

Interim Investment Report

Fiscal Year 2021-2022

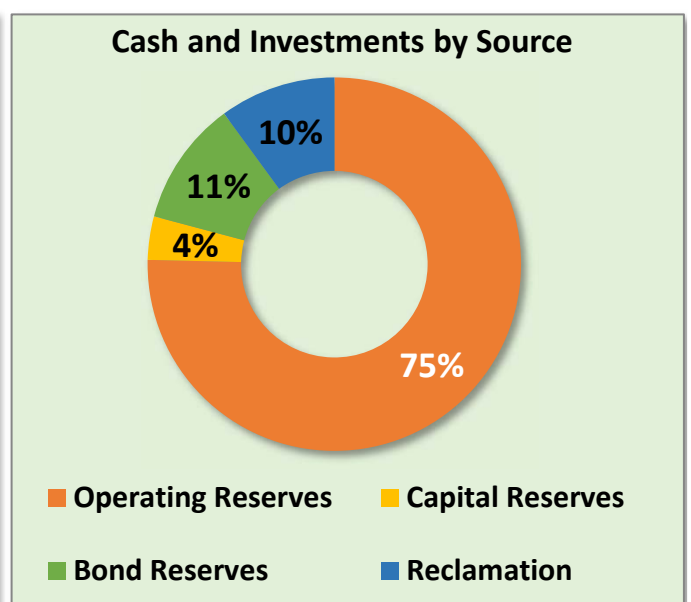
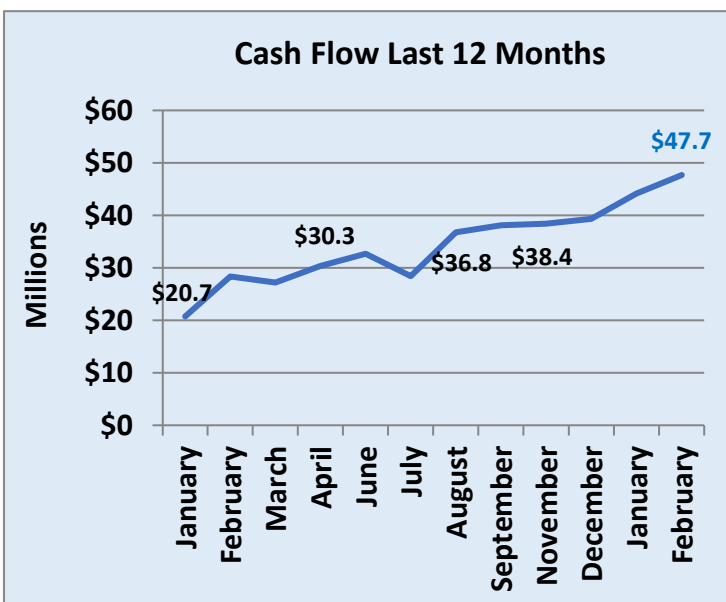


Monterey One Water

Cash and Investments Summary - All Funds

As of February 28, 2022

Institution	% of Total	Average Life (Days)	% Yield	Book Value	Market Value
Cash Deposits					
Union Bank Checking	100%	1	0.04%	\$ 3,095,677	\$ 3,095,677
Investments					
LAIF	88%	340	0.37%	39,257,567	39,157,033
Monterey County Pool	12%	503	0.42%	5,353,578	5,349,250
Total Investments	100%	360	0.38%	44,611,145	44,506,283
Total Cash and Investments	100%	336	0.35%	\$ 47,706,822	\$ 47,601,960
Difference in Cost/Mkt Value				(104,862)	-0.24%
Net Deposits / (Withdrawals) for Month					\$ 3,608,670
Comparable Benchmarks					
		Average Life (Days)		Rate	As of
One Year Treasury Bill		365		1.85%	4/11/2022
CAMP		N/A		0.48%	4/11/2022
Caltrust		22		0.09%	3/31/2022
Cash Reserve Summary					
		Unrestricted	Restricted	Total	
Operating Reserves		\$ 35,956,319		\$ 35,956,319	
Capital Reserves		1,790,727		\$ 1,790,727	
Bond Reserves			\$ 5,158,844	\$ 5,158,844	
Reclamation			4,800,932	4,800,932	
Total Book Values		\$ 37,747,046	\$ 9,959,776	\$ 47,706,822	

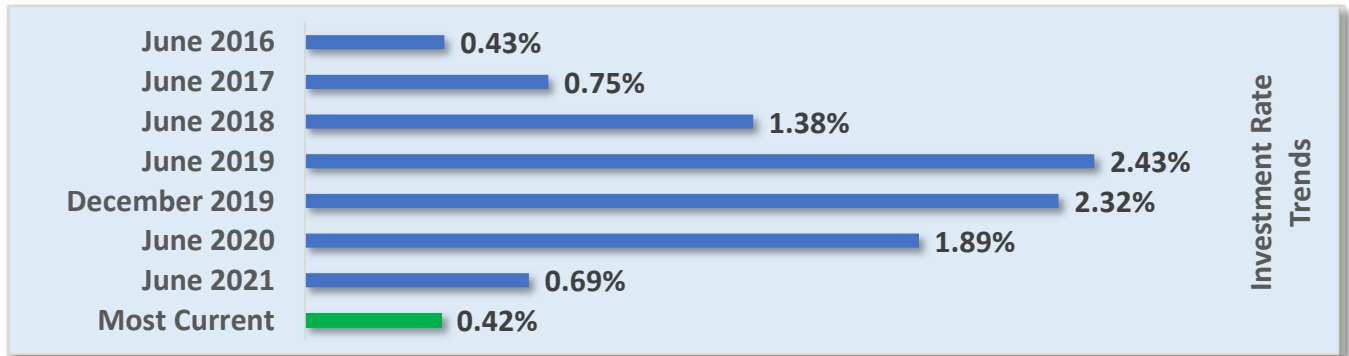
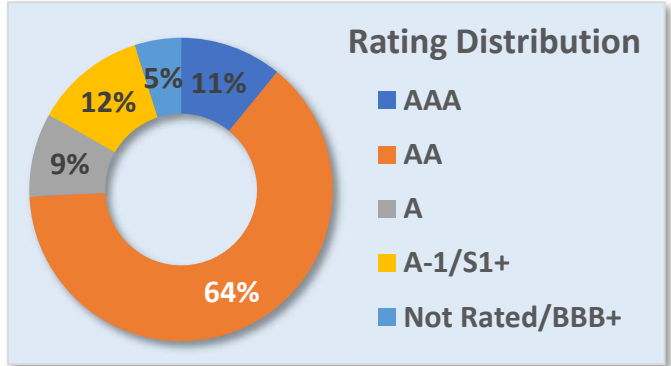
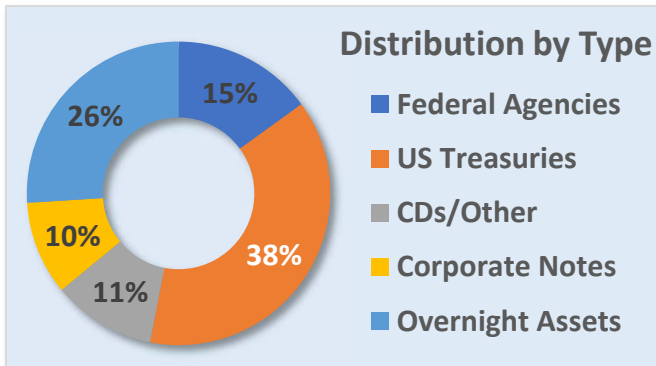


Note: See Attached Reports for Distribution by Sector of Investments in County Pool and LAIF Market Value and Sector Information for County Pool through 12/31/21, for LAIF as of 3/31/22.

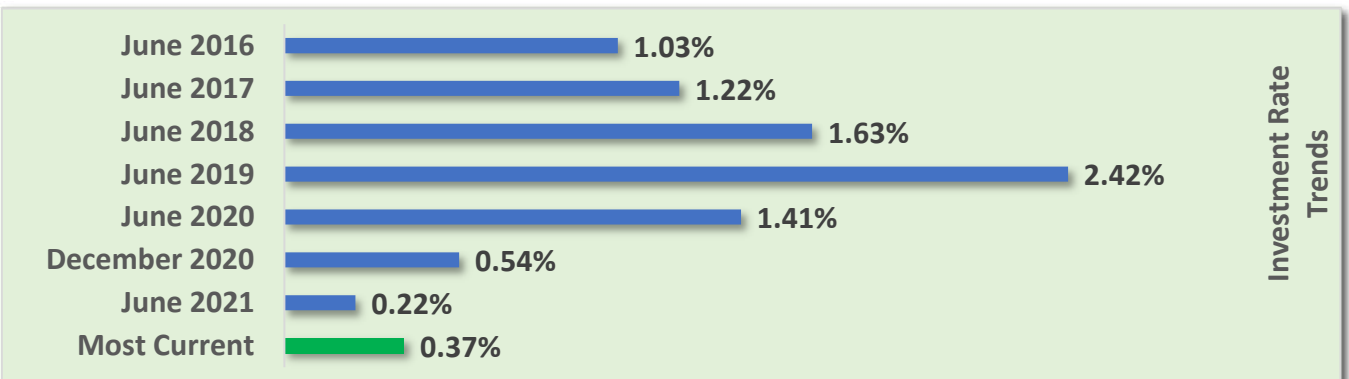
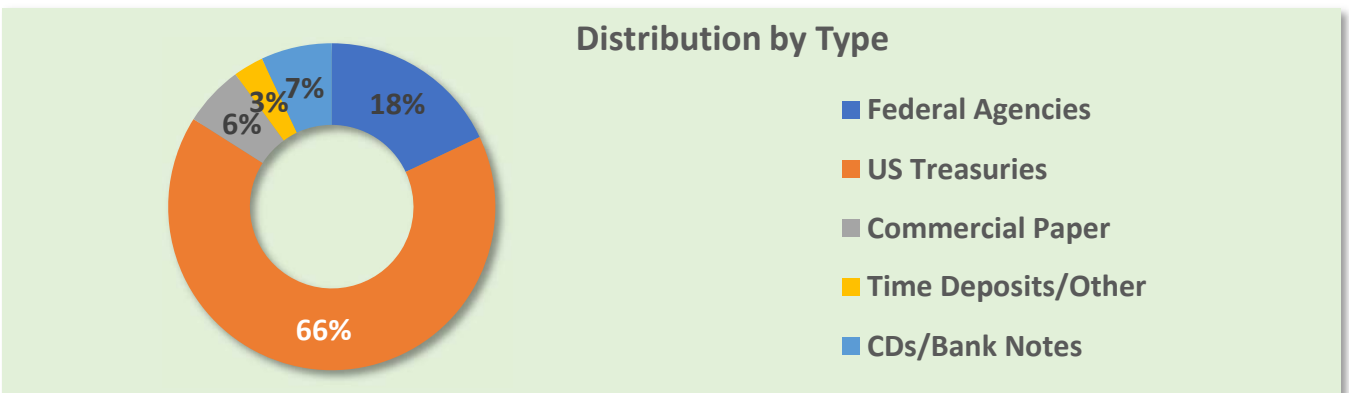


Monterey One Water Investment Distributions Monterey County Pool and LAIF

County Pool Investment Pool



LAIF





Monterey One Water Cash and Investment Summary Compliance Review and Rate History

The change in cash and investments is due to activity and/or reimbursements received on the Pure Water Monterey project and from collections from wastewater fees. The Agency's wastewater reserve policy has established minimum reserve targets of 50% reserves for operating expenses and 10% of expenses in the 10 year CIP, excluding grant projects & reclamation. The approved rate structure for Fiscal Years 2021-22 through 2025-26 has incorporated these reserve goals into its projections for the next five years, along with projected costs for capital improvements.

The Agency's investments comply with its current investment policy, which emphasizes the safety, liquidity, and yield of its investments. The Agency's ability to have sufficient funds to meet its expenses for the next six months may be affected in the future by the timing of receipts of outstanding debt proceeds from the State and/or Federal loans related to PWM expansion and for grants for the Stormwater project with Salinas.

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	None	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 \$75 million per account	N/A	N/A	Yes
State / Local Agency Debt Issues	25%	AA (except M1W bonds)	5 years	None Held
County Pool	100%	None	N/A	Yes



Monterey One Water Cash and Investment Summary National Economic Trends

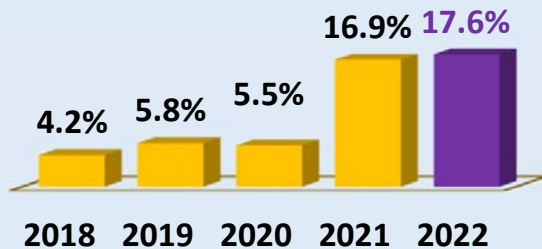
Inflation (CPI)



Unemployment



Sales



2 Year Treasury



Economic Roundup

Overall - The Russian invasion into Ukraine and resulting Western sanctions on Russia have fueled volatility in financial markets. The latest escalation has exacerbated inflationary pressures, particularly in energy and commodities, and has caused tightening conditions in financial markets.

Consumer Prices - The Consumer Price Index (CPI) was up 7.9% year-over-year in February, while Core CPI (CPI less food and energy) was up 6.4% year-over-year in February. Current inflation readings continue to run well above the Fed's longer-run target of around 2.0%. Upward pressure on inflation from supply chain bottlenecks and the conflict in Europe is likely to remain elevated over the near-term.

Retail Sales - On a year-over-year basis, retail sales were up 17.6% in February, but there are signs that higher gas prices are impacting discretionary spending. . . Looking further ahead, analysts believe high levels of consumer savings along with improvement in the health situation and continued improvement in the labor market should provide a healthy tailwind for consumer spending, although inflation threatens to put a dent in expected growth.

Labor Market - Job growth was stronger than expected in February, signaling trends in employment remain robust. and job growth was broadbased The unemployment rate declined to 3.8%. The labor participation rate increased in February to 62.3% and remains lower than the pre-pandemic level of 63.4%. The U-6 underemployment rate, which includes those who are marginally attached to the labor force and employed part time for economic reasons, increased to 7.2% in February. Annualized average hourly earnings remained unchanged month-over-month and were up 5.1% year-over-year in February.

Housing Starts - On a year-over-year basis total housing starts were up 6.8% in February.



Monterey One Water

Monthly Investment Report

Background of Investment Pools

LAIF (State Local Agency Fund)

a. Overall Description

The Local Agency Investment Fund (LAIF) is a voluntary program created by statute in 1977 as an investment alternative for California's local governments and special districts and continues today. The enabling legislation for LAIF is codified in Section 16429.1 et seq. of the California Government Code. This program offers local agencies the opportunity to participate in a major portfolio, which invests hundreds of millions of dollars through the State Treasurer's Office investment staff. LAIF has grown from 293 participants and \$468 million in 1977 to over 2,000 participants and over \$20 billion.



b. Investments of LAIF

All securities purchased for the PMIA are authorized under Government Code Sections 16430 and 16480.4 (see Appendix B). The State Treasurer's Office takes delivery of all securities purchased on a delivery versus payment basis using a third party custodian. All investments are purchased at market and a market valuation is conducted monthly. Additionally, the PMIA has Policies, Goals and Objectives for the portfolio to make certain that its goals of Safety, Liquidity and Yield are not jeopardized and that prudent management prevails, as detailed in its [investment policy](#).

c. Administrative Costs

LAIF administrative costs are minimal and are assessed quarterly. The Government Code states that administrative costs are not to exceed 5% of quarterly earnings of the fund. However, if the 13-week Daily Treasury Bill Rate on the last day of the fiscal year is below 1%, then administrative costs shall not exceed 8% of quarterly earnings of the fund for the subsequent fiscal year (Government Code Section 16429.1). These fees cover actual costs to administer the LAIF program.

d. Statutory Protection of Agency's Investments

Moneys deposited in LAIF are afforded certain statutory protection. Government Code Section 16429.3 states that "moneys placed with the Treasurer for deposit in the Local Agency Investment Fund 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, or (b) impoundment or seizure by any state official or state agency." During the 2002 legislative session, Government Code Section 16429.4 was added to provide further protection. This section states that "the right of a city, county, city and county, special district, nonprofit corporation, or qualified quasi-governmental agency to withdraw its deposited moneys from the Local Agency Investment Fund, 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."

Monterey County Pool

a. Overall Description

The County Treasury actively manages a fixed income investment portfolio that averages approximately \$1 Billion. Income from investments is allocated on a quarterly basis, net of associated costs, to all the investment pool participants based on their average daily invested cash. The investment pool participants include only those statutorily defined by law; there are no voluntary outside pool depositors in the Monterey County investment pool.



b. Investments of Pool

Investments are limited to those instruments legally permitted under Section 53635 of the California Government Code, and must meet the criteria of the Monterey County Treasury's [Investment Policy](#). The investment policy is reviewed and approved annually by the County Board of Supervisors. The Treasury's compliance with the investment policy is also audited annually by an independent certified public accountant. The Treasury maintains a portfolio that has, at a minimum, 30% liquidity. This liquidity is composed of overnight investments and short-term money market instruments that can be readily converted to cash. This degree of liquidity assures that funds are available to meet normal and unexpected cash demands without the need to sell other investments that could result in a loss due to market conditions. Other investments may include U. S. Treasury and federal agency securities, commercial paper, bankers acceptances and highly rated corporate notes. The investment portfolio maintains a weighted average maturity of less than one year.