

CALAVERAS COUNTY WATER DISTRICT FINANCE COMMITTEE MEETING

AGENDA

Tuesday, June 16, 2020
9:00 a.m.

Calaveras County Water District
120 Toma Court (P O Box 846)
San Andreas, California 95249

Based on guidance from the California Governor's Office and Department of Public Health, in order to minimize the potential spread of the COVID-19 virus, the Calaveras County Water District will convene its public Committee meetings via teleconference.

[Join meeting](#)

Or join by phone **+1-408-418-9388** Meeting number (access code): **126 152 9250**
Meeting password: **4ncPWvrGE63** (46279874 from phones and video systems)

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Administration Office at 209-754-3028. Notification in advance of the meeting will enable CCWD to make reasonable arrangements to ensure accessibility to this meeting. Any documents related to agenda items that are made available to the Board before or at the meeting shall be available for review by the public at 120 Toma Court, San Andreas, CA 95249.

ORDER OF BUSINESS

CALL TO ORDER / PLEDGE OF ALLEGIANCE

1. **PUBLIC COMMENT:** Comments limited to three minutes per person.
2. **APPROVAL OF MINUTES:** May 19, 2020 and May 21, 2020
3. **NEW BUSINESS**
 - 3a. Report on the Monthly Financial Reports for May 2020
(Rebecca Callen, Director of Administrative Services)
 - 3b. Discussion and Direction on amending Financial Management Policy 5.01,
Investment Policy
(Rebecca Callen, Director of Administrative Services)
 - 3c. Discussion and Direction on Lehman Bros Holdings Investment
(Rebecca Callen, Director of Administrative Services)
 - 3d. Discussion and Direction Regarding Enrollment in CAL-CARD Program for
Government Entities
(Rebecca Callen, Director of Administrative Services)

3e. Discussion/Direction RE: The CCWD High School Scholarship Program Overview
(Joel Metzger, External Affairs Manager)

4. **DIRECTOR OF ADMINISTRATIVE SERVICES COMMENTS**

5. **GENERAL MANAGER COMMENTS**

6. **DIRECTOR COMMENTS**

7. **FUTURE AGENDA ITEMS**

8. **NEXT COMMITTEE MEETING**

9. **ADJOURNMENT**

MINUTES
FINANCE COMMITTEE MEETING
MAY 19, 2020

The following Committee Members were present:

Bertha Underhill	Director
Cindy Secada	Director

Staff Present:

Michael Minkler	General Manager
Rebecca Callen	Director of Administrative Services
Patti Christensen	Accountant III

Public Present:

None

Based on guidance from the California Governor's Office and Department of Public Health, in order to minimize the potential spread of the COVID-19 virus, the Calaveras County Water District will convene its public meetings of the Finance Committee telephonically until further notice.

ORDER OF BUSINESS

CALL TO ORDER / PLEDGE OF ALLEGIANCE

Meeting called to order at 9:02 a.m., Director Underhill led the Pledge of Allegiance

1. Public Comment: None.
2. Approval of Minutes: Minutes approved for the Finance Committee Meeting of April 14, 2020.
3. New Business:
 - 3a. Report on the Monthly Financial Reports for April 2020:

Ms. Callen named the reports that comprise the monthly reports. Regarding the Budget Status Report, Director Secada asked about the ACWA Conference registration refunds, and the Water Resources Membership Dues. Directors Underhill and Secada are pleased with the Budget Status Report format.
 - 3b. Discussion / Direction of the Annual Standby Assessments for Indian Rock Vineyards, West Point, Ebbetts Pass, Jenny Lind, Copper Cove and Saddle Creek Service Areas:

There was a discussion on how and why the Standby Assessments were established. Director Secada asked about the recent Board Meeting public comment regarding Forest Meadows fees and why they are different than the Standby Assessments. Mr. Minkler said that the particular lot in Forest Meadows that was discussed has a meter and they've paid a connection fee.

Direction was given to present this to the full Board.
 - 3c. Update on the FY 2020-21 Operating and Capital Improvement Program Budgets:

Director Underhill questioned the percent's listed on page 11 of the budget, and Ms. Callen explained that the percent is based on how the budget was adopted and not how it's being reported. Ms. Callen reviewed the revenues, and the pages that isolate the individual funds. Ms. Callen went into much detail in the flow of the budget and talked about the Sewer Fund shortfall and how staff may address this issue. There was a

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discussion regarding customer rates, Capital R&R rates, and a rate study, with Director Secada stating that cutting costs should be considered before a rate increase. Director Secada had specific questions regarding expenditure line items that were answered by Ms. Callen and requested a list of the service maintenance contracts currently in place.

There was a discussion on the Financial/Utility Billing software upgrade. The District is now at the point of upgrading to a newer version of Springbrook or migrating to a new software company. Ms. Callen talked about Tyler Technologies software and the benefits to go in this direction. The Directors gave positive feedback on the move to Tyler Technologies.

Director Underhill asked about vehicle maintenance and the lease program. Ms. Callen talked about the program and that it has been piecemeal in receiving trucks this year. She said that next year the savings will be more obvious.

Mr. Minkler thanked staff for their work on the budget. He mentioned reallocating the OPEB trust expenditure next year is a smart move, but will need to be monitored in the following years. Mr. Minkler talked about succession planning, and the need to budget for that purpose. He talked about the strategic plan process and how staff was able to reduce the consultant's costs from \$84K to \$65K. The strategic plan could be cut from the budget if necessary, but he feels that this is an important process that should be done.

Ms. Callen talked about the changes during COVID and that customers are paying their bills and there are many more water restorations.

4. Director of Administrative Services Comments:

Ms. Callen mentioned that the OPEB trust lost \$1M during the month of March, and rebounded by \$600K during April. She also mentioned an RFP for financial advisory services for funding CIP projects has been sent out. There are many projects to complete with limited funding. Ms. Callen said a retroactive funding resolution will be brought to the Board at the next meeting regarding the Ebbetts Pass Techite Line Replacement Project. This will help with payment of expenditures already made through a private loan placement. The Purchasing Policy re-write is almost complete and would the Committee prefer to have a special meeting to review, or present it to the Board directly? The Committee members opted for a special meeting.

5. General Manager Comments:

Mr. Minkler said he is glad the Water Resources position was recirculated, and a strong candidate is in the works. Staff is gradually coming back to the office with safety measures in place. Mr. Minkler said that Mr. Metzger was able to get portable toilet service at White Pines Park.

6. Director Comments:

Director Secada won't be able to attend the June 16, 2020 Finance Committee meeting and it was determined that her alternate would attend in her place. Director Secada also thanked staff for their work on the budget.

Director Underhill reported that they had snow this morning. She thanked staff for their work on the budget. She mentioned the news reporting COVID is tracing in the sewers. Mr. Minkler said the Mr. Wyckoff is working on this.

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7. Future Agenda Items:
 - Paymentus charges/Credit Card Fees
 - LAIF, Investment protection from the State
8. Next Committee Meeting:
June 16, 2020 at 9 a.m.
9. Adjournment:
Meeting adjourned at 10:58 a.m.

Respectfully Submitted,

P Christensen

Patti Christensen, Accountant III

Approved:

Rebecca Callen

Rebecca Callen, Director of Administrative Services

MINUTES
SPECIAL FINANCE COMMITTEE MEETING
MAY 21, 2020

The following Committee Members were present:

Bertha Underhill	Director
Cindy Secada	Director

Staff Present:

Michael Minkler	General Manager
Rebecca Callen	Director of Administrative Services
Patti Christensen	Accountant III

Public Present:

None

Based on guidance from the California Governor's Office and Department of Public Health, in order to minimize the potential spread of the COVID-19 virus, the Calaveras County Water District will convene its public meetings of the Finance Committee telephonically until further notice.

ORDER OF BUSINESS

CALL TO ORDER / PLEDGE OF ALLEGIANCE

Meeting called to order at 11:05 a.m., Director Underhill led the Pledge of Allegiance

1. Public Comment: None.

2. New Business:

2a. Discussion and Direction on amending Financial Management Policy 5.02, Purchasing Policy:

Ms. Callen reviewed some of the Staff Report highlights discussing purchase order limits, elimination of blanket purchase orders, addition of the Public Purchase website for RFP submissions, and the addition of the CalCard program into the policy. She then went through the red-lined draft policy in detail talking about each of the proposed changes.

Director Secada asked if the Public Purchase website charges a fee, and Ms. Callen replied that it did not. Director Underhill asked if this will have an affect on the Claim Summary and Ms. Callen replied that it won't really have an effect on the Claim Summary, but will have a huge effect on staff time. The Directors are fine with the revisions to the policy. Director Underhill mentioned that the Public Purchase website will help with the freedom of information act. Ms. Callen mentioned that there is a link on the District's website to the Public Purchase website.

Direction was given to bring this to the full Board under Consent Agenda.

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SPECIAL FINANCE COMMITTEE MEETING
MAY 21, 2020

3. Adjournment:
Meeting adjourned at 11:32 a.m.

Respectfully Submitted,

P Christensen

Patti Christensen, Accountant III

Approved:

Rebecca Callen

Rebecca Callen, Director of Administrative Services

Agenda Item

DATE: June 16, 2020

TO: Finance Committee

FROM: Rebecca Callen, Director of Administrative Services

SUBJECT: Report on the Monthly Financial Reports for May 2020

RECOMMENDED ACTION:

Receive Report on May 2020 Monthly Financial Reports.

SUMMARY:

The following financial reports are for the month ending May 31, 2020:

Budget Status Report – This is a high-level summary of operating revenues and expenditures with analysis points based on historical trends for the same period of reporting (period being the reporting months to date), budget to actual, and overall District and Departmental status.

Capital Renovation and Replacement (Capital R&R) Report – A summary of Capital R&R revenues and expenditures for the water and wastewater funds. Additionally, some expenditures are paid in arrears and this report may not adequately account for all costs incurred during the reporting period.

Capital Improvement Program Cash Flow/Expenditure Summary – A status report of Capital Improvement Program water and wastewater projects to date.

Claim Summary – The claim summary is a summary of services, supplies, reimbursements and other vendor claims paid by the District in the month of May, 2020.

Investment Transactions – A summary of investment balances, interest received, and a listing of individual transactions that occurred during May, 2020.

FINANCIAL CONSIDERATIONS:

None

Attachment: Budget Status Report – May 2020

Capital R&R Report – May 2020

Capital Improvement Program Cash Flow/Expenditure Summary – May 2020

May 2020 Budget Status Report

The Budget Status Report represents a standard of analysis to identify material issues with the understanding that line item variances are normal and the areas of concern are isolated to **Account Types** that fall short of budget and historical trends or Account Types that are at or over 100%.

Analysis has been done to evaluate 3-year trends related to operating expenses and revenues. Most importantly, comparing like periods across multiple fiscal years compares high front cost line items (i.e. insurance, supply costs, etc. that occur in the first part of the year) and eliminates them as an issue when they trend equal or less than 10% from the prior year. Additionally, a comparison of Year to Date activity versus budget further identifies if there are any impending issues.

All District Revenues

This analysis includes operating, capital, expansion, and reserve funds

Sum of Net Row Labels	Column Labels	2018	2019	2020	% of PY	Current Budget	Remainder	Benchmark 92% of Budget
W01-Sales & Charges		15,471,379	15,743,386	16,153,088	2.60%	13,023,650	(3,129,438)	124.03%
W02-Water/Sewer Fees		19,620	17,430	22,663	30.02%	15,000	(7,663)	151.09%
W03-Misc. Operating Revenue		285,395	244,422	297,608	21.76%	165,800	(131,808)	179.50%
X01-Property Tax/Assmt Rev		2,738,277	3,044,862	3,107,874	2.07%	3,076,581	(31,293)	101.02%
X02-Grant Revenue		76,220	1,911,081	69,172	-96.38%	-	-	0.00%
X03-Interest Income		241,827	486,945	518,701	6.52%	601,096	82,395	86.29%
X04-Expansion/Assent Fees		501,405	914,067	1,245,669	36.28%	-	-	0.00%
X05-Power Sales		635,615	672,065	682,225	1.51%	759,000	76,775	89.88%
X06-Other Revenue		141,048	887,378	619,970	-30.13%	888,871	268,901	69.75%
X30-Transfer In		2,885,598	1,696,846	2,494,147	46.99%	-	-	0.00%
Grand Total		22,996,385	25,618,482	25,211,117	-1.59%	18,529,998	(6,681,119)	136.06%

Note: We have not historically reported out Transfer In in prior Budget Status Reports. However, this is a material funding source for the District. Transfers In pertain to \$1.7 budgeted for Debt Service Funding, \$400,000 is for one-time operating expenses and equipment/capital outlay projects, and the remaining \$648,062 is for CIP support.

Analysis of ALL District Revenues identifies shortfalls in the Account Type:

- Other Revenue

Other	2018	2019	2020				
X06-Other Revenue	141,048	887,378	619,970	-30.13%	888,871	268,901	69.75%
48130-Rental Revenue	11,180	1,000	11,721	1072.13%	-	(11,721)	0.00%
52420-Standby Fees	124,320	123,849	124,540	0.56%	130,000	5,460	95.80%
52430-Area of Benefit Reimbursement	-3,794			0.00%	-	-	0.00%
54600-Other Non-Operating Revenue		742,032	473,185	-36.23%	748,871	275,686	63.19%
54605-Misc Developer Reimbursements	9,343	20,496	10,524	-48.65%	10,000	(524)	105.24%

- 1) 54600: This is related to the reimbursement from NCPA and MID for Federal and State Fees. There was an accounting change and the posting will occur as part of our year end process. This will be impacted by any FERC rate changes.

District Operating Revenues

These revenues are isolated to Water, Sewer, and the District General Fund.

Sum of Net	Column Labels				% of PY	Current	Remainder	Benchmark
Row Labels	2018	2019	2020	% of PY	Budget		92%	
							of Budget	
W01-Sales & Charges	11,321,624	11,605,041	12,011,375	3.50%	13,023,650	1,012,275	92.23%	
W02-Water/Sewer Fees	19,620	17,430	22,663	30.02%	15,000	(7,663)	151.09%	
W03-Misc. Operating Revenue	285,395	244,422	297,608	21.76%	165,800	(131,808)	179.50%	
X01-Property Tax/Assmt Rev	2,448,969	2,588,133	2,641,693	2.07%	2,589,565	(52,128)	102.01%	
X02-Grant Revenue	61,444	6,626	5,331	-19.54%	-	-	0.00%	
X03-Interest Income	71,093	158,712	182,840	15.20%	200,000	17,160	91.42%	
X05-Power Sales	635,615	672,065	682,225	1.51%	759,000	76,775	89.88%	
X06-Other Revenue	133,663	886,378	619,970	-30.06%	888,871	268,901	69.75%	
X30-Transfer In	1,524,285	1,696,846	2,293,349	35.15%	-	-	0.00%	
Grand Total	16,501,707	17,875,653	18,757,054	4.93%	17,641,886	(1,115,168)	106.32%	

The main Account Types to continue to monitor more closely are:

- Interest Income
- Other Revenue

Interest Income

	2018	2019	2020	% of PY			
X03-Interest Income	71,093	158,712	182,840	15.20%	200,000	17,160	91.42%
51100-Interest Income/CCWD Invest	71,093	158,712	182,840	15.20%	200,000	17,160	91.42%

- 1) 51100: As discussed earlier, LAIF is not trending as budgeted and we are continuing to see a reduction in overall interest income. Please note that the May report corrects a misstatement of revenue listed on the April report.

Other Revenue

	2018	2019	2020	% of PY			
X06-Other Revenue	133,663	886,378	619,970	-30.06%	888,871	268,901	69.75%
48130-Rental Revenue			11,721	0.00%	81,000	69,279	14.47%
52420-Standby Fees	124,320	123,849	124,540	0.56%	130,000	5,460	95.80%
54600-Other Non-Operating Revenue		742,032	473,185	-36.23%	748,871	275,686	63.19%
54605-Misc Developer Reimbursements	9,343	20,496	10,524	-48.65%	10,000	(524)	105.24%

- 1) 54600: As discussed prior, this is related to the reimbursement from NCPA and MID for Federal and State Fees. There was an accounting change and the posting will occur as part of our year end process. This will be impacted by any FERC rate changes.

District Operating Expenses

District Operating Expenses are staying within the overall budget benchmark of 92%. However, there are a few Account Types that we will continue to monitor more closely:

- Office Expenses
- Retired Employee Costs
- Misc Non-Operating

		Operating Expenses						Benchmark
YTD Totals	Fiscal Year	2018	2019	2020	% of PY	Current Budget	Remaining Balance	92% of Budget
⊕ Y01-Sal/Wage/Benefits		8,263,667	8,553,312	8,368,904	-2.16%	9,460,839	1,091,935	88.46%
⊕ Y02-Utility Service		943,129	927,519	880,993	-5.02%	1,001,516	120,523	87.97%
⊕ Y03-Materials/Supplies		1,247,785	1,136,535	1,064,196	-6.36%	1,248,410	184,214	85.24%
⊕ Y04-Outside Services		610,495	608,305	710,282	16.76%	807,883	97,601	87.92%
⊕ Y05-Professional Services		472,771	351,402	283,740	-19.25%	518,037	234,297	54.77%
⊕ Y06-Vehicle/Equipment				80,113	0.00%	-	(80,113)	0.00%
⊕ Y06-Vehicle/Equipment		321,381	430,550	470,860	9.36%	518,784	47,924	90.76%
⊕ Y07-Office Expenses		115,479	150,311	161,042	7.14%	147,765	(13,277)	108.99%
⊕ Y08-Travel/Training		43,608	58,323	55,819	-4.29%	80,184	24,365	69.61%
⊕ Y10-Purchased Water		1,326	2,349	1,489	-36.63%	298,262	-	0.50%
⊕ Y11-Retired Employee		495,525	519,079	558,127	7.52%	599,000	40,873	93.18%
⊕ Y12-Bad Debts		39,786	47,143	30,596	-35.10%	52,000	21,404	58.84%
⊕ Y13-Misc Op Expenses		512,024	1,222,145	1,069,673	-12.48%	1,411,731	342,058	75.77%
⊕ Y15-Director Costs		110,953	116,690	103,552	-11.26%	158,857	55,305	65.19%
⊕ Y16-Legal		225,291	249,437	341,627	36.96%	385,000	43,373	88.73%
⊕ Z02-Debt Repayment		2,034,566	2,494,828	2,135,058	-14.42%	2,980,688	845,630	71.63%
⊕ Z03-Capital Equipment		414,646	269,348	323,205	20.00%	510,000	186,795	63.37%
⊕ Z04-Misc Non Operating		9,281	7,792	7,615	-2.28%	7,500	(115)	101.53%
Grand Total		15,861,712	17,145,068	16,646,891	-2.91%	20,186,456	3,539,565	82.47%

The main Account Types to monitor more closely are:

- Office Expense
- Retired Employee Costs
- Misc Non-Operating

Office Expenses

	2018	2019	2020				
⊕ Y07-Office Expenses	115,479	150,311	161,042	7.14%	147,765	(13,277)	108.99%
60700-Forms and Supplies	1,372	242	4,722	1851.00%	2,950	(1,772)	160.07%
60710-Permits and Licenses	9,954	12,181	9,599	-21.20%	15,000	5,402	63.99%
60720-Postage	12,822	15,194	13,497	-11.17%	17,300	3,803	78.01%
60730-Publications/Subscriptions	477	375	7	-98.14%	1,350	1,343	0.52%
60732-Memberships and Dues	90,854	122,154	132,791	8.71%	110,238	(22,553)	120.46%
60760-Recording/Title Reports		165	427	159.51%	427	-	100.00%

- 1) 60700: Forms and Supplies are over budget due to SB 998 compliance, billing inserts, door tags and door tag policy attachments.

- 2) 60732: The San Joaquin Groundwater Sustainability Local Cost Share is higher than budgeted. Part of this is due to a change in accounting for the pass-through dollars and the other is just higher cost of share.

Retired Employee Costs

	2018	2019	2020				
Y11-Retired Employee	495,525	519,079	558,127	7.52%	599,000	40,873	93.18%
61200-Retired Employee Costs	495,525	519,079	558,127	7.52%	599,000	40,873	93.18%

- 1) 61200: Retired Employee Costs are trending slightly higher than budget and should finish out the year close to budget.

Misc Non-Operating

	2018	2019	2020				
Z04-Misc Non Operating	9,281	7,792	7,615	-2.28%	7,500	(115)	101.53%
78100-Investment Agent Fees	7,500	7,500	7,500	0.00%	7,500	-	100.00%
78200-Calaveras County Fees			103	0.00%	-	(103)	0.00%
78900-Consultants			0	0.00%	-	-	0.00%
78990-Misc Non-Operating Costs	1,781	292	12	-95.89%	-	(12)	0.00%

- 1) 78100: The majority of the Misc Non-Operating expense is the annual custodial fee for the Wells Fargo investment banking.

Dept 50 – Non-Departmental

	Operating Expenses						Benchmark	
YTD Totals	Fiscal Year	2018	2019	2020	% of PY	Current Budget	Remaining Balance	92% of Budget
Y02-Utility Service		24,939	22,995	22,100	-3.89%	22,500	400	98.22%
Y03-Materials/Supplies		31,886	36,428	53,065	45.67%	40,500	(12,565)	131.03%
Y04-Outside Services		39,397	42,500	44,993	5.87%	50,020	5,027	89.95%
Y05-Professional Services			600	80	-86.59%	-	(80)	0.00%
Y11-Retired Employee		495,525	519,079	558,127	7.52%	599,000	40,873	93.18%
Y13-Misc Op Expenses		176,912	120,579	206,031	70.87%	206,231	200	99.90%
Z02-Debt Repayment		2,034,566	2,494,828	2,135,058	-14.42%	2,980,688	845,630	71.63%
Z04-Misc Non Operating		1,781	292	12	-95.89%	-	(12)	0.00%
Grand Total		2,805,007	3,237,301	3,019,467	-6.73%	3,898,939	879,472	77.44%

The following Account Types are BOTH trending higher than the prior year AND higher than the benchmark:

- Materials and Supplies
- Misc. Op Expenses

Materials and Supplies

	2018	2019	2020				
⊖ Y03-Materials/Supplies	31,886	36,428	53,065	45.67%	40,500	(12,565)	131.03%
60310-Materials and Supplies	29,312	35,264	52,775	49.66%	40,000	(12,775)	131.94%
60313-Tools		767	291	-62.11%	500	209	58.11%
60320-Safety Material and Supplies	2,574	397		-100.00%	-	-	0.00%

- 1) 60310: Training Room sound proofing materials, office furniture, Surface Pro covers due to mass Windows 10 upgrades and required computer replacement to facilitate that in the field, and COVID-19 Technology purchases.

Misc. Op Expenses

	2018	2019	2020				
⊖ Y13-Misc Op Expenses	176,912	120,579	206,031	70.87%	206,231	200	99.90%
61410-Insurance	176,912	117,297	206,031	75.65%	206,231	200	99.90%
61430-State/Federal/County Fees		3,282		-100.00%	-	-	0.00%

- 1) 61410: Insurance costs have increased with JPIA. This was accounted for in the budget. Due to the nature of this payment occurring in 3 upfront payments, it is normal to be almost 100% for the year earlier than other Account Types.

Dept 54 – Utilities

		Operating Expenses						Benchmark
YTD Totals	Fiscal Year	2018	2019	2020	% of PY	Current Budget	Remaining Balance	92% of Budget
⊕ Y01-Sal/Wage/Benefits		5,889,704	5,885,929	5,918,290	0.55%	6,520,071	601,781	90.77%
⊕ Y02-Utility Service		918,189	904,514	858,893	-5.04%	979,016	120,123	87.73%
⊕ Y03-Materials/Supplies		1,178,332	1,026,927	960,305	-6.49%	1,157,131	196,826	82.99%
⊕ Y04-Outside Services		492,221	476,227	580,124	21.82%	651,818	71,694	89.00%
⊕ Y05-Professional Services		55,818	64,202	61,547	-4.13%	101,300	39,753	60.76%
⊕ Y06-Vehicle/Equipement				80,113	0.00%	-	(80,113)	0.00%
⊕ Y06-Vehicle/Equipment		321,381	430,550	470,860	9.36%	518,784	47,924	90.76%
⊕ Y07-Office Expenses		22,157	19,865	18,990	-4.41%	30,500	11,510	62.26%
⊕ Y08-Travel/Training		21,105	34,408	24,067	-30.05%	35,184	11,117	68.40%
⊕ Y10-Purchased Water		1,326	2,349	1,489	-36.63%	5,000	3,511	29.78%
⊕ Y13-Misc Op Expenses		216,742	394,107	428,198	8.65%	230,000	(198,198)	186.17%
⊕ Z03-Capital Equipment		376,560	249,566	323,205	29.51%	504,000	180,795	64.13%
Grand Total		9,493,534	9,488,643	9,726,082	2.50%	10,732,804	1,006,722	90.62%

There are not any Account Types that are BOTH trending higher than prior year AND higher than the benchmark. One account to note is the Misc. Operating Expenses.

Misc. Operating Expenses

	2018	2019	2020				
⊖ Y13-Misc Op Expenses	216,742	394,107	428,198	8.65%	230,000	(198,198)	186.17%
61420-State Water and Sewer Fees	216,742	394,107	428,198	8.65%	230,000	(198,198)	186.17%

- 1) 61420: Permit Fees have increased year over year. However, this was anticipated in the budget. Dam fees totaling \$214,356 that were paid in April will be moved to Department 60 in June bringing this more in alignment with budget.

Dept 56 – General Management

		Operating Expenses						Benchmark
YTD Totals	Fiscal Year	2018	2019	2020	% of PY	Current Budget	Remaining Balance	92% of Budget
⊕ Y01-Sal/Wage/Benefits		665,813	581,557	594,073	2.15%	654,902	60,829	90.71%
⊕ Y02-Utility Service			10		-100.00%	-	-	0.00%
⊕ Y03-Materials/Supplies		1,954	1,619	4,343	168.19%	6,800	2,457	63.86%
⊕ Y04-Outside Services		5,773	25,165	12,019	-52.24%	14,700	2,681	81.76%
⊕ Y05-Professional Services		69,046	86,314	73,871	-14.42%	134,300	60,429	55.00%
⊕ Y07-Office Expenses		47,058	60,025	44,017	-26.67%	47,545	3,528	92.58%
⊕ Y08-Travel/Training		12,444	16,277	18,863	15.89%	21,450	2,587	87.94%
⊕ Y13-Misc Op Expenses			1,714	0	-100.00%	2,000	2,000	0.00%
⊕ Y16-Legal		109,776	156,457	240,411	53.66%	230,000	(10,411)	104.53%
⊕ Z04-Misc Non Operating			0	103	0.00%	-	-	0.00%
Grand Total		911,864	929,138	987,698	6.30%	1,111,697	123,999	88.85%

The following Account Type is BOTH trending higher than prior year AND higher than the benchmark:

Legal

	2018	2019	2020				
⊖ Y16-Legal	109,776	156,457	240,411	53.66%	230,000	(10,411)	104.53%
60505-Outside Legal Fees	109,776	156,457	240,411	53.66%	230,000	-	104.53%

- 1) 60505: Legal fees are for outside counsel. Costs are associated with demand and case load. The budget took additional need into consideration; however, this line item will likely exceed budget.

Dept 57 – Board of Directors – Nothing to report, all within benchmark.

		Operating Expenses						Benchmark
YTD Totals	Fiscal Year	2018	2019	2020	% of PY	Current Budget	Remaining Balance	92% of Budget
⊕ Y01-Sal/Wage/Benefits		579	1,518	800	-47.31%	2,000	1,200	40.00%
⊕ Y03-Materials/Supplies		350	632	542	-14.22%	750	208	72.27%
⊕ Y05-Professional Services			8,124		-100.00%	-	-	0.00%
⊕ Y15-Director Costs		110,953	116,690	103,552	-11.26%	158,857	55,305	65.19%
Grand Total		111,882	126,964	104,894	-17.38%	161,607	56,713	64.91%

Dept 58 – Engineering

		Operating Expenses						Benchmark
YTD Totals	Fiscal Year	2018	2019	2020	% of PY	Current Budget	Remaining Balance	92% of Budget
Account Type								
⊕ Y01-Sal/Wage/Benefits		388,560	667,105	660,034	-1.06%	892,587	232,553	73.95%
⊕ Y03-Materials/Supplies			3,960	3,447	-12.96%	7,479	4,032	46.09%
⊕ Y04-Outside Services		17,459	8,689	11,750	35.23%	12,395	645	94.80%
⊕ Y05-Professional Services		5,609	5,765	-5,135	-189.07%	80,165	85,300	-6.41%
⊕ Y07-Office Expenses		464	750	780	4.00%	1,745	966	44.67%
⊕ Y08-Travel/Training		3,648	2,373	7,331	208.90%	8,000	669	91.63%
Grand Total		415,739	688,642	678,206	-1.52%	1,002,371	324,165	67.66%

The following Account Type is BOTH trending higher than prior year AND higher than the benchmark:

Outside Services

	2018	2019	2020	% of PY	Current Budget	Remaining Balance	Benchmark
⊕ Y04-Outside Services	17,459	8,689	11,750	35.23%	12,395	645	94.80%
60410-Service Maintenance Contracts	17,459	8,639	9,855	14.08%	10,500	645	93.86%
60431-Computer Lic Maint Contracts			1,895	0.00%	1,895	-	100.00%
60480-Rental (Non Vehicle and Equip)		50		-100.00%	-	-	0.00%

- 1) 60410: While it is trending higher than previous year and the budget is at 94%, these costs are paid at one time. This should stay within budget.

Dept 59 – Administrative Services

		Operating Expenses						Benchmark
YTD Totals	Fiscal Year	2018	2019	2020	% of PY	Current Budget	Remaining Balance	92% of Budget
Account Type								
⊕ Y01-Sal/Wage/Benefits		1,029,994	1,112,830	1,062,370	-4.53%	1,196,819	134,449	88.77%
⊕ Y03-Materials/Supplies		25,622	39,807	42,037	5.60%	35,250	(6,787)	119.26%
⊕ Y04-Outside Services		55,646	55,725	61,396	10.18%	78,950	17,554	77.77%
⊕ Y05-Professional Services		179,482	108,979	99,864	-8.36%	128,225	28,361	77.88%
⊕ Y07-Office Expenses		14,490	15,929	18,664	17.17%	20,475	1,811	91.15%
⊕ Y08-Travel/Training		2,786	1,679	4,091	143.69%	10,800	6,709	37.88%
⊕ Y12-Bad Debts		39,786	47,143	30,596	-35.10%	52,000	21,404	58.84%
⊕ Y13-Misc Op Expenses		59,299	79,938	121,768	52.33%	135,500	13,732	89.87%
⊕ Z03-Capital Equipment		38,086	19,782		-100.00%	6,000	6,000	0.00%
⊕ Z04-Misc Non Operating		7,500	7,500	7,500	0.00%	7,500	-	100.00%
Grand Total		1,452,691	1,489,312	1,448,287	-2.75%	1,671,519	223,232	86.64%

The following account is trending higher than budget.

Materials/Supplies

	2018	2019	2020				
⊖ Y03-Materials/Supplies	25,622	39,807	42,037	5.60%	35,250	(6,787)	119.26%
60310-Materials and Supplies	37	254	257	1.26%	1,250	993	20.57%
60390-Admin. Technologies/Comm.	25,585	39,553	41,780	5.63%	34,000	(7,780)	122.88%

- 1) 60390: Admin. Technologies/Comm. Includes computers which is high to date due to the push to upgrade to Windows 10. We will exceed this budget due to the additional COVID-19 expenses. Those will be reported out at a future meeting once all bills are paid.

Dept 60 – Water Resources

		Operating Expenses						Benchmark
YTD Totals	Fiscal Year	2018	2019	2020	% of PY	Current Budget	Remaining Balance	92% of Budget
⊕ Y01-Sal/Wage/Benefits		289,017	304,374	133,338	-56.19%	194,460	61,122	68.57%
⊕ Y03-Materials/Supplies		9,642	27,163	457	-98.32%	500	43	91.33%
⊕ Y05-Professional Services		162,816	77,418	53,512	-30.88%	74,047	20,535	72.27%
⊕ Y07-Office Expenses		31,310	53,742	78,592	46.24%	47,500	(31,092)	165.46%
⊕ Y08-Travel/Training		3,625	3,586	1,466	-59.11%	4,750	3,284	30.87%
⊕ Y13-Misc Op Expenses		59,071	625,807	313,676	-49.88%	838,000	524,324	37.43%
⊕ Y16-Legal		115,515	92,981	101,216	8.86%	155,000	53,784	65.30%
Grand Total		670,995	1,185,070	682,257	-42.43%	1,607,519	925,262	42.44%

The following Account Type is BOTH trending higher than prior year AND higher than the benchmark:

Office Expense

	2018	2019	2020				
⊖ Y07-Office Expenses	31,310	53,742	78,592	46.24%	47,500	(31,092)	165.46%
60732-Memberships and Dues	31,310	53,742	78,592	46.24%	47,500	(31,092)	165.46%

- 1) 60732: The San Joaquin Groundwater Sustainability Local Cost share is higher than budgeted. Part of this is due to a change in accounting for the pass-through dollars and the other is just higher cost of share. Due to savings within this budget, it can be absorbed.

Water Capital Renovation and Replacement Fund

July 1, 2013 through May 31, 2020

	Through Jun 30, 2019	Jul - Sep	Oct - Dec	Jan - Mar	Apr - Jun	Y-T-D FY 19-20	Total to Date
Revenues:							
Capital R&R Water Revenues	\$ 17,314,617	\$ 932,018	\$ 804,105	\$ 783,369	\$ 502,121	\$ 3,021,613	\$ 20,336,230
Interest Income	459,106	1,839	36,321	36,976	31,487	106,623	565,729
Capital R&R Loan *	6,622,000	-	-	-	-	-	6,622,000
Grant Revenues	5,244,297	-	-	-	-	-	5,244,297
Total Revenues	\$ 29,640,020	\$ 933,857	\$ 840,427	\$ 820,345	\$ 533,609	\$ 3,128,237	\$ 32,768,257
Expenditures:							
Ebbetts Pass Techite Line	\$ 212,263	\$ 1,900	\$ 25,774	\$ 23,074	\$ 6,284	\$ 57,032	\$ 269,295
Ebbetts Pass Reach 1	1,637,812	1,236,809	814,286	164,479	532,253	2,747,828	4,385,640
Jenny Lind A-B Trans Line	10,243	-	-	3,172	6,061	9,233	19,477
Jenny Lind Pretreatment Facility	4,843,219	130,433	33,064	20,344	2,776	186,617	5,029,836
EP Redwood Tanks HMGP	35,707	823	823	1,063	-	2,709	38,416
AMR/AMI Radio Read Meter Program	-	143	52,113	60,653	39,566	152,476	152,476
Ebbetts Pass WTP Filter Rehab	524	-	1,428	-	213,235	214,663	215,187
Hunters Raw Water Pump Renov	-	-	5,216	-	-	5,216	5,216
Lake Tulloch Raw Water Pump Renov	-	-	102,292	-	-	102,292	102,292
Meadowmont Pump Station Improv	29,879	54,198	92	-	-	54,290	84,169
White Pines Lake Restoration	67,747	-	-	-	-	-	67,747
Wallace SCADA Improvements	-	-	-	1,310	16,750	18,060	18,060
West Point Backup Water Filter	-	-	-	434	-	434	434
West Point SCADA Improvements	-	-	-	-	-	-	-
Big Trees Pump Station 1,4,5 Repl	-	-	-	107	-	107	107
Reeds Turnpike P/S Repl	-	-	-	214	-	214	214
CC Tank B P/S Renovation	-	-	-	107	-	107	107
Tank Management Plan	67,816	-	-	1,508	-	1,508	69,324
Pipeline Replacement	237,613	5,799	5,144	9,608	119,912	140,463	378,077
Completed Projects (see Funding)	8,581,996	-	-	-	-	-	8,581,996
Total Expenditures	\$ 15,724,819	\$ 1,430,105	\$ 1,040,233	\$ 286,073	\$ 936,838	\$ 3,693,249	\$ 19,418,068
Beginning Balance	\$ -	\$ 11,501,368	\$ 10,338,509	\$ 10,138,702	\$ 10,086,020	\$ 11,501,368	\$ -
Total Revenues	29,640,020	933,857	840,427	820,345	533,609	3,128,237	32,768,257
Less							
Loan Payments	2,413,833	666,611	-	586,954	-	1,253,565	3,667,397
Project Costs	15,724,819	1,430,105	1,040,233	286,073	936,838	3,693,249	19,418,068
Ending Balance	\$ 11,501,368	\$ 10,338,509	\$ 10,138,702	\$ 10,086,020	\$ 9,682,792	\$ 9,682,792	\$ 9,682,792

* R&R/USDA Loans - Outstanding P&I Due: \$ 4,813,279

Water Capital Renovation and Replacement Funding
 July 1, 2013 through May 31, 2020

Project Funding	Project Budget	Expenses To Date	Balance	Operating Funds	Expansion Funds	Capital R&R	Grant Revenues
Ebbetts Pass Techite Line	\$ 1,600,000	\$ 269,295	\$ 1,330,705	\$ -	\$ -	\$ 1,600,000	\$ -
Ebbetts Pass Reach 1	7,400,000	4,385,640	3,014,360	-	1,000,000	6,400,000	-
Jenny Lind A-B Trans Line	4,500,000	19,477	4,480,523	-	-	4,500,000	-
Jenny Lind Pretreatment Facility	4,000,000	5,029,836	(1,029,836)	-	-	1,618,086	3,411,750
EP Redwood Tanks HMGP	2,800,000	38,416	2,761,584	-	-	700,000	2,100,000
AMR/AMI Radio Read Meter Program	4,500,000	152,476	4,347,524	-	-	4,500,000	-
Ebbetts Pass WTP Filter Rehab	400,000	215,187	184,813	-	-	400,000	-
Hunters Raw Water Pump Renov	200,000	5,216	194,784	-	-	200,000	-
Lake Tulloch Raw Water Pump Renov	125,000	102,292	22,708	-	-	125,000	-
Meadowmont Pump Station Improv	175,000	84,169	90,831	-	-	175,000	-
White Pines Lake Restoration	200,000	67,747	132,253	-	-	200,000	-
Wallace SCADA Improvements	100,000	18,060	81,940	-	-	100,000	-
West Point Backup Water Filter	3,400,000	434	3,399,566	-	-	3,400,000	-
West Point SCADA Improvements	100,000	-	100,000	-	-	100,000	-
Tank Management Plan	2,450,000	69,324	2,380,676	-	-	2,450,000	-
Pipeline Replacement	250,000	378,077	(128,077)	-	-	250,000	-
Big Trees Tank Replacement (1)	1,160,000	1,430,906	(270,906)	290,000	-	-	870,000
Ebbetts Pass Reach 3a (1)	5,360,000	5,829,093	(469,093)	-	-	3,982,000	1,378,000
Jenny Lind Pressure Reg Station (1)	190,000	316,944	(126,944)	-	-	190,000	-
Vista Del Lago/SR 26 Relocate (1)	190,000	200,671	(10,671)	-	-	200,671	-
Lake Tulloch Drought Emergency (1)	750,000	749,414	586	-	-	749,414	-
Capital Program Management (1)	50,000	54,969	(4,969)	-	-	54,969	-
Total Expenditures	\$ 39,900,000	\$ 19,417,641	\$ 20,482,359	\$ 290,000	\$ 1,000,000	\$ 31,895,140	\$ 7,759,750

(1) completed project

Wastewater Capital Renovation and Replacement Fund
 July 1, 2013 through May 31, 2020

	Through Jun 30, 2019	Jul - Sep	Oct - Dec	Jan - Mar	Apr - Jun	Y-T-D FY 19-20	Total to Date
Revenues:							
Capital R&R Wastewater Revenues	6,289,693	\$ 325,224	\$ 268,318	\$ 327,515	\$ 199,043	\$ 1,120,100	\$ 7,409,794
Interest Income	137,204	608	13,898	14,237	12,415	41,158	178,361
Capital R&R Loan *	2,300,001	-	-	-	-	-	2,300,001
Grant Revenues	69,066	-	16,578	47,264	-	63,842	132,908
Total Revenues	\$ 8,795,964	\$ 325,832	\$ 298,793	\$ 389,016	\$ 211,458	\$ 1,225,100	\$ 10,021,064
Expenditures:							
Copper Cove L/S 8,12,13 Bypass	\$ 133,539	\$ 11,556	\$ 6,950	\$ 1,287	\$ 9,103	\$ 28,896	\$ 162,435
Copper Cove LS 15 & 18 Renovation	179,757	12,175	8,647	3,083	9,889	33,795	213,553
Vallecito Recycle Water Distribution	94,315	15,326	27,878	20,155	-	63,359	157,673
Wallace Renovation/SCADA/PLC	550	-	635	1,431	318	2,384	2,934
West Point/Wilseyville Construction	611	-	-	1,207	2,674	3,881	4,492
Arnold Secondary Clarifier	-	-	394	9,875	3,915	14,184	14,184
Arnold Leach Field Improvements	-	-	-	2,384	635	3,020	3,020
La Contenta Biolac, Clarifier and UV	-	-	-	635	-	635	635
Copper Cove TP/UV Improvements	-	-	12,929	3,085	12,513	28,527	28,527
Huckleberry Lift Station Rehab	34,351	159	49,214	4,029	567	53,970	88,321
Indian Rock East Sand Filter Rehab	-	-	-	-	658	658	658
Southworth Collection I&I Mitigation	45,039	50,904	-	4,581	726	56,211	101,250
Vallecito/DF Headworks Screen	-	-	-	107	-	107	107
Completed Projects (see Funding)	2,336,367	-	-	-	-	-	2,336,367
Total Expenditures	\$ 2,824,528	\$ 90,120	\$ 106,647	\$ 51,861	\$ 40,999	\$ 289,626	\$ 3,114,155
Beginning Balance	\$ -	\$ 4,183,640	\$ 4,219,776	\$ 4,411,922	\$ 4,551,666	\$ 4,183,640	\$ -
Total Revenues	8,795,964	325,832	298,793	389,016	211,458	1,225,100	10,021,064
Less							
Loan Payments/Expenses	1,787,796	199,576	-	197,412	-	396,988	2,184,784
Project Costs	2,824,528	90,120	106,647	51,861	40,999	289,626	3,114,155
Ending Balance	\$ 4,183,640	\$ 4,219,776	\$ 4,411,922	\$ 4,551,666	\$ 4,722,125	\$ 4,722,125	\$ 4,722,125

* Sewer R&R Loan - Outstanding P&I Due: \$ 397,010

Wastewater Capital Renovation and Replacement Funding

July 1, 2013 through May 31, 2020

Project Funding	Project Budget	Expenses To Date	Balance	Operating Funds	Expansion Funds	Capital R&R	Grant Revenues
Copper Cove L/S 8,12,13 Bypass	2,400,000	162,435	2,237,566	-	-	2,400,000	-
Copper Cove LS 15 & 18 Renovation	3,200,000	213,553	2,986,447	-	-	3,200,000	-
Vallecito Recycle Water Distribution	280,000	157,673	122,327	-	-	100,000	180,000
Wallace Renovation/SCADA/PLC	100,000	2,934	97,066	-	-	100,000	-
West Point/Wilseyville Construction	4,750,000	4,492	4,745,508	-	-	-	4,750,000
Arnold Secondary Clarifier	1,400,000	14,184	1,385,816	-	280,000	1,120,000	-
Arnold Leach Field Improvements	600,000	3,020	596,980	-	120,000	480,000	-
La Contenta Biolac, Clarifier and UV	3,850,000	635	3,849,365	-	1,925,000	1,925,000	-
Copper Cove TP/UV Improvements	13,000,000	28,527	12,971,473	-	6,500,000	6,500,000	-
Huckleberry Lift Station Rehab	200,000	88,321	111,679	-	-	200,000	-
Indian Rock East Sand Filter Rehab	150,000	658	149,342	-	-	150,000	-
Southworth Collection I&I Mitigation	100,000	101,250	(1,250)	-	-	100,000	-
Vallecito/DF Headworks Screen	250,000	107	249,893	-	-	250,000	-
Vallecito I&I/Equalization (1)	400,000	39,285	360,715	-	-	-	-
Copper Cove Reclaim Permit (1)	250,000	221,825	28,175	-	-	-	-
WP/Wilseyville Consolidation (1)	45,000	5,728	39,272	-	-	-	-
Copper Cove Lift Station 22 (1)	1,600,000	1,516,935	83,065	-	-	-	-
Poker Flat LS 9, 10 and 11 (1)	285,000	493,406	(208,406)	-	-	-	-
Capital Program Management (1)	50,000	59,188	(9,188)	-	-	-	-
Total Expenditures	\$ 32,910,000	\$ 3,114,155	\$ 29,795,845	\$ -	\$ 8,825,000	\$ 10,725,000	\$ 4,750,000

(1) completed project

CALAVERAS COUNTY WATER DISTRICT

Capital Improvement Program Cash Flow/Expenditure Summary

As of May 31, 2020

Project Description		Estimated Project Cost	FY 19/20 Cash Flow	Prior Years Expenditures	FY 19/20 Expenditures	Encumbrances	Remaining Cash Flow FY 19-20	Remaining Total Proj Cost	
Fund 120 - 125 Water Projects									
11101	120	District Corp Yard	200,000	200,000	11,140	217,469	-	(17,469)	(28,609)
11100	852	Wallace SCADA System Improvements	100,000	50,000	-	18,060	-	31,940	81,940
10058	125	Lake Tulloch Raw Water Pump Renovation	125,000	105,000	-	102,292	-	2,708	22,708
11066G	125	Pipeline Replacement Program (JL)	460,800	460,800	3,996	140,463	-	320,337	316,341
11083J	125	Clearwell #2 / Repair & Paint	200,000	183,888	16,112	107	-	183,781	183,781
11083L	125	Larkspur Tank / Repair & Paint	250,000	227,139	22,861	107	-	227,032	227,032
11083W	125	Wallace Tanks / Repair & Paint	350,000	343,926	6,074	541	-	343,385	343,386
11083S	125	Sawmill/Hunter's Tanks / Repair & Paint	800,000	-	10,238	107	-	(107)	789,655
11083C	125	Clearwell & Tank B / Repair & Paint	850,000	-	10,238	647	-	(647)	839,115
11084	125	EP Techite Water Line Replacement	1,600,000	1,600,000	212,263	57,032	-	1,542,968	1,330,705
11085	125	EP Reach 1 Water Line Replacement	7,400,000	5,000,000	1,637,746	2,747,828	-	2,252,172	3,014,426
11088	125	Jenny Lind Tank A-B Trans Line	4,500,000	250,000	10,243	9,233	-	240,767	4,480,523
11092	125	Jenny Lind Pre-Treatment	4,000,000	500,000	4,843,219	186,617	-	313,383	(1,029,836)
11095	125	EP Redwood Tanks Replacement	2,800,000	400,000	35,707	2,709	-	397,291	2,761,584
11096	125	WP AMR/AMI Meter Program	4,500,000	100,000	14,780	152,476	-	(52,476)	4,332,745
11098	125	EP Hunters WTP Filter Rehab*	479,142	478,618	524	214,663	-	263,955	263,955
11099	125	Meadowmont P/S Improvement	175,000	175,000	29,879	54,290	-	120,710	90,831
11103	125	Hunter's Raw Water Pumps Renovation	200,000	-	-	5,216	-	(5,216)	194,784
11104	125	Lake Tulloch Submerged Water Line Cross	3,000,000	-	-	-	-	-	3,000,000
11105	125	White Pines Lake Restoration	200,000	100,000	-	-	-	100,000	200,000
11106	125	West Point Backup Water Filter	3,400,000	200,000	-	434	-	199,566	3,399,566
11107	125	WP SCADA Improvements	300,000	300,000	-	434	-	299,566	299,566
11108	125	Big Trees Pump Stations 1, 4 & 5 Repl	200,000	-	-	107	-	(107)	199,893
11110	125	Reeds Turnpike Pump Station Repl	350,000	-	-	214	-	(214)	349,786
11111	125	Copper Cove Tank B Pump Station Renov	500,000	-	-	107	-	(107)	499,893
11112	125	White Pines Dam/Blanket Drain Rehab	200,000	-	-	-	-	-	200,000
			-	-	-	-	-	-	-
Total Fund 120/125 - Water Projects		37,139,942	10,674,371	6,865,019	3,911,151	-	6,763,220	26,363,771	

CALAVERAS COUNTY WATER DISTRICT

Capital Improvement Program Cash Flow/Expenditure Summary

As of May 31, 2020

Project Description		Estimated Project Cost	FY 19/20 Cash Flow	Prior Years Expenditures	FY 19/20 Expenditures	Encumbrances	Remaining Cash Flow FY 19/20	Remaining Total Proj Cost	
Fund 130 - 135 Sewer Projects									
--	-	La Contenta Wastewater Facility***	640,000	640,000	6,350	605,692	-	34,308	27,958
10033	500	Wallace Improvement Projects*	-	-	18,318	3,176	(3,176)	(21,494)	
15076	135	CC L/S 8, 12 & 13 Force Main Bypass	2,400,000	100,000	131,881	28,896	-	71,104	2,239,224
15080	135	CC L/S #15 & 18 Renovations	3,200,000	200,000	132,548	33,795	-	166,205	3,033,656
15082	135	Vallecito WWTP Strg Expansion	280,000	210,000	94,315	63,359	-	146,641	122,326
15087	135	Wallace Treatment Plant Renovations	100,000	100,000	550	2,384	-	97,616	97,066
15091	135	West Point/Wilseyville Planning Grant	4,750,000	-	5,831	3,881	-	(3,881)	4,740,287
15092	135	Huckleberry L/S Rehab/Expansion***	200,000	200,000	34,351	53,970	-	146,030	111,679
15093	135	Southworth Collection System/I&I Mitigation	100,000	100,000	45,039	56,211	-	43,789	(1,250)
15094	135	CC Secondary/Tertiary/UV Improvements	13,000,000	25,000	-	28,527	-	(3,527)	12,971,473
15095	135	Arnold Secondary Clarifier	1,400,000	200,000	-	14,184	-	185,816	1,385,816
15096	135	Arnold Leach Field Improvements	600,000	50,000	-	3,020	-	46,980	596,980
15097	135	LC Biolac, Clarifier & UV Improvements	3,850,000	25,000	-	635	-	24,365	3,849,365
15098	135	Indian Rock East Sand Filter Rehab	150,000	150,000	-	658	-	149,342	149,342
15099	135	Vallecito/DF Headworks Screen	250,000	250,000	-	107	-	249,893	249,893
Total Fund 130/135 - Sewer Projects		30,920,000	2,250,000	469,184	898,494	-	880,925	24,706,742	
		*transfer in Funds from 862 every month							
		***reimburse from Expansion Fund							

Agenda Item

DATE: June 16, 2020

TO: Finance Committee

FROM: Rebecca Callen, Director of Administrative Services

SUBJECT: Discussion/Direction regarding District's Financial Management Policy – No. 5.01, Investment Policy

RECOMMENDED ACTION:

Discussion/Direction regarding the District's Financial Management Policy No. 5.01, Investment Policy.

SUMMARY:

There are substantial changes to the District's Financial Management Policy No. 5.01 – Investment Policy due to regulatory changes and compliance in addition to the change of Chandler providing investment services of our non-operational treasury balances and establishing a directive to Chandler that meets the District's needs.

Discussions regarding the need to make these changes has occurred since December of 2019 and it has taken this time, including delays due to COVID-19, to ensure that the changes being made are mindful of the needs of the District, while complying with regulatory limitations.

Much of the policy revisions are to address compliance to Government Code Section 53600.3, define the responsibilities and methods to conform, removal of the summary of investments (as that is defined between Government Code 53600 and the District's concurrence with duration and diversification thresholds), establishing diversification, market risk allowance, Performance Evaluation methods, and identification of authorized investments and restrictions.

After substantial research and trend analysis, Chandler and the Director of Administration have identified that a modified duration within +/- 10% of the duration of the ICE Bank of America Merrill Lynch 1-5 Year US Treasury and Agency Index gives us the best option to ensure that we are maximizing asset growth, maintaining operational sources of funding, while taking into account risk factors.

Carlos Oblites, Senior Vice President/Portfolio Strategist is also available to answer questions via WebEx.

Next steps:

Bring forth with support from the Finance Committee to the full Board on June 24, 2020 to be effective immediately.

FINANCIAL CONSIDERATIONS:

None at this time.

Attachments: Investment Policy No. 5.01

Underline/Strikeout of amendments to District Financial Management Policy No. 5.01 – Financial Investment Policy

Calaveras County Water District

5.01.01 Policy Statement

This policy is intended to provide guidelines for the prudent investment of the Calaveras County Water District's (District) funds and outline the policies for maximizing the efficiency of the District's cash management system. The ultimate goal is to enhance the economic status of the District consistent with the prudent protection of the District's investments. This investment Policy has been prepared in conformance with all pertinent existing laws of the State of California including California Government Code Sections 53600, *et seq.*

5.01.02 Scope

It is intended that this policy cover all funds and investment activities of the District. These funds are defined and detailed in the District's Annual Financial Statements and include any new funds created unless specifically excluded by District management and the Board of Directors. The management of Calaveras County Water District's bond issued proceeds is not included in this policy because they have unique investment objectives, time horizons, and legal requirements. Incorporated herein are **Appendices A and B**, "Description of Authorized Investments and Restrictions," and "Glossary of Cash Management Terms," respectively.

5.01.03 Prudent Investor Standard

The District operates its investment portfolio under the Prudent Investor Standard (California Government Code Section 53600.3) which states, "...all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the District, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the District. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

5.01.04 Investment Objectives

When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing the District's funds, the primary objective is to safeguard the principal of the funds. The secondary objective is to meet the liquidity needs of the District. The third objective is to achieve a maximum return on invested funds. It is the policy of the District to invest public funds in a manner to obtain the highest return obtainable with the maximum security while meeting the daily cash flow demands of the District as long as investments meet the criteria established by this policy for safety and liquidity and conform to all laws governing the investment of District funds.

5.01.04.1 Safety of Principal

Safety of principal is the foremost objective of the District. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the Agency will diversify its investments by investing funds among a variety of securities with independent returns.

5.01.04.2 Liquidity

Availability of sufficient cash to pay for current expenditures shall be maintained. An adequate percentage of the portfolio shall be maintained in liquid short-term securities, which can be converted to cash as necessary to meet disbursement requirements. Since cash requirements cannot always be anticipated, sufficient investments in securities with active secondary or resale markets shall be utilized. These securities will have a low sensitivity to market risk. The Local Agency Investment Fund (LAIF) and short-term money market securities shall also be used as liquid investments. The cash management system of the District shall be designed to accurately monitor and forecast expenditures and revenues to insure the investment of monies to the fullest extent possible.

5.01.04.3 Rates of Return

Return on investments shall be considered only after the basic requirements of safety and liquidity have been met. The investment portfolio shall be designed to attain a market average rate of return throughout economic cycles, taking into account the District's risk constraints, the composition and cash flow characteristics of the portfolio, and applicable laws.

5.01.05 Delegation of Authority

The Board of Directors hereby delegates management authority and responsibility for implementing the investment policy to the General Manager or designee, who shall establish written procedures for the operation of the investment program consistent with this investment policy and the requirements of applicable laws. Such procedures shall include explicit delegation (by the Board of Directors) of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Board of Directors. The General Manager or designee shall be responsible for all transactions undertaken by the District's staff, and shall establish a system of controls to regulate the activities of internal staff and any external investment advisors.

All participants in the investment process shall act, as custodians of the public trust and all investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. All investment related activity shall be done in conformance with this policy and all applicable State and Federal laws and regulations.

5.01.06 Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business

activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officers shall disclose any financial interest in financial institutions that conduct business with the District, and they shall further disclose any personal financial/investment positions that could be related to the performance of the District's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the District, particularly with regard to the timing of purchases and sales, and shall avoid transactions that might impair public confidence.

5.01.07 Authorized Financial Dealers and Institutions

The General Manager or designee shall establish and maintain a list of the financial institutions and broker/dealers authorized to provide investment and depository services to the District, shall perform an annual review of the financial condition and registrations of the qualified institutions, and require annual audited financial statements to be on file for each approved institution. The District shall send annually, or as updated, a copy of its current Investment Policy to all financial institutions and broker/dealers approved to do business with the District. Receipt of the Investment Policy including confirmation that it has been received and reviewed by the person(s) handling the District's account, shall be acknowledged in writing within thirty (30) days.

Where possible, transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

5.01.07.1 Depositories

In selecting depositories, the creditworthiness of institutions shall be considered and the General Manager or designee shall conduct a comprehensive review of prospective depositories' credit characteristics and financial history. Qualifications and minimum requirements for depositories shall be established by the General Manager or designee, approved by the Board of Directors and provided to any institution seeking to conduct business with the District. Banks and Savings and Loan Associations seeking to establish eligibility as a depository for the District's Collateralized Certificate of Deposits shall submit annually an audited financial statement, which shall be reviewed by the General Manager or designee for compliance with the District's financial criteria.

Any institution meeting the District's required criteria will be eligible for placement of public deposits by the District, subject to approval by the General Manager or designee. As deemed necessary by the General Manager or designee, reviews of unaudited quarterly financial data for institutions on the District's approved list shall be made. Any institution falling below the District's established minimum criteria shall be removed from the approved list, no new deposits may be placed with that institution and all funds remaining shall be withdrawn as the deposits mature.

5.01.07.2 Brokers and Dealers

All brokers and dealers that desire to become qualified bidders for investment transactions with the District must respond to a "Broker Dealer Questionnaire" and submit related documents relative to eligibility. This includes a current audited financial statement, proof of state registration, proof of NASD registration and a certification they have received and reviewed the District's Investment Policy and agree to comply with the provisions outlined in the Investment Policy. The General Manager or designee may establish any additional criteria deemed appropriate to evaluate and approve any financial services provider. The selection process for broker dealers shall be open to both "primary dealers" and "secondary/regional dealers" that qualify under Securities and Exchange Commission Rule 15c3-1 (Uniform Net Capital Rule). The provider must be experienced in institutional trading practices and be familiar with the California Government Code as it relates to investments by a public entity.

If the District employs the services of a professional investment advisor, selection of broker/dealers will be at the sole discretion of the advisor, and the advisor shall make their list of selected broker/dealers available to the District on demand.

5.01.08 Authorized and Suitable Investments

The District is provided a broad spectrum of eligible investments under California Government Code Sections 53600 et al. Authorized investments are described in detail in Appendix A.

5.01.09 Competitive Bidding

Where possible, transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

5.01.10 Master Repurchase Agreement

The District may invest (Government Code Section 53601 (j) in overnight and term repurchase agreements with Primary Dealers of the Federal Reserve Bank of New York rated "A" or better by Moody's Investors Service or Standard & Poor's Corporation with which the District has entered into a Master Repurchase Agreement. This agreement will be modeled after the Public Securities Associations Master Repurchase Agreement.

All collateral used to secure this type of transaction is to be delivered to a third party prior to release of funds. The third party shall have an account in the name of the Calaveras County Water District. The market value of securities used as collateral for repurchase agreements shall be monitored on a daily basis and shall not be permitted to fall below a minimum of 102 percent of the value of the repurchase agreement. Collateral shall not have maturities in excess of five (5) years. The right of substitution shall be granted, provided that permissible collateral is maintained.

In order to conform with the provisions of the Federal Bankruptcy Code that provides for the liquidation of securities held as collateral for repurchase agreements, the only securities deemed

Policy Title: Annual Investment Policy
Policy Number: Financial Management Policy 5.01

Adopted 03/28/07
Revised 10/08/14 (Res. 2014-61)
Revised 02/27/19 (Res. 2019-09)
Revised 08/14/19 (Res. 2019-60)
Revised 12/11/19 (Res. 2019-80)
Revised 06/24/20 (Res. 2020-XX)

acceptable as collateral shall be securities that are direct obligations of and guaranteed by the U.S. Government, U.S Government Agencies or Government Sponsored Enterprises securities as permitted under this policy. The District will maintain a first perfected security interest in the securities subject to the repurchase agreement and shall have a contractual right to the liquidation of purchased securities upon the bankruptcy, insolvency or other default of the counter party.

5.01.11 Investment Pools

An investigation of any investment pool or money market mutual fund is required prior to investing and is to be performed on an ongoing basis. The investigation shall, at a minimum, obtain the following information:

- A description of interest calculations and how it is distributed, and how gains and losses are distributed.
- A description of how securities are safeguarded (including the settlement process) and how often the securities are “marked to market” and how often an audit is conducted.
- A description of who may invest in the program, how often, what size deposits and withdrawals are permitted.
- A schedule for receiving statements and portfolio listings.
- Does the pool/fund maintain a reserve or retain earnings or is all income after expenses distributed to participants?
- A fee schedule, which also discloses when and how fees are assessed.
- Determining if the pool or fund is eligible for bond proceeds and/or will it accept such proceeds.

The purpose of this investigation is to determine the suitability of a pool or fund in relation to the District’s investment policy and evaluate the risk of placing funds with that pool or fund.

5.01.12 Collateralization

Uninsured Time Deposits with banks and savings and loans shall be collateralized and monitored in the manner prescribed by state law for depositories accepting investment funds from public governmental entities.

Repurchase Agreements shall be collateralized in accordance with terms specified in the Master Repurchase Agreement. The valuation of collateral securing a Repurchase Agreement shall be verified and monitored on a daily basis to ensure a minimum of 102% of the value of the transaction being held by the District's depository agent. All collateral used to secure this type of transaction is to be delivered to a third party prior to release of funds. The third party shall have an account in the name of the Calaveras County Water District.

5.01.13 Safekeeping and Custody

All securities owned by the District shall be held in safekeeping by a third-party bank trust department acting as agent for the District under the terms of a custody agreement executed by the

bank and the District. **All securities shall be received and delivered using standard delivery versus payment (DVP) procedures.** The third-party bank trustee agreement must comply with Section 53608 of the California Government Code. No outside broker/dealer or advisor may have access to District funds; accounts or investments and any transfer of funds must be approved by the General Manager or designee or his/her designee.

5.01.14 Diversification and Risk

Mitigating Credit Risk in the Portfolio

Credit risk is the risk that a security or a portfolio will lose some or all its value due to a real or perceived change in the ability of the issuer to repay its debt. The Agency will mitigate credit risk by adopting the following strategies:

- The diversification requirements included in Appendix A of this policy are designed to mitigate credit risk in the portfolio.
- No more than 5% of the total portfolio may be deposited with or invested in securities issued by any single issuer unless otherwise specified in this policy.
- The District may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or District's risk preferences.
- If securities owned by the District are downgraded to a level below the quality required by this investment policy, it will be the District's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.
 - If a security is downgraded, the General Manager or designee will use discretion in determining whether to sell or hold the security based on its current maturity, the economic outlook for the issuer, and other relevant factors.
 - If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported monthly to the Board of Directors.

Mitigating Market Risk in the Portfolio

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The District recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The District will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

The District further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The District, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- The District will maintain a minimum of six months of budgeted operating expenditures in

short term investments to provide sufficient liquidity for expected disbursements.

- The maximum stated final maturity of individual securities in the portfolio will be five (5) years, except as otherwise stated in this policy.
- If the District utilizes a strategy that targets a duration target, the duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by the District based on the District's investment objectives, constraints and risk tolerances.

5.01.15 Maximum Maturities

Every effort will be made to match investment maturities to cash flow needs. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk. Unless matched to a specific requirement and approved by the Board of Directors, no investment may be made with maturity greater than five (5) years.

5.01.16 Internal Control and Review

This Investment Policy shall be reviewed periodically by the General Manager or designee as necessary and any recommended revisions shall be submitted as needed to the Board of Directors in order to insure consistency and its relevance to current law, and financial and economic trends. The General Manager or designee shall also submit this Investment Policy to the Board of Directors for its review during the first quarter of each fiscal year.

In conjunction with the annual financial statement audit, the external auditors shall review the investments and general activities associated with the investment program to evaluate compliance with this Investment Policy.

5.01.17 Performance Evaluation

The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the District's risk constraints, the cash flow characteristics of the portfolio, and state and local laws, ordinances or resolutions that restrict investments.

The General Manager or designee shall monitor and evaluate the portfolio's performance relative to the chosen market benchmark(s), which will be included in the Treasurer's quarterly report. The General Manager or designee shall select an appropriate, readily available index to use as a market benchmark.

5.01.18 Reporting

The General Manager or designee will produce a monthly transaction report that will be submitted to the Board of Directors. Additionally, the General manager or designee may produce a quarterly investment report (Treasurer's Report) that may be submitted to the Board of Directors. The report, generally submitted within 30 days of the end of each calendar quarter (unless a more frequent reporting period is chosen), shall include information about the investment of all funds in the custody of the District. This report shall also include all items listed in Section 53646(b) of the Government Code.

These reports will also include the following information about the investments of all funds:

5.01.18.1 Investment Report

- A. List of individual investments by type and issuer held at the end of reporting period.
- B. Dollar weighted yield to maturity of the District's investments.
- C. Maturity schedule by type, of each of the District's investments.
- D. Statement of compliance of the portfolio to the District's adopted Investment Policy or manner in which the portfolio is not in compliance.
- E. Quarterly statement denoting the ability to meet the District's scheduled expenditure requirements for the next three months.
- F. Market value, book value and par value of all investments.
- G. Rates of interest on investments and accrued interest earned on the portfolio.
- H. Transactions for the period

5.01.19 Investment Policy Adoption

The Investment Policy Guidelines of the Calaveras County Water District shall be adopted by resolution of the Districts' legislative authority. The policy shall be reviewed during the first quarter of each fiscal year by the Board of Directors and any modifications made thereto must be approved by the Board of Directors.

Appendix - A

Description of Authorized Investments and Restrictions

The District's investments are governed by California Government Code, Sections 53600 et seq. Within the investments permitted by the Code, the District seeks to further restrict eligible investments to the guidelines listed in this appendix. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the time the security is purchased.

Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity, and shall be exempt from the current policy. At the time of the investment's maturity or liquidation, such funds shall be reinvested only as provided in the current policy.

An appropriate risk level shall be maintained by primarily purchasing securities that are of high quality, liquid, and marketable. The portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual issuers.

5.01.19.01 Local Agency Investment Fund (LAIF)

The Local Agency Investment Fund (LAIF) is a special fund in the California State Treasury created and governed pursuant to Government Code Sections 16429.1 *et seq.* This law permits the District, with the consent of the Board of Directors, to remit money not required for the District's immediate need to the State Treasurer for deposit in this special fund for the *purpose* of investment. Principal may be withdrawn on one days' notice. The fees charged by LAIF as well as investment limits are limited by Statute. (Legal Authority - Government Code Section 16429.1)

5.01.19.02 U.S. Treasuries

U.S. Treasury securities and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest. There is no percentage limitation on the funds that can be invested in this category; however, a five-year maturity limitation is applicable.

5.01.19.03 Federal Agencies and Government-Sponsored Enterprises

FEDERAL AGENCIES or United States Government-Sponsored Enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. (Legal Authority – Government code Sections 53601 (f)). There is no percentage limitation on the funds that can be invested in this category; however, a five-year maturity limitation is applicable. Moreover, no more than 25% of the portfolio may be invested in any single Agency/GSE issuer, and agency callable securities are limited to 20% of the District's portfolio.

5.01.19.04 Municipal Securities: Registered State Warrants or Treasury Notes or Bonds of the State of California

These include bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, District, or authority of the state. (Legal Authority - Government Code Sections 53601 (c)). These investments are permitted, provided that:

- The securities are rated in a rating category of “A” or its equivalent or better by at least one nationally recognized statistical rating organization (“NRSRO”).
- No more than 30% of the portfolio may be in Municipal Securities
- The maximum maturity does not exceed five (5) years
- No more than 5% of the portfolio may be invested in any single issuer

5.01.19.05 . Municipal Securities: Registered treasury notes or bonds of any of the other 49 United States in addition to California.

This includes bonds payable solely out of the revenues from revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California (GCS 53601 (d)). These investments are permitted, provided that:

- The securities are rated in a rating category of “A” or its equivalent or better by at least one nationally recognized statistical rating organization (“NRSRO”).
- No more than 30% of the portfolio may be in Municipal Securities.
- No more than 5% of the portfolio may be invested in any single issuer

5.01.19.06 Municipal Securities: Bonds, Notes, Warrants, or Other Evidences of Indebtedness of Any Local District within the State of California

These include bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by a California local District, or by a department, board, District or authority of such a local District. (Legal Government Code Sections 53601 (e)). These investments are permitted, provided that:

- The securities are rated in a rating category of “A” or its equivalent or better by at least one nationally recognized statistical rating organization (“NRSRO”).
- No more than 30% of the portfolio may be in Municipal Securities
- No more than 5% of the portfolio may be invested in any single issuer

5.01.19.07 Bankers Acceptance

The District may invest in Bankers Acceptances limited to banks which have short-term debt obligations rated “A-1” or its equivalent or better by at least one NRSRO; or long-term debt obligations which are rated in a rating category of “A” or its equivalent or better by at least one NRSRO. The maximum investment maturity will be restricted to 180 days as per Government Code Section 53601(f). Maximum portfolio exposure will be limited to 40 percent. (Legal Authority-Government Code Sections 53601 (g)). No more than 5% of the portfolio may be invested in any single issuer.

5.01.19.08 Commercial Paper

Prime Commercial Paper with a maturity not exceeding 270 days from the date of purchase with the highest ranking or of the highest letter and numerical rating as provided for by the nationally recognized statistical-rating organization (NRSRO). The entity that issues the

commercial paper shall meet all of the following conditions in either A or B:

- A. The entity shall (1) be organized and operating in the United States as a general corporation, (2) have total assets in *excess of* five hundred million dollars (\$500,000,000) and (3) have debt other than commercial paper, if any, that is rated "A" or higher by a NRSRO.
- B. The entity shall (1) be organized within the United States as a special purpose corporation, trust, or limited liability company, (2) have program wide credit enhancements, including, but not limited to, over collateralization, letter *of* credit or surety bonds and (3) have commercial paper that is rated "A-I" or higher, or the equivalent, by a NRSRO.

The District's aggregate investment in commercial paper shall not exceed 25% *of* the District's total portfolio. No more than 5% of the portfolio may be invested in any single issuer. The District may purchase no more than 10% of the outstanding commercial paper of any single issuer. (Legal Authority - Government Code Sections 53601 (h))

5.01.19.09 Negotiable Certificates of Deposit

Investments are limited to deposits issued by a nationally or state-chartered bank or a savings association or federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, provided that:

- The amount of the NCD insured up to the FDIC limit does not require any credit ratings.
- Any amount above the FDIC insured limit must be issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term obligations rated in a rating category of "A" or its equivalent or better by at least one NRSRO.

Negotiable Certificates *of* Deposit shall not exceed 30 percent *of* the District's surplus money, which may be invested pursuant to this policy. No more than 5% of the portfolio may be invested in any single issuer. Per section 53638 *of* the California Government Code, any deposit shall not exceed the total paid-up capital and surplus *of* any depository bank, nor shall the deposit exceed the total net worth *of* any institution. Maximum investment maturity is restricted to five years. (Legal Authority Government Code Section 53601 (i))

5.01.19.10 Time Certificates of Deposit

The District may invest in collateralized certificates *of* deposits issued by a state or nationally chartered bank, a state or federal association or a state or federal credit union (Government Code Sections 53601(i)). A written depository contract is required with all institutions that hold District deposits. Securities placed in a collateral pool must provide coverage for at least 110 percent *of* all deposits that are placed in the institution. Acceptable pooled collateral is governed by California Government Code Section 53651. Real estate mortgages are not considered acceptable collateral by the District, even though they are permitted in Government Code Section 53651(m). All banks are required to provide the District with a regular statement *of* pooled collateral. This report will state that they are meeting the 110 percent collateral rule (Government Code Section 53652(a)), a listing *of* all collateral with location and market value, plus an accountability *of* the total amount *of* deposits secured by the pool.

District funds shall be invested only in commercial banks and savings and loans rated in the rating category of "A" or better by one NRSRO.

In the event that a bank does not meet the minimum ratings, a tri-party collateral arrangement may be substituted in lieu of a rating lower than "A". The third-party institution must be acceptable to the District and have an account in the name of the Calaveras County Water District. The market value of the collateral in the account must not fall below 110 percent of the value of the deposit(s) at any time. The securities in the account must conform to Government Code Section 53651 with the exception that real estate mortgages are not acceptable collateral. The District will maintain a first perfected security interest in the securities pledged against the deposit and shall have a contractual right to liquidation of pledged securities upon the bankruptcy, insolvency or other default of the counter party.

Deposits of up to \$250,000 are allowable in any institution that insures its deposits with the Federal Deposit Insurance Corporation, regardless of Moody's Investors Service or Standard and Poor's Corporation ratings. Per section 53638 of the California Government Code, any deposit shall not exceed the total paid-up capital and surplus of any depository bank, nor shall the deposit exceed the total net worth of any institution.

Maximum maturity is restricted to two (2) years. (Legal Authority - Govt Code Section 53651)

5.01.19.11 Repurchase Agreements

A Repurchase Agreement is the purchase of a security pursuant to an agreement by which the counterparty will deliver the underlying security by book entry, physical delivery or by a third-party custodial agreement. Repurchase Agreements shall have a maximum maturity of one year and shall not exceed 20 percent of the District's funds. The collateralization level for Repurchase Agreements shall be a minimum of 102 percent of the market value of the principal and accrued interest. The right of substitution will be granted provided that permissible collateral is maintained. In order to conform with the provisions of the Federal Bankruptcy Code that provides for the liquidation of securities held collateral for Repurchase Agreements, the only securities acceptable as collateral shall be securities that are direct obligations of and guaranteed by the United States Government, or its Agencies or with a maximum maturity of five (5) years.

The District shall maintain a first perfected security interest in the securities subject to the Repurchase Agreement and shall have a contractual right to the liquidation of purchased securities upon the bankruptcy, insolvency or other default of the counter party. Repurchase Agreements may only be made with banks and primary dealers with which the District has entered into a Master Repurchase Agreement modeled after the Public Securities Associations' Master Repurchase Agreement. In all other respects, Repurchase Agreements shall conform to the restrictions set forth in Government Code Sections 53601 (j). (Legal Authority - Government Code Sections 53601 (j))

5.01.19.12 Medium Term Notes

Medium-term notes are obligations of corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating

within the United States. The securities must in in a rating category of "A" or its equivalent or better by a nationally recognized rating organization. Purchase of medium-term notes shall not exceed 30% of the total portfolio, and not have maturity in excess of five (5) years. No more than 5% of the portfolio may be invested in any single issuer. (Legal Authority-Government Code Sections 53601(k))

5.01.19.13 Money Market Mutual Funds

Mutual funds qualifying for District investment must be registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and issued by diversified investment companies and meet either of the following criteria:

- Have attained the highest ranking or the highest letter an numerical rating provided by not less than two (2) NRSROs or
- Have retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five (5) years experience managing money market mutual funds with assets under management of at least five hundred million dollars (\$500,000,000).

Investments in mutual funds shall not exceed 20 percent of the District's portfolio. (Legal Authority-Government Code Section 53601(l))

5.01.19.14 Asset-Backed, Mortgage-Backed, Mortgage Passthrough securities, and Collateralized Mortgage Obligations not defined in Sections 5.01.19.02 and 5.01.19.03

- The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.
- No more that 20% of the portfolio may be invested in these securities.
- No more than 5% of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer.
- The maximum legal final maturity does not exceed five (5) years.

5.01.19.15 Share of Beneficial Interest in a Joint Powers Authority

As authorized by Government Code Section 53601(p).

5.01.19.16 Supranational Securities

- Issues are US Dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.
- The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.

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- No more that 30% of the portfolio may be invested in these securities.
- No more that 10% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

5.01.19.17 Passbook Deposits

As authorized by Government Code Section 53637.

Appendix B

Glossary of Cash Management Terms

Accrued Interest - Interest earned but not yet received.

Active Deposits - Funds which are immediately required for disbursement.

Amortization - An accounting practice of gradually decreasing (increasing) an asset's book value by spreading its depreciation (accretion) over a period of time.

Arbitrage - Transactions by which securities are bought and sold in different markets at the same time for the sake of the profit arising from a yield difference in the two markets.

Asked Price - The price a broker dealer offers to sell securities.

Average Life - The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

Banker's Acceptance - A high quality, short-term money market instrument used to finance international trade. There has never been an instance of a failure to pay a banker's acceptance in full at its maturity date.

Basis Point - One basis point is one hundredth of one percent (.01).

Bid Price - The price a broker dealer offers to purchase securities.

Bond - A financial obligation for which the issuer promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

Book Entry - The system maintained by the Federal Reserve, by which most money market securities are delivered to an investor's custodial bank. The Federal Reserve maintains a computerized record of the ownership of these securities and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment).

Book Value - The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

Broker - Someone who brings buyers and sellers together and is compensated for his/her service.

Callable Bond - A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Call Price - The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

Call Risk - The risk to a bondholder that a bond may be redeemed prior to maturity.

Cash Sale/Purchase - A transaction, which calls for delivery and payment of securities on the same day that the transaction is initiated.

CDARS – The Certificate of Deposit Account Registry Service (CDARS) program places funds into certificates of deposit issued by banks in the CDARS network. This occurs in increments of less than the standard FDIC insurance maximum to ensure that both principal and interest are eligible for full FDIC insurance deposit. Maturities range from four weeks to three years. Interest rates are set by the competitive market place.

Certificate of Deposit - A deposit of funds for a specified period of time that earns interest at a specified rate. Commonly known as "CDs." Maturities range from a few weeks to several years. Interest rates are set by the competitive market place.

Collateral - Securities, evidence of deposit or pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposit of public moneys.

Commercial Paper - Short-term, negotiable unsecured promissory notes of corporations.

Comprehensive Annual Financial Report (CAFR) – The official annual financial report for the District. It includes five combined statements and basic financial statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principals (GAAP).

Convexity - A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

Coupon - The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value.

Credit Analysis - A critical review and appraisal of the economic and financial conditions or of the ability to meet debt obligations.

Current Yield - The interest paid on an investment expressed as a percentage of the current price of the security.

Custodian - A bank or other financial institution that keeps custody of stock certificates and other assets.

Defeased Bond Issue - Issues that have sufficient money to retire outstanding debt when due so that the District is released from the contracts and covenants in the bond document.

Delivery vs. Payment (DVP) - Delivery of securities with a simultaneous exchange of money for the securities.

Derivative - Securities that are based on, or derived from, some underlying asset, reference date, or index.

Discount - The difference between the cost of a security and its value at maturity when quoted at lower than face value.

Diversification - Dividing investment funds among a variety of securities offering independent returns and risk profiles.

Duration - A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables:

term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

Fair Value - The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fannie Mae - Trade name for the Federal National Mortgage Association (FNMA), a U.S. sponsored corporation.

Fed Wire - A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.

Federal Deposit Insurance Corporation (FDIC) - Insurance provided to customers of a subscribing bank, which guarantees deposits to a set limit (currently \$250,000) per account.

Federal Reserve System - The central bank of the U.S. which consists of a seven-member Board of Governors, 12 regional banks and 5,700 commercial banks that are members.

Freddie Mac - Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a U.S. sponsored corporation.

Ginnie Mae - Trade name for the Government National Mortgage Association (GNMA), a direct obligation bearing the full faith and credit of the U.S. Government.

Government Accounting Standards Board (GASB) - A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

Government Securities - An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, and Bonds."

Guaranteed Investment Contracts (GICS) - An agreement acknowledging receipt of funds, for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid.

Inactive Deposits (Idle Funds) - Funds not immediately needed for disbursement.

Interest Rate - The annual yield earned on an investment, expressed as a percentage.

Interest Rate Risk - The risk associated with declines or rises in interest rates, which cause an investment in a fixed-income security to increase or decrease in value.

Inverted Yield Curve - A chart formation that illustrates long-term securities having lower yields than short term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

Investment Agreements - An agreement with a financial institution to borrow public funds subject to certain negotiated terms and conditions concerning collateral, liquidity and interest rates.

Investment Company Act of 1940 - Federal legislation which sets the standards by which investment companies such as mutual funds are regulated in the areas of advertising, promotion, performance reporting

requirements, and securities valuations.

Investment Policy - A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

Investment-grade Obligations - An investment instrument suitable for purchase by institutional investors under the independent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating District.

Liquidity - An asset that can easily and rapidly be converted into cash without significant loss of value.

Local District - County, City, City and County, including a chartered city or county, school district, community college district, public district, or any public or municipal corporation.

Local Agency Investment Fund (LAIF) - A pooled investment vehicle for local agencies in California sponsored by the State of California and administered by the State Treasurer.

Local Government Investment Pool - A pooled investment vehicle sponsored by a local District or a group of local agencies for use by other local agencies.

Mark-to-Market - The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

Market Risk - The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value - Current market price of a security. The price at which a security is trading and could presumably be purchased or sold.

Maturity - The date upon which the principal or stated value of an investment becomes due and payable.

Merrill Lynch 1 - 3 Year Treasury Index - Represents all U.S. Treasury securities with maturities ranging from 1-3 years.

Modified Duration - A measure of exposure to market risk of a security or a portfolio. It is the percent change in the price of a security (portfolio) or a 100-basis point change in the securities' (portfolio's) yield.

Moody's - Moody's Investment Service, Inc. One of the three best-known rating agencies in the United States, the others being Standard and Poor's Corporation (S&P) and Fitch IBCA, Inc. (Fitch).

Money Market Mutual Fund - Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

Mutual Funds - An investment company that pools money and can invest in a variety of securities including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.

2. Disseminate timely and accurate information regarding the fund's holdings, performance, and management, and general investment policy.
3. Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.
4. Maintain the daily liquidity of the fund's shares.
5. Value their portfolios on a daily basis.
6. Have all individuals who sell SEC-registered products licensed with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).
7. Have an investment policy governed by a prospectus, which is updated and filed by the SEC annually.

National Association of Securities Dealers (NASD) - A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

Net Asset Value - The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets, which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below) $[(\text{Total assets}) - (\text{Liabilities})] / (\text{Number of shares outstanding})$

Negotiable Certificate of Deposit - A large denomination certificate of deposit, which can be sold in the open market prior to maturity.

New Issue – Term used when a security is originally "brought" to market.

Nominal Yield - The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

New Issue - Term used when a security is originally "brought" to market.

No Load Fund - A mutual fund, which does not levy a sales charge on the purchase of its shares.

Note - A written promise to pay a specified amount to a certain entity on demand or on a specified date.

Par Value - The amount of principal, which must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in \$1,000 increments per bond.

Perfect Delivery - Refers to an investment where the actual security or collateral is held by an independent third party representing the purchasing entity.

Portfolio - Combined holding of more than one stock, bond, commodity, real estate investment, cash equivalent, or other asset. The purpose of a portfolio is to reduce risk by diversification.

Positive Yield Curve - A chart formation that illustrates short-term securities having lower yields than long-term securities.

Premium - The amount by which the price paid for a security exceeds the security's par value.

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Primary Dealer - A group of government securities dealers that submit daily reports of market activity and security positions held to the Federal Reserve Bank of New York and are subject to its informal oversight.

Prime Rate - A preferred interest rate charged by commercial banks to their most credit worthy customers. Many interest rates are keyed to this rate.

Principal - The face value or par value of a debt instrument, or the amount of capital invested in a given security.

Prospectus - A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC that typically includes information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements also known as an "official statement".

Prudent Investor Standard aka as Prudent Person Rule - A standard of conduct where a person acts with care, skill, prudence, and diligence when investing, reinvesting, purchasing, acquiring, exchanging, selling and managing funds. The test of whether the standard is being met is if a prudent person acting in a similar situation would engage in similar conduct to ensure that investments safeguard principal and maintain liquidity.

Purchase Date - The date in which a security is purchased for settlement on that or a later date.

Rate of Return - The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

Repurchase Agreement (REPO) - A transaction where the seller agrees to buy back from the buyer (District) the securities at an agreed upon price on demand or at a specified date.

Reverse Repurchase Agreement (REVERSE REPO) - A transaction where the seller (District) agrees to buy back from the buyer the securities at an agreed upon price on demand or at a specified date.

Risk - Degree of uncertainty of return on an asset.

Rule 2a-7 of the Investment Company Act - Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar (\$1.00).

Rule G-37 of the Securities Rulemaking Board - Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

Safekeeping - Holding of assets (e.g., securities) by a financial institution.

Safekeeping Service - Offers storage and protection of assets provided by an institution serving as an agent.

Sallie Mae - Trade name for the Student Loan Marketing Association (SLMA), a U.S. sponsored corporation.

Secondary Market - A market made for the purchase and sale of outstanding issues following the initial distribution.

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Securities and Exchange Commission (SEC) - The federal District responsible for supervising and regulating the securities industry.

Settlement Date - The date on which a trade is cleared by delivery of securities against funds.

Serial Bond - A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

Sinking Fund - Money, accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

Standard and Poor's Corporation (S&P) - One of the three best known rating agencies in the United States, the others being Moody's Investment Service, Inc. and Fitch IBCA, Inc. (Fitch).

Swap - Trading one asset for another.

Tax and Revenue Anticipation Notes (TRANS) - Notes issued in anticipation of receiving tax proceeds or other revenues at a future date.

Term Bond - Bonds comprising a large part or all of a particular issue, which come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

Time Certificate of Deposit - A non-negotiable certificate of deposit, which cannot be sold prior to maturity.

Total Return - The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period. (Price Appreciation) + (Dividends paid) + (Capital gains) = Total Return.

Treasury Bills - U.S. Treasury Bills which are short-term, direct obligations of the U.S. Government issued with original maturities of 13 weeks, 26 weeks and 52 weeks; sold in minimum amounts of \$10,000 in multiples of \$5,000 above the minimum. Issued in book entry form only. T-bills are sold on a discount basis.

Trustee or trust company or trust department of a bank - A financial institution with trust powers which acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

Underwriter - A dealer which purchases a new issue of municipal securities for resale.

U.S. Government Agencies - Instruments issued by various U.S. Government Agencies most of which are secured only by the credit worthiness of the particular District.

U.S. Treasury Obligations - Debt obligations of the United States Government sold by the Treasury Department in the form of Bills, Notes, and Bonds. Bills are short-term obligations that mature in one year or less and are sold on the basis of a rate of discount. Notes are obligations, which mature between one (1) year and ten (10) years. Bonds are long-term obligations, which generally mature in ten (10) years or more.

Weighted Average Maturity (WAM) - The average maturity of all the securities that comprise a portfolio

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that is typically expressed in days or years.

Yield - The rate of annual income returns on an investment, expressed as a percentage. It is obtained by dividing the current dollar income by the current market price of the security.

Yield to Maturity - The rate of income returns on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

Yield Curve - A graphic representation that shows the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity.

Zero-coupon Securities - Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

Calaveras County Water District

5.01.01 Policy Statement

This policy is intended to provide guidelines for the prudent investment of the Calaveras County Water District's (District) funds and outline the policies for maximizing the efficiency of the District's cash management system. The ultimate goal is to enhance the economic status of the District consistent with the prudent protection of the District's investments. This investment Policy has been prepared in conformance with all pertinent existing laws of the State of California including California Government Code Sections 53600, *et seq.*

5.01.02 Scope

It is intended that this policy cover all funds and investment activities of the District. These funds are defined and detailed in the District's Annual Financial Statements and include any new funds created unless specifically excluded by District management and the Board of Directors. The management of Calaveras County Water District's bond issued proceeds is not included in this policy because they have unique investment objectives, time horizons, and legal requirements. Incorporated herein are **Appendices A and B**, "Description of Authorized Investments and Restrictions," and "Glossary of Cash Management Terms," respectively.

5.01.03 Prudent Investor Standard

The District operates its investment portfolio under the Prudent Investor Standard (California Government Code Section 53600.3) which states, "[...all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard.](#) When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the District, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the District. [Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.](#)"

5.01.04 Investment Objectives

When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing the District's funds, the primary objective is to safeguard the principal of the funds. The secondary objective is to meet the liquidity needs of the District. The third objective is to achieve a maximum return on invested funds. It is the policy of the District to invest public funds in a manner to obtain the highest return obtainable with the maximum security while meeting the daily cash flow demands of the District as long as investments meet the criteria established by this policy for safety and liquidity and conform to all laws governing the investment of District funds.

5.01.04.1 Safety of Principal

~~Safety of principal is the foremost objective of the District. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the Agency will diversify its investments by investing funds among a variety of securities with independent returns. Each investment transaction shall seek to first ensure that capital losses are avoided, whether they arise from securities defaults, institution default, broker-dealer default, or erosion of market value of securities. The District shall mitigate the risk to the principal of invested funds by limiting credit and interest rate risks. Credit Risk is the risk of loss due to the failure of a security's issuer or backer. Interest Rate risk is the risk that the market value of the District's portfolio will fall due to an increase in general interest rates.~~

~~A) Credit risk will be mitigated by:~~

~~(1) Limiting investments to only the most creditworthy types of securities; and~~

~~(2) Pre-qualifying a list of non-government issuers of securities with which the District will do business; and~~

~~(3) Diversifying the investment portfolio so that the potential failure of any one issue or issuer will not place an undue financial burden on the District.~~

~~(4) The District cannot invest any more than 5% maximum of the portfolio in any single issuer's bond debt, except U.S. Government, its agency or the State of California Local Agency Investment Fund.~~

~~B) Interest rate risk will be mitigated by:~~

~~(1) Structuring the District's portfolio so that securities mature to meet the District's cash requirements for ongoing obligations, thereby reducing the possible need to sell securities on the open market at a loss prior to their maturity to meet those requirements; and~~

~~(2) Investing primarily in shorter term securities as defined in **"(5.01.04.2) Liquidity**~~

5.01.04.2 Liquidity

Availability of sufficient cash to pay for current expenditures shall be maintained. An adequate percentage of the portfolio shall be maintained in liquid short-term securities, which can be converted to cash as necessary to meet disbursement requirements. Since cash requirements cannot always be anticipated, sufficient investments in securities with active secondary or resale markets shall be utilized.

These securities will have a low sensitivity to market risk. The Local Agency Investment Fund (LAIF) and short-term money market securities shall also be used as liquid investments. The cash management system of the District shall be designed to accurately monitor and forecast expenditures and revenues to insure the investment of monies to the fullest extent possible.

5.01.04.3 Rates of Return

Return on investments shall be considered only after the basic requirements of safety and liquidity have been met. The investment portfolio shall be designed to attain a market average rate of return throughout economic cycles, taking into account the District's risk constraints, the composition and cash flow characteristics of the portfolio, and applicable laws.

5.01.05 Delegation of Authority

The Board of Directors hereby delegates management authority and responsibility for implementing the investment policy to the General Manager or designee, who shall establish written procedures for the operation of the investment program consistent with this investment policy and the requirements of applicable laws. Such procedures shall include explicit delegation (by the Board of Directors) of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Board of Directors. The General Manager or designee shall be responsible for all transactions undertaken by the District's staff, and shall establish a system of controls to regulate the activities of internal staff and any external investment advisors.

All participants in the investment process shall act, as custodians of the public trust and all investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. All investment related activity shall be done in conformance with this policy and all applicable State and Federal laws and regulations.

5.01.06 Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officers shall disclose any financial interest in financial institutions that conduct business with the District, and they shall further disclose any personal financial/investment positions that could be related to the performance of the District's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the District, particularly with regard to the timing of purchases and sales, and shall avoid transactions that might impair public confidence.

5.01.07 Authorized Financial Dealers and Institutions

The General Manager or designee shall establish and maintain a list of the financial institutions and broker/dealers authorized to provide investment and depository services to the District, shall

perform an annual review of the financial condition and registrations of the qualified institutions, and require annual audited financial statements to be on file for each approved institution. The District shall send annually, or as updated, a copy of its current Investment Policy to all financial institutions and broker/dealers approved to do business with the District. —Receipt of the Investment Policy including confirmation that it has been received and reviewed by the person(s)

handling the District's account, shall be acknowledged in writing within thirty (30) days.

Where possible, transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

5.01.07.1 Depositories

In selecting depositories, the creditworthiness of institutions shall be considered and the General Manager or designee shall conduct a comprehensive review of prospective depositories' credit characteristics and financial history. Qualifications and minimum requirements for depositories shall be established by the General Manager or designee, approved by the Board of Directors and provided to any institution seeking to conduct business with the District. Banks and Savings and Loan Associations seeking to establish eligibility as a depository for the District's Collateralized Certificate of Deposits shall submit annually an audited financial statement, which shall be reviewed by the General Manager or designee for compliance with the District's financial criteria.

Any institution meeting the District's required criteria will be eligible for placement of public deposits by the District, subject to approval by the General Manager or designee. As deemed necessary by the General Manager or designee, reviews of unaudited quarterly financial data for institutions on the District's approved list shall be made. Any institution falling below the District's established minimum criteria shall be removed from the approved list, no new deposits may be placed with that institution and all funds remaining shall be withdrawn as the deposits mature.

5.01.07.2 Brokers and Dealers

All brokers and dealers that desire to become qualified bidders for investment transactions with the District must respond to a "Broker Dealer Questionnaire" and submit related documents relative to eligibility. This includes a current audited financial statement, proof of state registration, proof of NASD registration and a certification they have received and reviewed the District's Investment Policy and agree to comply with the provisions outlined in the Investment Policy. The General Manager or designee may establish any additional criteria deemed appropriate to evaluate and approve any financial services provider. The selection process for broker dealers shall be open to both "primary dealers" and "secondary/regional dealers" that qualify under Securities and Exchange Commission Rule 15c3-1 (Uniform Net Capital Rule). The provider must be experienced in institutional

trading practices and be familiar with the California Government Code as it relates to investments by a public entity.

If the District employs the services of a professional investment advisor, selection of broker/dealers will be at the sole discretion of the advisor, and the advisor shall make their list of selected broker/dealers available to the District on demand.

5.01.08 Authorized and Suitable Investments

The District is provided a broad spectrum of eligible investments under California Government Code Sections 53600 ~~—53609 (authorized investments), 53630—53686 (deposits and collateral) and 16429.1 (Local Agency Investment Fund) et al.~~ Authorized investments are described in detail in Appendix A. The District may choose to restrict its permitted investments to a smaller list of securities that more closely fits the District's cash flow needs and requirements for liquidity. If a type of investment is added to the Government Code list, it shall not be added to the District's Authorized Investment List until this policy is amended and approved by the Board of Directors. If a type of investment permitted by the District should be removed from the Government Code list, it shall be deemed concurrently removed from the District's Authorized Investment List, but existing holdings may be held until they mature.

~~**Within the context of these limitations, the following investments are authorized:**~~

**SUMMARY OF INVESTMENTS AUTHORIZED UNDER CALIFORNIA
 GOVERNMENT CODE SECTION 53601 AND
 CALAVERAS COUNTY WATER DISTRICT
 STATEMENT OF INVESTMENT POLICY
 See Appendix A**

CGC Section	Investment Type	ALLOWED BY STATUTE			AUTHORIZED BY CALAVERAS COUNTY WATER DISTRICT		
		Maximum Maturity	Authorized Limit (%)	Require Rating	Maximum Maturity	Authorized Limit (%)	Require Rating
53601(a)	Local District Bonds	5 Years	None	None	5 Years	50%	N/A
53601(b)	U.S. Treasury Obligations	5 Years	None	None	5 Years	100%	N/A
53601(c)	State of California Obligations	5 Years	100%	None	5 Years	100%	A
53601(d)	Obligations of Other States	5 Years	None	None	5 Years	20%	AA
53601(e)	California Local Agency Obligations	5 Years	None	None	5 Years	50%	AA
53601(f)	U.S. Agencies and GSEs	5 Years	None	None	5 Years	100%	N/A
53601(g)	Bankers' Acceptances	180 Days	40%/30%	None	180 Days	40%	A
53601(h)	Commercial Paper	270 Days	25% and 10% of outstanding CP	A1/P1/F1	270 Days	25%	AA
53601(i)	Negotiable Certificates of Deposit	5 Years	30%	None	5 Years	30%	A
53601(j)	Repurchase Agreements	1 Year	None	Various	1 Year	20%	None
53601(k)	Medium Term Notes	5 Years	30%	A or >	5 Years	30%	A or >
53601(l)	Money Market Mutual Funds	N/A	20%	(+)	N/A	20%	(+)
53601(o)	Passthrough Securities	5 Years	20%	A	5 Years	20%	A
53601(p)	Joint powers Authority	N/A	None	None	N/A	20%	None
53601(q)	Supranational Securities	5 Years	30%	AA	5 Years	30%	AA
53631	Collateralized Bank Deposits	5 Years	None	AA	5 Years	20%	AA
53637	Time Deposits	5 Years	None	None	2 Years	20%	N/A
16429.1	Local Agency Investment Fund (LAIF)	N/A	None	None	N/A	Statutory limit ⁽²⁾	N/A
53635.8	County Pooled Investment Funds	N/A	None	None	N/A	30%	None
53684 ⁽³⁾	Non Negotiable Certificates of Deposit	5 Years	100%	None	2 Year	40%	None

Highest ranking by 2 of 3 of the nationally recognized agencies;

LAIF currently allows a maximum of \$65 75 million per account.

For non negotiable certificates of deposit, bank deposits, and time deposits that exceed the insured maximum of \$250,000, approved collateral at the required percentage of market value will be obtained. (Government Code § 53651-53652).

The CCWD Portfolio at the time of investment will use a guideline of 5% limit per issuer. The exception will be U.S. Treasuries and U.S. Agencies.

Note: "Authorized Limits" refer to the percent of total amount of funds eligible for investment in a particular investment type.

~~One purpose of this Investment Policy is to define what investments are permitted. If a type of security is not specifically authorized by this policy, it is not a permitted investment. Additionally, District assets shall not be invested in instruments whose maturities exceed five (5) years from the time of purchase without the express approval of the Board of Directors to be received no less than three months prior to the investment.~~

~~See Appendix A for a more detailed descriptions and additional restrictions, if any, of the authorized investments listed above.~~

5.01.0910 Competitive Bidding

~~Where possible, transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price. It is the District's policy to transact all securities purchases and sales through a formal and competitive process requiring the solicitation and evaluation of at least three bids/offers. The District will accept the offer, which (a) optimizes the investment objectives of the overall portfolio and (b) the highest rate of return.⁺ When selling a security, the District will select the bid that generates the highest sale price. It will be the responsibility of the personnel involved in each transaction to produce and retain written records, including the name of the financial institutions solicited, price/rate quoted, general description of the security, bid/offer selected, and any consideration that had an impact on the decision.~~

5.01.101 Master Repurchase Agreement

The District may invest (Government Code Section 53601 (j) in overnight and term repurchase agreements with Primary Dealers of the Federal Reserve Bank of New York rated "A" or better by Moody's Investors Service or Standard & Poor's Corporation with which the District has entered into a Master Repurchase Agreement. This agreement will be modeled after the Public Securities Associations Master Repurchase Agreement.

All collateral used to secure this type of transaction is to be delivered to a third party prior to release of funds. The third party shall have an account in the name of the Calaveras County Water District. The market value of securities used as collateral for repurchase agreements shall be monitored on a daily basis and shall not be permitted to fall below a minimum of 102 percent of the value of the repurchase agreement. Collateral shall not have maturities in excess of five (5) years. The right of substitution shall be granted, provided that permissible collateral is maintained.

In order to conform with the provisions of the Federal Bankruptcy Code that provides for the liquidation of securities held as collateral for repurchase agreements, the only securities deemed acceptable as collateral shall be securities that are direct obligations of and guaranteed by the U.S. Government, U.S Government Agencies or Government Sponsored Enterprises securities as permitted under this policy. The District will maintain a first perfected security interest in the

⁺The purchase of securities other than U.S. Treasuries (corporate notes, agencies, mortgage-backed securities, etc.) will be executed differently. This is due to the lack of homogeneity among these products and their availability (or unavailability) in dealer inventories. Because of the individualized nature of these securities, it is generally not possible to get more than one offer on the same instrument.

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securities subject to the repurchase agreement and shall have a contractual right to the liquidation of purchased securities upon the bankruptcy, insolvency or other default of the counter party.

~~Therefore, when purchasing non-Treasury securities, the Investment Officer shall make a subjective evaluation regarding the relative attractiveness of various offers, taking into account maturity, credit ratings, structure and other factors that influence pricing.~~

5.01.1~~12~~ Investment Pools

An investigation of any investment pool or money market mutual fund is required prior to investing and is to be performed on an ongoing basis. The investigation shall, at a minimum, obtain the following information:

- A description of interest calculations and how it is distributed, and how gains and losses are distributed.
- A description of how securities are safeguarded (including the settlement process) and how often the securities are “marked to market” and how often an audit is conducted.
- A description of who may invest in the program, how often, what size deposits and withdrawals are permitted.
- A schedule for receiving statements and portfolio listings.
- Does the pool/fund maintain a reserve or retain earnings or is all income after expenses distributed to participants?
- A fee schedule, which also discloses when and how fees are assessed.
- Determining if the pool or fund is eligible for bond proceeds and/or will it accept such proceeds.

The purpose of this investigation is to determine the suitability of a pool or fund in relation to the District’s investment policy and evaluate the risk of placing funds with that pool or fund.

5.01.1~~23~~ Collateralization

Uninsured Time Deposits with banks and savings and loans shall be collateralized and monitored in the manner prescribed by state law for depositories accepting investment funds from public governmental entities.

Repurchase Agreements shall be collateralized in accordance with terms specified in the Master Repurchase Agreement. The valuation of collateral securing a Repurchase Agreement shall be verified and monitored on a daily basis to ~~insure~~ensure a minimum of 102% of the value of the transaction being held *by* the District's depository agent. All collateral used to secure this type of transaction is to be delivered to a third party prior to release of funds. The third party shall have an account in the name *of* the Calaveras County Water District.

5.01.1~~34~~ Safekeeping and Custody

All securities owned by the District shall be held in safekeeping by a third-party bank trust department acting as agent for the District under the terms of a custody agreement executed by the bank and the District. **All securities shall be received and delivered using standard**

delivery versus payment (DVP) procedures. The third-party bank trustee agreement must comply with Section 53608 of the California Government Code. No outside broker/dealer or advisor may have access to District funds; accounts or investments and any transfer of funds must be approved by the General Manager or designee or his/her designee.

5.01.145 Diversification and Risk

Mitigating Credit Risk in the Portfolio

Credit risk is the risk that a security or a portfolio will lose some or all its value due to a real or perceived change in the ability of the issuer to repay its debt. The Agency will mitigate credit risk by adopting the following strategies:~~The District recognizes that investment risks could result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. To minimize the District's exposure to these types of risk, the portfolio should be diversified among several types of institutions, instruments and maturities. The General Manager or designee shall minimize default risk by prudently selecting only instruments and institutions which at the time of placement have been evaluated for their financial viability and compliance with this policy. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. Risk shall also be managed by subscribing to a portfolio management philosophy that helps to control market and interest rate risk by matching investments with cash flow requirements. Diversification strategies shall be established and reviewed quarterly by the General Manager or designee.~~

- The diversification requirements included in Appendix A of this policy are designed to mitigate credit risk in the portfolio.
- No more than 5% of the total portfolio may be deposited with or invested in securities issued by any single issuer unless otherwise specified in this policy.
- The District may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or District's risk preferences.
- If securities owned by the District are downgraded ~~by an NRSRO~~ to a level below the quality required by this investment policy, it will be the District's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.
 - If a security is downgraded, the General Manager or designee will use discretion in determining whether to sell or hold the security based on its current maturity, the economic outlook for the issuer, and other relevant factors.
 - If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported monthly to the Board of Directors.

Mitigating Market Risk in the Portfolio

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The District recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The District will mitigate market risk by providing adequate liquidity for short-term cash

needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

The District further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The District, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- The District will maintain a minimum of six months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements.
- The maximum stated final maturity of individual securities in the portfolio will be five (5) years, except as otherwise stated in this policy.
- ~~The maximum percent of callable securities (does not include “make whole call” securities) in the portfolio will be 20%.~~
- If the District utilizes a strategy that targets a duration target, the duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by the District based on the District’s investment objectives, constraints and risk tolerances.

5.01.156 Maximum Maturities

Every effort will be made to match investment maturities to cash flow needs. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk. Unless matched to a specific requirement and approved by the Board of Directors, no investment may be made with maturity greater than five (5) years.

5.01.167 Internal Control and Review

This Investment Policy shall be reviewed periodically by the General Manager or designee as necessary and any recommended revisions shall be submitted as needed to the Board of Directors in order to insure consistency and its relevance to current law, and financial and economic trends. The General Manager or designee shall also submit this Investment Policy to the Board of Directors for its review during the first quarter of each fiscal year.

In conjunction with the annual financial statement audit, the external auditors shall review the investments and general activities associated with the investment program to evaluate compliance with this Investment Policy.

5.01.178 Performance Benchmark Evaluation

The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the District’s risk constraints, the cash flow characteristics of the portfolio, and state and local laws, ordinances or resolutions that restrict investments.

The General Manager or designee shall monitor and evaluate the portfolio’s performance relative

~~to the chosen market benchmark(s), which will be included in the Treasurer's quarterly report. The General Manager or designee shall select an appropriate, readily available index to use as a market benchmark. The investment portfolio will be managed in accordance with the standards established within this Investment Policy and will use an industry benchmark of like investment types that maintain a target duration and credit quality that are commensurate with the District's current investment goals.~~

5.01.189 Reporting

The General Manager or designee will produce a monthly transaction report that will be submitted to the Board of Directors. Additionally, the General manager or designee may produce a quarterly investment report (Treasurer's Report) that may be submitted to the Board of Directors. The report, generally submitted within 30 days of the end of each calendar quarter (unless a more frequent reporting period is chosen), shall include information about the investment of all funds in the custody of the District. This report shall also include all items listed in Section 53646(b) of the Government Code.

These reports will also include the following information about the investments of all funds:

5.01.189.1 Investment Report

- A. List of individual investments by type and issuer held at the end of reporting period.
- B. Dollar weighted yield to maturity of the District's investments.
- C. Maturity schedule by type, of each of the District's investments.
- D. Statement of compliance of the portfolio to the District's adopted Investment Policy or manner in which the portfolio is not in compliance.
- E. Quarterly statement denoting the ability to meet the District's scheduled expenditure requirements for the next three months.
- F. Market value, book value and par value of all investments.
- G. Rates of interest on investments and accrued interest earned on the portfolio.
- H. Transactions for the period

5.01.1920 Investment Policy Adoption

The Investment Policy Guidelines of the Calaveras County Water District shall be adopted by resolution of the Districts' legislative authority. The policy shall be reviewed during the first quarter of each fiscal year by the Board of Directors and any modifications made thereto must be approved by the Board of Directors.

Appendix - A

Description of Authorized Investments and Restrictions

The District's investments are governed by California Government Code, Sections 53600 et seq. Within the investments permitted by the Code, the District seeks to further restrict eligible investments to the guidelines listed in this appendix. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the time the security is purchased.

Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity, and shall be exempt from the current policy. At the time of the investment's maturity or liquidation, such funds shall be reinvested only as provided in the current policy.

An appropriate risk level shall be maintained by primarily purchasing securities that are of high quality, liquid, and marketable. The portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual issuers. ~~The following descriptions of authorized investments are included here to assist in the administration of this policy.~~

5.01.1920.01 Local Agency Investment Fund (LAIF)

The Local Agency Investment Fund (LAIF) is a special fund in the California State Treasury created and governed pursuant to Government Code Sections 16429.1 *et seq.* This law permits the District, with the consent of the Board of Directors, to remit money not required for the District's immediate need to the State Treasurer for deposit in this special fund for the *purpose* of investment. ~~LAIF currently limits investments to \$7550 million from any one District.~~ Principal may be withdrawn on one days' notice. The fees charged by LAIF as well as investment limits are limited by Statute. (Legal Authority - Government Code Section 16429.1)

5.01.1920.02 Securities of the U.S. Government Treasuries

U.S. Treasury securities and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest are obligations of the United States Treasury backed by the "full faith and credit" of the Federal Government and can be of three types: bills, notes, and bonds. There is no percentage limitation on the funds that can be invested in this category; however, a five-year maturity limitation is applicable.

5.01.1920.03 Federal Agencies and Government-Sponsored Enterprises

FEDERAL AGENCIES or United States Government-Sponsored Enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. ~~The District can invest in obligations issued by Federal Government agencies and Government Sponsored Enterprises such as Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporations (FIILMC). Such securities are obligations of the agencies themselves but there is also an implied guarantee by the United States Government. All such obligations qualify as legal instruments and are acceptable as security for District deposits.~~ (Legal Authority - Government code Sections 53601 (f)). There is no percentage limitation on the funds that can be invested in

this category; however, a five-year maturity limitation is applicable. Moreover, no more than 25% of the portfolio may be invested in any single Agency/GSE issuer, and agency callable securities are limited to 20% of the District's portfolio.

5.01.19.04 Municipal Securities: Registered State Warrants or Treasury Notes or Bonds of the State of California

These include bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, District, or authority of the state. (Legal Authority - Government Code Sections 53601 (c)). These investments are permitted, provided that:

- The securities are rated in a rating category of “A” or its equivalent or better by at least one nationally recognized statistical rating organization (“NRSRO”).
- No more than 30% of the portfolio may be in Municipal Securities
- The maximum maturity does not exceed five (5) years
- No more than 5% of the portfolio may be invested in any single issuer

5.01.19.05 ~~The maximum maturity does not exceed five (5) years.~~ Municipal Securities: Registered treasury notes or bonds of

any of the other 49 United States in addition to California.

This includes bonds payable solely out of the revenues from revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California (GCS 53601 (d)). These investments are permitted, provided that:

- The securities are rated in a rating category of “A” or its equivalent or better by at least one nationally recognized statistical rating organization (“NRSRO”).
- No more than 30% of the portfolio may be in Municipal Securities.
- No more than 5% of the portfolio may be invested in any single issuer

5.01.19.06 Municipal Securities: Bonds, Notes, Warrants, or Other Evidences of Indebtedness of Any Local District within the State of California

These include bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by a California local District, or by a department, board, District or authority of such a local District. (Legal Government Code Sections 53601 (e)). These investments are permitted, provided that:

- The securities are rated in a rating category of “A” or its equivalent or better by at least one nationally recognized statistical rating organization (“NRSRO”).
- No more than 30% of the portfolio may be in Municipal Securities
- No more than 5% of the portfolio may be invested in any single issuer

5.01.19.07 Bankers Acceptance

The District may invest in Bankers Acceptances limited to banks which have short-term debt

obligations rated “A-1” or its equivalent or better by at least one NRSRO; or long-term debt obligations which are rated in a rating category of “A” or its equivalent or better by at least one NRSRO. The maximum investment maturity will be restricted to 180 days as per Government Code Section 53601(f). Maximum portfolio exposure will be limited to 40 percent. (Legal Authority-Government Code Sections 53601 (g)). [No more than 5% of the portfolio may be invested in any single issuer.](#)

5.01.1920.08 Commercial Paper

Prime Commercial Paper with a maturity not exceeding 270 days from the date of purchase with the highest ranking or of the highest letter and numerical rating as provided for by the nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either A or B:

- A. The entity shall (1) be organized and operating in the United States as a general corporation, (2) have total assets in excess of five hundred million dollars (\$500,000,000) and (3) have debt other than commercial paper, if any, that is rated "A" or higher by a NRSRO.
- B. The entity shall (1) be organized within the United States as a special purpose corporation, trust, or limited liability company, (2) have program wide credit enhancements, including, but not limited to, over collateralization, letter of credit or surety bonds and (3) have commercial paper that is rated "A-I" or higher, or the equivalent, by a NRSRO.

The District's aggregate investment in commercial paper shall not exceed 25% of the District's total portfolio. [No more than 5% of the portfolio may be invested in any single issuer. The District may purchase no more than 10% of the outstanding commercial paper of any single issuer.](#) (Legal Authority - Government Code Sections 53601 (h))

5.01.1920.09 Negotiable Certificates of Deposit

Investments are limited to deposits issued by a nationally or state-chartered bank or a savings association or federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, provided that:

- The amount of the NCD insured up to the FDIC limit does not require any credit ratings.
- Any amount above the FDIC insured limit must be issued by institutions which have short-term debt obligations rated “A-1” or its equivalent or better by at least one NRSRO; or long-term obligations rated in a rating category of “A” or its equivalent or better by at least one NRSRO.

Negotiable Certificates of Deposit shall not exceed 30 percent of the District's surplus money, which may be invested pursuant to this policy. [No more than 5% of the portfolio may be invested in any single issuer.](#) Per section 53638 of the California Government Code, any deposit shall not exceed the total paid-up capital and surplus of any depository bank, nor shall the deposit exceed the total net worth of any institution. Maximum investment maturity is restricted to five years. ~~Investments in Negotiable Certificates of Deposit prohibited by Government Code Section 53635 (i) shall not be made.~~ (Legal Authority Government Code Section 53601 (i))

5.01.1920.10 Time Certificates of Deposit

The District may invest in collateralized certificates *of* deposits issued by a state or nationally chartered bank, a state or federal association or a state or federal credit union (Government Code Sections 53601(hi)). A written depository contract is required with all institutions that hold District deposits. Securities placed in a collateral pool must provide coverage for at least 110 percent *of* all deposits that are placed in the institution. Acceptable pooled collateral is governed by California Government Code Section 53651. Real estate mortgages are not considered acceptable collateral by the District, even though they are permitted in Government Code Section 53651(m). All banks are required to provide the District with a regular statement *of* pooled collateral. This report will state that they are meeting the 110 percent collateral rule (Government Code Section 53652(a)), a listing *of* all collateral with location and market value, plus an accountability *of* the total amount *of* deposits secured by the pool.

District funds shall be invested only in commercial banks and savings and loans rated in the rating category of "A" or better by one NRSRO.

In the event that a bank does not meet the minimum ratings, a tri-party collateral arrangement may be substituted in lieu *of* a rating lower than "A". The third-party institution must be acceptable to the District and have an account in the name *of* the Calaveras County Water District. The market value *of* the collateral in the account must not fall below 110 percent *of* the value *of* the deposit(s) at any time. The securities in the account must conform to Government Code Section 53651 with the exception that real estate mortgages are not acceptable collateral. The District will maintain a first perfected security interest in the securities pledged against the deposit and shall have a contractual right to liquidation *of* pledged securities upon the bankruptcy, insolvency or other default *of* the counter party.

Deposits *of* up to \$250,000 are allowable in any institution that insures its deposits with the Federal Deposit Insurance Corporation, regardless *of* Moody's Investors Service or Standard and Poor's Corporation ratings. Per section 53638 *of* the California Government Code, any deposit shall not exceed the total paid-up capital and surplus *of* any depository bank, nor shall the deposit exceed the total net worth *of* any institution.

Maximum maturity is restricted to two (2) years. (Legal Authority - Govt Code Section 53651)

5.01.1920.110 Repurchase Agreements

A Repurchase Agreement is the purchase *of* a security pursuant to an agreement by which the counterparty will deliver the underlying security by book entry, physical delivery or by a third-party custodial agreement. Repurchase Agreements shall have a maximum maturity *of* one year and shall not exceed 20 percent *of* the District's funds. The collateralization level for Repurchase Agreements shall be a minimum *of* 102 percent *of* the market value of the principal and accrued interest. The right *of* substitution will be granted provided that permissible collateral is maintained. In order to conform with the provisions *of* the Federal Bankruptcy Code that provides for the liquidation *of* securities held collateral for Repurchase Agreements, the only securities acceptable as collateral shall be securities that are direct obligations *of* and guaranteed by the United States Government, or its Agencies or with a maximum maturity of five (5) years.

The District shall maintain a first perfected security interest in the securities subject to the

Repurchase Agreement and shall have a contractual right to the liquidation of purchased securities upon the bankruptcy, insolvency or other default of the counter party. Repurchase Agreements may only be made with banks and primary dealers with which the District has entered into a Master Repurchase Agreement modeled after the Public Securities Associations' Master Repurchase Agreement. In all other respects, Repurchase Agreements shall conform to the restrictions set forth in Government Code Sections 53601 (j). (Legal Authority - Government Code Sections 53601 (j))

5.01.1920.121 Medium Term Notes

Medium-term notes are obligations of corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. The securities must in in a rating category of "A" or its equivalent or better by a nationally recognized rating organization. Purchase of medium-term notes shall not exceed 30% of the total portfolio, and not have maturity in excess of five (5) years. No more than 5% of the portfolio may be invested in any single issuer. (Legal Authority-Government Code Sections 53601(k))

5.01.1920.132 Money Market Mutual Funds

Mutual funds qualifying for District investment must ~~restrict their portfolios to issues approved by the same state investment statute that defines investment alternatives for cities~~be registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and issued by diversified investment companies and meet either of the following criteria:- ~~Additionally these mutual funds must adhere to Federal statutes regarding the size of the mutual fund and its safety, must attain the~~

- ~~Have attained the highest ranking of two of the three largest rating services and must~~or ~~the highest letter an numerical rating provided by not less than two (2) NRSROs or~~
- ~~retain~~Have retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five (5) years experience ~~investing managing money market mutual funds with~~ assets under management of at least five hundred million dollars (\$500,000,000).

~~Investments in mutual funds shall not exceed 20 percent of the District's portfolio. (Legal Authority-Government Code Section 53601(l))~~

~~hundred million dollars (\$500,000,000). The mutual funds must invest solely in investments, which the District itself could legally purchase. Investments in mutual funds shall not exceed 20 percent of the District's surplus fund. (Legal Authority Government Code Section 53601(l))~~

5.01.1920.143 Asset-Backed, Mortgage-Backed, Mortgage Passthrough securities, and Collateralized Mortgage Obligations not defined in Sections 5.01.19.02 and 5.01.19.03

- The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.
- No more that 20% of the portfolio may be invested in these securities.

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- No more than 5% of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer. ~~There is no issuer limitation on any Mortgage security where the issuer is the US Treasury or a Federal Agency/GSE.~~
- The maximum legal final maturity does not exceed five (5) years.

5.01.1920.154 Share of Beneficial Interest in a Joint Powers Authority

As authorized by Government Code Section 53601(p).

5.01.1920.165 Money market Mutual FundsSupranational Securities

- Issues are US Dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.
- The securities are rated in a rating category of “AA” or its equivalent or better by a NRSRO.
- No more that 30% of the portfolio may be invested in these securities.
- No more that 10% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

5.01.1920.176 Passbook Deposits

As authorized by Government Code Section 53637.

Appendix B

Glossary of Cash Management Terms

Accrued Interest - Interest earned but not yet received.

Active Deposits - Funds which are immediately required for disbursement.

Amortization - An accounting practice of gradually decreasing (increasing) an asset's book value by spreading its depreciation (accretion) over a period of time.

Arbitrage - Transactions by which securities are bought and sold in different markets at the same time for the sake of the profit arising from a yield difference in the two markets.

Asked Price - The price a broker dealer offers to sell securities.

Average Life - The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

Banker's Acceptance - A high quality, short-term money market instrument used to finance international trade. There has never been an instance of a failure to pay a banker's acceptance in full at its maturity date.

Basis Point - One basis point is one hundredth of one percent (.01).

Bid Price - The price a broker dealer offers to purchase securities.

Bond - A financial obligation for which the issuer promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

Book Entry - The system maintained by the Federal Reserve, by which most money market securities are delivered to an investor's custodial bank. The Federal Reserve maintains a computerized record of the ownership of these securities and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment).

Book Value - The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

Broker - Someone who brings buyers and sellers together and is compensated for his/her service.

Callable Bond - A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Call Price - The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

Call Risk - The risk to a bondholder that a bond may be redeemed prior to maturity.

Cash Sale/Purchase - A transaction, which calls for delivery and payment of securities on the same day that the transaction is initiated.

CDARS – The Certificate of Deposit Account Registry Service (CDARS) program places funds into certificates of deposit issued by banks in the CDARS network. This occurs in increments of less than the standard FDIC insurance maximum to ensure that both principal and interest are eligible for full FDIC insurance deposit. Maturities range from four weeks to three years. Interest rates are set by the competitive market place.

Certificate of Deposit - A deposit of funds for a specified period of time that earns interest at a specified rate. Commonly known as "CDs." Maturities range from a few weeks to several years. Interest rates are set by the competitive market place.

Collateral - Securities, evidence of deposit or pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposit of public moneys.

Commercial Paper - Short-term, negotiable unsecured promissory notes of corporations.

Comprehensive Annual Financial Report (CAFR) – The official annual financial report for the District. It includes five combined statements and basic financial statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principals (GAAP).

Convexity - A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

Coupon - The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value.

Credit Analysis - A critical review and appraisal of the economic and financial conditions or of the ability to meet debt obligations.

Current Yield - The interest paid on an investment expressed as a percentage of the current price of the security.

Custodian - A bank or other financial institution that keeps custody of stock certificates and other assets.

Defeased Bond Issue - Issues that have sufficient money to retire outstanding debt when due so that the District is released from the contracts and covenants in the bond document.

Delivery vs. Payment (DVP) - Delivery of securities with a simultaneous exchange of money for the securities.

Derivative - Securities that are based on, or derived from, some underlying asset, reference date, or index.

Discount - The difference between the cost of a security and its value at maturity when quoted at lower than face value.

Diversification - Dividing investment funds among a variety of securities offering independent returns and risk profiles.

Duration - A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables:

term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

Fair Value - The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fannie Mae - Trade name for the Federal National Mortgage Association (FNMA), a U.S. sponsored corporation.

Fed Wire - A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.

Federal Deposit Insurance Corporation (FDIC) - Insurance provided to customers of a subscribing bank, which guarantees deposits to a set limit (currently \$250,000) per account.

Federal Reserve System - The central bank of the U.S. which consists of a seven-member Board of Governors, 12 regional banks and 5,700 commercial banks that are members.

Freddie Mac - Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a U.S. sponsored corporation.

Ginnie Mae - Trade name for the Government National Mortgage Association (GNMA), a direct obligation bearing the full faith and credit of the U.S. Government.

Government Accounting Standards Board (GASB) - A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

Government Securities - An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, and Bonds."

Guaranteed Investment Contracts (GICS) - An agreement acknowledging receipt of funds, for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid.

Inactive Deposits (Idle Funds) - Funds not immediately needed for disbursement.

Interest Rate - The annual yield earned on an investment, expressed as a percentage.

Interest Rate Risk - The risk associated with declines or rises in interest rates, which cause an investment in a fixed-income security to increase or decrease in value.

Inverted Yield Curve - A chart formation that illustrates long-term securities having lower yields than short term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

Investment Agreements - An agreement with a financial institution to borrow public funds subject to certain negotiated terms and conditions concerning collateral, liquidity and interest rates.

Investment Company Act of 1940 - Federal legislation which sets the standards by which investment companies such as mutual funds are regulated in the areas of advertising, promotion, performance reporting

requirements, and securities valuations.

Investment Policy - A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

Investment-grade Obligations - An investment instrument suitable for purchase by institutional investors under the independent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating District.

Liquidity - An asset that can easily and rapidly be converted into cash without significant loss of value.

Local District - County, City, City and County, including a chartered city or county, school district, community college district, public district, or any public or municipal corporation.

Local Agency Investment Fund (LAIF) - A pooled investment vehicle for local agencies in California sponsored by the State of California and administered by the State Treasurer.

Local Government Investment Pool - A pooled investment vehicle sponsored by a local District or a group of local agencies for use by other local agencies.

Mark-to-Market - The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

Market Risk - The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value - Current market price of a security. The price at which a security is trading and could presumably be purchased or sold.

Maturity - The date upon which the principal or stated value of an investment becomes due and payable.

Merrill Lynch 1 - 3 Year Treasury Index - Represents all U.S. Treasury securities with maturities ranging from 1-3 years.

Modified Duration - A measure of exposure to market risk of a security or a portfolio. It is the percent change in the price of a security (portfolio) or a 100-basis point change in the securities' (portfolio's) yield.

Moody's - Moody's Investment Service, Inc. One of the three best-known rating agencies in the United States, the others being Standard and Poor's Corporation (S&P) and Fitch IBCA, Inc. (Fitch).

Money Market Mutual Fund - Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

Mutual Funds - An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.

2. Disseminate timely and accurate information regarding the fund's holdings, performance, and management, and general investment policy.
3. Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.
4. Maintain the daily liquidity of the fund's shares.
5. Value their portfolios on a daily basis.
6. Have all individuals who sell SEC-registered products licensed with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).
7. Have an investment policy governed by a prospectus, which is updated and filed by the SEC annually.

National Association of Securities Dealers (NASD) - A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

Net Asset Value - The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets, which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below) $[(\text{Total assets}) - (\text{Liabilities})] / (\text{Number of shares outstanding})$

Negotiable Certificate of Deposit - A large denomination certificate of deposit, which can be sold in the open market prior to maturity.

New Issue – Term used when a security is originally "brought" to market.

Nominal Yield - The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

New Issue - Term used when a security is originally "brought" to market.

No Load Fund - A mutual fund, which does not levy a sales charge on the purchase of its shares.

Note - A written promise to pay a specified amount to a certain entity on demand or on a specified date.

Par Value - The amount of principal, which must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in \$1,000 increments per bond.

Perfect Delivery - Refers to an investment where the actual security or collateral is held by an independent third party representing the purchasing entity.

Portfolio - Combined holding of more than one stock, bond, commodity, real estate investment, cash equivalent, or other asset. The purpose of a portfolio is to reduce risk by diversification.

Positive Yield Curve - A chart formation that illustrates short-term securities having lower yields than long-term securities.

Premium - The amount by which the price paid for a security exceeds the security's par value.

Primary Dealer - A group of government securities dealers that submit daily reports of market activity and security positions held to the Federal Reserve Bank of New York and are subject to its informal oversight.

Prime Rate - A preferred interest rate charged by commercial banks to their most credit worthy customers. Many interest rates are keyed to this rate.

Principal - The face value or par value of a debt instrument, or the amount of capital invested in a given security.

Prospectus - A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC that typically includes information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements also known as an "official statement".

Prudent Investor Standard aka as Prudent Person Rule - A standard of conduct where a person acts with care, skill, prudence, and diligence when investing, reinvesting, purchasing, acquiring, exchanging, selling and managing funds. The test of whether the standard is being met is if a prudent person acting in a similar situation would engage in similar conduct to ensure that investments safeguard principal and maintain liquidity.

Purchase Date - The date in which a security is purchased for settlement on that or a later date.

Rate of Return - The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

Repurchase Agreement (REPO) - A transaction where the seller agrees *to* buy back from the buyer (District) the securities at an agreed upon price on demand *or* at a specified date.

Reverse Repurchase Agreement (REVERSE REPO) - A transaction where the seller (District) agrees to buy back from the buyer the securities at an agreed upon price on demand or at a specified date.

Risk - Degree *of* uncertainty of return on an asset.

Rule 2a-7 of the Investment Company Act - Applies to all money market mutual funds and mandates such funds <:0 maintain certain standards, including a 13-month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value *of* one dollar (\$1.00).

Rule G-37 of the Securities Rulemaking Board - Federal regulations to sever any connection between the making of political contributions and the awarding *of* municipal securities business.

Safekeeping - Holding *of* assets (e.g., securities) by a financial institution.

Safekeeping Service - Offers storage and protection *of* assets provided by an institution serving as an agent.

Sallie Mae - Trade name for the Student Loan Marketing Association (SLMA), a U.S. sponsored corporation.

Secondary Market - A market made for the purchase and sale *of* outstanding issues following the initial distribution.

Policy Title: Annual Investment Policy
Policy Number: Financial Management Policy 5.01

Adopted 03/28/07
Revised 10/08/14 (Res. 2014-61)
Revised 02/27/19 (Res. 2019-09)
Revised 08/14/19 (Res. 2019-60)
Revised 12/11/19 (Res. 2019-80)
Revised 06/24/20 (Res. 2020-XX)

Securities and Exchange Commission (SEC) - The federal District responsible for supervising and regulating the securities industry.

Settlement Date - The date on which a trade is cleared by delivery of securities against funds.

Serial Bond - A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

Sinking Fund - Money, accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

Standard and Poor's Corporation (S&P) - One of the three best known rating agencies in the United States, the others being Moody's Investment Service, Inc. and Fitch IBCA, Inc. (Fitch).

Swap - Trading one asset for another.

Tax and Revenue Anticipation Notes (TRANS) - Notes issued in anticipation of receiving tax proceeds or other revenues at a future date.

Term Bond - Bonds comprising a large part or all of a particular issue, which come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

Time Certificate of Deposit - A non-negotiable certificate of deposit, which cannot be sold prior to maturity.

Total Return - The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period. (Price Appreciation) + (Dividends paid) + (Capital gains) = Total Return.

Treasury Bills - U.S. Treasury Bills which are short-term, direct obligations of the U.S. Government issued with original maturities of 13 weeks, 26 weeks and 52 weeks; sold in minimum amounts of \$10,000 in multiples of \$5,000 above the minimum. Issued in book entry form only. T-bills are sold on a discount basis.

Trustee or trust company or trust department of a bank - A financial institution with trust powers which acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

Underwriter - A dealer which purchases a new issue of municipal securities for resale.

U.S. Government Agencies - Instruments issued by various U.S. Government Agencies most of which are secured only by the credit worthiness of the particular District.

U.S. Treasury Obligations - Debt obligations of the United States Government sold by the Treasury Department in the form of Bills, Notes, and Bonds. Bills are short-term obligations that mature in one year or less and are sold on the basis of a rate of discount. Notes are obligations, which mature between one (1) year and ten (10) years. Bonds are long-term obligations, which generally mature in ten (10) years or more.

Weighted Average Maturity (WAM) - The average maturity of all the securities that comprise a portfolio

that is typically expressed in days or years.

Yield - The rate of annual income returns on an investment, expressed as a percentage. It is obtained by dividing the current dollar income by the current market price of the security.

Yield to Maturity - The rate of income returns on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

Yield Curve - A graphic representation that shows the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity.

Zero-coupon Securities - Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

Agenda Item

DATE: June 16, 2020

TO: Finance Committee

FROM: Rebecca Callen, Director of Administrative Services

SUBJECT: Discussion and Direction on discharging Lehman Brothers Outstanding Balances

RECOMMENDED ACTION:

Discussion and Direction of discharging the remaining reported balances pertaining to asset values associated with Lehman Brothers.

SUMMARY:

The District had invested part of our holding with Lehman Brothers. During the initial fallout of the "Great Recession" Lehman Brothers defaulted. Their bankruptcy was declared on September 2008 and CCWD submitted a claim with the US Bankruptcy Court in New York on December 23, 2008.

At that time, the District made the associated adjustments on our books to recognize the loss and worked through the bankruptcy to collect whatever we could. To date we have received \$664,741.52 of the total Par value of \$1,425,000. Each month we continue to report out to the District Board the Lehman Brothers Holdings which includes the Premium (Discounts), Par (Principal) and Coupon Rate. We are working on some cleanup of our assets on the General Ledger and what is getting reported out as true Investments with the Board.

We would like to move forward with fully discharging the remaining balance of Lehman assets value on our books, remove the holdings from our monthly investment report to the Board, and make all necessary journal entries to facilitate that.

The current Market Value of the Lehman Holdings with Wells Fargo was \$23,797.50 as of June 30, 2019. We have received \$8,008.93 year-to-date. The amount that we will discharge is \$15,788.57 and any additional monies received will be treated as interest income at the time of receipt.

Upon approval of the full Board, we will adjust the Monthly Investment Reports going forward to remove the Lehman Brothers Holdings asset line.

FINANCIAL CONSIDERATIONS:

None

Agenda Item

DATE: June 16, 2020

TO: Finance Committee

FROM: Rebecca Callen, Director of Administrative Services

SUBJECT: Discussion/Direction Regarding Enrollment in CAL-CARD Program for Government Entities

RECOMMENDED ACTION:

Discussion/Direction regarding the District enrolling in CAL-CARD Program for Governmental Entities.

SUMMARY:

The District currently uses a business credit card program through Umpqua Bank. The credit cards are created for departmental use and each department has an assigned “gatekeeper” of charges. This has created an issue where charges occur and it can be difficult to know who made the charge because it is a departmental card, not an individual card. Additionally, the credit card application requires the General Manager or Director of Administrator to supply personal information on the application to secure the business use of the cards. They will not accept the District as being a Governmental Agency and accept Financial Reports as a basis for security.

The CAL-CARD program is a State of California negotiated commercial card services program, administered by U.S. Bank, and is available to state and publicly funded local agencies. They are VISA purchase cards to be used for the acquisition of goods and services.

The program includes implementation guidance, training, and a rebate program. This means, if the District pays the statement charges on time, we receive a percentage of total charges back by way of a quarterly rebate check!

The program has built in charge rules to prevent unacceptable charges, control charges at the transaction level, and the monthly total level.

With an increased business need to make credit cards part of a payment option for many vendors, this would help alleviate manual check printing and push individual accountability on charges and adherence to policy. In addition, there are payment analytics and fraud training to assist staff.

To apply, the District would need to have the Board take action to participate in the program. The CAL-CARD Request to Participate Form and a Local Agency

Subscription Agreement needs to be submitted, along with a Certificate of Authority, if the Subscription Agreement was not “approved as to form” by an attorney.

Once the submission is accepted, the District will receive the Enrollment Documentation and establish online access needs and training for District Administrator(s).

The application process can take 30-60 days once submitted. During this time, a full procedural guide, policy update, and schedule of training will occur in preparation of CAL-CARD issuance to users.

I am asking for direction to bring forward to the Board for acceptance and approve the Director of Administration to submit the necessary forms to enroll.

FINANCIAL CONSIDERATIONS:

Depending on use, the rebate program could equate to \$500 or more per year for doing nothing more than paying our bill on time.

5.07.1 Purpose

The purpose of this policy is to establish clear guidelines and procedures for use of Calaveras County Water District CALCards and fuel (charge) cards.

5.07.2 Policy

This policy applies to all District employees and Board of Directors who have been authorized to use Calaveras County Water District CALCard and fuel cards or who are authorized in the future.

5.07.3 General Provisions

- 5.07.31 Prudent Person Rule – Expenses incurred on the Calaveras County Water District CALCard and fuel cards should be consistent with the employee’s job responsibility and the needs of the District and the resources budgeted. An employee is expected to exercise reasonable judgment, diligence, prudence, and care while incurring business expenses on a District credit and fuel card..
- 5.07.32 The District CALCard and fuel card shall be used for official District business only.
- 5.07.33 An authorized user may use the District CALCard and fuel card for business-related expenses provided the purchase is made within the Calaveras County Water District Purchasing Policy guidelines.
- 5.07.34 When a Director or an employee travels on District business, he or she may elect to use the District CALCard to settle hotel, meal, or transportation charges during business travel.
- 5.07.35 District CALCard should be used to pay for regular and recurring purchases, such as Utility autopayments, to take advantage of E-billing and autopay discounts.
- 5.07.36 The District CALCard shall NOT be used to purchase capital equipment.
- 5.07.37 Employees must have prior written authorization from their Department Head to enroll in the District CALCard program (see “CALCard Participation and Cardholder Agreement” forms) or a District fuel card (see “Fuel Card Use Authorization” form).
- 5.07.38 Authorized cardholders will keep District cards in a safe place that is inaccessible to others and will be responsible to validate all charges made on their account unless the card is lost or stolen. Cardholders will also be

expected to be aware of their departmental budgets and to adhere to the single and monthly limits for CALCard or fuel card expenditures BEFORE making a purchase.

- 5.07.39 Any intended purchases for goods or services not budgeted, which may exceed the established credit card limit will require prior approval by the District General Manager.

5.07.4 Administrative Responsibility

- 5.07.41 The Finance Director is responsible for monitoring District CALCard and fuel card use. A minimum of a three-day advance notice is recommended to process a request for a District CALCard or fuel card.
- 5.07.42 With appropriate authorization and a Department Head approved “CALCard Participation” or “Fuel Card Use Authorization” form, CALCards will be ordered for the individual employee. Fuel cards may be “checked out” at the Finance Department. The Employee must sign the Cardholder Agreement after reviewing the CALCard Training and this policy to receive the CALCard or Fuel Card
- 5.07.43 When using a District CALCard or fuel card, the employee or Director must sign his/her name on the credit/fuel card voucher, not “*Calaveras County Water District.*”
- 5.07.44 Under no circumstances shall a cardholder split a transaction (separate a single purchase into numerous transactions) in order to circumvent authorization limits. Coordination with Management should occur to ensure that the correct authorized purchaser is making the purchase.
- 5.07.45 Until the District CALCard and/or fuel card is turned in with the Finance Department, the employee is responsible for all charges made on the card.
- 5.07.46 Within five (5) business days of employee’s return to work after business travel, the District CALCard, accompanied by a travel “claim form” approved by the Department Head, and all credit card purchase receipts, must be returned to the Finance Department and checked-in.
- 5.07.47 In the event receipts are lost or destroyed, the District credit cardholder shall submit a memorandum in lieu of the receipt to their Department Head describing the purpose of the expenditures. This memorandum must be included with the “claim form,” but does not guarantee approval. This should be an infrequent occurrence. Consistent lost credit card receipts will warrant cancelation of the individual CALCard by the Director of Administration.

- 5.07.48 At the end of each month, the fuel cardholder must submit all fuel card receipts and fuel log to his/her Department Head. The Department Head or designee shall review and approve all fuel card purchases and submit receipts and fuel logs for each cardholder to the Finance Department.
- 5.07.49 In the event receipts are lost or destroyed, the fuel cardholder must have the Department Head review, approve and sign the fuel log in lieu of the missing receipts. The signed "in lieu of" fuel log must be submitted to the Finance Department, but does not guarantee approval.
- 5.07.50 Lost or stolen CALCard and fuel cards must be reported immediately to the Finance Department and to the card issuer using their 24-hour telephone number. A lost or stolen CALCard must be reported to U.S. Bank 1-888-994-6722 or the number on the back of your CALCard. A lost or stolen Chevron fuel card must be reported to Chevron at 1-866-435-3201. A lost or stolen Wright Express fuel card must be reported to Wright Express at 1-800-842-0071.
- 5.07.51 In the event a Cardholder leaves District service, the Cardholder will submit, in writing to their Department Head, a final reconciliation or statement of outstanding CALCard and fuel card purchases, and turn in the CALCard and Fuel card prior to leaving District service. The Department Head will contact the Finance Department for a recent list of transactions for use in final reconciliation.

5.07.1 Purpose

The purpose of this policy is to establish clear guidelines and procedures for use of Calaveras County Water District ~~credit (charge) cards~~CALCards and fuel (charge) cards.

5.07.2 Policy

This policy applies to all District employees and Board of Directors who have been authorized to use Calaveras County Water District ~~credit~~CALCard and fuel cards or who are authorized in the future.

5.07.3 General Provisions

5.07.31 Prudent Person Rule – Expenses incurred on the Calaveras County Water District ~~credit~~CALCard and fuel cards should be consistent with the employee’s job responsibility and the needs of the District and the resources budgeted. An employee is expected to exercise reasonable judgment, diligence, prudence, and care while incurring business expenses on a District credit and fuel card. ~~District credit and fuel cards shall not be used to further the cardholder’s personal interest or be used for the convenience of the cardholder.~~

5.07.32 The District ~~credit~~CALCard and fuel card shall be used for official District business only.

5.07.33 An authorized user may use the District ~~credit~~CALCard and fuel card for ~~limited~~ business-related expenses provided the purchase is made within the Calaveras County Water District Purchasing Policy guidelines.

5.07.34 When a Director or an employee travels on District business, he or she may elect to use the District ~~credit~~CALeCard to settle hotel, meal, or transportation charges during business travel.

~~5.07.35~~ District ~~credit~~CALCard~~cards shall not~~should be used to pay for regular ~~or~~and recurring purchases, such as Utility autopayments, to take advantage of E-billing and autopay discounts. ~~These purchases should be secured by a Contract, Purchase Order or a Request for Payment.~~

~~5.07.35~~5.07.36 The District CALCard shall NOT be used to purchase capital equipment.

5.07.37 Employees must have prior written authorization from their Department Head to use~~enroll in the~~ District ~~credit~~CALCard~~card~~ program (see “Credit

~~Card~~CALCard Participation and Cardholder Agreement Use Authorization forms) or a District fuel card (see “Fuel Card Use Authorization” form).

5.07.38 Authorized cardholders will keep District cards in a safe place that is inaccessible to others and will be responsible to validate all charges made on their account unless the card is lost or stolen. Cardholders will also be expected to be aware of their departmental budgets and to adhere to the single and monthly limits for CALCard or fuel card expenditures BEFORE making a purchase.

~~5.07.36~~5.07.39 Any intended purchases for goods or services not budgeted, which may exceed the established credit card limit will require prior approval by the District General Manager.

5.07.4 Administrative Responsibility

5.07.41 The Finance Director is responsible for monitoring District ~~credit~~CALCard and fuel card use. A minimum of a three-day advance notice is recommended to process a request for a District ~~credit~~CALCard or fuel card.

5.07.42 With appropriate authorization and a Department Head approved “~~Credit Card~~CALCard Participation Use Authorization” or “Fuel Card Use Authorization” form, ~~credit~~CALCards will be ordered for the individual employee. ~~and/or fuel~~ cards may be “checked out” at the Finance Department. ~~Check-out procedure requires acknowledgement of credit card policy and employee signature.~~The Employee must sign the Cardholder Agreement after reviewing the CALCard Training and this policy to receive the CALCard or Fuel Card

5.07.43 When using a District ~~credit~~CALCard or fuel card, the employee or Director must sign his/her name on the credit/fuel card voucher, not “*Calaveras County Water District.*”

5.07.44 Under no circumstances shall a cardholder split a transaction (separate a single purchase into numerous transactions) in order to circumvent authorization limits. Coordination with Management should occur to ensure that the correct authorized purchaser is making the purchase.

5.07.45 Until the District ~~credit~~CALCard and/or fuel card is ~~checked~~turned in with the Finance Department, the employee is responsible for all charges made on the card.

- 5.07.46 Within five (5) business days of employee's return to work after business travel, the District ~~credit-CALCard~~, accompanied by a travel "claim form" approved by the Department Head, and all credit card purchase receipts, must be returned to the Finance Department and checked-in.
- 5.07.47 In the event receipts are lost or destroyed, the District credit cardholder shall submit a memorandum in lieu of the receipt to their Department Head describing the purpose of the expenditures. This memorandum must be included with the "claim form," but does not guarantee approval. This should be an infrequent occurrence. Consistent lost credit card receipts will warrant cancelation of the individual CALCard by the Director of Administration.
- 5.07.48 At the end of each month, the fuel cardholder must submit all fuel card receipts and fuel log to his/her Department Head. The Department Head or designee shall review and approve all fuel card purchases and submit receipts and fuel logs for each cardholder to the Finance Department.
- 5.07.49 In the event receipts are lost or destroyed, the fuel cardholder must have the Department Head review, approve and sign the fuel log in lieu of the missing receipts. The signed "in lieu of" fuel log must be submitted to the Finance Department, but does not guarantee approval.
- 5.07.50 Lost or stolen ~~credit-CALCard~~ and fuel cards must be reported immediately to the Finance Department and to the card issuer using their 24-hour telephone number. A lost or stolen ~~Umpqua credit card~~CALCard must be reported to Umpqua Bank at 1-888-352-6455 U.S. Bank 1-888-994-6722 or the number on the back of your CALCard. A lost or stolen Chevron fuel card must be reported to Chevron at 1-866-435-3201. A lost or stolen Wright Express fuel card must be reported to Wright Express at 1-800-842-0071.
- ~~5.07.50~~
- 5.07.51 In the event a Cardholder leaves District service, the Cardholder will submit, in writing to their Department Head, a final reconciliation or statement of outstanding ~~credit-CALCard~~ and fuel card purchases, and turn in the CALCard and Fuel card prior to leaving District service. The Department Head will contact the Finance Department for a recent list of transactions for use in final reconciliation.

Agenda Item

DATE: June 10, 2020

TO: Finance Committee

FROM: Rebecca Callen, Director of Administrative Services

RE: Discussion and Direction regarding the USDA Loan Resolution for Radio Read Meter Replacement Project CIP #11096

RECOMMENDED ACTION:

Discussion and direction for adopting and authorizing the General Manager to sign the attached USDA Loan Resolution authorizing and providing for the incurrence of indebtedness (consisting of a \$5,000,000 loan and \$1,000,000 grant) for the purposes of providing the cost of acquiring, and installing Radio Read Meters for AMI/AMR Project, CCWD CIP #11096.

SUMMARY:

The purpose of this discussion is primarily focused on the fiscal impacts to the District. The technical review will be discussed at the Engineering Committee.

The June 30, 2019 Audited Financials have the Water Debt Coverage Ratio at 4.13, where the required ratio – 2014 Water Revenue Loans and 2016 Water Enterprise Revenue Bonds requires 1.25.

Taking a cursory look at Fiscal Year 2020-21 budgeted revenues, budgeted expenditures, and projected Debt Service (inclusive of this additional debt), the District's adjusted Debt Coverage Ratio would drop from 4.13 to 2.9 based on the required coverage debt. Taking all debt into consideration, our Debt Coverage Ratio would drop from 2.74, as reported June 30, 2019 to 1.77 by taking on this additional debt.

The 2020-21 fiscal year is the final payment year for the Umpqua Debt. This will free up \$1.18 million for the 21-22 Fiscal year. Taking this into consideration, the District Coverage Ratio will be dramatically different in the 2021-22 Fiscal Year with 14.64 and 3.47 respectively.

FINANCIAL CONSIDERATIONS:

The loan term is 40 years to maximize the grant. The current interest rate is slated to be 2.25%. This is .50% lower than the original projection for this agreement. With the beneficial terms and our ability to still maintain the required debt ratio, it is recommended to move forward to the full Board should the Engineering Committee also approve.

The project will be partially funded by a USDA combined loan and grant as follows:

USDA Loan	\$5,000,000
USDA Grant	<u>\$1,000,000</u>
TOTAL	\$6,000,000

Attachments: CCWD Resolution and USDA Loan Resolution

RESOLUTION NO. 2020 - ____

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
CALAVERAS COUNTY WATER DISTRICT**

**AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS
FOR THE PURPOSE FO PROVIDING THE COSTS OF ACQUIRING AND
INSTALLING RADIO READ METERS, CIP #11096**

WHEREAS, in August 2019 the United States Department of Agriculture (USDA) Rural Development issued a Letter of Conditions to fund the District's \$6,000,000 Radio Read Project, funding that includes a not-to-exceed \$5,000,000 loan, and a \$1,000,000 grant component; and

WHEREAS, as part of the Letter of Conditions, the USDA requires the CALAVERAS COUNTY WATER DISTRICT (CCWD) Board of Director to adopt a Loan Resolution Authorizing and Providing for the Incurrence of Indebtedness for the Purpose of Providing the Cost of Acquiring and Installing Radio Read Meters, CIP \$11096; and

NOW, THEREFORE BE IT RESOLVED, the Board of Directors of the CALAVERAS COUNTY WATER DISTRICT hereby adopts and authorizes the General Manager to sign the USDA Loan Resolution, attached hereto and made a part hereof, on behalf of the Calaveras County Water District for the Radio Read Meter Replacement Project, CIP #11096.

PASSED AND ADOPTED this 24th day of June, 2020 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

CALAVERAS COUNTY WATER DISTRICT

Bertha Underhill, President
Board of Directors

ATTEST:

Rebecca Hitchcock
Clerk to the Board

LOAN RESOLUTION
(Public Bodies)

A RESOLUTION OF THE _____

OF THE _____
AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING A
PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS

FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE.

WHEREAS, it is necessary for the _____

(Public Body)

(herein after called Association) to raise a portion of the cost of such undertaking by issuance of its bonds in the principal amount of

_____ ; and

WHEREAS, the Association intends to obtain assistance from the United States Department of Agriculture,
(herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921
et seq.) in the planning, financing, and supervision of such undertaking and the purchasing of bonds lawfully issued, in the event
that no other acceptable purchaser for such bonds is found by the Association:**NOW THEREFORE**, in consideration of the premises the Association hereby resolves:

1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its bonds containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.
2. To refinance the unpaid balance, in whole or in part, of its bonds upon the request of the Government if at any time it shall appear to the Government that the Association is able to refinance its bonds by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).
3. To provide for, execute, and comply with Form RD 400-4, "Assurance Agreement," and Form RD 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of \$10,000.
4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the Association. Such indemnification shall be payable from the same source of funds pledged to pay the bonds or any other legal ly permissible source.
5. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.
6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so, without the prior written consent of the Government.
7. Not to defease the bonds, or to borrow money, enter into any contractor agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the bonds.
8. To place the proceeds of the bonds on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.
9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.
10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by USDA. No free service or use of the facility will be permitted.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0121. The time required to complete this information collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

11. To acquire and maintain such insurance and fidelity bond coverage as may be required by the Government.
12. To establish and maintain such books and records relating to the operation of the facility and its financial affairs and to provide for required audit thereof as required by the Government, to provide the Government a copy of each such audit without its request, and to forward to the Government such additional information and reports as it may from time to time require.
13. To provide the Government at all reasonable times access to all books and records relating to the facility and access to the property of the system so that the Government may ascertain that the Association is complying with the provisions hereof and of the instruments incident to the making or insuring of the loan.
14. That if the Government requires that a reserve account be established, disbursements from that account(s) may be used when necessary for payments due on the bond if sufficient funds are not otherwise available and prior approval of the Government is obtained. Also, with the prior written approval of the Government, funds may be withdrawn and used for such things as emergency maintenance, extensions to facilities and replacement of short lived assets.
15. To provide adequate service to all persons within the service area who can feasibly and legally be served and to obtain USDA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the Association or public body.
16. To comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.
17. To accept a grant in an amount not to exceed \$ _____

under the terms offered by the Government; that the _____

and _____ of the Association are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant; and to operate the facility under the terms offered in said grant agreement(s).

The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instrument, shall be binding upon the Association as long as the bonds are held or insured by the Government or assignee. The provisions of sections 6 through 17 hereof may be provided for in more specific detail in the bond resolution or ordinance; to the extent that the provisions contained in such bond resolution or ordinance should be found to be inconsistent with the provisions hereof, these provisions shall be construed as controlling between the Association and the Government or assignee.

The vote was: Yeas _____ Nays _____ Absent _____

IN WITNESS WHEREOF, the _____ of the

_____ has duly adopted this resolution and caused it

to be executed by the officers below in duplicate on this _____, _____ day of _____

(SEAL) By _____

Attest: Title _____

Title _____

CERTIFICATION TO BE EXECUTED AT LOAN CLOSING

I, the undersigned, as _____ of the _____
hereby certify that the _____ of such Association is composed of
_____ members, of whom , _____ constituting a quorum, were present at a meeting thereof duly called and
held on the _____ day of _____ ; and that the foregoing resolution was adopted at such meeting
by the vote shown above, I further certify that as of _____ ,
the date of closing of the loan from the United States Department of Agriculture, said resolution remains in effect and has not been
rescinded or amended in any way.

Dated, this _____ day of _____

Title _____

Agenda Item

DATE: June 16, 2020
TO: Finance Committee
FROM: Joel Metzger, External Affairs Manager
RE: Discussion/Direction: CCWD High School Scholarship Program

RECOMMENDED ACTION:

Provide recommendation to the full Board to update the CCWD High School Scholarship Program guidelines.

SUMMARY:

In 2011, the CCWD Board of Directors approved the creation of the CCWD Scholarship Award Program as part of the ongoing effort to build relationships with the public and customers and to promote investment into our communities. The program authorizes two \$500 scholarships for graduating high school seniors of a high school in Calaveras County. This program is designed to encourage local youth to pursue careers in the water industry and help them achieve their goals. These efforts will not only benefit them and their future, it will also assist the District in looking forward to build its future employee base of well trained and motivated employees.

PROGRAM OVERVIEW

Each year, scholarships are awarded to two graduating high school seniors of a high school in Calaveras County, which includes: Calaveras High School, Gold Strike High School, Bret Harte High School, John Vierra High School and Mountain Oaks Charter School. It is preferred if applicants have an interest in a water-related industry and they must be registered for a full-time college class load in the fall.

The students are asked to submit a typed essay of at least 500 words using this prompt: "The Value of Water". The essay with the appropriate High School Scholarship Application must be submitted to a CCWD staff committee by the end of February of the graduating year. The two top applicants are selected by a committee of District employees and the recommendation goes to the Board for approval. The two (2) top candidates are invited to read their essays to the CCWD Board of Directors during a regularly scheduled Board meeting and are presented with a certificate by the Board members.

The \$500 scholarship check is only provided to candidates once they provide proof full-time fall class enrollment at college.

PROCESS

Under current guidelines, in September the general manager or designee, requests authorization from the Board to establish a committee of three staff members from the District and approve the two \$500 scholarship awards to the current class of graduating seniors. All employees of the District are encouraged to participate in the committee. At least one of the committee members must have a management title. The tasks of the committee were originally managed by Human Resources, but has been assumed by the External Affairs Manager.

Per the Board-adopted guidelines, once the CCWD committee has been established, Human Resources shall:

- 1) Contact all the schools by phone, letter, and/or email to inform them of the scholarship program and the rules as stated above no later than October 1.
- 2) Send out a press release notifying schools and local media of the upcoming scholarship awards.

In March, Human Resources will provide copies of all the submitted applications and essays to each CCWD committee member. Each committee member shall then thoroughly and completely review all submitted applications and essays using the following judging criteria:

- 1) Is the student's logic sound?
- 2) Do the ideas make sense?
- 3) Is the paper grammatically correct?
- 4) Is any of the essay plagiarized?

The committee members will meet to select the top two (2) candidates for Board approval on or about the established second Board meeting in March.

Once the Board has approved the two (2) candidates, Human Resources will notify the candidates to inform them of their selection and request them to attend the next regularly scheduled Board meeting to accept their scholarship award and read their essay to the Board, which will take place in April or May.

Human Resources shall contact the press via a press release informing them of the candidates selected for the District's two \$500 scholarship awards.

In May or June, one of the District's Board of Directors shall attend the candidate's High School Scholarship Awards Night, to present the student with a certificate of award.

**Time frames are approximate and shall be adjusted to meet high school deadlines and District Board meeting dates.*

POSSIBLE PROGRAMATIC CHANGES

Since the Board approved the Scholarship Award Program in 2011, the External Affairs Manager has taken over the program from Human Resources. Additionally, the steps laid out in the guidelines do not accurately represent how staff has been implementing the program. Certain sections of the guidelines should be updated to make sure practice and guidelines are consistent.

Additionally, the East Bay Municipal Utility District (EBMUD) has agreed to match CCWD's scholarship award funds dollar for dollar. The 2020 awards will be a total of \$2,000 rather than \$1,000, which translated into four \$500 scholarships in 2020. It would be helpful to have Board direction on whether to increase the scholarship award amount to \$1,000 per student, or offer four scholarships instead of two.

FINANCIAL CONSIDERATIONS:

The annual cost of the scholarships is \$1,000 and currently comes from Fund 101, Water Conservation. There are also costs associated with staff coordinating with the schools and receiving and reviewing applications and organizing Board meeting presentations and award night presentations.

Attachments: CCWD Scholarship Program Guidelines

CALAVERAS COUNTY WATER DISTRICT SCHOLARSHIP AWARD PROGRAM

Summary

In the ongoing effort to build relationships with the public and our customers and to promote investment into our communities, the Calaveras County Water District (CCWD) establishes two (2) \$500 scholarships for graduating high school seniors of a High School in Calaveras County. As the District looks to the future of the water industry, we must encourage our local youth and help them achieve their goals. Helping our local youth will not only benefit them and their future, it will also assist the District in looking forward to build our future employee base of well trained and motivated employees.

Rules

The scholarship will be awarded to two (2) graduating high school seniors of a High School in Calaveras County, which includes: Calaveras County High School, Brett Harte High School and Mountain Oaks High School.

The students must have an interest in the water related industry and be attending a Community, State, or University College.

The students will be asked to submit a typed paper of no less than 500 words on "The Value of Water".

The essay with the appropriate High School Scholarship Application shall be submitted to the CCWD committee by the end of February* of the graduating year.

The two (2) top candidates will be selected by a committee of District employees and the recommendation will go to the Board for approval.

The two (2) top candidates will be required to read their essay to the Board during a regularly scheduled Board Meeting and accept the scholarship award.

The scholarship check will be provided to each candidate when the candidate submits proof of fall class enrollment to the college of their choice.

Process

September* – The General Manager or designee, shall request authorization from the Board to establish a committee of three (3) staff members from the District and approve the two (2) \$500 scholarship awards to the current Class of graduating seniors. All employees of the District will be encouraged to participate. At least one (1) of the committee members must have a management title. The tasks of the committee will be managed by Human Resources

Once the CCWD committee has been established Human Resources shall

- 1) Contact all the schools by phone, letter, and/or e-mail to inform them of the scholarship program and the rules as stated above no later than October 1st.
- 2) Contact the press via a Press Release notifying them of the upcoming scholarship awards.

*March** – Human Resources will provide copies of all the submitted applications and essays to each CCWD committee member. Each committee member shall then thoroughly and completely review all submitted applications and essays using the following judging criteria:

- 1) Is the student's logic sound?
- 2) Do the ideas make sense?
- 3) Is the paper grammatically correct?
- 4) Is any of the essay plagiarized?

The committee members will then meet to select the top two (2) candidates for Board approval on or about the established second Board Meeting in March*.

Once the Board has approved the two (2) candidates, Human Resources will notify the candidates to inform them of their selection and request them to attend the next regularly scheduled Board Meeting to accept their scholarship award and read their essay to the Board.

*April/May** – The candidates will attend a Board Meeting to accept their scholarship award and read their essay to the Board.

Human Resources shall contact the press via a Press Release informing them of the candidates selected for the District's two (2) \$500 scholarship awards.

*May/June** – One (1) of the District's Board of Directors shall attend the candidate's High School Scholarship Assembly, as established by the High School, to present the student with a certificate of award.

**Time frames are approximate and shall be adjusted to meet High School deadlines and District Board Meeting dates.*

Cost

The cost for the scholarships will be \$1,000 total and will come from the Water Resources Education budget, Fund 101. There are no other material fees the District would incur. The only other cost associated would be the time of the committee members, which should be minimal.

RESOLUTION NO. 2013- 72

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE CALAVERAS COUNTY WATER DISTRICT

RESOLUTION APPROVING ANNUAL SCHOLARSHIP PROGRAM FOR
GRADUATING HIGH SCHOOL SENIORS IN CALAVERAS COUNTY

WHEREAS, the Board of Directors of the Calaveras County Water District (CCWD) wishes to promote the development of young talents in our County for future careers in the water industry; and

WHEREAS, it is the desire of the Board of Directors to award two (2) local graduating high school seniors with \$500 each to pursue their college education goals; and

WHEREAS, the rules and process of the CCWD scholarship program have been established, and final selection of the scholarship awards are to be approved by the Board of Directors; and

WHEREAS, funds to support the two (2) \$500 scholarship awards to come from the Water Resources Education budget, Fund 101.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Calaveras County Water District hereby authorizes District staff to follow the Scholarship Award Program process to award two (2) \$500 scholarships to two (2) local graduating high school seniors from the Class of 2014.

PASSED AND ADOPTED by this 11th day of December 2013 by the following vote:

AYES: Directors Stump, Dean, Davidson, Dooley and Ratterman
NOES: None
ABSTAIN: None
ABSENT: None

CALAVERAS COUNTY WATER DISTRICT



Scott Ratterman, President
Board of Directors

ATTEST:



Mona Walker
Clerk of the Board