



Dedicated to Providing High-Quality Water Service in a Cost-Effective and Environmentally Sensitive Manner

OFFICERS

President

**Jay Lewitt**

Director, Division 5

Vice President

**Leonard E. Polan**

Director, Division 4

Secretary

**Gary Burns**

Director, Division 3

Treasurer

**Andy Coradeschi**

Director, Division 2

**Charles P. Caspary**

Director, Division 1

**David W. Pedersen, P. E.**

General Manager

**W. Keith Lemieux**

Counsel

HEADQUARTERS

4232 Las Virgenes Road

Calabasas, CA 91302

(818) 251-2100

Fax (818) 251-2109

WESTLAKE

FILTRATION PLANT

(818) 251-2370

Fax (818) 251-2379

TAPIA WATER

RECLAMATION FACILITY

(818) 251-2300

Fax (818) 251-2309

RANCHO LAS VIRGENES

COMPOSTING FACILITY

(818) 251-2340

Fax (818) 251-2349

www.LVMWD.com

MEMBER AGENCY OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**Glen D. Peterson**

MWD Representative

The public may join this meeting virtually or attend in person. Teleconference participants will be muted until recognized at the appropriate time by the Board President. To join via teleconference, please use the following Webinar ID:

<https://us06web.zoom.us/j/87847104977>

To join by telephone, please dial (660) 900-6833 or (346) 248-7799 and enter Webinar ID: 878 4710 4977

The public can also access and request to speak at meetings live on-line, with audio and limited video, 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 Tuesday, March 28, 2023**, at King Gillette Ranch, 26800 Mulholland Hwy, Calabasas, California 91302, to consider the following:

1. Call to Order and Roll Call
2. Special Meeting of March 28, 2023 (Agenda attached)
3. Adjourn

By Order of the Board of Directors  
JAY LEWITT, President

Josie Guzman, MMC  
Deputy Secretary of the Board

c: Each Director  
Dated: March 23, 2023

## CORRECTED

### LAS VIRGENES MUNICIPAL WATER DISTRICT 26800 Mulholland Hwy, Calabasas, CA 91302

#### AGENDA LVMWD BOARD OF DIRECTORS - SPECIAL MEETING TUESDAY, MARCH 28, 2023 – 9:00 AM

---

**PUBLIC PARTICIPATION:** The public may join this meeting virtually or attend in person in the Board Room. Teleconference participants will be muted until recognized at the appropriate time by the Board President. To join via teleconference, please use the following Webinar ID:

Webinar ID: <https://us06web.zoom.us/j/87847104977>

To join by telephone, please dial (669) 900-6833 or (346) 248-7799 and enter Webinar ID:

878 4710 4977

For members of the public wishing to address the Board during Public Comment or during a specific agenda item, please press "Raise Hand" if you are joining via computer; or press \*9 if you are joining via phone; or inform the Executive Assistant/Clerk of the Board if attending in person.

Members of the public can also access and request to speak at meetings live on-line, with audio and limited video, at [www.lvmwd.com/livestream](http://www.lvmwd.com/livestream). To ensure distribution 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 Assistance/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 the implementation thereof. Any person who requires a disability-related modification or accommodation, to attend or participate in this meeting, including auxiliary aids or services, may request such reasonable modification or accommodation 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) at least 48 hours prior to the 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 agenda 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.

---

## **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. **FISCAL YEARS 2022-24 FINANCIAL UPDATE**
  - 4.A **Fiscal Year 2023-24 Budget: Review of Approved Plan (Pg. 5)**  
Review and provide feedback on the approved Fiscal Year 2023-24 budget plan.
  - 4.B **Annual Review of the District's Investment, Financial and Debt Management Policies (Pg. 7)**  
Review and provide feedback on the District's Investment, Financial and Debt Management Policies.
5. **DEPARTMENT GOALS, OBJECTIVES, AND PERFORMANCE MEASURES**

- 5.A **Fiscal Years 2022-24 Departmental Goals and Performance Measures (Pg. 55)**  
Receive and file an update on the Fiscal Years 2022-24 Departmental Goals and Performance Measures.

6. **STRATEGIC PLANNING**

- 6.A **Update on Succession Planning Efforts**

- 6.B **Customer Experience: Building and Maintaining Excellent Customer Service(Pg. 64)**

- 6.C **Landscape Transformation Program: Water Efficiency Rebates and Incentives (Pg. 69)**

- 6.D **Update on State Water Project-Dependent Area Solutions**

7. **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.*



**DATE:** March 28, 2023  
**TO:** Board of Directors  
**FROM:** Finance and Administration

---

**SUBJECT: Fiscal Year 2023-24 Budget: Review of Approved Plan**

---

**SUMMARY:**

The District prepares a biennial budget to improve long-range and strategic planning, and aims to minimize mid-cycle changes to operating, capital improvement and staffing expenditures. As a result, the budgeted expenditures generally represent a continuation of the same levels of staffing and service with minimal changes.

**RECOMMENDATION(S):**

Review and provide feedback on the approved Fiscal Year 2023-24 budget plan.

**FINANCIAL IMPACT:**

There is no financial impact associated with the budget plan review.

**DISCUSSION:**

In June 2022, the Board approved a two-year budget plan and adopted the Fiscal Year 2022-23 Budget. The development of the Fiscal Years 2022-24 Two-Year Budget Plan coincided with historic drought conditions faced by the State of California. Given the dynamic nature of the drought emergency, staff proposed a conservative two-year budget plan based on the then-current conditions, while recognizing that circumstances could improve or further deteriorate over time.

**Budget Assumptions:**

One of the first steps in preparation of the Fiscal Years 2022-24 Two-Year Budget Plan was to review the significant budget factors and assumptions. During a Board workshop on April 12, 2022, staff reviewed the major factors and assumptions for the draft budget and requested feedback from the Board on the following issues:

- Pass-through of the Metropolitan Water District of Southern California (MWD) approved increases to its full service treated volumetric rates for purchased water, effective on

January 1, 2023 and 2024, and the use of Rate Stabilization Funds to minimize the impact to customers as a result of decreased water sales associated with the drought. Water use reductions were projected to be 35% for potable water in Fiscal Year 2022-23 and 20% for potable water in Fiscal Year 2023-24.

- Increases to labor costs based on currently-approved Memorandums of Understanding. Authorization of a total of three additional positions: one in the Human Resources Division and two in the Water Treatment Division (one in Fiscal Year 2022-23 and one in Fiscal Year 2023-24), as well as reclassifications within the Water Reclamation Division.
- Continuation of optional, additional payments, in the amount of \$1.3 million annually, to continue reduction of the District's unfunded liability for Other Post-Employment Benefits (OPEB).
- Assignment of an additional \$5 million from Recycled Water Enterprise and \$15 million from the Potable Water Enterprise for the Pure Water Project Las Virgenes-Triunfo.

The approved budget plan for Fiscal Year 2023-24 includes \$95.9 million, an increase of \$14.7 million (or 18.2%) over the adopted Fiscal Year 2022-23 Budget. Of the total amount, planned operating expenses are \$64.8 million, an increase of \$5.9 million (or 10%) over the adopted Fiscal Year 2022-23 Budget. The approved budget plan for Fiscal Year 2023-24 also included a total of \$29.8 million in capital improvement project expenditures.

**GOALS:**

Ensure Effective Utilization of the Public's Assets and Money

Prepared by: Debbie Rosales, Financial Analyst II



**DATE:** March 28, 2023  
**TO:** Board of Directors  
**FROM:** Finance and Administration

---

**SUBJECT: Annual Review of the District's Investment, Financial and Debt Management Policies**

---

**SUMMARY:**

The District's Investment, Financial and Debt Management Policies require 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. At this time, staff proposes no revisions or updates to the Investment, Financial or Debt Management Policies.

**RECOMMENDATION(S):**

Review and provide feedback on the District's Investment, Financial and Debt Management Policies.

**DISCUSSION:**

Investment Policy:

The District has historically maintained a very conservative approach to its investments, effectively limiting the majority of its investments to pooled funds, agency bonds, highly rated municipal bonds and insured certificates of deposit. The approach is supportive of the focus on the safety and liquidity of ratepayer funds. Additionally, the Director of Finance and Administration, acting as Deputy Treasurer, invests consistently through all market cycles and conditions, minimizing risk associated with timing the market, and the Districts typically holds its investments to maturity.

Annually, the Deputy Treasurer reviews the District's Investment Policy, regulatory changes and current best practices to determine if any changes to the policy are warranted. Based on the District's investment philosophy, there are no changes recommended to the District's Investment Policy at this time.

Financial Policies:

The District's budget is closely aligned with its approved financial policies. The policies serve

to strengthen the current and long-term financial health of the District and are reviewed at least annually to ensure they represent the most current and realistic framework for decision-making. At this time, staff proposes no revisions to the financial policies; however, a comprehensive review is anticipated as part of the District's biennial budget development process beginning in January 2024.

Debt Management Policy:

The Debt Management Policy provides debt management objectives for the District and establishes general parameters for issuing and administering the District's debt. The policy applies to all debt issued or incurred by the District, including, but not limited to, loans, private placements, municipal bonds and lines of credit. At this time, staff proposes no revisions to the Debt Management Policy.

**GOALS:**

Ensure Effective Utilization of the Public's Assets and Money

Prepared by: Brian Richie, Finance Manager

**ATTACHMENTS:**

[Investment Policy](#)

[Financial Policies](#)

[Debt Management Policy](#)





# Investment Policy

Approved June 13, 2017

This page intentionally left blank.

## TABLE OF CONTENTS

1.0	AUTHORITY .....	1
2.0	POLICY STATEMENT .....	1
3.0	SCOPE.....	1
4.0	OBJECTIVES .....	2
5.0	DELEGATION OF AUTHORITY .....	2
6.0	STANDARD OF CARE .....	3
7.0	ETHICS AND CONFLICTS OF INTEREST .....	3
8.0	AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS .....	4
9.0	AUTHORIZED AND SUITABLE INVESTMENTS.....	5
10.0	INVESTMENT POOLS / MUTUAL FUNDS .....	5
11.0	COLLATERALIZATION.....	6
12.0	SAFEKEEPING AND CUSTODY .....	6
13.0	DIVERSIFICATION .....	7
14.0	MAXIMUM MATURITIES.....	7
15.0	INTERNAL CONTROL .....	8
16.0	PERFORMANCE STANDARDS .....	8
17.0	CREDIT DOWNGRADE.....	8
18.0	REPORTING .....	9
19.0	INVESTMENT POLICY ADOPTION .....	10
	Appendix A - AUTHORIZED INVESTMENTS.....	11
	Appendix B - SUMMARY OF AUTHORIZED INVESTMENTS: .....	16
	Appendix C - GLOSSARY OF TERMS.....	17
	Appendix D - BANK/SAVINGS AND LOAN QUESTIONNAIRE AND CERTIFICATION.....	24
	Appendix E - BROKER/DEALER QUESTIONNAIRE AND CERTIFICATION .....	26
	Appendix F - INVESTMENT POOL QUESTIONNAIRE.....	28
	Appendix G - LIST OF PRIMARY GOVERNMENT SECURITIES DEALERS .....	31

**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: \_\_\_\_\_

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

**BROKER/DEALER QUESTIONNAIRE AND CERTIFICATION**

1. Name of Firm: \_\_\_\_\_
2. Address: \_\_\_\_\_
3. Telephone No: \_\_\_\_\_  
Direct \_\_\_\_\_ Nat. Headquarters \_\_\_\_\_
4. Primary Representative: \_\_\_\_\_ Manager/Partner-in-Charge: \_\_\_\_\_  
Name: \_\_\_\_\_ Name: \_\_\_\_\_  
Title: \_\_\_\_\_ Title: \_\_\_\_\_  
Telephone \_\_\_\_\_ Telephone \_\_\_\_\_  
Telephone No: \_\_\_\_\_ No: \_\_\_\_\_  
Sales: \_\_\_\_\_ Sales: \_\_\_\_\_  
No. of Years with Firm: \_\_\_\_\_ Firm: \_\_\_\_\_
5. Are you a Primary Dealer in U.S. Government Securities? Yes  No
6. Are you a Regional Dealer in U.S. Government Securities? Yes  No
7. Are you a Broker instead of a Dealer? (i.e. You DO NOT own positions of securities)  
Yes  No
8. Are you FINRA certified and licensed to sell in California Municipalities?  
Yes  No
9. What is the net capitalization of your firm? \_\_\_\_\_
10. What is the date of your Fiscal Year-End? \_\_\_\_\_
11. Is your firm owned by a Holding Company? Yes  No   
If so, what is its name and net capitalization? \_\_\_\_\_
12. Please provide your Wiring and Delivery Instructions: \_\_\_\_\_
13. Which of the following instruments are offered regularly by your local desk?  
 T-Bills  Treasury Notes/Bonds  
 NCD's  Agencies (specify) \_\_\_\_\_  
 BA's (Domestic)  BA's (Foreign)  
 Mid-Term Notes  Commercial Paper  
 Repurchase Agreements  Reverse Agreements
14. Which of the above does your firms specialize in Marketing? \_\_\_\_\_
15. Please identify your most directly comparable Local Agency clients in our geographical area:  
Contact Person: \_\_\_\_\_

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



## FINANCIAL POLICIES

The District's budget is closely aligned with the financial policies established. These policies serve to strengthen the current and long-term financial health of the District and are visited, at a minimum, on an annual basis to ensure they represent the most current and realistic framework for decision making.

### **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 Water and 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 ongoing 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.



# Debt Management Policy

Approved April 7, 2020

This page intentionally left blank.



**TABLE OF CONTENTS**

1.0 AUTHORITY ..... 4  
2.0 SCOPE ..... 4  
3.0 POLICY STATEMENT ..... 4  
4.0 METHODS OF FINANCING ..... 5  
5.0 PROHIBITED DEBT ..... 6  
6.0 FINANCING TEAM ..... 6  
7.0 STRUCTURE AND TERM OF DEBT ..... 6  
8.0 REFUNDINGS..... 7  
9.0 DEBT MANAGEMENT ..... 8

## **Las Virgenes Municipal Water District Debt Management Policy**

### **1.0     AUTHORITY**

This Debt Policy was adopted by the Board of Directors of the Las Virgenes Municipal Water District at its regular meeting on April 7, 2020. Any modifications to this policy must be approved by the Board of Directors at a duly noticed public meeting.

### **2.0     SCOPE**

This debt policy sets forth debt management objectives for the District and establishes general parameters for issuing and administering the District's debt. This policy applies to all debt issued or incurred by the District, including, but not limited to, loans, private placements, municipal bonds, and credit lines. This policy does not cover credit or purchasing card debt or pension and Other Post-Employment Benefits (OPEB).

### **3.0     POLICY STATEMENT**

Las Virgenes Municipal Water District favors a pay-as-you-go program for capital projects. However, the District will consider debt financing under the following conditions:

- 1) When the project's expected useful life will exceed the term of the financing.
- 2) When the project revenues or specific resources will be sufficient to service the long-term debt.

The District shall consider the following factors prior to issuing debt:

- 1) Revenues have been identified to service the long-term debt.
- 2) Impact on District reserves and operating budget.
- 3) The impact on customer rates.
- 4) The project securing the debt is of the type that will support a good credit rating.
- 5) Market conditions present favorable financing terms.
- 6) The project is mandated to meet State or Federal standards.
- 7) The project is required to meet current or projected capacity requirements.
- 8) The project's useful life.
- 9) The project's cost.

The District shall not utilize debt for operations or maintenance activities.

#### **4.0 METHODS OF FINANCING**

The Director of Finance and Administration will investigate all possible financing alternatives including, but not limited to, grants, loans, and bonds.

##### **4.1 Cash**

The District favors pay-as-you-go and funds a significant portion of its capital projects through this strategy that utilizes current cash on hand.

##### **4.2 Grants**

The District will first look to grants to supplement capital project financing.

##### **4.3 Interfund Borrowing**

The District may borrow funds from an enterprise that has sufficient cash in excess of the District's reserve policy for the following purposes:

- 1) For short-term borrowing due to imbalances caused by timing of grants or other borrowing methods.
- 2) For projects under \$10 million.
- 3) For repayment terms of five years or less.

For interfund borrowing, the Director of Finance shall determine that the loan will not negatively impact the enterprise that is loaning the funds and that the loan will not cause reserve levels to be below policy limits. Interfund loans will have a floating interest rate based on the "Total Portfolio Yield" as reported on each month's Monthly Cash & Investment Report, a loan agreement, and a repayment schedule approved by the Board of Directors.

##### **4.4 Bank Loans/Lines of Credit**

The District may seek out bank loans or lines of credit when such terms are beneficial to the District over other financing methods.

##### **4.5 Other Loans**

The District will evaluate other loan programs, including but not limited to, State Revolving Fund (SRF) programs, Water Infrastructure Finance and Innovation Act (WIFIA), California Special Districts Association (CSDA), and other specialized loan programs.

##### **4.6 Lease – Purchase Agreements**

The District will evaluate lease-purchase agreements as a means to finance capital projects.

##### **4.7 Debt Financing**

The District may issue debt as allowed under federal and state law either. Debt financing through a Public Finance Authority (PFA) or through a Joint Powers Authority (JPA) shall

also be evaluated.

(a) **Bond Anticipation Notes and Refunding Agreements**

Bond Anticipation notes and other interim financing methods may be utilize to cover short-term financing needs in anticipation of long-term future debt issuance.

**5.0 PROHIBITED DEBT**

The District shall not issue debt for purposes not expressly allowable under this policy. The District shall not issue utilize financing methods not expressly allowed under this policy.

**6.0 FINANCING TEAM**

The Financing Team is the working group of staff and consultants necessary to complete a debt issuance. The team includes bond counsel, disclosure counsel, underwriter, and financial advisor, and may include trustee, pricing consultants, and/or arbitrage analyst. The team also typically includes the General Manager, Director of Finance and Administration, and the Finance Manager.

**6.1 Consultant Selection**

The District will consider the professional qualifications and experience of consultants as it relates to the specific debt issuance. The District recognizes the benefits of long-term relationships with the financial advisor and bond counsel and will seek proposals for these services at least once every ten years. All other consultants will be reviewed with each debt issuance to insure that the expertise for the particular debt instrument is available.

**7.0 STRUCTURE AND TERM OF DEBT**

**7.1 Term of Debt**

The District will structure debt for the shortest possible period. In no case will debt exceed 30 years. Considerations for the term of the debt shall be:

- 1) Anticipated useful life of the project.
- 2) Ability to fund with pay-as-you-go funds.
- 3) Current and future revenue available to make debt payments.

**7.2 Debt Repayment Structure**

The District will seek to structure the debt with a level repayment schedule to ensure budget certainty.

**7.3 Debt Maturity Options**

For each issuance, the District will select either serial, term bonds, or both.

**7.4 Interest Rate Structure**

The District will issue long-term debt and enter into other forms of debt arrangements with a preference for fixed interest rate to ensure budget certainty.

**7.5 Call/Put Options**

A call option is utilized to allow the District to retire debt earlier than its stated maturity. For new debt, the District will consider the cost and benefits of providing a call option.

A put option provides the holder of the debt the option to require the District to pay back the principal of a debt prior to its stated maturity date. The District will not utilize put options.

**7.5 Credit Enhancements**

Credit enhancements such as bond insurance, letters of credit, and surety policies may be utilized to improve credit ratings when total cost savings can be achieved.

**7.6 Reserve Fund**

Debt service reserve funds are held by a trustee or the District and are utilized to make debt service payments should the District fail to generate sufficient annual revenues or fail to fund the Rate Stabilization Fund. The District will seek to minimize the use of reserve funds and may consider substituting letters of credit, bond insurance, or surety policies.

**7.7 Debt Limits**

The District will not issue debt in excess of that provided for by State or Federal limits. Annual debt service obligation shall not exceed 15% of each enterprises' annual operating revenue.

**7.8 Use of Derivatives**

The District shall not utilize derivatives.

**8.0 REFUNDINGS**

The District will refinance debt to achieve cost savings or to modify debt covenants. When refinancing for cost savings, the District will target a 5% reduction in net present value. Refunding to lengthen the term of the debt will only be permissible if the new term does not exceed the expected useful life of the project the debt was issued for.

## **9.0 DEBT MANAGEMENT**

### **9.1 Method of Sale**

The District, with its financial advisor, will evaluate the most cost efficient method of issuing debt. Debt may be issued through a competitive sale, a negotiated sale, or other placement, including placements with local, state, or federal agencies.

### **9.2 Initial Disclosure Requirement**

The District recognizes its disclosure responsibilities and will hire disclosure counsel for debt sales. The District will comply with Securities and Exchange Commission Rule 10b-5 and all other applicable rules.

### **9.3 Ratings**

The District will seek to manage its finances in a manner that results in high bond ratings to reflect high credit worthiness of the District. The District recognizes that the District's fiscal status, reserve levels, rate schedule, credit history, and management capabilities are reflected in bond ratings and evaluations of credit worthiness. The financing team will evaluate whether and when one or more ratings will be sought. The Director of Finance and Administration will be the primary point of contact to ratings agencies.

### **9.4 Investment of Proceeds**

The Director of Finance and Administration shall invest proceeds and reserve funds in accordance with the indenture and in compliance with the District's Investment Policy. The Director of Finance and Administration shall also ensure compliance with arbitrage requirements.

### **9.5 Use of Proceeds**

The Director of Finance and Administration shall ensure that debt proceeds are utilized for the intended purpose.

### **9.6 Ongoing Disclosure**

The Director of Finance and Administration shall ensure compliance with all continuing disclosures requirements, including but not limited to SB 1029, Securities and Exchange Commission Rule 15c2-12, and required disclosure to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) system.



**DATE:** March 28, 2023  
**TO:** Board of Directors  
**FROM:** Finance and Administration

---

**SUBJECT: Fiscal Years 2022-24 Departmental Goals and Performance Measures**

---

**SUMMARY:**

As part of each biennial budget, the Board reviews Departmental Goals and Performance Measures that highlight the District's efforts to accomplish its strategic objectives as outlined in the Strategic Plan.

**RECOMMENDATION(S):**

Receive and file an update on the Fiscal Years 2022-24 Departmental Goals and Performance Measures.

**FINANCIAL IMPACT:**

There is no financial impact associated with this report.

**DISCUSSION:**

The Strategic Plan describes the District's strategy to address the opportunities, challenges and needed investment likely to arise over the next 20 years. The plan provides the basis for making decisions on the allocation of resources to ensure consistent direction moving forward. Strategic Objectives constitute the major undertakings planned for the next five years.

Departmental goals and performance measures are created to support implementation of the Strategic Plan and to highlight key priorities and goals for each Department and the District as a whole. Departmental goals and performance measures are reviewed annually to determine progress in achieving the District's Strategic Objectives.

**GOALS:**

Ensure Effective Utilization of the Public's Assets and Money

Prepared by: Debbie Rosales, Financial Analyst II

**ATTACHMENTS:**

[Update on Departmental Goals and Performance Measures](#)



*Strategic Alignment*  
*Department Activities & Performance Measures*  
*Engineering and External Affairs*

*Customer Service*

**Goal - Keep customers, city officials and other stakeholders well-informed and provide new/improved customer tools to enhance service delivery.** Provide excellent service by keeping customers and stakeholders well informed, providing new and improved tools, providing timely and accurate billings, and being responsive to their needs.

Performance Measure	FY21 Actual*	FY2022 Actual*	FY2023 Proposed	FY2023 Projected	FY2024 Proposed
Maximize customer registration with WaterSmart portal (percent registered)	n/a	21%	30%	38%	50%
Maximize customer registration with AutoPay and e-Bills (percent registered)	n/a	45%	50%	55%	55%
Maintain a past due balance below \$350,000 via shut-offs and/or the utilization of restriction devices. (percent at or below dollar threshold)	n/a	112%	100%	100%	100%
Inspect 100% of meter vaults annually, inspect/repair 33% (1/3) of service pressure regularors annually, inspect/repair 20% of meter boxes annually. (percent achievement; all categories)	n/a	n/a	100%	100%	100%
Create and conduct a customer satisfaction survey bi-annually (100% complete every other year).	n/a	100%	0%	100%	100%
Inspect and test 100% of backflow prevention devices annually.	n/a	100%	100%	100%	100%
Conduct 300 irrigated area budget reviews annually.	n/a	100%	100%	100%	100%
Achieve a positive rating from the customer survey of at least 3/5 for timely and accurate billings	n/a	n/a	n/a	3	3
Achieve a positive rating from the customer survey of at least 3/5 for customer service staff being courteous and knowledgeable in their interactions with customers and responsive to customer inquiries.	n/a	n/a	n/a	3	3

*Public Information*

**Goal - Keep customers, city officials and other stakeholders well-informed and provide new/improved customer tools to enhance service**

Provide excellent service by keeping customers and stakeholders well informed, providing new and improved tools, providing timely and accurate billings, and being responsive to their needs.

Performance Measure	FY21 Actual*	FY2022 Actual	FY2023 Proposed	FY2023 Projected	FY2024 Proposed
Perform public outreach to customers and stakeholders on drought messaging and other important initiatives and receive a positive rating of at least 3/5 on being well informed based on the customer satisfaction survey.	n/a	n/a	n/a	3	3
Provide tours of the Pure Water Project Las Virgenes - Triunfo Demonstration Facility and other District/JPA facilities (at least 24 annually) to the public, schools, elected officials, industry personnel, and community leaders.	n/a	64	12	65	24

*Strategic Alignment*  
*Department Activities & Performance Measures*  
*Engineering and External Affairs*

*Conservation*

**Goal - Support Customers to Meet Water Use Efficiency Standards**

Achieve State mandated water use standards at the District level by the year 2027 (AB 1668/SB606) and minimize the amount of non-efficient use of water by customers.

Performance Measure	FY21 Actual*	FY2022 Actual*	FY2023 Proposed	FY2023 Projected	FY2024 Proposed
Reduce water consumption (both drinking and recycled water) by 20% compared to 2020 (% reduction)	n/a	n/a	20%	20%	20%
Reduce wasteful water use by at least 80% by 2027 as compared to 2020 (% reductions annually)	n/a	15%	30%	30%	50%
Achieve and maintain monthly average of 85% of customers within water budget (average monthly % of customers within water budget)	50%	55%	60%	70%	85%

**Goal - Eliminate the Discharge of Pollutants to Malibu Creek and Preserve the Beauty of the Watershed**

Maintain water efficient and aesthetic landscaping that maximizes ecosystem benefits at all District facilities.

Performance Measure	FY21 Actual*	FY2022 Actual*	FY2023 Proposed	FY2023 Projected	FY2024 Proposed
Maintain highly efficient water use landscaping and irrigation practices at District facilities. (monthly average % within water budget)	100%	100%	100%	100%	100%
Reduce the size of turf and other inefficient landscaping at District facilities (% reduction)	n/a	n/a	0%	25%	50%
Implement landscape changes at Westlake Filter Plant Ops Building, Equestrian Tank, Rancho Composting Admin Building, Tapia to reduce turf, maximize native plantings (% complete)	n/a	n/a	50%	50%	75%
Develop and implement plan for erosion control on slopes around Headquarters facilities. Complete by installations by July 1, 2024. (% complete)	n/a	0%	50%	25%	100%
Develop plan and complete rehabilitation of planters and subsurface waterproofing in front patio area at entrance to headquarters. (% complete)	n/a	n/a	20%	20%	100%
Develop long-term landuse plan for District Sprayfields. (% complete)	n/a	n/a	20%	10%	50%

**Goal - Reduce LVMWD's Carbon Footprint**

Complete the development and participate in the implementation of a Climate Action Plan and other energy conservation initiatives in collaboration with the Facilities and Operations Department

Performance Measure	FY21 Actual*	FY2022 Actual*	FY2023 Proposed	FY2023 Projected	FY2024 Proposed
Complete hiring process for contractor and complete Climate Action Plan. (% complete)	n/a	0%	100%	80%	100%

*Strategic Alignment*  
*Department Activities & Performance Measures*  
*Engineering and External Affairs*

*Engineering*

**Goal - Improve LVMWD's Water Supply Reliability**

Diversify the District's water supply portfolio via completion of the Pure Water Project; repair, replace or improve the water, wastewater and recycle water infrastructure to maintain reliable, high quality, and efficient service 24 hours a day and 365 days a year.

Performance Measure	FY21 Actual*	FY2022 Actual	FY2023 Proposed	FY2023 Projected	FY2024 Proposed
Complete and adopt the EIR for Pure Water Project and initiate design/build services by July 1, 2023. Progress design to at least 50% completion level by July 1, 2024.	n/a	50%	100%	100%	100%
Complete sewer pipe assessment study and replacement plan	n/a	n/a	50%	0%	100%
Complete water pipe assessment study and replacement plan	n/a	n/a	50%	0%	100%
Execute and substantially complete or progress with multi-year projects and programs at least 70% of the planned, budgeted and active projects being managed by the Engineering division as scheduled in the IIP/CIP on an annual basis.	n/a	n/a	100%	45%	70%

\* n/a represents new performance measures - no data available

*Strategic Alignment*  
*Department Activities & Performance Measures*  
*Facilities and Operations*

*F&O Administration*

**Goal - Highly Effective Workforce**

Maintain appropriate staffing levels across all operating divisions within the Facilities and Operations department.

Performance Measure	FY21 Actual*	FY2022 Actual	FY2023 Proposed	FY2023 Projected	FY2024 Proposed
Implement cross training between tapia and rancho along with adding of two one thousand hour Operate -in-training positions (positions cross-trained)	n/a	2	6	2	6
Provide staff training on the technology used to provide Pure Water. This will allow staff to better educate the public. (number of training events)	n/a	2	2	2	2
Continue demonstration facility cross training with all District staff to ensure improved skills and knowledge of leading technologies.	2	2	4	4	4

**Goal -Innovations and Efficient Operations**

Explore opportunities for enhancing energy efficient across all district enterprises to achieve cost savings (avoided costs) and to reduce carbon footprint.

Performance Measure	FY21 Actual*	FY2022 Actual	FY2023 Proposed	FY2023 Projected	FY2024 Proposed
Implementation of energy efficiency projects such as Recycled Water pump station battery Storage project, and solar project /battery Storage project at Rancho. Perform additional study to identify future energy efficiency projects based on latest CPUC rules.	1	0	1	1	1

*Facilities*

**Goal - Protection of Public Health and Environment**

Operate district facilities to provide reliable services and achieve regulatory compliance.

Performance Measure	FY21 Actual*	FY2022 Actual	FY2023 Proposed	FY2023 Projected	FY2024 Proposed
Assess equipment for replacement and repair based on maintenance cost records or useful life cycles.	n/a	5	5	6	5

**Goal - Sound Planning and Appropriate Investment**

Maintain district assets with an emphasis on maximizing facilities equipment lifecycle cost, reliability, and cost saving measures.

Performance Measure	FY21 Actual*	FY2022 Actual	FY2023 Proposed	FY2023 Projected	FY2024 Proposed
Perform timely equipment preventive maintenance and use Upkeep maintenance management system to track work order and record keeping.	n/a	Yes	Yes	Yes	Yes
Clean and videotape a minimum of 20% of sanitary sewer. Identify any areas needing repair and budget accordingly.	11 miles	11 miles	11 miles	11 miles	11 miles

*Strategic Alignment*  
*Department Activities & Performance Measures*  
*Facilities and Operations*

*Water Operations*

**Goal - Sound Planning and Appropriate Investment**

Maintain district assets with an emphasis on maximizing facilities equipment lifecycle cost, reliability, and cost saving measures.

Performance Measure	FY21 Actual*	FY2022 Actual*	FY2023 Proposed	FY2023 Projected	FY2024 Proposed
Continue operations and maintenance of the demonstration facility to ensure readiness for public tours.	n/a	n/a	Yes	Yes	Yes

**Goal -Innovations and Efficient Operatons**

Explore opportunities for enhancing energy efficient across all district enterprises to achieve cost savings (avoided costs) and to reduce carbon footprint.

Performance Measure	FY21 Actual*	FY2022 Actual*	FY2023 Proposed	FY2023 Projected	FY2024 Proposed
Implement smart devices and/or artificial intelligence to monitor system processes for high performance. Continue artificial intelligence grant work to reduce chemical and energy costs.	n/a	0	1	1	1

*Reclamation Operations*

**Goal - Protection of Public Health and Environment**

Operate district facilities to provide reliable services and achieve regulatory compliance.

Performance Measure	FY21 Actual*	FY2022 Actual	FY2023 Proposed	FY2023 Projected	FY2024 Proposed
Minimize exceedances to the various permits conditions for Tapia and Rancho include NPDES (N and P), and Sanitary Sewer Overflow.	n/a	Yes	Yes	Yes	Yes

**Goal - Innovative and Efficient Operations / Protection of Health and Environment**

Obtain favorable National Pollution Discharge Elimination System (NPDES) permit that satisfies environmental and regulatory requirements while protecting ratepayers from excessive compliance costs.

Performance Measure	FY21 Actual	FY2022 Actual	FY2023 Proposed	FY2023 Projected	FY2024 Proposed
Request and obtain regulatory approved and favorable NPDES permit conditions that would reduce operating cost while achieve the protection of the environment.	Yes	Yes	Yes	In-Progress	Yes

\* n/a represents new performance measures - no data available

*Strategic Alignment*  
*Department Activities & Performance Measures*  
*Finance and Administration*

*Finance Administration*

**Goal - Sound Planning and Appropriate Investment**

Effectively administer the stewardship of public resources through responsible fiscal management and planning by achieving optimal rate of return on investments.

Performance Measure	FY21 Actual	FY2022 Actual	FY2023 Proposed	FY2023 Projected	FY2024 Proposed
Rate of return on portfolio (measures performance to benchmarks)	100%	100%	100%	100%	100%
Present annual review of the Investment Policy	Yes	Yes	Yes	Yes	Yes

**Goal - Sound Financial Management**

Complete risk assessment of agency-wide internal processes to insure proper internal controls are in place to protect public assets.

Performance Measure	FY21 Actual*	FY2022 Actual*	FY2023 Proposed	FY2023 Projected	FY2024 Proposed
Number of processes audited	n/a	n/a	5	in progress	5

\*Outside consultant hired - performed initial risk assessment.

*Finance and Accounting*

**Goal - Sound Financial Management**

Prepare the highest quality of budget and financial reporting documents that provide accountability and transparency and go beyond the minimum requirements of best practices and generally accepted accounting principles.

Performance Measure	FY21 Actual	FY2022 Actual	FY2023 Proposed	FY2023 Projected	FY2024 Proposed
Receive GFOA Certificate of Achievement for Excellence in Financial Reporting	Awarded	Receive Award	Receive Award	Received Award	Receive Award
Receive GFOA Distinguished Budget Presentation Award	Awarded	Awarded	Receive Award	Received Award	Receive Award

**Goal - Sound Financial Management**

Provide information necessary for Board to make strategic decisions related to the financial position of the Agency.

Performance Measure	FY21 Actual*	FY2022 Actual	FY2023 Proposed	FY2023 Projected	FY2024 Proposed
Timely closing of month/fiscal year accounting records by the 10th business day of the month.	n/a	6 mos.	11 mos.	11 mos.	11mos.

**Goal - Highly Effective Workforce**

Review and update policies and procedures to strengthen internal controls and foster an environment of continuous improvement.

Performance Measure	FY21 Actual*	FY2022 Actual*	FY2023 Proposed	FY2023 Projected	FY2024 Proposed
Updated Policies & Procedures (number of policies)	n/a	2	4	4	5
Cross train key tasks and functions within the Accounting Division	n/a	4	5	5	5
Automate processes using ERP system (number of processes)	n/a	n/a	2	2	2

*Strategic Alignment*  
*Department Activities & Performance Measures*  
*Finance and Administration*

*Human Resources*

**Goal - Highly Effective Workforce**

Develop and enhance recruitment, selection, and retention strategies to attract, recruit, and retain a highly effective and diverse

Performance Measure	FY21 Actual*	FY2022 Actual*	FY2023 Proposed	FY2023 Projected	FY2024 Proposed
Develop quality and diversity of applicant pools (number of failed recruitments)	n/a	n/a	0	0	0
Administer two new hire surveys within first six months of employment and annual survey of all others	n/a	n/a	Yes	Yes	Yes
Minimize percentage of non-retirement voluntary turnover	n/a	n/a	<5%	2.42%	<5%

**Goal - Highly Effective Workforce**

Increase competency among supervisory staff and expand development opportunities for growth to non-supervisory staff.

Performance Measure	FY21 Actual*	FY2022 Actual*	FY2023 Proposed	FY2023 Projected	FY2024 Proposed
Administer one new supervisor training for completion within first six months of assuming position; annual for current supervisors.	n/a	n/a	Yes	No	Yes
Provide cross-training, interim appointments, career paths, and internal promotion opportunities.	n/a	n/a	Yes	Yes	Yes

**Goal - Highly Effective Workforce**

Increase the effectiveness of performance evaluation process.

Performance Measure	FY21 Actual*	FY2022 Actual*	FY2023 Proposed	FY2023 Projected	FY2024 Proposed
Reduce the number of delinquent performance appraisals (Percent of appraisals overdue by over two weeks)	n/a	n/a	<5%	10%	<5%

*Information Systems*

**Goal - Sound Financial Management**

Increase awareness and reliability on District security Systems.

Performance Measure	FY21 Actual*	FY2022 Actual	FY2023 Proposed	FY2023 Projected	FY2024 Proposed
Number of clicks on phishing/smshing tests	n/a	7	<7	<6	<6

**Goal - Innovative and Efficient Operations**

Increase accessibility, reliability, and redundancy by using cloud-based services and mobile applications. Pursue a cloud first strategy for

Performance Measure	FY21 Actual*	FY2022 Actual	FY2023 Proposed	FY2023 Projected	FY2024 Proposed
Percentage of systems hosted within cloud-based platforms	n/a	57%	60%	60%	60%

**Goal - Highly Effective Workforce**

Provide staff with tools, information, and data needed to facilitate service delivery through Information Technology Service Management

Performance Measure	FY21 Actual*	FY2022 Actual	FY2023 Proposed	FY2023 Projected	FY2024 Proposed
Number of requests submitted via the ITSM portal	n/a	490	550	1500	550

\* n/a represents new performance measures - no data available



**DATE:** March 28, 2023  
**TO:** Board of Directors  
**FROM:** Engineering and External Affairs

---

**SUBJECT: Customer Experience: Building and Maintaining Excellent Customer Service**

---

**SUMMARY:**

Building and maintaining excellent customer service is an integral component of the District's Strategic Plan and overarching mission. This report summarizes the "customer experience" for the District and what it means to provide excellent customer service. A verbal presentation will accompany the report and consist of brief updates from Division Managers in the Engineering and External Affairs Department, including an overview of successes and challenges with providing excellent customer service and opportunities for future improvement. There will also be an opportunity to discuss a proposed 2023 customer survey, which will assist the District in improving the customer experience.

**ITEM BUDGETED:**

Yes

**FINANCIAL IMPACT:**

There is no financial impact associated with this item.

**DISCUSSION:**

The District prides itself in making excellent customer service a top strategic priority. Providing excellent customer service goes well beyond fulfilling the District's mission of providing high-quality, reliable water service in a cost-effective and environmentally sensitive manner. Excellent customer service means being courteous and knowledgeable when interacting with customers and responsive to their concerns. It also includes carrying out the District's mission, while interacting with customers in a responsive, fair, consistent, reasonable, and empathetic manner. The District values the partnership it has with its customers and seeks to bolster that relationship.

There are several objectives in the Strategic Plan that directly or indirectly strive to build and maintain excellent customer service. Following is a summary of the applicable objectives:



- Objective No. 1: Develop a strategy to maintain a highly effective workforce.
- Objective No. 3: Support customers to meet water-use efficiency standards.
- Objective No. 7: Keep customers, city officials and other stakeholders well-informed and provide new/improved customer tools to enhance service delivery.

Providing excellent customer service starts with Objective No. 1: maintaining a highly effective workforce. This objective includes hiring and retaining qualified staff, maintaining appropriate staffing levels and minimizing the amount of time that vacant positions remain unfilled. It also requires implementing a Succession Plan that ensures institutional knowledge and experience remains with the workforce – even after tenured employees leave for new opportunities or retire. Attracting and retaining qualified staff requires the development and implementation of a strategy, which includes providing competitive wages and benefits, encouraging and providing opportunities for professional growth, recognizing employees for excellent performance in the work they perform and putting policies and practices in place that promote a positive work environment to maintain high morale.

Objective Nos. 3 and 7 of the Strategic Plan aim to keep customers and other stakeholders well-informed, provide them with tools to enhance their experience with the services provided by the District and meet water efficiency standards. These objectives include being reachable for inquiries, providing accurate and timely water use data and billings, giving customers an easy way to pay bills, providing a means to view water use in near real-time, helping customers identify leaks and employing technologies such as advanced meters and the WaterSmart portal. It also includes being transparent and engaging the community, ensuring customers and stakeholders are well informed of major initiatives such as conservation requirements and important projects like the Pure Water Project Las Virgenes-Triunfo.

The timing and different means in which the District contacts customers on different matters is also important. Educating customers on how water budgets work and notifying them when there is a service disruption from a main break require different approaches. Staff needs to be cognizant to not overwhelm customers with e-mails, robocalls or texts to the extent they get frustrated and block future attempts at contacting them. Finding the right balance and respecting customer preferences is critical.

One limitation that staff has is that they are not always able to fulfill all customer requests. Staff often receive requests to waive late fees or billed amounts associated with leaks or to defer a service disconnection due to non-payment. These requests are fulfilled to an extent, but only as permitted by the Las Virgenes Municipal Water District Code (i.e. one leak adjustment every five years if registered for WaterSmart). However, providing excellent customer services does not mean approving all customer requests. While staff cannot always fulfill a customer request, they are trained to be empathetic, provide options such as payment plans and be fair and consistent in carrying out their duties in accordance with the District's policies.

As part of the verbal presentation on this item, each Division Manager for the Engineering and External Affairs (EEA) Department will briefly summarize the following items:

- What is routinely done to assist customers (primary touch points with customers);
- Customer service successes and challenges; and
- Pending and/or potential future opportunities for improvement.

Also included with this report is a draft 2023 customer survey that staff is proposing to release within the next month. Providing an opportunity for customers to share their experiences and provide feedback is critical to help further improve the customer experience. The survey is intended to solicit feedback from customers in key areas related to customer service. The Board is encouraged to provide input before the survey is finalized, and the results of the survey will be analyzed and shared with the Board at a future meeting. Ultimately, this survey and future versions will be used to assist the District to understand where improvements can be made, priorities established and resources directed to further build and maintain excellent customer service.

**GOALS:**

Provide Excellent Services that Exceed Customer's Expectation

Prepared by: Joe McDermott, Director of Engineering and External Affairs

**ATTACHMENTS:**

[Draft 2023 Customer Survey](#)



## 2023 CUSTOMER SURVEY

1. District staff has been courteous, knowledgeable, and responsive in assisting me with questions or issues when I've had contact with them in-person or by telephone. (check only one that most closely reflects your opinion).
  - Strongly Agree
  - Agree
  - Don't know/not sure/have not had to contact
  - Disagree
  - Strongly Disagree
  
2. My water/sewer bills have been timely and accurate (check only one that most closely reflects your opinion).
  - Strongly Agree
  - Agree
  - Don't know/not sure
  - Disagree
  - Strongly Disagree
  
3. I am aware and have at least some knowledge of the Pure Water Project Las Virgenes – Trinunfo, which will consist of treating recycled wastewater to drinking water standards and will provide a new source of reliable and high quality water to the region (check only one that most closely reflects your opinion).
  - Strongly Agree
  - Agree
  - Don't know/not sure/what's the Pure Water Project?
  - Disagree
  - Strongly Disagree
  
4. During the height of the drought, I received an adequate amount of information or at least knew where to find information on watering restrictions, ways to save water, and rebate programs (check only one that most closely reflects your opinion).
  - Strongly Agree
  - Agree
  - Don't know/not sure
  - Disagree
  - Strongly Disagree
  
5. I understand how water budgets work and some of the things I can do to stay within my water budget (check only one that most closely reflects your opinion).
  - Strongly Agree
  - Agree
  - Don't know/not sure/what's a water budget?
  - Disagree
  - Strongly Disagree

6. The most I'd like to get useful information from the District via text is (check only one that most closely reflects your opinion).
- Every day is okay
  - Once a week at the most
  - Once a month at the most
  - A maximum of once every three months
  - Preferably no texts unless it is an emergency such as a water main break that affects my service
7. I prefer to get useful information from the District by (check only one that most closely reflects your top preference)
- e-mail
  - Text
  - With my monthly bill
  - Social media (twitter, Facebook or Instagram)
  - Newspaper/advertisements
8. Flow restriction devices should be installed for customers that routinely exceed their water budget by twice the amount and have been given several opportunities to be more efficient with their water use (check only one that most closely reflects your opinion).
- Strongly Agree
  - Agree
  - Don't know/not sure/mixed feelings/what's a flow restriction device?
  - Disagree
  - Strongly Disagree
9. My top choice for the one area that I feel needs the most change/improvement from the District is: (check the one that most closely reflects your opinion).
- Lower water and/or sanitation costs
  - More reliable water supply
  - Easier to reach for questions/issues
  - More transparency and engagement with customers
  - Do better at explaining how water budgets work
10. On a scale from 1-5, with 5 being the highest level of satisfaction, how would you rate your overall customer satisfaction with your water/sewer service?
- 5
  - 4
  - 3
  - 2
  - 1
11. Is there anything else you'd like to share with us that can help us to improve the service we provide?
- 
- 
- 

**THANK YOU FOR TAKING THE TIME TO COMPLETE THIS SURVEY AND FOR HELPING US TO IMPROVE THE SERVICE WE PROVIDE!**



**DATE:** March 28, 2023  
**TO:** Board of Directors  
**FROM:** Engineering and External Affairs

---

**SUBJECT: Landscape Transformation Program: Water Efficiency Rebates and Incentives**

---

**SUMMARY:**

Having endured severe drought conditions for the past three years, staff is proposing the implementation of a Landscape Transformation Program. The program is necessary to comply with state mandates and the new reality of water scarcity. Even though water supply conditions have drastically improved with recent record rainfall and snowpack in the Sierra Nevada Mountains, it is only a matter of time before California once again faces drought conditions and District customers are required to reduce their water usage.

The proposed Landscape Transformation Program has several components and “subprograms.” It will provide both technical and financial assistance for customers to convert landscapes that require large amounts of water to more climate-appropriate and drought-tolerant landscapes. There are subprograms that focus on residential landscape conversions and others that focus on commercial and recycled water conservation. There are also elements of the program that focus on the installation and maintenance of more efficient irrigation systems.

Program success will be measured by the volume of water savings and reduced reliance on water that is imported from the Sierra Nevada Mountains over 400 miles away. Prior to the drought, approximately 70 percent of the District's water demand was for landscapes. Most opportunities to conserve water indoors have already been realized. Currently, the greatest opportunity to conserve water is through reduction of the need for outdoor irrigation. Historically, the District has had one of the highest per capita water use rates at over 195 gallons per person per day. With this program, the goal is to cut this amount by at least 25 percent by the end of the decade. The goal is also to reduce recycled water use on landscapes by at least 25 percent over the same time-frame, which will make more recycled water available for a higher beneficial use and to augment drinking water supplies via the Pure Water Project Las Virgenes-Triunfo.

The Landscape Transformation Program is not currently included in the Fiscal Year 2023-24 budget plan. If authorized and funded by the Board, the program would be implemented over

a number of years – at least through the end of this decade. At this time, staff seeks feedback from the Board on the proposed program before the details are finalized and included with the draft Fiscal Year 2023-24 Budget.

**FISCAL IMPACT:**

Yes

**FINANCIAL IMPACT:**

The proposed program will align and serve to supplement existing Metropolitan Water District of Southern California (MWD) funded rebates, incentives and anticipated grant funding. Staff is working with the Finance and Administration Department to propose funding for the program as part of the draft Fiscal Year 2023-24 Budget.

In December 2022, the District's proposed Drought Resiliency Water Conservation Program for the Integrated Regional Water Management (IRWM) Plan Proposition 1, Round 2 grant funding was selected for formal inclusion in the Los Angeles County Flood Control District (LAFCD) application submitted on behalf of the Greater Los Angeles County (GLAC) IRWM Leadership Committee. Staff finalized the work plan, budgets and schedule in advance of official submittal to the California Department of Water Resources on February 1, 2023. Staff will be bringing several items to the Board for approval, including a formal grant agreement/resolution, authorization for application payment and a Memorandum of Understanding (MOU) that will provide a financial framework for the District to serve as the lead agency in partnership with the West Basin Municipal Water District and Los Angeles County Waterworks District No. 29, Malibu. The total grant request for the proposed Regional Drought Resiliency Program is \$1.3 million with a 50 percent partner cost share. The grant performance period is through December 31, 2026 with an estimated total water savings of 58 acre-feet per year (19 million gallons/year).

Additionally, in December 2022, Resource Conservation staff successfully submitted a funding application collaboratively with the Inland Empire Utilities Agency (IEUA) to partner as a sub-agency to secure state funds through the Urban Community Drought Relief Program. The proposed partnership would assist the District in providing a “turnkey” turf transformation program with funding specifically for commercial and public properties. The total grant request was for \$15.4 million with a waiver of the local match requirement. The proposed funding for the District is \$3.5 million. Any Board action on this item will be taken at a later date if the application for grant funding is successful.

**DISCUSSION:**

Executive Order B-37-16, “Making Conservation a California Way of Life,” was implemented by Governor Edmund G. Brown, Jr., on May 9, 2016, to provide a framework for increased conservation and water use efficiency that is needed to ensure the resilience of California water supplies against increasingly severe drought periods and years with record low precipitation. Specifically, the Executive Order requires the State’s 410 urban water suppliers to meet new water use targets that take into account climatic, demographic and land use characteristics of each urban water agency’s service area. The new targets ensure that urban water is used efficiently, facilitating and promoting conservation measures such as landscape transformation, defined broadly as converting traditional turf to California-friendly native

landscapes, replacing traditional irrigation with low-flow, high efficient technologies, education and managing system-wide water loss through leak detection and the elimination of water waste.

The conservation framework specifically called for urban water suppliers to incentivize and set standards for the implementation of new water-saving practices and technologies. The District has maintained a long-standing culture and practice of water conservation well before the state's framework was established. Most recently, the District completed the Advanced Meter Project (AMI). This project positions the District and its customers to strategically and proactively use alerts to identify leaks and make necessary changes through the visualization of their water consumption using the WaterSmart portal and empowering customers to be as water efficient as possible. Conversely, it equips the District to accurately identify water loss and leverage near real-time water use data to improve operational challenges. This strategic investment in water savings positions the District to continue to be an innovator in conservation and drought resiliency and build a lasting legacy of stewardship by preserving precious water resources for generations to come.

Water conservation has become an integral way to overcome the challenges on water supplies and energy resources through demand side management. With the District being a State Water Project-dependent area, local resource development coupled with conservation efforts is viewed as a key source of supplementing imported supplies and strengthening the region's drought resiliency. Every drop of water saved is an additional drop of water that can remain in storage for dry periods. During 2022, District customers rose to the challenge of meeting stringent outdoor watering restrictions. From June 2022 through December 2022, customers used an average of 39 percent less water as compared to the same period in 2020. The District's efforts, along with the overwhelming conservation response from customers, was remarkable. In an effort to continue to build on the past year's drought messaging and encourage more integration of water efficient best practices with a focus on outdoor landscapes and irrigation, Resource Conservation staff have developed the Landscape Transformation Program to provide additional water saving tools and incentives that will assist and encourage customers to maximize water savings.

Following is a summary of the proposed program objectives:

- Develop programs that complement the District's existing programs, MWD's Turf Replacement Program and align with grant funding efforts;
- Research and identify barriers to completing landscape transformation;
- Provide assistance, guidance, and education to overcome obstacles;
- Incentivize landscape transformation by providing financial support, professional services, education, and water saving devices at discounted rates;
- Meet all state mandates for water use efficiency;
- Reduce water use from the 2020 level of 195 gallons per capita per day to less than 146 gallons per capita per day by the year 2030; and
- Reduce recycled water use on landscapes by 25 percent compared to 2020 levels by the year 2030.

#### Turf Transformation Strategy:

To effectively set achievable goals and implement successful programs, the Resource Conservation team has been diligently researching and interviewing water agencies across

Southern California to better understand how to properly craft programs to produce optimal landscape transformation outcomes. Some of the agencies interviewed were Moulten Niguel Water District (NatureScape, H2O for HOAs), Municipal Water District of Orange County (Landscape Design Assistance Program, Spray to Drip), California American Water (Drip Direct Install Pilot Program), Calleguas Municipal Water District and West Basin Municipal Water District. After months of collecting data, interviewing agencies and industry professionals, the team developed the following key goals for the District's Landscape Transformation Program:

- Bolster District's website/webpages to improve customer connection to District rebates and incentives and existing MWD programs;
- Create and publish collateral to support ease of access;
- Ensure District offered rebates align and/or supplement existing programs (Rachio), IRWM, and MWD Programs;
- Incentivize landscape transformation by providing financial incentive, professional services support, education/workshops, and discounted water saving devices and equipment;
- Leverage the WaterSmart Customer Interface Portal to manage and track water savings programmatically (Program Participation Module);
- Promote programs through interactive campaigns and contests;
- Short term (2023-24) Implement IRWM – Drought Resiliency Water Conservation Programs and use as pilot to refine future programs – Fall 2023; and
- Long term (2024-2030) – fund and manage supplemental programs that facilitate landscape transformation and produce cumulative water savings.

#### Drought Resiliency Water Conservation Program – IRWM Grant :

The Drought Resiliency Water Conservation Program, a sub-program of the Landscape Transformation Program through the IRWM Grant, will utilize rebates, devices, and assistance to replace water wasting grass with low water use plants, and incentivize the installation of water efficient outdoor devices. More specifically landscape design assistance, drip irrigation direct install/tune ups, weather-based irrigation controllers, native plant kits, rain barrels, and cisterns. This program will be supplementary to MWD's existing bewaterwise.com turf replacement program. This regional three-way partnership with the District acting as the lead agency encourages climate resilience, and strengthens collaboration with local water agencies and non-profit partners who share in the stewardship of our local watersheds and resources. Through a partnership with TreePeople, this program will implement the Native Garden Kit Program originally inspired by Dave Roberts, the District's former Resource Conservation Manager. These kits will consist of ten one-gallon native plants pre-designed for any 100 square-foot garden space, and the kit includes a plant by number site map and a native plant installation guide along with educational materials. All plants will be locally sourced native plants grown by nurseries such as Growing Works, TreePeople, and others. Staff anticipates rolling out this sub-program by Fall 2023.

#### Turf Transformation Outreach:

A key strategy for implementing the District's Landscape Transformation Program is to design it so that it fills in the gaps or removes obstacles as opposed to a "one size fits all" approach. In an effort to be data driven and better understand the obstacles and challenges inherent to landscape transformation locally, a survey was sent to all District customers that have email addresses on file to collect data specific to landscape transformation. With over 422



respondents, some of the key takeaways are as follows:

- The majority of customers are considering landscape transformation for their entire property.
- Fifty percent of respondents conveyed they would transform landscape by way of do-it-yourself, and 50 percent would hire a contractor.
- The cost is the most prohibitive factor when considering landscape transformation.
- Assistance with formal landscape design and converting conventional irrigation to low flow efficient irrigation scored the highest for potential rebate options.

The Resource Conservation team will work closely with the Communications/Outreach team to refine the Turf Transformation webpages, develop collateral for public consumption, and effectively message the program through the District's social media platforms.

Educational workshops hosted by the District are currently scheduled for Spring 2023. On March 14, 2023, the District sponsored a Green Gardens Group (G3) virtual presentation on Garden Design specifically focusing on sizing and citing rain water capture areas, developing a palette of climate appropriate plants, applying key design principles, and laying out a successful planting plan. The workshop was well attended. On Saturday April 1, 2023, the District will host Douglas Kent, who will be presenting on Firescaping: Protecting Your Family, Home and Property from a Wildfire. Douglas Kent is an author and horticulturalist who will be focusing on structures, defensible space, and the role of plants in fire protection. Additional future presenters not yet officially scheduled include U.C. Cooperative Extension Advisors Dr. Janet Hartin and Dr. Jim Downer with Climate Ready Trees, TreePeople (California Native Gardens), the California Native Plant Society (Native Lawns), Melina Watts (Rainwater Harvesting), and the District's Resource Conservation staff (How to Create a Climate Appropriate Garden and Sheet Mulching). Dates are to be determined. Classes are free to the public, and require advanced registration. Customers can visit [lvmwd.com](http://lvmwd.com) and navigate to the District's Spring Landscape Workshop Series link for more information.

#### Next Steps:

Staff will be performing cost analyses and preparing proposals to streamline the joint efforts of the Drought Resiliency Water Conservation Program. Grant funds were budgeted for a Project Manager to facilitate project cohesion, outreach efforts and grant management to be procured through a formal request for proposals process. Staff anticipates returning to the Board in Summer 2023 to formalize the grant agreement/MOU with LAFCD and the MOU between the three partnering agencies.

#### **GOALS:**

Provide Excellent Services that Exceed Customer's Expectation

Prepared by: Craig Jones, Resource Conservation Manager