



Approved:

 Lilia M. Corona
 General Manager

STAFF REPORT

TO: Mt. View Sanitary District Board of Directors
 FROM: Lilia M. Corona, General Manager
 DATE: March 13, 2025
 SUBJECT: District Reserves and Funding Plan

RECOMMENDATIONS

1. Receive report from staff.
2. Provide direction.

BACKGROUND

CFO/Administrative Services Manager Gray provided the following table for the District Cash position in her monthly report.

Cash Balances by Fund at 2/13/25

Per GL: ****Includes checks cut 2/13/25****

Account	Cash Account	Fund 3409	Fund 3410	Fund 3412	Fund 3415	Total
Estimated Balance After Disbursements and LAIF Transfer:						
	Cash in County Treasury	50,815.70	4,793.24	10,149.63	765.00	66,523.57
	Investments (LAIF)	10,514,611.66	690,860.00	2,784,099.36	6,403.50	13,995,974.52

- On 2/13/25, the District held: \$14.06M with the County, in Cash and LAIF. This balance includes the \$2.03M received for the sale of the cell tower leases to Symphony. Additionally, we anticipate another \$855K for the sale of the billboard leases to Accelerate within the next month. We anticipate additional SSCs from the County of approximately \$4.80M to be received in April.
 - \$5.12M is earmarked for the FY25 Operations & Maintenance Reserve and will likely increase by at least 10% for FY26. This reserve sustains the District through the first 7 months of a fiscal year before Sewer Service Charges (SSCs) are received partially in December and the remainder in April, annually.
 - \$1.00M is earmarked for the Designated Reserve (Board discretion to use).
 - \$1.50M is earmarked for Capital Emergencies.
 - Lease Sale receipts could be earmarked for unfunded California Public Employees' Retirement System (CalPERS) liabilities.
 - Pension Unfunded Liability: \$4.46M (as of 6/30/24 and updated annually by the CalPERS actuarial).
- Other Post Employment Benefits (OPEB) Net Unfunded Liability: \$1.33M.

CalPERS is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System. Benefits under the provisions of these plans are established by State statute and District resolution.

The District is currently pre-funding its OPEB obligations by participation in and contributions to the California Employers' Retiree Benefit Trust (CERBT) managed by CalPERS. For example, in FY24, the District's benefit expense was \$70,336 while the District contributed \$257,526 to the CERBT Fund. The District is operating in Strategy 1, the expected return rate for the current strategies are:

Return/Return Volatility	Strategy 1	Strategy 2	Strategy 3
Expected Return Rate	6.4%	6.1%	5.8%

DISCUSSION

In \$Millions

Current Funds in County	Earmarked for:					Left Over \$
	O&M Reserve	Designated Reserve	Capital Reserve	Anticipated Expenses Thru FY25	Shortly Anticipated \$	
14.06	(5.12)	(1.00)	(1.50)	(5.24)	5.66	6.86

Currently, the District has approximately \$6.86M to invest for growth. The Operations and Maintenance (O&M) reserve should remain in the County LAIF so that it is readily available for payments. The Designated and Capital reserves can be invested for growth but must be available (reasonably liquid) for unanticipated needs. The objective is to ensure the District holds its available reserves in the highest possible yield accounts that provide security and appropriate liquidity.

Some of the options for our available (not earmarked) reserves include the County's Local Agency Investment Fund (LAIF), BMO Money Market, California Special District Association CLASS, and Cal PERS California Employers Pension Prefunding Trust (CEPPT). These accounts are described and detailed below.

Local Agency Investment Fund (LAIF)

This program offers local agencies the opportunity to participate in a major portfolio, which invests hundreds of millions of dollars, using the investment expertise of the State Treasurer's Office investment staff at no additional cost to the taxpayer. The District Banks with the County and saves with LAIF. Although banking with the County is not always easy, because we use the Teeter Plan (our SSCs are collected on the County tax roll), we must continue to bank with the County. The District's money with the County is secure and reasonably liquid.

Under Federal Law, the State of California cannot declare bankruptcy, thereby allowing the Government Code Section 16429.3 to stand. This Section states that "moneys 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, or (b) impoundment or seizure by any state official or state agency."

California Government Code Section 16429.4 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 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."

BMO Money Market account

The District also banks with BMO. BMO offers A Relationship Plus Money Market Account. It is Federally insured for up to \$250,000 and earns currently 2.94% APY on balances of \$250,000 +. The funds in their Money Market are reasonably liquid.

California Cooperative Liquid Assets Securities System (California CLASS)

California CLASS is a Joint Powers Authority investment pool that was created in accordance with the Joint Powers Act. A statutorily permitted investment, California CLASS provides special districts the opportunity to invest their funds in a professionally managed investment pool. Special districts across the State of California rely on the valuable services and technical expertise the California Special Districts Association (CSDA) provides. CSDA and California CLASS have partnered to assist California's special districts in accessing investment services designed for their unique needs.

Safety-First Focus: California CLASS understands that the fundamental and primary investment objective of any public official responsible for managing public funds is to preserve principal. Similarly, the fundamental and primary investment objective of the California CLASS Prime Portfolio is the safety of your district's principal.

Diversify Your Investment Portfolio: When it comes to managing investments, there is safety in diversity. California CLASS offers special districts the opportunity to diversify their liquidity at the overall portfolio level by investing in a pooled investment that is comprised of hundreds of individual securities as permitted by the California Government Code and the California CLASS Investment Policies. Given the time, resources, and expertise involved, it may be difficult for a special district to achieve this level of diversification on its own.

Easily Manage Your Investments Online: Seamlessly make contributions and redemptions to and from your investment account and subaccounts via ACH and wire. There are no account minimums, you can create unlimited subaccounts for fund segregation purposes, and California CLASS does not charge wire fees.

Quickly Report on Investment Activity: On-demand account access allows you to export your monthly statements and see balances, view historical transactions, and download transaction confirmations for your auditors and related bookkeeping responsibilities from a straightforward and intuitive Participant Portal.

California Employers' Pension Prefunding Trust (CEPPT)

The CEPPT is a Section 115 Pension pre-funding trust that allows state and local public agencies that participate in defined benefit public pension systems to voluntarily pre-fund employer contributions made to these systems. This trust provides an employer an additional investment vehicle to accumulate assets over time to better manage its increasing required pension contributions.

Knowing that the pension costs continue to rise, consider having another investment vehicle that will most likely yield higher earnings compared to LAIF or County Treasury over the long term and has lower volatility compared to the CalPERS pension fund Public Employees' Retirement Fund (PERF). When it's time to pay these pension contributions in the future, there is less dependence on the general fund; the District can instead use the earnings and the principal contributions from the trust to pay pension payments.

Agencies utilize this trust to grow additional pension assets. The CEPPT is also used to dollar cost average additional discretionary payments (ADP's) to pay down their Unfunded Pension Liability. We also see agencies utilize the program as a rainy day or rate stabilization fund. It can be used to irrevocably dedicate assets to pay for future pension costs. With the CEPPT, the account can be opened, and contributions can be made at any time. The current cost is 25 basis points and only applied to assets in the trust. In other words, you will not be charged a fee until you begin making contributions. This fee is an all-inclusive fee and combines the administrative, custodial, and investment fees.

CEPPT is an irrevocable trust. Once deposited, the money can only be used for pension liabilities.

Recommendation:

Keep as much as possible in accounts that provide the highest interest returns. Avoid loss by using conservative investment strategies. Additionally, liquidity is important as well as the security of the funds.

To summarize:

Account	LAIF	BMO Money Market	CSDA CLASS	CEPPT
Current Interest Rate	3.93% APY	2.94% APY	5.39%*	4.41%
Security	susceptible to the market	Federally insured up to \$250,000	susceptible to the market	susceptible to the market
Liquidity	within a few days	same day or next	same day or next	none

*Annualized as of 12/31/2024

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FISCAL IMPACT

There is no fiscal impact for direction.

Attachments:

CEPPT Flier

CLASS Flier

District Reserve Policy 3125