



Agenda Item No. 8h

Meeting Date: August 22, 2018
Staff Contact: Stan Allred, Chief Financial Officer

TITLE: C-18-28 – Approving Recommendation of Investment Strategy

ACTION: Recommend Approval

SUMMARY:

The Investment Oversight Committee of the Albuquerque Bernalillo County Water Utility Authority (the Water Authority) approved on August 10, 2018 along with Public Trust Advisors, the Water Authority's Investment Advisor a new Investment Strategy that best meet the objectives of safety, liquidity and yield in managing the funds currently held by the Water Authority. The committee determined that there is opportunity to improve both safety and yield in the current marketplace.

The Investment Oversight Committee is made up of: Board Member (Councilor Trudy Jones), Executive Director, Chief Financial Officer, Chief Operating Officer, and a Director from RBC Capital Markets (Eric Harrigan). The Committee voted unanimously to implement the strategy recommended by Public Trust Advisors.

RECOMMENDATION:

The committee recommends that the Board approve the investment of a total of \$100 million in US Treasury securities, invested in an even ladder and the portfolio of Treasury bills will mature in June of 2019. Then, as the securities mature, the funds that are not needed for current projects or operating needs will be reinvested at the end of the ladder to maintain the even flow of funds.

FISCAL IMPACT:

Continue to diversify funds on deposit and improve yield to meet the Authority's investment objectives of safety, liquidity and then yield by:

- Maintaining \$36 million / Six month Treasury Bill ladder.
- Adding a \$64 million Treasury Bill ladder whose funds will be used to make a July 1, 2019 debt payment. This portfolio of bills will all mature in June of 2019.
- High levels of liquidity will be maintained in immediately available bank deposits.

The additional interest income from the \$64 million should exceed \$500,000 in FY19 and is targeted to help offset credit card fees.

Memo

To: Albuquerque Bernalillo County Water Utility Authority Board

From: Stanley Allred, CFO Albuquerque Bernalillo County Water Utility Authority

Date: 8/14/2018

Re: Investment Strategy

Presented for the Boards approval is the proposed new Investment strategy for the Authority along with the Authority's current Strategy. The Strategy was developed by the Authority's Investment consultant Public Trust, along with the CFO, Controller and Treasurer of the Authority. The Proposed Strategy was then reviewed by the Authority's Attorney Peter Auh and the Authority's investment Committee. All five members of the committee voted approval of the new strategy. The Committee is made up of Trudy Jones, ABCWUA Chairperson, Mark Sanchez, Executive Director, Stan Allred, CFO, John Stomp, COO, and Eric Harrigan, Managing Partner RBC Capital Markets and ABCWUA's Financial Advisor.

Current Investment Strategy:

Diversify funds on deposit and improve yield to meet the Authority's investment objectives of safety, liquidity and then yield by investing \$36 million in short-term US Treasury securities. \$6 million blocks have been invested in an even ladder with one block maturing every month.

Investment earnings for the six month period of January 1, 2017 to June 30, 2018 was 1.844%. Total interest income in that period was slightly over \$284,224 (advisor fees were \$14,882). For comparison purposes the same \$36 million in deposits held by Wells Fargo Bank at 0.3725% would have earned about \$67,050 in the same period.

Proposed Investment Strategy:

Continue to diversify funds on deposit and improve yield to meet the Authority's investment objectives of safety, liquidity and then yield by:

- Maintaining \$36 million / 6 month Treasury Bill ladder.
- Adding a \$64 million Treasury Bill ladder whose funds will be used to make a July 1, 2019 debt payment. This portfolio of bills will all mature in June of 2019.
- High levels of liquidity will be maintained in immediately available bank deposits.

The additional interest income from the \$64 million should exceed \$500,000 in FY19 and is targeted to help offset credit card fees.

Cash Flow Position*:

Source	As of: 8-Aug-18	Proposed: 1-Sep-18	Proposed: 1-Nov-18
Treasury Bills	36M	72M	100M
Bank Deposits	72M	40M	100M
TOTAL CASH	108M	112M	200M

* See attached Cashflow Projection Chart.

Cashflow projections through 7/1/2019

