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Water Service in a Cost-Effective and  
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MEMBER AGENCY OF THE  
METROPOLITAN WATER  
DISTRICT  
OF SOUTHERN CALIFORNIA

**Glen D. Peterson**  
MWD Representative

THIS MEETING WILL BE CONDUCTED PURSUANT TO THE PROVISIONS OF THE GOVERNOR'S EXECUTIVE ORDER, N-29-20, WHICH SUSPENDS CERTAIN REQUIREMENTS OF THE RALPH M. BROWN ACT TO SUPPORT SOCIAL DISTANCING GUIDELINES ASSOCIATED WITH RESPONSE TO THE CORONAVIRUS (COVID-19) OUTBREAK. BOARD MEMBERS AND STAFF MAY PARTICIPATE IN THE MEETING BY TELECONFERENCE. THE PUBLIC IS STRONGLY ENCOURAGED TO PARTICIPATE ELECTRONICALLY AT [www.lvmwd.com/LiveStream](http://www.lvmwd.com/LiveStream).

Call and Notice of Special Meeting of the Board of  
Directors of Las Virgenes Municipal Water District

A Special Meeting of the Board of Directors of Las Virgenes Municipal Water District is hereby called and notice of said Special Meeting is hereby given for **9:00 a.m. on Monday, April 13, 2020**, at 4232 Las Virgenes Road, Calabasas, CA 91302, to consider the following:

1. Call to Order and Roll Call
2. Special Meeting of April 13, 2020 (Agenda attached)
3. Adjournment

By Order of the Board of Directors  
JAY LEWITT, President

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Josie Guzman, MMC  
Deputy Secretary of the Board

c: Each Director

Dated: April 8, 2020



**LAS VIRGENES MUNICIPAL WATER DISTRICT**  
4232 Las Virgenes Road, Calabasas, CA 91302

**AGENDA**  
**SPECIAL MEETING**  
**April 13, 2020, 9:00 AM**

Public Participation for Meetings of Las Virgenes Municipal Water District Board of Directors in Response to COVID-19

On March 4, 2020, Governor Newsom proclaimed a State of Emergency in California as a result of the threat of COVID-19. On March 17, 2020, Governor Newsom issued Executive Order N-29-20 (superseding the Brown Act-related provisions of Executive Order N-25-20 issued on March 12, 2020), which allows a local legislative body to hold public meetings via teleconferencing and to make public meetings accessible telephonically or otherwise electronically to all members of the public seeking to observe and to address the local legislative body. Pursuant to Executive Order N-29-20, please be advised that members of the Las Virgenes Municipal Water District will participate in meetings telephonically.

**PUBLIC PARTICIPATION:** Pursuant to Executive N-29-20 and given the current health concerns, members of the public can access meetings live on-line, with audio and limited video, at [www.LVMWD.com/LiveStream](http://www.LVMWD.com/LiveStream). In addition, members of the public can submit comments electronically for consideration by sending them to [www.LVMWD.com/LiveStream](http://www.LVMWD.com/LiveStream). To ensure distribution to the members of the Las Virgenes Municipal Water District Board of Directors prior to consideration of the agenda, please submit comments 24 hours prior to the day of the meeting. Those comments, as well as any comments received during the meeting, will be distributed to the members of the Board of Directors and will be made part of the official public record of the meeting. Contact Josie Guzman, Executive Assistant/Clerk of the Board, at (818) 251-2123 or [jguzman@lvmwd.com](mailto:jguzman@lvmwd.com) with any questions.

**ACCESSIBILITY:** If requested, the agenda and backup materials will be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. Any person who requires a disability-related modification or accommodation, in order to observe and/or offer public comment may request such reasonable modification, accommodation, aid, or service by contacting the Executive Assistant/Clerk of the Board by telephone at (818) 251-2123 or via email to [jguzman@lvmwd.com](mailto:jguzman@lvmwd.com) no later than 9:00 AM on the day before the scheduled meeting.

Members of the public wishing to address the Board of Directors are advised that a statement of Public Comment Protocols is available from the Clerk of the Board. Prior to speaking, each speaker is asked to review these protocols, complete a speakers' card, and hand it to the Clerk of the Board. Speakers will be recognized in the order the cards are received. A live webcast of the meeting will be available at LVMWD.com. Also, a web-based version of the speaker card is available for those who would like to submit written comments electronically or request to make public comment by telephone during the meeting.

The Public Comments agenda item is presented to allow the public to address the Board on matters not on the agenda. The public may also present comments on matters on the agenda; speakers for agendized items will be recognized at the time the item is called up for discussion.

Materials prepared by the District in connection with the subject matter on the agenda are available for public inspection at 4232 Las Virgenes Road, Calabasas, CA 91302. Materials prepared by the District and distributed to the Board during this meeting are available for public inspection at the meeting or as soon thereafter as possible. Materials presented to the Board by the public will be maintained as part of the records of these proceedings and are available upon request to the Clerk of the Board.

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## **PLEDGE OF ALLEGIANCE**

### **1 CALL TO ORDER AND ROLL CALL**

### **2 APPROVAL OF AGENDA**

### **3 PUBLIC COMMENTS**

Members of the public may now address the Board of Directors **ON MATTERS NOT APPEARING ON THE AGENDA**, but within the jurisdiction of the Board. No action shall be taken on any matter not appearing on the agenda unless authorized by Subdivision (b) of Government Code Section 54954.2

### **4 STRATEGIC PLANNING**

A Review of District's Strategic Plan (Pg. 4)

### **5 TACTICAL ACTIONS AND ACTIVITIES**

A Fiscal Years 2018-20 Tactical Actions and Activities (Pg. 21)

### **6 FISCAL YEARS 2020-22 FINANCIAL UPDATE**

A Review of District's Financial Position

B Schedule and Process for 5-Year Rate Study

- C **Annual Review of Financial Policies (Pg. 33)**  
Review and provide any feedback on the District's Financial Policies.
- D **Annual Review of Investment Policy (Pg. 38)**  
Review and provide any feedback on the District's Investment Policy.

7 **PURE WATER PROJECT LAS VIRGENES-TRIUNFO**

- A **Review of Outstanding Institutional Issues**
- B **Update on Financing Strategy**
- C **Discussion of Project Delivery Methodology**
- D **Review of Operations and Staffing Plan**

8 **EMERGENCY RESPONSE PLANNING**

- A **Review of Response to Coronavirus (COVID-19) Pandemic**
- B **Discussion of Earthquake Preparedness**

9 **ADJOURNMENT**

Pursuant to Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and applicable federal rules and regulations, requests for a disability-related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting, should be made to the Executive Assistant/Clerk of the Board in advance of the meeting to ensure availability of the requested service or accommodation. Notices, agendas, and public documents related to the Board meetings can be made available in appropriate alternative format upon request.



April 13, 2020 LVMWD Special Board Meeting

TO: Board of Directors

FROM: General Manager

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**Subject : Review of District's Strategic Plan**

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**SUMMARY:**

Attached for review is a copy of the District's adopted Strategic Plan.

**FISCAL IMPACT:**

No

**ITEM BUDGETED:**

No

**GOALS:**

Sustain Community Awareness and Support

Prepared by: David W. Pedersen, General Manager

**ATTACHMENTS:**

Strategic Plan



# STRATEGIC PLAN

JULY 2016



[WWW.LVMWD.COM](http://WWW.LVMWD.COM)

## ABOUT LAS VIRGENES MUNICIPAL WATER DISTRICT (LVMWD)

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LVMWD was formed in 1958 to supply imported water to western Los Angeles County. It currently serves approximately 70,000 people residing within its 122-square mile service area. LVMWD is bounded on the west and the north by Ventura County, on the east by the City of Los Angeles and on the south by the City of Malibu. Its service area includes the cities of Agoura Hills, Calabasas, Hidden Hills, Westlake Village and surrounding unincorporated areas of Los Angeles County.

As a full-service water and wastewater utility, LVMWD provides drinking water, recycled water, wastewater services and biosolids composting. The area lacks local sources of drinking water; all potable water supplies are purchased from the Metropolitan Water District of Southern California, which imports water from the State Water Project and Colorado River. Approximately 20% of LVMWD's overall water demands are met with recycled water. Las Virgenes Reservoir provides emergency and off-season storage for potable water, which is treated at the Westlake Filtration Plant.

In 1964, LVMWD and Triunfo Sanitation District established the Las Virgenes-Triunfo Joint Powers Authority (JPA) to cooperatively collect and treat the wastewater for their bordering service areas, both within the Malibu Creek Watershed. Wastewater is collected through a network of trunk sewers and treated at the Tapia Water Reclamation Facility, which produces high-quality recycled water used primarily for irrigation purposes. Beginning in 1994, biosolids generated from the wastewater treatment process are conveyed to the Rancho Las Virgenes Composting Facility and transformed into "Class A – Exceptional Quality" garden compost that is distributed free for home use.

LVMWD offsets its energy usage and reduces its carbon footprint by utilizing "green" energy generated by the JPA. A one megawatt solar power generating facility in the canyon immediately south of LVMWD Headquarters offsets energy usage for pumping recycled water. Also, a 200 kilowatt biogas co-generation facility at the Rancho Las Virgenes Composting Facility offsets energy usage for composting.

## PURPOSE OF LVMWD'S STRATEGIC PLAN

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The Strategic Plan describes LVMWD's strategy to address the opportunities, challenges and needed investments likely to arise in the next 20 years. Further, the plan will provide the basis for making decisions on the allocation of resources to ensure consistent direction moving forward.

Specifically, the Strategic Plan is designed to meet the following objectives:

- Set a clear path forward for LVMWD, building on its mission and vision.
- Identify and address the opportunities, challenges and needed investments likely to arise during the next 20 years.
- Provide a high-level framework for making decision on the allocation of resources.
- Increase confidence among customers that LVMWD is prepared for the future.
- Establish service commitments for LVMWD's customers.
- Implement a standards-based approach to meet service commitments.
- Establish values for conducting LVMWD's business and interacting with others.
- Identify strategic objectives for action.
- Describe a process for reviewing and updating the plan.

# ELEMENTS OF THE STRATEGIC PLAN

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**Strategic Foundation** – The strategic foundation consists of LVMWD’s mission, vision and behavioral values. The mission describes our purpose or what we do. The vision describes what we want to be, or be known for, in the future. The behavioral values describe how we conduct our business and interact with others. Together, the mission, vision and behavioral values provide the foundation for all of LVMWD’s activities, both now and well into the future.

**Business Values** – The business values describe the commitments LVMWD makes to its customers. Examples include transparency and community engagement, reliable water supplies and service, and sound financial management. Business values provide fundamental focus areas for the organization.

**Standards** – Standards are simply rules or service levels that put the business values in operational terms. To provide consistent service and value to customers, it is important to take a standards-based approach. LVMWD’s standards will drive its activities, decisions and proposed investments. Some standards are driven by legal or regulatory requirements (i.e. compliance with the Safe Drinking Water Act); however, others are developed internally to meet the needs of customers.

**Strategic Objectives** – The strategic objectives describe the major undertakings planned to address the significant opportunities, challenges or needed investments likely to arise in the next 20 years. Strategic objectives are not intended to address tasks that are part of normal utility operations.

## STRATEGIC FOUNDATION

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### MISSION

Dedicated to providing high-quality water service in a cost-effective and environmentally sensitive manner.

### VISION

Valuing every drop~Bringing water full circle.

### BEHAVIORAL VALUES:

We are guided in our daily decisions and activities by these values:

**Integrity**

We are open, honest, and ethical in all of our communications and actions.

**Respect**

We give thoughtful consideration to each other’s differences and opinions.

**Commitment**

We give our best to get the job done right.

**Responsibility**

We are accountable for our behaviors, actions and use of public resources.

**Collaboration**

We listen and openly share our ideas to achieve better decisions and outcomes.

**Leadership**

We are proactive in protecting the interests of our customers and community.

# BUSINESS VALUES

The following business values describe the commitments LVMWD makes to its customers:



## KEY STANDARDS

The table below, followed by narrative descriptions, puts the business values in context with key standards.

<p><b>High Level of Customer Satisfaction</b></p> <p>Accurate Water Use Data and Billing          Easy to Pay Bill, View Water Usage, Solve Problems          Employ Technology to Improve Services          Solicit Feedback and Meet Customer Expectations</p>	<p><b>Transparency and Community Engagement</b></p> <p>Understandable Operations, Decisions, Financials          Cooperative Relationships with Customers, Community          Promote Water Education Programs          Engage in Local, Governmental, Industry Affairs</p>
<p><b>Highly Effective Workforce</b></p> <p>Hire, Promote, and Retain Qualified Employees          Provide Competitive Compensation and Benefits          Develop Employee Skills, Competencies, Leadership          Focus on Knowledge Transfer and Succession Planning</p>	<p><b>Safe, High-Quality Water</b></p> <p>Meet or Exceed Drinking Water Standards          Anticipate Future Regulations, Standards          Meet Customer Needs for Quality, Consistency          Timely Communication of Water Quality Information</p>
<p><b>Protection of Public Health and Environment</b></p> <p>Meet or Exceed Environmental Regulations          Safe and Reliable Wastewater Services          Effective Watershed Leader and Environmental Steward          Support Economical Greenhouse Gas Reductions</p>	<p><b>Maximum Reuse and Resource Recovery</b></p> <p>Maximize Beneficial Use of Recycled Water          Maximize Compost Use and Cogeneration Capacity          Advocate for Science-Based Regulations</p>
<p><b>Sound Financial Management</b></p> <p>Fiscally Conservative, High-Liquidity Investments          High Credit Ratings          Prudent Capital and Operating Reserves          Timely and Accurate Financial Reporting</p>	<p><b>Reliable Water Supplies and Service</b></p> <p>Meet Current and Future Demands          Promote, Encourage, and Support Efficient Water Use          Low Risk of a Sustained Water Shortage          Diverse Portfolio, Resilient to Climate Change          Comprehensive Maintenance and Replacement Programs</p>
<p><b>Sound Planning and Appropriate Investment</b></p> <p>Rates Cover Full Cost of Service          Long-Term View, Appropriate CIP Funding          Make Compelling Cases for Investment, Rates          Well-Prepared for Emergencies</p>	<p><b>Innovative and Efficient Operations</b></p> <p>Invest in Efficiency Improvements          Reduce Costs while Preserving Key Service Standards          Use Proven Technologies to Increase Efficiency          Systematic Approach to Enhance Efficiency</p>

### **High Level of Customer Satisfaction**

LVMWD endeavors to maintain a high level of customer satisfaction through responsive and professional service. When calling during business hours, customers can count their calls being answered by a Customer Service Representative, without the delay and “button pushing” associated with an automated phone system. Employees are empowered to solve customer problems or escalate them to the appropriate manager. After hours, employees are available 24/7 to respond to outages and other emergencies.

### **Transparency and Community Engagement**

LVMWD is committed to providing easy access to important information on its finances, operations and decision-making process. Openly sharing information builds public trust and ensures accountability. Further, LVMWD maintains an active role in the communities it serves, engages those affected by its activities and values customer feedback.

### **Highly Effective Workforce**

A highly effective workforce is LVMWD’s most valuable resource. Fulfilling LVMWD’s promises to its customers depends on hiring, promoting and retaining the most qualified employees. LVMWD meets its workforce objectives by offering competitive compensation, providing opportunities for professional growth and leadership, and fostering a collaborative work environment.

### **Safe, High Quality Water**

LVMWD takes its responsibility very seriously to provide customers with safe, high quality water. Maintaining the trust of customers depends on serving water that meets or exceeds drinking water standards. Information on the quality of LVMWD’s water is provided to customers annually. Additionally, customers are notified in advance when a change in water source may affect the taste or odor of their drinking water. LVMWD responds quickly to water quality-related concerns.

### **Protection of Public Health and the Environment**

Protecting public health and the environment is central to all aspects of LVMWD’s business, from supplying safe drinking water to preventing sanitary sewer overflows. LVMWD is diligent in meeting or exceeding the many environmental regulations applicable to its operations. Further, LVMWD is committed to be a watershed leader and environmental steward, recognizing the need to protect the valuable resources that make its service area unique.

### **Maximum Reuse and Resource Recovery**

Maximizing the beneficial reuse of recycled water is critical to improve LVMWD’s water supply reliability and support efforts to stop discharging to Malibu Creek. Water is too

valuable to use only once. Also, LVMWD is committed to recover additional resources from its treatment processes. For example, additional biogas could be recovered and used to generate energy by accepting fats, oils and grease for digestion at the Rancho Las Virgenes Composting Facility.

### **Sound Financial Management**

LVMWD manages its finances to provide customers with value through reliable, high-quality service at competitive rates. Sufficient reserves are maintained to support operations, maintain high credit ratings and avoid large, unexpected rates increases. LVMWD maintains a conservative and liquid investment portfolio. Additionally, LVMWD seeks available grant funding to leverage its use of local funds for infrastructure improvements. Finally, LVMWD is dedicated to accurate, understandable and timely financial reporting.

### **Reliable Water Supplies and Service**

Customers can expect LVMWD to provide reliable water supplies and service. LVMWD plans and invests appropriately to ensure a very low risk of a sustained water shortage. Water delivery and treatment facilities are well-maintained and rehabilitated/replaced, as necessary, to minimize the potential for failures that could temporarily interrupt service. Further, LVMWD promotes efficient water use, eliminating wasteful practices and stretching supplies further. Finally, LVMWD seeks to diversify its water supply portfolio, recognizing uncertainty associated with the future availability of water supplies and the potential impacts of climate change.

### **Sound Planning and Appropriate Investment**

The foundation for reliable water and wastewater services is sound planning. LVMWD focuses on the long-term, anticipating future needs and making the appropriate investments to address those needs. Planning efforts support LVMWD in making compelling business cases for investments. LVMWD sets rates to recover the full cost of service, including investments to replace or upgrade aging infrastructure. Also, LVMWD recognizes the importance of reliable water service to public safety, particularly for firefighting. LVMWD is well-prepared for emergencies, including fires, floods and earthquakes.

### **Innovative and Efficient Operations**

LVMWD is committed to innovative and efficient operations. Investments are made in efficiency improvements with a focus on reducing costs while maintaining key service standards. Efficiency improvements are sought through innovation and the use of proven technologies. Also, a systematic approach, utilizing suggestions from employees, supports efficiency enhancements.

# STRATEGIC OBJECTIVES

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Strategic objectives constitute the major undertakings planned for the next five years, considering the significant opportunities, challenges or needed investments likely to arise in the next 20 years.

Below is summary of LVMWD's strategic objectives, followed by a detailed analysis of each:

1. Develop a strategy to maintain a highly effective workforce.
2. Improve LVMWD's Water Supply Reliability
3. Support customers to meet water-use efficiency standards.
4. Eliminate discharges to Malibu Creek by maximizing beneficial reuse.
5. Achieve a high credit rating for LVMWD's three enterprises.
6. Reduce LVMWD's carbon footprint.
7. Provide new/improved customer tools to enhance service delivery.
8. Develop a process to act on efficiency improvement suggestions.
9. Enhance LVMWD's asset management programs.

**Strategic Objective No. 1 Develop a strategy to maintain a highly effective workforce.**

<p><i>Applicable Business Values</i></p>	<ul style="list-style-type: none"> <li>▪ Highly Effective Workforce</li> <li>▪ Innovative and Efficient Operations</li> <li>▪ High Level of Customer Satisfaction</li> <li>▪ Safe, High-Quality Water</li> <li>▪ Transparency and Community Engagement</li> <li>▪ Sound Planning and Appropriate Investment</li> <li>▪ Reliable Water Supplies and Service</li> <li>▪ Sound Financial Management</li> <li>▪ Maximum Reuse and Resource Recovery</li> <li>▪ Protection of Public Health and Environment</li> </ul>
<p><i>Most Relevant Standards</i></p>	<ul style="list-style-type: none"> <li>▪ Hire, Promote and Retain Qualified Employees</li> <li>▪ Provide Competitive Compensation and Benefits</li> <li>▪ Develop Employee Skills, Competencies, Leadership</li> <li>▪ Focus on Knowledge Transfer and Succession Planning</li> <li>▪ Support on-going training and education</li> </ul>
<p><i>Background</i></p>	<p>LVMWD has a committed and dedicated workforce. Employees are very resourceful and effective in providing LVMWD's services to achieve a high level of customer satisfaction.</p>
<p><i>Challenge/Opportunity</i></p>	<p>The workforce has been changing, and will continue to change, as long-tenured employees retire and a new generation of employees join LVMWD. The challenge will be to capture and transfer knowledge from tenured employees. Succession planning will also be critical to prepare and develop employees to take on higher-level positions, particularly those that are "stand-alone" (i.e. without a subordinate position with similar duties) or require unique skills. Developing and communicating a philosophy for compensation and benefits will also be important for LVMWD to retain its most qualified employees and support recruitment efforts.</p>
<p><i>Solution</i></p>	<p>Develop a workforce strategy that addresses the following items:</p> <ul style="list-style-type: none"> <li>▪ Institutional knowledge capture and transfer</li> <li>▪ Succession planning</li> <li>▪ Retention and development of employees</li> <li>▪ Philosophy for compensation and benefits (where to be in the market)</li> <li>▪ New employee orientation</li> <li>▪ Expansion of the internship program</li> <li>▪ Performance management and recognition</li> </ul>
<p><i>Timing</i></p>	<p>2 years</p>
<p><i>Ramifications of Not Acting</i></p>	<p>Potential impacts to the quality and efficiency of LVMWD's service.</p>

## Strategic Objective No. 2 Improve LVMWD’s water supply reliability.

<i>Applicable Business Values</i>	<ul style="list-style-type: none"> <li>▪ Reliable Water Supplies and Service</li> <li>▪ Sound Planning and Appropriate Investment</li> <li>▪ Safe, High-Quality Water</li> <li>▪ Maximum Reuse and Resource Recovery</li> </ul>
<i>Most Relevant Standards</i>	<ul style="list-style-type: none"> <li>▪ Meet Current and Future Demands</li> <li>▪ Promote, Encourage and Support Efficient Water Use</li> <li>▪ Low Risk of a Sustained Water Shortage</li> <li>▪ Diverse Portfolio, Resilient to Climate Change</li> <li>▪ Comprehensive Maintenance and Replacement Programs</li> <li>▪ Well-Prepared for Emergencies</li> <li>▪ Maximize Beneficial Use of Recycled Water</li> </ul>
<i>Background</i>	<p>LVMWD meets 80% of its overall water demands with potable water purchased from Metropolitan Water District of Southern California (MWD). The remaining 20% of demands is met with recycled water.</p>
<i>Challenge/Opportunity</i>	<p>LVMWD is entirely dependent on MWD for its potable water supplies. Although MWD provides an excellent level of reliability, LVMWD is vulnerable to future shortages due to drought and climate change. Absent construction of California WaterFix, imported water deliveries from the State Water Project will be subject to continued pumping restrictions due to endangered fish species in the Delta and even potential interruption following a failure in the Delta. Further, efforts to improve water supply reliability require substantial time and investment.</p>
<i>Solution</i>	<p>Develop plans to diversify and improve the reliability of LVMWD’s water supply portfolio, considering the following items:</p> <ul style="list-style-type: none"> <li>▪ Additional use of recycled water</li> <li>▪ Groundwater banking</li> <li>▪ Indirect potable reuse</li> <li>▪ Regional partnerships with neighboring agencies to develop local supplies</li> <li>▪ Brackish groundwater treatment</li> <li>▪ Water-use efficiency improvements</li> <li>▪ Conversion of areas served by septic systems to sewers, increasing recycled water supplies</li> <li>▪ Exchanges of recycled water for potable supplies</li> <li>▪ Advocating for amendment of the MWD Act to remove “supplemental” from the description of its role as a regional water supplier.</li> <li>▪ Advocating for construction of California WaterFix.</li> </ul>
<i>Timing</i>	<p>5 to 10 years</p>
<i>Ramifications of Not Acting</i>	<p>Remain vulnerable to future shortages.</p>

### Strategic Objective No. 3 Support customers to meet water-use efficiency standards.

<i>Applicable Business Values</i>	<ul style="list-style-type: none"> <li>▪ Reliable Water Supplies and Service</li> <li>▪ High Level of Customer Satisfaction</li> <li>▪ Innovative and Efficient Operations</li> </ul>
<i>Most Relevant Standards</i>	<ul style="list-style-type: none"> <li>▪ Promote, Encourage and Support Efficient Water Use</li> <li>▪ Accurate Water Use Data and Billing</li> <li>▪ Easy to Pay Bill, View Water Usage, Solve Problems</li> <li>▪ Employ Technology to Improve Services</li> <li>▪ Invest in Efficiency Improvements</li> </ul>
<i>Background</i>	<p>The state's 20x2020 Conservation Plan requires water agencies to achieve a 20% reduction in per capita water usage by 2020. On January 1, 2016, LVMWD implemented budget-based rates, establishing individualized water budgets for every customer. Budgets were based on state efficiency standards for indoor and outdoor water use. Also, the Board adopted escalating, volumetric penalties for wasteful water use.</p>
<i>Challenge/Opportunity</i>	<p>Approximately two-thirds of LVMWD's customers currently keep their usage within budgeted amounts, meeting water-use efficiency standards. However, the remaining one-third exceed their water budgets and are subject to the higher cost of providing water service for inefficient usage. Further, a smaller group of customers have wasteful water use, which is subject to penalties. The challenge is for LVMWD to provide its customers with the support and tools necessary to effectively manage their water use and meet efficiency standards.</p>
<i>Solution</i>	<p>Provide customers with tools to meet water-use efficiency standards, including:</p> <ul style="list-style-type: none"> <li>▪ A user-friendly, customer "portal" for tracking water usage</li> <li>▪ Profiling water usage data collected by AMI/AMR system</li> <li>▪ Additional rebates for water-use efficiency improvements</li> <li>▪ Targeted outreach and education (i.e. "Top 100" users)</li> <li>▪ Sharing customer "success stories"</li> </ul>
<i>Timing</i>	2 to 5 years
<i>Ramifications of Not Acting</i>	<p>Inefficient and wasteful water usage would continue, hindering LVMWD's ability to meet its 20x2020 target.</p>

## Strategic Objective No. 4 Eliminate discharges to Malibu Creek by maximizing beneficial reuse.

<p><i>Applicable Business Values</i></p>	<ul style="list-style-type: none"> <li>▪ Maximum Reuse and Resource Recovery</li> <li>▪ Sound Planning and Appropriate Investment</li> <li>▪ Protection of Public Health and Environment</li> <li>▪ High Level of Customer Satisfaction</li> <li>▪ Reliable Water Supplies and Service</li> </ul>
<p><i>Most Relevant Standards</i></p>	<ul style="list-style-type: none"> <li>▪ Maximize beneficial use of recycled water.</li> <li>▪ Long-Term View, Appropriate CIP Funding</li> <li>▪ Meet or Exceed Environmental Regulations</li> <li>▪ Effective Watershed Leader and Environmental Steward</li> <li>▪ Solicit Feedback and Meet Customer Expectations</li> <li>▪ Diverse Portfolio, Resilient to Climate Change</li> </ul>
<p><i>Background</i></p>	<p>LVMWD is a leader in water recycling, serving its first customers in the early 1970s. Also, LVMWD has a long-standing commitment to environmental stewardship. Because of the seasonal imbalance of supply and demand, LVMWD discharges excess recycled water to Malibu Creek during the wintertime, when demands are low, and supplements the recycled water system with potable water during the summertime, when demands are high. Although LVMWD is prohibited from discharging to Malibu Creek during the summertime, it is required to augment flows in the creek to support endangered fish species when the creek flow drops below 2.5 cubic feet per second. In 2013, the U.S. EPA adopted a benthic macroinvertebrate Total Maximum Daily Load (TMDL) for Malibu Creek, establishing some of the most stringent nutrient standards in California. With implementation of the 2013 TMDL, it will no longer be cost-effective to treat the recycled water to meet regulatory standards for discharge to Malibu Creek. Further, the recycled water could be put to beneficial use, improving water supply reliability for LVMWD.</p>
<p><i>Challenge/Opportunity</i></p>	<p>The challenge is to effectively eliminate discharges to Malibu Creek and beneficially reuse the excess recycled water. Discharges to Malibu Creek cannot be 100% eliminated because of LVMWD's flow augmentation requirement. Also, discharges will continue to be required during operational emergencies and storm events. However, "effective" elimination is possible through a major water reuse project. The opportunity lies in turning a former liability (creek discharge) into a valuable asset (new water supply).</p>
<p><i>Solution</i></p>	<p>Plan, design and construct a major water reuse project to effectively eliminate discharges to Malibu Creek, considering two options described in the Recycled Water Seasonal Storage Plan of Action:</p> <ul style="list-style-type: none"> <li>▪ Scenario 4 – Indirect Potable Reuse using Las Virgenes Reservoir</li> <li>▪ Scenario 5 – Repurposing LADWP's Encino Reservoir for Recycled Water</li> </ul>
<p><i>Timing</i></p>	<p>15 years</p>
<p><i>Ramifications of Not Acting</i></p>	<p>Non-compliance with regulatory requirements; \$100+ million in upgrades required to the Tapia Water Reclamation Facility.</p>

**Strategic Objective No. 5 Achieve a high credit rating for LVMWD’s three enterprises.**

<i>Applicable Business Values</i>	<ul style="list-style-type: none"> <li>▪ Sound Financial Management</li> <li>▪ Sound Planning and Appropriate Investment</li> <li>▪ Innovative and Efficient Operations</li> </ul>
<i>Most Relevant Standards</i>	<ul style="list-style-type: none"> <li>▪ High Credit Ratings</li> <li>▪ Fiscally Conservative, High-Liquidity Investments</li> <li>▪ Prudent Capital and Operating Reserves</li> <li>▪ Timely and Accurate Financial Reporting</li> <li>▪ Rates Cover Full Cost of Service</li> <li>▪ Reduce Costs while Preserving Key Service Standards</li> </ul>
<i>Background</i>	<p>LVMWD has three enterprise funds: potable water, recycled water and sanitation. The Sanitation Fund has a Standard and Poor’s credit rating of “AA/Stable” for its outstanding 2009 Revenue Refunding Bonds. Credit reviews have not been performed for the Potable Water Fund and Recycled Water Fund, so these funds do not currently have credit ratings. On October 26, 2015, the Board adopted a five-year rate package for the potable water, recycled water and sanitation. The rates were designed to fully cover the cost of providing service and restore/maintain the required reserves for each enterprise fund.</p>
<i>Challenge/Opportunity</i>	<p>The major challenge will be to achieve a high credit rating for the Potable Water Fund because it has not generated sufficient net income to restore reserves to Board-adopted levels. In Fiscal Year 2014-15, the Potable Water Fund is expected to close with a net operating loss. However, the 2015 rate package will largely address this problem, allowing reserves to be restored over a five-year period. Also, a larger portion of LVMWD’s fixed costs will be recovered with fixed charges, improving revenue stability going forward. An opportunity exists to improve the credit rating for the Sanitation Fund to “AAA”, pending resolution of concerns with the implementation of the 2013 TMDL that had generated uncertainty during the last credit review. Also, the Recycled Water Fund is well-positioned to receive a high credit rating. Finally, LVMWD will need to determine the optimal credit rating for each enterprise, recognizing that ratepayers could be impacted building reserves to achieve the highest credit rating (i.e. “AAA”).</p>
<i>Solution</i>	<p>Develop a long-term financial plan aimed to achieve a high credit rating for LVMWD’s three enterprises.</p>
<i>Timing</i>	<p>5 years</p>
<i>Ramifications of Not Acting</i>	<p>Higher cost to of debt service; lower confidence in LVMWD financial management.</p>

## Strategic Objective No. 6 Reduce LVMWD’s carbon footprint.

<i>Applicable Business Values</i>	<ul style="list-style-type: none"> <li>▪ Innovative and Efficient Operations</li> <li>▪ Protection of Public Health and Environment</li> <li>▪ High Level of Customer Satisfaction</li> </ul>
<i>Most Relevant Standards</i>	<ul style="list-style-type: none"> <li>▪ Support Economical Greenhouse Gas Reductions</li> <li>▪ Effective Watershed Leader and Environmental Steward</li> <li>▪ Invest in Efficiency Improvements</li> <li>▪ Reduce Costs while Improving Key Service Standards</li> <li>▪ Systematic Approach to Enhance Efficiency</li> <li>▪ Meet or Exceed Environmental Regulations</li> <li>▪ Employ Technology to Meet Customer Expectations</li> </ul>
<i>Background</i>	<p>LVMWD has a long-standing commitment to environmental stewardship and serves a constituency that values protection of the environment. Treatment and pumping of water and wastewater are energy-intensive processes that generate greenhouse gases. Also, energy production requires large amounts of water. The inter-relationship between water and energy is commonly referred to as the “Water-Energy Nexus”. Greenhouse gas emissions contribute to climate change by trapping heat that would otherwise escape the atmosphere when radiating away from Earth.</p>
<i>Challenge/Opportunity</i>	<p>The primary challenge is to identify projects to reduce LVMWD’s carbon footprint, while providing a favorable return on investment. The opportunity lies in achieving cost-savings for LVMWD in addition to advancing an important environmental initiative.</p>
<i>Solution</i>	<p>Identify and implement projects to reduce LVMWD’s carbon footprint, while achieving a favorable return on investment, considering the following:</p> <ul style="list-style-type: none"> <li>▪ Energy efficiency improvements</li> <li>▪ Additional solar generation</li> <li>▪ Increased co-generation capacity by adding fats, oils and grease, or food waste to produce more digester gas</li> <li>▪ Fleet vehicle conversions</li> <li>▪ Paperless office</li> </ul>
<i>Timing</i>	<p>10 years</p>
<i>Ramifications of Not Acting</i>	<p>Higher operating costs; perception LVMWD is not honoring its commitment to be an environmental steward.</p>

**Strategic Objective No. 7 Provide new/improved customer tools to enhance service delivery.**

<i>Applicable Business Values</i>	<ul style="list-style-type: none"> <li>▪ High Level of Customer Satisfaction</li> <li>▪ Innovative and Efficient Operations</li> </ul>
<i>Most Relevant Standards</i>	<ul style="list-style-type: none"> <li>▪ Accurate Water Use Data and Billing</li> <li>▪ Easy to Pay Bill, View Water Usage, Solve Problems</li> <li>▪ Employ Technology to Improve Services</li> <li>▪ Solicit Feedback and Meet Customer Expectations</li> <li>▪ Use Proven Technologies to Increase Efficiency</li> </ul>
<i>Background</i>	LVMWD currently provides a variety of customer tools, such as those for electronic billing, support its delivery of services. Customers increasingly desire options to self-serve their needs and opportunities exist to meet this need by utilizing technology.
<i>Challenge/Opportunity</i>	The challenge is to provide user-friendly tools that customers want and need. The opportunity is an improvement in customer satisfaction and reduction in operational costs as customer opt to utilize "self-service" options.
<i>Solution</i>	<p>Identify and deploy new or improved customer tools to enhance service delivery, considering the following:</p> <ul style="list-style-type: none"> <li>▪ A user-friendly, customer "portal" for tracking water usage</li> <li>▪ Profiling water usage data collected by AMI/AMR system</li> <li>▪ Integration of access to usage and billing data</li> <li>▪ Improve on-line billing and payment options</li> <li>▪ Goal for percentage of customers utilizing e-billing</li> <li>▪ Updated drought-tolerant plant guide with water factors</li> <li>▪ E-delivery of LVMWD mailers</li> </ul>
<i>Timing</i>	2 to 5 years
<i>Ramifications of Not Acting</i>	Lower level of customer satisfaction; less efficient operations.

**Strategic Objective No. 8 Develop a process to act on efficiency improvement suggestions.**

<i>Applicable Business Values</i>	<ul style="list-style-type: none"> <li>▪ Innovative and Efficient Operations</li> <li>▪ Highly Effective Workforce</li> </ul>
<i>Most Relevant Standards</i>	<ul style="list-style-type: none"> <li>▪ Systematic Approach to Enhance Efficiency</li> <li>▪ Invest in Efficiency Improvements</li> <li>▪ Reduce Cost while Preserving Key Service Standards</li> <li>▪ Use Proven Technologies to Increase Efficiency</li> <li>▪ Develop Employee Skills, Competencies, Leadership</li> </ul>
<i>Background</i>	LVMWD's commitment to efficient operations have enabled it to provide value to customers with high-quality service and the lowest rates as compared to surrounding agencies. Employees are the best source of suggestions to improve efficiency.
<i>Challenge/Opportunity</i>	The challenge is to foster an efficiency "ethic" where suggestions originate from employees who are most familiar with LVMWD's day-to-day operations and can be acted upon by managers. The opportunity would be for LVMWD to adopt efficiency improvements that would not otherwise have been identified.
<i>Solution</i>	<p>Develop and implement a process for LVMWD to act on efficiency improvements submitted by employees, considering the following:</p> <ul style="list-style-type: none"> <li>▪ An organized, systematic process</li> <li>▪ Development of a suggestion submittal form</li> <li>▪ Evaluation process with Department Head and GM review</li> <li>▪ Response to suggestions</li> <li>▪ Implementation of new efficiency improvements</li> <li>▪ Recognition of employees who suggested the efficiency improvements</li> </ul>
<i>Timing</i>	1 year
<i>Ramifications of Not Acting</i>	Lower level of operational efficiency; lower morale; loss of creativity.

**Strategic Objective No. 9 Enhance LVMWD's asset management programs.**

<i>Applicable Business Values</i>	<ul style="list-style-type: none"> <li>▪ Reliable Water Supplies and Service</li> <li>▪ Sound Planning and Appropriate Investment</li> <li>▪ Sound Financial Management</li> </ul>
<i>Most Relevant Standards</i>	<ul style="list-style-type: none"> <li>▪ Comprehensive Maintenance and Replacement Programs</li> <li>▪ Long-Term View, Appropriate CIP Funding</li> </ul>
<i>Background</i>	<p>LVMWD has an existing asset management program to identify maintenance, rehabilitation and replacement needs for its various asset types. Condition assessments are routinely conducted for some types of assets; whereas, other such as underground pipelines are evaluated based upon factors such as age, soil conditions, breaks and pipe material. Future maintenance and replacement programs can best be planned using data from an effective asset management program.</p>
<i>Challenge/Opportunity</i>	<p>Asset management practices have advanced significantly in recent years with many agencies facing the daunting task of renewing their aging infrastructure. With limited resources available, agencies must make the difficult choices regarding expensive infrastructure rehabilitation and replacement projects. The challenge for LVMWD is to minimize the life-cycle cost of its infrastructure and make informed decisions on future maintenance, rehabilitation and replacement investments.</p>
<i>Solution</i>	<p>Enhance LVMWD's existing asset management system by collecting and leveraging data to guide future investment decisions.</p>
<i>Timing</i>	<p>5 years</p>
<i>Ramifications of Not Acting</i>	<p>Increased occurrences of asset failure; reduced service reliability; increased costs.</p>

## REVIEW AND UPDATE OF STRATEGIC PLAN

An effective strategic plan must be reviewed and updated periodically to address changing circumstances and priorities. LVMWD reviews its strategic plan annually in conjunction with the budget preparation process. At that time, progress toward accomplishment of the strategic objectives is evaluated. However, a more significant review and update will be performed once every five years with the next occurring in 2020.

## ACKNOWLEDGEMENTS

All LVMWD employees deserve recognition for supporting the development of the strategic plan. Many employees participated in one-on-one interviews to provide their insights on the challenges and opportunities facing LVMWD and offered creative solutions to deal with them. The following Board Members, consultant and employees (in alphabetical order) were particularly instrumental in the process to develop the strategic plan.

- Director Glen D. Peterson, President and MWD Representative
- Director Lee Renger, Vice President
- Director Charles P. Caspary, Secretary
- Director Jay Lewitt, Treasurer
- Director Leonard E. Polan
- John Ruetten, President, Resource Trends, Inc.
- Gretchen Bullock, Purchasing Supervisor
- Brett Dingman, Water Reclamation Manager
- Jan Dougall, Environmental Analyst II
- Jacqy Gamble, Management Analyst II
- John Gil, Senior Electrical/Instrumentation Technician
- Brad Glassman, Laboratory Supervisor
- Josie Guzman, Executive Assistant/Clerk of the Board
- Mike Hamilton, Financial Analyst
- Mike Hand, Facilities Inspector
- Steve Jackson, Senior Water Plant Operator
- Jim Korkosz, Electrical/Instrumentation Supervisor
- David Lippman, Director of Facilities and Operations
- Harold Matthews, Information Systems Manager
- Michael McIntyre, SCADA Systems Analyst
- Larry Miller, Water System/Facilities Manager
- Karen Norman, Secretary, Water Reclamation
- Carol Palma, Customer Service Manager
- Sherri Paniagua, Human Resources Manager
- Don Patterson, Director of Finance and Administration
- David Pedersen, General Manager
- Deborah Peters, Public Affairs Associate
- Ken Reed, Water Treatment and Production Supervisor
- Jeff Reinhardt, Public Affairs and Communications Manager
- Carlos Reyes, Director of Resource Conservation and Public Outreach
- David Ruiz, Water Reclamation Plant Operator I
- Eric Schlageter, Senior Engineer
- Mike Varbel, Senior Water Reclamation Plant Operator
- John Zhao, Principal Engineer





April 13, 2020 LVMWD Special Board Meeting

TO: Board of Directors

FROM: General Manager

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**Subject : Fiscal Years 2018-20 Tactical Actions and Activities**

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**SUMMARY:**

The attached report provides a summary of the progress on the District's Fiscal Years 2018-20 Tactical Actions and Activities and proposes new tactical actions and activities for Fiscal Years 2020-22.

**FISCAL IMPACT:**

No

**ITEM BUDGETED:**

No

**GOALS:**

Sustain Community Awareness and Support

Prepared by: David W. Pedersen, P.E., General Manager

**ATTACHMENTS:**

Tactical Actions and Activities

## **FISCAL YEAR 2018-20 TACTICAL ACTIONS AND ACTIVITIES**

### **Strategic Objective No. 1**

#### **Develop a strategy to maintain a highly effective workforce.**

- Assist in organizational development through improved training and professional development.
  - *Human Resources staff supported 25 employees to enroll in and complete courses on advancement to the supervision, advanced supervision and leadership that were offered through the District's partnership with Cal Lutheran University.*
- Implement recommendations from various District Committees including but not limited to the Safety Committee and the Ideas Committee/Subcommittees to the extent they are feasible.
  - *Human Resources staff continued to implement recommendations for various improvements, where and when feasible.*
  - *Increased safety awareness and incorporated AWWA safety videos into the District's safety program. These videos all have water industry-based content.*
  - *Implemented an in-house confined space rescue training program. This training supports the District's readiness for a rapid confined space rescue, if needed, without relying on outside agencies' response times.*
- Identify, coordinate and implement cost-effective training programs focused on employee development.
  - *Human Resources staff collaborated with other District employees to explore new training opportunities and professional development courses with a primary focus on strengthening staff communication and presentation skills. The program design is in progress and positioned to be unveiled and implemented by current fiscal year-end.*
  - *Developed a public speaking/communication course and speaker's bureau.*
- Update Administrative Policies related to HR to ensure compliance and sound workplace practices.
  - *A number of important policies were reviewed and updated during this period.*
- Negotiate successor MOUs to promote positive labor relations.
  - *Contracts with 3-year terms were successfully negotiated in January 2019; all contracts are now in alignment with coinciding contract expiration dates (December 31, 2021).*
- Continue utilizing recruiting strategies that attract a qualified and diverse talent pool.
  - *Through thoughtful recruitment planning, advertising, and attendance at career fairs, staff have attracted a broader and more diverse talent pool. This focus has improved the District's organizational demographics as seen with the 15 new hires over the most recent two-year budget period.*
  - *Re-classified an Electrical/Instrumentation position to an Electrician to attract a more focused group of applicants to meet the District's operational needs.*
- Implement a diversity and inclusion plan focusing on education and engagement of employees.
  - *A committee was formed in 2018 and considered several initiatives. This committee's*

- work, combined with succession planning strategies, have resulted in a more diverse workforce. Human Resources staff will focus additional training in this area for the Fiscal Years 2020-22.*
    - *Recruitments implemented for Engineering staff reflects diversification of a 66% female-to-male ratio.*
- Focus on succession planning strategies developed by the committee to ensure efficient transition when experiencing turnover.
  - *Increased use of Interim assignments to give current employees opportunities to develop their skill sets and improve promotability.*
  - *The Operations Division is supporting cross-training with one member working with the maintenance staff and one member planned to cross-train at the Westlake Filtration Plant for five months during the summer plant run.*
  - *Tapia hired an additional operator in anticipation of upcoming planned retirements.*

## **Strategic Objective No. 2**

### **Improve LVMWD's water supply reliability.**

- Complete the detailed design for an interconnection with Calleguas Municipal Water District and coordinate with Calleguas on the preparation of a joint-CEQA document. Issue a call for bids and award a construction contract.
  - *The design work was completed, and the bid package is being finalized to incorporate the City of Westlake Village's pavement overlay project as a joint effort to minimize impacts to the community. The EIR for the project was adopted by the Calleguas Municipal Water District as the lead agency for CEQA. Construction is expected to begin by the end of 2020.*
- Complete design and construction of a 14-inch pipeline connecting the 30-inch transmission main in Valley Circle to the Twin Lakes Pump station to provide additional capacity and improve water supply reliability to the Twin Lakes subsystem.
  - *Design efforts are nearing completion. Easement acquisitions are being finalized based on the pipeline alignment. A call for bids will follow as soon as the bid package is completed.*
- Complete the 2020 Urban Water Management Plan.
  - *To be completed in late 2020/early 2021 to meet the regulatory deadline of July 1, 2021. An RFP was completed and will be released for advertisement shortly.*
- Complete the 2020 Watershed Sanitary Survey for Las Virgenes Reservoir.
  - *Will be completed by the June 30, 2021 due date.*
- Obtain approval from the Division of Drinking Water of a revised Potable Water System Permit incorporating the results of the tracer study at the Westlake Filtration Plant.
  - *Completed. A revised Potable Water System Permit was received from DDW.*
- Consider and evaluate non-potable water sources to increase the influent of the Pure Water Project such as groundwater, low flow diversions and sewerage of septic systems.

- *Efforts are underway. Staff met with City of Malibu representatives to discuss potentially purchasing their excess recycled water.*
- *Completing Phase II White Paper and including a groundwater supplement study as part of the scope for the upcoming Pure Water Project Owner's Agent/Advisor RFP.*

### **Strategic Objective No. 3**

#### **Support customers to meet water-use efficiency standards.**

- Participate in statewide discussions on Governor Brown's Making Conservation a California Way of Life, and promote its implementation by the District and its customers.
  - *Provided input for and supported the passage of AB 1668 and SB 606 that mandate water budgets. Staff participated in several workshops held on implementation of Making Conservation a California Way of Life. Additionally, the District provided outdoor irrigation mapping to assist the state in its pilot efforts to validate the statewide mapping effort being completed as part of this conservation legislation.*
- Continue with efforts to help customers manage water use by educating them on their water budgets and providing helpful tips to reduce water use through in person-contact, social media and other outlets.
  - *Efforts are on-going. Field customer service staff continue to provide one-on-one consultations with customers who have high bill complaints. This effort is going to be expanded upon with the addition of a conservation specialist who will provide more proactive interventions with high water-using customers.*
- Continue with focused outreach for inefficient water users in conjunction with the deployment of the Advanced Metering Infrastructure (AMI or Smart Meters) and the implementation of a plan for providing weather based irrigation controllers and other water saving initiatives.
  - *Installed nearly 2,000 weather-based irrigation controllers. Early indications are that the program is yielding a reduction in Districtwide water use by up to 2%. The program is currently ahead of schedule with 1,760 controllers redeemed as of March 11, 2020. In total, the program has distributed 2,029 controllers when the second controllers purchased by customers with larger yards are included. It is anticipated that the program will distribute all remaining controllers by the end of 2020.*
- Continue with efforts to increase participation in regional and District-administered conservation programs.
  - *Launched the Weather-Based Irrigation Controller Giveaway Program. The Program is continuing and expected to be completed ahead of schedule and under budget.*
  - *Gave away over 325 rain barrels as part of a voucher program with Smith Pipe and Supply.*
  - *Continued with the development of a landscape conversion initiative at a regional level.*
- Continue making refinements to customer data for more accurate water budgets.
  - *Efforts are on-going. Field customer service staff verified customers' irrigated areas during one-on-one consultations, and GIS staff proactively checked areas that have tree cover or other features that potentially complicate accurate mapping. Evaluations indicate that the District's irrigated area data is within 5% of actual.*

- Solicit and identify a vendor that will provide a customer interface platform in conjunction with deployment of the AMR/AMI Smart Meter Project.
  - *Proposals have been received and a selection is scheduled to be made by July 1, 2020.*

#### **Strategic Objective No. 4**

##### **Eliminate discharges to Malibu Creek by maximizing beneficial reuse.**

- Have the Independent Advisory Panel complete their review of the mixing and dilution study and act on any recommendations.
  - *The IAP completed its review and provided an endorsement for the Pure Water Project Las Virgenes-Triunfo.*
- Continue the investigation and evaluation of sources of chloride in the JPA's recycled water to support a Basin Plan Amendment to increase the chloride limit for discharges to the Los Angeles River.
  - *The permit-required reports were completed by Larry Walker and Associates on-time. The last of four reports, the Recommendation Report, was submitted to the LARWQCB in October 2019. This report recommends that a Site Specific Objective be developed for the Los Angeles River to amend the chloride limit to 190mg/l.*
  - *Chloride Study: Investigation, Evaluation and Recommendation Reports were all completed. The JPA Board approved the study, which was submitted to the LARWQCB for review. A Basin Plan Amendment is expected to follow the developed of a Site Specific Objective for the Los Angeles River.*
- Complete the evaluation of alternatives for compliance with summer time TMDL discharge limits, select a preferred alternative, and complete preliminary design and environmental analysis.
  - *The evaluation of alternatives was completed with the Board's selection of the option to discharge potable water with treatment by breakpoint chlorination as the preferred alternative. The project is currently at 90% design for construction.*
  - *Breakpoint chlorination was selected as the preferred means of compliance for summer discharge.*
  - *The TMDL Summer Compliance Project will involve extending the existing potable water main from Piuma Road into the Tapia Water Reclamation Facility. Design is nearing completion. Potable water will be chlorinated to remove ammonia and de-chlorinated to before being released to supplement Malibu Creek during low flows.*
- Complete the Title XVI Feasibility Study and gain Bureau of Reclamation approval.
  - *The Title XVI Feasibility Study was completed and approved by the U.S. Bureau of Reclamation. In August 2019, the U.S. Bureau of Reclamation notified Congress of its approval of the Feasibility Study for the Pure Water Project Las Virgenes-Triunfo in accordance with the Water Infrastructure Improvements for the Nation Act of 2016.*
- Complete the implementation of a pilot project for low-flow diversion of urban runoff to the sanitary sewer system with the Los Angeles County Department of Public Works.
  - *Working with Los Angeles County Flood Control District on the Wagon Road Storm Water Diversion Project. A similar, but larger, project is being planned with the City of Agoura Hills for the Lindero Creek Channel Outlet south of Agoura Road.*

- Enhance public outreach, regulatory coordination and financial planning for the Pure Water Project Las Virgenes-Triunfo.
  - *Efforts are underway with the Pure Water Demonstration Facility scheduled to open for tours (soft opening) in summer 2020. A ribbon-cutting and grand opening is scheduled for September 11, 2020.*
- Continue to track and provide comments on important SWRCB policy processes for a Numerical Nutrient Endpoint (NNE) framework, development of biological objectives and toxicity.
  - *The new Test of Significant Toxicity parameters were included in Tapia's NPDES Permit. There appears to be no significant effect upon compliance at this point.*
- Continue to engage in community outreach programs intended to keep customers informed of Malibu Creek Watershed issues including the use of social media and other outlets.
  - *Efforts are on-going.*
- Closely monitor local city and county MS4 permit activities.
  - *The General Manager was elected to serve as the Chair of the North Santa Monica Bay Watershed Area Steering Committee (WASC) for the County's Safe, Clean Water Program (Measure W). The WASC members are currently collaborating to identify and fund the most cost-effective MS4 projects for the region.*

**Strategic Objective No. 5**

**Achieve a high credit rating for LVMSD's three enterprises.**

- Continue to rebuild the potable water enterprise reserves towards stated policy levels.
  - *Reserves for the Potable Water Enterprise have increased by \$10.0 million. The enterprise is currently only \$894,000 below the levels set forth in the District's Financial Policies.*
- Present an annual review of the Investment Policy and Cash and Investment positions to the Board.
  - *Scheduled for Strategic Planning Workshop on April 13, 2020.*
- Pursue grant-funding opportunities to offset the cost of major District projects, particularly the Pure Water Project Las Virgenes-Triunfo.
  - *MWD \$35,000 Artificial Intelligence Pure Water Demonstration Grant and \$300,000 U.S. Bureau of Reclamation Grant for the Pure Water Demonstration Project.*
  - *The following grants have been obtained for a total of \$2,303,544*

<i>Bureau of Reclamation (Title XVI Study)</i>	<i>\$150,000</i>
<i>Bureau of Reclamation (Demo Project)</i>	<i>\$300,000</i>
<i>MWD (Demo Project)</i>	<i>\$34,575</i>
<i>Coastal Conservancy (Demo Project)</i>	<i>\$925,720</i>
<i>SWRCB (Demo Project)</i>	<i>\$893,249</i>
- Continue to receive the GFOA awards for the District's budget, CAFR, and PAFR documents.
  - *GFOA awards have been applied for the 2019 CAFR and PAFR. The Two-Year Budget*

*received the GFOA award for 2018-2020.*

- Continue to improve and expand the District's financial reporting to reach a broader audience to increase transparency.
  - *Budget in Brief was prepared for 2019-2020 Budget, and a Popular Annual Financial Report was prepared for FY 2018-19.*
- Ensure the District's financials reflect the most current implementation of GASB standards.
  - *The District's financial documents continue to meet GASB standards.*
- Continue to evaluate important District operations to ensure that sufficient internal controls are employed to minimize potential financial risk.
  - *Financial Policies will be reviewed at April 13, 2020 Strategic Planning Workshop*
- Continue to adhere to the District's bond covenants.
  - *Adhered to all of the District's Bond covenants and recommended approve of a Debt Management Policy, which was adopted on April 7, 2020.*
- Continue to promote and further the fiduciary responsibility and integrity of District staff responsible for administration and oversight of public funds.
  - *Provided training to staff to ensure implementation of the latest best practices and laws.*

**Strategic Objective No. 6**  
**Reduce LVMWD's carbon footprint**

- Issue and evaluate a Request for Proposals for an additional 4 to 5 megawatts of solar power generation capacity in the North Canyon, utilizing the REC-BCT tariff.
  - *Project construction will start in April with an anticipated operational date in September 2020.*
- Complete the installation of new process air compressors and diffusers for the Tapia Process Air Improvements Project, which will result in a significant reduction in Tapia's energy usage.
  - *The Tapia Process Air Improvements Project was completed. All blowers and diffusers were installed and are operational. The project not only replaced aging and inefficient equipment but also will provide \$2.5 million in energy savings over an expected 20-year lifetime beyond the payback period. The simple payback period, which includes an SCE incentive of \$173,620.94, is only 5.7 years for the investment.*
  - *The Tapia Air Project is completed with new blowers and diffusers. A preliminary energy savings of 25% has been realized.*
- Implement the lighting retrofit at Rancho including applying for SCE rebates.
  - *Lighting retrofits of all major facilities has been completed.*
- Initiate a study to consider floating PV panels at Las Virgenes Reservoir.
  - *Floating solar will be combined with solar panels for the raw water reservoir and SGIP*

### *Battery Storage Study.*

- Continue school education programs focused on conservation and environmental stewardship in addition to adult education opportunities (i.e. landscaping and gardening classes).
  - *Staff has coordinated with the demonstration garden design company to teach two classes about native and climate-appropriate landscaping that will utilize the new garden as an educational tool during the classes. Additional classes are being developed with the goal of having at least two spring classes and two fall classes on different subjects.*

### **Strategic Objective No. 7**

#### **Provide new/improved customer tools to enhance service delivery.**

- Plan, design, bid and deploy a new Advanced Metering Infrastructure (AMI) system and educate customers on the benefits of AMI along with the proper utilization of it's customer interface portal.
  - *Deployment scheduled to begin in the Summer 2020 with completion in early 2022.*
- Implement billing enhancements: billing transfers consolidated billing and automatic owner move-ins/outs as part of the new CIS Version 4 Software.
  - *District went live with CIS Version 4 in August 2019.*
  - *CIS Version 4 has been launched and enhancements put into place.*
- Implement rain forecast, shutdowns and other useful information with a new Customer Interface Platform and in conjunction with deployment of the AMI Project.
  - *The selection of a Customer Interface Platform is pending and will be launched with the deployment of AMI.*
- Conduct a customer satisfaction survey as part of the AMI Project.
  - *A survey will be issued as part of the AMI Project.*
- Continue to build and maintain relationships with city and county government officials in the service area.
  - *On-going through various means including the Malibu-Las Virgenes Council of Governments and Chambers of Commerce.*

### **Strategic Objective No. 8**

#### **Develop a process to act on efficiency improvement suggestions.**

- Continue the Employee Idea Program and act on those ideas that provide the greatest opportunity to the District.
  - *On-going. The first idea implemented under this program was to install hand sanitizer stations throughout the District. These stations have proved to be valuable with the recent COVID-19 pandemic.*

## Strategic Objective No. 9

### Enhance LVMWD's asset management programs.

- Continue to update and improve the District's asset management programs such as the Infrastructure Investment Plan, scheduling of tank coating rehabilitation based on condition and evaluation of the distribution system based on failure history and condition.
  - *On-going.*
- Reevaluate the SCADA communication project and revise the plans and specifications accordingly.
  - *Evaluation report for SCADA project completed in Fiscal Year 2018-19*
- Proceed with the conversion and replacement of the District's SCADA system field components (PLCs) at Tapia, modernizing obsolete equipment.
  - *Staff prepared a Request for Proposals to replace the PLCs at Tapia and upgrade the communications network. Integrator selection expected before the end of FY 19-20.*
- Complete the various rehabilitation/replacement projects identified in the Fiscal Year 2018-19 and 19-20 Budget and Infrastructure Investment Plan.
  - *Digester No. 2 improvements are underway. Tapia white room improvements are also under construction. Drives for sludge collection and skimming at Tapia Water Reclamation Facility have been replaced.*

### Other Important Tactical Actions and Activities

- Evaluate operational strategies to minimize the financial impact of changes to SCE tariff/rate schedules on the cost of the District's energy consumption.
  - *Working with SCE Account Representative to ensure that facilities have the best and most appropriate tariff/rate schedules. In addition, working with SCE for more efficient time-of-use pumping program to take advantage of "super off peak" pumping rates wherever possible.*
- Continue to participate in the Association of Water Agencies of Ventura County.
  - *On-going. Staff continued to participate in various AWA programs.*
- Conduct an emergency response exercise.
  - *Conducted a tabletop earthquake EOC Exercise in conjunction with "The Great Shake Out" in October 2019.*
  - *Joined AWA Emergency Managers' group in coordination with Ventura County Sheriff's Office of Emergency Services (VC SOES). The District now has access to their Everbridge software that allows for mass notifications and coordination with public agency partners during wildfires and other catastrophic events.*
- Maintain awareness and interactions with MWD on outreach and legislative initiatives.
  - *On-going. Participated in bi-weekly MWD Legislative conference calls.*

- Conduct legislative monitoring and advocacy per the adopted District and JPA Legislative Policy Principles.
  - *On-going. Provided letters of support/opposition for over a dozen bills. Also, co-sponsored a bill with CMUA to provide additional flexibility to operate and maintain emergency backup generators (SB 1099).*
- Monitor and implement industry trends in communications, education and outreach programs.
  - *Ensured that staff is well-versed in trending digital mediums and current digital applications that meet the public where they seek information. Provided staff opportunities to enhance and build new skill sets that will be used to continue pursuit of authentic and creative outreach and educational materials.*
- Conduct outreach for the District's capital improvement projects.
  - *On-going. Provided significant outreach efforts for the Phase 2 Solar Project, AMR/AMI Project and Pure Water Project Las Virgenes-Triunfo.*
- Utilize speaker's bureau outreach on important District issues.
  - *On-going. The General Manager and staff participated in various events to speak on District priorities including response and recovery efforts associated with the Woolsey Fire and the Pure Water Project Las Virgenes-Triunfo.*
- Conduct outreach to community groups (HOAs, chambers of commerce and service clubs).
  - *Spoke at several community events throughout the year, including the Conejo - Las Virgenes Future Foundation 10x10 Event.*
  - *Spoke at LADWP Safety Committee meetings.*
  - *Hosted the 3rd Annual International Women's Day event.*
  - *Spoke at LVUSD 360 speaker series.*
- Sponsor community forums on key water and wastewater issues.
  - *Hosted Tap-In 2019 and will continue it going forward.*
- Conduct tours of MWD, District and JPA facilities.
  - *Continued to conduct quarterly tours for the public, school education tours and community group tours for District and JPA water and wastewater facilities, and opportunities to visit the Colorado River and Bay Delta area via MWD.*
- Maintain a presence at key community events.
  - *Public affairs consistently attended several community, educational, environmental, and water/wastewater industry events to highlight the District's upcoming unveilings, technologies and agency programs.*

- Continue website enhancements to improve the customer experience in accessing District information.
  - *Website updating and enhancements are consistently made to provide an easier and more user-friendly experience to customers. The website is changing from a text heavy data platform to more pictures and videos to meet the current trend in information exchange. An external portal is also being developed.*
- Increase social media followers by introducing short, informative and fun-to-watch video clips.
  - *New videos are posted weekly discussing current events that impact the District's customers or the water industry.*
- Implement the Information Systems Master Plan:
  - *Complete JD Edwards Post Implementation Evaluation Review (PIER) / ERP Assessment Project.*
    - ✓ *SDI (formerly Nexlevel) was selected at the beginning of 2018 to help the District evaluate the existing ERP system. A kickoff meeting was held in March 2018.*
    - ✓ *An RFP was released in May resulting in two qualified vendors. Each vendor gave the District a three-day demo of their software.*
    - ✓ *The District selected Tyler Munis, and the contract was signed in March 2019 with a completion date scheduled for January 2021.*
  - *Assess/replace the Board Room audio/video conferencing system.*
    - ✓ *Live streaming of Board Meetings was implemented via YouTube Live (temporary).*
    - ✓ *An RFP for Board Room upgrades was released in March 2019 with proposals received on April 5, 2019.*
    - ✓ *Staff selected AMT Systems for the Audio-Visual (AV) portion of the work.*
    - ✓ *AV work is on-hold due to the COVID-19 emergency.*
  - *Assess options for electronic document management system.*
    - ✓ *Upon completion of the Tyler Munis ERP system in January 2021, staff intends to evaluate Tyler's electronic document management system vis-à-vis the District's requirements.*
  - *Develop a GIS roadmap.*
    - ✓ *GIS is continuously supporting customer landscape information updates for budget-based billing.*
    - ✓ *Web-based GIS is in use with enhancements and future development is pending.*
    - ✓ *Staff is currently evaluating the InfraMap valve-turning system from iWater.*
    - ✓ *CIS integration with GIS is pending development from the CIS software provider.*
  - *Assess the development of management dashboards to quickly provide key management indicators.*
    - ✓ *Tyler Munis will have dashboards to show key performance indicators, which will be setup during implementation of the software*
    - ✓ *Staff is implementing an operations Data Management System (iGreen) from*

- IOSight, Ltd. to pull operations data from SCADA and other systems to provide management dashboards for decision-making.*
  - ✓ *The District is evaluating the implementation of Crystal Reports Enterprise for on-demand, as well as scheduled reports. Key management dashboards are also being evaluated.*
- *Complete a District-wide mobility review and plan to increase remote access to key District information and resources.*
  - ✓ *Switched from Point-to Point Tunneling Protocol (PPTP) to Layer 2 Tunneling Protocol (L2TP) for advanced 128-bit security within the District's Virtual Private Network (VPN).*
  - ✓ *Currently testing remote access using iPads with the Geographic Information System (GIS).*
  - ✓ *Remote access with Supervisory Control and Data Acquisition systems (SCADA) is complete.*
  - ✓ *Future remote access testing will be with the Customer Information System (CIS).*

**NEW Proposed FY 2020 – 2022 Initiatives:**

- *Continue and/or complete the on-going above-described items.*
- *Implement the IIP project to purchase and install an emergency generator for the Rancho Las Virgenes Composting Facility to power the entire plant during electrical outages.*
- *Begin a study and design of flow equalization improvements at the Tapia Water Reclamation Facility to ensure consistent effluent quality and provide storage for increased capability to capture and treat stormwater flows.*
- *Begin design on a new return activated sludge (RAS) wet well and pumps to ensure effective wastewater treatment.*
- *Installation of raw water cover at Westlake Filtration Plant for improved control of disinfectant by-products (TTHMs).*
- *Complete the updated Corrosion Control Study.*
- *Complete the installation of stationary generators at strategic pump stations.*
- *Complete the installation of mixing systems inside potable water storage tanks to improve water quality.*
- *Perform public outreach, train staff and evaluate available technologies by successfully operating the Pure Water Demonstration Project.*
- *Update the District's Emergency Response Plan (ERP) with experience gained from the COVID-19 pandemic emergency.*
- *Complete the implementation of the Tyler Munis ERP system.*
- *Complete the updated Urban Water Management Plan by the July 1, 2021 statutory deadline.*
- *Implement new public speaking training program in collaboration with Cal Lutheran University and initiate the LVMWD Speaker's Bureau.*

#####



April 13, 2020 LVMWD Special Board Meeting

TO: Board of Directors

FROM: Finance & Administration

**Subject : Annual Review of Financial Policies**

**SUMMARY:**

The Board has approved 11 Financial Policies that establish guidance related to the financial management of the District. The policies define how the District manages its restricted cash and budget, establishes reserves, prefers to pay for capital projects and uses funds in excess of reserve balances. The Financial Policies are designed to be long-lasting and provide clarity to staff, the public and municipal market investors. The policies were last modified on May 22, 2018 with the addition of Policy 11, establishing a process to assign or commit funds in compliance with Government Accounting Standards Board (GASB) Standard 54. Staff does not propose any changes to the District's Financial Policies at this time.

**RECOMMENDATION(S):**

Review and provide any feedback on the District's Financial Policies.

**FISCAL IMPACT:**

No

**ITEM BUDGETED:**

No

**GOALS:**

Ensure Effective Utilization of the Public's Assets and Money Prepared by:

Donald Patterson, Director of Finance and Administration

**ATTACHMENTS:**

Financial Policies

# FINANCIAL POLICIES

## **POLICY 1: Restricted Cash**

***The District will maintain cash, to be used solely for its intended purpose, in an amount equal to funds restricted by legal requirements, contractual agreements and trustee requirements.***

The District is limited in the means in which it may use certain cash (“restricted cash”) due to legal and contractual requirements.

Other reserves/funds are unrestricted; they are established by Board direction to address potential needs as defined in the policies that follow. Unrestricted reserves may be adjusted in amount and directed for needs other than those initially contemplated, but funds described in Policy 7 for replacement/major maintenance must be used only for needs of the enterprise from which the funds were generated.

AB 1600 requires that development impact fees (“capacity fees”) and interest generated from such can only be used for capital projects related to expansion, not replacement or enhancement. These funds are maintained separately in the appropriate enterprise **Construction Fund**.

**Vested sick leave** results from contractual obligations with employees. Cash is maintained in an amount equal to the vested sick leave obligation. Upon voluntary termination, retirement or death of an employee, the vested sick leave accrual is paid to the employee or their beneficiary.

**Trust funds** hold cash that has been deposited with the District for future obligations that may or may not occur. These obligations include developer/customer deposits and pre-funding by Triunfo Sanitation District for their portion of JPA capital projects and 3 months operating expense.

A **Bond covenant** is cash held as a surety that the annual bond payment and interest will be made. The official documents of the bond transactions require that funds be deposited and maintained with the trustee until the final bond payment is made or the bond issue is defeased. If the District had to draw on this reserve to pay any portion of the debt service payment before the issue had fully matured, the District would be in technical default and the trustee could require the District to pay off the bondholders at once. The District’s refunding bond reserve has been deposited through the bond trustee, Bank of New York, in the state of California’s Local Agency Investment Fund (“LAIF”). The current bond coverage required for the district is that net operating income must be at least 110% of the maximum annual debt service.

## **POLICY 2: Balanced Budget/Annual Board Review**

***The District will maintain a balanced operating budget for each enterprise fund with annual revenues equal to or greater than annual expenditures. However, the Board may determine that reserves be used to augment operating revenues under certain circumstances. The Board will review annually the working capital, cash, projected income and bond coverage levels to determine the adequacy of each.***

If in any given fiscal year operating expenditures will exceed the operating revenue projected in the same year, causing a budget imbalance, cost cutting measures or revenue enhancements may be addressed before spending reserves to support on-going operations. Cost cutting measures may include reductions in capital improvement projects, reductions in staff or reductions in expenditures for materials, services, or supplies. Such expenditure or staff reductions may result in reduced service levels. Alternatively, the Board may determine that circumstances warrant taking money from reserves to offset expenses larger than operating income.

At year-end, net revenue after expenses (“income”) will be transferred to funds as directed by the Board, subject to any legal limitations on the Board’s discretion. Funds balances are addressed annually as part of the budgeting process.

Available cash in the various funds reflects the District’s ability to pay current bills and commitments, as well as underwriting the risk level the District is willing to accept.

**POLICY 3: Rate Stabilization Fund**

***The District will maintain a Rate Stabilization Fund in an amount of \$8 million to maintain rate stability for customers in times when short or mid-term cash needs are volatile.***

The District’s potable water operating revenue *can vary greatly* based on climatic conditions. During periods of heavy rain, potable water revenue drops significantly from the three year average at which revenues are budgeted. During significantly hot, dry periods, a reverse trend is seen wherein significant revenue is generated by higher sales than the three year average. During periods of extended water shortage, when customers are asked to reduce consumption, the impact on potable water revenue is similar to the effect of heavy rain. Rather than raising water rates on a temporary basis to cover expenses during these times, the Rate Stabilization Fund (RSF) allows the Board to balance operating revenue to operating expenses by a transfer.

**POLICY 4: Financing Alternatives**

***As part of the annual Infrastructure Investment Plan (IIP) budgeting process, the District will examine options available to pay for the proposed projects, including the option of financing.***

Each year the Board reviews needs for capital improvements and major maintenance over the next five years (the capital improvement plan “CIP”). Expenditures are projected on an annual basis, but the available fund balance for replacement or major maintenance is not always adequate to cover the need when it arises. The Board favors a pay-as-you-go program for the IIP program, but the District may not have funds available to pay for projects in any given year, or projects anticipated in future years may be of a type that would be difficult to finance. Such considerations may dictate financing as the preferred alternative. If a project requires substantial expenditures over several years and interest rates are low, the District may consider issuing financing now and reserving the available funds for need at times when interest rates are higher.

The Board has determined that debt service should not exceed 15% percent of reliable revenue sources.

**POLICY 5: Fiscal Impact Analysis**

***Staff shall prepare a fiscal impact analysis for each budget appropriation request not included as part of the Annual Budget. Available fund balances are intended to be appropriated only for “one-time” nonrecurring expenditures not covered by the current annual budget.***

When non-budgeted items are brought before the Board for consideration, the resulting fiscal impact will be analyzed. The Board requires all requests for new or supplemental budget appropriations to be accompanied by a fiscal impact statement including:

- Amount of funds requested
- Source of funds requested
  - New revenue
  - Reallocation of existing appropriations
  - Grants
- Impact of Request
  - New rates or fees
  - Decrease in one activity to support another activity
  - Effect on fund balance

**POLICY 6: Operating Funds Cash Requirement**

**The District will maintain cash (net of restricted cash) in the Operations Fund of each enterprise equivalent to 25% of the operating budget (and eliminate the requirement for one-year’s debt service obligation. This change in policy will increase the potable water reserve balance but should be tempered with a requirement to maintain a working capital reserve for operations and one year’s debt service in the sanitation operating fund each year, which would be approximately \$5.2 million.)**

An available cash reserve to cover operating shortfalls is a prudent management practice to be used for both short term cash flow and contingency planning for unforeseen situations. Examples Include:

- Unexpected increases in costs or declines in revenues
- Legislative or judicial mandate to provide a new or expanded service or program
- Natural disaster emergencies which exceed the Emergency/Insurance Fund
- One-time Board approved non-capital expenditures or capital need if the IIP fund is inadequate
- Interruptions in billing process to customers

If such unforeseen circumstances occur, staff will present the Board with options for curing the deficiency, including use of this fund.

**POLICY 7: Replacement and Major Maintenance Fund by Enterprise (potable water, sanitation, recycled water)**

*Each of the District's three enterprises will maintain a Replacement Fund for major maintenance, replacement and improvement of facilities and infrastructure not related to growth. The source of funds will be current user fees. Each Replacement Fund will maintain cash levels equal to the most current three-years of actual depreciation expense. If a replacement fund's cash target is exceeded, the Board will consider using the excess for prepayment of outstanding debt, if appropriate.*

Prudent stewardship of assets requires that maintenance be performed to postpone or decelerate the aging process. As a general rule, maintenance costs for an item become more expensive as the asset ages. Also, changes in technology could result in replacing an asset with one which provides lower operating expenses or greater revenues or replacement of assets may be required due to changes in regulatory standards.

Major maintenance and replacement are on-going operating costs that should be paid for by user fees. Appropriate cash levels within a Replacement Fund enables the District to pay for planned or unplanned projects in any given year.

The water stand-by charge is levied against developed and undeveloped land and is dedicated to maintenance and replacement of potable water infrastructure and facilities. Recognizing that undeveloped land has added value because of the availability of potable water service, these owners have a vested interest in seeing the system maintained.

**POLICY 8: New Construction Fund by Enterprise**

*The District will pay for expansion or new facilities necessitated by growth from capacity fees collected from new development and maintained in the appropriate enterprise's Construction Fund.*

Current ratepayers should not be burdened with costs associated with growth due to new development. The fair share of cost of expansion will be borne by the developers through capacity fees.

The District has a master plan that identifies projected infrastructure and facility needs through build-out and is used as the basis for determining capacity fees. Capacity fees may be pledged for debt service payments, if the need for the expansion occurs before adequate capacity fees can be collected.

Prepaid capacity fees not used are subject to refund with interest, provided the developer has not started his project and the District has not begun construction on the system.

**POLICY 9: Internal Service Replacement Fund for Buildings, Vehicles and Equipment**

*The Internal Service Fund will have revenues (i.e. user charges, interest income and all other income) sufficient to meet operating expenses, maintenance costs, depreciation expense, an inflation factor for other needs not exclusive to one of the three enterprises.*

The District uses the internal service fund as an internal accounting and budget mechanism to equitably distribute general operating costs such as for buildings, vehicle and equipment replacement and maintenance costs among District user programs and to assure that adequate funding is on hand to replace or maintain these assets.

**POLICY 10: Emergency/Insurance Fund**

***The District will maintain an Emergency/Insurance Fund to cover claims not covered by insurance, fines and penalties imposed by regulatory agencies and disaster repairs and expenses. The target for this Fund is two percent (2%) of the total value of capital assets, including LVMWD’s share of the Joint Power’s Authority capital assets. The Board must approve any expenditure from this Fund. Self-insurance retentions will be paid out of operating budgets.***

To protect the investment in assets and to ensure continuation of District operations, the District purchases insurance for general liability, property and worker’s compensation. The District has the responsibility to pay for deductibles or self-insurance retentions. Also, the District has some risks that may not be economically or actually insured, such as certain types of pollution (odor), flood, and mold. Also, the insurance on District’s sewer lines or water lines is limited to the cost of emergency clean-up and does not include the cost of repairing the failure. Because of this potential exposure, the District has established the Emergency/Insurance Fund at two-percent of the value of capital assets less the value of land, which amount will be determined annually after the audit. The Fund can only be used when approved by the Board.

This policy is in line with our experience in having to pay damages that are not covered by insurance and cover expenses that are not reimbursed on a timely basis by FEMA. Like the Rate Stabilization Fund, not having the Emergency/Insurance Fund available in the event of a disaster could significantly impact our cash flow and possibly impact future utility rates during troublesome times.

**POLICY 11: Assignment or Commitment of Reserves in Excess of Target Balances**

**When the operating reserves for an enterprise fund exceed the amounts required by these Financial Policies, the Board may assign or commit the funds in excess of the established reserve balance targets for use by the Pure Water Project.**

The Board has a policy favoring pay-as-you-go for capital projects. The District considers cash on hand in excess of the reserve levels established by Policy 6 as available for capital or any one-time project. Additionally, GASB 54 establishes specific designations related to the use of fund balance as follows:

- *Assigned Fund Balance* – The assigned fund balance is a designation by the Board or its authorized designated official specifying an *intended* use of certain funds. These funds are committed for a specific purpose but not necessarily to a specific project or program and its use is not restricted.
- *Committed Fund Balance* – The committed fund balance has stronger restrictions than assigned fund balance in that its use is constrained by the Board and any use of the funds must have explicit approval of the Board, usually in the form of an ordinance or resolution. Committed funds cannot be used for any other purpose without action by the Board.

Funds that are available after the Enterprise has met its requirements for having a cash balance equivalent to 25% of the operating budget and for having funds available for replacement and major maintenance as specified in the annual Infrastructure Investment Plan (reserves equivalent to three years of capital improvement projects) can, at the Board’s discretion and upon approval, be assigned or designated for use by the Pure Water Project.



April 13, 2020 LVMWD Special Board Meeting

TO: Board of Directors

FROM: Finance & Administration

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**Subject : Annual Review of Investment Policy**

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**SUMMARY:**

On June 13, 2017, the Board adopted its Investment Policy. Section 18 of the policy requires an annual review with any recommended changes to be presented to the Board. The review has typically occurred at the Board's annual Strategic Planning Workshop. The policy is focused on the principles of safety, liquidity and yield and meets the standards established by the State Treasurer's Office and the California Government Code. The District has historically favored a more restrictive policy than provided for by State law and its buy-and-hold strategy has provided greater stability through fluctuating market conditions. At this time, staff does not recommend any changes to the Investment Policy.

**RECOMMENDATION(S):**

Review and provide any feedback on the District's Investment Policy.

**FISCAL IMPACT:**

No

**ITEM BUDGETED:**

No

**GOALS:**

Ensure Effective Utilization of the Public's Assets and Money Prepared by:

Donald Patterson, Director of Finance and Administration

**ATTACHMENTS:**

Investment Policy



# Investment Policy

Approved June 13, 2017

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**Las Virgenes Municipal Water District  
Investment Policy  
Adopted June 13, 2017**

**1.0 AUTHORITY**

This Investment Policy was adopted by the Board of Directors of the Las Virgenes Municipal Water District at its regular meeting on June 13, 2017. Any modifications to this policy must be approved by the Board of Directors at a duly noticed public meeting.

**2.0 POLICY STATEMENT**

It is the policy of Las Virgenes Municipal Water District (“District”) to invest public funds in a manner that provides the maximum security and best investment return, while meeting the daily cash flow demands of the District and conforming to laws governing the investment of public funds.

**3.0 SCOPE**

This Investment Policy applies to all investment activities and financial assets of the District. Funds held by trustees or fiscal agents are excluded from this policy; however, such funds are subject to regulations established by the State of California. Funds subject to this policy are accounted for in the District’s audited Comprehensive Annual Financial Report (CAFR).

**3.1 Funds Covered by this Policy:**

- A. Potable Water
- B. Recycled Water
- C. Sanitation
- D. Rate Stabilization
- E. Internal Services
- F. Insurance Reserve
- G. Joint Powers Authority
- H. Any new fund created by the District unless specifically exempted.

**3.2 Funds Excluded From This Policy:**

- A. Pension Funds
- B. Other Post-Employment Benefit Funds
- C. Funds related to debt issues controlled by specific provisions of the issuance documents
- D. Deferred compensation program funds

The District commingles its funds to maximize investment earnings and increase efficiencies for investment pricing, safekeeping, and administration. Investment income is allocated to the various funds proportionally and in accordance with Generally Accepted Accounting Principles (GAAP).

#### **4.0 OBJECTIVES**

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

4.1 **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the District will diversify its investments in a manner that reduces credit and duration risks. Also, the District will invest funds among a variety of securities offering independent returns and financial institutions.

4.2 **Liquidity:** The District's investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements that may be reasonably anticipated.

4.3 **Return on Investment:** The District's Investment Policy shall be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, commensurate with the District's investment risk constraints and the cash flow characteristics of the portfolio in a manner that reduces interest rate risk.

#### **5.0 DELEGATION OF AUTHORITY**

The Treasurer is a member of the Board of Directors and responsible for the investments. Daily management responsibility for the investment program is delegated to a Deputy Treasurer, normally the Director of Finance and Administration. The Deputy Treasurer shall establish written procedures for the operation of the investment program consistent with this Investment Policy. Procedures should include reference to safekeeping, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation 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 Deputy Treasurer. The Deputy Treasurer shall establish a system of controls to regulate the activities of subordinate designees.

Unless otherwise specifically designated by the District’s Board of Directors, the only officials authorized to undertake investment transactions on behalf of the District are the:

- Treasurer (Board Member)
- Deputy Treasurer
- Deputy Treasurer Designee(s)

Further, no person may engage in an investment transaction except as provided under the terms of the District’s Investment Policy.

## **6.0      STANDARD OF CARE**

In compliance with California Government Code Section 53600.3, the standard of care to be used by investment officials shall be the “prudent investor” standard and applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the Investment Policy and exercising due diligence shall be relieved of personal liability for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

The “prudent investor” standard states that:

*“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 agency, 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 agency.”<sup>1</sup>*

## **7.0      ETHICS AND CONFLICTS OF INTEREST**

The Treasurer, Deputy Treasurer and other 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.

The Treasurer, Deputy Treasurer and other employees involved in the investment process shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio and shall not undertake personal investment transactions through the same institution with whom business is conducted on behalf of the District.

The Treasurer, Deputy Treasurer and all District staff with delegated authority for any aspect of the investment process are required to file annual disclosure statements as required by the California Fair Political Practices Commission ("FPPC"), including Forms A-1 and A-2. During the course of the year, if an event subject to disclosure could impair the ability of the Treasurer, Deputy Treasurer or others to make impartial decisions, the Board of Directors will be notified in writing by the General Manager within 10 days of the event.

## **8.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

The District shall transact business only with banks, savings and loans, and registered investment securities dealers. The purchase of any investment, other than those purchased directly from the issuer, shall be purchased either from an institution licensed by the State as a **broker/dealer**, as defined in Section 25004 of the Corporations Code, who is a member of the National Association of Securities Dealers, a member of a Federally regulated securities exchange, a National or State-Chartered Bank, a Federal or State Association (as defined by Section 5102 of the Financial Code), or a brokerage firm designated as a **primary dealer** by the **Federal Reserve Bank**. In addition, a list shall also be maintained by the Deputy Treasurer of approved security broker/dealers who are authorized to provide investment services in California. The District may only conduct business with entities considered "primary" or "regional" dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

The Deputy Treasurer and his/her assigned staff shall investigate all institutions that wish to do business with the District, in order to determine if they are adequately capitalized, make markets in securities appropriate to the District's needs, and agree to abide by the conditions set forth in this Investment Policy. All financial institutions and broker/dealers that desire to become qualified bidders for investment transactions must provide the District with the following:

- Current audited financial statements;
- Proof of FINRA certification;
- Proof of National Association of Security Dealers (NASD) certification;
- Proof of California registration;
- Completed District questionnaire - Appendix "D" or Appendix "E";
- Evidence of adequate insurance coverage; and
- Certification of having read, understood, and agreed to comply with the District's Investment Policy.

The Deputy Treasurer shall conduct an annual review of the financial condition of all approved financial institutions and broker/dealers in order to determine whether they continue to meet the District's guidelines for qualifications as defined in this section. In addition, the District shall give all approved broker/dealers a copy of the District's Investment Policy on an annual basis. The Deputy Treasurer shall keep current audited annual financial statements on file for each

approved financial institution and broker/dealer with which the District does business with for a minimum period of three years.

## **9.0 AUTHORIZED AND SUITABLE INVESTMENTS**

The District shall only invest in instruments authorized pursuant to Sections 16429.1, 53600 et seq., and 53638 of the Government Code **and** explicitly authorized by the Board subject to the prohibitions set forth in Section 9.1 of this Investment Policy. Appendix A includes a listing of all authorized types of investment securities.

### **9.1 Prohibited Investments and Transactions**

Any investment not specifically authorized in Appendix A is ineligible. The use of derivatives, options, futures or buying on margin is also specifically prohibited. Security transactions shall be conducted on a delivery-versus-payment basis. Securities purchased or acquired by the District shall be held in safekeeping by a third party only pursuant to a custodial agreement as required by Government Code Section 53601.

Also, Government Code Section 53601.6 prohibits local agencies from investing in certain instruments, including inverse floaters, range notes, and mortgage-derived interest only strips. Additionally, the District shall not invest funds in securities that could result in zero interest if held to maturity.

## **10.0 INVESTMENT POOLS / MUTUAL FUNDS**

The Treasurer shall thoroughly investigate any pooled investment funds, including mutual funds. To accomplish this, a questionnaire (Appendix F) is to be used to evaluate the suitability of the pooled fund. The questionnaire will address the following:

- A description of eligible investment securities, and a written statement of investment policy and objectives;
- A description of interest calculations and how it is distributed, and how gains and losses are treated;
- A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program is audited;
- A description of who may invest in the program, how often, what size of deposits and withdrawals are allowed;
- A schedule for receiving statements and portfolio listings;
- A description of how reserves and retained earnings are utilized by the pool/fund;
- A fee schedule, and when and how fees are assessed; and
- Whether the pool/fund is eligible for bond proceeds and/or if it will accept such proceeds?

The State of California Local Agency Investment Fund (LAIF) established by Government Code 16429.1 et seq. is explicitly authorized and, therefore, not subject to the provisions of this section.

#### **11.0 COLLATERALIZATION**

Pursuant to Government Code Sections 53652 through 53667, the District requires depositories to post certain types and levels of collateral for public funds above the Federal Deposit Insurance Corporation ("FDIC") insurance amounts. The collateral requirements apply to bank deposits, both active (checking and savings accounts) and inactive (non-negotiable time certificates of deposit).

The Treasurer shall require collateralization on two other types of investments: repurchase and reverse agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 110% of market value of principal and accrued interest and the value shall be adjusted no less than quarterly. The District requires the collateral to be in the form of U.S. Treasuries or a similar highly liquid instrument.

Collateral will always be held by an independent third party with whom the entity has a current written custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the District and retained throughout District retention of the investment. The right of collateral substitution is granted.

#### **12.0 SAFEKEEPING AND CUSTODY**

To protect against fraud, embezzlement, or losses caused by collapse of individual securities dealers, all securities owned by the District shall be held in safekeeping by the District's custodial bank acting as agent for the District under the terms of a custody agreement. Such custodial bank must be a federal or state association (as defined by Section 5102 of the Financial Code), a trust company or a state or national bank located within this state or with the Federal Reserve Bank of San Francisco or any branch thereof within this state, or with any Federal Reserve bank or with any state or national bank located in any city designated as a reserve city by the Board of Governors of the Federal Reserve System. Collateral for repurchase agreements will be held by a third party custodian under the terms of a Public Securities Association ("PSA") master repurchase agreement.

All security transactions entered into by the District shall be conducted on a delivery-versus-payment (DVP) basis. This procedure ensures that securities are deposited with the third party custodian prior to the release of funds. Securities will be held by a third party custodian designated by the Treasurer or Deputy Treasurer and as evidenced by safekeeping receipts with a written custodial agreement. Pooled Investments, such as LAIF and other local agency pooled investments or money market mutual funds as described in Appendix A are undeliverable and, therefore, not subject to delivery or third party safekeeping. The Deputy Treasurer shall

not be responsible for securities delivered to and received for by a financial institution until they are withdrawn from the financial institution by the Deputy Treasurer or the Deputy Treasurer's designee.

Investment trades, shall be verified against the bank transactions and broker confirmation tickets to ensure accuracy. On a monthly basis, the custodial asset statement shall be reconciled with the month-end portfolio holdings. On an annual basis, the external auditor shall confirm investment holdings.

### **13.0 DIVERSIFICATION**

The District will diversify its investments by security type, institution, and maturity. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the District's total investment portfolio will be invested in a single security issuer or with a single financial institution. The Treasurer shall to the greatest extent possible:

- Limit investments to avoid over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),
- Limit investments in securities that have higher credit risks,
- Invest in securities with varying maturities, and
- Continuously invest a minimum amount equal to six months operating budget in readily available funds such as local government investment pools (LAIF), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet the District's on-going financial obligations.

#### **13.1 Portfolio Rebalancing**

In the event that portfolio percentage constraints are violated due to a temporary imbalance in the portfolio, the District shall hold the affected securities to maturity in order to avoid capital losses. However, if no capital losses would be realized upon sale, the Treasurer, Deputy Treasurer or his/her designee shall consider rebalancing the portfolio after evaluating the expected length of time the portfolio would remain unbalanced. Since portfolio percentage limits are in place to ensure diversification of the District Investment portfolio, a small, temporary imbalance will not significantly impair the strategy.

### **14.0 MAXIMUM MATURITIES**

To minimize the impact of market risk, it is intended that all investments be held to maturity.

The Deputy Treasurer shall match the District's investments with anticipated cash flow requirements known at the time of purchase. The District will not directly invest in securities maturing more than five (5) years from the settlement date. Any investment that is further limited is noted in Appendix A, Authorized Investments. Also, Appendix B provides a listing of

maximum maturities by investment vehicle. The weighted average maturity of the investment portfolio will be limited to three years or less, exclusive of the funds held in investment pools and mutual funds. Investments may be sold prior to maturity for cash flow, appreciation purposes or in order to limit losses; however, no investment shall be made based solely on earnings anticipated from capital gains.

#### **15.0 INTERNAL CONTROL**

The Deputy Treasurer shall ensure that all investment transactions comply with the District's Investment Policy and establish internal controls that are designed to prevent losses due to fraud, negligence or third-party misrepresentation. These controls shall be designed to avoid collusion; ensure separation of duties and administrative controls; maintain separation of transaction authority from accounting and record keeping; provide custodial safekeeping; delegate authority clearly; ensure management approval and review of investment transactions; provide specific limitations regarding securities loss and remedial action; document investment transactions and strategies; and monitor investment performance results.

The Deputy Treasurer shall establish an annual process of independent review by an external audit firm. The external auditor shall review the management of the District's investment program in terms of compliance with the internal controls previously established.

The external auditor, serving as an independent reviewer, will review and verify the District's investment activity, holdings and compliance with this Investment Policy on an annual basis and submit a report to the District's Board of Directors relating thereto.

#### **16.0 PERFORMANCE STANDARDS**

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary, economic, or weather cycles, commensurate with the investment risk constraints and cash flow needs. The District's investment portfolio, exclusive of investment pools and mutual funds, shall utilize the three-year Treasury note as its benchmark. It is understood that due to the District's policy to hold investments to maturity, short-term yields will lag the direction of the three-year Treasury note in changing interest rate environments.

#### **17.0 CREDIT DOWNGRADE**

If a security is downgraded below the minimum credit risk criteria specified in the Investment Policy, the Deputy Treasurer shall evaluate the downgrade and bring their evaluation back to the Treasurer and General Manager to evaluate and decide what action to take: continue to monitor and hold through maturity or sell the security on the secondary market.

## 18.0 REPORTING

The District's Investment Policy shall be reviewed on an annual basis by the Treasurer, Deputy Treasurer, and General Manager with recommendations for changes, if any, made to the Board of Directors.

The District shall maintain a complete and accurate record of all investment transactions.

**18.1 Monthly Reports:** The Deputy Treasurer shall prepare and submit a monthly investment report of funds directly controlled and managed by the District, including a detailed listing of all investment transactions opened and closed during a reporting period or, if none, a statement to that effect. The report shall be submitted monthly to the Board of Directors.

Each investment report shall be submitted within 45 days following the end of the period covered by the report and must also include certification by the General Manager that investment actions executed since the last report are in compliance with the Investment Policy or state areas of non-compliance; and the District will meet its expenditure obligations for the next six months or state why sufficient money shall, or may, not be available as required by law.

Schedules in the monthly report should include the following:

- The type of investment, name of the issuer, date of maturity, the par value, book value, yield to maturity or yield to call, and cost of all funds invested and subject to this policy;
- Coupon, discount or earnings rate;
- Percentage of the portfolio represented by each investment category; and
- The market value with the source of the market valuation for all securities held by the District, and under management of any outside party that is not also a local agency or the State of California Local Agency Investment Fund.

**18.2 Quarterly Report:** Within 30 days of the end of each quarter, the Deputy Treasurer shall prepare and submit a quarterly investment report to the Board that includes the information required in the monthly investment report, plus the following additional information:

- A description of any investments, including loans and security lending programs, that are under the management of contracted parties;
- A description of the compliance with the statement of Investment Policy, or manner in which the portfolio is not in compliance;
- A statement denoting the District's ability to meet its expenditure requirements for the next six months, or an explanation as to why sufficient money shall, or may, not be available;
- A benchmark comparison;
- A statement of cash and investments held and compliance with adopted reserve policies; and

- A narrative analysis with supporting graphs and/or charts that provide information on performance of the portfolio, as well as general economic and operational trends affecting the portfolios size and/or performance.

The investment portfolio will be managed in accordance with the parameters specified within this policy and monitored and evaluated by the Deputy Treasurer and his/he designated employees involved in the investment process.

#### **19.0 INVESTMENT POLICY ADOPTION**

The District's Investment Policy shall be adopted by the Board of Directors. The policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return on investment, and its relevance to current law, financial and economic trends, and to meet the needs of the District. Any modifications made hereto must be approved by the Board of Directors.

## Appendix A - AUTHORIZED INVESTMENTS

### 1. **UNITED STATES TREASURIES:**

United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

There is no limit as to the amount of the investment portfolio that may be invested in United States Treasury notes. Maximum maturity is five years from the settlement date.

### 2. **FEDERAL AGENCIES:**

Obligations issued by the United States Government Agencies, such as the Federal Farm Credit Bank System (FFCB), the Federal Home Loan Bank Board (FHLB), the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), the Tennessee Valley Authority (TVA), or obligations, participation, or other instruments of, or issued by a federal agency or a United States government-sponsored enterprise.

There is no limit as to the amount of the investment portfolio that may be invested in federal agencies. Maximum maturity is five years from the settlement date.

### 3. **STATE BONDS:**

Registered state warrants, treasury notes or bonds of this state and any of the 50 states and the District of Columbia, 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 the state. The long-term ratings of such bonds should have at least AA- by Standard and Poor's (S&P), AA- by Fitch or Aa1 by Moody's, or the short-term ratings should have at least A-1 by S&P, and P-1 by Moody's.

There is no limit as to the amount of the investment portfolio that may be invested in state bonds. Maximum maturity is five years.

### 4. **LOCAL AGENCY BONDS:**

Bonds and notes issued by local agencies (cities, counties, special districts, or schools) of the United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency, such as Las Virgenes Municipal Water District. The maturity of such bonds or notes should not exceed five years from the date of purchase. The long-term ratings of such bonds should be

investment grade (at least AA- by Standard and Poor's (S&P), KBRA or Fitch or Aa3 by Moody's, or the short-term ratings should have at least A-1 by S&P, and P-1 by Moody's).

There is no limit as to the amount of the District's portfolio may be invested in local agency bonds. Maximum maturity is five years.

5. **LOCAL GOVERNMENT INVESTMENT POOLS:**

Local government investment pools, that adhere to the California Government Code parameters for eligible investments.

A. LAIF:

State managed Local Agency Investment Fund ("LAIF") pursuant to Government Code Section 16429.1 and Resolution No. 01-04-2291 of the Las Virgenes Municipal Water District.

The maximum amount an agency may invest in LAIF is \$65,000,000 pursuant to the LAIF policy.

B. Local Agency Pooled Investment Funds: Other local agency pooled investment funds that invest pursuant to California Government Code Section 53601 or 53635, as authorized by the Board.

No more than 25 percent of the District's total portfolio value may be invested in other local agency pooled investment funds.

6. **REPURCHASE/REVERSE REPURCHASE AGREEMENTS:**

a.) Investments in repurchase agreements or reverse repurchase agreements of any securities authorized by this section, so long as the agreements are subject to this subdivision, including, the delivery requirements specified in this section. All transactions in repurchase agreements or reverse repurchase agreements shall require a master repurchase agreement executed by the contra-party.

b.) Investments in repurchase agreements may be made, on any investment authorized in this section, when the term of the agreement does not exceed 30 days. The market value of securities that underlies a repurchase agreement must be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly.

- c.) Investments in reverse repurchase agreements or similar investments in which the District sells securities prior to purchase, may only be made upon prior approval of the Board of Directors and with a maximum maturity of 30 days.
- d.) (1) "Repurchase agreement" means a purchase of securities by the District pursuant to an agreement by which the counter-party seller will repurchase the securities on or before a specified date and for a specified amount and the counter-party will deliver the underlying securities to the District by book entry, physical delivery, or by third party custodial agreement. The transfer of underlying securities to the counter-party bank's customer book-entry account may be used for book-entry delivery.
- (2) "Securities," for purpose of repurchase under this subdivision, 4 means securities of the same issuer, description, issue date, and maturity.
- (3) "Reverse repurchase agreement" means a sale of securities by the District pursuant to an agreement by which the District will repurchase the securities on or before a specified date and includes other comparable agreements.
- (4) For purposes of this section, the base value of the District's pool portfolio shall be that dollar amount obtained by totaling all cash balances placed in the pool by all pool participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements or other similar borrowing methods.
- (5) For purposes of this section, the spread is the difference between the cost of funds obtained using the reverse repurchase agreement and the earnings obtained on the reinvestment of the funds.
- (6) Repurchase agreements and reverse repurchase agreements shall only be made with primary dealers of the Federal Reserve Bank of New York.

Repurchase agreements may not exceed 25 percent of the District's investment portfolio value. Reverse repurchase agreements may not exceed 10 percent of the District's investment portfolio value.

7. **MONEY MARKET MUTUAL FUNDS:**

Shares of beneficial interest issued by diversified management companies (otherwise known as “mutual funds”), as defined in Section 23701 of the Revenue and Taxation Code, investing in the securities and obligations as authorized by subdivisions (1) to (12), inclusive, of this section and that comply with the investment restrictions of Article 1 (commencing with Section 53600) and Article 2 (commencing with Section 53630). To be eligible for investment pursuant to this subdivision, these companies shall either:

a) Attain the highest ranking or the highest letter and numerical rating provided by not less than two of the three largest nationally recognized rating services.

b) Commission with not less than five years' experience investing in the securities and obligations as authorized by this Investment Policy, inclusive, and with assets under management in excess of five hundred million dollars (\$500,000,000).

The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that these companies may charge.

The purchase of money market mutual funds shall not exceed 20 percent of the District's total portfolio value; however, no more than 10 percent of the District's investment portfolio value may be invested in shares of beneficial interest of any one money market mutual fund.

8. **CERTIFICATES OF DEPOSIT:**

A. Negotiable, non-negotiable, and placement service certificates of deposits issued by a nationally or state-chartered bank or a state or federal association (as defined by Section 5102 of the Financial Code) or by a state-licensed branch of a foreign bank. The issuing firm should have been in existence for at least five years.

1. Federally insured negotiable Certificates of Deposits up to \$250,000.
2. Certificates of Deposit that are fully collateralized. To collateralize such deposits, an institution shall maintain in the collateral pool securities having a market value of at least 10% in excess of the total amount deposited. Real estate mortgages may not be accepted as collateral. The maximum term for deposits shall be five years. In general, the issuer must have a minimum tier one risk-based capital ratio of 6% as determined by the FDIC and their operation must have been profitable during their last reporting period.

The term of a Certificate of Deposit shall not exceed 5 years from the settlement date. Purchases of all types of certificates of deposit may not exceed 25 percent of the District's portfolio value which may be invested pursuant to this section.

9. **PLACEMENT SERVICE DEPOSITS** - Service that allows a local agency to purchase in excess of \$250,000 in deposits, placing monies with other institutions while maintaining FDIC insurance. Placement service deposits may not exceed 25 percent of the District's investment portfolio value.

**Appendix B - SUMMARY OF AUTHORIZED INVESTMENTS:**

<b>Authorized Investments</b>	<b>District Policy Legal Limit (% or \$)</b>	<b>Maximum Maturity Constraints</b>	<b>Limits</b>
United States Treasuries	Unlimited	5 years	None
U.S. Agencies	Unlimited	5 years	None
State Bonds	Unlimited	5 years	Rated AA-
Local Agency Bonds	Unlimited	5 years	Rated AA-
LAIF	\$65,000,000	N/A	Limited to 15 transactions per month, per State policy
Local Agency Pooled Investments	25%	N/A	Prior Board of Directors approval required
Voluntary Investment Fund	Unlimited	N/A	None
County Pooled Investment Fund	Unlimited	N/A	None
Repurchase Agreements	25%	30 days	Requires a Master Repurchase agreement, market value of underlying securities must be greater than 102%
Reverse Repurchase Agreements	10%	30 days	Prior Board of Directors approval required
Money Market Mutual Funds	20%	N/A	No more than 10% will be invested in any one mutual fund
Non-Negotiable Certificates of Deposit	25%	5 years	None
Negotiable Certificates of Deposit	25%	5 years	All CDs over \$250,000 must be collateralized at 110%.
Placement Service CD	25%	5 years	None
Placement Service Deposits	10%	5 years	None

## Appendix C - GLOSSARY OF TERMS

**ACCRUED INTEREST:** The interest owed to the seller of a coupon bearing issue from the last coupon date up to the sale date.

**AGENCIES:** Federal agency securities and/or Government-sponsored enterprises.

**ASKED:** The price at which securities are offered.

**BANKERS' ACCEPTANCE (BA):** A draft of bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer-evidencing a loan created by the accepting bank.

**BASIS POINT:** 1/100 of one percent (decimally, .0001)

**BENCHMARK:** A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

**BID:** The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See OFFER.

**BROKER:** A broker brings buyers and sellers together for a commission.

**CALLABLE BOND:** A bond that can be bought back from a holder by the issuer at a specific price after a specific date prior to the maturity date.

**CERTIFICATE OF DEPOSIT (CD):** A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

**CMO (COLLATERALIZED MORTGAGE OBLIGATION):** Mortgage-backed bond that separates mortgage pools into short-, medium-, and long-term portions.

**COLLATERAL:** Securities, evidence of deposit, or other property that a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**COMMERCIAL PAPER (CP):** An unsecured promissory note issued by a corporation. Maturity may not exceed 270 days. Usually sold in discount form.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)** The official annual report for Las Virgenes Municipal Water District. It includes the presentation of required financial

statements in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

**COUPON:** a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. b) A certificate attached to a bond evidencing interest due on a payment date.

**DEALER:** A dealer, as opposed to a broker, acts as a principal in all transactions buying and selling for his own account.

**DEBENTURE:** A bond secured only by the general credit of the issuer.

**DEFAULT:** The failure of a debtor to make timely payments of interest and principal as they come due or to meet some other provision of a bond indenture.

**DELIVERY VERSUS PAYMENT (DVP):** There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

**DERIVATIVE:** (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from a underlying index or security (interest rates, foreign exchange rates, equities or commodities).

**DISCOUNT:** The difference between the cost price of a security and its maturity when quoted at a lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

**DISCOUNTED SECURITIES:** Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g. U.S. Treasury Bills.

**DIVERSIFICATION:** Dividing investment funds among a variety of securities offering independent returns.

**DURATION:** A measure of the sensitivity of the price of a fixed income security to interest rate changes.

**FEDERAL CREDIT AGENCIES:** Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small-business firms, students, farmers, farm cooperatives, and exporters.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):** A federal agency that insures bank deposits, currently up to \$250,000 per deposit.

**FEDERAL FUNDS RATE:** The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

**FEDERAL HOME LOAN BANKS (FHLB):** Government sponsored wholesale banks (currently 12 regional banks) that lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions, and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

**FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA):** FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

**FEDERAL OPEN MARKET COMMITTEE (FOMC):** Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

**FEDERAL RESERVE SYSTEM:** The central bank of the United States created by Congress and consisting of seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae):** Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings, and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government, Ginnie Mae securities are backed by the FHA, VA or FmHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

**INVERSE FLOATER;** A structured note in which the coupon increases as rates decline and decrease as rates rise.

**IO (INTEREST ONLY):** A class of mortgage derivative in which the cash flow consists solely of the interest payments from a CMO.

**LIQUIDITY:** A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

**LOCAL GOVERNMENT INVESTMENT POOL (LGIP):** The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

**MARKET PRICE:** In general business, the price agreed upon by buyers and sellers of a product or service, as determined by supply and demand.

**MARKET VALUE:** The price at which a security is trading and could presumably be purchased or sold.

**MASTER REPURCHASE AGREEMENT:** A written contract covering all future transactions between the parties to repurchase – reverse repurchase agreements that establishes each party’s rights in the transactions. A master agreement will often specify, among other things the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

**MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.

**MONEY MARKET:** The market in which short-term debt instruments (bills, commercial paper, banker’s acceptances, etc.) are issued and traded.

**NEGOTIABLE CERTIFICATES OF DEPOSIT:** Large denomination interest bearing deposits with a fixed maturity date that may be sold in the money market.

**OFFER:** The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See ASKED and BID.

**OPEN MARKET OPERATIONS:** Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve’s most important monetary policy tool.

**PAR:** 1) 100% of the face amount of an issue. 2) The principal amount a holder will receive at the maturity of an issue.

**PORTFOLIO:** Collection of securities held by an investor.

**PREMIUM:** 1) The amount by which the market price of an issue exceeds par. 2) The amount in excess of par that an issuer must pay to call in its bonds. 3) In the money market, the rate higher than the norm that one bank must pay to attract CD depositors.

**PRIMARY DEALER:** A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

**PRIME RATE:** The loan rate for the best customers of a bank.

**PRINCIPAL:** 1) The dollar cost of an issue excluding accrued interest. 2) The one who takes ownership in a transaction, as opposed to brokering or acting as agent.

**PRUDENT PERSON RULE:** An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state-the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

**QUALIFIED PUBLIC DEPOSITORIES:** A financial institution which does not claim exemption from the payment of any sales or compensating use of ad valorem taxes under the laws of this state, which as segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

**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 the current income return.

**REPURCHASE AGREEMENT (RP OR REPO):** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The Security “buyer” in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lend money that is, increasing bank reserves.

**SAFEKEEPING:** A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

**SECONDARY MARKET:** A market made for the purchase and sale of outstanding issues following the initial distribution.

**SECURITIES & EXCHANGE COMMISSION:** Agency created by Congress to protect investors in securities transactions by administering securities legislation.

**SEC RULE 15C3-1:** See Uniform Net Capital Rule.

**SPREAD:** 1) The yield or price difference between the bid and offer on an issue. 2) The yield or price difference between different issues.

**STRUCTURED NOTES:** Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations that have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

**SWAP:** The sale of one issue and the simultaneous purchase of another for some perceived advantage.

**TRADE DATE:** The date on which the buyer and seller agree to a transaction. The trade date may or may not be the day on which the securities and money changes hands.

**TREASURY BILLS:** A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

**TREASURY BONDS:** Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

**TREASURY NOTES:** Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

**UNIFORM NET CAPITAL RULE:** Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among member so underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

**YIELD:** The rate of annual income return on an investment, expressed as a percentage.

**INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD or YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.



17. What transaction documents and reports would we receive? \_\_\_\_\_  
\_\_\_\_\_
18. What information would you provide to our Treasurer and/or Deputy Treasurer?  
\_\_\_\_\_
19. Describe the precautions taken by your Bank/Savings and Loan to protect the interest of the public when dealing with government agencies as depositors or investors. \_\_\_\_\_  
\_\_\_\_\_
20. Please provide your Contract of Deposit of Moneys pre-signed and sealed by your institution, as well as, any signature cards that you may require.
21. Please provide your Wiring Instructions: \_\_\_\_\_  
\_\_\_\_\_
22. Please provide your Bank/Savings and Loan most recent certified financial statement. In addition, an audited financial statement must be provided within 120 days of your fiscal year-end.

**- CERTIFICATION -**

I hereby certify that I have personally read Las Virgenes Municipal Water District's (the "District") Investment Policy and the California Government Codes pertaining to the investments and deposits of the District, and have implemented reasonable procedures and a system of controls designed to preclude imprudent investment activities arising out of transactions conducted between our firm and the District. **I understand however, that our firm is not obligated to monitor the percentage limits on the investments as described in the policy.** All sales personnel will be routinely informed of District investment objectives, horizon, outlook, strategies and risk constraints whenever we are so advised. We pledge to exercise due diligence in informing District Investment Officers of all foreseeable risks associated with financial transactions conducted with our firm. I attest to the accuracy of our responses to your questionnaire.

**NOTE: Completion of Questionnaire is only part of District's Certification process and DOES NOT guarantee that the applicant will be approved to do business with the District.**

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Countersigned: \_\_\_\_\_ Date: \_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_



Telephone No: \_\_\_\_\_ Client Since: \_\_\_\_\_

16. What reports, transactions, confirmations and paper trail would we receive?  
\_\_\_\_\_
17. Please include samples of research reports or market information that your firm regularly provides to local agency clients.
18. What precautions are taken by your firm to protect the interest of the public when dealing with government agencies as investors? \_\_\_\_\_
19. Have you or your firm been censured or punished by a Regulatory State or Federal Agency for improper or fraudulent activities, related to the sale of securities? Yes  No
20. If yes, please explain: \_\_\_\_\_
21. Attach certified documentation of your capital adequacy and financial solvency. In addition, an audited financial statement must be provided within 120 days of your fiscal year-end.

**- CERTIFICATION -**

I hereby certify that I have personally read Las Virgenes Municipal Water District's (the "District") Investment Policy and the California Government Codes pertaining to the investments and deposits of the District, and have implemented reasonable procedures and a system of controls designed to preclude imprudent investment activities arising out of transactions conducted between our firm and the District. **I understand however, that our firm is not obligated to monitor the percentage limits on the investments as described in the policy.** All sales personnel will be routinely informed of District investment objectives, horizon, outlook, strategies and risk constraints whenever we are so advised. We pledge to exercise due diligence in informing District Investment Officers of all foreseeable risks associated with financial transactions conducted with our firm. I attest to the accuracy of our responses to your questionnaire.

**NOTE: Completion of Questionnaire is only part of District's Certification process and DOES NOT guarantee that the applicant will be approved to do business with the District.**

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Countersigned: \_\_\_\_\_ Date: \_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

***LAS VIRGENES MUNICIPAL WATER DISTRICT  
DEPARTMENT OF FINANCE & ADMINISTRATION***

**INVESTMENT POOL QUESTIONNAIRE**

**SECURITIES**

1. Does the pool provide a written statement of investment policy and objectives?  
Yes  No
2. Does the statement contain the following (check all that apply):
  - A description of eligible investment instruments
  - The credit standards of investments
  - The allowable maturity range of investments
  - The maximum allowable dollar weighted average portfolio maturity
  - The limits of portfolio concentration permitted for each type of security
  - The policy of reverse repos
3. Are the changes in the policies communicated to the pool participants?  
Yes  No

**INTEREST**

4. Does the pool disclose the following about yield calculations (check all that apply):
  - Methodology is used to calculate interest (simple maturity, yield to maturity, etc.)
  - Frequency of interest payments
  - How interest is paid
  - How gains/losses are reported (factored monthly or only when realized)
5. How often is the yield reported to participants of the pool? \_\_\_\_\_
6. Are expenses of the pool deducted before quoting the yield? Yes  No   
If no, please explain: \_\_\_\_\_
7. Is the yield generally in line with the market yields for securities in which you usually invest? Yes  No

**SECURITY**

8. Does the pool disclose safekeeping practices? Yes  No   
If yes, what are they? \_\_\_\_\_  
\_\_\_\_\_
9. Is the pool subject to audit by an independent auditor? Yes  No
10. Is a copy of the audit available to participants? Yes  No
11. Who makes the portfolio decisions? \_\_\_\_\_  
\_\_\_\_\_
12. How does the manager monitor the credit risk of the securities in the pool?  
\_\_\_\_\_  
\_\_\_\_\_

13. Is the pool monitored by someone on the board or a separate, neutral party external to the investment function to ensure compliance with written policies?  
\_\_\_\_\_

14. Does the pool have specific policies with regard to repurchase agreements?

Yes  No

If yes, what are those policies? \_\_\_\_\_

15. Does the pool report the portfolios market value? Yes  No

16. Does the pool disclose the following about portfolio valuations (check all that apply):

Frequency with which the portfolio securities are valued

Method used to value the portfolio (cost, current value, or other method)

17. Are statements for each account sent to participants? Yes  No

Do statements show balances, transactions and yield? Yes  No

18. How does the pool distribute detailed reports of its holdings?

Regularly

Upon Request Only

#### FEES

19. Is there a written schedule of administrative costs? Yes  No

What are the fees? \_\_\_\_\_

How often are they assessed? \_\_\_\_\_

How are they paid? \_\_\_\_\_

Are there additional fees for wiring funds? \_\_\_\_\_

20. Are expenses deducted before quoting the yield? Yes  No

#### OPERATIONS

21. Does the pool limit eligible participants? Yes  No

What entities are permitted to invest in the pool? \_\_\_\_\_

22. Does the pool allow multiple accounts and subaccounts? Yes  No

23. Is there a minimum or maximum account size? Yes  No

If yes, what is minimum/maximum? \_\_\_\_\_

24. How many transactions are permitted each month? \_\_\_\_\_

25. Is there a limit on transaction amounts permitted each month? Yes  No

What is the minimum and maximum withdrawal amount permitted? \_\_\_\_\_

What is the minimum and maximum deposit amount permitted? \_\_\_\_\_

26. Does the pool require one or more day/s notice for deposits and/or withdrawals?

Yes  No

27. Is there a cutoff time for deposits and withdrawals? Yes  No

- If yes, what is it? \_\_\_\_\_
- 28. Are the funds 100% withdrawable at any time? Yes  No
  - 29. Are there procedures for making deposits and withdrawals? Yes  No   
What paperwork required, if any? \_\_\_\_\_  
What are the wiring procedures? \_\_\_\_\_
  - 30. Can an account remain open with zero balance? Yes  No
  - 31. Are confirmations sent following transactions? Yes  No

## **Appendix G - LIST OF PRIMARY GOVERNMENT SECURITIES DEALERS**

List of the Primary Government Securities Dealers Reporting to the Government Securities Dealers Statistics Unit of the Federal Reserve Bank of New York:

Bank of Nova Scotia, New York Agency  
BMO Capital Markets Corp.  
BNP Paribas Securities Corp.  
Barclays Capital Inc.  
Cantor Fitzgerald & Co.  
Citigroup Global Markets Inc.  
Credit Suisse Securities (USA) LLC  
Daiwa Capital Markets America Inc.  
Deutsche Bank Securities Inc.  
Goldman, Sachs & Co.  
HSBC Securities (USA) Inc.  
Jefferies LLC  
J.P. Morgan Securities LLC  
Merrill Lynch, Pierce, Fenner & Smith Incorporated  
Mizuho Securities USA Inc.  
Morgan Stanley & Co. LLC  
Nomura Securities International, Inc.  
RBC Capital Markets, LLC  
RBS Securities Inc.  
SG Americas Securities, LLC  
TD Securities (USA) LLC  
UBS Securities LLC.  
Wells Fargo Securities LLC.

NOTE: This list has been compiled and made available for statistical purposes only and has no significance with respect to other relationships between dealers and the Federal Reserve Bank of New York. Designation of an entity as a primary dealer by the New York Fed in no way constitutes a public endorsement of that entity by the New York Fed, nor should such designation be viewed as a replacement for prudent counterparty risk management and due diligence.

Government Securities Dealers Statistics Unit  
Federal Reserve Bank of New York  
April 18, 2016