



# Ironhouse Sanitary District BOARD OF DIRECTORS *STAFF REPORT*

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**DATE:** June 2, 2020  
**TO:** Members of the Board of Directors  
**FROM:** Michael Welty, CPA  
**SUBJECT:** Investment Portfolio Summary and Discussion

## **Summary and Discussion:**

As of April 30, 2020, Ironhouse Sanitary District (the District) maintains total cash and investments of \$28,234,829. At April 30, 2020, a summary of the portfolio is as follows:

Bank Accounts - \$1,047,518  
LAIF - \$14,812,956  
CalTrust – 3,551,313  
Wells Fargo Securities - \$8,823,042

For the ten months ended April 30, 2020, interest and dividend income is \$346,745 compared to an annual budget of \$275,000 (126.1% of budget).

Details of the portfolio is included in this report.

## Portfolio Objective

Consistent with the District's investment policy, the portfolio is designed with three primary objectives, 1) safety, 2) liquidity and 3) return on investment.

LAIF and CalTrust cash investment funds are pooled investment funds of other local government agencies. Cash investment funds provide a high level of liquidity while providing a higher total return than what can be obtained in bank accounts.

Bonds and certificates of deposits held by Wells Fargo Securities are intended to be held to maturity. Bond investments have a current Standard & Poor's credit rating of AA- or higher and certificates of deposits are all FDIC insured.

# **Staff Report**

**DATE:** *June 2, 2020*

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## Interest Rate Risk and Unrealized Gains and Losses

All fixed income securities held within the Wells Fargo Securities account and CalTrust investment funds are subject to interest rate risk and change in market value. As interest rates rise, fixed income securities tend to lose market value for a period of time because as rates rise and newly issued securities are returning a higher yield than securities already issued (older issued securities), a buyer will only purchase older issued "like" securities at a discount (below par value) because the buyer can buy a newly issued "like" security with a higher yield. When interest rates decline, the opposite is true and the value of current securities held rise in market value for a period of time because a buyer is willing to pay a premium (above par value) for a "like" security with a higher yield than a "like" newly issued security with a lower yield.

However, as fixed income securities get closer to the maturity date, interest rate risk begins to evaporate until ultimately the security matures and the purchaser of the security receives the stated par value of the security.

Generally Accepted Accounting Principles requires the District to record the change in fixed income security market values to reflect the effect of interest rate risk. In the District's financial statements, the change in market value is reflected as unrealized gains (losses). This represents the current year change in market value of the securities held by the District during the current fiscal year as compared to the market value at the end of the prior fiscal year.

In prior fiscal years, the District recognized unrealized losses of \$55,285, and through April 30, 2020, for FY19/20, the District has recognized unrealized gains of \$156,898. In aggregate, the District's investment portfolio has an unrealized gain of \$101,613 which represents the difference between the aggregate cost paid for the investment portfolio compared to the current market value. If the District had liquidated the portfolio at April 30, 2020, the realized gain would have been \$101,613. However, since the District intends to hold securities within the portfolio until maturity, a realized gain or loss will not be incurred by the District unless the security is in default or a security is sold before maturity.

Ironhouse Sanitary District  
 Schedule of Cash and Investments  
 As of April 30, 2020

<b>Bank Accounts</b>	<u>Balance</u>	<u>Yield</u>
Wells Fargo Checking	985,206	0.00%
BAC Commerce Savings	62,312	0.03%
	<u>1,047,518</u>	

<b>Cash Investment Funds</b>	<u>Balance</u>	<u>Yield</u>	<u>Unrealized Gain/(Loss)</u>	<u>Standard Poor's Credit Rating</u>
LAIF Ultra Short-Term	14,812,956	1.62%	0	
CalTrust Short-Term	1,711,769	1.26%	8,998	AAf/S1+
CalTrust Medium Term	1,839,544	1.00%	27,879	A+/S1
	<u>18,364,269</u>		<u>36,878</u>	

<b>Grand Total Summary</b>	<u>Balance</u>	<u>Unrealized Gain/(Loss)</u>	
Cash/Investment Type			
Banks	1,047,518	0	
Cash Investment Funds	18,364,269	36,878	
Wells Fargo Securities	8,823,042	64,735	See Page 2 for Detail
	<u>28,234,829</u>	<u>101,613</u>	

**Wells Fargo Marketable Securities**

	Trade	Issue	Maturity	Par	Purchase	Purchase	Total	Coupon	Yield to	Interest	Adjusted	Current	Unrealized	Standard
	Date	Date	Date	Value	Premium	Accrued	Purchase	Rate	Maturity	Dates	Cost	Market	Gain/(Loss)	Poor's
<b>Bonds</b>						Interest	Cost				Basis	Value		Credit
														Rating
Microsoft	05/12/16	11/03/15	11/03/20	500,000	15,060	389	515,449	2.000%	1.29%	May/Nov	502,635	503,734	1,099	AAA
Cisco Systems	05/12/16	02/29/16	02/28/21	500,000	13,980	2,383	516,363	2.200%	1.59%	Feb/Aug	502,356	506,293	3,937	AA-
Apple, Inc.	05/12/16	05/06/14	05/06/21	500,000	29,000	435	529,435	2.850%	1.63%	May/Nov	507,650	511,228	3,578	AA+
Alphabet (Google)	05/12/16	11/19/15	05/19/21	500,000	52,065	8,962	561,027	3.625%	1.46%	May/Nov	514,178	515,565	1,387	AA
				<u>2,000,000</u>	<u>110,105</u>	<u>12,169</u>	<u>2,122,274</u>				<u>2,026,818</u>	<u>2,036,820</u>	<u>10,002</u>	
<b>Certificates of Deposits</b>														
American Express Bank	05/05/17	05/10/17	05/11/20	100,000	0	0	100,000	1.85%	1.85%	May/Nov	100,000	100,046	46	
Bank of China	05/13/19	05/29/19	05/28/20	250,000	0	0	250,000	2.45%	2.45%	At Maturity	250,000	250,407	407	
Newbury Savings	04/12/16	07/27/16	08/27/20	250,000	0	0	250,000	1.35%	1.35%	Monthly	250,000	250,256	256	
Investors Bank	04/14/20	04/17/20	10/19/20	250,000	0	0	250,000	0.95%	0.95%		250,000	250,715	715	
Texas Capital Bank	12/04/19	12/11/19	11/12/20	250,000	0	0	250,000	1.70%	1.70%	At Maturity	250,000	251,855	1,855	
Synchrony Bank	04/12/16	04/15/16	04/15/21	250,000	0	0	250,000	1.50%	1.50%	Apr/Oct	250,000	251,898	1,898	
JP Morgan Chase	04/12/16	04/19/16	04/19/21	250,000	0	0	250,000	1.55%	1.55%	Jan/Apr/Jul/Oct	250,000	250,656	656	
Capital One Bank	04/12/16	04/20/16	04/20/21	250,000	0	0	250,000	1.55%	1.55%	Apr/Oct	250,000	253,122	3,122	
Goldman Sachs Bank	04/12/16	04/20/16	04/20/21	250,000	0	0	250,000	1.55%	1.55%	Apr/Oct	250,000	252,629	2,629	
Trust Bank	04/14/20	04/21/20	04/20/21	250,000	0	0	250,000	1.15%	1.15%		250,000	251,659	1,659	
Cattle National Bank	04/12/16	04/22/16	04/22/21	250,000	0	0	250,000	1.35%	1.35%	Apr/Oct	250,000	252,140	2,140	
Fall River Savings	04/12/16	04/22/16	04/22/21	250,000	0	0	250,000	1.35%	1.35%	Monthly	250,000	252,124	2,124	
Fifth Third Bank	04/14/20	04/22/20	04/22/21	250,000	0	0	250,000	1.15%	1.15%		250,000	251,655	1,655	
First Oklahoma Bank	04/12/16	04/22/16	04/22/21	250,000	0	0	250,000	1.45%	1.45%	Monthly	250,000	250,168	168	
TCF National Bank	04/15/20	04/22/20	04/22/21	250,000	0	0	250,000	1.05%	1.05%		250,000	251,409	1,409	
Magyar Bank	04/12/16	04/29/16	04/29/21	250,000	0	0	250,000	1.35%	1.35%	Apr/Oct	250,000	253,426	3,426	
Security Bank	04/12/16	04/29/16	04/29/21	250,000	0	0	250,000	1.40%	1.40%	Monthly	250,000	253,396	3,396	
Total Bank of Miami	04/12/16	04/29/16	04/29/21	250,000	0	0	250,000	1.40%	1.40%	Monthly	250,000	253,371	3,371	
Comenity Bank	05/12/16	05/23/16	05/24/21	250,000	0	0	250,000	1.50%	1.50%	Monthly	250,000	252,891	2,891	
Merrick Bank	05/12/16	05/27/16	05/27/21	250,000	0	0	250,000	1.45%	1.45%	Monthly	250,000	253,207	3,207	
Morgan Stanley	06/05/19	06/13/19	06/14/21	196,000	0	0	196,000	2.50%	2.50%	Jun/Dec	196,000	200,337	4,337	
Pinnacle Bank	04/14/20	04/21/20	10/21/21	250,000	0	0	250,000	1.10%	1.10%		250,000	251,852	1,852	
State Bank of India	12/04/19	12/13/19	12/31/21	240,000	0	0	240,000	1.75%	1.75%	Jun/Dec	240,000	244,353	4,353	
Wells Fargo Bank	01/07/20	01/17/20	01/18/22	250,000	0	0	250,000	1.80%	1.80%	Monthly	250,000	254,932	4,932	
Enerbank	04/15/20	04/17/20	04/18/22	250,000	0	0	250,000	1.15%	1.15%		250,000	252,229	2,229	
				<u>6,036,000</u>	<u>0</u>	<u>0</u>	<u>6,036,000</u>				<u>6,036,000</u>	<u>6,090,734</u>	<u>54,734</u>	
<b>Mutual Funds</b>														
Wells Fargo MM Fund	Various			695,488	0	0	695,488	0.13%	0.13%	Monthly	695,488	695,488	0	
<b>Total Wells Fargo Securities</b>				<u>8,731,488</u>	<u>110,105</u>	<u>12,169</u>	<u>8,853,763</u>				<u>8,758,307</u>	<u>8,823,042</u>	<u>64,735</u>	



	CalTRUST Short Term	LAIF		CalTRUST Short Term Net Total Return	CalTRUST Short Term Yield	LAIF Yield
Net Assets	\$1,143,269,947.07	N/A	One Month	0.72%	0.12%	0.13%
NAV per Share	\$10.08	N/A	Three Month	0.70%	0.40%	0.44%
30 day SEC Yield	1.26%	1.62%	Six Month	1.20%	0.90%	0.95%
Period Net Total Return	0.72%	0.13%	One Year*	2.62%	2.14%	2.15%
Effective Duration	0.52 yrs	N/A	Two Year*	2.58%	2.24%	2.17%
Average Maturity	0.84 yrs	0.53 yrs	Three Year*	2.10%	1.94%	1.85%
Weighted Average Life	0.74 yrs	0.57 yrs	Five Year*	1.52%	1.45%	1.32%
			Ten Year*	1.00%	0.94%	0.83%
			Since Inception*	1.81%	1.76%	1.68%
			*Annualized			

  

Portfolio Sector Breakdown

Sector	Percentage
U.S. GOVERNMENT	27.30%
BOND	25.16%
CERTIFICATE OF DEPOSIT	20.07%
ASSET BACKED SECURITIES	18.97%
COMMERCIAL PAPER	2.54%
AGENCY BONDS	1.47%
MONEY MARKET FUNDS	3.49%

Rated AAF by S&P Global Ratings



	CalTRUST Medium Term	BofAML 1-3 Corp & Gov't, A Rated and Above	CalTRUST Medium Term Net Total Return	CalTRUST Medium Term Yield	BofAML 1-3 Corp & Gov't, A Rated and Above
Net Assets	\$630,347,752.80	N/A	One Month	0.15%	0.63%
NAV per Share	\$10.25	N/A	Three Month	0.45%	1.68%
30 Day SEC Yield	1.00%	N/A	Six Month	0.96%	2.50%
Period Net Total Return	0.74%	0.63%	One Year*	2.09%	4.87%
Effective Duration	1.91 yrs	1.87 yrs	Two Year*	2.14%	4.13%
Average Maturity	2.09 yrs	1.93 yrs	Three Year*	1.95%	2.74%
Weighted Average Life	1.82 yrs	N/A	Five Year*	1.56%	2.01%
			Ten Year*	1.27%	1.68%
			Since Inception*	2.04%	2.58%

\*Annualized

Portfolio Sector Breakdown

- AGENCY BONDS - 6.80%
- ASSET BACKED SECURITIES - 15.61%
- BOND - 31.23%
- MONEY MARKET FUNDS - 0.51%
- MUNICIPAL BOND - 3.78%
- U.S. GOVERNMENT - 37.95%
- COMMERCIAL PAPER - 0.63%
- CERTIFICATE OF DEPOSIT - 3.49%

Rated AA-f by S&P Global Ratings