

CRESCENTA VALLEY WATER DISTRICT

2700 FOOTHILL BOULEVARD
LA CRESCENTA, CALIFORNIA

To be held on
December 8, 2021 at 1:00 PM

Agenda for the Meeting of the Finance Committee
of the Crescenta Valley Water District

Posted December 7, 2021 at 1:00 PM

TELECONFERENCING NOTICE

Under AB 361 and District Resolution No. 772, the District will continue to hold Board and Committee meetings by teleconference, due to the continuing State of Emergency for COVID-19 and the ongoing imminent risks to the health or safety of the attendees from COVID-19.

[This meeting will be held by teleconference only.]

Any member of the public may participate using a touchtone phone. You may select any of the following phone numbers (there are more than one for increased reliability during this time of increased phone traffic)

(669) 900-6833	(346) 248-7799	(929) 205-6099
(253) 215-8782	(301) 715-8592	(312) 626-6799

Then, enter Access Code: 846 7462 7174

[Pursuant to the above Executive Order, the public may not attend the meeting in person]

Those members of the public who are able to and would like to additionally participate with a computer through videoconference may access the Zoom videoconferencing tool available at the following link – <https://us02web.zoom.us/j/84674627174>

Any person may make a request for a disability-related modification or accommodation needed for that person to be able to participate in the public meeting by contacting the District by phone or in writing at customerservice@cvwd.com. Requests must specify the nature of the disability and the type of accommodation requested. A telephone number or other contact information should be included so that District staff may discuss appropriate arrangements. Persons requesting a disability-related accommodation should make the request with adequate time before the meeting for the District to provide the requested accommodation.

Call to Order

Adoption of Agenda

Public Comment:

At this time, members of the public shall have an opportunity to address the Committee on items of interest that are within the subject matter jurisdiction of this Committee. This opportunity is non-transferable, and speakers are limited to three (3) minutes each. Under the provisions of the Brown Act,

the Board is prohibited from taking action on items not listed on the agenda, except under certain circumstances.

Action Items(s)

The public shall have an opportunity to comment on any action item as each item is considered by the Committee. This opportunity is non-transferrable and speakers are limited to one two-minute (2) comment each.

1. Establishment of Fees for Data Downloads from Customer Meters
2. Reinstatement of Late Fees
3. Update on Recovering Delinquent Bills
4. Board Meetings and Board Pay
5. Increases in Construction Costs and Operational Supplies
6. Investment Policy

Committee Members' Request for Future Agenda Items

Adjournment

Crescenta Valley Water District

Finance Committee

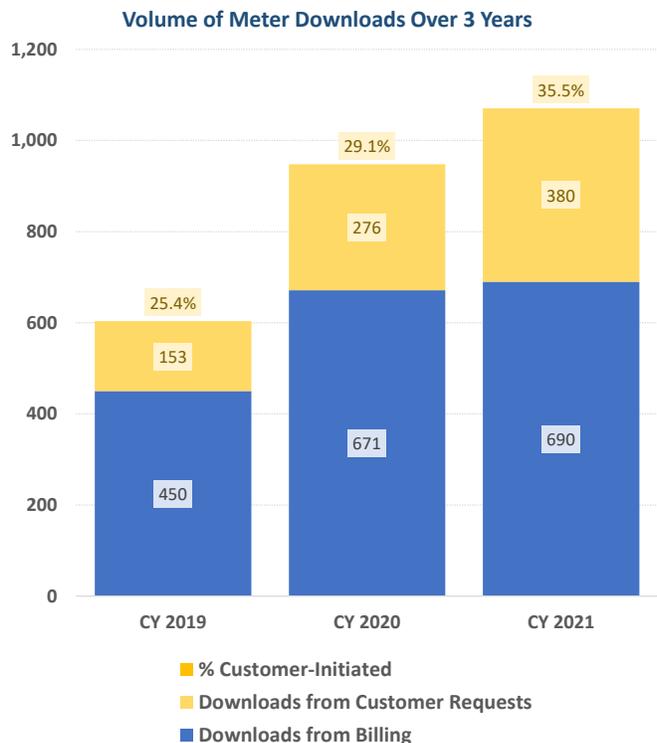
December 8, 2021

Agenda Item #1 – Establishment of Fees for Data Downloads from Customer Meters

This agenda item recommends the adoption of a meter download fee and seeks the Board’s direction with respect to the level of charges.

The iPerl meters that constitute most of the District’s meters are AMI-ready. Although AMI is being implemented over a number of years, the meters still provide the ability to download up to 35 days of customer usage data to help identify and troubleshoot leaks. In the absence of AMI, this is a manual process that, on average, takes at least 1 hour each of staff time – e.g. initiate service request, download meter, transfer data, analyze data, call customer and resolve issue, close service request.

Offering meter download analyses is consistent with maintaining a proactive stance with respect to customer service and providing “best-in-class” service. Providing such a service is not required, and a survey of other agencies with iPerl or similarly equipped meters indicates that other agencies do not regularly provide downloads. In the last several years, the frequency of meter downloads has increased significantly in two ways: 1) the total number of downloads; and 2) the share of downloads requested by customers. The frequency of downloads is approaching the threshold where staff’s ability to maintain operational resiliency and provide the desired level of service is being impacted. This is particularly the case as the District streamlines its staff to be more efficient and leverage various technologies.



If the District were to implement a new fee, it would be on a cost-of-service basis. An analysis was completed to determine the cost of providing downloads based on an average of personnel time at their “burdened” rates. Based on a “sensitivity” analysis – an analysis that accounts for variability in assumptions – the low-to-high range of fees required to recover staff time on a cost-of-service basis is \$43.59 to \$58.59 per download.

Agenda Item #2 – Reinstatement of Late Fees

This agenda item updates and seeks direction from the Board with respect to late fees and their potential reinstatement.

In April 2020, the Governor issued Executive Order N-42-40, which prohibited water service providers from shutting off water service. The Board had independently determined the same course of action before the order was issued. The moratorium on shutoffs removed the industry’s ability to enforce payment of bills, including late fees, and most agencies including the District put a hold on late fees. In October 2021, SB 155 extended the moratorium until at least December 31, 2021 and possibly longer.

Agency	Late Fees Y/N	Comments
Pasadena	N	Expecting to reinstate late fees in a few months
Glendale	N	No date for expected reinstatement
Valley Water	N	No date for expected reinstatement
Lincoln Avenue	Y	Resumed late fees in August 2020
La Canada Irrigation	n/a	No response
Las Flores	Y	Never stopped charging late fees
Kinneloa	Y	Never stopped charging late fees

Some agencies have reinstated their late fees. Although they cannot enforce bill collection, a reinstatement of late fees means the fees can be added to customers’ balances owed. The District’s estimated revenue loss from no late fees is approximately \$60K to \$80K annually.

Agenda Item #3 – Update on Recovering Delinquent Bills

This agenda item updates the Board regarding delinquent bill payments and staff’s proposed action plan.

The District has monitored delinquent customer bill payments since early 2020 when the pandemic began. Since then, the total balance of delinquent bills has ranged from \$30K to \$60K. In recent months, however, the balance for total water and wastewater bill arrearages has ballooned to \$230K, approximately \$136K and \$94K for the water and wastewater enterprises, respectively. This significant increase may be an indication that a growing base of customers understand that bill collection cannot be enforced in any way at this time.

Staff is prepared to implement a two-prong action plan that will recover delinquent balances.

1. *Correspondence with Customers* – The District can remind customers of their outstanding balances through a series of letters. The purpose of these letters is to inform customers of what to expect in the future in terms of bill collection efforts and to serve as documentation consistent with the District’s public outreach and transparency goals.

2. *Apply for the Arrearages Payment Program* – Virtually all of the State’s water and wastewater agencies are facing similar circumstances, and the California State Water Board’s Arrearages Payment Program authorizes funds to mitigate these impacts. Staff has already submitted an application to recover \$136K of delinquent bills for the water enterprise. If awarded, funds would be disbursed to the District by January 31, 2022. It is widely expected that the SWRCB will initiate a parallel program for wastewater enterprises by February 2022, and staff is prepared to secure those funds as well.

Agenda Item #4 – Board Meetings and Board Pay

This agenda item serves as a placeholder for discussion regarding an increase in the number of meetings compensated annually to directors and the compensation for each meeting.

The District’s directors are compensated for up to 6 meetings monthly and 48 meetings annually at a rate of \$90 per meeting. These levels have been maintained since 2010, when compensation was decreased from \$100 per meeting.

Since then, there have been substantial changes that provide a rationale for increasing both thresholds. Additional Board member commitments have included long-term financial and capital planning, implementation of a strategic plan, a greater emphasis on governance through committees, and increased director presence at public events related to District business. Currently, a quorum of the Board is near or will exceed the 48-meeting threshold.

There has been consistent annual inflation since the last change in 2010. Although elected officials serve as a matter of public service, the \$90 rate per meeting likely represents less than half the opportunity cost for directors to prepare for and attend meetings and represent at events.

The Board can move to update these thresholds by resolution to amend the Rules and Regulations.

Agenda Item #5 – Increases in Construction Costs and Operational Supplies

This agenda item serves as a placeholder for discussion regarding substantial increases in construction and supplies costs.

Supply chain shortages attributable to the pandemic as well as other economic factors have substantially increased the costs of construction and key supplies. It is not uncommon for the cost of supplies to have doubled. Construction bids are also coming in well over engineer’s estimates. Certain operational costs such as chemicals, paving, energy, imported water or fuel cannot be deferred, and often bulk purchases are not possible because supply is not available. Staff is initiating a discussion to bring more awareness to this issue, specifically an expectation of escalating project costs.

Agenda Item #6 – Investment Policy

This agenda item updates the Board regarding the District’s annually adopted investment policy.

The District adopts an investment policy annually as a matter of administrative procedure. In July, staff reported that the District had moved from Great Pacific Securities, a broker-dealer, to Chandler Asset Management, a firm with a practice that specializes in serving public utilities. The firm has delivered positive investment returns to its clients over several decades and through a number of recessions. Staff will include Chandler’s recommended investment policy on the next Board agenda, and it is enclosed for reference.

RESOLUTION NO. []

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CRESCENTA VALLEY WATER DISTRICT ESTABLISHING ITS INVESTMENT POLICY

1. POLICY

WHEREAS; the Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern; and

WHEREAS; the legislative body of a local agency may invest monies not required for the immediate necessities of the local agency in accordance with the provisions of California Government Code Sections 5922 and 53601 et seq.; and

WHEREAS; the Treasurer of the Crescenta Valley Water District ("District") shall annually prepare and submit a statement of investment policy and such policy, and any changes thereto, shall be considered by the Board of Directors at a public meeting;

NOW THEREFORE, it shall be the policy of the District to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all statutes governing the investment of District funds.

2.0 SCOPE

This investment policy applies to all financial assets of the District. These funds are accounted for in the annual district audit.

3.0 PRUDENCE

Investments shall be made with judgment and care, under circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the District, which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent investor" standard (California Government Code 53600.3) and shall be 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 responsibility 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.

4.0 OBJECTIVES

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

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, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

2. Liquidity: The investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated.

3. Return on Investments: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

5.0 DELEGATION OF AUTHORITY

Authority to manage the investment program is derived from California Government Code 53600, et seq. Management responsibility for the investment program is hereby delegated to the Treasurer, who shall be responsible for all transactions undertaken and shall make a monthly report of those transactions to the Board of Directors. Under the provisions of California Government Code 53600.3, the Treasurer is a trustee and a fiduciary subject to the prudent investor standard.

The District may engage the services of one or more external investment advisers, who are registered under the Investment Advisers Act of 1940, to assist in the management of the District's investment portfolio in a manner consistent with the District's objectives. External investment advisers may be granted discretion to purchase and sell investment securities in accordance with this investment policy.[CM1]

6.0 ETHICS AND CONFLICTS OF INTEREST

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

7.0 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Treasurer will maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience and minimal capitalization authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment and financial advisory services in the State of California. No public deposit shall be made except in a qualified public depository as established by state laws.

For brokers/dealers of government securities and other investments, the District shall select only broker/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organizations.

Selection of broker/dealers used by an external investment adviser retained by the District will be at the sole discretion of the adviser. Where possible, transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.[CM2]

Before engaging in investment transactions with a broker/dealer, the Treasurer shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the District's account with that firm has reviewed the District's Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the District that are appropriate under the terms and conditions of the Investment Policy.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS

The District is empowered by California Government Code Section 53601 et seq. to invest in the following:

- a. Bonds issued by the District.
- b. United States Treasury Bills, Notes, Bonds, and Certificate of Indebtedness.
- c. Registered state warrants or treasury notes or bonds issued by the State of California.
- d. Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of revenues from revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.

- e. Bonds, notes, warrants or other evidence of debt issued by a local agency within the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.
- f. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by, or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. The maximum percent of agency callable securities in the portfolio will be 20%^[CM3]
- g. Bankers' acceptances, otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchase of bankers' acceptances may not exceed one hundred eighty (180) days' maturity or forty percent (40%) of the District's money that may be invested pursuant to this policy. However, no more than thirty percent (30%) of the District's money can be invested in the bankers' acceptances of any single commercial bank.^[CM4]
- h. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization. The entity that issues the commercial paper shall either be:
 - (1) organized and operating within the United States as a general corporation, shall have total assets in excess of Five Hundred Million Dollars (\$500,000,000), and shall issue debt, other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by a nationally recognized statistical-rating organization; or
 - (2) organized within the United States as a special purpose corporation, trust, or limited liability company, have program-wide credit enhancements including, but not limited to, over-collateralization, letters of credit, or surety bond, and has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization.Eligible commercial paper shall have a maximum maturity of two hundred seventy (270) days or less. The District shall invest no more than twenty-five percent (25%) of its money in eligible commercial paper. The District shall purchase no more than ten percent (10%) of the outstanding commercial paper of any single corporate issue.
- i. Negotiable certificates of deposit issued by a nationally or state chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federal or state licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed thirty percent (30%) of the District's money which may be invested pursuant to this policy. The Board of Directors and the General Manager are prohibited from investing District funds, or funds in the District's custody, in negotiable certificates of deposit issued by a state or federal credit union if a member of the Board of Directors, or any person with investment decision making authority within the District also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.
- j. Repurchase/Reverse Repurchase Agreements of any securities authorized by Section 53601. The market value of securities that underlay a repurchase agreement shall be valued at one hundred two percent (102%) or greater of the funds borrowed against those securities, and are subject to the special limits and conditions of California Government Code 53601(j).
- k. Medium term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five (5) years or less, issued by corporations organized and

operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated in a rating category of "A" or its equivalent or better by a nationally recognized rating service. Purchases of medium term notes shall not include other instruments authorized by this policy and shall not exceed thirty percent (30%) of the District's money which may be invested pursuant to this policy. The District may invest no more than ten percent (10%) of its total investment assets in the commercial paper and the medium-term notes of any single issuer.

- l. Shares of beneficial interest issued by diversified management companies (mutual funds) investing in the securities and obligations authorized by this policy, and shares in money market mutual funds, subject to the restrictions of Government Code Section 53601(l). The purchase price of investments under this subdivision shall not exceed twenty percent (20%) of the District's investments under this policy. However, no more than ten percent (10%) of the District's money may be invested in any one mutual fund.
- m. Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.
- n. Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by Government Code Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Government Code Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.
- o. Any mortgage pass-through security, collateralized mortgage obligation, mortgage backed or other pay-through bond, equipment lease backed certificate, consumer receivable pass-through certificate, or consumer receivable backed bond of a maximum of five (5) years maturity. ~~Securities eligible for investment under this subdivision shall be issued by an issuer rated in a rating category of "A" or its equivalent or better for the issuer's debt as provided by a nationally recognized rating service and~~ The securities shall be rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subdivision shall not exceed twenty percent (20%) of the District's money that may be invested pursuant to this policy. [CMS]
- p. Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized under Government Code Section 53601. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible, the joint powers authority issuing the shares must have retained an investment advisor that is registered or exempt from registration with the Securities and Exchange Commission, have not less than five years of experience in investing in the securities and obligations authorized under Government Code Section 53601, and have assets under management in excess of five hundred million dollars (\$500,000,000.00).
- q. United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development,

International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. These types of investments must be rated in a rating category of “AA” or its equivalent or better by a nationally recognized statistical rating organization and cannot exceed 30% of the District’s moneys that may be invested pursuant to Section 53601.

- r. Deposits at a commercial bank, savings bank, savings and loan association or credit union that uses a private sector entity that assists in the placement of such certificates of deposit, pursuant to Government Code Section 53601.8. Deposits shall be subject to Government Code Section 53638 and may not exceed 50% of the District’s money which may be invested pursuant to this policy.

9.0 PROHIBITED INVESTMENTS

State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options and the following:

- a. In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.
- b. Investment in any security that could result in a zero interest accrual if held to maturity is prohibited. Under a provision sunseting on January 1, 2026, securities backed by the U.S. Government that could result in a zero- or negative-interest accrual if held to maturity are permitted.
- c. Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
- d. Purchasing or selling securities on margin is prohibited.
- e. The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.
- f. The purchase of foreign currency denominated securities is prohibited.[CM6]

9.010.0 COLLATERALIZATION

The District shall require any commercial bank or savings and loan association to deposit eligible securities with an agency of a depository approved by the State Banking Department to secure any uninsured portion of a Non-Negotiable Certificate of Deposit. The value of eligible securities as defined pursuant to California Government Code, Section 53651, pledged against a Certificate of Deposit shall be equal to 150% of the face value of the CD if the securities are classified as mortgages and 110% of the face value of the CD for all other classes of security. All certificates of deposit must be collateralized by United States Treasury Obligations. Collateral must be held by a third party trustee and valued on a monthly basis. The percentage of collateralizations on repurchase and reverse agreements will adhere to the amount required under California Government Code 53601(j)(2).

Bank Deposits: This is the process by which a bank or financial institution pledges securities, or other deposits for the purpose of securing repayment of deposited funds. The Agency shall require any bank or financial institution to comply with the collateralization criteria defined in California Government Code, Section 53651.

Repurchase Agreements: The District requires that Repurchase Agreements be collateralized only by securities authorized in accordance with California Government Code:

- a. The securities which collateralize the repurchase agreement shall be priced at Market Value, including any Accrued Interest plus a margin. The Market Value of the securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities.

- b. Financial institutions shall mark the value of the collateral to market at least monthly and increase or decrease the collateral to satisfy the ratio requirement described above.
- c. The District shall receive monthly statements of collateral.^[CM7]

10.0 11.0 SAFEKEEPING AND CUSTODY

All security transactions entered into by the District shall be conducted on delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the District by book entry, physical delivery or by third party custodial agreement.

11.012.0 DIVERSIFICATION

The District will diversify its investments by security type and institution. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities.

Diversification strategies shall be reviewed and revised by the Finance Committee periodically if determined necessary to meet District goals. In establishing specific diversification strategies, the following general policies and constraints shall apply:

- a-g. Portfolio maturity dates shall be matched versus liabilities to avoid undue concentration in a specific maturity sector.
- b-h. Maturities selected shall provide for stability of income and liquidity.
- i. Disbursement and payroll dates shall be covered through maturities of investments, marketable United States Treasury bills or other cash equivalent instruments such as money market mutual funds.
- j. No more than 5% of the total portfolio may be deposited with or invested in securities issued by any single issuer unless except treasuries, agencies, Supnationals, and money market funds and otherwise specified in this policy.^[CM8]
- k. If a security owned by the District is downgraded to a level below the requirements of this policy, making the security ineligible for additional purchases, the following steps will be taken:
 - a. Any actions taken related to the downgrade by the investment manager will be communicated to the Treasurer in a timely manner.
 - b. If a decision is made to retain the security, the credit situation will be monitored and reported to the Board of Directors.^[CM9]
- l. Credit risk is the risk that a security or a portfolio will lose some or all its value due to a real or perceived change in the ability of the issuer to repay its debt. The District will mitigate credit risk by adopting diversification requirements, issuer limitations and downgrade language. The District may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or District's risk preferences.
- e-m. The maximum stated final maturity of individual securities in the portfolio will be five (5) years, except as otherwise stated in this policy.^[CM10]

1213.0 REPORTING

The Treasurer shall submit to the Board of Directors an investment report at least quarterly. The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for District by third-party contracted managers. The report will also include the source of the portfolio valuation. For funds which are placed in LAIF, FDIC-insured accounts and/or in a county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a certification that (1) all investment actions executed since the last report have been made in full compliance with the

Investment Policy and, (2) the District will meet its expenditure obligations for the next six months. The Treasurer shall maintain a complete and timely record of all investment transactions.

Monthly transaction reports will be submitted by the Treasurer to the Board of Directors within 30 days of the end of the reporting period in accordance with California Government Code Section 53607.^[CM11]

14.0 INTERNAL CONTROLS

The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Periodically, as deemed appropriate by the District and/or the Board of Directors, an independent analysis by an external auditor shall be conducted to review internal controls, account activity and compliance with policies and procedures.^[CM12]

15.0 PORTFOLIO REVIEW AND PERFORMANCE EVALUATION:

The Treasurer shall periodically, but no less than quarterly, review the portfolio to identify investments that do not comply with this investment policy and establish protocols for reporting major and critical incidences of noncompliance to the Board of Directors.

The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the District's risk constraints, the cash flow characteristics of the portfolio, and state and local laws, ordinances or resolutions that restrict investments.

The Treasurer shall monitor and evaluate the portfolio's performance relative to the chosen market benchmark(s), which will be included in the Treasurer's quarterly report. The Treasurer shall select an appropriate, readily available index to use as a market benchmark.^[CM13]

16.0 INVESTMENT POLICY ADOPTION

The Investment Policy shall be adopted by resolution of the District. Moreover, the Policy shall be reviewed on an annual basis, and modifications must be approved by the Board of Directors.

PASSED, APPROVED AND ADOPTED at a Regular Meeting of the Board of Directors of Crescenta Valley Water District held on December 14, 2021. Resolution No. [] was adopted by the following vote:

AYES: **Director Raghavachary**
 Director Bodnar
 Director Erickson
 Director Putnam
 Director Tejeda

NOES: **None**

ATTEST:

President, Board of Directors
Crescenta Valley Water District

