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## South Florida Water Management District

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### **AUDIT & FINANCE COMMITTEE AGENDA**

September 26, 2023

4:00 PM

District Headquarters - B-1 Auditorium

3301 Gun Club Road

West Palm Beach, FL 33406

FINAL

Committee Members:  
Jay Steinle, Chairman  
Cheryl Meads

1. Call to Order - Jay Steinle, Chairman
2. Approval of the Minutes for the April 13, 2023 Meeting
3. Summary of Investments as of July 31, 2023 - Lucie Weinberg, Treasurer
4. Inspector General Audit Reports - Tim Beirnes, Inspector General
  - Audit of Comprehensive Everglades Restoration Plan (CERP) Land Acquisition Cost Share
5. Public Comment
6. Adjourn

Draft presentations

#### **Agenda Item Background:**

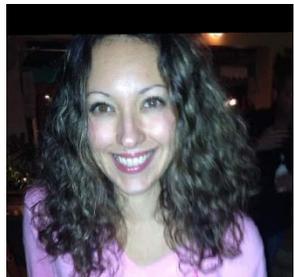
[3 Weinberg Presentation Investment Portfolio as of July 31, 2023](#)

[4 Beirnes Presentation CERP Land Cost Share](#)



# Investment Portfolio as of July 31, 2023

## Audit and Finance Committee Meeting September 26, 2023



**Lucie Weinberg**  
Treasurer  
Administrative Services Division



# Market Environment

- **The Fed Funds Target Rate/Range is 5.25%-5.50%.**
- **The FOMC has increased interest rates 550 bps since March 2022. We haven't seen the Fed Funds rate this high since July 2007—just months before the Great Recession of December 2007 to June 2009.**
- **US growth continues to slow and is expected to decline to 1.8% in 2023 and 1.00% in 2024. (IMG.org)**
- **Global growth is expected to decrease from 3.5% in 2022 to 3.0% in 2023 and 2024 (IMG.org).**
- **CPI for All Urban Consumers peaked at 9.1% in June 2022 and fell to 3.7% as of August 2023—this was a slight increase above the 2023 low of 3.0% in June 2023.**
- **The FOMC is projecting the Fed Funds Rate will decrease to 4.6% by the end of 2024, further falling to 3.4% by the end of 2025. We expect to see first FOMC rate cut of 25 bps in June 2024.**
- **According to American Bankers Association's Economic Advisory Committee, the US economy is "likely to dodge a recession despite an expected loss of momentum in economic growth over the next few quarters. The committee's forecast is that consumer inflation will decline to just above 2% in 2024." – comments released 09-11-23**

# Investment Strategy

- **Currently investing excess cash in the Goldman Sachs Financial Squares MMF (FGTXX) which provides daily liquidity to fund operational expenses including AP and Payroll.**
- **The FGTXX fund has \$259 billion in total fund assets and invests in US Government and US Treasury securities. The average monthly yield for August 2023 was 5.21%.**
- **This FGTXX fund provides greater flexibility with later purchase/redemption daily deadline of 4:45 pm.**
- **With money market rates averaging 5.21% for June, we set our target operating account balance at \$5,000,000. This will allow us to maximize return on idle cash since the Truist operating account interest rate is only 1.00%.**
- **Given the 550 bps rise in interest rates since 2022, we continue to view the bond portfolio as a held-to-maturity portfolio. As interest rates rise, bond prices fall. As of June 30th, the weighted average coupon on the portfolio was 1.34%.**
- **FY2023 investment income as of 07/31/23 was \$8.3M.**

# Key Interest Rates

Investment Type	March 31, 2023	July 31, 2023
<b>Federal Reserve Funds</b>	<b>4.75%-5.00%</b>	<b>5.25%-5.50%</b>
<b>3-Month T Bill</b>	<b>4.85%</b>	<b>5.55%</b>
<b>2-Year Treasury</b>	<b>4.06%</b>	<b>4.88%</b>
<b>5-Year Treasury</b>	<b>3.60%</b>	<b>4.18%</b>
<b>10-Year Treasury</b>	<b>3.48%</b>	<b>3.97%</b>
<b>State Pool</b>	<b>4.84%</b>	<b>5.39%</b>

# FY2023 Through 7-31-2023

- **\$8.3M Investment Earnings**
- **1.57% Book Yield (Investments Only)**
- **2.13% Book Yield (Cash & Investments)**
- **4.40% Yield (Cash & Cash Equivalents)**
- **\$74.6M Cash & Cash Equivalents Balance**
- **\$308.8M Investment Balance**
- **81% Invested\***
- **19% Cash & Cash Equivalents\***

\*See breakdown on next slide

# 7-31-2023 Portfolio Breakdown \$383 Million

	PAR VALUE (million)	CURRENT YIELD	% PORTFOLIO
<b>Cash &amp; Cash Equivalents/Short Term Cash (19%)</b>			
Operating Account	\$16.7M	1.00%	4.37%
Federated MM* Money Market	\$510K	5.29%	0.13%
Florida Prime (SBA*) *State Board of Administration	\$57.3M	5.39%	14.96%
<b>Total:</b>	<b>\$74.5M</b>		
<b>Invested/Long-Term Investments (81%)</b>			
U.S. Agencies	\$118.5M	1.36%	30.90%
MBS* *Mortgage-Backed Securities	\$190.3M	1.71%	49.64%
<b>Total:</b>	<b>\$308.8M</b>		

# Benchmark Comparisons 6-30-2023

## Cash & Cash Equivalents/Short Term Cash

<u>Entity</u>	<u>SFWMD</u>
SFWMD Book Yield	4.40%
S&P LGIP Index	5.08%

## Invested/Long-Term Investments

<u>Entity</u>	<u>Yield</u>	<u>Duration</u>
SFWMD Yield	2.13%	3.13
St. John's River Water Management District	2.32%	2.58
Southwest Florida Water Management District	3.52%	1.51
1-3 Year Treasury Index	4.98%	1.82

*\*Lower cash yield due to operating account "cash drag" at 1% yield*



# Discussion





## **Audit of CERP Land Acquisition Cost Share Project #22-20**

**Tim Beirnes, Inspector General  
Audit and Finance Committee  
September 26, 2023**

# Background

## Water Resource Development Act (WRDA) of 2000

- Established the framework for Comprehensive Everglades Restoration Plan (CERP) for Everglades Restoration
- CERP's Objective: Restore the quantity, quality, timing and distribution of water for the natural system while continuing to provide flood control and water supply for millions of people
- Integrated Federal and State projects and activities related to CERP
- Required 50/50 cost sharing between the Federal (US Army Corps of Engineers – USACE) and the non-Federal Local Sponsor (South Florida Water Management District)

# Master Agreement

- **Costs that typically apply to all projects, such as:**
  - **Construction management and monitoring**
  - **Land acquisition (non-tract specific)**
- **Eligible for credit only after a Project Partnership Agreement (PPA) is executed**
- **Creditability is subjected to USACE review and approval**

# Project Partnership Agreements (PPA)

- **Cost incurred for specific project, such as:**
  - Land interests
  - Construction
  - Construction management and monitoring
- **Master Agreement incorporated by reference in all PPAs**
- **Creditability is subjected to USACE review and approval**
- **Pre-Project Partnership Credit Agreement (PPCA) required for costs to be eligible for cost sharing for costs incurrent prior to a PPA**

# Audit Objectives

- Determine whether the District requests credit for all eligible CERP project land acquisition related expenses and whether adequate supporting documentation is maintained for such expenditures.
- Note: Design and construction CERP related expenses are credited through a different process. An audit of these expenses were addressed in a separate audit (Audit #20-21).

# Audit Results

- Overall, the District has an adequate process in place to ensure that eligible CERP land acquisition related expenses along with supporting documentation will be submitted to the USACE for credit.
- The Real Estate Bureau made improvements to the crediting process since our *Audit of Kissimmee River Restoration Project (KRRP), Audit #18-08*, that resulted in 19 recommendations to improve land cost share.
- This CERP audit revealed that the implemented changes have improved the process for claiming land acquisition cost share credits.

# Audit Results

- **Six CERP land acquisition credit requests have been submitted to the USACE for credit:**
  - ❖ **Few CERP tracts were eligible for credit submission since 2014**
    - **As of April 2023, six credits requests totaling 39,038 acres have been submitted to the USACE for credit - Two were submitted prior to our audit (2010 and 2014) and the remaining four were submitted during our audit**
    - **USACE approved credit totaling \$92.2 million for the request submitted in 2014**

# Audit Results

- **Real Estate Bureau can request credit for 37,659 acres of CERP projects lands with executed Project Partnership Agreements.**
- **Identified several enhancements to the crediting process.**
- **Salary expenses for one of the four claims submitted for credit during our audit was understated by \$16,826.**

# Audit Recommendations

- **Made seven audit recommendations**
- **Management concurred with all the recommendations**

# Governing Board Discussion

## Discussion & Questions