



NOTICE OF THE FINANCE & ADMINISTRATION COMMITTEE MEETING/SPECIAL MEETING OF THE BOARD OF DIRECTORS

Thursday, February 15, 2024 at 9:30 AM

AGENDA

LOCATIONS:

Open Session to start at or after 9:30 a.m.

Marin Water Board Room – 220 Nellen Avenue, Corte Madera, CA 94925

Public Participation:

The public may attend this meeting in-person or remotely using the following methods:

On a computer or smart device, go to: <https://marinwater.zoom.us/j/81110533069>

By phone, dial: **1-669-444-9171** and use Webinar ID: **811 1053 3069**

HOW TO PROVIDE PUBLIC COMMENT:

During the Meeting: Typically, you will have 3 minutes to make your public comment, however, the board president may shorten the amount of time for public comment due to a large number of attendees. Furthermore, pursuant to Government Code, section 54954.2 (the Brown Act), the Board may not take action or discuss any item that does not appear on the agenda.

-- **In-Person Attendee:** Fill out a speaker card and provide to the board secretary. List the number/letter (ex: 6a) of the agenda item(s), for which you would like to provide a comment. Once you're called, proceed to the lectern to make your comment.

-- **Remote Attendee:** Use the "raise hand" button on the bottom of the Zoom screen. If you are joining by phone and would like to comment, press *9. The board secretary will use the last four digits of your phone number to call on you (dial *6 to mute/unmute).

In Advance of the Meeting: Submit your comments by email in advance of the meeting to boardcomment@marinwater.org. To ensure that your comment is provided to the Board of Directors prior to the meeting, please email your comment 24 hours in advance of the meeting start time. Comments received after this cut off time will be sent to the Board after the meeting. Please do not include personal information in your comment such as phone numbers and home addresses.

AGENDA ITEMS:

1. **Call to Order and Roll Call**
2. **Adoption of Agenda**
3. **Public Comment on Non-Agenda Matters**

This is the time when any person may address the Board of Directors on matters not listed on this agenda, but which are within the subject matter jurisdiction of the Board.

4. **Regular Items** (9:50 a.m. – Time Approximate)

- a. Minutes of the Finance & Administration Committee Meeting/Special Meeting of the Board of Directors of January 25, 2024

RECOMMENDATION: Approve the minutes of the Finance & Administration Committee Meeting/Special Meeting of the Board of Directors of January 25, 2024

- b. Monthly Financial Update

RECOMMENDATION: Review the Monthly Financial Update, which will provide an overview of the fiscal year-to-date financials

- c. Quarterly Investment Report – December 2023

RECOMMENDATION: Receive staff update on the District’s investment portfolio

- d. Annual Review of Policy No. 33 Investment Policy

RECOMMENDATION: Staff recommends no changes to the Investment Policy at this time.

5. **Upcoming Meetings**

The next Finance & Administration Committee Meeting/Special Meeting of the Board of Directors is scheduled for Thursday, March 28 at 9:30 a.m.

6. **Adjournment** (11:00 a.m. – Time Approximate)

ADA NOTICE AND HEARING-IMPAIRED PROVISIONS

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

Information agendas are available for review at the Civic Center Library, Corte Madera Library, Fairfax Library, Mill Valley Library, Marin Water Administration Building, and marinwater.org.

Posted: 02-09-2024



STAFF REPORT

Meeting Type: Finance & Administration Committee/Board of Directors

Title: Minutes of the Finance & Administration Committee Meeting/Special Meeting of the Board of Directors of January 25, 2024

From: Terrie Gillen, Board Secretary

Through: Ben Horenstein, General Manager

Meeting Date: February 15, 2024

TYPE OF ACTION: X Action Information Review and Refer

RECOMMENDATION: Approve the minutes of the Finance & Administration Committee Meeting/Special Meeting of the Board of Directors of January 25, 2024

SUMMARY: The Finance and Administration Committee/Board of Directors held a meeting on January 25, 2024. The minutes of that meeting are attached.

DISCUSSION: None.

ENVIRONMENTAL REVIEW: Not applicable.

FISCAL IMPACT: None.

ATTACHMENT(S):

1. Minutes of the Finance & Administration Committee/Special Meeting of the Board of Directors of January 25, 2024

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



NOTICE OF THE FINANCE & ADMINISTRATION COMMITTEE MEETING/SPECIAL MEETING OF THE BOARD OF DIRECTORS

Thursday, January 25, 2024 at 9:30 AM

MINUTES

LOCATIONS:

Open Session to start at or after 9:30 a.m.

Marin Water Board Room – 220 Nellen Avenue, Corte Madera, CA 94925

Outside location for Director Larry Russell – Contractors State License Board, First Floor Lobby, 9821 Business Park Drive, Sacramento, CA 95827

Public Participation:

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AGENDA ITEMS:

1. Call to Order and Roll Call

Chair Jed Smith called the meeting to order at 9:30 a.m.

DIRECTORS PRESENT

Ranjiv Khush

Larry Russell (Arrived at 9:35 a.m.)

Matt Samson

Monty Schmitt

Jed Smith

2. Adoption of Agenda

A motion made by Director Khush and seconded by Director Samson to approve the agenda.

Voting Yea: Directors Khush, Samson, Schmitt, and Smith

Absent: Director Russell

3. Public Comment on Non-Agenda Matters

There was one (1) public comment.

4. Regular Items

- a. Minutes of the Finance & Administration Committee Meeting/Special Meeting of the Board of Directors of October 26, 2023

RECOMMENDATION: Approve the minutes of the Finance & Administration Committee Meeting/Special Meeting of the Board of Directors of October 26, 2023

A motion was made by Director Samson and seconded by Vice Chair Schmitt.

There was no public comment.

Voting Yea: Directors Khush, Samson, Schmitt, and Smith

Absent: Director Russell

- b. Human Resources Updates – Diversity Equity and Inclusion (DEI) Training

RECOMMENDATION: Receive updates from the Human Resources Department

Human Resources Manager Vikkie Garay presented this item.

(Director Russell arrived at 9:35 a.m.)

The Board provided feedback.

There was no public comment.

This was an information item. The Board did not take any formal action.

- c. Annual Comprehensive Financial Report and Auditor’s Memorandum on Internal Control and Required Communications for the Fiscal Year Ended June 30, 2023

RECOMMENDATION: Review the Annual Comprehensive Financial Report and Auditor’s Memorandum on Internal Control and Required Communications for the Fiscal Year Ended June 30, 2023

Finance Director Bret Uppendahl introduced this item and consultant David Alvey, with Maze & Associates, who presented to the Board the results of the District's audit.

Discussion ensued.

There was no public comment.

This was an information item. The Board did not take any formal action.

- d. Monthly Financial Update

RECOMMENDATION: Receive monthly financial update and overview of year-to-date financials

Director Uppendahl presented this item. Discussion followed.

There were two (2) public comments.

This was an information item. The Board did not take any formal action.

- e. Quarterly Investment Report – September 2023

RECOMMENDATION: Receive staff update on the District’s investment portfolio

Director Uppendahl presented this item. There were no board comments.

There were no public comments.

This was an information item. The Board did not take any formal action.

- f. Review of Board Compensation and Board Travel Policies

RECOMMENDATION: Receive a review of the Board Compensation and Board Travel Policies and provide input regarding possible revisions

General Counsel Molly MacLean presented Board policies related to travel and compensation, as well as possible consideration of dual noticing of committee meetings as special board meetings. Ms. MacLean also proposed a legal review of the Brown Act, applicable campaign laws, and future review of the Board Handbook. The Board provided feedback.

There was one (1) public comment.

This was an information item. The Board did not take any formal action.

5. Upcoming Meeting

Chair Smith announced that the next FAC meeting would take place on Thursday, February 15, 2024.

6. Adjournment

There being no further business, the meeting adjourned at 11:31 a.m.

Board Secretary



STAFF REPORT

Meeting Type: Finance & Administration Committee/Board of Directors
Title: Monthly Financial Update
From: Bret Uppendahl, Finance Director
Through: Ben Horenstein, General Manager
Meeting Date: February 15, 2024

BU
BH

TYPE OF ACTION: Action X Information Review and Refer

RECOMMENDATION: Review the Monthly Financial Update, which will provide an overview of the fiscal year-to-date financials

SUMMARY: The Monthly Financial Update provides an overview of the fiscal year-to-date financials. As of January 31, 2024, District revenue is \$79.1 million, which is 57.5% of budgeted revenue, and total expenditures including encumbrances are \$71.4 million, or 52.6% of budget. Water sales, excluding fixed charges, are down by approximately 3.9% compared to the original budget.

DISCUSSION: Attached is the budget to actual comparison for fiscal year 2023/24 as of January 31, 2024. For reference, if revenues and expenses tracked linearly, they would be expected to be at 58.3% of the fiscal year budget at the end of January. Water sales, which are relatively higher in the summer months, would be expected to be 59.5% of the fiscal year budget at this time of year.

For the Operating Fund, total revenues as of January 31, 2024 are \$67.5 million, or 57.4% of budget. Total operating expenditures, not including depreciation and amortization or encumbrances, are \$55.3 million, or 53.0% of budget.

For the Capital Fund, total revenues are \$11.6 million, which is 58.2% of budget. These revenues are comprised primarily of Capital Maintenance Fee (CMF) revenues of \$9.5 million, which are at 55.2% of the budget. Total Capital Improvement Project (CIP) expenditures are \$9.5 million, or 30.2% of budget, as CIP projects typically do not follow linear trends in expenditures. As noted in Attachment 4, an additional \$6.6 million is encumbered, bringing total expenditures with encumbrances to \$16.1 million, or 51.4% of budget.

The fiscal year to date billed water sales through January 31, 2024 were \$48.3 million, which is 57.2% of the annual water sales forecast, and 96.1% of the expected revenue through the first seven months

of the year. Billed water consumption through January 31, 2024 was 13,080 AF, which is 4.4% higher than this time last year.

Year-to-date total water sales and fixed charges (service charges, watershed fees and capital maintenance fees) through January 31, 2024 were \$74.3 million, which is 56.5% of total annual revenue forecast of \$131.4 million (\$114.3 million operating and \$17.1 million capital). Compared to the same period for the previous fiscal year water sales and fixed charges increased by \$16.2 million, or 27.8%.

ENVIRONMENTAL REVIEW: Not applicable.

FISCAL IMPACT: None.

ATTACHMENT(S):

- 1. Total Water Sales and Fixed Charges & Fees FY 2022/23 – 2023/24
- 2. Billed Water Consumption in AF FY 2013/14 to FY 2023/24
- 3. Budget to Actual Comparison for FY 2023/24
- 4. CIP Budget to Actual Comparison for FY 2023/24

**Total Water Sales and Fixed Charges & Fees
Fiscal Years 2022/23 - 2023/24**

OPERATING FUND

CAPITAL FUND

Month	Water Sales			Service Charge			Watershed Fee			Capital Maintenance Fee			Total Water Sales and Charges		
	22/23 Actual	23/24 Budget	23/24 Actual	22/23 Actual	23/24 Budget	23/24 Actual	22/23 Actual	23/24 Budget	23/24 Actual	22/23 Actual	23/24 Budget	23/24 Actual	22/23 Actual	23/24 Budget	23/24 Actual
July	\$ 4,004,486	\$ 4,284,800	\$ 4,473,261	\$ 1,491,919	\$ 1,551,596	\$ 1,552,115	\$ 347,285	\$ 361,176	\$ 361,127	\$ 1,122,523	\$ 1,119,741	\$ 1,167,529	\$ 6,966,213	\$ 7,317,314	\$ 7,554,033
August	6,238,037	6,674,699	7,027,601	2,022,350	2,103,244	2,245,987	442,367	460,062	492,217	1,529,541	1,525,750	1,688,631	10,232,294	10,763,755	11,454,435
September	5,301,598	8,466,291	8,572,991	1,722,033	1,838,241	1,636,225	396,510	489,066	481,127	1,286,413	1,283,225	1,119,131	8,706,554	12,076,823	11,809,473
October	6,612,557	10,876,977	11,400,913	2,267,637	2,420,665	2,376,766	494,747	672,356	700,148	1,702,958	1,698,738	1,632,933	11,077,900	15,668,736	16,110,760
November	3,463,774	6,871,530	6,127,917	1,552,383	1,666,926	1,611,361	361,370	385,332	368,368	1,169,161	1,166,264	1,104,486	6,546,689	10,090,052	9,212,133
December	4,698,697	8,974,535	6,981,295	2,271,365	2,438,958	2,365,941	495,229	501,923	456,215	1,704,942	1,700,716	1,622,401	9,170,232	13,616,132	11,425,852
January	2,327,071	4,132,232	3,724,291	1,560,906	1,676,078	1,627,291	362,582	266,773	260,779	1,174,141	1,171,231	1,118,432	5,424,700	7,246,313	6,730,794
February	3,453,451	6,959,491		2,257,119	2,423,661		495,426	470,465		1,705,775	1,701,547		7,911,769	11,555,165	
March	1,909,749	3,941,836		1,570,868	1,686,775		362,955	275,986		1,174,724	1,171,812		5,018,295	7,076,409	
April	3,332,133	7,371,899		2,255,344	2,421,755		492,476	480,335		1,688,725	1,684,540		7,768,678	11,958,529	
May	2,446,448	5,532,714		1,575,876	1,692,153		365,751	349,805		1,190,568	1,187,617		5,578,644	8,762,289	
June	5,118,623	10,422,595		2,282,061	2,450,444		497,235	673,096		1,711,757	1,707,515		9,609,677	15,253,651	
TOTAL	\$ 48,906,624	\$ 84,509,599	\$ 48,308,269	\$ 22,829,861	\$ 24,370,494	\$ 13,415,686	\$ 5,113,933	\$ 5,386,376	\$ 3,119,982	\$ 17,161,227	\$ 17,118,698	\$ 9,453,543	\$ 94,011,645	\$131,385,167	\$ 74,297,480

Monthly Budget to Actual: 96.1%
 % of Annual Budget: 57.2%
 Actual to Actual: 148.0%

Monthly Budget to Actual: 98.0%
 % of Annual Budget: 55.0%
 Actual to Actual: 104.1%

Monthly Budget to Actual: 99.5%
 % of Annual Budget: 57.9%
 Actual to Actual: 107.6%

Monthly Budget to Actual: 97.8%
 % of Annual Budget: 55.2%
 Actual to Actual: 97.6%

Monthly Budget to Actual: 96.8%
 % of Annual Budget: 56.5%
 Actual to Actual: 127.8%

**Billed Water Consumption In AF
Fiscal Year 2013/14 - 2023/24**

Month	13/14 Actual	14/15 Actual	15/16 Actual	16/17 Actual	17/18 Actual	18/19 Actual	19/20 Actual	20/21 Actual	21/22 Actual	22/23 Actual	23/24 Budget	23/24 Actual	Monthly Budget Variance	Actual to Actual % Change
July	2,205	1,969	1,628	1,876	1,931	1,975	1,834	2,022	1,642	1,562	1,748	1,674	-4.22%	7.21%
August	3,407	3,186	2,620	3,012	3,206	3,245	3,112	3,215	2,500	2,476	2,715	2,697	-0.66%	8.91%
September	2,244	1,973	1,775	1,939	2,027	2,145	2,112	2,205	1,604	1,881	1,901	1,866	-1.88%	-0.82%
October	3,215	2,778	2,583	2,767	3,140	2,951	3,058	3,124	2,293	2,498	2,614	2,673	2.25%	7.01%
November	1,931	1,454	1,490	1,340	1,705	1,664	1,837	1,882	1,153	1,329	1,354	1,409	4.03%	5.98%
December	2,433	1,984	1,935	1,646	1,914	2,169	2,295	2,418	1,439	1,795	1,764	1,749	-0.88%	-2.57%
January	1,342	1,065	991	910	942	993	1,186	1,157	735	984	938	1,013	8.04%	2.97%
February	1,996	1,651	1,450	1,392	1,754	1,525	1,556	1,625	1,646	1,385	1,653			
March	1,042	1,048	832	846	992	879	1,105	970	948	830	970			
April	1,627	1,910	1,467	1,375	1,612	1,427	1,883	1,775	1,717	1,377	1,688			
May	1,308	1,379	1,067	1,092	1,240	1,224	1,378	1,459	1,209	1,044	1,229			
June	2,642	2,344	2,478	2,416	2,516	2,349	2,711	2,559	2,217	2,119	2,366			
TOTAL	25,390	22,742	20,316	20,611	22,978	22,546	24,065	24,410	19,104	19,279	20,941	13,080		
<i>Change from prior year:</i>		-10.43%	-10.67%	1.45%	11.49%	-1.88%	6.74%	1.43%	-21.74%	0.92%				

Budget-to-Actual Basis 0.35%
Actual-to-Actual Basis 4.43%
% of Total Budget 62.46%

Marin Municipal Water District
Budget to Actual Comparison for FY 2023/24
Preliminary Unaudited

Operating Fund

Revenues and Expenditures	FY 2024 Budget	Actual as of January 31, 2024	% of Budget
Revenues:			
Water Sales and Service Charge:			
Water Sales	\$ 84,509,599	\$ 48,308,269	57.2%
Service Charge	24,370,494	13,415,686	55.0%
Watershed Management Fee	5,386,376	3,119,982	57.9%
Total Water Sales and Service Charge	114,266,469	64,843,937	56.7%
Other Revenues:			
Rents and Royalties	1,974,852	1,060,758	53.7%
Grants	-	181,118	-
Permits and Fees	365,120	191,008	52.3%
Late Payments & Charges	120,133	181,306	150.9%
Interest	675,000	951,118	140.9%
Miscellaneous	286,804	110,607	38.6%
Total Other Revenues	3,421,909	2,675,915	78.2%
Total Operating Revenues	117,688,378	67,519,852	57.4%
Expenditures:			
Personnel services	56,692,068	30,163,116	53.2%
Materials and supplies	4,312,407	1,754,752	40.7%
Operations	12,318,845	4,431,585	36.0%
Water conservation rebate program	1,290,800	74,553	5.8%
Electrical power	5,500,000	3,775,730	68.6%
Water purchased	11,477,700	8,705,885	75.9%
Insurance, including claims	2,568,000	1,242,695	48.4%
General and administrative	5,371,862	2,141,223	39.9%
Debt service - interest and principal	9,517,293	5,551,754	58.3%
Overhead cost allocated to capital	(4,700,000)	(2,509,553)	53.4%
Total Operating Expenditures	104,348,975	55,331,740	53.0%
Transfer out to Capital Fund	8,548,914	4,886,820	57.2%
Transfer out to Reserves	5,000,000	2,916,667	58.3%
Net Operating Fund Increase/(Decrease)	\$ (209,511)	\$ 4,384,625	

**Marin Municipal Water District
Budget to Actual Comparison for FY 2023/24
Preliminary Unaudited**

Capital Funds

Revenues and Expenditures	FY 2024 Budget	Actual as of January 31, 2024	% of Budget
Revenues:			
Capital Maintenance Fee	\$ 17,118,698	\$ 9,453,543	55.2%
Capital Connection Fee	100,000	105,838	105.8%
Capital Grants & Contribution	2,134,500	1,510,182	70.8%
Customer Reimbursement Project	500,000	478,190	95.6%
Interest Income	63,750	50,068	78.5%
Total Capital Revenues	19,916,948	11,597,821	58.2%
Transfer-in from Operating Fund	8,548,914	4,886,820	
Capital Expenditures:			
Capital Improvement Projects	30,003,515	9,185,270	30.6%
Capital Equipment Purchases	1,397,767	309,874	22.2%
Total Capital Expenditures	31,401,282	9,495,145	30.2%
Net Capital Fund Increase/(Decrease)	\$ (2,935,420)	\$ 6,989,497	

**Marin Municipal Water District
Budget to Actual Comparison for FY 2023/24
Preliminary Unaudited**

Fire Flow Funds

Revenues and Expenditures	FY 2024 Budget	Actual as of January 31, 2024	% of Budget
Revenues:			
Fire Flow	4,500,000	2,499,727	55.5%
Interest Income	-	96,428	
Total Revenues	4,500,000	2,596,155	57.7%
Expenditures:			
Capital Projects - Fire Flow	4,500,000	747,830	16.6%
Net Fire Flow Fund Increase/(Decrease)	\$ -	\$ 1,848,325	

CIP Projects	FY2023/24	Capital Projects YTD	Encumbered for	Total Capital & Fire
	Adjusted Budget	Actual Expenditures	Contracts	Flow
		As of 1/31/24	As of 1/31/24	As of 1/31/24
District Pipeline Replacement	\$ 7,468,424	\$ 939,859	94,266	\$ 1,034,125
Tank Maintenance & Replacement	5,141,466	3,668,120	943,475	4,611,595
Treatment Plant Facilities	1,672,155	214,722	175,370	390,092
Dam/Pump/Control System/Meters	5,020,239	1,598,725	1,198,551	2,797,275
Asset Mangement	3,017,576	501,765	2,431,263	2,933,028
System Improvements	800,000	-	-	-
Watershed - Natural Resource Project	2,245,000	668,823	940,747	1,609,570
Watershed - Other	1,282,313	378,292	318,391	696,682
Information Technology	780,000	-	2,663	2,663
Fire Flow Replacement	4,500,000	747,830	647,768	1,395,598
Reimbursable Grant Projects	1,709,908	595,412	238,469	833,881
Reimbursable Customer Projects	866,435	619,554	4,820	624,373
Capital Equipment Purchases	1,397,767	309,874	294,726	604,601
Total Capital Projects	\$ 35,901,282	\$ 10,242,975	\$ 7,290,507	\$ 17,533,482



STAFF REPORT

Meeting Type: Finance & Administration Committee/Board of Directors
Title: Quarterly Investment Report – December 2023
From: Bret Uppendahl, Finance Director
Through: Ben Horenstein, General Manager
Meeting Date: February 15, 2024

BU
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TYPE OF ACTION: Action X Information Review and Refer

RECOMMENDATION: Receive staff update on the District’s investment portfolio

SUMMARY: Pursuant to District Investment Policy No. 33, the quarterly investment report is submitted to the Board for the quarter ending December 31, 2023.

The District’s investment portfolio (pooled cash) carried a market value of \$75.3 million as of the end of December. The investments held included \$59.7 million on deposit in the Local Agency Investment Fund (LAIF), \$0.7 million on deposit in the Fidelity Government Money Market Fund, and \$14.8 million in the District’s general checking account. Fiscal year to date interest earned as of December on the District’s portfolio totaled \$1,088,302. The average monthly effective yield for LAIF investments in December 2023 was 3.93 percent, which represents a significant increase compared to 2.17 percent average effective yield for the Fiscal Year 2023. The increased yield is largely driven by increased interest rates for US Treasuries as they comprise approximately 65 percent of the LAIF portfolio.

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

DISCUSSION: Not applicable.

ENVIRONMENTAL REVIEW: Not applicable.

FISCAL IMPACT: None.

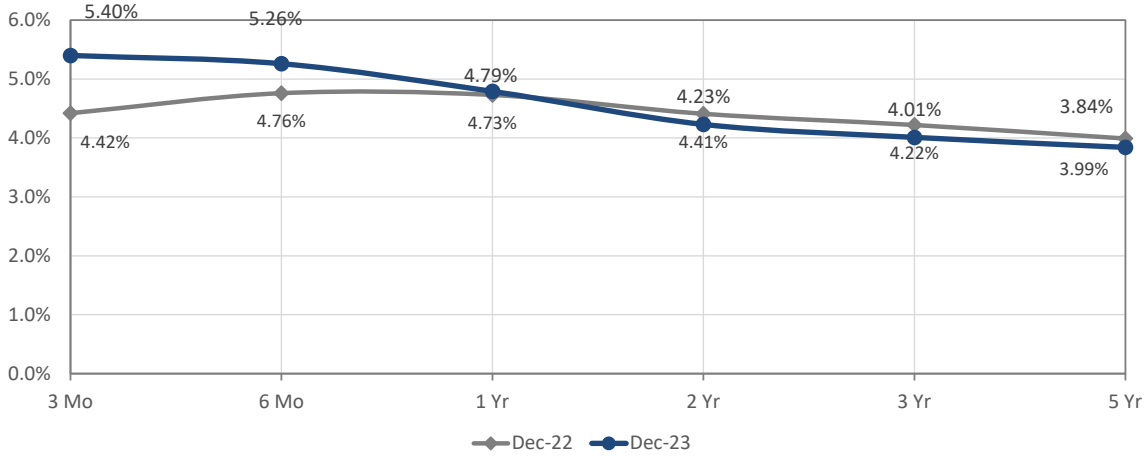
ATTACHMENT(S):

- 1. Schedule of Investment and Yield Curve as of Dec. 31 2023

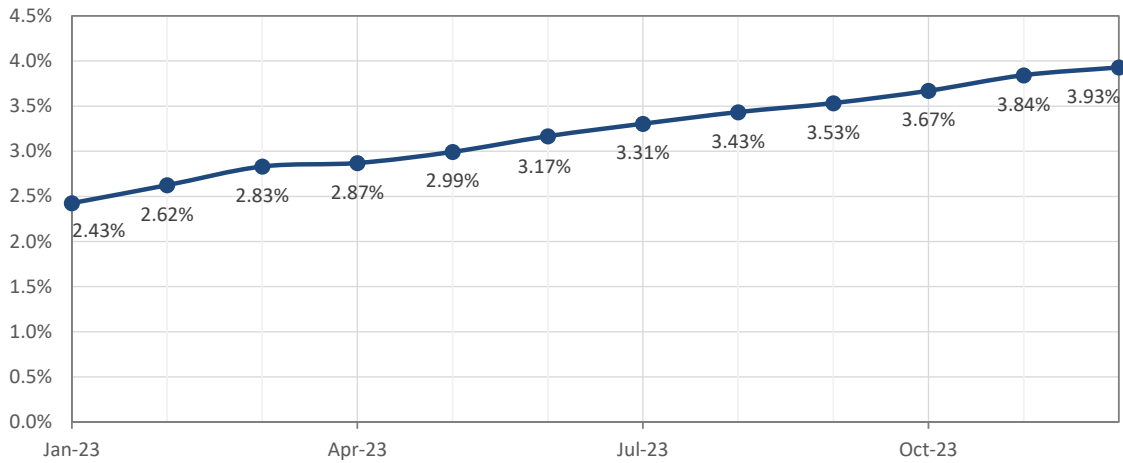
**Marin Municipal Water District
FY 2024 Schedule of Investments
As of December 31, 2023**

	Beginning Balance	Purchases / Deposits	Investment Income/(Loss)	Withdrawals	Ending Balance
DISTRICT INVESTMENTS:					
Local Agency Investment Fund	62,638,308	7,000,000	1,059,094	(11,000,000)	59,697,403
Fidelity Gov't Money Market Fund	701,042		18,432		719,474
Corporate Obligations	2,000		(500)		1,500
US Bank Checking Account	4,123,235	84,048,068	11,275	(73,337,964)	14,844,614
TOTAL INVESTMENTS	67,464,586	91,048,068	1,088,302	(84,337,964)	75,262,991

**US Treasury Par Yield Curve
Dec 22 vs Dec 23**



**LAIF Average Monthly Effective Yield
Jan 23 to Dec 23**





STAFF REPORT

Meeting Type: Finance & Administration Committee/Board of Directors
Title: Annual Review of Policy No. 33 Investment Policy
From: Bret Uppendahl, Finance Director
Through: Ben Horenstein, General Manager
Meeting Date: February 15, 2024

BU
BH

TYPE OF ACTION: Action X Information Review and Refer

RECOMMENDATION: Staff recommends no changes to the Investment Policy at this time.

SUMMARY: Investment Policy No. 33 is updated periodically to conform to the California Government Code. The District’s investment policies and practices are based on state law and prudent management. District policy requires quarterly reporting of investment type, market values and overall yields. District policy also requires an annual review of the investment policy, which the Board shall consider at a public meeting.

DISCUSSION: The District’s investment policy strives to appropriately manage overall investment risk exposure. The investment policy defines allowable investments by type of security, type of issuer, dollar amount, overall percentage of portfolio and maturity. The primary objective of the District’s investments are 1) Safety; 2) Liquidity; 3) Return on Investment; and 4) Public Trust. It is the intent of the District to hold all investments until maturity.

Each year, staff reviews legislative updates and monitors industry best-practices with respect to public sector investment policies. At this time, staff is not recommending any changes to the District’s existing Investment Policy.

ENVIRONMENTAL REVIEW: Not applicable.

FISCAL IMPACT: None.

- ATTACHMENT(S):**
1. Board Policy No. 33 Investment Policy



MARIN MUNICIPAL WATER DISTRICT

BOARD POLICY No. 33

DATE:	Reviewed	1-6-10
	Revised	1-5-11
	Revised	1-5-12
	Revised	1-23-13
	Revised	2-7-17
	Revised	1-25-18
	Reviewed	3-13-19
	Revised	1-21-20
	Revised	2-25-21
	Reviewed	6-22-23

SUBJECT: INVESTMENT POLICY

I. Introduction

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

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

II. Scope

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

III. Prudence

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

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. All persons investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds shall act with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the District.

IV. Objectives

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

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

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

V. Delegation of Authority

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

VI. Ethics and Conflict of Interest

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

VII. Selection of Financial Institutions and Broker/Dealers

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

VIII. Permitted Investment Instruments

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

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

Option 1:

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

Option 2:

1. Is organized within the United States as a special purpose corporation, trust or limited liability company.
 2. Has program-wide credit enhancements including, but not limited to, over-collateralization, letters of credit or surety bond.
 3. Has commercial paper that is rated “A-1” or higher by a nationally recognized rating agency.
- a. Purchases of eligible commercial paper may not exceed 270 days to maturity nor represent more than 10 percent or \$1,000,000 from an issuing corporation, whichever is less.
- b. Purchases of commercial paper may not exceed 15 percent of the District's surplus money that may be invested.
6. Medium term corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Medium term corporate notes shall, at the time the note is purchased, be rated as follows:
- | | |
|-------------------|---|
| a. 1 year or less | A rating by two major rating agencies |
| 1 - 2 years | AA rating by at least one major rating agency |
| 2 - 4 years | AA rating by two major rating agencies |
| 4 - 5 years | AAA rating by two major rating agencies |
- b. Investments will be limited to a maximum of 30 percent of the District's portfolio.

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

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

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

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

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

IX. Safekeeping of Securities and Internal Controls

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

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

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

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

X. Maximum Maturity

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

The maximum maturity will not exceed five years.

XI. Ineligible Investments

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

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

XII. Portfolio Adjustments

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

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

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

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

XIII. Reporting Requirements

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

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

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

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

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

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

GLOSSARY OF TERMS

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

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

Collateral. Securities, evidence of deposit or pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposit of public moneys.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Market Value. The price at which a security is trading and could presumably be purchased or sold.

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

Portfolio. Collection of securities held by an investor.

Purchase Date. The date in which a security is purchased for settlement on that or a later date.

Rate of Return. The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

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

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

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

Treasury Bills (T-Bills). United States Treasury Bills which are short-term, direct obligations of the United States Government issued with original maturities of 13 weeks, 26 weeks and 52 weeks; sold in minimum amounts of \$10,000 in multiples of \$5,000 above the minimum. Issued in book entry form only. T-bills are sold on a discount basis.

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