

**RESOLUTION NO. 2019-07**  
**RESOLUTION NO. PFA-03**  
**ORDINANCE NO. 2019-01**

## **AGENDA**

### **MISSION STATEMENT**

**“Our team is dedicated to protecting, enhancing, and developing our rich water resources to the highest beneficial use for Calaveras County, while maintaining cost-conscious, reliable service, and our quality of life, through responsible management.”**

Regular Board Meeting  
Wednesday, February 27, 2019  
1:00 p.m.

Calaveras County Water District  
120 Toma Court, (PO 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 that are made available to the Board before or at the meeting, not privileged or otherwise protected from disclosure, and related to agenda items, will be made available at CCWD for review by the public.

## **ORDER OF BUSINESS**

### **CALL TO ORDER / PLEDGE OF ALLEGIANCE**

1. **ROLL CALL**

2. **PUBLIC COMMENT**

At this time, members of the public may address the Board on any non-agendized item. The public is encouraged to work through staff to place items on the agenda for Board consideration. No action can be taken on matters not listed on the agenda. Comments are limited to three minutes per person.

3. **CONSENT AGENDA**

The following items are expected to be routine / non-controversial. Items will be acted upon by the Board at one time without discussion. Any Board member may request that any item be removed for later discussion.

3a Approval of Minutes for the Board Meeting of January 9, 2019.

---

### **BOARD OF DIRECTORS**

Russ Thomas, President  
Scott Ratterman, Director

Bertha Underhill, Vice President  
Cindy Secada, Director

Jeff Davidson, Director

**4. NEW BUSINESS**

- 4a Discussion / Action on the Purchase of Real Property APN 044-031-012  
(Jeffrey Meyer, Director of Administrative Services) **RES 2019-\_\_\_\_\_**
- 4b Discussion / Action Regarding Amending the FY 2018-19 CIP Budget for the Purchase of  
Real Property APN 044-032-012  
(Jeffrey Meyer, Director of Administrative Services) **RES 2019-\_\_\_\_\_**
- 4c Discussion / Action Adopting District Investment Policy Update  
(Jeffrey Meyer, Director of Administrative Services) **RES 2019-\_\_\_\_\_**
- 4d Discussion / Action Adopting District Assessment District Policy Update  
(Jeffrey Meyer, Director of Administrative Services) **RES 2019-\_\_\_\_\_**

**5. OLD BUSINESS**

- 5a\* Update on Sustainable Groundwater Management Act (SGMA)  
(Peter Martin, Water Resources Manager)

**6.\* GENERAL MANAGER REPORT**

**7.\* BOARD REPORTS / INFORMATION / FUTURE AGENDA ITEMS**

**8. NEXT BOARD MEETINGS**

- Wednesday, March 13, 2019, 1:00 p.m., Regular Board Meeting
- Wednesday, March 27, 2019, 1:00 p.m., Regular Board Meeting

**9. CLOSED SESSION**

- 9a Conference with Legal Counsel – Anticipated Litigation. Significant Exposure to  
Litigation Pursuant to Subdivision (d)(2) of Government Code section 54956.9.  
One potential case.

**10. REPORTABLE ACTION FROM CLOSED SESSION**

**11. ADJOURNMENT**

# CALAVERAS COUNTY WATER DISTRICT

## Board of Directors

District 1      Scott Ratterman  
District 2      Cindy Secada  
District 3      Bertha Underhill  
District 4      Russ Thomas  
District 5      Jeff Davidson

## Legal Counsel

Matthew Weber, Esq.  
Downey Brand, LLP

## Financial Services

Umpqua Bank  
US Bank  
Wells Fargo Bank

## Auditor

Richardson & Company, LLP

## CCWD Committees

\*Engineering Committee  
\*Finance Committee  
\*Legal Affairs Committee  
Executive Committee (*ad hoc*)

## Membership\*\*

Davidson / Thomas (alt. Secada)  
Underhill / Secada (alt. Thomas)  
Davidson / Thomas (alt. Ratterman)  
Thomas / Underhill

## Joint Power Authorities

ACWA / JPIA  
CCWD Public Financing Authority  
Calaveras-Amador Mokelumne River Authority (CAMRA)  
Calaveras Public Power Agency (CPPA)  
Eastern San Joaquin Groundwater Authority  
Tuolumne-Stanislaus Integrated Regional Water  
Management Joint Powers Authority (T-Stan JPA)  
Upper Mokelumne River Watershed Authority (UMRWA)

Ratterman (alt. Michael Minkler)  
All Board Members  
Ratterman / Underhill (alt. Secada)  
Peter Martin (alt. Michael Minkler)  
Thomas  
Secada (alt. Thomas)  
Davidson (alt. Ratterman)

## Other Regional Organizations of Note

Calaveras LAFCO  
Calaveras County Parks and Recreation  
Committee  
Highway 4 Corridor Working Group  
Mountain Counties Water Resources  
Association (MCWRA)  
Mokelumne River Association (MRA)  
Tuolumne-Stanislaus Integrated Regional Water  
Mgt. JPA Watershed Advisory Committee (WAC)  
Eastern San Joaquin Groundwater Authority-Technical  
Advisory Committee

Ratterman / Thomas  
Thomas (alt. Ratterman)  
Thomas / Underhill  
All Board Members  
All Board Members  
Peter Martin (alt. Metzger)  
Peter Martin

\* Standing committees, meetings of which require agendas & public notice 72 hours in advance of meeting.

\*\* The 1<sup>st</sup> name listed is the committee chairperson.



RESOLUTION NO. 2019-01  
RESOLUTION NO. PFA-03  
ORDINANCE NO. 2019-01

## MINUTES

### CALAVERAS COUNTY WATER DISTRICT REGULAR BOARD MEETING

JANUARY 9, 2019

Directors Present: Russ Thomas, President  
Bertha Underhill, Vice President  
Scott Ratterman, Director  
Cindy Secada, Director  
Jeff Davidson, Director

Staff Present: Jeffrey Meyer, Interim General Manager  
Rebecca Hitchcock, Clerk to the Board  
Matt Weber, General Counsel  
Peter Martin, Manager of Water Resources  
Damon Wyckoff, Director of Operations  
Jesse Hampton, Plant Operations Manager  
Joel Metzger, Manager of External Affairs, Conservation, and Grants  
Robbie Creamer, Engineering Analyst

Others Present: Vickey Mills  
Mia O'Connell, O'Connell & Dempsey (via teleconference)  
Carl Stoughton

## ORDER OF BUSINESS

### CALL TO ORDER / PLEDGE OF ALLEGIANCE

#### 1. ROLL CALL

President Thomas called the Regular Board Meeting to order at 1:00 p.m. and led the pledge of allegiance. All Board members were present.

#### 2. PUBLIC COMMENT

Carl Stoughton addressed the Board regarding the sewer systems in West Point. He said that the life of the lines are up and he thinks it is an opportunity for CCWD to try to expand the lines to the CCWD sewer system in those areas.

#### 3. CONSENT AGENDA

**MOTION:** Directors Ratterman / Underhill - Approved Consent Agenda Items:  
3a and 3b as presented

- 3a Approval of Minutes for the Board Meetings of October 24, November 9, and November 14, 2018
- 3b Review Board of Directors Monthly Time Sheets for December, 2018

**AYES: Directors Ratterman, Underhill, Secada, Davidson, and Thomas**  
**NOES: None**  
**ABSTAIN: None**  
**ABSENT: None**

**4. NEW BUSINESS**

- 4a Discussion / Action regarding Appointment to Board Committees and Election of Members to Joint Power Authorities  
(Russ Thomas, Board President)

**DISCUSSION:** President Thomas announced his selection of the following committee and association assignments for 2019:

Engineering Committee:	Davidson / Thomas (alt. Secada)
Finance Committee:	Underhill / Secada (alt. Thomas)
Legal Affairs Committee:	Davidson / Thomas (alt. Ratterman)
Executive Committee: (ad hoc)	Thomas / Underhill
Mountain Counties Water Resources Association:	All Board Members
Mokelumne River Association:	All Board Members
Calaveras Parks and Recreation Commission:	Thomas (alt. Ratterman)
Calaveras LAFCO:	Ratterman / Thomas
Highway 4 Corridor Working Group:	Thomas / Underhill
Tuolumne-Stanislaus Integrated Regional Water Management JPA Watershed Advisory Committee:	Peter Martin (alt. Joel Metzger)
Eastern San Joaquin Groundwater Authority-Technical Advisory Committee:	Peter Martin

The Board of Directors made the following nominations to the Joint Powers Authority Memberships:

**MOTION:** **Directors Davidson / Secada – Nominate Director Ratterman as Representative and the General Manager as Alternate to the Association of California Water Agencies / Joint Powers Insurance Authority (ACWA-JPIA)**

**DISCUSSION:** There were no other nominations and there was no discussion on the matter.

**PUBLIC COMMENT:** There was no public comment.

**AYES:** Directors Davidson, Secada, Ratterman, Underhill, and Thomas  
**NOES:** None  
**ABSTAIN:** None  
**ABSENT:** None

**MOTION:** Directors Secada / Davidson – Nominate Directors Ratterman and Underhill as Representatives and Director Secada as Alternate to the Calaveras-Amador Mokelumne River Authority (CAMRA)

**DISCUSSION:** There were no other nominations and there was no discussion on the matter.

**PUBLIC COMMENT:** There was no public comment.

**AYES:** Directors Secada, Davidson, Ratterman, Underhill, and Thomas  
**NOES:** None  
**ABSTAIN:** None  
**ABSENT:** None

**MOTION:** Directors Underhill / Secada – Nominate Peter Martin as Representative and the General Manager as Alternate to the Calaveras Public Power Authority (CPPA)

**DISCUSSION:** There were no other nominations and there was no discussion on the matter.

**PUBLIC COMMENT:** There was no public comment.

**AYES:** Directors Underhill, Secada, Davidson, Ratterman, and Thomas  
**NOES:** None  
**ABSTAIN:** None  
**ABSENT:** None

**MOTION:** Directors Ratterman / Secada – Nominate Russ Thomas as Representative to the Eastern San Joaquin Groundwater Authority

**DISCUSSION:** There were no other nominations and there was no discussion on the matter.

**PUBLIC COMMENT:** There was no public comment.

**AYES:** Directors Ratterman, Secada, Davidson, Underhill, and Thomas  
**NOES:** None  
**ABSTAIN:** None  
**ABSENT:** None

**MOTION:** Directors Davidson / Underhill – Nominate Director Secada as Representative and Director Thomas as Alternate to the Tuolumne-Stanislaus Integrated Regional Water Management Joint Powers Authority (T-Stan JPA)

**DISCUSSION:** There were no other nominations and there was no discussion on the matter.

**PUBLIC COMMENT:** There was no public comment.

**AYES:** Directors Davidson, Underhill, Ratterman, Secada, and Thomas  
**NOES:** None  
**ABSTAIN:** None  
**ABSENT:** None

**MOTION:** Directors Ratterman / Secada – Nominate Director Davidson as Representative and Director Ratterman as Alternate to the Upper Mokelumne River Watershed Authority (UMRWA)

**DISCUSSION:** There were no other nominations and there was no discussion on the matter.

**PUBLIC COMMENT:** There was no public comment.

**AYES:** Directors Secada, Davidson, Ratterman, Underhill, and Thomas  
**NOES:** None  
**ABSTAIN:** None  
**ABSENT:** None

4b Discussion / Action regarding Refinancing of a Portion of the District’s Outstanding CalPERS Unfunded Liability and Appointing Financial Consultants (Jeffrey Meyer, Interim General Manager) **RES 2019-01**

**MOTION:** Directors Ratterman / Underhill – approved Refinancing of a Portion of the District’s Outstanding CalPERS Unfunded Liability and Appointing Financial Consultants

**DISCUSSION:** Mr. Meyer reviewed the need to refinance a portion of the District’s outstanding unfunded accrued liability (UAL). He introduced Cameron Weist from Weist Law Firm to review the current situation. The District’s current CalPERS UAL is \$9.8 million for the Miscellaneous (2.7% at 55) Plan. The Board is being asked to consider refinancing a portion of the existing UAL debt and the effect of which will be to enhance budget predictability and realize cost savings with a lower interest rate. There was additional discussion between the Board and Mr. Wiest on this item.

**PUBLIC COMMENT:** There was no public comment.

**AYES:** Directors Ratterman, Underhill, Secada, Davidson, and Thomas  
**NOES:** None  
**ABSTAIN:** None  
**ABSENT:** None

4c Discussion / Direction regarding Federal Legislative Strategy (Jeffrey Meyer, Interim General Manager)

**DISCUSSION:** Ms. Mia O’Connell, CCWD’s legislative advocate in Washington, D.C., gave a brief history of her firm representing CCWD. She also discussed past accomplishments such as securing key language in the Water Infrastructure Improvements for the Nation (WIIN) Act of 2016. In addition, she has worked closely with Reclamation leadership regarding storage at New Melones Reservoir. Discussion continued on the proposed 2019 Federal Legislative strategy for

CCWD. The strategy includes continued efforts with Reclamation regarding Section 4006 New Melones Study; a collaborative Forest Landscape Restoration Project; Hazardous Tree Removal; Cosgrove Creek Flood Protection; and the Corps of Engineers' Section 219 Project. There was also discussion on when some Directors should visit Washington, D.C. to lobby for CCWD's Federal interests. There was additional discussion between the Board and Ms. O'Connell.

**PUBLIC COMMENT:** Carl Stoughton suggested that CCWD incorporate the County into these discussions. He also believes CCWD should send someone to attend the County Board of Supervisors meetings.

**RECESS** was called at 2:31 p.m. **SESSION RESUMED** at 2:42 p.m.

4d Report on the December 2018 Operations Department  
(Damon Wyckoff, Director of Operations)

**DISCUSSION:** Mr. Wyckoff presented the December 2018 monthly Operations report. He advised this report would be given monthly to keep the Board up to speed on District Operations. He reviewed items of interest and answered questions from the Board.

**PUBLIC COMMENT:** There was no public comment.

4e Appointment of District General Manager  
(Russ Thomas, Board President)

**RES 2019-02**

**MOTION:** **Directors Underhill / Secada – approved the appointment of the District General Manager.**

**DISCUSSION:** President Thomas explained that the Board had been conducting interviews and negotiations since Dave Eggerton left in October. They have made an offer to Michael Minkler who has accepted this position. Director Underhill said she was very excited and feels the Board has made the right decision. Director Ratterman said it was a tough decision and had several great candidates. Director Davidson thanked Mr. Meyer for his leadership and thanked John Coleman for his interest in the position. Director Davidson will be supportive of Michael Minkler moving forward.

**PUBLIC COMMENT:** There was no public comment.

**AYES:** Directors Underhill, Secada, Ratterman, Davidson, and Thomas  
**NOES:** None  
**ABSTAIN:** None  
**ABSENT:** None

## 5. **OLD BUSINESS**

There was nothing to report.

## 6. **GENERAL MANAGER REPORT**

Mr. Meyer reported on the following activities: 1) The State Water Resource Control Board has issued a draft of options for implementation on a statewide low-income assistance program. Staff is reviewing and comments are due on February 1; 2) the Customer Assistance Program currently has approximately 150 total applications; 3) in response to the Oroville Dam emergency, the State passed SB 92, which has new requirements on Dam owners and operators to create and provide



an Emergency Action Plan and Inundation Maps to DSOD and CalOES in December 2018. The District submitted the documentation and it is under review by the state; and 4) due to SB88 compliance, CCWD now has gauging monitors in place at Big Trees Creek and in West Point on the Bear Creek Diversion. They will require annual re-calibration, which will be an added cost to the District; 5) there is a Finance Committee Meeting Tuesday January 15<sup>th</sup> at 11:00 a.m.; and 6) the next Board meeting will have the West Point Master Plan update.

**7. BOARD REPORTS / INFORMATION / FUTURE AGENDA ITEMS**

Director Underhill received an email regarding the formation of the Central Sierra Voluntary Organization in Active Disaster, which will help local residents that are affected by disasters. She would like to have CCWD put Joel Metzger on the distribution list for that new organization. She also mentioned she had a meeting with Christa VonLatta in regards to the lease for White Pines Park.

Director Ratterman had nothing to report.

Director Secada gave a reminder that she will miss the January 23 meeting because she will be attending a Western Water Summit in San Diego.

Director Davidson had nothing to report

Director Thomas reported that he attended the Board of Supervisors meeting and that Jack Garamendi is Chairman of the Board and Merita Callaway is Vice Chair.

**8. NEXT BOARD MEETINGS**

- Wednesday, January 23, 2019, 1:00 p.m., Regular Board Meeting
- Wednesday, February 13, 2019, 1:00 p.m., Regular Board Meeting

The Open Session ended at 3:24 p.m.

The meeting adjourned into Closed Session at approximately 3:25 p.m. Those present were Board Members: Russ Thomas, Bertha Underhill, Scott Ratterman, Jeff Davidson, and Cindy Secada; staff members Jeffrey Meyer, Interim General Manager, Robert Creamer, Engineering Analyst, (for item 9a); and Matt Weber, General Counsel.

**9. CLOSED SESSION**

- 9a Conference with Real Property Negotiators  
Government Code §54956.8  
Property: APN 044-032-012, San Andreas  
District negotiators: Jeffrey Meyer and Robbie Creamer  
Under negotiations: price and other terms
  
- 9b Conference with Legal Counsel – Existing Litigation  
Government Code § 54956.9(a) La Contenta Investors, LTD vs. CCWD  
(Calaveras County Superior Court #11CV37713)

**10. REPORTABLE ACTION FROM CLOSED SESSION**

The Board reconvened into Open Session at approximately 4:11 p.m. There was no reportable action.

**11. ADJOURNMENT**

With no further business, the meeting adjourned at approximately 4:12 p.m.

By:

ATTEST:

\_\_\_\_\_  
Jeffrey Meyer  
Interim General Manager

\_\_\_\_\_  
Rebecca Hitchcock  
Clerk to the Board

# Agenda Item

DATE: February 27, 2019

TO: Michael Minkler, General Manager

FROM: Jeffrey Meyer, Director of Administrative Services

SUBJECT: Discussion/Action on the Purchase of Real Property APN 044-031-012

---

## **RECOMMENDED ACTION:**

Motion \_\_\_\_\_/\_\_\_\_\_ adopting Resolution No. 2019 - \_\_\_\_ authorizing the General Manager to Complete a Purchase Agreement and Accept the Grant Deed for Real Property Commonly Identified as APN 044-032-012.

## **SUMMARY:**

In spring of 2017 staff from Utilities, Engineering, Administration and Facilities began researching alternatives to replace the District's inadequate and outdated maintenance facilities at the Jenny Water and Hunters water treatment plants. The goal was to centralize and consolidate the District's maintenance of vehicles, off-road equipment, and field equipment such as pumps and motors, while obtaining economies of scale and providing a safe working environment. Further necessitating the new facility was the fact that the maintenance facility at the Jenny Lind Water Treatment Plant was located on land needed for the Jenny Lind Water Treatment Plant Pretreatment Facility Project.

In order to accommodate the Jenny Lind Water Treatment Plant Pretreatment Facility Project, and provide a safe and acceptable working environment for the mechanical and maintenance staff, the District leased a temporary maintenance facility on Pool Station Road at a cost of \$3,000 per month plus utilities.

Staff researched several properties in the San Andreas area, including those in the immediate vicinity of the District's Operations Headquarters on Toma Court. After assessing numerous factors, including price, access to utilities, lot topography, necessary site improvements, and proximity to the Operations Headquarters, staff identified the adjacent lot, APN 044-032-012 (map attached), as the most suitable location for the future maintenance and support services facilities. In addition to a maintenance facility the project will also include warehousing, purchasing, and a centralized location for a portion of Utilities' field and maintenance staff.

After discussion in closed session the Board authorized staff to negotiate the purchase of this property from Mr. Haymond. Staff and Mr. Haymond agreed upon a sales price

of \$185,000, with each party paying one-half of the closing costs. Staff recommends that the Board authorize the General Manager to complete a purchase agreement and accept a grant deed for APN 044-032-012.

**FINANCIAL CONSIDERATIONS:**

Total costs, including the purchase of the land and closing costs, are \$187,000. Funding for the property purchase will be provided by the Admin Replacement Fund (Fund 104). The amended FY 2018-19 Capital Improvement Program (CIP) Budget of \$13,283,206 will be increased under a separate agenda item and budget adjustment of \$187,000. Once completed, the mechanics and maintenance staff will move from the temporary leased facility into the new maintenance facility, which will save the District \$3,000 per month in rental costs.

*Attachment: Resolution 2019 - , Authorizing the General Manager to Complete a Purchase Agreement and Accept the Grant Deed for Real Property Commonly Identified as APN 044-032-012  
- Map of APN 044-032-012*

**RESOLUTION NO. 2019 –**

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

**AUTHORIZING THE GENERAL MANAGER TO COMPLETE A PURCHASE  
AGREEMENT AND ACCEPT THE GRANT DEED FOR REAL PROPERTY  
COMMONLY IDENTIFIED AS APN 044-032-012 IN SAN ANDREAS**

**WHEREAS**, pursuant to California Water Code Section 31041, the District may hold and dispose of real property; and

**WHEREAS**, the District has a current and future need for property for centralization and consolidation of mechanical maintenance and support services; and

**WHEREAS**, the Board of Directors authorized Staff to enter into purchase negotiations for APN 044-032-012.

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors of the CALAVERAS COUNTY WATER DISTRICT approve the purchase the property identified as APN 044-032-012, located at 303 George Reed Drive, San Andreas, CA, from Mr. Robert Haymond in the amount of \$185,000, plus one-half of the closing costs.

**BE IT FURTHER RESOLVED**, that the General Manager is hereby authorized to execute all documentation related to the escrow and purchase of said property.

**PASSED AND ADOPTED** this 27<sup>th</sup> day of February, 2019, by the following vote:

**AYES:**

**NOES:**

**ABSTAIN:**

**ABSENT:**

CALAVERAS COUNTY WATER DISTRICT

---

Russ Thomas  
President, Board of Directors

**ATTEST:**

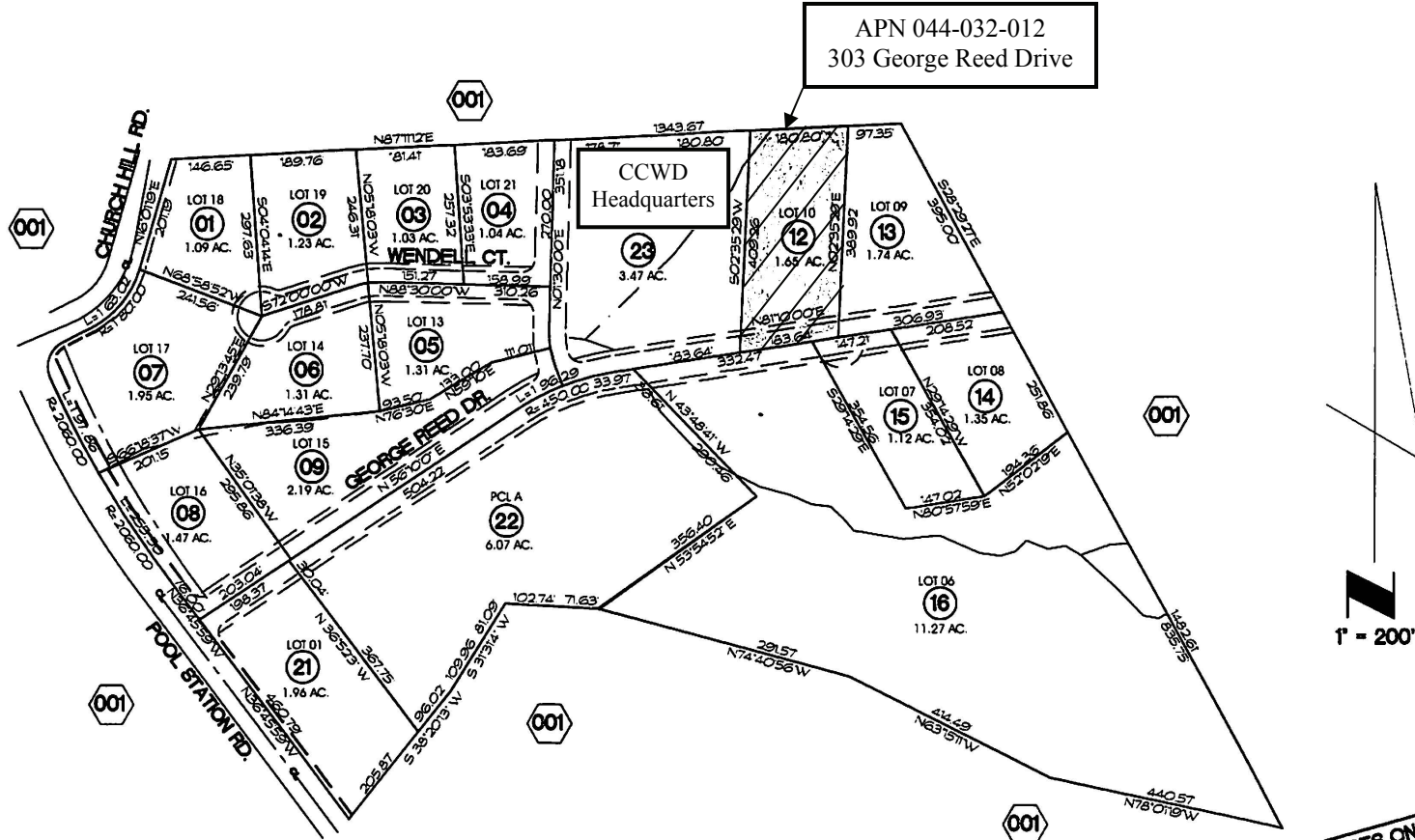
---

Rebecca Hitchcock  
Clerk to the Board

T.4N., R.12E. POR. SEC. 20

TAX AREA CODE 51-049

APN 044-032-012  
303 George Reed Drive



ASSESSMENT PURPOSES ONLY  
NO LIABILITY IS ASSUMED FOR THE  
ACCURACY OF THE DATA DELINEATED HEREON

P.M. 12-66, 12-131,

P.M. 11-94 GEORGE REED, INC.

REV. 02 12/22/2010

CALAVERAS COUNTY  
ASSESSOR'S MAPS  
BOOK 44 PAGE 032

Attachment A

# Agenda Item

DATE: February 27, 2019

TO: Michael Minkler, General Manager

FROM: Jeffrey Meyer, Director of Administrative Services

SUBJECT: Discussion / Action Regarding Amending the FY 2018-19 CIP Budget for the Purchase of Real Property APN 044-032-012

---

## **RECOMMENDED ACTION:**

Motion \_\_\_\_\_/\_\_\_\_\_ adopting Resolution No. 2019 -\_\_\_ amending the Fiscal Year 2018-19 CIP Budget for the Purchase of Real Property APN 044-032-012.

## **SUMMARY:**

Under a separate agenda item, the Board is being requested to authorize the General Manager to complete a purchase agreement for real property commonly identified as APN 044-032-012. This property, adjacent to the District's Operations Headquarters, has been identified as the most suitable location for the District's future maintenance and support services facilities. In addition to a maintenance facility the project will also include warehousing, purchasing, and a centralized location for a portion of Utilities' field and maintenance staff.

Total costs for the property purchase, including land and closing costs, are estimated to be \$187,000.

## **FINANCIAL CONSIDERATIONS:**

Total costs for the purchase of the property, including closing costs, are estimated at \$187,000. Funding will be provided by the Admin Replacement Fund (Fund 104). The amended FY 2018-19 Capital Improvement Program (CIP) Budget of \$13,283,206 will be increased under a separate agenda item and budget adjustment of \$187,000.

Calaveras County Water District  
 Fiscal Year 2018-19  
 Budget Adjustment - Number 19-05

From			To		
Department	Account	Amount	Department	Account	Amount
1 Admin Replacement Fund (Fund 104)	Reserves	(187,000)	Water CIP Fund (Fund 120)	Land Acquisition	187,000
		<b>(187,000)</b>			<b>187,000</b>

**Descriptions (for additional information please see staff report)**

- 1 Increase appropriations in the Admin Replacement Fund (Fund 104) by \$187,000 and transfer \$187,000 to the Water Capital Improvement Fund (Fund 120) for the purchase of real property APN 044-032-012. The funding source is the Admin Replacement Fund (Fund 104).



**RESOLUTION NO. 2019-**

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

**AMENDING THE FY 2018-19 CAPITAL IMPROVEMENT PROGRAM BUDGET  
FOR THE PURCHASE OF REAL PROPRTY APN 044-032-012**

**WHEREAS**, the Board of Directors of the CALAVERAS COUNTY WATER DISTRICT adopted Resolution 2018-27 on June 27, 2018 approving the Fiscal Year 2018-19 Capital Improvement Program (CIP) Budget in the amount of \$12,277,206; and

**WHEREAS**, the Board of Directors approved Resolution 2018-52 on September 19, 2018 that increased the FY CIP Budget by \$831,000 to \$13,108,206 for the Jenny Lind Water Treatment Plant Pre-Treatment Facility Project (CIP#11092); and

**WHEREAS**, the Board of Directors approved Resolution 2019-11 on February 13, 2019 that increased the FY CIP Budget by \$175,000 to \$13,283,206 for the Meadowmont Pump Station Improvement Project (CCWD CIP #11099); and

**WHEREAS**, the District has determined that the purchase of real property APN 044-032-012 for future maintenance and support services facilities will improve District operations and maintenance of vehicles and equipment and needs to be added to the FY 2018-19 CIP budget; and

**WHEREAS**, the purchase of real property APN 044-032-012 and related expenses is estimated at \$187,000; and

**WHEREAS**, funding for the property purchase is available in the Admin Replacement Fund (Fund 104); and

**WHEREAS**, the Board of Directors of the CALAVERAS COUNTY WATER DISTRICT does hereby find that it is in the best interest of the Calaveras County Water District to amend the adopted FY 2018-19 CIP Budget accordingly.

**NOW, THEREFORE BE IT RESOLVED**, the Board of Directors of the CALAVERAS COUNTY WATER DISTRICT adopts an amendment to the Fiscal Year 2018-19 Operating Budget as set forth in Budget Adjustment 19-05, attached hereto and made a part hereof, and authorizes the Director of Administrative Services to record the appropriate accounting entries.

**PASSED AND ADOPTED** this 27<sup>th</sup> day of February, 2019 by the following vote:

/

/

/

**AYES:**  
**NOES:**  
**ABSTAIN:**  
**ABSENT:**

CALAVERAS COUNTY WATER DISTRICT

---

Russ Thomas  
President, Board of Directors

**ATTEST:**

---

Rebecca Hitchcock  
Clerk to the Board

# Agenda Item

DATE: February 27, 2019

TO: Michael Minkler, General Manager

FROM: Jeffrey Meyer, Director of Administrative Services

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

---

## **RECOMMENDED ACTION:**

Motion \_\_\_\_\_/\_\_\_\_\_ adopting Resolution No. 2019 - \_\_\_\_ regarding Adopting District's Financial Management Policy No. 5.01, Investment Policy.

## **SUMMARY:**

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 presented a draft Financial Management Policy No. 5.01, Investment Policy (attached) to the Finance Committee on January 15, 2019. Staff received comments and direction to bring the proposed policy back to the Finance Committee in February for further review. At the February 19<sup>th</sup> meeting, the Finance Committee reviewed the proposed changes, provided comments, and recommended that the proposed policy be submitted to the Board for adoption.

## **FINANCIAL CONSIDERATIONS:**

None at this time.

*Attachment: Resolution 2019 - Adopting District Financial Management Policy No. 5.01 – Financial Investment Policy  
- Proposed Financial Management Policies No. 5.01, Investment Policy*

**RESOLUTION 2019 -**

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

**ADOPTING DISTRICT FINANCIAL MANAGEMENT  
POLICY NO. 5.01 – INVESTMENT POLICY**

**WHEREAS**, the Board of Directors of the CALAVERAS COUNTY WATER DISTRICT adopted an Investment Policy by Resolution No. 93-27 on March 30, 1993, which policy has been amended in part or in its entirety since that time, and

**WHEREAS**, the Board most recently amended Financial Management Policy No. 5.01 – Investment Policy by Resolution No. 2014-61 on October 8, 2014; and

**WHEREAS**, the Board of Directors is required to review and amend as appropriate the District’s Investment Policy; and

**WHEREAS**, recent changes to Government Code (GC) 53601 and best practice guidelines has necessitated the District update its Investment Policy.

**NOW, THEREFORE BE IT RESOLVED**, that the Board of Directors of the CALAVERAS COUNTY WATER DISTRICT does hereby rescind in its entirety Financial Management Policy No. 5.01 Investment Policy adopted by Resolution 2014-61, and any and all prior policies or amendments thereto.

**BE IT FURTHER RESOLVED** that the Board of Directors does hereby adopt the District’s Financial Management Policy No. 5.01 – Investment Policy, attached hereto and made a part hereof, to be effective immediately.

**PASSED AND ADOPTED** this 27th day of February, 2019 by the following vote:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAIN:**

CALAVERAS COUNTY WATER DISTRICT

---

Russ Thomas  
President, Board of Directors

**ATTEST:**

---

Rebecca Hitchcock, Clerk to the Board

## 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 "**(5.01.04.2b)**" **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~~5.01.07 **Authorized Financial Dealers and Institutions**

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

### ~~5.01.08.15~~5.01.07.1 **Depositories**

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

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

### ~~5.01.08.25~~5.01.07.2 **Brokers and Dealers**

All brokers and dealers that desire to become qualified bidders for investment transactions with the District must respond to a "Broker Dealer Questionnaire" and submit related documents relative to eligibility. This includes a current audited financial statement, proof of state registration, proof of NASD registration and a certification they have received and reviewed the District's Investment Policy and agree to comply with the provisions outlined in the Investment Policy. The General Manager or designee may establish any additional criteria deemed appropriate to evaluate and approve any financial



services provider. The selection process for broker dealers shall be open to both "primary dealers" and "secondary/regional dealers" that qualify under Securities and Exchange Commission Rule 15c3-1 (Uniform Net Capital Rule). The provider must be experienced in institutional trading practices and be familiar with the California Government Code as it relates to investments by a public entity.

If the District employs the services of a professional investment 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.

### ~~5.01.09~~5.01.08 Authorized and Suitable Investments

The District is provided a broad spectrum of eligible investments under California Government Code Sections 53600 - 53609 (authorized investments), 53630 - 53686 (deposits and collateral) and 16429.1 (Local Agency Investment Fund). 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%	<del>AA</del> N/A
53601(b)	U.S. Treasury Obligations	5 Years	None	None	5 Years	100%	N/A
53601(c)	State of California Obligations	5 Years	100%	None	5 Years	100%	A
53601(d)	<del>Other State</del> Obligations of <del>Other States</del>	5 Years	None	None	5 Years	20%	AA
53601(e)	California Local <del>District</del> Agency Obligations	5 Years	None	None	5 Years	50%	AA
53601(f)	U.S. Agencies <del>and GSEs</del>	5 Years	None	None	5 Years	100%	<del>AA</del> N/A
53601(g)	Bankers' Acceptances	180 Days	40%/30%	None	180 Days	40%	A A1/P1/F1
53601(h)	Commercial Paper	270 Days	25% <del>or and</del> 10% <del>of</del> outstanding CP	A1/P1/F1	270 Days	25%	AA
53601(i)	Negotiable Certificates of Deposit	5 Years	30%	None	5 Years	30%	<del>N/A</del>
53601(j)	Repurchase Agreements	1 year	None	Various	1 Year	20%	None
<del>53601(j)</del>	<del>Reverse Repurchase Agreements</del>	<del>92 days</del>	<del>20% of base</del>	<del>A</del>	<del>92 Days</del>	<del>20% of Base</del>	<del>A</del>
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)
<del>53601(o)</del>	<del>Passthrough securities</del>	<del>5 Years</del>	<del>20%</del>	<del>A</del>	<del>5 Years</del>	<del>20%</del>	<del>A</del>
53601(p)	Joint Powers Authority	N/A	None	None	N/A	20%	None
<del>53601(q)</del>	<del>Supranational Securities</del>	<del>5 Years</del>	<del>30%</del>	<del>AA</del>	<del>5 Years</del>	<del>30%</del>	<del>AA</del>
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	<del>No Limit</del> Statutory limit <sup>(2)</sup>	N/A
53635.8	County Pooled Investment Funds	N/A	None	None	N/A	30%	None
53684 <sup>(3)</sup>	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).

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

Adopted 03/28/07  
Revised 10/08/14 (Res. 2014-61)

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.<sup>1</sup> 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

---

<sup>1</sup> 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 days 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 (FIILMC). Such securities are obligations of the agencies themselves, but there is also an implied guarantee by the United States Government. All such obligations qualify as legal instruments and are acceptable as security for District deposits. (Legal Authority Government Code Sections 53601 (f))~~

**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 (FIILMC). Such securities are obligations of the agencies themselves, but there is also an implied guarantee by the United States Government. All such obligations qualify as legal instruments and are acceptable as security for District deposits. (Legal Authority - Government Code Sections 53601 (f)). There is no percentage limitation on the funds that can be invested in this category; however a five-year maturity limitation is applicable. Moreover, no more than 25% of the portfolio may be invested in any single Agency/GSE issuer.~~

**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-I" or higher, or the equivalent, by a NRSRO.

The District's aggregate investment in commercial paper shall not exceed 25% of the District's total portfolio. (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 "AA" 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~~ corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States, 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.

#### **5.01.20.135.01.20.14 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)  $[(\text{Total assets}) - (\text{Liabilities})] / (\text{Number of shares outstanding})$

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

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

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

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

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

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

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

**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 27, 2019

TO: Michael Minkler, General Manager

FROM: Jeffrey Meyer, Director of Administrative Services

SUBJECT: Discussion/Action Adopting District Financial Management Policy –  
No. 5.14, Assessment District Funding Shortfall Policy

---

## **RECOMMENDED ACTION:**

Motion \_\_\_\_\_/\_\_\_\_\_ adopting Resolution No. 2019 - \_\_\_\_\_ regarding Adopting District's Financial Management Policy No. 5.14, Assessment District Funding Shortfall Policy.

## **SUMMARY:**

The recent audit of the District's financial statements Richardson and Company included a review 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 the District 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.

In response, staff prepared draft Financial Management Policy No. 5.14, Assessment District Funding Shortfall Policy and reviewed the proposed policy with the Finance Committee on February 19, 2019. The Finance Committee provided comments and recommended staff submit the proposed Financial Management Policy No. 5.14, Assessment District Funding Shortfall Policy (attached) to the full Board for adoption.

## **FINANCIAL CONSIDERATIONS:**

None at this time.

*Attachment: Resolution 2019 - , Adopting District's Financial Management Policy No. 5.14 – Assessment District Funding Shortfall Policy.  
- Proposed Financial Management Policies No. 5.14, Assessment District Funding Shortfall Policy*



**RESOLUTION 2019 -**

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

**ADOPTING DISTRICT FINANCIAL MANAGEMENT POLICY NO. 5.14 –  
ASSESSMENT DISTRICT FUNDING SHORTFALL POLICY**

**WHEREAS**, the June 30, 2018 Audited Financial Statements of the CALAVERAS COUNTY WATER DISTRICT included a recommendation by the outside auditors that the District 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; and

**WHEREAS**, staff drafted Financial Management Policy No. 5.14 – Assessment District Funding Shortfall Policy; and

**WHEREAS**, the Finance Committee reviewed the proposed Assessment District Funding Shortfall Policy on February 19, 2019 and recommended that the policy be submitted to the Board of Directors for adoption.

**NOW, THEREFORE, BE IT RESOLVED**, that the Board of Directors of the CALAVERAS COUNTY WATER DISTRICT does hereby adopt the District's Financial Management Policy No. 5.14 – Assessment District Funding Shortfall Policy, attached hereto and made a part hereof, to be effective immediately.

**PASSED AND ADOPTED** this 27th day of February, 2019 by the following vote:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAIN:**

CALAVERAS COUNTY WATER DISTRICT

---

Russ Thomas  
President, Board of Directors

**ATTEST:**

---

Rebecca Hitchcock  
Clerk to the Board

### **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’s Board of Directors must approve any loan from available District funds to an Assessment District to cover a funding shortfall.

Policy Title: Assessment District Funding Shortfall Policy

Policy Number: Financial Management Policy 5.14

- 5.14.36 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 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.