

**REVISED<sup>1</sup> NOTICE OF MEETING**  
**FINANCE & ADMINISTRATION COMMITTEE/BOARD OF DIRECTORS**  
**(FINANCE & ADMINISTRATION)**

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(Per paragraph 3 on page 10 under subsection *Committee Meetings* of the Board Handbook: The Board, as a practice, generally does not take final action on items during committee meetings, unless District staff determines the urgency of the item requires immediate action that cannot be delayed until a subsequent regular bi-monthly Board meeting.)

**MEETING DATE:** 01-27-2022

**TIME:** Meeting begins at **9:30 a.m. (Public)**

**LOCATION:** This meeting will be held virtually, pursuant to Assembly Bill (AB) 361.

To participate online, go to <https://us06web.zoom.us/j/82397186754>. You can also participate by phone by calling **1-669-900-6833** and entering the **webinar ID#:823 9718 6754**.

**PARTICIPATION DURING MEETINGS:** During the public comment periods, the public may comment by clicking the “raise hand” button on the bottom of the Zoom screen; if you are joining by phone and would like to comment, press \*9 and we will call on you as appropriate.

**EMAILED PUBLIC COMMENTS:** You may submit your comments in advance of the meeting by emailing them to [BoardComment@MarinWater.org](mailto:BoardComment@MarinWater.org). All emailed comments received by 7:30 a.m. on the day of the meeting will be provided to the Board of Directors prior to the meeting. All emails will be posted on our website. (Please do not include personal information in your comment that you do not want published on our website such as phone numbers and home addresses.)

<b>AGENDA ITEMS</b>	<b>RECOMMENDATIONS</b>
<b>Call to Order and Roll Call</b>	
<b>Adopt Agenda</b>	<i>Approve</i>

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<sup>1</sup> Removed Agenda Item 4 – Ord. 418 from Previous Agenda

AGENDA ITEMS	RECOMMENDATIONS
<b>Public Comment</b> <i>Members of the public may comment on any items not listed on the agenda during this time. Comments will be limited to three minutes per speaker, and time limits may be reduced by the Committee Chair to accommodate the number of speakers and ensure that the meeting is conducted in an efficient manner.</i>	
<b>Calendar</b>	
1. Minutes of the Finance & Administration Committee/Board of Directors (Finance & Administration) Meeting of December 09, 2021 (Approximate Time 1 Minute)	<i>Approve</i>
2. 2020 Census Data & Adjustment of Director Division Boundaries (2020 Census Data & Adjustment of Director Division Boundaries (Redistricting)) (Approximate Time 15 Minutes)	<i>Information</i>
3. Board Policy or Resolution on Water Supply (Approximate Time 15 Minutes)	<i>Information</i>
4. Monthly Financial Update – December 2021 (Approximate Time 15 Minutes)	<i>Information</i>
5. Quarterly Investment Update for December 2021 (Approximate Time 5 Minutes)	<i>Information</i>
6. Annual Review of Policy #33 Investment Policy (Approximate Time 5 Minutes)	<i>Information</i>
<b>Adjournment (10:26 a.m.- Time Approximate)</b>	

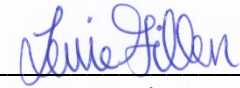
#### ADA NOTICE AND HEARING IMPAIRED PROVISIONS:

In accordance with the Americans with Disabilities Act (ADA) and California Law, it is Marin Water's policy to offer its public programs, services, and meetings in a manner that is readily accessible to everyone, including those with disabilities. If you are a person with a disability and require a copy of a public hearing notice, an agenda, and/or agenda packet in an appropriate alternative format, or if you require other accommodations, please contact Board Secretary Terrie Gillen at 415.945.1448, at least two days in advance of the meeting. Advance notification will enable the Marin Water to make reasonable arrangements to ensure accessibility.

INFORMATION PACKETS ARE AVAILABLE FOR REVIEW AT THE CIVIC CENTER LIBRARY, CORTE MADERA LIBRARY, FAIRFAX LIBRARY, MILL VALLEY LIBRARY, MARIN WATER OFFICE, AND ON THE MARIN WATER WEBSITE (MARINWATER.ORG)

**FUTURE BOARD MEETINGS:**

- ❖ Tuesday, February 1, 2022  
Board of Directors' Regular Meeting  
7:00 p.m.
- ❖ Tuesday, February 15, 2022  
Board of Directors' Regular Meeting  
7:00 p.m.

A handwritten signature in blue ink, reading "Julie Gillen", is positioned above a horizontal line.

Board Secretary



**Item Number:** 01  
**Meeting Date:** 01-27-2022  
**Meeting:** Finance &  
Administration Committee/  
Board of Directors (Finance &  
Administration)

## Approval Item

### TITLE

Minutes of the Finance & Administration Committee/Board of Directors (Finance & Administration) Meeting of December 9, 2021

### RECOMMENDATION

Approve the adoption of the minutes.

### SUMMARY

On December 9, 2021, the Finance & Administration Committee/Board of Directors (Finance & Administration) held its regularly scheduled meeting. The minutes of that meeting are attached.

### DISCUSSION

None

### FISCAL IMPACT

None

### ATTACHMENT(S)

1. Minutes of the December 9, 2021, Meeting of the Finance & Administration Committee/Board of Directors (Finance & Administration)

DEPARTMENT OR DIVISION	DIVISION MANAGER	APPROVED
Communications & Public Affairs Department	 Terrie Gillen Board Secretary	 Ben Horenstein General Manager

**MARIN MUNICIPAL WATER DISTRICT  
FINANCE & ADMINISTRATION COMMITTEE /BOARD OF DIRECTORS (FINANCE &  
ADMINISTRATION) MEETING**

**MINUTES**

**Thursday, December 9, 2021**

**Via teleconference**

(In accordance with Assembly Bill 361)

**DIRECTORS PRESENT:** Larry Bragman, Larry Russell, John C. Gibson, and Cynthia Koehler

**DIRECTORS ABSENT:** Monty Schmitt

**CALL TO ORDER:** Chair Koehler called the meeting to order at 9:30 a.m.

**ADOPT AGENDA:**

On motion made by Director Gibson and seconded by Director Bragman, the board approved the adoption of the agenda. The following roll call vote was made.

Ayes: Directors Bragman, Russell, Gibson, and Koehler

Noes: Director Schmitt

**PUBLIC COMMENT:**

There was one public comment.

**CALENDAR ITEMS:**

**Item 1 Minutes of the Finance & Administration Committee/Board of Directors (Finance & Administration) Meeting of November 12, 2021**

On motion made by Vice Chair Gibson and seconded by Director Russell, the board approved the minutes by the following roll call vote:

Ayes: Directors Bragman, Russell, Gibson, and Koehler

Noes: Director Schmitt

There were no public comments.

**Item 2 2022 Revenue Bonds**

Both Division Engineering Manager Crystal Yezman and Finance Director Chuck McBride provided presentations on the historical, current, and projected capital improvements, as well as past bond financing for capital projects and projected bond financing options for the current fiscal year.

Much discussion ensued between the board and staff.

There were three (3) public comments.

This was an informational item. The board took no formal action, but asked for additional information on the topic.

### **Item 3 Monthly Financial Update – October 2021**

Chair Koehler left at 10:30 a.m. with Vice Chair Gibson facilitating the remainder of the meeting.

Finance Manager McBride brought forth this presentation. Brief comments from the board followed including commending Mr. McBride on the presentation.

There were two (2) public comments. No further comments were made by the board.

This was an informational item. The board did not take formal action.

### **ADJOURNMENT**

There being no further business, the Finance & Administration Committee/Board of Directors (Finance & Administration) meeting adjourned at 10:36 a.m.



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Board Secretary

## Informational Item

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**TO:** Finance & Administration Committee /Board of Directors (Finance & Administration)

**FROM:** Molly MacLean, General Counsel   
Jerrad Mills, Staff Attorney 

**THROUGH:** Ben Horenstein, General Manager 

**DIVISION NAME:** Office of the General Counsel

**ITEM:** 2020 Census Data & Adjustment of Director Division Boundaries (Redistricting)

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### SUMMARY

On September 23, 2021, District staff presented an overview of the redistricting process at the District's Finance and Administration Committee meeting. Today, staff will provide the Board and public an overview of the final adjusted 2020 census data, detail the proposed process and timeline for redistricting, and review necessary adjustments to director division boundaries.

### DISCUSSION

As discussed at the September 23, 2021, Finance and Administration Committee meeting, the District is required to review and, if needed, adjust its electoral division boundaries following each decennial census to ensure that electoral divisions are, as far as practicable, equal in population and in compliance with the federal and state voting rights laws. While adjusting the boundaries of the divisions, the Board may also consider the following factors: (1) topography, (2) geography, (3) cohesiveness, contiguity, integrity, and compactness of territory, and (4) communities of interest within the divisions. Before adjusting the boundaries of a division, the Board is required to hold two public hearings on the matter.

Since the discussion of the redistricting process at the September 23, 2021 meeting, the District received the final adjusted 2020 census data, which had been substantially delayed due to the COVID-19 pandemic. Additionally, the legislature passed Senate Bill (SB) 594 on September 27, 2021. SB 594 requires the District to adopt its adjusted division boundaries by no later than April 17, 2022. This new deadline for adoption is several weeks earlier than previously required.

### 2020 Census Data

The final adjusted 2020 census data indicates that total population in the District service area increased by 8,211 people when compared to the 2010 data. This resulted in a 2020 total population of 192,961, up from 184,750 in 2010. The average number of people in each division increased from 36,950 to 38,592 from 2010 to 2020. Below are the population numbers for each division.

Division	2010 Population	2020 Population	Population Gain
1 (Director Gibson)	36875	38558	1,683
2 (Director Schmitt)	36953	39005	2,052
3 (Director Bragman)	37105	38701	1,596
4 (Director Koehler)	36688	38471	1,783
5 (Director Russell)	37129	38226	1,097

Given that the increases in population were dispersed in a manner that continues to result in relatively equal populations in each division, staff does not envision changes to division boundaries for the sole purpose of maintaining near equal populations in each division to be required. This along with other relevant issues, including some adjustments to division boundaries to ensure realignment with new census block boundaries, will be discussed in more detail at subsequent public hearings and meetings on redistricting, which are listed below.

### Non-Census Related Division Boundary Adjustments

In addition to adjustments to division boundaries following the 2020 census, staff will also be presenting several required non-census adjustments at a future public meeting. These required adjustments will ensure that annexed areas are included in a division, that the division boundaries realign with the District's revised LAFCo service area, and that our divisions align with city/town boundaries, to the extent possible.

### Next Steps

Following today's informational item, staff proposes the below future meetings/public hearings schedule to comply with the legal requirement for two public hearings and to ensure sufficient opportunities for the Board and public to provide input and comment on any proposed division boundary changes prior to the adoption of new division boundaries. Below is a proposed schedule, which is subject to change.

Meeting or Public Hearing	Date
First Public Hearing – presentation of proposed new division boundaries	February 1, 2022
Finance and Administration Committee Meeting/ Board of Directors (Finance/ Administration) – proposed to address Board and public comments, as needed	February 24, 2022



Second Public Hearing – proposed adoption of new division boundaries	March 1, 2022
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**Public Participation/ Outreach**

To ensure that members of the public are aware of the redistricting process and understand how to participate, the District is taking several steps. First, the District is launching a redistricting webpage that can be accessed at [www.marinwater.org/redistricting](http://www.marinwater.org/redistricting). There, the public will be able to review the updated census data, look at maps of current division boundaries and proposed revisions to division boundaries, review all presentations and materials presented to the Board, and learn how to submit comments on redistricting. Second, both public hearings will be noticed in the Marin IJ and all meetings/public hearings will be noticed and agenized in accordance with the Brown Act. Additionally, the District will reach out to stakeholder groups, who have expressed interest in this process to ensure they are aware of the ways to participate.

For more information on our current division boundaries and to view an interactive map, members of the Board and public may visit [www.marinwater.org/board-of-directors](http://www.marinwater.org/board-of-directors).

**FISCAL IMPACT**

None


**ATTACHMENT(S)**

None

## Informational Item

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**TO:** Finance & Administration Committee/~~Board~~ of Directors (Finance & Administration)

**FROM:** Paul Sellier, Operations Director 

**THROUGH:** Ben Horenstein, General Manager 

**DIVISION NAME:** Operations

**ITEM:** Board Policy/Resolution on Water Supply

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### SUMMARY

The Board has expressed an interest to develop policy direction on water supply resiliency to reinforce its commitment to fulfilling the District's mission to manage its natural resources in a sustainable manner and to provide its customers with reliable, high-quality water at a reasonable price. This policy is intended to ensure there is clarity to staff to develop appropriate projects and initiatives to increase water supply resiliency such that the District will be able to withstand the effects of climate change where future droughts may be more frequent and severe than in the past.

### DISCUSSION

To capture the intent of the Board of Directors to explicitly commit to enhancing the water supply resiliency of the District the Board may choose to adopt policy positions and guidance via a resolution or Board policy on water supply resiliency.

Two examples of board policies illustrating different approaches to similar issues are attached to this report. Valley Water's Board policy, Attachment 1, identifies a number of goals and objectives that are carried out and supported by its strategic plans. The East Bay Municipal Utility District's (EBMUD) Board Policy on water supply, Attachment 2, requires staff to produce an annual report on water supply and identifies a number of actions that would follow based on metrics that reside in its Strategic Plan and Urban Water Management Plan, which are periodically updated.

The board policy or resolution on water supply should have a clearly stated purpose and identify specific goals and objectives in order to be most effective. For example, the Board could establish a position similar to Valley Water where the water supply goal is to meet 100 percent of the water supply demand within the service area under normal conditions and 80% of the demand under (severe) drought conditions. Further, borrowing a concept from the

EBMUD policy, the board policy or resolution could require that staff develop an assessment of the District's water supply to meet specific goals and to identify the roadmap to achieving this level of sustainability. The guidance could also require that staff update any comprehensive water supply assessment and provide an annual report to the board on the adequacy of water supply for the coming year, which could include a report on progress towards established water supply goals.

**FISCAL IMPACT**

None

**ATTACHMENT(S)**

1. Valley Water Board Policy on Water Supply
2. East Bay Municipal Utility District Board Policy on Water Supply
3. Draft Resolution on Water Supply

# Governance Policies of the Board

**Title:** Water Supply (WS) Services

**Category:** Ends

**Policy No. E-2**

Adopted: January 18, 2005  
Chair: Richard Santos

Latest Revision: June 22, 2021  
Chair: Tony Estremera

The Board of Directors revised and adopted this policy at its public meeting on the latest revision date.

Valley Water provides a reliable, safe, and affordable water supply for current and future generations in all communities served.

Accordingly, the following goals and objectives are adopted:

## WS GOAL

- 2.1. Meet 100 percent of annual water demand during non-drought years and at least 80 percent of demand in drought years.

## WS GOAL

- 2.2. Protect and sustain the county's existing, diverse water supplies.

### WS Objective

- 2.2.1. Manage groundwater to ensure sustainable supplies and avoid land subsidence.
- 2.2.2. Aggressively protect groundwater from the threat of contamination.
- 2.2.3. Protect imported water supplies and associated contracts and partnerships.
- 2.2.4. Protect and manage local surface water supplies and associated water rights.
- 2.2.5. Deliver reliable, high quality drinking water from water treatment plants.

## WS GOAL

- 2.3. Protect and maintain existing water infrastructure

### WS Objective

- 2.3.1. Plan for infrastructure maintenance and replacement to reduce risk of failure.
- 2.3.2. Prioritize funding for maintenance and replacement of existing water infrastructure over investments in new infrastructure.
- 2.3.3. Prepare for and respond effectively to water utility emergencies.

# Governance Policies of the Board

## **WS GOAL**

2.4. Increase regional self-reliance through water conservation and reuse.

### **WS Objective**

- 2.4.1. Maximize utilization of all demand management tools.
- 2.4.2. Incentivize water use efficiency and water conservation.
- 2.4.3. Promote, protect and expand potable and non-potable water reuse.
- 2.4.4. Promote stormwater capture and reuse.

## **WS GOAL**

2.5. Manage water resources using an integrated, science-based approach.

### **WS Objective**

- 2.5.1. Plan for future water supply needs.
- 2.5.2. Promote efficient and reliable operation of water supply systems.
- 2.5.3. Promote water supply projects with multiple benefits, including environmental stewardship and flood protection.
- 2.5.4. Invest in and rely on science to support planning and decision-making.
- 2.5.5. Build and maintain effective partnerships to achieve water supply goals.

## **WS GOAL**

2.6. Promote access to equitable and affordable water supplies.

### **WS Objective**

- 2.6.1. Promote equal access to clean, safe, and affordable water supply across all communities served.
- 2.6.2. Maintain affordable water rates through cost-effective water supply investments and management.
- 2.6.3. Continue customer assistance and incentive programs.



## WATER SUPPLY AVAILABILITY AND DEFICIENCY

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### IT IS THE POLICY OF THE EAST BAY MUNICIPAL UTILITY DISTRICT TO:

Evaluate the adequacy of the District's water supplies for the District's service area, based on the District's current and projected water supply and demand for inclusion in the Water Supply Availability and Deficiency Reports (WSADR) to be filed with the Board of Directors.

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#### Annual WSADR

An assessment for the Preliminary WSADR shall be made by March 1 of each year in which hydrologic conditions may trigger a need for dry year and/or other supplemental supplies. The Preliminary WSADR will be in the form of an informational memo that may include the following: an early assessment of the current year's water supply and demand, a discussion of any new or ongoing state actions related to water supply, and a summary of the results of any drought management programs or acquisition of dry year or other supplemental supplies in the previous year.

A Final WSADR shall be made by May 1 of each year. The report may include the following components: projected customer demand, projected runoff from Department of Water Resources, downstream release requirements, projected EBMUD End of September Total System Storage, and determination of deficient or surplus water supply conditions. If deficient water supply conditions are determined, the WSADR will also include steps to implement the Drought Management Program, an estimate of dry year and/or supplemental water supply need, and, if applicable, adaptive management measures including discussion of gainsharing. If surplus water supply conditions are determined, the report will discuss the Surplus Water Notification.

This report will also refer to and, if applicable, provide updates to the water supply reliability analysis reported in the most current Urban Water Management Plan (UWMP).

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#### Drought Management Program

In the Final WSADR, when a determination of deficient water supply is made, the Board of Directors will consider the implementation of a Drought Management Program (DMP).

The Final WSADR, supplemented by other Board actions, will identify the various components of the DMP as outlined in the UWMP that will need to be implemented. The components include water-use restrictions (pursuant to District policy or state regulation), use (including timing and availability) of supplemental supplies, and financing for these supplies.

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#### Supplemental Supplies

The District will pursue supplemental supplies when existing supplies are found to be inadequate. Supplemental supply options shall be preliminarily identified and assessed in the Final WSADR to provide a basis for future decision making. The water supply options are outlined in the District's current UWMP.

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#### Surplus Water Notification

When a determination of surplus Mokelumne River water is made, the District will notify the Resources Agencies of the availability for sale of surplus Mokelumne River water, in accordance with the 1998 Joint Settlement Agreement. This notification will occur within two weeks after the filing of the Final WSADR.

**Downstream  
Release  
Requirements**

Pursuant to a series of agreements with users of the Mokelumne River, the District is obligated to release water for downstream water users and for fishery purposes. The District will provide an estimate of total annual projected releases by May 1 and a final estimate by July 1. The actual water availability and schedule of releases (daily and/or monthly) for each of the users will be dependent upon the current conditions.

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**Definitions**

*Resource Agencies* – The United States Fish and Wildlife Services and the California Department of Fish and Wildlife

*Gainsharing* – Increase in instream flows that the District agrees to implement as part of its Joint Settlement Agreement, equal to 20% of the actual yield of additional water supplies developed by the District from new facilities until reaching a maximum quantity of 20 TAF.

*Downstream Release Requirements* – Includes releases for Woodbridge Irrigation District, Jackson Valley Irrigation District, North San Joaquin Water Conservation District, Riparian and Senior Appropriators, and fishery releases pursuant to the JSA and water rights requirements.

*Water Year* – The term defined as the 12-month period from October 1 through September 30, of the following year. The water year is designated by the calendar year in which it ends. Thus, the year ending September 30, 2018 is called the "2018" water year.

*Central Valley Project (CVP) Contract Year* – The term defined as the 12 month period from March 1 through the end of February of the following year.

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**Authority**

Amended by Resolution No. 31,246, May 14, 1985  
Amended by Resolution No. 32,204, May 9, 1989  
Amended by Resolution No. 33175-99, November 9, 1999  
Amended by Resolution No. 33759-10, April 13, 2010  
Amended by Resolution No. 33821-11, June 14, 2011  
Amended by Resolution No. 33950-13, November 12, 2013  
Amended by Resolution No. 34080-16, April 26, 2016  
Amended by Resolution No. 35120-18, November 27, 2018

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**References**

Policy 3.01 – Annexations  
Policy 3.05 – Considerations for Extension of Water Beyond the Ultimate Service Boundary  
Policy 3.07 – Responsibility to Serve Water Customers  
Procedure 146 – Water Conservation Accounting and Reporting  
Procedure 900 – Water Supply and Consumption Accounting and Reporting  
Procedure 901 – Recycled Water Accounting and Reporting  
Procedure 903 – Use of USBR Long Term Renewal Contract for Delivery of CVP Water  
EBMUD's Urban Water Management Plan  
FERC Project 2916 Lower Mokelumne River – Joint Settlement Agreement  
Relevant Water Rights Permits, Licenses & Agreements -  
[http://ebmudnet/resources-planning/water\\_rights/default.htm](http://ebmudnet/resources-planning/water_rights/default.htm)

## **DRAFT**

### **MARIN MUNICIPAL WATER DISTRICT**

#### **RESOLUTION NO.**

#### **A RESOLUTION OF THE MARIN MUNICIPAL WATER DISTRICT BOARD OF DIRECTORS REGARDING CLIMATE CHANGE AND WATER SUPPLY RESILIENCY**

**WHEREAS**, the Marin Municipal Water District (the “District”) and Marin County have experienced extreme drought conditions over the past two years; and

**WHEREAS**, climate change is expected to increase both the frequency, length and intensity of drought in California; and

**WHEREAS**, the two years of drought conditions severely depleted the District’s reservoir storage levels causing concern that the District’s reservoirs would have insufficient supply to serve its customers through 2022 without significant rainfall and indicating a need for enhanced water supply resiliency in particular during dry periods and drought; and

**WHEREAS**, On April 20, 2021 the District declared a Water Shortage Emergency and enacted mandatory conservation measures to preserve the water supply and took other extraordinary measures to conserve its water supply and to develop a supplemental source of water supply given the dire projections and weather uncertainty; and

**WHEREAS**, the mission of the Marin Municipal Water District is “to manage our natural resources in a sustainable manner and to provide our customers with reliable, high-quality water at a reasonable price”; and

**WHEREAS**, given the increased understanding of extreme conditions due to climate change and the lack of current sufficient local water supply to withstand periods of extended drought, the Board of Directors of the District desires to improve the District’s long term water supply resiliency to ensure that it can continue to meet its mission even under the extremes of climate change.

**NOW THEREFORE, BE IT RESOLVED** that the Board of Directors of the District hereby incorporates the above findings and adopts the following policy guidance:

1. The water supply goal is to meet 100% of the three-year average water supply demand within the service area under normal conditions and 80% of the three-year average demand under drought conditions.
2. Staff is directed to undertake a comprehensive assessment of the District’s water supply to determine the District’s capability to meet the specific goals identified above



and develop the roadmap necessary to achieving this level of water supply sustainability.

3. By May 1 of each year, staff shall provide to the Board of Directors an annual report on the adequacy of water supply for the current and following water year.
4. At the first meeting of the Board of Directors each July staff shall provide a report on progress towards established water supply goals.

**PASSED AND ADOPTED** this DD day of MM, 2022, by the following vote of the Board of Directors.

**AYES:**

**NOES:**

**ABSENT:**

\_\_\_\_\_  
**President, Board of Directors**

**ATTEST:**

\_\_\_\_\_  
**Board Secretary**

## Informational Item

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**TO:** Finance & Administration Committee/Board of Directors (Finance & Administration)

**FROM:** Charles McBride, Finance Director



**THROUGH:** Ben Horenstein, General Manager



**DIVISION NAME:** Administrative Services Division

**ITEM:** Monthly Financial Update - December 2021

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### SUMMARY

The Monthly Financial Update provides an overview of the fiscal year-to-date financials. As of December 2021, the fiscal year-to-date total revenue is \$53.2 million, or 47.7 percent, of budgeted revenue and total expenditure is \$55.3 million, or 41.3 percent, of budgeted expenditure. It is notable that water sales, including fixed charges, are down by approximately 23.4 percent compared to the prior year as conservation efforts are realized. The unrestricted/operating fund balance is \$23.9 million, which is 3.1 months of annualized operating budget.

### DISCUSSION

#### Budget to Actual Comparison – All Funds

Attached is the budget to actual comparison for fiscal year 2021-22 as of December 31, 2021. The budget to actual comparison is prepared by fund and includes revenues, expenditures and reserve balances.

For the Operating Fund, total revenues, including other operating revenue, as of December 31, 2021 are \$42.2 million, or 47.5 percent, of budget. Total operating expenditures of \$44.1 million, not including depreciation and amortization, are 48.4 percent of budget. For reference, if revenues and expenses tracked linearly, we would expect them to be at 50 percent of fiscal year budget at the end of December.

For the Capital and Fire Flow Funds, total revenues are \$11.0 million, or 48.5 percent of budget, and are comprised primarily of CMF funds of \$8.0 million. Spending on capital and fire flow projects is \$11.2 million, or 26.2 percent, of budget as of December 31, 2021, as CIP projects

typically do not follow smooth trends in expenditures. As noted in Attachment 5, an additional \$11.9 million is encumbered, bringing total expenditures with encumbrances to \$23.1 million, or 54.1 percent of budget.

### **Water Sales and Consumption**

The fiscal year to date water sales through December 30, 2021 were \$25.7 million, which is 44 percent of the annual water sales forecast. Billed water consumption (in CCFs) through December 31, 2021 was 10,642 AF, which is 28.4 percent lower than this time last year.

Year-to-date water sales and fixed charges (Service and Watershed Fees) through December 31, 2021 were \$38.8 million, which is 45.1 percent of total annual revenue forecast of \$85.9 million. Compared to the same period for the previous fiscal year water sales and fixed charges decreased by \$11,819,410, or 23.4 percent.

### **Fund Balances**

Per the attached Fund Balance Summary, as of December 31, 2021, the unrestricted / undesignated - operating fund balance is \$23.9 million, or 3.1 months of annualized projected operating expenses for FY 2021-22. As of December 31, 2021, the Rate Stabilization fund balance is \$2.55 million, a decrease of \$6.85 million since the beginning of the fiscal year due to funding of the Emergency Intertie project, drought and conservation related costs.

### **FISCAL IMPACT**

None

### **ATTACHMENT(S)**

1. Total Water Sales and Fixed Charges & Fees 2020/21 – 2021/22
2. Billed Water Consumption in AFs FY 2010/11 – 2021/22
3. Budget to Actual Comparison for 2021/22 as of December 31, 2021
4. Fund Balance Summary as of December 31, 2021
5. CIP Budget to Actual Comparison for 2021/22 as of December 31, 2021

**Total Water Sales and Fixed Charges & Fees**  
**Fiscal Years 2020/21 - 2021/22**

Month	Fixed Charges											
	Water Sales			Service Charges			Watershed Fee			Total Water Sales and Fixed Charges		
	20/21 Actual	21/22 Budget	21/22 Actual	20/21 Actual	21/22 Budget	21/22 Actual	20/21 Actual	21/22 Budget	21/22 Actual	20/21 Actual	21/22 Budget	21/22 Actual
July	5,148,860	\$4,840,348	3,893,560	1,408,195	1,541,834	1,432,576	322,117	352,676	332,636	6,879,172	\$ 6,734,858	5,658,772
August	7,895,649	\$8,155,135	5,886,790	2,003,578	2,193,720	2,073,823	439,045	480,697	455,132	10,338,272	10,829,551	8,415,744
September	5,919,811	\$5,825,972	4,294,079	1,410,919	1,544,817	1,481,923	321,199	351,671	342,653	7,651,930	7,722,460	6,118,655
October	7,930,465	\$7,823,307	5,453,856	1,999,518	2,189,274	2,192,931	437,931	479,477	477,867	10,367,913	10,492,057	8,124,653
November	4,977,568	\$4,816,404	2,674,088	1,416,720	1,551,168	1,495,754	321,799	352,328	348,233	6,716,088	6,719,900	4,518,075
December	6,216,270	\$5,794,180	3,499,543	2,013,149	2,204,199	2,028,099	441,057	482,900	440,900	8,670,476	8,481,278	5,968,542
January	2,624,605	\$2,544,160		1,405,078	1,538,421		318,852	349,101		4,348,535	4,431,682	-
February	3,594,233	\$3,566,451		1,992,768	2,181,884		437,055	478,518		6,024,056	6,226,853	-
March	1,978,100	\$2,097,854		1,400,299	1,533,189		319,385	349,685		3,697,784	3,980,727	-
April	3,972,353	\$3,930,424		2,047,123	2,241,396		441,798	483,711		6,461,274	6,655,531	-
May	3,367,351	\$3,059,352		1,382,615	1,513,826		320,761	351,191		5,070,727	4,924,370	-
June	6,153,533	\$6,029,493		2,052,718	2,247,523		451,028	493,817		8,657,279	8,770,833	-
<b>TOTAL</b>	<b>59,778,799</b>	<b>\$58,483,079</b>	<b>25,701,915</b>	<b>20,532,680</b>	<b>\$22,481,250</b>	<b>10,705,106</b>	<b>4,572,027</b>	<b>\$5,005,772</b>	<b>2,397,420</b>	<b>\$84,883,506</b>	<b>\$85,970,101</b>	<b>\$38,804,441</b>

Original Budget-to-Actual Basis **-23.88%**  
 Actual-to-Actual Basis **-23.35%**  
 % of total budget received **45.14%**

Item Number: 04

Attachment: 02

**Billed Water Consumption In AF  
Fiscal Year 2010/11 - 2020/21**

Month	10/11 Actual	11/12 Actual	12/13 Actual	13/14 Actual	14/15 Actual	15/16 Actual	16/17 Budget	16/17 Actual	17/18 Actual	18/19 Actual	19/20 Actual	2021 Actual	21/22 Budget	21/22 Actual	Actual to Monthly Budget Variance	
															Actual %	Change
July	1,968	1,852	2,160	2,205	1,969	1,628	1,825	1,876	1,931	1,975	1,834	2,022	1,940	1,642	-15.36%	-18.77%
August	3,457	3,154	3,564	3,407	3,186	2,620	2,945	3,012	3,206	3,245	3,112	3,215	3,194	2,500	-21.74%	-22.24%
Septem	2,309	2,175	2,333	2,244	1,973	1,775	1,906	1,939	2,027	2,145	2,112	2,205	2,122	1,604	-24.41%	-27.24%
Octobe	3,286	3,045	3,163	3,215	2,778	2,583	2,729	2,767	3,140	2,951	3,058	3,124	3,068	2,298	-25.10%	-26.44%
Novem	1,628	1,585	1,586	1,931	1,454	1,490	1,503	1,340	1,705	1,664	1,837	1,882	1,772	1,153	-34.94%	-38.73%
Decem	1,784	1,986	1,911	2,433	1,984	1,935	1,998	1,646	1,914	2,169	2,295	2,418	2,199	1,444	-34.32%	-40.27%
Januar	1,071	1,200	1,005	1,342	1,065	991	1,047	910	942	993	1,186	1,157	1,070	-		
Februa	1,625	1,858	1,680	1,996	1,651	1,450	1,576	1,392	1,754	1,525	1,556	1,625	1,615	-		
March	958	1,079	1,054	1,042	1,048	832	953	846	992	879	1,105	970	986	-		
April	1,640	1,676	2,016	1,627	1,910	1,467	1,710	1,375	1,612	1,427	1,883	1,775	1,674	-		
May	1,321	1,266	1,655	1,308	1,379	1,067	1,239	1,092	1,240	1,224	1,378	1,459	1,325	-		
June	2,568	2,789	3,161	2,642	2,344	2,478	2,463	2,416	2,516	2,349	2,711	2,559	2,533	-		
<b>TOTAL</b>	<b>23,614</b>	<b>23,666</b>	<b>25,290</b>	<b>25,390</b>	<b>22,742</b>	<b>20,316</b>	<b>21,894</b>	<b>20,611</b>	<b>22,978</b>	<b>22,546</b>	<b>24,065</b>	<b>24,410</b>	<b>23,500</b>	<b>10,642</b>		
															Budget-to-Actual Basis	
															-25.56%	
															Actual-to-Actual Basis	
															-28.41%	
															% of total budget	
															45.28%	

**Marin Municipal Water District**  
**Budget to Actual Comparison for 2020/21 - All Funds**  
**Actual as of December 31, 2021**  
**Unaudited**

<b>Revenues and Expenditures</b>	<b>2020/21 Adjusted Budget</b>	<b>Actual as of December 31, 2021</b>	<b>% of Budget</b>
<b>Revenues:</b>			
<i>Water Sales and Service Charge:</i>			
Water Sales	\$ 58,483,079	\$ 25,701,915	43.9%
Service Charge	22,481,250	10,705,106	47.6%
Watershed Management Fee	5,005,772	2,397,420	47.9%
<b>Total Water Sales and Service Charge</b>	<b>85,970,101</b>	<b>38,804,441</b>	<b>45.1%</b>
<i>Other Revenues:</i>			
Rents	666,903	348,667	52.3%
Grants	-	2,144,461	
Watershed Rents	939,166	468,590	49.9%
Watershed Payments	365,116	204,469	56.0%
Late Payment and Special Read Charges	120,133	71,712	59.7%
Interest	336,497	84,467	25.1%
Miscellaneous	350,647	69,379	19.8%
<b>Total Other Revenues</b>	<b>2,778,462</b>	<b>3,391,745</b>	<b>122.1%</b>
<b>Total Operating Revenues</b>	<b>88,748,563</b>	<b>42,196,186</b>	<b>47.5%</b>
<b>Expenditures:</b>			
Personnel services	54,107,177	24,965,981	46.1%
Materials and supplies	3,224,336	1,157,515	35.9%
Operations	8,609,673	2,756,997	32.0%
Water conservation rebate program	1,092,323	879,781	80.5%
Electrical power	5,475,922	2,912,717	53.2%
Water purchased	8,100,000	4,909,522	60.6%
Insurance, including claims	1,425,500	1,540,293	108.1%
General and administrative	4,030,621	2,300,695	57.1%
Debt service - interest and principal	10,184,004	5,092,002	50.0%
Overhead cost allocated to capital	(5,197,000)	(2,455,099)	47.2%
<b>Total Operating Expenditures</b>	<b>91,052,555</b>	<b>44,060,402</b>	<b>48.4%</b>
<b>Transfer out to Capital Fund (PayGo)</b>	<b>-</b>	<b>-</b>	
<b>Net Operating Fund Increase(Decrease)</b>	<b>\$ (2,303,992)</b>	<b>\$ (1,864,216)</b>	
<b>Operating Fund Balance</b>			
<b>Opening Fund Balance</b>	<b>\$ 32,619,471</b>	<b>\$ 32,619,471</b>	
Net Operating Fund Increase(Decrease)	(2,303,992)	(1,864,216)	
Transfer (to)/from Rate Stabilization Fund		1,200,000	
Accrual adjustments	398	(8,092,877)	
<b>Ending Fund Balance</b>	<b>\$ 30,315,877</b>	<b>\$ 23,862,378</b>	

## Capital and Fire Flow Funds

Revenues and Expenditures	Budget	Actual as of December 31, 2021	% of Budget
<b>Revenues:</b>			
Customer Reimbursement Project	\$ 710,182	\$ 251,282	35.4%
Interest Income	15,000	708	4.7%
<b>Transfer-in from Operating (PayGo)</b>	-	-	
<b>Contributed Capital:</b>			
Fire Flow	4,500,000	2,509,280	55.8%
Capital Maintenance Fee	17,370,793	8,048,463	46.3%
Capital Connection Fee	100,000	189,474	
Capital Grants & Contribution		-	
<b>Total Revenues and Contributed Capital</b>	<b>22,695,975</b>	<b>10,999,207</b>	<b>48.5%</b>
<b>Capital Expenditures:</b>			
Capital Projects - District	32,746,671	9,055,076	27.7%
Capital Projects - Fire Flow	7,660,774	1,487,400	19.4%
Capital equipment purchases	2,272,805	646,368	28.4%
<b>Total Capital and Fire Flow Expenditures</b>	<b>42,680,250</b>	<b>11,188,845</b>	<b>26.2%</b>
<b>Net Capital and Fire Flow Fund Increase(Decrease)</b>	<b>\$ (19,984,275)</b>	<b>\$ (189,638)</b>	<b>0.9%</b>
<b>Capital Fund Balance</b>			
<b>Capital Fund</b>			
<b>Opening Fund Balance</b>	<b>\$ 21,061,136</b>	<b>\$ 21,061,136</b>	
Net Capital Fund Increase(Decrease)	(16,823,501)	(565,149)	
Transfer (to)/from Rate Stabilization Fund		5,650,000	
Capital equipment purchases		(646,368)	
Accrual adjustments	3,809,223	413,696	
<b>Ending Fund Balance</b>	<b>\$ 8,046,858</b>	<b>\$ 25,913,314</b>	
<b>Fire Flow Fund</b>			
<b>Opening Fund Balance</b>	<b>\$ 3,139,821</b>	<b>\$ 3,139,821</b>	
Net Fire Flow Fund Increase(Decrease)	(3,160,774)	1,021,880	
Accrual adjustments	-	-	
<b>Ending Fund Balance</b>	<b>\$ (20,953)</b>	<b>\$ 4,161,701</b>	

**Fund Balance Summary**

	Audited			Projected
	6/30/2019	6/30/2020	6/30/2021	12/31/2021
Restricted	\$ 7,653,646	\$ 6,959,570	\$ 4,418,546	\$ 4,281,427
Board Designated	6,643,705	14,239,307	15,468,957	15,468,956
Watershed Fund	-	-	-	-
Rate Stabilization Fund	9,400,000	9,400,000	9,400,000	2,550,000
Pension Reserve Fund	2,000,000	2,000,000	2,000,000	2,000,000
Fire Flow Fund	(1,363,318)	2,021,206	3,139,821	4,161,701
Capital Fund	23,957,026	25,255,175	21,061,135	25,913,314
<b>Unrestricted/undesignated - Operating</b>	<b><u>27,359,341</u></b>	<b><u>26,162,068</u></b>	<b><u>32,619,471</u></b>	<b><u>23,862,378</u></b>
<b>Total</b>	<b><u>\$ 75,650,400</u></b>	<b><u>\$ 86,037,326</u></b>	<b><u>\$ 88,107,930</u></b>	<b><u>\$ 78,237,776</u></b>

**Months Operating Fund  
Unrestricted - Operating to  
Annualized Actual Expenditure**

4.19	3.69	3.69	3.14
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**Debt Coverage Ratio**

1.39	2.10	2.81	1.40
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As of December 31, 2021	Principal	Interest	Total
<b>2012 Bond</b>	<b>74,415,000</b>	<b>61,612,140</b>	<b>136,027,140</b>
<b>2016 Bond</b>	<b>31,380,000</b>	<b>20,660,288</b>	<b>52,040,288</b>
<b>2017 Bond</b>	<b>33,500,000</b>	<b>25,254,375</b>	<b>58,754,375</b>
<b>Total Bond Debt</b>	<b>139,295,000</b>	<b>107,526,803</b>	<b>246,821,803</b>
<b>CREB</b>	<b>366,750</b>		<b>366,750</b>
<b>AEEP</b>	<b>1,930,238</b>	<b>328,268</b>	<b>2,258,506</b>
<b>LGVSD</b>	<b>4,573,719</b>	<b>1,828,551</b>	<b>6,402,270</b>
<b>Total Other Debt</b>	<b>6,870,707</b>	<b>2,156,819</b>	<b>9,027,526</b>
<b>Total Outstanding Debt</b>	<b>146,165,707</b>	<b>109,683,622</b>	<b>255,849,329</b>



CIP Projects	FY2021/22 Adjusted Budget	Capital Projects YTD Actual Expenditures As of 12/31/21	Encumbered for Contracts As of 12/31/21	Total Capital & Fire Flow As of 12/31/21
District Pipeline Replacement / Improvement	\$ 11,058,382	\$ 4,483,911	\$ 2,664,424	\$ 7,148,335
Replacements - Tank Maintenance & Replacement	\$ 2,992,792	\$ 573,202	\$ 193,404	\$ 766,606
Replacements - Treatment Plant Facilities	\$ 7,685,822	\$ 441,003	\$ 4,375,028	\$ 4,816,031
Replacements - Dam/Pump/Control System/Meters	\$ 4,229,054	\$ 1,917,507	\$ 793,809	\$ 2,711,316
Fire Chief's Fund	\$ 143,855	\$ -	\$ -	\$ -
Program Management- Asset Mangement	\$ 1,108,569	\$ 113,731	283,482	\$ 397,213
System Improvements	\$ 200,000	\$ 17,804	\$ -	\$ 17,804
Watershed - Minor Structures I/R/R	36,088	23,695	4,288	\$ 27,983
Watershed - Ranger Residence & Minor Structure Improvement	-	-	-	\$ -
Watershed - Trail Repair and Improvement	100,000	-	100,000	\$ 100,000
Watershed - Road Repair & Improvement	791,970	59,865	39,188	\$ 99,053
Watershed - Natural Resource Project	2,121,563	783,706	492,322	\$ 1,276,028
Reimbursable Grant Projects	1,196,351	178,840	213,900	\$ 392,739
Reimbursable Customer Projects	\$ 741,471	\$ 454,783	\$ 6,061	\$ 460,844
Information Technology - Capital Equipments/Projects	\$ 340,755	\$ 7,030	\$ 66,434	\$ 73,464
Fire Flow Replacement	\$ 7,660,774	\$ 1,487,400	\$ 2,078,177	\$ 3,565,577
Capital Equipment Purchases	\$ 2,272,805	\$ 646,368	\$ 570,419	\$ 1,216,787
Total Capital Projects	\$ 42,680,250	\$ 11,188,845	\$ 11,880,936	\$ 23,069,781



**Item Number:** 05  
**Meeting Date:** 01-27-2022  
**Meeting:** Finance &  
Administration Committee/  
Board of Directors (Finance &  
Administration)

## Informational Item

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**TO:** Finance & Administration Committee/Board of Directors (Finance & Administration)

**FROM:** Charles McBride, Finance Director/Treasurer *CM*

**THROUGH:** Ben Horenstein, General Manager *BH*

**DIVISION NAME:** Administrative Services Division

**ITEM:** Quarterly Investment Report – December 2021

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### SUMMARY

Pursuance to District Investment Policy No. 33, the quarterly investment report is submitted to the Board for the quarter ending December 31, 2021.

The District's investment portfolio (pooled cash) carried a market value of \$77.3 million as of the end of December. The investments held included \$68.6 million on deposit in the Local Agency Investment Fund (LAIF), \$0.7 million on deposit in the Fidelity Government Money Market Fund, and \$8.0 million in the District's general checking account. Fiscal year to date interest earned as of December on the District's portfolio totaled \$69,314. The LAIF interest rate at December 31, 2021 was 0.212 percent.

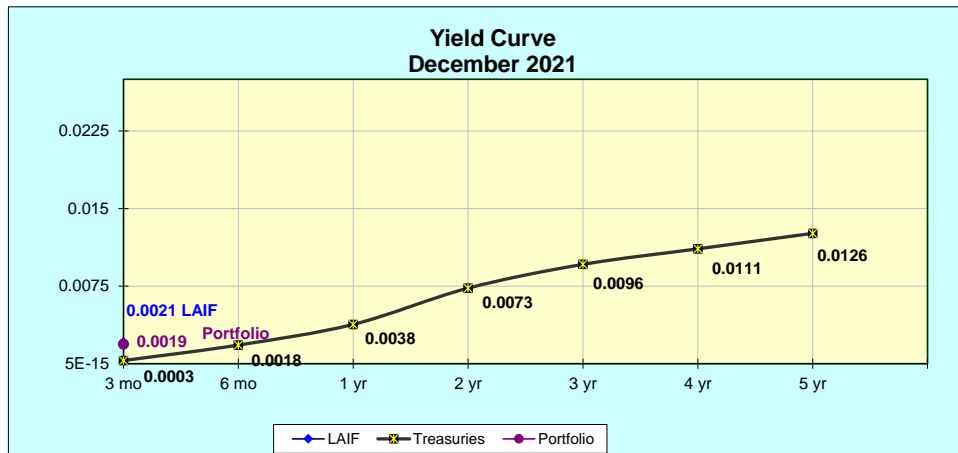
Pursuant to provision (2) of California Government Code section 53646, the District portfolio complies with the District's investment policy. Pursuant to provision (3) of California Government code section 53646, the District establishes that it is able to meet its pooled expenditure requirements for the next six months.

### ATTACHMENT(S)

1. Schedule of Investments and Yield Curve as of December 31, 2021

Marin Municipal Water District  
FY2022 Schedule of Investments  
As of December 30, 2021

	7/1/2021 Beginning Balance	Purchases / Deposits	Investment Income/(Loss)	Withdrawal	12/31/2021 Ending Balance	Fiscal YTD Accrued Interest	Yield
<b>LOCAL AGENCY INVESTMENT FUND:</b>							
Balance	74,526,769				74,526,769		
Accrued Interest	-		71,993		71,993	71,993	0.212%
Purchase/(Withdrawal)	-	3,000,000		(9,000,000)	(6,000,000)		
Balance	74,526,769	3,000,000	71,993		68,598,762	71,993	
<b>DISTRICT INVESTMENTS:</b>							
Fidelity Gov't Money Market Fund	8,675,700		166	(8,000,000)	675,866	166	0.010%
Corporate Obligations	10,200		(4,700)		5,500		
US Bank Checking Account	4,070,913	76,801,448	1,855	(72,890,748)	7,983,468		
<b>TOTAL INVESTMENTS</b>	<b>87,283,582</b>	<b>79,801,448</b>	<b>69,314</b>	<b>(80,890,748)</b>	<b>77,263,596</b>	<b>72,159</b>	<b>0.190%</b>





**Item Number:** 06  
**Meeting Date:** 01-27-2022  
**Meeting:** Finance &  
Administration Committee/  
Board of Directors (Finance &  
Administration)

## Informational Item

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**TO:** Finance & Administration Committee/Board of Directors (Finance & Administration)

**FROM:** Charles McBride, Finance Director

**THROUGH:** Ben Horenstein, General Manager

**DIVISION NAME:** Administrative Services Division

**ITEM:** Annual Review of Policy No. 33 Investment Policy

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### SUMMARY

Investment Policy No. 33 is updated periodically to conform to the California Government Code, §53601 through §53609. Staff reviewed the codes and there were no changes to the codes. Staff recommends no changes to the Investment Policy at this time.

### DISCUSSION

The District's investment policy strives to appropriately manage overall investment risk exposure. The investment policy defines allowable investments by type of security, type of issuer, dollar amount, overall percentage of portfolio and maturity. We practice a "buy and hold" strategy of investing and generally do not sell securities prior to maturity. Situations where we would sell prior to maturity are: 1) to meet current cash flow needs; 2) if an opportunity to swap from one investment to another does not impede our current cash flow needs and enhances our overall investments; and 3) to minimize losses due to a downgrade of a security below investment grade (Ba1 or BB+ rating or lower).

Staff reviewed California Government Codes, §53601 through §53609 and there were no changes to the codes. Under the current policy, the management and oversight responsibility for the investment program is delegated to the Administrative Services Division Manager/Treasurer. The District updated the Administrative Services Division Manager title to Finance Director/Treasurer during the year, and the change is reflected in the updated policy. Additionally, the current policy states that the investment portfolio is prepared monthly. The monthly reporting has been changed to quarterly for consistency with California Government Code 53646.

**FISCAL IMPACT**

None

**ATTACHMENT(S)**

1. Board Policy No. 33 Investment Policy



# MARIN MUNICIPAL WATER DISTRICT

## BOARD POLICY No. 33

<b>DATE:</b>	Reviewed	1-6-10
	Revised	1-5-11
	Revised	1-5-12
	Revised	1-23-13
	Revised	2-7-17
	Revised	1-25-18
	Reviewed	3-13-19
	Revised	1-21-20
	Revised	2-25-21

### **SUBJECT: INVESTMENT POLICY**

#### **I. Introduction**

The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities.

The investment policies and practices of the Marin Municipal Water District ("District") are based on State law and prudent money management. All funds will be invested in accordance with the District's Investment Policy and the authority governing investments for local agencies as set forth in the California Government Code, §53601 through §53659.

#### **II. Scope**

It is intended that this policy cover all funds and investment activities of the District, except investments governed by employment retirement funds and bond documents. The provisions of relevant bond documents will restrict the investment of bond proceeds.

#### **III. Prudence**

Investments shall be made with judgment and care - under circumstances then prevailing - which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. All persons investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds shall act with care, skill, prudence and diligence under the circumstances then prevailing 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.

#### IV. Objectives

The primary objectives, in priority order, of the District's investment activities shall be:

1. **Safety.** Safety of principal is the foremost objective of the investment program. The District's investments shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. The District shall seek to preserve principal by mitigating the two types of risk: credit risk and market risk.
2. **Liquidity.** The District's investment portfolio will remain sufficiently liquid to enable the District to meet its cash flow requirements.
3. **Return on Investment.** The District's investment portfolio shall be designed with the objective of attaining a market rate of return on its investments consistent with the constraints imposed by its safety objective and cash flow considerations.
4. **Public Trust.** All participants in the investment process shall act as custodians of the public trust. 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.

It is the District's intent at time of purchase, to hold all investments until maturity to ensure the return of all invested principal dollars.

#### V. Delegation of Authority

The management and oversight responsibility for the investment program is hereby delegated to the Finance Director (Administrative Services Division)/Treasurer who shall monitor and review all investments for consistency with this investment policy. This delegation of authority shall remain in place until revoked by the Board of Directors. The Finance Director/Treasurer may delegate the day-to-day operations of investing to his/her designee(s), but not the responsibility for the overall investment program. No person may engage in an investment transaction except as provided under the limits of this policy.

#### VI. Ethics and Conflict of Interest

Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions.

## **VII. Selection of Financial Institutions and Broker/Dealers**

The Finance Director/Treasurer shall maintain a list of authorized broker/dealers and financial institutions which are approved for investment purposes in the State of California, and who have proof of National Association of Security Dealers certification. It shall be the policy of the District to purchase securities only from authorized institutions or firms. All authorized firms must also provide certification that they have received and read the District's Investment Policy.

## **VIII. Permitted Investment Instruments**

1. Direct obligations for which the full faith and credit of the United States Government is pledged for the payment of principal and interest.
2. Obligations issued by Agencies or Instrumentalities of the United States Government.
3. Repurchase Agreements used solely as short-term investments not to exceed 90 days.
  - a. The following collateral restrictions will be observed: Only United States Treasury securities or Federal Agency securities will be acceptable collateral. All securities underlying Repurchase Agreements must be delivered to the District's custodian bank vs. payment. The market value of securities that underlay a Repurchase Agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be reviewed on a regular basis and adjusted no less than quarterly. Collateral shall not include strips, zero-coupon instruments or instruments with maturities in excess of five years. The right of substitution will be granted, provided that permissible collateral is maintained.
4. Banker's Acceptances issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest category by Moody's Investors Services or by Standard & Poor's Corporation.
  - a. Purchases of Banker's Acceptances may not exceed 180 days maturity or 40 percent of the District's surplus money. However, no more than 30% or \$2,000,000 of the District's surplus funds, whichever is less, may be invested in the Banker's Acceptance of any one commercial bank.



5. Commercial paper issued by an entity meeting the following conditions in Option 1 or Option 2 below:

**Option 1:**

1. Is organized and operating in the United States as a general corporation and has total assets in excess of \$500 million.
2. Has debt other than commercial paper, if any, that is rated “A” or higher by a nationally recognized rating agency.

**Option 2:**

1. Is organized within the United States as a special purpose corporation, trust or limited liability company.
  2. Has program-wide credit enhancements including, but not limited to, over-collateralization, letters of credit or surety bond.
  3. Has commercial paper that is rated “A-1” or higher by a nationally recognized rating agency.
- a. Purchases of eligible commercial paper may not exceed 270 days to maturity nor represent more than 10 percent or \$1,000,000 from an issuing corporation, whichever is less.
  - b. Purchases of commercial paper may not exceed 15 percent of the District's surplus money that may be invested.
6. Medium term corporate notes issued by 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. Medium term corporate notes shall, at the time the note is purchased, be rated as follows:
- a.

1 year or less	A rating by two major rating agencies
1 - 2 years	AA rating by at least one major rating agency
2 - 4 years	AA rating by two major rating agencies
4 - 5 years	AAA rating by two major rating agencies
  - b. Investments will be limited to a maximum of 30 percent of the District's portfolio.

7. Federal Deposit Insurance Company (FDIC) insured or fully collateralized time certificates of deposit in financial institutions located in California, including United States branches of foreign banks licensed to do business in California. The maximum maturity of a time deposit shall not exceed 180 days. All time deposits must be collateralized in accordance with California Government Code §53651 and §53652, either at 150 percent by promissory notes secured by first mortgages and first trust deeds upon improved residential property in California eligible under Section 53651(m) or 110 percent by eligible marketable securities listed in subsections (a) through (l), (n) and (o) of §53651, or 105% of letters of credit issued by the Federal Home Loan Bank of San Francisco per subsection (p) of §53651.
8. Negotiable certificates of deposit or deposit notes issued by a nationally or State chartered bank or a State or Federal savings and loan association or by a Federally licensed or State licensed branch of a foreign bank; provided that the senior debt obligations of the issuing institution are rated "AA" or better by Moody's or Standard & Poor's.
  - a. Purchase of negotiable certificates of deposit may not exceed 20 percent of the District's surplus money.
9. State of California's Local Agency Investment Fund. Investment in LAIF may not exceed \$75 million per account.
10. Shares of beneficial interest issued by diversified management companies (Money Market Mutual Funds) investing in the securities and obligations authorized by sections (a) through (l) of California Government Code §53601. To be eligible for investment pursuant to this subdivision these companies shall either: (1) attain the highest ranking letter or numerical rating provided by not less than two of the three largest nationally recognized rating services; or (2) have an investment advisor registered with the Securities and Exchange Commission with not less than five years experience investing in securities and obligations authorized by California Government Code §53601 and with assets under management in excess of \$500,000,000.

The purchase price of shares shall not exceed 10 percent of the District's surplus money and no more than 10 percent invested in shares of any one mutual fund.
11. Registered state warrants or treasury notes or bonds of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the state or by a department, board, agency, or authority of California.

12. Bonds, notes or warrants or other evidences of indebtedness of a local agency within the state of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the by the local agency, or by a department, board, agency, or authority of the local agency of California.

The following summary of maximum percentage limits, by instrument, are established for the District's total investment portfolio:

<u>Investment Type</u>	<u>Percentage</u>
Repurchase Agreements.....	0 to 10%
Local Agency Investment Fund .....	\$75,000,000 per account
U.S. Treasury Bonds/Notes/Bills .....	0 to 100%
U.S. Government Agency Obligations.....	0 to 100%
Banker's Acceptances .....	0 to 40%
Commercial Paper.....	0 to 15%
Negotiable Certificates of Deposit .....	0 to 20%
Time Certificates of Deposit .....	0 to 20%
Medium Term Corporate Notes .....	0 to 30%
Registered State Warrants or Local Agency Indebtedness .....	0 to 20%

#### **IX. Safekeeping of Securities and Internal Controls**

To protect against fraud, embezzlement or losses caused by collapse of an individual securities dealer, all securities owned by the District shall be held by an independent third party safekeeping institution, acting as agent for the District under the terms of a custody agreement or PSA agreement (repurchase agreement collateral). All trades executed by a dealer will settle on a delivery vs. payment ("DVP") basis to ensure that securities are deposited in the District safekeeping institution prior to the release of funds.

The safekeeping institution shall annually provide a copy of its most recent report on internal controls – Service Organization Control Reports (formerly 70, or SAS 70) prepared in accordance with the Statement on Standards for Attestation Engagements (SSAE) No. 16 (effective June 15, 2011).

Securities held in custody for the District shall be monitored by the Finance Director/Treasurer to verify investment holdings.

Management shall establish a system of internal controls, which shall be documented in writing and reviewed with the independent auditor. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the District.

#### **X. Maximum Maturity**

Investment maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled to permit the District to meet all projected obligations.

The maximum maturity will not exceed five years.

#### **XI. Ineligible Investments**

Security types which are prohibited include, but are not limited to:

- (a) "Complex" derivative structures such as range notes, dual index notes, inverse floaters, leveraged or de-leveraged floating rate notes, or any other complex variable rate or structured note.
- (b) Interest only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual if held to maturity.
- (c) Reverse Repurchase Agreements.

#### **XII. Portfolio Adjustments**

Portfolio percentage limitations for each investment category are applicable only at the date of purchase. Should an investment percentage limitation be exceeded due to an incident such as a fluctuation in portfolio size, the Finance Director/Treasurer is not required to sell the affected securities.

Should a security held in the portfolio be downgraded below the minimum criteria included in this Investment Policy, a determination will be made by the Finance Director/Treasurer whether to sell the investment. Any sale of an investment due to a downgrade will be done in a manner to minimize losses on sale of such

If a security is downgraded to a level that is less than investment grade (rating less than Ba1 or BB+), the Finance Director/Treasurer shall sell such affected security immediately. If the immediate liquidation of the security is not in the best interest of the District, the Finance Director/Treasurer, in consultation with an ad hoc committee made up of the General Manager and the Finance Committee President, may dispose of the security in an orderly and prudent manner considering the circumstances, under terms and conditions approved by the ad hoc committee.

The description and amounts of any securities downgraded below the District investment criteria are to be included in the quarterly investment report.

### **XIII. Reporting Requirements**

The Finance Director/Treasurer shall render to the District Board a quarterly investment report as per California Government Code §53646, which shall include, at a minimum the following information for each individual investment:

Type of investment instrument (i.e., Treasury Bill, medium term note)

- Issuer name (i.e., General Electric)
- Purchase date (settlement date)
- Maturity date
- Par value
- Purchase price
- Current market value and the source of the valuation (quarterly)
- Overall portfolio yield based on cost

The quarterly report also shall (i) state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance, (ii) include a description of any of the District's funds, investments or programs that are under the management of contracted parties, including lending programs, (iii) description of investments downgraded below the District's investment criteria or below investment grade and hold or sell status and (iv) include a statement denoting the ability of the District to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

This quarterly report shall be submitted within 30 days following the end of the quarter.

The Finance Director/Treasurer shall annually render to the Board a statement of investment policy, which the Board shall consider at a public meeting.

## GLOSSARY OF TERMS

**Bankers Acceptances.** Are negotiable time drafts or bills of exchange drawn on and accepted by a commercial bank. Acceptance of the draft obligates the bank to pay the bearer the face amount of the draft at maturity. In addition to the guarantee by the accepting bank, the transaction is identified with a specific commodity. The sale of the underlying goods will generate the funds necessary to liquidate the indebtedness. Banker's Acceptances are usually created to finance the import and export of goods, the shipment of goods within the United States and the storage of readily marketable staple commodities. Banker's Acceptances are sold at a discount from par and the amount and maturity date are fixed. Bankers Acceptances have the backing of both the bank and the pledged commodities with no known principal loss in over 70 years. State law permits agencies to invest 40 percent of a portfolio and 30 percent with a single issuer in Bankers' Acceptances with a maximum maturity of 180 days.

**Certificate of Deposit.** A deposit insured up to \$250,000 by the FDIC, or collateralized at a minimum of 110 percent by the financial institution if over \$250,000, at a set rate for a specified period of time.

**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.

**Corporate Medium Term Notes.** Are unsecured promissory notes issued by corporations operating within the United States. The notes are in the one-to-five year maturity range. Notes must have at least an "A" rating by a nationally recognized rating service. State law permits agencies to invest 30 percent of the total portfolio and 10 percent with a single issuer in corporate medium term notes with a maximum maturity of 5 years.

**Commercial Paper.** Is an unsecured promissory note of industrial corporations, utilities and bank holding companies having assets in excess of \$500 million and an "A" or higher rating for the issuer's debentures. Interest is discounted from par and calculated using the actual number of days on a 360-day year. The notes are in bearer form, mature from one to 180 days and generally start at \$100,000. There is a secondary market for commercial paper and an investor may sell them prior to maturity. Commercial paper is backed by unused lines of credit from major banks. State Code permits agencies to invest 25 percent and 10 percent with a single issuer in commercial paper with a maximum maturity of 270 days.

**Credit Risk.** Defined, as the risk of loss due to failure of the issuer of a security shall be mitigated by investing in investment grade securities and by diversifying the investment portfolio so that the failure of any one issuer does not unduly harm the District's capital base and cash flow.

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

**Custody.** A banking service that provides safekeeping for the individual securities in a customer's investment portfolio under a written agreement which also calls for the bank to collect and pay out income, to buy, sell, receive and deliver securities when ordered to do so by the principal.

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

**Fannie Mae.** Trade name for the Federal National Mortgage Association (FNMA), a United States sponsored corporation.

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

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

**Freddie Mac.** Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a United States sponsored corporation.

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

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

**Liquidity.** Refers to the ability to rapidly convert an investment into cash.

**Local Agency Investment Fund (LAIF) Demand Deposit.** Established by the State to enable financial managers to place idle funds in a pool for investment. Each agency is currently limited by LAIF to an investment of \$75 million plus any bond proceeds.

**Market Risk.** Defined as market value fluctuations due to overall changes in the general level of interest rates, shall be mitigated by limiting the maximum maturity of any one security to five years, structuring the portfolio based on historic and current cash flow analysis eliminating the need to sell securities prior to maturity and avoiding the purchase of long-term securities for the sole purpose of short-term speculation.

**Market Value.** 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.

**Portfolio.** Collection of securities held by an investor.

**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).** Contractual arrangement between a financial institution or dealer and an investor. The investor puts up their funds for a certain number of days at a stated yield. In return, they take title to a given block of securities as collateral. At maturity, the securities are repurchased and the funds are repaid with interest.

**Reverse Repurchase Agreement (Reverse REPO).** A transaction where the seller (District) agrees to buy back from the buyer (bank) the securities at an agreed upon price after a stated period of time.

**Sallie Mae.** Trade name for the Student Loan Marketing Association (SLMA), a United States sponsored corporation.

**Treasury Bills (T-Bills).** United States Treasury Bills which are short-term, direct obligations of the United States 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.

**United States Government Agencies.** Instruments issued by various United States Government Agencies most of which are secured only by the credit worthiness of the particular agency.