2.0% target.

Sales / Housing

On a year-over-year basis, retail sales were up 4.7% in September, versus up 6.5% year-over-year in August. On a month-over-month basis, retail sales increased just 0.1% in September, well below expectations for a 0.6% increase. E-commerce and furniture sales were strong in September while department store sales declined. Total housing starts decreased 5.3% in September. Single-family starts declined 0.9% in September and multi-family starts dropped 15.2%. Meanwhile, permits fell 0.6% in September. The housing sector has softened as mortgage rates have increased.

Employment

U.S. payrolls rose by 134,000 in September, below the consensus forecast of 185,000. The unemployment rate declined further in September to 3.7% from 3.8% in August. The labor participation rate was unchanged month-over-month at 62.7%. A broader measure of unemployment called the U-6, which includes those who are marginally attached to the labor force and employed part time for economic reasons, increased to 7.5% from 7.4% in August. Wages were up 2.8% on a year-over-year basis in September. The average workweek was unchanged at 34.5 hours. Overall, the September employment report indicates the labor market remains strong, and there is modest upward pressure on wages.