

CALAVERAS COUNTY WATER DISTRICT FINANCE COMMITTEE MEETING

AGENDA

Tuesday, February 19, 2019
9:00 a.m.
CCWD Board Room

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

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:** January 15, 2019
3. **NEW BUSINESS**
 - 3a. Report on the Monthly Financial Reports for January 2019
(Jeffrey Meyer, Director of Administrative Services)
 - 3b. Discussion/Direction Regarding District's Investment Policy
(Jeffrey Meyer, Director of Administrative Services)
 - 3c. Discussion/Direction Regarding District's Assessment District Funding Policy
(Jeffrey Meyer, Director of Administrative Services)
 - 3d.* Update on CalPERS Unfunded Accrued Liability Refinancing
(Jeffrey Meyer, Director of Administrative Services)
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
JANUARY 15, 2019**

The FINANCE COMMITTEE of the CALAVERAS COUNTY WATER DISTRICT (CCWD) met in the CCWD Board Room at 120 Toma Court, San Andreas, California at 11:00 a.m.

The following Committee Members were present:

Bertha Underhill	Director
Cindy Secada	Director

Staff Present:

Jeffrey Meyer	Interim General Manager
Patti Christensen	Accountant III

Public Present:

None

1. Public Comment:

None

2. Approval of Minutes: December 18, 2018

3. New Business:

3a. Report on the Monthly Financial Reports for December 2018:

Mr. Meyer stated this item is comprised of the Claim Summary, Budget Status Report and the Capital R&R Report. He went on to review the Budget Status Report explaining the difference between the two revenue reports and then discussing the line items. There was further discussion regarding the property tax disbursement. Mr. Meyer went through the expenses, discussing in length certain key items. Director Secada would like to see a history of state fees, even at a high level. There was further discussion on the expenditures including bad debt and third-party payment processing fees.

Mr. Meyer gave an overview of the report format and discussed briefly the Capital R&R Report water and sewer fund balances and current project activity. There were no questions.

Mr. Meyer asked committee members for any questions on the Claim Summary. Mr. Meyer answered questions from Director Underhill and Director Secada on a number of disbursements.

3b. Discussion/Direction Regarding District's Auditing Policy:

Mr. Meyer gave Director Secada a brief history of the audit policy updates and requested this be brought to the full Board if no additional changes are needed. After a brief discussion direction was given to take this to the full Board.

3c. Discussion/Direction Regarding District's Investment Policy:

Mr. Meyer stated by policy, this policy is to be reviewed annually by the Board and bringing changes to the Finance Committee is the first step in this process. He mentioned that updates are needed to the policy to bring it up to date with government code, and to also incorporate some best practices. There was some discussion on the changes, including eliminating section 5.01.07, Investment Advisory Committee, and adding an advisor description to page 5. It was decided to have the committee members

MINUTES
FINANCE COMMITTEE MEETING
JANUARY 15, 2019

review the policy and the changes in red prior to the next meeting and either e-mail questions to Mr. Meyer or bring them to the next Finance Committee meeting.

3d. Update on CalPERS Unfunded Accrued Liability Refinancing:

Mr. Meyer gave an update on the status of the financing of the CalPERS Unfunded Accrued Liability. Agreements have been signed with Cameron Weist, Bond Counsel; Hilltop Securities, the placement agency; and NHA Advisors, a financial planner. Mr. Meyer stated that to keep the interest rate low this loan will have to close by February 28, 2019. He said the plan is to have the financing approved at the February 13th Board meeting and have the loan close on February 28, 2019. This will be a private placement (bank loan) and he talked about the three different loan proposals that will be discussed at the Board meeting.

3e. Update on Restructuring of DaLee Cassidy/Fly-In-Acres Refunding:

Mr. Meyer said at the beginning of this process in September the interest rates were favorable, since then the Feds have increased rates, and now that they are levelling out again there isn't sufficient time to meet the March 3rd deadline to refinance these bonds. Staff will review this again in the coming months to see if this is still a viable option and can meet the next refunding deadline of September 3rd.

4. Interim General Manager Comments:

Nothing at this time.

5. Director Comments:

Nothing at this time.

6. Future Agenda Items:

- Investment Policy update
- CalPERS Unfunded Accrued Liability Refinancing
- Vehicle Policy update in February
- Assessment District Negative Fund Balance Policy
- Restructuring of DaLee Cassidy/Fly-In-Acres Refunding


7. Next Committee Meeting:

February 19, 2019 at 9 a.m.
(meetings changed from 11 a.m. to 9 a.m.)

8. Adjournment:

Meeting adjourned at 12:48 p.m.

Respectfully Submitted,



Patti Christensen, Accountant III

Approved:



Jeffrey Meyer, Interim General Manager

Agenda Item

DATE: February 19, 2019
TO: Finance Committee
FROM: Jeffrey Meyer,  Interim General Manager
SUBJECT: Report on the Monthly Financial Reports for January 2019

RECOMMENDED ACTION:

Receive Report on January 2019 Monthly Financial Reports

SUMMARY:

The following financial reports are for the month ending January 31, 2019:

Budget Status Report – A summary of operating revenues and expenditures. Please note that some expenditures are paid in arrears and this report may not adequately reflect costs incurred through the reporting period. Similarly, the year-to-date revenues compared to budget may not present a fair estimate of expected revenues as some revenue types, such as property taxes, are received periodically throughout the year.

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.

Claim Summary – The claim summary is a summary of services, supplies, reimbursements and other vendor claims paid by the District in the month of January 31, 2019. The January claim summary was submitted to and approved by the Board of Directors at the February 13th Board meeting.

FINANCIAL CONSIDERATIONS:

None

*Attachment: Budget Status Report – January 2019
FY 2018-19 Capital R&R Report – January 2019*

**CALAVERAS COUNTY WATER DISTRICT
REVENUE STATUS REPORT FOR
THE PERIOD ENDED JANUARY 31, 2019
ALL REVENUES
58% of Year Completed**

Revenue Source	Actual Revenue FY 17-18 (post-audit)	Budgeted Revenue FY 18-19	Actual Revenue to 01/19	% Received
Operating Revenue				
WATER SALES	7,414,772	7,813,288	4,656,929	59.60%
WASTEWATER SALES	4,263,774	4,496,488	2,700,029	60.05%
OTHER	524,541	485,800	309,682	63.75%
Total Operating Revenue	12,203,087	12,795,576	7,666,640	59.92%
Non-Operating Revenue				
CAPACITY FEES	567,765	-	608,962	-
STAND-BY FEES	130,894	132,500	71,430	*
PROPERTY TAXES	2,916,956	3,075,001	1,740,319	*
INVESTMENT INCOME	390,749	283,782	314,950	110.98%
GRANT REVENUE	821,148	-	1,492,871	-
OTHER REVENUE	346,335	1,574,118	933,065	59.28%
Total Non-Operating Revenue	5,173,847	5,065,401	5,161,598	101.90%
GRAND TOTALS REVENUE	17,376,934	17,860,977	12,828,237	71.82%

*Distributed in Feb, May, and Aug

**CALAVERAS COUNTY WATER DISTRICT
REVENUE STATUS REPORT FOR
THE PERIOD ENDED JANUARY 31, 2019
OPERATING REVENUES
58% of Year Completed**

Revenue Source	Actual Revenue FY 17-18 (post-audit)	Budgeted Revenue FY 18-19	Actual Revenue to 01/19		% Received
Operating Revenue					
WATER SALES	7,414,772	7,813,288	4,656,929		59.60%
WASTEWATER SALES	4,263,774	4,496,488	2,700,029		60.05%
OTHER	524,541	485,800	309,682		63.75%
Total Operating Revenue	12,203,087	12,795,576	7,666,640		59.92%
Non-Operating Revenue					
STAND-BY FEES	130,894	132,500	71,430	*	53.91%
PROPERTY TAXES	2,788,250	2,613,751	1,479,269	*	56.60%
INVESTMENT INCOME	56,183	86,536	101,963		117.83%
GRANT REVENUE	65,732	-	6,627		-
OTHER REVENUE	342,078	1,562,118	932,065		59.67%
Total Non-Operating Revenue	3,383,137	4,394,905	1,574,118		35.82%
GRAND TOTALS REVENUE	15,586,224	17,190,481	9,240,758		53.76%

*Distributed in Feb, May, and Aug

Calaveras County Water District
Operating Budget Summary
Fiscal Year 2018-19
Budget vs Actual as of January 31, 2019
58% of Year Completed

District Summary by Category

Description	FY 18-19 Budget	Expenditures to 01/31/19	%
Personnel Services	9,551,359	5,466,549	57%
Services and Supplies	6,553,650	3,660,640	56%
Capital Outlay	500,000	94,902	19%
Total Operations & Capital Outlay:	16,605,009	9,222,091	56%

District Summary by Department

Dept	Description	FY 18-19 Budget	Expenditures to 01/31/19	%
Personnel, Services, and Supplies				
50	Non-Departmental (excluding Debt Svc)	1,545,819	498,262	32%
54	Utility Services	9,992,709	5,718,999	57%
56	General Management	1,012,459	648,228	64%
57	Board of Directors	165,089	70,977	43%
58	Technical Services/Engineering	773,685	401,834	52%
59	Administrative Services	1,582,455	917,021	58%
60	Water Resources	1,032,793	871,868	84%
sub-total Operations:		16,105,009	9,127,189	57%
Capital Outlay				
54	Utility Services - Equipment/Projects	490,000	84,737	17%
59	Administrative Services	10,000	10,165	102%
sub-total Capital Outlay:		500,000	94,902	19%
Total Operations & Capital Outlay		16,605,009	9,222,091	56%

CCWD Budget Status Report
Non-Departmental

As of January 31, 2019
58% of Year Completed

<u>Acct</u>	<u>Description</u>	<u>FY 18-19 Budget</u>	<u>January 2019</u>	<u>FY 18-19 Year-to-Date</u>	<u>Percent YTD</u>	<u>Encumbered</u>	<u>Balance Available</u>
Services & Supplies							
60210	Power	11,400	779	4,844	42%	-	6,556
60220	Water	2,765	220	1,319	48%	-	1,446
60250	Telephone	11,808	1,316	6,289	53%	-	5,519
60260	Refuse Disposal	2,597	217	1,510	58%	-	1,087
60310	Materials and Supplies	37,200	5,056	23,188	62%	-	14,012
60313	Tools	500	-	727	145%	-	(227)
60320	Safety Equipment	3,230	-	-	0%	-	3,230
60400	Outside Services/Repairs	10,100	621	6,599	65%	-	3,501
60410	Service Maintenance Contracts	5,800	1,343	3,287	57%	-	2,513
60426	Building Repairs	5,000	-	-	0%	-	5,000
60430	Claims Damages	5,000	-	-	0%	-	5,000
60440	Janitorial Services	23,220	1,935	13,545	58%	-	9,675
60590	Professional Services	-	-	600	-	-	(600)
61100	New Hogan O&M	293,262	-	-	0%	-	293,262
61200	Retired Employee Costs	554,200	42,060	315,894	57%	-	238,306
61410	Insurance	184,000	-	117,061	64%	-	66,939
61430	State/Federal/County Fees	395,737	-	3,282	1%	-	392,455
78990	Misc. Non-Operating Costs	-	(848)	117	-	-	(117)
	sub-total Services & Supplies:	1,545,819	52,699	498,262	32%	-	1,047,557
Debt Service							
72110	Interest - CalPERS Side Fund Loan	3,485	263	3,119	90%	-	366
73110	Principal - CalPERS Side Fund Loan	257,021	25,788	179,234	70%	-	77,787
72350	Interest - USDA EP Reach 3A	57,543	-	43,700	76%	-	13,843
73350	Principal - USDA EP Reach 3A	43,700	-	29,017	66%	-	14,683
72400	Interest - Water Fund Loan to Sewer Fund	14,322	-	-	0%	-	14,322
73400	Principal - Water Fund Loan to Sewer Fund	65,400	-	-	0%	-	65,400
72500	Interest - New Hogan Dam	17,113	-	-	0%	-	17,113
73500	Principal - New Hogan Dam	55,242	-	-	0%	-	55,242
72600	Interest - OP HQ	75,000	-	-	0%	-	75,000
73600	Principal - OP HQ	570,741	-	-	0%	-	570,741
72900	Interest - Capital R&R Loan	90,098	-	49,328	55%	-	40,770
73900	Principal - Capital R&R Loan	1,487,319	-	743,659	50%	-	743,660
	sub-total Debt Service:	2,736,984	26,051	1,048,058	38%	-	1,610,774
Total Department:		4,282,803	78,750	1,546,320	36%	-	2,658,331

CCWD Budget Status Report
Utility Services - Summary

As of January 31, 2019
58% of Year Completed

<u>Acct</u>	<u>Description</u>	<u>FY 18-19 Budget</u>	<u>January 2019</u>	<u>FY 18-19 Year-to-Date</u>	<u>Percent YTD</u>	<u>Encumbered</u>	<u>Balance Available</u>
	Personnel Services						
	Salaries/Wages	3,647,540	293,190	2,089,325	57%	-	1,558,215
	Wages-Overtime	220,565	22,707	143,219	65%	-	77,346
	Benefits	2,607,254	210,844	1,489,684	57%	-	1,117,570
	Medical Reimbursements	17,600	1,245	4,380	25%	-	13,220
	sub-total Personnel Services:	6,492,959	527,986	3,726,608	57%	-	2,766,351
	Services & Supplies						
	Utilities	990,350	80,053	568,516	57%	-	421,834
	Material and Supplies	663,100	39,600	445,662	67%	65,591	151,847
	Safety Eq Repl/consumables	40,000	2,798	20,835	52%	138	19,027
	Chemicals	350,000	14,150	171,706	49%	12,323	165,971
	Outside Services/Repairs	148,700	8,241	64,312	43%	9,370	75,018
	Service Maintenance Contracts	323,000	33,535	93,844	29%	54,717	174,439
	Laboratory Services	200,000	12,984	81,369	41%	-	118,631
	Rentals (Non Vehicles & Equipment)	-	3,000	21,000	0%	70	(21,070)
	Professional Services	68,000	1,150	24,240	36%	50,895	(7,135)
	Vehicle/Equipment Operating Expense	360,000	36,324	227,332	63%	2,021	130,647
	Rental Exp/Vehicle and Equip.	30,000	566	50,337	168%	-	(20,337)
	Permits & Licenses	11,000	2,286	9,591	87%	-	1,409
	Publications/Subscriptions	1,000	-	-	0%	-	1,000
	Memberships/Dues	14,500	188	4,118	28%	-	10,382
	Training, Conferences & Travel	36,000	3,990	22,220	62%	4,673	9,107
	Other Travel Costs	-	73	661	0%	-	(661)
	Purchased Water	5,000	505	505	10%	-	4,495
	State Wtr/Swr Fees	259,100	54,253	186,143	72%	-	72,957
	sub-total Services & Supplies:	3,499,750	293,696	1,992,391	57%	199,798	1,307,561
	sub-total Operations:	9,992,709	821,682	5,718,999	57%	199,798	4,073,912
	Capital Outlay						
	Automotive Lift	-	-	18,067	-	-	(18,067)
505-19	West Point Monitoring Well	42,000	-	-	-	-	42,000
506-19	Wallace Up-Gradient Monitoring Well	35,000	-	-	-	-	35,000
	Mini-Excavator	74,000	-	-	-	-	74,000
	Skid-Steer	84,000	-	-	-	-	84,000
300/500-19	Vehicles (4)	180,000	-	24,655	14%	-	155,345
303-19	Snow ATV	30,000	-	28,072	94%	-	1,928
305-19	PRV Vaults - Copper Sawmill	30,000	-	-	0%	-	30,000
306-19	Handheld Meter Readers	15,000	13,943	13,943	93%	-	1,057
	sub-total Capital Outlay:	490,000	13,943	84,737	17%	-	405,263
	Total Department:	10,482,709	835,625	5,803,736	55%	199,798	4,479,175

CCWD Budget Status Report
Utility Services - Detail

As of January 31, 2019
58% of Year Completed

Acct	Description	FY 18-19 Budget	January 2019	FY 18-19 Year-to-Date	Percent YTD	Encumbered	Balance Available
Personnel Services							
60000	Salaries/Wages	3,647,540	293,190	2,089,325	57%	-	1,558,215
60030	Wages-Overtime	220,565	22,707	143,219	65%	-	77,346
60100	Benefits	2,607,254	210,844	1,489,684	57%	-	1,117,570
60102	Medical Reimbursements	17,800	1,245	4,380	25%	-	13,220
sub-total Personnel Services:		6,492,959	527,986	3,726,608	57%	-	2,766,351
Services & Supplies							
60210	Power	842,000	66,076	462,709	57%	-	359,291
60220	Water	2,400	244	1,440	60%	-	960
60230	Sewage	57,450	4,680	29,161	51%	-	28,289
60240	Telephone Lease Lines	4,000	324	2,010	50%	-	1,990
60250	Telephones	75,000	7,502	44,914	60%	-	30,086
60260	Refuse/Disposal	9,500	1,045	8,262	87%	-	1,218
60310	Material and Supplies	100,000	6,228	71,928	72%	21,869	6,203
60311	Herbicide	1,500	-	35	2%	-	1,465
60312	Safety Eq Rep/consumables	40,000	2,798	20,835	52%	138	19,027
60313	Tools	25,000	(16,623)	29,850	119%	3,632	(8,462)
60314	Uniforms - New	8,000	-	6,021	100%	-	(21)
60325	Lab Supplies, Consumables	34,000	2,711	26,584	78%	3,604	3,812
60327	Ozone System Parts	3,600	-	545	15%	-	3,055
60328	UV Bulb Replacement	85,000	-	39,440	46%	-	45,560
60331	Electrical Parts Replacement	75,000	13,259	43,228	58%	34	31,738
60332	Leak Repair Supplies	60,000	7,785	68,196	85%	14,161	(2,377)
60333	Road Repair Materials	25,000	2,907	19,254	77%	1,608	4,138
60334	SCADA, Radio Supplies	40,000	255	15,412	39%	-	24,588
60335	Septic Tanks, Repair & New	10,000	-	3,384	34%	1,637	4,979
60338	Meters, New Conn. & Repl.	31,000	3,840	21,015	68%	-	9,885
60350	Aerator/Compressor etc Repair	15,000	1,746	14,409	96%	2,426	(1,835)
60353	Computers/peripherals	8,000	-	279	5%	-	5,721
60354	Control Sys/Pressure Transducer	10,000	2,219	4,783	48%	-	5,217
60355	Headworks/Solids Removal Rep.	12,000	662	3,404	28%	499	6,097
60356	HVAC	6,000	-	7,636	127%	-	(1,636)
60357	Mixers	10,000	9,128	33,374	334%	1,950	(25,324)
60358	Monitor Wells Repair	1,000	-	-	0%	-	1,000
60359	Pumps/Motors Repair	85,000	5,285	34,885	41%	14,151	35,964
60395	Chemicals	350,000	14,150	171,706	49%	12,323	165,971
60400	Outside Services/Repairs	77,000	3,183	34,784	45%	-	42,216
60401	Fire Ex. Testing Cust. Base	1,800	-	-	0%	-	1,800
60402	Spraying - Woods & Insects	11,700	560	3,683	31%	-	8,017
60403	Snow Removal	10,000	630	630	6%	9,370	-
60404	Uniform Laundry	24,200	2,581	16,019	68%	-	8,181
60405	Fire Hydrant Maintenance	24,000	1,267	9,196	38%	-	14,804
60412	Groundwater Monitoring	45,000	11,065	18,529	43%	26,462	(991)
60413	Instrumentation Tech	6,500	-	1,158	18%	-	5,342
60414	Ozone System PM	10,000	-	-	0%	-	10,000
60415	Backflow Device Testing	6,500	-	1,995	31%	-	4,505
60416	SCADA Consulting (A-Team)	40,000	1,660	3,570	9%	-	36,430
60417	Hauling / Dig / Crane	15,000	-	8,855	59%	1,425	4,720
60419	Pave / Seal / Asphalt Repair	72,000	12,068	27,846	39%	-	44,154
60423	Telemetry / Radio	3,000	-	-	0%	-	3,000
60424	Septic Hauling	15,000	1,924	8,408	56%	-	6,592
60425	Tank Cleaning	40,000	-	2,850	7%	26,800	10,350
60426	Building Repairs	35,000	6,800	13,283	38%	30	21,687
60428	Distribution System Contract	5,000	-	-	0%	-	5,000
60431	Computer Lic/Maint Contracts	30,000	-	8,350	21%	-	23,850
60470	Laboratory Services	200,000	12,984	81,369	41%	-	118,631
60480	Rentals (Non Vehicles & Equipment)	-	3,000	21,000	0%	70	(21,070)
60590	Professional Services	68,000	1,150	24,240	36%	50,695	(7,135)
60610	Operating Exp/Gas & Oil	205,000	17,024	112,904	55%	-	92,096
60620	Repairs and Parts	145,000	15,472	103,380	71%	1,633	39,987
60625	Fuel/Repairs - Generators	10,000	3,628	11,048	110%	388	(1,438)
60650	Rental Exp/Vehicle and Equip.	30,000	566	50,337	168%	-	(20,337)
60710	Permits & Licenses	11,000	2,288	9,591	87%	-	1,409
60730	Publications/Subscriptions	1,000	-	-	0%	-	1,000
60732	Memberships/Dues	14,500	188	4,118	28%	-	10,382
60810	Training, Conferences & Travel	36,000	3,990	22,220	62%	4,673	9,107
60820	Other Travel Costs	-	73	661	0%	-	(661)
61100	Purchased Water	5,000	505	505	10%	-	4,495
61420	State Wtr/Swr Fees	259,100	54,253	186,143	72%	-	72,957
sub-total Services & Supplies:		3,499,750	293,696	1,992,391	57%	199,798	1,307,561
sub-total Operations:		9,992,709	821,682	5,718,999	57%	199,798	4,073,912
Capital Outlay							
Automotive Lift							
505-19	West Point Monitoring Well	42,000	-	18,067	-	-	(18,067)
506-19	Wallace Up-Gradient Monitoring Well	35,000	-	-	-	-	35,000
	Mini-Excavator	74,000	-	-	-	-	74,000
	Skid-Steer	84,000	-	-	-	-	84,000
300/500-19	Vehicles (4)	180,000	-	24,655	14%	-	155,345
303-19	Snow ATV	30,000	-	26,072	94%	-	1,928
305-19	PRV Vaults - Copper Sawmill	30,000	-	-	0%	-	30,000
306-19	Handheld Meter Readers	15,000	13,943	13,943	93%	-	1,057
sub-total Capital Outlay:		490,000	13,943	84,737	17%	-	405,263
Total Department:		10,482,709	835,625	5,803,736	55%	199,798	4,479,175

CCWD Budget Status Report
 General Management

As of January 31, 2019
 58% of Year Completed

<u>Acct</u>	<u>Description</u>	<u>FY 18-19 Budget</u>	<u>January 2019</u>	<u>FY 18-19 Year-to-Date</u>	<u>Percent YTD</u>	<u>Encumbered</u>	<u>Balance Available</u>
Personnel Services							
60000	Salaries/Wages	425,395	22,703	270,563	64%	-	154,832
60030	Wages-Overtime	740	29	306	41%	-	434
60100	Benefits	241,199	11,894	119,721	50%	-	121,478
60102	Medical Reimbursements	1,600	-	800	50%	-	800
sub-total Personnel Services:		668,934	34,626	391,390	59%	-	277,544
Services and Supplies							
60310	Material and Supplies	3,000	237	924	31%	13	2,063
60420	Drug and Alcohol Testing	1,500	-	1,540	103%	-	(40)
60429	Recruiting	5,000	437	20,750	415%	136	(15,886)
60505	Outside Legal Fees	127,500	36,795	103,186	81%	-	24,314
60541	Advertising/Publicity	1,500	-	-	0%	-	1,500
60590	Professional Services	125,800	8,838	60,280	48%	-	65,520
60700	Forms and Supplies	450	-	84	19%	-	366
60732	Memberships/Dues	48,275	13,370	59,823	124%	-	(11,548)
60810	Training, Conferences & Travel	27,500	3,033	9,951	36%	-	17,549
60820	Other Travel Costs	1,000	-	300	30%	-	700
61410	Unemployment Claims	2,000	-	-	0%	-	2,000
78990	Misc Non-Operating Costs	-	-	-	-	-	-
sub-total Services & Supplies:		343,525	62,710	256,838	75%	149	86,538
Total Department:		1,012,459	97,336	648,228	64%	149	364,082

CCWD Budget Status Report
Board of Directors

As of January 31, 2019
58% of Year Completed

<u>Acct</u>	<u>Description</u>	<u>FY 18-19 Budget</u>	<u>January 2019</u>	<u>FY 18-19 Year-to-Date</u>	<u>Percent YTD</u>	<u>Encumbered</u>	<u>Balance Available</u>
Personnel Services							
60000	Salaries/Wages	43,200	2,160	15,960	37%	-	27,240
60100	Benefits	86,139	5,662	42,706	50%	-	43,433
60102	Medical Reimbursements	2,000	800	1,518	76%	-	482
sub-total Personnel Services:		131,339	8,622	60,184	46%	-	71,155
Services and Supplies							
60310	Materials and Supplies	750	154	220	29%	10	520
60590	Professional Services	11,500	4,587	4,587	40%	-	6,913
60810	Training, Conferences & Travel	15,000	51	1,801	12%	-	13,199
60820	Other Travel Costs	6,500	502	4,185	64%	-	2,315
sub-total Services & Supplies:		33,750	5,294	10,793	32%	10	22,947
Total Department:		165,089	13,916	70,977	43%	10	94,102

CCWD Budget Status Report
 Technical Services/Engineering

As of January 31, 2019
 58% of Year Completed

<u>Acct</u>	<u>Description</u>	<u>FY 18-19 Budget</u>	<u>January 2019</u>	<u>FY 18-19 Year-to-Date</u>	<u>Percent YTD</u>	<u>Encumbered</u>	<u>Balance Available</u>
Personnel Services							
60000	Salaries/Wages	455,490	38,763	249,470	55%	-	206,020
60030	Overtime	12,038	514	3,147	26%	-	8,891
60100	Benefits	282,057	23,772	141,168	50%	-	140,889
60102	Medical Reimbursements	2,800	400	1,200	43%	-	1,600
sub-total Personnel Services:		752,385	63,449	394,985	52%	-	357,400
Services and Supplies							
60310	Materials and Supplies	-	155	420	-	-	(420)
60410	Service Maintenance Contracts	9,800	-	6,139	63%	-	3,661
60590	Professional Services	5,000	-	-	0%	465	4,535
60700	Forms and Supplies	500	-	-	0%	-	500
60730	Publications/Subscriptions	250	110	110	44%	-	140
60732	Memberships/Dues	250	-	-	0%	-	250
60760	Recording Title Reports	-	43	165	-	-	(165)
60810	Training, Conferences & Travel	5,000	-	-	0%	-	5,000
60820	Other Travel Costs	500	-	15	3%	-	485
sub-total Services & Supplies:		21,300	308	6,849	32%	465	13,986
Total Department:		773,685	63,757	401,834	52%	465	371,386

CCWD Budget Status Report
 Administrative Services

As of January 31, 2019
 58% of Year Completed

<u>Acct</u>	<u>Description</u>	<u>FY 18-19 Budget</u>	<u>January 2019</u>	<u>FY 18-19 Year-to-Date</u>	<u>Percent YTD</u>	<u>Encumbered</u>	<u>Balance Available</u>
Personnel Services							
60000	Salaries/Wages	692,729	62,103	418,329	60%	-	274,400
60030	Wages-Overtime	3,676	308	2,002	54%	-	1,674
60100	Benefits	473,615	39,889	275,999	58%	-	197,616
60102	Medical Reimbursements	3,200	525	591	18%	-	2,609
	sub-total Personnel Services:	1,173,220	102,825	696,921	59%	-	476,299
Services and Supplies							
60310	Materials and Supplies	250	-	-	0%	-	250
60390	Admin Technologies Comm	34,000	514	12,239	36%	656	21,105
60400	Outside Services/Repairs	5,750	511	3,057	53%	2,794	(101)
60410	Service Maintenance Contracts	40,500	1,505	35,884	89%	-	4,616
60431	Computer Lic/Maint Contracts	22,260	-	10,474	47%	-	11,786
60510	Accounting/Auditing	40,000	-	23,166	58%	-	16,834
60590	Professional Services	83,200	6,743	45,426	55%	-	37,774
60700	Forms and Supplies	1,950	105	105	5%	-	1,845
60720	Postage	18,100	1,502	8,924	49%	-	9,176
60732	Memberships/Dues	725	220	630	87%	-	95
60810	Training, Conferences & Travel	5,000	822	988	20%	-	4,012
60820	Other Travel Costs	1,000	-	266	27%	-	734
61310	Bad Debt Expense	48,000	3,530	31,034	65%	-	16,966
61315	Customer Rate Assistance Program	30,000	5,390	5,390	18%	-	24,610
61485	Third Party Payment Proc Fees	71,000	5,882	35,017	49%	-	35,983
78100	Custodial Agent Fees	7,500	-	7,500	100%	-	-
	sub-total Services & Supplies:	409,235	26,724	220,100	54%	3,450	185,685
sub-total Operations:		1,582,455	129,549	917,021	58%	3,450	661,984
Capital Outlay							
	Server Replacement	-	-	10,165	-	-	(10,165)
	Antenna Replacement	10,000	-	-	0%	-	10,000
	sub-total Capital Outlay:	10,000	-	10,165	-	-	(165)
Total Department:		1,592,455	129,549	927,186	58%	3,450	661,819

CCWD Budget Status Report
Water Resources

As of January 31, 2019
 58% of Year Completed

<u>Acct</u>	<u>Description</u>	<u>FY 18-19 Budget</u>	<u>January 2019</u>	<u>FY 18-19 Year-to-Date</u>	<u>Percent YTD</u>	<u>Encumbered</u>	<u>Balance Available</u>
Personnel Services							
60000	Salaries/Wages	216,720	18,218	126,403	58%	-	90,317
60100	Benefits	115,002	10,091	69,724	61%	-	45,278
60102	Medical Reimbursements	800	334	334	42%	-	466
sub-total Personnel Services:		332,522	28,643	196,461	59%	-	136,061
Services and Supplies							
60310	Material and Supplies	20,000	1,167	26,938	135%	1,063	(8,001)
60505	Outside Legal Fees	115,000	18,303	64,707	56%	-	50,293
60590	Professional Services	80,000	2,725	54,178	68%	34,828	(9,006)
60732	Membership/Dues	37,390	-	53,742	144%	-	(16,352)
60810	Training, Conferences & Travel	6,000	-	2,254	38%	-	3,746
60820	Other Travel Costs	1,500	-	42	3%	-	1,458
61435	State/Federal/County Fees	359,381	350,671	467,505	130%	-	(108,124)
61450	Mandated Plans	75,000	-	5,091	7%	-	69,909
61455	Water Conservation	6,000	150	950	16%	-	5,050
sub-total Services & Supplies:		700,271	373,016	675,407	96%	35,891	(11,027)
Total Department:		1,032,793	401,659	871,868	84%	35,891	125,034

Water Capital Renovation and Replacement Fund
 July 1, 2013 through January 31, 2019

	FY 17-18	Thru Jun 30, 2018	Jul - Sep	Oct - Dec	Jan - Mar	Y-T-D FY 18-19	Total to Date
Revenues:							
Capital R&R Water Revenues	\$ 3,272,222	\$ 14,049,903	\$ 639,191	\$ 809,396	\$ 281,743	\$ 1,730,329	\$ 15,780,232
Interest Income	93,266	297,610	33,671	35,410	38,661	107,741	405,351
Capital R&R Loan *	-	6,622,000	-	-	-	-	6,622,000
Grant Revenues	1,024,995	2,881,125	-	-	1,477,213	1,477,213	4,358,338
Total Revenues	\$ 4,390,483	\$ 23,850,639	\$ 672,861	\$ 844,805	\$ 1,797,617	\$ 3,315,283	\$ 27,165,922
Expenditures:							
Ebbetts Pass Techite Line	1,549	156,172	-	3,633	16,003	19,635	175,807
Ebbetts Pass Reach 1	432,911	583,435	55,255	65,723	241	121,219	704,654
San Antonio Storage Restoration	9,055	67,436	-	-	-	-	67,436
Jenny Lind Pretreatment Facility	1,002,834	1,425,450	377,255	1,591,827	110,249	2,079,331	3,504,781
Tank Management Plan	-	65,954	-	-	-	-	65,954
EP Redwood Tank Replacement	28,926	28,926	6,678	-	-	6,678	35,603
Jenny Lind A-B Trans Line	8,496	8,581	621	-	-	621	9,202
Pipeline Replacement	166,975	233,618	-	293	-	293	233,911
Big Trees Tank Replacement	5,084	1,430,906	-	-	-	-	1,430,906
Completed Projects (see Funding)	1,256,589	7,041,727	-	-	-	-	7,041,727
Total Expenditures	\$ 2,912,466	\$ 11,042,254	\$ 439,809	\$ 1,661,476	\$ 126,492	\$ 2,227,777	\$ 13,270,032
Beginning Balance	\$ 11,032,777	\$ -	\$ 11,676,112	\$ 11,243,034	\$ 10,426,363	\$ 11,676,112	\$ -
Total Revenues	4,390,483	23,850,639	672,861	844,805	1,797,617	3,315,283	27,165,922
Less							
Loan Payments	834,683	1,132,274	666,130	-	-	666,130	1,798,404
Project Costs	2,912,466	11,042,254	439,809	1,661,476	126,492	2,227,777	13,270,032
Ending Balance	\$ 11,676,112	\$ 11,676,112	\$ 11,243,034	\$ 10,426,363	\$ 12,097,487	\$ 12,097,487	\$ 12,097,487

* R&R/USDA Loans - Outstanding P&I Due: \$ 6,426,699

Water Capital Renovation and Replacement Funding
 July 1, 2013 through January 31, 2019

Project Funding	Project Budget	Expenses To Date	Balance	Operating Funds	Expansion Funds	Capital R&R	Grant Revenues
Ebbetts Pass Techite Line	\$ 1,250,000	\$ 175,807	\$ 1,074,193	\$ -	\$ -	\$ 1,250,000	\$ -
Ebbetts Pass Reach 1	5,000,000	704,654	4,295,346	-	1,000,000	4,000,000	-
San Antonio Storage Restoration	4,000,000	67,436	3,932,564	-	-	4,000,000	-
Jenny Lind Pretreatment Facility	3,800,000	3,504,781	295,219	-	-	980,000	2,820,000
Tank Management Plan	2,650,000	65,954	2,584,046	-	-	2,650,000	-
EP Redwood Tank Replacement	-	35,603	(35,603)	-	-	-	-
West Point AMR/AMI Meter Program	500,000	-	500,000	-	-	500,000	-
Wilson Dam	500,000	49	499,951	-	-	500,000	-
Jenny Lind A-B Trans Line	3,500,000	9,202	3,490,798	-	-	3,500,000	-
Pipeline Replacement	1,000,000	233,911	766,089	-	-	1,000,000	-
Big Trees Tank Replacement	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	207,581	(17,581)	-	-	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	\$ 29,900,000	\$ 13,270,032	\$ 16,629,968	\$ 290,000	\$ 1,000,000	\$ 23,557,054	\$ 5,068,000

(1) completed project

Wastewater Capital Renovation and Replacement Fund
 July 1, 2013 through January 31, 2019

	FY 17-18	Thru Jun 30, 2018	Jul - Sep	Oct - Dec	Jan - Mar	Y-T-D FY 18-19	Total to Date
Revenues:							
Capital R&R Wastewater Revenues	\$ 1,177,119	5,107,868	\$ 206,326	\$ 271,369	\$ 126,783	\$ 604,477	\$ 5,712,345
Interest Income	26,397	85,364	9,743	10,753	12,897	33,394	118,758
Capital R&R Loan *	-	2,300,001	-	-	-	-	2,300,001
Grant Revenues	12,287	12,287	-	-	12,897	12,897	25,184
Total Revenues	\$ 1,215,803	\$ 7,505,519	\$ 216,070	\$ 282,122	\$ 152,577	\$ 650,769	\$ 8,156,288
Expenditures:							
Copper Cove Reclaim Permit	\$ 28,268	217,375	\$ 3,829	\$ 621	\$ -	\$ 4,450	\$ 221,825
WP/Wilseyville Consolidation	134	5,728	(508)	-	-	(508)	5,220
Copper Cove L/S 8,12,13 Bypass	33,345	60,270	8,578	32,180	8,686	49,444	109,714
Copper Cove LS 15 & 18 Renovation	56,275	65,193	4,383	35,449	8,198	48,030	113,224
Vallecito Recycle Water Distribution	13,262	34,889	2,120	7,599	543	10,262	45,151
Vallecito I&I/Equalization	-	35,795	-	-	-	-	35,795
Wallace Treatment Plant Renovation	-	-	-	-	466	466	466
Copper Cove Pond 6 Expansion	-	-	-	-	-	-	-
Wallace Waste Discharge Permit	-	-	-	-	-	-	-
Arnold WWTP	-	3,733	-	-	-	-	3,733
Completed Projects (see Funding)	-	2,069,529	-	-	-	-	2,069,529
Total Expenditures	\$ 131,284	\$ 2,492,512	\$ 18,402	\$ 75,849	\$ 17,893	\$ 112,145	\$ 2,604,657
Beginning Balance	\$ 2,915,381	\$ -	\$ 3,622,180	\$ 3,620,273	\$ 3,826,546	\$ 3,622,180	\$ -
Total Revenues	1,215,803	7,505,519	216,070	282,122	152,577	650,769	8,156,288
Less							
Loan Payments/Expenses	377,720	1,390,827	199,574	-	-	199,574	1,590,402
Project Costs	131,284	2,492,512	18,402	75,849	17,893	112,145	2,604,657
Ending Balance	\$ 3,622,180	\$ 3,622,180	\$ 3,620,273	\$ 3,826,546	\$ 3,961,230	\$ 3,961,230	\$ 3,961,230

* Sewer R&R Loan - Outstanding P&I Due: \$ 991,426

Wastewater Capital Renovation and Replacement Funding

July 1, 2013 through January 31, 2019

Project Funding	Project Budget	Expenses To Date	Balance	Operating Funds	Expansion Funds	Capital R&R	Grant Revenues
Copper Cove Reclaim Permit	\$ 250,000	\$ 221,825	\$ 28,175	\$ -	\$ -	\$ 250,000	\$ -
West Point/Wilseyville Consolidation	4,750,000	5,220	4,744,780	-	-	-	4,750,000
Copper Cove L/S 8,12,13 Bypass	1,500,000	109,714	1,390,286	-	-	1,500,000	-
Copper Cove LS 15 & 18 Renovation	1,000,000	113,224	886,776	-	-	1,000,000	-
Vallecito Recycle Water Distribution	280,000	45,151	234,849	-	-	100,000	180,000
Vallecito I&I/Equalization	400,000	35,795	364,205	-	-	400,000	-
Wallace Treatment Plant Renovation	250,000	466	249,534	-	100,000	150,000	-
Forest Meadows UV Replacement	150,000	-	150,000	-	-	150,000	-
Copper Cove Pond 6 Expansion	5,500,000	-	5,500,000	-	2,750,000	2,750,000	-
Wallace Waste Discharge Permit	25,000	-	25,000	-	-	25,000	-
Pipeline Replacement	250,000	-	250,000	-	-	250,000	-
Arnold WWTP	150,000	3,733	146,267	-	-	150,000	-
Copper Cove Lift Station 22 (1)	1,600,000	1,516,935	83,065	-	-	1,600,000	-
Poker Flat LS 9, 10 and 11 (1)	285,000	493,406	(208,406)	-	-	285,000	-
Capital Program Management (1)	50,000	59,188	(9,188)	-	-	50,000	-
Total Expenditures	\$ 16,440,000	\$ 2,604,657	\$ 13,835,343	\$ -	\$ 2,850,000	\$ 8,660,000	\$ 4,930,000

(1) completed project

Agenda Item

DATE: February 19, 2019
TO: Finance Committee
FROM: Jeffrey Meyer,  Interim General Manager
SUBJECT: Discussion/Direction regarding District's Financial Management Policy No. 5.01, Investment Policy

RECOMMENDED ACTION:

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

SUMMARY:

As per Section 5.01.20 of the Investment Policy Guidelines of the Calaveras County Water District, 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 at the beginning of each fiscal year by the Board of Directors and any modifications made thereto must be approved by the Board of Directors." The policy was last revised by the Board on October 8, 2014 by Resolution 2014-61.

In addition to bringing the investment policy current with recent changes to Government Code (GC) 53601, staff has reviewed the policy to ensure that it also meets the best practice guidelines set forth by the State Treasurer's California Debt and Investment Advisory Commission (CDIAC), the Government Financial Officers Association (GFOA), the California Municipal Treasurer's Associate, (CMTA), and the Association of Public Treasurers of the US and Canada (APTUSC).

Staff reviewed the proposed changes (attached) with the Finance Committee on January 15th and received comments and direction to bring the proposed policy back to the Finance Committee for further review prior to presenting the proposed policy to the Board for adoption.

FINANCIAL CONSIDERATIONS:

None at this time.

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 ~~Person~~ Investor Standard

The District operates its investment portfolio under the Prudent Investor Standard (California Government Code Section 53600.3) which states, "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."

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. 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 "(b)" **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 Investment Advisory Committee~~

~~An Investment Advisory Committee consisting of the General Manager, Director of Administrative Services and one Board Member from the Finance Committee shall be established for purposes of reviewing investment activities and strategies. The Investment Advisory Committee shall meet as necessary to review quarterly investment reports, develop~~

future investment strategies and present investment recommendations to the Finance Committee and the Board of Directors.

5.01.08.01.07 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.

5.01.08.15.01.07.1 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.

5.01.08.25.01.07.2 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 adviser, selection of broker/dealers will be at the sole discretion of the adviser, and the adviser shall make their list of selected broker/dealers available to the District on demand.

5.01.095.01.08 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). 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 (%)	Required Rating	Maximum Maturity	Authorized Limit (%)	Minimum Required Rating
53601(a)	Local District Bonds	5 Years	None	None	5 Years	50%	AAA
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)	Other State Obligations of Other States	5 Years	None	None	5 Years	20%	AA
53601(e)	California Local District Agency Obligations	5 Years	None	None	5 Years	50%	AA
53601(f)	U.S. Agencies and GSEs	5 Years	None	None	5 Years	100%	AAA
53601(g)	Bankers' Acceptances	180 Days	40%/30%	None	180 Days	40%	A
53601(h)	Commercial Paper	270 Days	25% and 10% of <u>outstanding CP</u>	A1/P1/F1	270 Days	25%	AA
53601(i)	Negotiable Certificates of Deposit	5 Years	30%	None	5 Years	30%	AA
53601(j)	Repurchase Agreements	1 year	None	Various	1 Year	20%	None
53601(k)	Reverse Repurchase Agreements	92 days	30% of base	A	92 days	20% of base	A
53601(k)	Medium-Term Notes	5 Years	30%	A or >	5 Years	30%	A or >
53601(l)	Money Market Mutual Funds	N/A	20%	(1)	N/A	20%	(1)
53601(m)	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)	Subordinated 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	20% <u>Limit Statute or limit (2)</u>	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

- (1) Highest ranking by 2 of 3 of the nationally recognized rating agencies.
- (2) LAIF currently allows a maximum of \$50-65 million per account.
- (3) 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.

5.01.10 Competitive Bidding

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.¹ 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.

5.01.11 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

¹ 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. 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.

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.

5.01.12 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.

5.01.13 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 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.

5.01.14 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.

5.01.15 Diversification and Risk

Mitigating Credit Risk in the Portfolio

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. ~~In the event of a default by a specific issuer, the General Manager or designee shall evaluate the liquidation of securities having comparable credit risks.~~ Diversification strategies shall be established and reviewed quarterly by the General Manager or designee.

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 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,

5.01.16 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.

5.01.17 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.

5.01.18 Performance 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.

5.01.19 Reporting

The General Manager or designee will produce a quarterly investment report (Treasurer's Report) that will be submitted to the Board of Directors at minimum, on a semi-annual basis. 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:

5.01.19.1 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.
- ~~G.~~H. Transactions for the period

5.01.20 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 following descriptions of authorized investments are included here to assist in the administration of this policy.

5.01.20.01 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 \$50 million from any one District. Principal may be withdrawn on one day's notice. The fees charged by LAIF are limited by Statute. (Legal Authority - Government Code Section 16429.1)

5.01.20.02 Securities of the U.S. Government including U.S. Government Agencies and Instrumentalities

~~These obligations can be classified either as "Treasuries" or "Agencies" (Legal Authority - Government Code Sections 53601(b)). Treasury securities 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.~~

~~The District can invest in obligations issued by Federal Government agencies and Government Sponsored Enterprises such as the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC). 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))~~

5.01.20.03 Federal Agencies and Government-Sponsored Enterprises

~~The District can invest in obligations issued by Federal Government agencies and Government Sponsored Enterprises such as the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC). 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.~~

5.01.20.035.01.20.04 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.

5.01.20.045.01.20.05 The maximum maturity does not exceed five (5) years. 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 a 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.

5.01.20.055.01.20.06 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.

5.01.20.065.01.20.07 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, rated a minimum of "A" by Moody's Investors Service and Standard & Poor's Corporation. 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))

5.01.20.075.01.20.08 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 below:

- 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-1" 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. (Legal Authority - Government Code Sections 53601 (h))

5.01.20.085.01.20.09 Negotiable Certificates of Deposit

Investments are limited to deposits issued by a nationally or state-chartered bank or a state 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.

~~(Government Code Section 53601(i)) with a minimum rating of "A-1" as assigned by Moody's Investors Service and Standard and Poor's Corporation.~~ **Negotiable Certificates of Deposit** shall not exceed 30 percent of the District's surplus money, which may be invested pursuant to this policy. 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 ~~one 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))

5.01.20.095.01.20.10 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(h)). 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 Moody's or Standard and Poor's 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 - Government Code Sections 53651)

5.01.20.10 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))

5.01.20.11 Medium Term Notes

Medium-term notes are obligations of ~~a domestic corporation 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, or depository institution having a~~The securities must be rated in the rating category of "A" or its equivalent better by a nationally recognized rating service~~statistical 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.~~ (Legal Authority-Government Code Sections 53601(k))

5.01.20.12 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. Additionally these mutual funds must adhere to Federal statutes regarding the size of the mutual fund and its safety, must attain the highest ranking of two of the three largest rating services and must retain an investment advisor registered with the Securities and Exchange Commission with not less than five (5) years experience investing assets of at least five 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))

5.01.20.13 Asset-Backed, Mortgage-backed, Mortgage Passthrough securities, and Collateralized Mortgage Obligations

- The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.
- No more than 20% of the total 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. 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

~~5.01.20.13~~ 5.01.20.14 Share of beneficial interest in a joint powers authority

As authorized by Government Code Section 53601(p).

5.01.20.15 Money Market Mutual Funds

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

~~5.01.20.14~~5.01.20.16 **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)
[(Total assets) - (Liabilities)] / (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.

Perfected 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.

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.

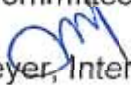
Yield - The rate of annual income return on an investment, expressed as a percentage. It is obtained by dividing the current dollar income by the current market price of the security.

Yield to Maturity - The rate of income return 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: February 19, 2019
TO: Finance Committee
FROM: Jeffrey Meyer,  Interim General Manager
SUBJECT: Discussion/Direction regarding District's Financial Management Policy No. 5.14, Assessment District Funding Shortfall Policy

RECOMMENDED ACTION:

Discussion/Direction regarding District's Financial Management Policy No. 5.14, Assessment District Funding Shortfall Policy.

SUMMARY:

The annual audit process of the District's financial statements includes a review by the outside auditors of the District's internal controls and procedures. Although the auditors found that the District has adequate review procedures to reduce the risk of errors and to safeguard the District's assets, they did recommend that we develop policy and procedures to address how the District will pay bills of assessment districts that do not have sufficient balance in their deposit account(s) for costs associated with legal counsel and other expenditures.

Staff has prepared a draft Financial Management Policy No. 5.14, Assessment District Funding Shortfall Policy. Staff will review the proposed policy (attached) and requests comments and direction from the Finance Committee on the proposed policy prior to presenting the proposed policy to the Board for adoption.

FINANCIAL CONSIDERATIONS:

None at this time.

Attachment: District Financial Management Policy No. 5.14, Assessment District Funding Shortfall Policy (Proposed)

5.14.1 Purpose

The purpose of this policy is to establish clear guidelines and procedures that address how the Calaveras County Water District (“District”) will pay the bills of assessment districts that do not have sufficient funds in deposit accounts for expenditures such as legal counsel and trustee services.

5.14.2 Policy

This policy applies to all District employees and the Board of Directors who are involved in the accounting and payment of expenditures of Assessment Districts administered by the District.

5.14.3 General Provisions

- 5.14.31 When required, the District, on behalf of affected property owners within an assessment district, can issue limited obligation improvement bonds (“the Bonds”) pursuant to the Municipal Improvement Act of 1913 (California Streets and Highways Code Section 10000 et seq., hereafter the “1913 Act”), the Improvement Bond Act of 1915 (Division 10 of said Streets and Highways Code; hereafter the “1915 Act”).
- 5.14.32 Under the provisions of the 1913 Act, the District levies assessment liens (“Assessments”) on property within the Assessment District sufficient to meet annual debt service on the Bonds and any expenses related to the administration of such assessment districts. Unpaid Assessments constitute fixed liens on each of the assessment parcels and do not constitute a personal indebtedness of the respective owners of such lots and parcels, nor that of the District.
- 5.14.33 Assessment district Bonds are payable solely from the proceeds of the assessments. Neither the District’s general fund nor the full faith and credit of the District is pledged for the payment of the interest on or principal of the Bonds. The Bonds do not constitute an indebtedness of the District within the meaning of any constitutional or statutory debt limitation or restriction.
- 5.14.34 Notwithstanding the limited nature of the District’s obligation, the District may, at its option and in its sole discretion, elect to loan available funds of the District to pay for legal counsel, trustee services, or any other expenses related to delinquent Assessment Installments. Should the District do so it is entitled to reimbursement from the first proceeds of any payments of delinquent Assessment Installments or the redemption or sale of delinquent parcels.
- 5.14.35 The District may, at its option and in its sole discretion, elect to charge the Assessment District interest on any outstanding loan balance owed by the

Policy Title: Assessment District Funding Shortfall Policy
Policy Number: Financial Management Policy 5.14

Assessment District. The interest rate charged on the loan will be equal to the Quarter-to-Date yields listed in the California State Treasurers' Local Agency Investment Fund ("LAIF") Quarter End Performance Report. The interest charge will be calculated at the end of each fiscal quarter and be based on the outstanding balance at quarter end and the Quarter-to-Date yield as of the last day of the fiscal quarter.