



WEST VALLEY WATER DISTRICT
855 W. Base Line Road Rialto, CA

REVISED FINANCE COMMITTEE MEETING
AGENDA

FRIDAY, JUNE 21, 2019 - 10:30 AM

NOTICE IS HEREBY GIVEN that West Valley Water District has called a meeting of the Finance Committee to meet in the Administrative Conference Room, 855 W. Base Line Road, Rialto, CA 92376.

I. CONVENE MEETING

II. PUBLIC PARTICIPATION

The public may address the Board on matters within its jurisdiction. Speakers are requested to keep their comments to no more than three (3) minutes. However, the Board of Directors is prohibited by State Law to take action on items not included on the printed agenda.

III. DISCUSSION ITEMS

- a. Update from Finance Committee
- b. Credit Card Policy Review
- c. Business Related Events Exempt from Standard Purchasing Methods.
- d. Investment Options.
- e. Investment Policy.

IV. ADJOURN

DECLARATION OF POSTING:

I declare under penalty of perjury, that I am employed by the West Valley Water District and posted the foregoing Finance Committee Meeting Agenda at the District Offices on June 18, 2019.

A handwritten signature in blue ink that reads "Crystal L. Escalera". The signature is written in a cursive style.

Crystal L. Escalera, Board Secretary



**BOARD OF DIRECTORS
FINANCE COMMITTEE
STAFF REPORT**

DATE: June 21, 2019
TO: Finance Committee
FROM: Clarence Mansell Jr., General Manager
SUBJECT: BUSINESS RELATED EVENTS EXEMPT FROM STANDARD PURCHASING METHODS

BACKGROUND:

In October 2016, the Board of Directors adopted a Procurement Policy, shown in **Exhibit A**, to guide District staff in soliciting District purchases competitively and with proper authorization. The Procurement Policy also discusses openness, fairness and transparency to our vendors, contractors and consultants. There are exceptions to the Procurement Policy due to the nature of the purchase such as Utility Bills, General Agency Legal Counsel, permitting fees and several others shown in page 6 of **Exhibit A**.

DISCUSSION:

Business Related Events such as conferences, memberships, airfare, trainings and hotels fall into the exception category for the following reasons:

1. Specific Conferences and memberships can not be competitively bid.
2. Airfare selected for business related events is always economy. The District does not pay for First of Business class for staff. Furthermore, staff selects the most convenient and direct fare to travel.
3. Hotels are chosen due to location of conference or event. Conferences will usually negotiate and block rooms nearby with hotels at special discount pricing. Standard Queen or King Rooms are the only types District approves for staff.

Adding Business Related Events as an exception to the Procurement Policy is a logical way to process Credit Card expenses for these purchases on time and reduce unnecessary paperwork, requisitions and Purchase Orders.

Finally, to be transparent the District posts monthly all cash disbursements for all expenses the District spends regardless if a Purchase Order is issued.

FISCAL IMPACT:

There is no fiscal impact for adding Business Related Events as an exception to the Procurement Policy

STAFF RECOMMENDATION:

Staff recommends that the Board of Directors add Business Related Events as an exception to the Procurement Policy as shown in **Exhibit B**.

Respectfully Submitted,



Clarence Mansell Jr, General Manager

CM:ar

ATTACHMENT(S):

1. Exhibit A - Purchasing Policy
2. Exhibit B - Exception Added

Exhibit A



ADMINISTRATIVE PROCEDURES WEST VALLEY WATER DISTRICT

APPROVAL DATE 10-20-2016	FINANCE POLICIES	POLICY NO. 2016-01
APPROVED BY Board of Directors	POLICY TITLE PROCUREMENT POLICIES & PROCEDURES	EFFECTIVE DATE 10-20-16

PREFACE

Open and Transparent

The District is committed to transparency and accountability and will strive to make businesses aware of all contracting opportunities available to them.

Core Philosophy and Values:

- Conduct our business to the highest standards of ethics, integrity and compliance.
- Provide outstanding customer service.
- Be proactive and listen to the needs of our customers and vendors.
- Provide expert knowledge and advice of procurement policies, and processes.

Responsibilities:

It is the obligation and the responsibility of every procurement decision-maker to represent the District in a professional and ethical manner. Any procurement related matter shall be handled in a professional manner with the interest of the District taking precedent. As a procurement decision maker, you must:

- Follow the lawful instructions, policies, and procedures of the District, Board of Directors, General Manager, supervisor or any person in a higher level position of authority within your organization.
- Obtain the maximum benefit for funds spent as Supervisor for the District.
- Refrain from engaging in any procurement activity in which you have a personal or indirect financial interest.
- Avoid engaging in personal business with any company that is a supplier to the District.
- Avoid lending money to or borrowing money from any supplier.

Vendor/District Employee Relationships

To avoid any real or perceived conflict of interest, all proposals or contracts for professional services should, to the extent possible, identify any relative of the contractor or his/her employees who are presently employed by the District.

- In an effort to avoid any real or perceived conflict of interest, all proposal and contractual language for professional services shall include a clause requiring prospective and/or



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current vendors to notify the District of any such relationship between the vendor and the District.

- Upon notification, the manager or responsible party of Purchasing shall notify the Chief Financial Officer, Assistant General Manager, or General Manager of the District for further review and action, as deemed appropriate.
- Notification of the relationship between the vendor and any District employee shall be placed in the Purchasing contract file for future reference, as deemed necessary.

Contracts with District Employees or Family of District Employees

No contracts shall be entered into between the District, including all Departments thereof, and any employee or officer of the District who is paid for working for the District. No employee or officer shall directly or indirectly solicit any contract between him or herself and the District.

- In the event that a District employee enters into a contractual agreement, in violation of this policy, the person or persons having obtained knowledge that a contractual relationship exists between the District and a District employee shall make immediate notification to the manager or responsible party of Purchasing.
- The manager or responsible party of Purchasing shall make immediate notification to the Chief Financial Officer, Assistant General Manager, or General Manager as well as the director of Human Resources for action as deemed appropriate.

No contracts shall be entered into between the District, including all Departments thereof, and any family member of an employee or officer of the District without disclosure of the relationship to the General Manager, Assistant General Manager, and Chief Financial Officer AND written approval by the General Manager.

Professional Service Contracts with Former District Employees

To avoid the potential for conflict of interest, or any appearance thereof, the District requires that all requests for entering into professional service contracts with former employees be approved by the Board of Directors.

- Any professional services contracts to be awarded to former employees shall first be forwarded to the West Valley Water District Board of Directors for review and approval.
- Under emergency circumstances, the Finance Committee is authorized to give preliminary approval to such contractual arrangements and report such preliminary approval to the Board of Directors for final approval or denial at their next scheduled meeting.



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- All Purchasing Division policies and procedures, or portions thereof, related to the administration of professional services contracts, and not conflicting with this resolution, shall remain in effect.
- All contracts shall contain language that states that the contract is contingent upon final approval by the Board of Directors.

1.0 PROCUREMENT POLICY

In accordance with the policies adopted by the Board of Directors of the West Valley Water District ("District"), all purchases, regardless of sources of funds will be governed by the California Government Code Section 54202 as referenced below:

"Every local agency shall adopt policies and procedures, including bidding regulations, governing purchases of supplies and equipment by the local agency. Purchases of supplies and equipment by the local agency shall be in accordance with said duly adopted policies and in accordance with all provisions of law governing same. No policy, procedure, or regulation shall be adopted which is inconsistent or in conflict with statute."

It shall be the procurement policy of the District to obtain all supplies, equipment and services at the lowest cost to the District that meet or exceed the District's specifications for performance, quality and availability at the time of purchase. In conforming to this policy, the capability, capacity and historical performance of the supplier will be considered and weighed in the decision process. Sourcing decisions will also be tempered by supplier diversity and the environmental impact considerations. Competitive bids or pricing will be solicited, unless sole source provider is specified, in compliance with all applicable Federal and State regulations, California Government Code and District policies.

1.1 PURPOSE AND OBJECTIVES

The responsibility for the purchase of all products, materials, supplies, furniture, equipment, vehicles and services is divided among the Administration, Operations and Maintenance, Engineering, Human Resources/Risk Management, Customer Service, Information Technologies, Accounting, Billing and Water Conservation Departments. Although assigned different responsibilities, all core systems, methods, policies and procedures remain common. Shared responsibilities include overseeing the professional



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relationships between West Valley Water District and its vendors and contractors and insuring the highest ethical and professional standards.

The purpose of the Procurement/Purchasing policy is to:

- Support management in cooperatively developing and executing sourcing strategies with the District's Departments for products and services that meet or exceed the District's requirements and to perform these services to the highest ethical and professional standards.
- Provide leadership through contract negotiation, and vendor management.
- Promote the use of small, disadvantaged and minority-owned businesses when possible.
- Support the District's commitment to environmental responsibility.
- Support the District's commitment to the local business community by supporting use of local businesses when possible.
- Assist Departments involved in Federal and State grant agreements in maintaining compliance to applicable regulations.
- Assist Departments in maintaining compliance to all District policies regarding contracting and purchasing.

2.0 DELEGATION OF AUTHORITY

The General Manager has been granted the authority and the responsibility of procurement of all materials, equipment, supplies, and services necessary for day-to-day operation of the District. The General Manager has delegated specific authority and further delegate authority to others prior to the execution of all contracts and agreements for procurement of all materials, equipment, supplies and services necessary for the day-to-day operations of the District.

The Authorization Table outlines who may approve and sign contracts and legally binding agreements with external parties that obligate the District.



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Authorization Table

WEST VALLEY WATER DISTRICT PURCHASING			
Purchase Amount	Procurement	Contract Type	Approval Level
\$0 - \$500	N/A	Not Applicable	Forepersons/ Stock Controller
\$501 - \$1,000	2 Verbal or Written Quotes	Purchase Order (PO)	Supervisor/ Board Secretary
\$1,001 - \$5,000	3 Written Quotes	Purchase Order (PO)	Department Manager/ Unit Manager
\$5,001 - \$10,000	3 Written Quotes	Purchase Order (PO)	Chief Financial Officer and/or Asst. General Manager
\$10,001 - \$25,000	3 Request for Qualifications/ Proposals	Purchase Order & Short Form Contract	General Manager
\$25,001 - +	3 Request for Qualifications/ Proposals/Bids	Advertised Sealed Bids, Professional Service Agreement/ Advertised Sealed Technical Proposal for Service, Purchase Order & Contract	Board of Directors

2.1 NOTES AND EXCEPTIONS

In the absence of the approver for a given request, authorization will be obtained by his/her appointee or the next highest authority in accordance with the Authorization Table.

At no time can purchases be "split" or otherwise billed separately to circumvent the spending authority.

With the exception of Board of Directors authorized procurements, increases to previously authorized procurements are permitted if the increased procurements remain within the approver's limit. Freight and sales tax are a cost of doing business and shall be included in the total cost of the procurement.



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Exceptions to standard purchasing methods and spending authorities are specifically limited to the following:

- a) Utility bills (phone, gas, electric, etc.)
- b) Payroll disbursements, payroll checks, deductions, deposits and tax payments that are supported by a payroll report
- c) Gasoline credit card purchases (should be issued a blanket Purchase Order)
- d) Insurance premiums (workers compensation, general liability, etc.)
- e) General Agency Legal Counsel
- f) Software license maintenance
- g) Payments to Department of Water Resources and related expenses (State Water Contractors, Inc., and so forth)
- h) Permitting and other regulatory fees (construction permits, LAFCO payment, etc.)

The Authorization Table shall apply to all purchases, including Capital Projects and Professional Services Contracts. Capital Projects shall employ competitive bidding and all capital procurements that exceed the General Manager's authorization level must be approved by the Board of Directors. Professional Services Contracts shall employ competitive proposals solicited by the Request For Proposal (RFP) process, whenever possible, but is not mandatory.

At times, acquiring 3 written quotes may be a challenge depending on vendor type and availability. Staff will provide justification when 3 quotes cannot be obtained.

Modifications to Professional Services Contracts and Capital Projects shall follow guidelines in Section 2.2.

2.2 MODIFICATIONS TO PROFESSIONAL SERVICES AND CAPITAL PROJECTS

All Change Orders for existing contracts for both professional services and construction, entered into by the District in an amount greater than \$25,000.00, shall be subject to the modification procedures contained in this policy. All Change Order approvals shall be in writing.



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Contracts between \$25,000.00 - \$50,000.00

1. The General Manager may approve modifications to the plans and specifications and contract documents by means of a Change Order if the cost or estimated costs of such Change Order does not exceed \$10,000.00 or 25% of the original contract, whichever is less.
2. Any Change Order in excess of \$10,000.00 or 25%, whichever is less, shall require Board approval.

Contracts between \$50,000.00 - \$250,000.00

1. The General Manager may approve modifications to the plans and specifications and contract documents by means of a Change Order if the cost or estimated costs of such Change Order does not exceed \$25,000.00 or 25% of the original contract, whichever is less.
2. Any Change Order in excess of \$25,000.00 or 25%, whichever is less, shall require Board approval.

Contracts greater than \$250,000.00

1. The General Manager may approve modifications to the plans and specifications and contract documents by means of a Change Order if the cost or estimated costs of such Change Order does not exceed \$25,000.00, plus 2% of the original contract cost in excess of \$250,000.00. In no event can the General Manager approve a Change Order greater than \$50,000.00.
2. Any Change Order in excess of \$25,000.00, plus 2% of the original contract cost in excess of \$250,000.00, and all Change Orders greater than \$50,000.00, shall require Board approval.

The General Manager's authorized representative, (Resident Engineer or Engineering Manager) may approve Plan Changes (but not Extra Work items) up to \$10,000.00. The representative would authorize work in writing to the contractor. All recommended plan changes must be reviewed and approved by the Assistant General Manager or General Manager. Contractor would proceed with work and identify percent complete in the next partial payment. Payment would be identified as pending Board approval, however the amount of work completed would be included in the partial payment total.



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Cumulative Change Orders

In no event can the General Manager approve Change Orders on any existing contract, which in the cumulative exceed 30% for extra work items of the original contract, or \$100,000.00, whichever is less. Change Orders which in the cumulative exceed 30% of the original contract or \$100,000.00, no matter what the amount of the Change Order, must be approved by the Board.

Report to the Board of Directors

The General Manager, or his designated representative, shall make a monthly written report to the Board of Directors as to all Change Orders approved by the General Manager during the month, and of all possible future Change Orders which may appear probable prior to the next monthly report. At a minimum, the General Manager shall provide the Board with the name and nature of the contract, all Change Orders approved during that month, the reason for the Change Orders, the cumulative amount of the Change Orders for that contract, and any additional information the Board requests.

Authorization:

The authority contained in this policy binds the Board of Directors, and it is recognized that subsequent Board refusal to ratify a change order would subject the District to damage claims.

Definitions:

Extra Work: Additional work that is unrelated to or significantly adds to the design intent and/or functionality of the original plans and specifications. This work is not necessary to complete the project and is typically requested by staff.

Plan Changes: Work differing from the scope of work which is set forth in the plans and specifications which is necessary to complete the project. The intent of the additional work is to 1) facilitate ongoing work when differing site conditions occur; or 2) conformance with the original design intent; or 3) take advantage of construction cost efficiencies.

Emergency Work: Work that is determined to be beyond the scope of work set forth in the plans and specifications which is necessary and essential to proceed with to avoid



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project delays, delay claims or potential additional costs if work is not commenced as soon as practical. Authorization must come from the owner's construction management representative and the Assistant General Manager, General Manager or his/her designee. Authorization will be reported to the Board at their next regularly scheduled meeting.

2.3 PURCHASING SUPERVISOR

While the services performed vary, the following is a partial list of services and responsibilities assigned to the Purchasing Supervisor:

- Review and process Purchase Requisitions
- Review, process and issue Purchase Orders (PO)
- Prepare and issue PO change orders
- Reconcile PO invoice discrepancies
- Prepare and issue Requests for Proposals (RFP)
- Prepare and issue Requests for Bids (RFB)
- Manage the District's on line procurement software system
- Manage all Capital Projects during the bid and award phase
- Manage all public works contract bids during bidding including job walks, responding to RFI's, due diligence reviews of bidders, conduct public bid opening meetings and determination of lowest responsive, responsible bidder
- Develop staff reports for award of contracts for consideration by Board committee and Board of Director's meetings
- Determine optimal ordering methods to meet requirements at lowest possible cost
- Support the deployment and use of field inventory, office supplies and equipment
- Assist with evaluating and selecting suppliers and vendors
- Negotiate and review contracts
- Assist with negotiation and execution of vehicle equipment leases for District vehicle fleet program
- Schedule purchases and deliveries
- Negotiate adjustments with vendors and suppliers
- Operate and maintain a centralized warehouse to efficiently manage commonly used supplies and materials
- Assist in audits and reviews



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The Purchasing Supervisor reports directly to the Chief Financial Officer of the District.

3.0 PURCHASE REQUISITIONS

Purchase Requisitions are required for all purchases over \$500.00 and used by the Departments to request services, order supplies and/or equipment. Vendor information, budget general ledger account number and approval are required to create and issue Purchase Requisitions to vendors/contractors.

Upon receipt of a properly prepared requisition by Purchasing Supervisor, a requisition will normally be processed and completed within 10 business days for routine and 15 business days for complex acquisitions. It is the responsibility of the requisitioning Department to adequately plan in advance for their procurement needs and/or requirements.

CANCELLATION OF REQUISITION

The cancellation of a Departmental requisition shall require Department's notification to Purchasing.

- **Cancellation by the Department:** Cancellation of a requisition by the Department should be on the basis of a written cancellation notice. Verbal cancellation may be accepted by Purchasing in order to suspend the purchasing process but should be followed up by written cancellation notice from the Department.
- **Cancellation by Purchasing:** Cancellation of a requisition initiated by Purchasing requires the written notification and concurrence of the Department.
- **Cancellation by Purchasing as a "last resort":** A last resort example would be the failure of Department to respond to an inquiry for additional information in a timely manner (failure to obtain a response after multiple attempts). Last resort cancellations do not require the Department's concurrence.
- **Cancellation from the bid solicitation:** When a requisition is cancelled during or after a bid solicitation process, Purchasing must cancel the items from the bid and indicate the reason(s) for the cancellation.
- In most instances, the District uses the following methods of bidding:
 - **Email/Fax/ or Letter Bids** - known as an "Informal Bid."
 - **Request for Quotation (RFQ)** – also known as an "Informal Bid."



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- **Request for Bids (RFB)** – also known as a “Formal Bid”. This is the preferred method of bidding and must be a Sealed Bid if over project is expected to exceed \$25,000.
- **Request for Proposal (RFP)** – may be used for bidding of services or combination of services and supplies and must be a Sealed Proposal if project is expected to exceed \$25,000.
- **Request for Qualifications (RFQ's)** – may be used for bidding to pre-qualify a contractors or vendors for various disciplines and/or supplies and must be a Sealed Proposal.

3.1 PURCHASE ORDERS

Purchase Orders (PO) are contractual documents and are required for all purchases over \$500. Once sent to and accepted by a vendor bind the performance of both parties to the transaction. POs created from requisitions are processed using the District’s accounting software. Once a PO has been approved, it is transmitted either by secure electronic means or by email or fax to the vendor.

3.2 BLANKET PURCHASE ORDERS

Blanket Purchase Orders (BPO) are contractual documents and should be issued for recurring purchases, such as office supplies, not valid for longer than one year, and shall always expire at the end of the fiscal year in which they were initiated.

Blanket purchase orders are used for the acquisition of assorted commodities or services from a known vendor for Departments that have predictable but varied program needs. The range of commodities or services covered by the blanket purchase order should be defined as narrowly as possible. Blanket purchase orders may not be used for the acquisition of equipment or appliances.

Blanket purchase orders are established with a maximum commitment dollar value. Requests for modification of this amount must be made in writing using the "[Request to Increase the Dollar Amount of a Standard or Blanket Purchase Order](#)" Form. Note that requests for increases will be reviewed by Purchasing and by the Chief Finance Officer, Assistant General Manager, or General Manager, as appropriate to ensure that funds are available before approval for the increase will be given.



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3.3 PURCHASE ORDER CHANGES

Requests for modification of contract documents must be approved by the Department head based on the amounts indicated in the Authorization Table. A Request to Increase the Dollar Amount of a Standard or Blanket Purchase Order Form or Change Order must state the reason for the change, as well as, refer to the PO/FPO number and the vendor/contractor involved. This policy particularly applies to those circumstances where increase in the dollar amount of the order is required. Revised POs/FPOs will be issued to the vendor/contractor to confirm the authorized changes.

3.4 EMERGENCY ORDERS

An emergency purchase includes any immediate need for supplies or services wherein following normal procurement procedures could threaten District operations, property, or public health and safety.

Emergency purchases shall be subject to the approval of the General Manager, or his designee. Board of Directors approval and/or notification on the Agenda Consent Calendar will be within 30 days of an emergency expenditure that exceeds the General Manager's approval limit of \$25,000.

In many cases, emergency orders may be made using either Online Purchasing or the Procurement Card methods.

4.0 RECEIVING PROCESS

Delivery of requested products or services marks a transition in the purchase-to-pay process from a purchasing activity to a payables activity. All purchases must be "received" to release payment to the vendor. The "receiving" staff must determine if the products or services received are acceptable and conform to the District's requirements. At all times, the purchasing staff member receiving the delivery shall not be the purchasing staff who entered the requisition. The entire receiving process consists of the following:



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4.1 SIGNING FOR DELIVERIES

Whenever possible, the person receiving the product should sign the receiving documents provided by the vendor or shipping company. The person receiving the delivery shall inspect the delivery before signing the delivery receipt and should also initial the packing list. Then, submit the packing list to the appropriate person for financial reconciliation.

4.2 REFUSING DELIVERIES

Whenever possible, the person receiving the delivery should refuse to accept shipments if they are unable to confirm that the order was placed by their Department, if the packaging appears sufficiently damaged to warrant concern or does not meet the required specification.

4.3 RECORD RETENTION

During the receiving process, the Department takes physical possession and legal ownership of the shipment. Therefore, it is important for the vendor to provide the District with a packing list for all shipments delivered to the District. If the vendor fails to provide the packing list, the Department should contact the vendor to request that copies be sent for its files. The need for saving receiving documents is particularly important when accepting any partial or staggered deliveries over a period of time.

4.4 INSPECTING THE SHIPMENT

Persons receiving shipments should, upon acknowledging receipt of an order, conduct an inspection to verify the following minimum conditions:

1. The products conform to the PO/FPO/BPO requirements and other relevant documents (for example: correct model number, description, size, type, color, ratings, etc.)
2. The quantity ordered against the quantity shipped or delivered.
3. There is no damage or breakage
4. The unit of measurement count is correct (e.g. if the unit of measurement on the purchase order is one dozen, there should be 12 in the package).
5. Delivery documentation (packing list, certifications, etc.) is acceptable.
Products are operable or functional.



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4.5 MATCHING THE PACKING LIST TO THE PURCHASE ORDER OR FIELD PURCHASE ORDER

During the inspection process, the Department should compare the vendor's packing list to the purchase order to determine if there are any discrepancies between the documents. At a minimum, the following information should be the same on both the packing list and purchase order:

1. PO/FPO number
2. Item or Manufacturer's part number
3. Quantity and unit of measure
4. Description of the products

Once the invoice has been entered by the Department representative, the Department should determine if the invoice charges are correct. In case of any invoice discrepancies, the Accounting Department should be notified to place a "hold" on the invoice until further notified.

4.6 PRODUCT SUBSTITUTIONS AND OVER-SHIPMENTS

Vendors are not allowed to substitute products or deliver more than the amount ordered without prior approval from either the Department representative.

4.7 FAILED INSPECTIONS

All District Departments are advised to notify in writing any failed inspection results discovered during inspection and provide the results to the vendor and the Accounting Department for appropriate action. When receiving items from freight companies, the number of packages received should match exactly the number on the freight bill. If not, the Department should require the driver to write the number of packages received on the bill before signing. Inspect all packages for damage to the outside container. Any visual damage should also be noted on the freight bill before signing.



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In cases of concealed damage, a report should be made by the Department immediately to the delivering carrier. The report should include the following information: Freight Bill Number, PO/FPO/BPO number, the date of delivery, supplier, and the extent of damage or shortage. In the event of damage, it is essential that the Department retain all the original shipping cartons for inspection by a claims adjuster.



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4.8 ACCEPTANCE DETERMINING

Departments are required to contact the vendor in a timely manner when rejecting products that are over-shipments, defective or for any other non-conformance. Failure to notify the vendor in a timely manner will mean the shipment will be considered "accepted."

4.9 PRODUCT RETURNS FOR CREDIT/REFUND

When a vendor has shipped items as specified on a purchase order, they have legally complied with their part of the contract and are under no obligation to accept returned items for credit or refund.

When a product is damaged, or is rejected for failing acceptance testing or is not as specified on the PO/FPO/BPO, the Department should request a Return Authorization Number from the vendor. The shipping label on the returned package must be marked with the Return Authorization Number. Other identifying information should be placed on the outside of the returned package for easy identification.

5.0 COMPETITIVE SOURCING

It is the policy of West Valley Water District to obtain competitive pricing, proposals or quotations on all products and services over \$500 used by the District. All proposals and quotations received will be evaluated on the basis of quality, service, compliance to specifications and price. All awards will be made in the best interest of the District. Any or all proposals may be rejected at the discretion of West Valley Water District's Board of Directors.

The competitive sourcing process is required where the product or service can be obtained from more than one source. Unless approved for sole source procurement or otherwise covered under existing contracts, all requisitioned products or services totaling \$500 or more individually, or as a system including multiple components, will be competitively sourced.

While participation in the competitive sourcing process by as many qualified vendors as possible, at least two proposals are required for purchases exceeding \$500 and three proposals are required for purchases over \$1,000.

It is the policy of West Valley Water District to use whenever possible and practical, local, women-owned, minority-owned, disadvantaged, and small business vendors which are able to provide products and services of required quality on a timely basis



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at competitive prices. Each Department maintains a list of qualified small business and diversity vendors.

Formal, written Requests For Proposal (RFP) should be used for most competitive sourcing projects. Sealed, hardcopy bids will be used when required by law, government contractual requirements, or at the discretion of the General Manager.

5.1 COMPETITIVE SOURCING METHODS

Competitive sourcing may be conducted using the following methods, the choice of which is primarily determined by the estimated dollar value of the product or service:

- **Email/Fax/ or Letter Bids** - known as an “Informal Bid.”
 - **Request for Quotation (RFQ)** – also known as an “Informal Bid.”
 - **Request for Bids (RFB)** – also known as a “Formal Bid”. This is the preferred method of bidding and must be a Sealed Bid if over project is expected to exceed \$25,000.
 - **Request for Proposal (RFP)** – may be used for bidding of services or combination of services and supplies and must be a Sealed Proposal if project is expected to exceed \$25,000.
 - **Request for Qualifications (RFQ’s)** – may be used for bidding to pre-qualify a contractors or vendors for various disciplines and/or supplies and must be a Sealed Proposal.
1. Informal bids – Informal bids may be solicited verbally, by email or by letter. This process may be used at the discretion of the Department for items estimated to cost more than \$500 but less than \$10,000. Departments must request written confirmation of verbal bids from suppliers.
 2. Formal Request For Proposals (RFPs) should be issued for all items estimated to cost \$10,000 or more where clear specifications are available for comparative products or services. RFPs may be issued for projects of any dollar amount where subjective services and/or vendor skill levels are an important component to a timely and successful completion of the project or for any sourcing project at the Department’s discretion.
 3. Each RFP should contain a clearly defined set of criteria to be used to evaluate the proposals. Departments are encouraged to modify or augment the standard criteria to meet their specific requirements.



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4. RFP Formats – RFPs are generally issued to the approved list of vendors and contractors. Proposals may be accepted electronically, in hardcopy form or a combination of both. The standard RFP contains instructions to the vendors regarding proper proposal formatting and submittal requirements.
5. After the proposals are received and evaluated, the contract(s) should be awarded to the contractor/ supplier(s) presenting the best combination of price, delivery, compliance to specifications, capacity to perform, and quality of service.

5.2 EXCEPTIONS TO COMPETITIVE SOURCING

There are circumstances when competitive sourcing is not required or practical. Examples of such situations are:

1. Emergency situations endangering the health and safety of District staff and its customers.
2. Purchases that meet sole source procurement requirements.
3. Requisitions for products or services less than \$500.

5.3 NON-COMPETITIVE (Sole Source) PROCUREMENT

The purchasing of materials, equipment, supplies and services costing \$500 or more individually or in aggregate should be by competitive sourcing regardless of the funding source. However, circumstances may dictate forgoing the competitive sourcing process and purchasing from one unique vendor for certain products or services. Such situations require documented justification, explaining the exceptional circumstances of the purchase. The documentation must show that an equitable evaluation has been made and that rejection of alternative vendors or solutions is based on objective and relevant criteria.

The General Manager has the final responsibility for determining whether a Sole Source requisition meets the requirements of this policy.

Special signature approvals are required from the Department for all sole source requisitions prior to review and approval by the General Manager.

Instances when sole source purchasing may be applicable include the following:



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1. Property or services can be obtained only from a specific vendor (i.e., materials or equipment; one of a kind items, etc.).
2. Competitive sourcing is precluded because of the existence of patents, copyrights, and special processes, control of raw materials by vendors or similar circumstances.
3. Procurement of water or other utility services where it would not be practical or feasible to allow other vendors to provide such services.
4. Procurement of support services in connection with the assembly, installation or servicing of equipment or software of a highly technical or specialized nature.
5. Procurement of parts or components to be used as replacements in support of equipment manufactured by a particular supplier.
6. Procurement involving construction where a contractor is already at work on the site and it would not be practical to engage another contractor.
7. Procurement where only a single supplier in a market is licensed or authorized to service or sell a specific product line.
8. Procurement of compatible additions to existing equipment where a different manufacturer's equipment would be impractical for the specific need.
9. The supplier or products are specified and required by the funding agency of a grant or Federal/State contract.

5.4 COMPETITIVE SEALED BIDDING

The Board of Directors must approve contract, professional or consultant services contracts over \$25,000. All projects estimated to meet or exceed \$25,000 must go through the competitive sealed bid process.

Definition

Competitive sealed bidding is a method of procurement that requires:

- (a) Issuance of an Invitation for Bids with a purchase description including acceptance criteria and all contractual terms and conditions applicable to the procurement, which can be advertised in local newspaper or a contracted public bidding website when warranted;



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- a. Advertisement must include Department of Industrial Relations and Contractor's State License Board minimum requirements of registration and active licensure, etc.;
- (b) Public opening of bids at a pre-designated time and place when warranted;
- (c) Unconditional acceptance of a bid without alteration or correction except as authorized in this manual or the Public Contract Code; and
- (d) Award to the responsive and responsible bidder who has submitted the lowest or most reasonable bid that meets the requirements and criteria set forth in the Invitation for Bids.

Public Notice

Adequate public notice of the Invitation for Bids shall be made in sufficient time, but not less than ten (10) calendar days prior to the opening of bids, by posting a copy of each Invitation for Bids on the bid calendar and website, contracted public bidding website, or in the newspaper when warranted.

If this information is used, the public notice must specify the place (if plans or specifications are not included in the solicitation) where plans and specifications are on file, and the time and place for receipt of bids.

Specifications

- (a) Preparation of Specifications
 - (1) Should not be prepared to exclude all but one type or kind, except where permitted by law.
 - (2) Should be clear, definite and concise to enable prospective suppliers a basis on which to submit bids.
 - (3) Should call only for features or for a level of quality required for the intended use, except in cases where such features or the level of quality are essential for some future consideration or result in an overall economic advantage to the District.



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- (4) Should preferably describe the performance requirements, rather than its formulation, description or design.
- (5) Should be framed to permit free and full competition as is reasonably possible under the attendant circumstances.

Direct supplier involvement in the specification process at the Department level is prohibited without prior approval by the General Manager. Departments may use Purchasing for assistance in the development of specifications.

(b) Restrictive Specifications

Some latitude is permissible in specifying features of certain items. While it is not necessary to prepare specifications in a manner that every conceivable manufacturer could competitively bid, the District must be able to demonstrate a clear reason for any restrictive specifications.

(c) Other Considerations

Specifications must state whether items other than cost will be considered in awarding the contract, e.g., results of product testing, length and terms of warranty provisions, reliability and maintenance costs, repurchase value, or residual value of the equipment after a specified number of years where the residual value can be objectively ascertained.

Vendor/Bidder's List

General Information

The Purchasing Office maintains a list of known prospective suppliers who are available to furnish materials, professional and consultant services, and supplies that can meet the District's needs. In the case of written formal bids and informal quotations and for most transactions, the list (or record) of those bidders solicited will be in the solicitation file. In most cases, lists are maintained on a computer that enables identification of those suppliers that provide the item or service in question.

New Suppliers



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From time to time, purchases are made from suppliers whose names are not on existing bid lists and may never be on a list (because of infrequency of purchases, specialty items, etc.). As frequency increases or the demand requires, a new list may be established by the Purchasing Office.

Requests to be Added to Bid Lists

Companies may be added to existing or new bid lists based on requests from Departments or by the Purchasing Supervisor. All requests from suppliers may not necessarily result in being added to a bid listing.

Deletions from Bid Lists

Companies may be deleted from bid lists. Reasons for deletion are: out of business, continual poor service, poor quality of goods furnished; default on previous purchase; failure to respond to three consecutive bid or quote invitations, or a supplier's request to be removed for any reason.

Official Record of Bidders

The master supplier number list and bid list is the reference resource used to prepare each record of bidders.

Form of Bid

To receive consideration, bids shall be made on the forms and in the manner set forth in the Invitation for Bids.

- (a) Late bids shall not be accepted.
- (b) Each bid must be signed by an authorized representative of the supplier and include the legal name of the bidder.
- (c) Bidders shall not change the bid form nor make additional stipulations on the bid form which are not consistent with the provisions of the specifications.

Receipt of Bids



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All bids must be received sealed in an envelope prior to the time specified in the Invitation for Bids. Bids must not be left unattended and must be promptly time-stamped and deposited unopened in the respective bid folder. Late bids shall not be opened and shall not be considered under any circumstances. A late bid will be date-stamped and remain unopened in the bid file. A letter from the District will be sent notifying the bidder that the bid was received late and was not considered.

Bid Opening

The District Purchasing Supervisor or designee shall administer all bid openings and all bids shall be opened publicly in the presence of one or more witnesses at the time and place designated in the Invitation for Bids. The District assumes no responsibility over the confidentiality of bid information unless specifically stated otherwise in the Invitation for Bids.

Correction or Withdrawal of Bids

In any request or decision involving a bid mistake, correction or withdrawal, Purchasing staff shall consult with District Counsel. Except as otherwise specified in Section 5100 of the Public Contract Code, correction or withdrawal of inadvertently erroneous bids before or after bid opening may be permitted only if such correction or withdrawal is not prejudicial to the interest of the District or fair competition.

Bid Evaluation

Bids shall be evaluated based on the requirements set forth in the Invitation for Bids, which may include criteria to determine acceptability such factors as inspection, testing, quality, workmanship, delivery, and suitability for a particular purpose. Criteria affecting price shall be objectively measurable, such as discounts, transportation costs and life cycle or total ownership costs. The Invitation for Bids shall set forth the evaluation criteria to be used.

Examples of evaluation criteria that may be used include:

- (a) Adherence to all conditions and requirements of the bid specifications, including but not limited to current license and registration with the Department of Industrial Relations



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- (b) Total bid price, including any trade discounts or prompt pay discount of fifteen days or more.
- (c) Appropriate insurance coverage limits with the District named as additionally insured
- (d) Required performance bond capacity
- (c) Local supplier preference - Local supplier preference would be when a supplier located within a certain distance from the District is given a preference such as 5%. That is, when considering low bidder, the local supplier could be up to 5% higher than the low bidder and still be awarded the contract.
- (d) General reputation and experience of bidders based on references or prior performance
- (e) Hourly rates for specified personnel
- (f) Evaluation of the bidder's ability to service the District
- (g) Financial responsibility of the bidder
- (h) Needs and requirements of the District
- (i) Experience with the products involved
- (j) Nature and extent of company data furnished upon request of the District
- (k) Quality of merchandise offered
- (l) Product appearances, workmanship, finish, taste, feel and result of product testing
- (m) Overall completeness of product line offered
- (n) Bidder's ability to meet delivery and stocking requirements
- (o) Delivery or completion date
- (p) Maintenance costs and warranty provisions



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- (q) Repurchase value or residual value of equipment after specified number of years where the residual value can be objectively ascertained
- (r) Availability of product or service required
- (s) Compatibility with District's current equipment/products
- (t) Availability of sales representatives and/or service representatives
- (u) Maintainability and reliability

The Purchasing Supervisor shall maintain complete and sufficient records of bid evaluations to ensure there is no abuse of the competitive bidding process. All reasons for making the award recommendation shall be made in writing by the Purchasing Supervisor and retained in the bid file.

Reservation of Right to Reject Bids and Re-Bid

Every bid must be carefully examined to determine whether it contains a material variance. Any bid that contains a material variance must be rejected. A test of material variance is a variance that gives the bidder a substantial benefit or advantage not enjoyed by the other bidders. Prior to any rejection for a material variance, District Counsel shall be consulted. The District may:

- (a) Reject an otherwise low bid when it is determined that another bid is more advantageous to the District.
- (b) Reject a bid not accompanied by any required bid security or by other data required by the bidding documents.
- (c) Reject a bid that is in any way incomplete, irregular, amplified, unqualified or otherwise not in compliance with the bid documents in all material respects.
- (d) Waive any informality, irregularity, immaterial defects or technicalities, in any bids received.
- (e) Cancel an Invitation for Bids or reject all bids because of the following reasons: (1) Inadequate or ambiguous specifications



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- (2) Specifications have been revised
- (3) Supplies or services are no longer needed
- (4) Change in District requirements
- (5) All bids deemed unreasonable
- (6) Bids were not independently arrived at or were submitted in bad faith
- (7) A determination is made that all the necessary requirements of the bid process have not been met
- (8) Insufficient competition
- (9) For other reasons which indicate the cancellation or rejection of all bids is clearly in the best interest of the District

The Purchasing Supervisor shall maintain complete and sufficient written records of bid rejections and cancellations to ensure that there is no abuse of the bidding process. All reasons for rejecting a bid shall be retained in the bid file.

Contract Award

If the District decides to award a contract, the District generally must award the contract to the lowest responsible and responsive bidder whose bid best meets the requirements and criteria set forth in the Invitation for Bids. The District may award a contract based on bid evaluation criteria other than lowest bid price if the Invitation for Bids states the evaluation criteria that would be applied and such award is in the best interest of the District. In the event the successful bidder fails to perform or such bidder's bid is authorized to be withdrawn, the District may award a contract to the next lowest responsible and responsive bidder that will best meet the needs of the District.

Recommendations for contract award for \$25,000 or more shall be submitted by the Department head of the initiating Department to the Board of Directors along with pertinent contract documents.

Cancellation of Contract Award



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Failure on the part of the successful bidder within the time allowed to execute the contract, furnish an acceptable performance bond, or comply with any other requirement precedent to execution of the contract shall be considered just cause for cancellation of the award and forfeiture of the bid security, not as a penalty, but in liquidation of certain damages sustained. Contract award may then be made to the next lowest responsible and responsive bidder, the call for bids re-advertised, or such the other action taken as deemed appropriate by the District.

5.5 COMPETITIVE SEALED PROPOSALS

The Board of Directors must approve professional or consultant services contracts over \$25,000. All projects estimated to meet or exceed \$25,000 must go through the competitive sealed proposal process.

Definition

A competitive sealed proposal is an offer from a prospective supplier as a result of the method of procurement that involves, but is not limited to:

- (a) Solicitation of proposals through a request for proposal;
- (b) A private opening of proposals that will avoid disclosure of offerors or contents to competing offers before and during the process of negotiation;
- (c) Submission of cost or pricing data from the offeror where required;
- (d) Discussions with responsible offerors whose proposals have been determined to be reasonably susceptible of being selected for award, unless such discussions are not required by the request for proposals or this manual;
- (e) An award made to the responsible offeror whose proposal is determined in writing to be the most advantageous, considering evaluation factors set forth in the Request for Proposals.

Conditions for Use

Unless otherwise directed by law, this manual or by direction of the Board of Directors, contracts for consultant services estimated to cost \$25,000 or more should be awarded by the use of competitive sealed proposals. Contracts



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for consultant services estimated to be less than \$25,000 may be awarded upon conclusion of informal interviews by representatives of the initiating Department and others, including Purchasing Services, as may be appropriate.

Public Notice

Public notice of the Request for Proposals shall, if applicable, be given in the same manner as provided in section 5.4 Competitive Sealed Bidding, Public Notice.

Evaluation Committee

For competitive sealed proposals estimated to cost \$25,000 or more, an evaluation committee may be formed consisting of a representative of Purchasing Services and others appointed by the initiating Department head or the General Manager which will review all proposals and document all findings and recommendations. The evaluation committee may include persons who are not District employees but have experience or expertise to contribute. Such non-District employees shall abide by direction set forth by the General Manager.

Evaluation Factors

Award of a contract in response to a proposal shall be made to the responsible offeror whose proposal is determined to be the most advantageous to the District taking into consideration the evaluation factors set forth in the Request for Proposals.

The Request for Proposals may indicate the relative importance of evaluation factors. Following are representative evaluation criteria that may be considered by the Department head or Purchasing Supervisor when preparing a Request for Proposal:

- (a) Reputation and Experience. Does the consultant have a reputation of being reliable, delivering on schedule, and performing tasks to the satisfaction of its clients? Does the consultant have sufficient experience in the kind of work required?
- (b) Capability and Availability of Staff. Does the designated firm have the qualified and experienced staff needed to perform this job?



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- (c) Understanding of the Problem. Does the firm understand the issues and has it developed a relevant and effective approach?
- (d) Proximity of the Firm. Other factors being equal or relatively insignificant, the District shall strive to retain firms based in the local area.
- (e) Cost. Whenever possible and appropriate, a firm fee or hourly rate should be secured as part of the proposal and considered in the evaluation process. In certain cases the District may wish to hire the best qualified individual or firm if their proposed or negotiated price is within the budgeted amount for the contract.

Award Process

Recommendations for contract award for professional consultant services for \$25,000 or more shall be submitted by the Department head of the initiating Department to the Board of Directors at its regular or special meeting for consideration, along with pertinent contract documents. The recommendation should include the following:

- (a) The services to be provided by a consultant or professional service contract.
- (b) The method of compensating the consultant or the actual cost, if appropriate, and a statement indicating why the cost is reasonable.
- (c) A summary of the competitive process used along with the reasons for recommending a particular consultant, particularly if that proposal was more costly than others.

6.0 VENDOR DIVERSITY & SMALL BUSINESS PROGRAM

West Valley Water District is committed to the principle of diversity and equal opportunity in all of its endeavors and applies this principle in its procurement activity with the objective of encouraging participation by qualified vendors categorized as: small, disadvantaged, veteran, minority or women-owned enterprises. The District believes that strengthening and expanding its supplier base in these business classifications not only contribute to lowering our operational costs, but also improves the overall health of the business community within



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which we exist. It is a practice of the District to actively identify and solicit qualified small, disadvantaged, veteran, minority or women-owned businesses and to provide and promote equal opportunities for such vendors within the District in order to promote vendor diversity.

7.0 COMPUTER PURCHASES

For initial personal computer purchases, the following items will be considered as one unit: System unit including disk-drive(s), emulation board, internal/external modems, memory expansion board, co-processor, expansion chassis, cables, additional chips, keyboard monitor and operating system software.

If the following items are acquired at an individual cost of \$5,000 or more after the initial purchase of a computer, they will be considered ENHANCEMENTS and coded as equipment:

- additional disk drives (including replacements if they provide enhancement)
- emulation board
- internal/external modems
- memory expansion board
- co-processor
- expansion chassis
- keyboard
- monitor

Software will be considered Capital Equipment if it is customized for the District and acquired at a cost of \$5,000 or more per unit and has a useful life of more than 3 years.

8.0 LEASE / LEASE PURCHASE / RENTAL ORDERS (Equipment)

A lease is an agreement conveying the right to use property for a specified time and for a specific amount of money. In a true lease, the property being used remains the sole property of the lessor (vendor), and the lessee (District) builds no equity in the leased



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property. A lease/purchase agreement allows the lessee to build equity and purchase the property from the lessor for a nominal amount at the completion of the lease. The term of a lease is fixed in duration and generally not cancelable. A rental agreement is similar to a lease in that the user does not build ownership in the asset. A rental agreement differs from a lease in the length of the agreement (usually less than one year) and the agreement can usually be cancelled by the renter prior to the end of the agreement without penalty.



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9.0 REAL PROPERTY

Board approval and authority to execute contractual documents is required for the sale, procurement, trade, exchange, surplus or otherwise acquisition, of any all real property with a value greater than \$5,000.00. The General Manager is authorized to execute contractual documents, including sale, purchase agreements and escrow instruments, for the authorized sale, procurement, trade, exchange, or otherwise acquisition, of real property with a value less than or equal to \$5,000.00.

10.0 DISPOSITION OF OBSOLETE/SURPLUS PROPERTY

For property that is no longer usable or needed, it is District policy to manage the recirculation or disposition of the surplus property per Resolution No. 748, *"A Resolution of the West Valley Water District Board of Directors "Adopting a Surplus Personal Property Policy."* For both capital and non-capital property purchased with District funds or funds from any external source, the management and control of such equipment extends to its final disposition. All capital equipment slated for transfer or disposition requires prior review and approval by the Board of Directors.

11.0 FINANCIAL INFORMATION

The Finance Department is responsible for establishing general ledger account numbers, which represent the source of funds (Department or function). Account numbers represent the type of revenue or expense to be transacted to each Department.

Each Department is assigned a general ledger account number(s) in order to detail and control expenditure activity for their area(s) of responsibility. All Purchase Requisitions must carry the complete account number to be charged in order that required approvals may be obtained prior to its receipt and for proper encumbrance and payment once the process is complete.

11.1 PAYMENT TERMS

The District's standard payment terms for purchase orders and demand checks are **Net 30 Days** from the date of the invoice.

The District's payment terms is determined by the General Manager and Chief Financial Officer. Departments do not have authority to change or otherwise accept different payment



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terms from vendors and contractors. Non-standard payment terms must be reviewed and approved by General Manager prior to entering into any contracts.

11.2 INVOICE APPROVAL

Invoices must be approved by the authorizing individual, or his/her designee, for the items invoiced. The authorization requires validation of the correct general ledger account charged for the payment.

Must issue payment from original invoice, and not a copy or statement. If a copy is all that is provided to accounts payable, it must be stamped "ONLY COPY AVAILABLE" with a reason as to why it is the only copy.

The Accounting Department encumbers all proper purchase orders into the District's Accounts Payable System for matching and payment of invoices. Vendors and contractors are directed to send their invoices either specifically by email or mail to the District's mailing address.

Invoices are entered into the Accounts Payable system upon approval. If the purchase order and corresponding invoice systematically match within predefined tolerances, the invoice will be scheduled for payment in accordance with the payment terms.

Should there be a problem regarding the item or services received under the purchase order, the Department is to be notified by the Accounting Department to withhold payment until the problem is reconciled.

Since the credit standing of the District is dependent upon its ability to pay its obligations on time, communications between the Department and the Accounting Department must be done in a timely manner.

11.3 INVOICES FOR LEGAL EXPENSES

All payments for legal expenses must be approved by the Board of Directors for payment.

12.0 PAYMENT METHODS



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The purchase of products and services is accomplished through a variety of different procedures. These procedures are designed to address the great differences in complexity, value, risk and transaction volumes associated with District purchases. The list below describes the current purchasing methods:

1. Petty Cash – a fund which supports petty cash disbursements for authorized cash advances and for limited cash reimbursement.
2. District Check – a draft drawn on a District bank account for the procurement of goods and services.
3. Electronic Funds Transfer (EFT) Payments – an electronic payment made directly to a designated vendor account.
4. Contractual Document – Purchase Order (PO) (Requisitions) and agreements used for purchases over \$500.
5. Procurement Cards (i.e.: Visa, Staples, Costco) - for single transactions in accordance with the individual procurement card for the purchase of discretionary transactions with local retailers, internet companies and travel related services.

12.1 PROCUREMENT CARDS

The District has established a Procurement Card Program to provide expanded convenience and controls to low dollar purchases, and to establish a payment methodology that will support future procurement applications. The Procurement Card is an institutional credit card designed to give controlled buying power directly to Departments thereby eliminating many check enclosed orders.

PROCUREMENT CARD USE & REQUIRED DOCUMENTATION

Procurement Card Assignment



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Administration maintains authorization forms and a list of employees that have been issued a credit card to make purchases for the District.

Typical Use

Cardholders are authorized to use the Purchasing Card as an alternate method of payment. The procurement policy (obtaining quotes and utilization of requisitions and purchase orders) must not be bypassed, nor can payments be split between multiple transactions to circumvent the approval limits in the table above.

Justification Required for Each Purchase

Itemized original receipts

Name of attendees (employees, consultants, vendor, etc.) when paying for others

Meeting agenda and attendee list, when available, for purchases relating to meetings

Flyer, agenda, itinerary, etc. for conference and training

Paid invoice for services or supplies

- a) Bank of America (Visa Credit Card) is the provider for the West Valley Water District's procurement credit card. The Visa Credit Card is readily accepted by most vendors and retailers and is a convenient purchase and payment tool for low dollar purchases. The Visa Card is issued to executive staff, which includes their name. Under no circumstances should the Visa Card be used to purchase personal purchases.
- b) Store Cards (Staples, Costco) provide an on-line catalog selection of commonly used field and office supplies. The Stock Controller/Purchasing Supervisor places orders for requested supplies used for day-to-day operations on a monthly basis.



ADMINISTRATIVE PROCEDURES WEST VALLEY WATER DISTRICT

APPROVAL DATE 10-20-16	FINANCE POLICIES	POLICY NO. 2016-01
APPROVED BY Board of Directors	POLICY TITLE PROCUREMENT POLICIES & PROCEDURES	EFFECTIVE DATE 10-20-16

12.2 PETTY CASH DISBURSEMENTS & REPLENISHMENT

The petty cash fund is established to make low value and urgent need purchases. A custodian of the fund, who is directly responsible for the safekeeping and disbursement of cash, must be appointed by the Chief Financial Officer. The original check written to establish the fund, and checks written to replenish it, are made payable to the custodian of the fund. Written instructions detailing the procedures that must be followed in using petty cash funds should be provided to the custodian.

Petty Cash Disbursements – All disbursements must be authorized by the designated authority and indicated by approval signature. Expenses paid from a petty cash fund can only be made for the purpose(s) for which the fund was authorized and must be supported by receipts, which should contain the following information:

- Date of purchase or payment;
- Name of vendor or other payee;
- Evidence that a payment was made, i.e., a cash register receipt or an invoice which indicates that it was "Paid";
- Amount paid;
- Description of the goods purchased or of the services provided and
- Signature indicating receipt of purchases or services.

REIMBURSEMENT OF FUNDS

1. Reimbursements made to a fund custodian for petty cash expenditures are based on a Check Request which must be supported by purchase receipts.
2. Such requests must be approved for payment by someone with signature authority who is neither the petty cash fund custodian nor an employee who reports to the fund custodian.



ADMINISTRATIVE PROCEDURES WEST VALLEY WATER DISTRICT

APPROVAL DATE 10-20-16	FINANCE POLICIES	POLICY NO. 2016-01
APPROVED BY Board of Directors	POLICY TITLE PROCUREMENT POLICIES & PROCEDURES	EFFECTIVE DATE 10-20-16

3. Reimbursement should be requested as needed, but the fund should always be reimbursed by the end of the fiscal year or when it falls below 60% of the total fund.

12.3 TRAVEL REIMBURSEMENT

Travel reimbursement shall only be paid to employees of the District and must be submitted in the fiscal year incurred or within 30 days following fiscal year end.

Travel authorization is required prior to business related event (Conference, training, meeting, etc.).

Mileage reimbursement – Internal Revenue Service (IRS) Per Diem Rate is the rate of reimbursement and can be found at www.irs.gov. The IRS Per Diem Rate is updated and effective on January 1 of each calendar year.

If cost of standard airline ticket is >\$100 less expensive than mileage, the lesser amount shall be reimbursed.

Meal reimbursement –

Itemized original receipts are required for reimbursement.

Name of attendees are required (employees, consultants, vendor, etc.) when paying for others.

United States General Services Administration (GSA) Per Diem Rates may be used when a receipt is lost or not available. The GSA Per Diem Rate can be found at www.gsa.gov and is specific to location.

Example: 2016 Rialto Per Diem Rate (Ontario/Victorville/Barstow area) is \$54 per day or \$12 - breakfast, \$13 - lunch, \$24 – dinner, & \$5 - incidental expenses.

1. Lodging
 - a. Itemized invoice that indicates “Paid” is required for reimbursement.
2. Public Transportation
 - a. Airfare – original receipt must show name, date, destination, class and amount paid. Coach or economy rates only.



ADMINISTRATIVE PROCEDURES WEST VALLEY WATER DISTRICT

APPROVAL DATE 10-20-16	FINANCE POLICIES	POLICY NO. 2016-01
APPROVED BY Board of Directors	POLICY TITLE PROCUREMENT POLICIES & PROCEDURES	EFFECTIVE DATE 10-20-16

- b. Taxi, Bart, etc. – original receipt and/or proof of payment (copy of credit card statement, etc.).
- 3. Rental Vehicle
 - a. Original receipt must show location (city/state) of Rental Company, name of employee, dates, description of services and amount paid.
 - b. Gasoline for rental vehicles – original receipt must accompany a copy of rental vehicle receipt.

Tips must not exceed 15% of authorized purchase.

Miscellaneous

Unauthorized Purchases:

- a. Alcohol
- b. Laundry services
- c. Excess of three meals per day
- d. Expenses for non-employees
- e. Gasoline for any vehicle, except authorized rental vehicle

Exhibit B



ADMINISTRATIVE PROCEDURES WEST VALLEY WATER DISTRICT

APPROVAL DATE 10-20-2016	FINANCE POLICIES	POLICY NO. 2016-01
APPROVED BY Board of Directors	POLICY TITLE PROCUREMENT POLICIES & PROCEDURES	EFFECTIVE DATE 10-20-16

Exceptions to standard purchasing methods and spending authorities are specifically limited to the following:

- a) Utility bills (phone, gas, electric, etc.)
- b) Payroll disbursements, payroll checks, deductions, deposits and tax payments that are supported by a payroll report
- c) Gasoline credit card purchases (should be issued a blanket Purchase Order)
- d) Insurance premiums (workers compensation, general liability, etc.)
- e) General Agency Legal Counsel
- f) Software license maintenance
- g) Payments to Department of Water Resources and related expenses (State Water Contractors, Inc., and so forth)
- h) Permitting and other regulatory fees (construction permits, LAFCO payment, etc.)
- i) Business related events (conferences, trainings, airfare, hotels, etc.)

The Authorization Table shall apply to all purchases, including Capital Projects and Professional Services Contracts. Capital Projects shall employ competitive bidding and all capital procurements that exceed the General Manager's authorization level must be approved by the Board of Directors. Professional Services Contracts shall employ competitive proposals solicited by the Request For Proposal (RFP) process, whenever possible, but is not mandatory.

At times, acquiring 3 written quotes may be a challenge depending on vendor type and availability. Staff will provide justification when 3 quotes cannot be obtained.

Modifications to Professional Services Contracts and Capital Projects shall follow guidelines in Section 2.2.

2.2 MODIFICATIONS TO PROFESSIONAL SERVICES AND CAPITAL PROJECTS

All Change Orders for existing contracts for both professional services and construction, entered into by the District in an amount greater than \$25,000.00, shall be subject to the modification procedures contained in this policy. All Change Order approvals shall be in writing.



**BOARD OF DIRECTORS
FINANCE COMMITTEE
STAFF REPORT**

DATE: June 21, 2019
TO: Finance Committee
FROM: Clarence Mansell Jr., General Manager
SUBJECT: INVESTMENT OPTIONS

DISCUSSION:

CalTRUST is a Joint Powers Authority created by public agencies to provide a method for public agencies to pool their assets for investment purposes. West Valley Water District (“District”) has had short term and medium term investments in CalTRUST since March 2017. The CalTRUST Pooled Investment Fund - Short Term (“Short Term”) currently has approximately \$15,255,766.31 deposited and has not seen any significant gains or loss. The Short Term current market value or price is \$10.03 and has a cumulative unrealized gain of \$7,508.62. The CalTRUST Pooled Investment Fund – Medium Term (“Medium Term”) has approximately \$10,359,345.33 and a cumulative unrecognized loss of \$28,020.46. The Medium Term price per share at the time of transfer in March 2017 was \$10.03 and the current market value or price is \$10.00. This item was discussed at the last committee meeting and staff is presenting additional information for consideration. Staff has had discussions with PiperJaffray and Chandler Asset Management. Chandler currently invests \$12,000,000 of the District’s cash however PiperJaffray does not have any involvement with the District at this time. PiperJaffray is a broker and any investments would have to be approved by the District prior to them being made on the District’s behalf.

FISCAL IMPACT:

Investigation of potential removal of monies from funds which have suffered loss and/or had minimal gains.

STAFF RECOMMENDATION:

The District’s Investment Policy sets forth the primary objectives related to the District’s Investment activities which are Safety, Liquidity and that the investment portfolio 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. After speaking with CalTRUST regarding past performance and in accordance with the policy staff foresees that a recommendation will need to be brought to the full board that all monies be removed from the CalTRUST Pooled Investment Fund – Medium Term and CalTRUST Pooled Investment Fund – Short Term and be managed in another manner. However options should first be explored by the Finance committee. Staff recommends that a representative from CalTRUST and a representative from PiperJaffray come speak with the Finance committee and address any questions regarding investment strategies.

Respectfully Submitted,



Clarence Mansell Jr, General Manager

CM;llmb

ATTACHMENT(S):

1. ACCOUNT BALANCE DISTRIBUTED MAY 22
2. Sample of Water District Clientele
3. ChandlerWest Valley Water District_Board Intro

ACCOUNT BALANCE DISTRIBUTED MAY 22, 2019

	Bank/Investment Balances				
	<i>Per WVWD</i>	<i>Per Bank</i>	<i>04/30/2019</i>	<i>Cumulative Unrealized Gain/(Loss)</i>	<i>Market Value or Price</i>
Chase	\$ 4,710,258.71	\$ 4,643,449.59	\$ 3,118,747.79		
Special Rebate	\$ -	\$ -	\$ 29.68		
CalTrust - Short Term	\$ 15,255,766.31	\$ 15,255,766.31	\$ 15,255,766.31	\$ 7,508.62	\$ 10.03
CalTrust - Medium Term	\$ 10,359,345.33	\$ 10,359,345.33	\$ 10,359,345.33	\$ (28,020.46)	\$ 10.00
LAIF	\$ 16,186,642.26	\$ 16,186,642.26	\$ 16,186,642.26		2.45
CHANDLER	\$ 12,285,513.74	\$ 12,285,513.74	\$ 12,275,170.00	\$ 122,506.61	\$ 12,408,020.35
Total	\$ 58,797,526.35				

Sample of Water District Clientele

EASTERN MUNICIPAL WATER DISTRICT

Charles Turner: 951-928-3777

EAST BAY MUNICIPAL UTILITIY DISTRICT

Charlene Sun: 408-630-2528

DESERT WATER DISTRICT

Martin S. Krieger: 760-323-4971

SANTA CLARA VALLEY WATER DISTRICT

Charlene Sun: 408-630-2528

LOS ANGELES DEPARTMENT OF WATER

Mario Ignacio: 213-367-0690



May 2019

West Valley Water District

Section 1 | Firm Overview





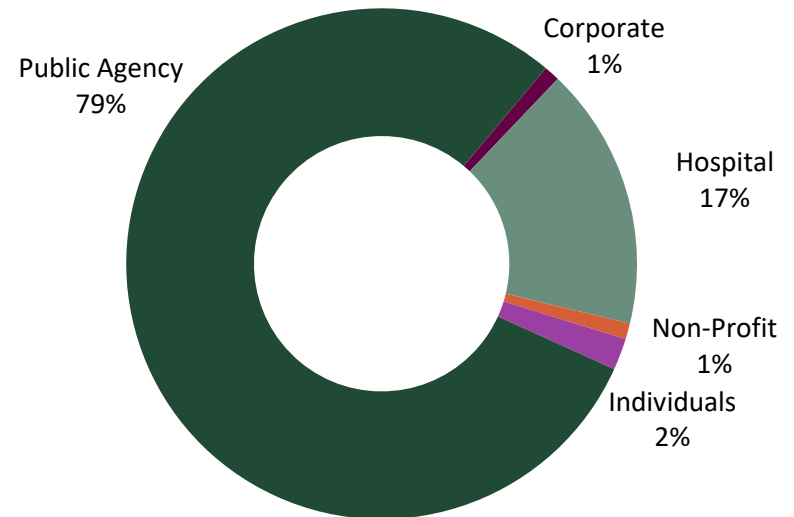
“We believe if we do what is right for our clients, our own success will follow.”

- *California Based, Independent & Employee-Owned*
 - Fixed income investment specialist since 1988
 - Founded by public investment professionals
 - Serve institutions with public sector focus
 - Headquartered in San Diego, CA

- *Custom Investment Programs*
 - Investment solutions based on the District’s risk profile and return goals
 - Direct contact with investment management team
 - Strategies for operating, short, and long-term reserves

- *Stable Team of Investment Professionals*
 - Team of investment professionals average over 21 years portfolio management experience
 - Continuity provided through team approach
 - Disciplined, repeatable investment process
 - Proprietary investment analysis

Assets Under Management
\$17.1 Billion



Our Experienced Team

3.d.c



Investment Professionals	Responsibility	Industry Experience	Firm Tenure
Martin Cassell, CFA CEO, Chief Investment Officer	Leads the investment team, firm oversight	1987	1991
William Dennehy II, CFA EVP, Portfolio Manager	Implements portfolio strategies, credit analysis and head of Credit Committee	1992	2011
Jayson Schmitt, CFA EVP, Portfolio Manager	Implements portfolio strategies, credit analysis and head of Quantitative Analysis Committee and Economic and Market Analysis Committee	1994	1995
Ted Piorkowski, CFA SVP, Portfolio Manager	Implements portfolio strategies, credit analysis and head of Sector Committee	1987	1999
Genny Lynkiewicz, CFA VP, Portfolio Manager	Implements portfolio strategies and credit analysis	2000	2015
Jeff Probst, CFA VP, Portfolio Manager	Implements portfolio strategies and credit analysis	2010	2012
Scott Prickett, CTP EVP, Portfolio Strategist	Implements portfolio strategies, monitors alignment with client objectives and policies and head of Portfolio Strategy	1987	2014
Julie Hughes SVP, Portfolio Strategist	Implements portfolio strategies and monitors alignment with client objectives and policies	1993	2014
Carlos Oblites SVP, Portfolio Strategist	Implements portfolio strategies and monitors alignment with client objectives and policies	1995	2017
Shelly Henbest, CFA VP, Credit Analyst	Research and credit analysis	2000	2009
Devin Weinstein Portfolio Management Associate	Assists with implementation of portfolio strategies	2015	2018
Client Service and Operations	Responsibility	Industry Experience	Firm Tenure
Kay Chandler, CFA President, Founder	Strategic planning and client service	1975	1988
Don Penner EVP, Director of Business Development	Leads the client service, marketing and relationship management team	2001	2010
Mia Corral Brown SVP, Relationship Management	Client service and relationship management	1997	2004
Kara Raynor-Sanchez VP, Director of Client Service	Client service director	2012	2012
Nicole Dragoo, IACCP COO, Chief Compliance Officer	Responsible for regulatory compliance, directly manages investment operations and oversees firm's administrative functions	2000	2001

Representative List of Institutional Relationships



Cities

- Agoura Hills, CA
- American Canyon, CA
- Arcata, CA
- Brea, CA
- Breckenridge, CO
- Buena Park, CA
- Camarillo, CA
- Corona, CA
- Costa Mesa, CA
- Danville, CA
- Deltona, FL
- Dublin, CA
- Imperial Beach, CA
- Indio, CA
- La Habra, CA
- La Mirada, CA
- Lakewood, CO
- Leesburg, FL
- Long Beach, CA
- Longboat Key, FL
- Monterey, CA
- Moreno Valley, CA
- Mountain View, CA
- National City, CA
- Newport Beach, CA
- Poulsbo, WA
- San Clemente, CA
- San Jacinto, CA
- San Leandro, CA
- San Marcos, CA
- So. San Francisco, CA
- Sunnyvale, CA
- Tacoma, WA
- Truckee, CA
- Westminster, CA

Counties

- Alpine, CA
- Denver, CO
- Lakewood, CO
- Mendocino, CA
- Routt, CO
- Tulare, CA

Other Entities

- Alameda Corridor Transportation Authority, CA
- Authority for CA Cities Excess Liability, CA
- California Insurance Pool Authority, CA
- California Joint Powers RMA, CA
- California Western School of Law, CA
- Colorado Springs Utilities, CO
- CSAC EIA, CA
- University of Denver, CO
- Eagle River Water & Sanitation District, CO
- E-470 Public Highway Authority, CO
- Florida Polytechnic University, FL
- Fontana POA Retiree Benefit Trust, CA
- Irvine Employee Benefit Trust, CA
- Meals on Wheels, CA
- Orange County Sanitation District, CA
- Rancho California Water District, CA
- Redwood Empire Municipal Insurance Fund, CA
- San Bernardino Municipal Water District, CA
- San Diego County Water Authority, CA
- South Coast Water District, CA
- Tampa Bay Water Authority, FL
- Transportation Corridor Agencies, CA
- Vista Hill Foundation, CA
- Walnut Valley Water District, CA
- WestEd, CA
- Western Municipal Water District, CA
- Whittier Area Schools Insurance Authority, CA
- Yolo County Public Agency RMIA, CA

States

- Delaware

Sample listing of the firm's public agency clients as of March 31, 2019, shown in alphabetical order. This list includes discretionary and non-discretionary clients that have given permission to be listed. It is not known whether the listed clients approve or disapprove of Chandler Asset Management or the services provided.



Chandler manages over \$2.0 billion in assets under management for water, utilities, and sanitation districts nationwide, including the following clients:

Chandler’s Water District, Sanitation District, and Utilities Clients
As of March 31, 2019

Client	Managed Since	AUM (\$MM)
East Orange County Water District, CA	2016	\$21
Elsinore Valley Municipal Water District, CA	2017	\$206
Moulton Niguel Water District, CA	1995	\$107
Orange County Sanitation District, CA	2014	\$615
Rancho California Water District, CA	1996	\$284
San Bernardino Municipal Water Department, CA	2013	\$39
South Coast Water District, CA	2015	\$26
San Diego County Water Authority, CA	2014	\$198
Tampa Bay Water Authority, FL	2016	\$116
Temescal Valley Water District, CA	2016	\$10
Three Valleys Municipal Water District, CA	2009	\$10
Upper San Gabriel Valley Municipal Water District, CA	2014	\$5
Walnut Valley Water District, CA	2009	\$36
Western Municipal Water District, CA	2001	\$155

Chandler Asset Management’s water, utilities and sanitation district clients listed alphabetically. It is not known whether the listed clients approve or disapprove of Chandler Asset Management and the advisory services provided. Assets under management as of March 31, 2019. This list includes both discretionary and non-discretionary clients who have given us permission to list.



Chandler's Approach to an Optimal Investment Program

Initial Steps



Ongoing Management

- Credit analysis of security issuers and financial institutions
- Asset-liability management
- Broker/dealer due diligence and relations
- Consistent application of a disciplined, conservative investment process. Our approach focuses on:
 - Safety of principal*
 - Compliance with legal requirements, policies, and objectives
 - Appropriate levels of liquidity
 - Diversification of risk
 - Generating market yield and return

**While Chandler focuses on safety of principal by investing in conservative investment-grade quality bonds, investors should be aware that bonds and other fixed income securities do carry some degree of risk and we cannot ensure a profit nor guarantee against loss.*

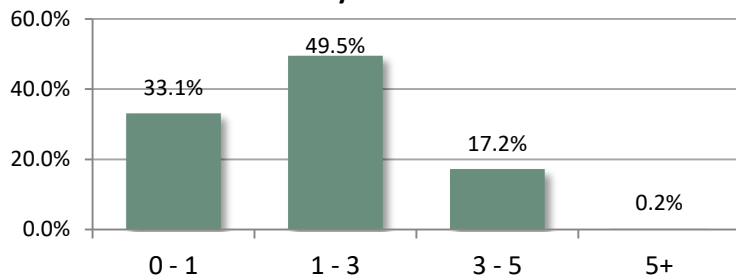
Limited Maturity

Average Final Maturity	1.84 years
Average Duration	1.65 years
Average Market Yield	2.45%
Average Quality (S&P)	AA
Average Coupon	1.98%

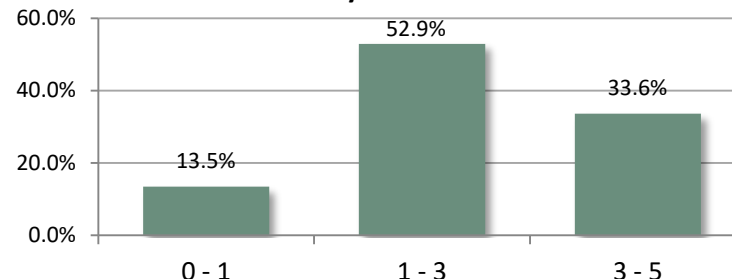
Short Term Bond

Average Final Maturity	2.54 years
Average Duration	2.32 years
Average Market Yield	2.43%
Average Quality (S&P)	AA
Average Coupon	2.06%

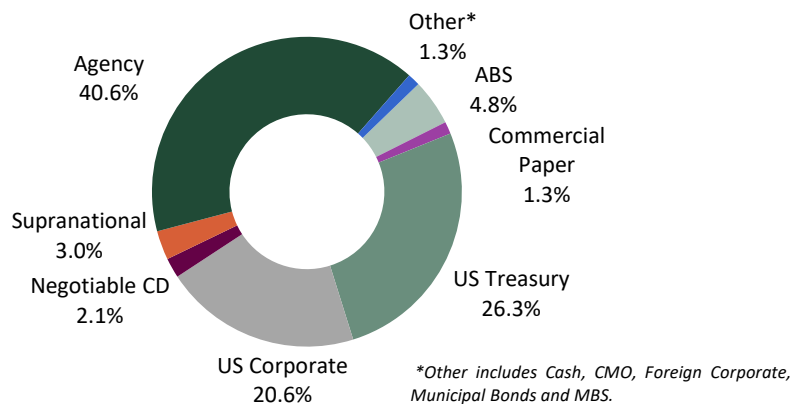
Maturity Distribution



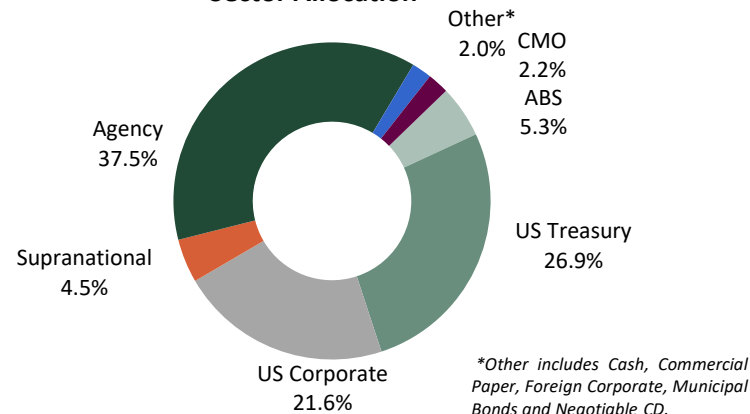
Maturity Distribution



Sector Allocation



Sector Allocation



Based on Chandler's Limited Maturity and Short Term Bond composite characteristics as of 3/31/2019. Credit Quality equivalent of composite/average of S&P, Moody's and Fitch ratings; "A" category includes "A-1" rated money market securities. The composite characteristic information presented above is supplemental information pursuant to GIPS®. There is no guarantee that investment in any of these styles will result in characteristics similar to those that appear in this presentation due to changes in economic conditions and other market factors. Past characteristic is not indicative of future results. Please see the GIPS disclosures at the end of this presentation for complete details.



Demonstrated Value Over Time

Chandler Investment Styles

10-Year Net of Fee Hypothetical Performance*
March 2009 – March 2019

Investment Style	Portfolio Duration	Annualized Total Return 10 Year Period	10-Year Growth of \$25 Million Portfolio	Chandler Added Value Over LAIF
LAIF	0.49	0.69%	\$26.8 million	N/A
Chandler's Limited Maturity	1.67	1.34%	\$28.6 million	\$1.8 million
Chandler's Short Term Bond	2.31	1.78%	\$29.8 million	\$3.0 million

*Net performance for Chandler investment styles based on sample fee of 10 basis points (0.10 of 1%) calculated for a \$25 million portfolio, relative to LAIF. LAIF returns include an administrative fee charged to investors by the California State Treasurer. LAIF duration estimated based on average maturity in days, as of March 31, 2019, divided by 365 days.

*For one-on-one presentation only. Performance shown is hypothetical for a \$25 million portfolio and not based on an actual client's account. Performance for Chandler's Limited Maturity and Short Term Bond has been calculated using historical composite performance. Past performance is not a guarantee of future results. Please see the GIPS and disclosures at the end of this presentation for further details. *For one-on-one presentation only.



- Consistent, stable, risk-adjusted returns over a market cycle across a wide range of possible investing conditions
- Tightly controlled duration, sector allocation, term structure and security selection differentiates our performance
- Strategies have historically outperformed client benchmarks in rising, falling and stable rate environments

Composite Performance – Gross and Net of Fees
as of March 31, 2019

	One Year	Three Years	Five Years	Ten Years	Since Inception
Chandler Limited Maturity (gross) (inception: 9/30/88)	2.99%	1.27%	1.23%	1.44%	4.61%
Chandler Limited Maturity (net)	2.89%	1.17%	1.13%	1.34%	4.51%
<i>ICE BAML 1-3 Year US Treasury Index</i>	<i>2.72%</i>	<i>0.99%</i>	<i>0.98%</i>	<i>1.04%</i>	<i>4.30%</i>
Chandler Short Term Bond (gross) (inception: 9/30/95)	3.36%	1.27%	1.50%	1.88%	4.07%
Chandler Short Term Bond (net)	1.26%	1.17%	1.40%	1.78%	3.97%
<i>ICE BAML 1-5 Year US Treasury & Agency Index</i>	<i>3.15%</i>	<i>0.99%</i>	<i>1.29%</i>	<i>1.49%</i>	<i>3.79%</i>

*Based on Chandler's Limited Maturity and Short Term Bond composites as of 3/31/2019. Please see the GIPS Disclosures at the end of this presentation. Past performance is not indicative of future results. Performance is presented gross and net of investment management fees. *Net returns are for a sample proposed fee of 10 basis points (0.10 of 1%). Gross performance does not reflect payment of advisory fees and other expenses which will reduce performance. All investment strategies have the potential for profit or loss. Market conditions or economic factors may alter the performance and results of a portfolio. Investment advisory fees are disclosed in the firm's Form ADV, Part 2A. Performance for periods greater than one year is annualized. For one-on-one presentation only.*



Monthly statements available by the 3rd business day

- Reports designed for use by management
 - Portfolio summary, compliance statement, reconciliation summary, holdings report, transactions ledger, income earned, cash flow report

24/7 Online Access to District's Portfolio via the Chandler Client Portal

Quarterly Reports in person with investment management team

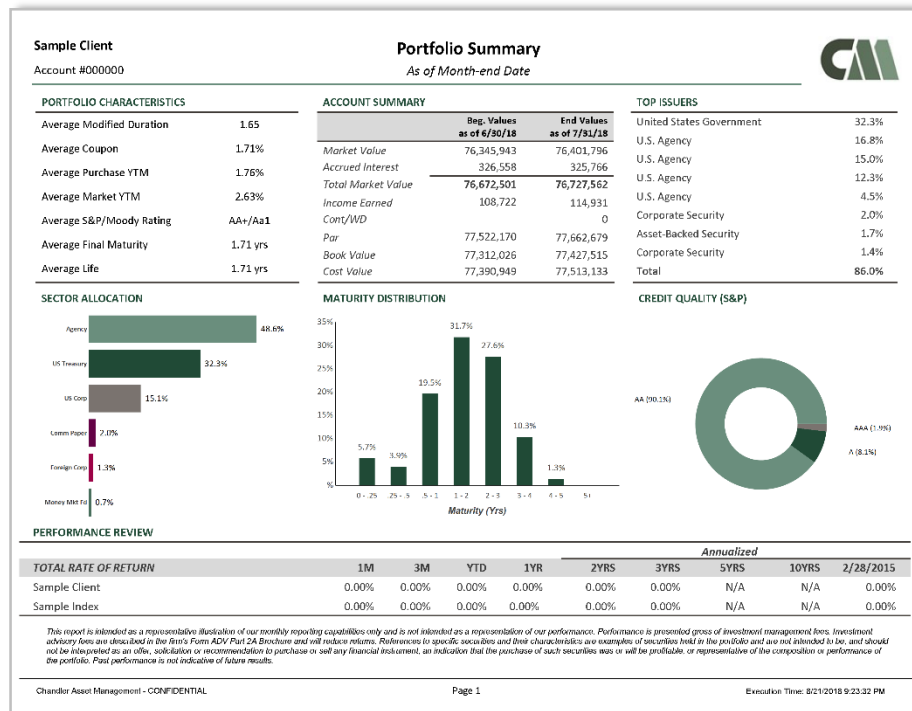
- Economic overview
- Account profile
 - Objectives and compliance statement
 - Portfolio summary, sector distribution, issuer report, quality distribution, duration distribution and investment performance

- Holdings Report, Transactions Ledger

Annual Reporting

- GASB 40 and 72

This sample report is being provided for illustrative purposes to demonstrate Chandler Asset Management's reporting capabilities. References to specific securities and their characteristics are examples of securities held in the portfolio and are not intended to be, and should not be interpreted as an offer, solicitation or recommendation to purchase or sell any financial instrument, an indication that the purchase of such securities was or will be profitable, or representative of the composition or performance of the portfolio. The information contained in this sample presentation was obtained from sources we believe to be reliable, but we do not guarantee its accuracy.



Section 2 | Disclosures





Verification Report

Chandler Asset Management, Inc.
6225 Lusk Boulevard
San Diego, CA 92121

We have verified whether Chandler Asset Management, Inc. (the "Firm") (1) has complied with all the composite construction requirements of the Global Investment Performance Standards (GIPS®) on a firm-wide basis for the periods from July 1, 1997 through March 31, 2018, and (2) designed its policies and procedures to calculate and present performance in compliance with the GIPS standards as of March 31, 2018. The Firm's management is responsible for compliance with the GIPS standards and the design of its policies and procedures. Our responsibility is to express an opinion based on our verification. We conducted this verification in accordance with the required verification procedures of the GIPS standards. We also conducted such other procedures as we considered necessary in the circumstances.

In our opinion, the Firm has, in all material respects:

- Complied with all the composite construction requirements of the GIPS standards on a firm-wide basis for the periods from July 1, 1997 through March 31, 2018; and
- Designed its policies and procedures to calculate and present performance in compliance with the GIPS standards as of March 31, 2018.

This report does not relate to or provide assurance on any composite compliant presentation of the Firm and does not ensure the accuracy of any specific composite compliant presentation.

ACA Performance Services, LLC

ACA Performance Services, LLC
September 6, 2018



Annual Rates of Return 2009 through 2018

Year End	Returns			3 Year Annualized Standard Deviation		Dispersion		Assets		
	Total Gross	Total Net	Index	Composite	Index	Asset Wtd Std. Dev.	Number of Portfolios	Composite (MM)	% of Firm Assets	Firm (MM)
2009	2.10%	1.85%	0.78%	n/a	n/a	0.34%	9	224	4.51%	4,965
2010	2.96%	2.70%	2.35%	n/a	n/a	0.38%	8	201	3.50%	5,755
2011	1.88%	1.62%	1.55%	1.02%	1.02%	0.31%	9	222	3.74%	5,929
2012	1.16%	0.91%	0.43%	0.78%	0.73%	0.06%	15	474	7.37%	6,431
2013	0.30%	0.05%	0.36%	0.59%	0.50%	0.08%	18	797	11.12%	7,165
2014	0.87%	0.61%	0.62%	0.54%	0.43%	0.09%	21	879	9.88%	8,894
2015	0.74%	0.49%	0.54%	0.63%	0.56%	0.07%	27	1,328	11.31%	11,747
2016	1.11%	0.86%	0.88%	0.74%	0.76%	0.06%	31	1,081	8.39%	12,882
2017	0.85%	0.60%	0.43%	0.71%	0.74%	0.08%	32	1,178	8.60%	13,698
2018	1.69%	1.44%	1.59%	0.77%	0.85%	0.03%	31	1,905	11.51%	16,551

Chandler Asset Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards.

Chandler Asset Management has been independently verified by ACA Performance Services for the period of July 1, 1997 through March 31, 2018. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

- Chandler Asset Management is an independent investment adviser registered as such with the Securities and Exchange Commission under the Investment Adviser's Act of 1940. Registration with the SEC does not imply a certain level of skill or training. Since 1988, Chandler Asset Management has provided fixed income investment management services to the public sector, as well as to foundations, endowments, individuals and corporations. A complete list and description of all of the firm's composites is available upon request.
- The Limited Maturity Composite is a composite of individually managed accounts with an average modified duration approximately equal to the modified duration of the ICE Bank of America Merrill Lynch 1-3 Year US Treasury Index and a final stated maturity of individual securities of five years. The minimum account size required to be included in this composite is \$2 million. This composite was created September 1988. The name of this composite was changed from Short-Term Fixed Income effective June 30, 2009.
- The ICE BAML 1-3 Year US Treasury Index tracks the performance of US dollar-denominated sovereign debt publicly issued by the US government in its domestic market. Qualifying securities must have at least one year remaining term to final maturity and less than three years remaining term to final maturity, a fixed coupon schedule, and a minimum amount outstanding of \$1 billion. Qualifying securities must have at least 18 months to final maturity at the time of issuance. (Index: G102. Please visit www.mlindex.ml.com for more information). Indexes are referred to for comparative purposes only and are not intended to parallel the risk or investment style of the portfolios in the Composite. Indexes do not utilize leverage. Index calculations do not reflect fees, brokerage commissions or other expenses of investing. Investors may not make direct investments into any index. Index data contained herein (and all trademarks related thereto) are owned by the indicated index provider, and may not be redistributed. The information herein has not been approved by the index provider.
- Valuations are computed and performance reported in U.S. Dollars.
- Performance is calculated using a time-weighted total rate of return, which links performance monthly, and is reported gross of investment management fees and custodial fees, but after all trading expenses. Results reflect the reinvestment of income, dividends and other earnings, and include realized and unrealized gains and losses and interest accrued through the last day of each month. Results do not reflect the potential impact of taxes. Past performance is not indicative of future results. Fees charged by Chandler Asset Management will reduce performance.
- Net-of-fees performance returns are calculated by reducing the monthly gross performance by one-twelfth (1/12) of the actual maximum applicable fee of 0.25%, which is representative of our current fee schedule for this composite. These monthly returns are then geometrically linked to produce annual returns which are presented before custodial fees but after management fees and all trading expenses. Fees are negotiable and additional information regarding Chandler's fees is included in our Part 2A of Form ADV.
- Dispersion is calculated using the asset weighted standard deviation for all accounts in the composite for the year. For those years when less than six portfolios were included in the composite for the full year, no dispersion measure is presented. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period and is required by GIPS for periods beginning after Jan. 1, 2011. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

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Annual Rates of Return 2009 through 2018

Year End	Returns			3 Year Annualized Standard Deviation		Dispersion	Number of Portfolios	Assets		Firm (MM)
	Total Gross	Total Net	Index	Composite	Index	Asset Wtd Std. Dev.		Composite (MM)	% of Firm Assets	
2009	2.80%	2.50%	0.91%	n/a	n/a	0.35%	29	1,554	31.29%	4,965
2010	3.97%	3.70%	3.46%	n/a	n/a	0.11%	33	1,906	33.12%	5,755
2011	2.90%	2.64%	3.19%	1.47%	1.65%	0.07%	32	1,866	31.48%	5,929
2012	1.80%	1.54%	0.98%	1.18%	1.27%	0.26%	38	2,133	33.17%	6,431
2013	0.04%	-0.21%	-0.16%	1.02%	1.10%	0.08%	39	2,168	30.26%	7,165
2014	1.42%	1.17%	1.24%	0.96%	0.99%	0.07%	40	2,325	26.14%	8,894
2015	1.15%	0.90%	0.96%	1.11%	1.18%	0.07%	44	3,403	28.97%	11,747
2016	1.30%	1.04%	1.08%	1.24%	1.39%	0.05%	49	4,131	32.07%	12,882
2017	1.08%	0.83%	0.67%	1.19%	1.34%	0.11%	48	3,783	27.62%	13,698
2018	1.53%	1.27%	1.55%	1.22%	1.40%	0.05%	48	3,485	21.06%	16,551

Chandler Asset Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards.

Chandler Asset Management has been independently verified by ACA Performance Services for the period of July 1, 1997 through March 31, 2018. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

1. Chandler Asset Management is an independent investment adviser registered as such with the Securities and Exchange Commission under the Investment Adviser's Act of 1940. Registration with the SEC does not imply a certain level of skill or training. Since 1988, Chandler Asset Management has provided fixed income investment management services to the public sector, as well as to foundations, endowments, individuals and corporations. A complete list and description of all of the firm's composites is available upon request.
2. The Short Term Bond Composite is a composite of individually managed accounts with an average modified duration approximately equal to the modified duration of the ICE Bank of America Merrill Lynch 1-5 Year US Treasury & Agency Index and a maximum final stated maturity of individual securities of five years. The minimum account size required to be included in this composite is \$2 million. This composite was created in September 1995. The name of this composite was changed from 1-5 Year Government Fixed Income effective June 30, 2009.
3. The ICE BAML 1-5 Year US Treasury & Agency Index tracks the performance of US dollar denominated US Treasury and nonsubordinated US agency debt issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch). Qualifying securities must have at least one year remaining term to final maturity and less than five years remaining term to final maturity, at least 18 months to maturity at time of issuance, a fixed coupon schedule, and a minimum amount outstanding of \$1 billion for sovereigns and \$250 million for agencies. (Index: GVAO. Please visit www.mlindex.ml.com for more information). Indexes are referred to for comparative purposes only and are not intended to parallel the risk or investment style of the portfolios in the Composite. Indexes do not utilize leverage. Index calculations do not reflect fees, brokerage commissions or other expenses of investing. Investors may not make direct investments into any index. Index data contained herein (and all trademarks related thereto) are owned by the indicated index provider, and may not be redistributed. The information herein has not been approved by the index provider.
4. Valuations are computed and performance reported in U.S. Dollars.
5. Performance is calculated using a time-weighted total rate of return, which links performance monthly, and is reported gross of investment management fees and custodial fees, but after all trading expenses. Results reflect the reinvestment of income, dividends and other earnings, and include realized and unrealized gains and losses and interest accrued through the last day of each month. Results do not reflect the potential impact of taxes. Past performance is not indicative of future results. Fees charged by Chandler Asset Management will reduce performance.
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The information herein is provided for informational purposes only and should not be construed as a recommendation of any security, strategy, or investment product, nor an offer or solicitation for the purchase or sale of any financial instrument. No investment decision should be made based solely on the information provided herein. All investments involve risk, including loss of principal invested. The strategies referenced may not be suitable for all investors. Economic factors, market conditions, and investment strategies will affect the performance of any portfolio and there are no assurances that it will match or outperform any particular benchmark. The data contained in this presentation is the property of those providers, which was obtained from sources believed to be reliable, but are subject to change at any time at the provider's discretion. Unless otherwise noted, Chandler is the source of data contained in this presentation.

Certain performance provided is hypothetical and does not represent actual trading in an account. Individual investor performance will vary from the performance shown herein and may be higher or lower than the results shown. Hypothetical performance has inherent limitations, including the following: (1) the results do not reflect the results of actual trading, but were achieved by means of retroactive application, which can be designed with the benefit of hindsight; (2) the performance does not reflect the impact that any material market or economic factors might have had on our decision-making process; and (3) for various reasons (including the reasons indicated above), investors may have experienced investment results during the corresponding time periods that were materially different from those portrayed. Back-tested performance does not represent actual performance and should not be interpreted as an indication of such performance. The opinions referenced are as of the date of publication and are subject to change without notice. An index is not available for direct investment.

Index returns assume reinvestment of all distributions. Historical performance results for investment indexes generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results. It is not possible to invest directly in an index.

Any forecasts, forward-looking statements and assumptions are inherently limited and should not be relied upon as an indicator of future results. Any opinions or views constitute judgments made by the author at the date of this presentation and may become outdated or superseded at any time without notice. Any statements concerning financial market trends are based on current market conditions, which will fluctuate.

Fixed income investments are subject to interest, credit and market risk. Interest rate risk: the value of fixed income investments will decline as interest rates rise. Credit risk: the possibility that the borrower may not be able to repay interest and principal. Low rated bonds generally have to pay higher interest rates to attract investors willing to take on greater risk. Market risk: the bond market in general could decline due to economic conditions, especially during periods of rising interest rates.

ICE BAML 1-3 Year US Treasury Index

The ICE BAML 1-3 Year US Treasury Index tracks the performance of US dollar denominated sovereign debt publicly issued by the US government in its domestic market. Qualifying securities must have at least one year remaining term to final maturity and less than three years remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of \$1 billion. Qualifying securities must have at least 18 months to final maturity at the time of issuance. (Index: G1O2. Please visit www.mlindex.ml.com for more information).

ICE BAML 1-5 Year US Treasury & Agency Index

The ICE BAML US Treasury & Agency Index tracks the performance of US dollar denominated US Treasury and nonsubordinated US agency debt issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch). Qualifying securities must have at least one year remaining term to final maturity and less than five years remaining term to final maturity, at least 18 months to maturity at time of issuance, a fixed coupon schedule and a minimum amount outstanding of \$1 billion for sovereigns and \$250 million for agencies. (Index: GVAO. Please visit www.mlindex.ml.com for more information).

LAIF

The California State Local Agency Investment Fund (LAIF) is an investment portfolio managed by the State Treasurer. All securities are purchased under the authority of Government Code Section 16430 and 16480.4 and include securities issued by entities of the US Government, including the US Treasury and Agencies, Corporate debt, Certificates of Deposit, Mortgage Backed Securities and certain loans to the State and state agencies. The average maturity of the Fund will be between 120 days and 18 months.

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**BOARD OF DIRECTORS
FINANCE COMMITTEE
STAFF REPORT**

DATE: June 21, 2019
TO: Finance Committee
FROM: Clarence Mansell Jr., General Manager
SUBJECT: INVESTMENT POLICY

BACKGROUND:

The West Valley Water District (“District”) Board of Directors (“Board”) voted to implement an Investment Policy on April 19, 2018. Amending the July 20, 2017 Resolution 2017-21.

DISCUSSION:

The District’s Board authorized a contract with Chandler Asset Management on February 15, 2018. Chandler Asset Management has made a recommendation to change several aspects of the Investment Policy. The changes proposed after comparing the District’s Investment Policy to the California Government State Code (“CGC”) and Chandler’s best practices are as follows:

- **Section 9. Authorized Investments** – Chandler recommends adding Asset-Backed Securities (“ABS”), Mortgage-Backed Securities (“MBS”), Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations (“CMO”) from issuers not defined in sections 9.1 and 9.5 of the Authorized Investments section of the policy in accordance with CGC Section 53601(o). Securities in this section must be rated “AA” at the time of purchase. These are high quality securities that will provide the District the ability to further diversify the portfolio among a broader universe of security types. Although these securities might have additional complexities compared to traditional bonds, Chandler believes they have the experience, knowledge and tools to help the District evaluate these securities. They might also provide additional earnings to the portfolio as yields are typically higher than comparable government securities.
- **Section 14. Diversification and Maximum Maturities** – Chandler recommends limiting exposure to any single issuer to 5% with the exception of US Treasuries, US Agencies, Supranationals, LAIF, CalTRUST, money market funds and authorized pools, or unless otherwise specified in this investment policy to limit credit risk to a single issuer in the portfolio.

- **Section 18. Glossary** – Added Asset-Backed Securities, Collateralized Mortgage Obligations, and Mortgage Pass-Through Securities to the glossary.

FISCAL IMPACT:

None at this time.

STAFF RECOMMENDATION:

Staff recommend the authorization to bring the new Investment Policy as recommended by Chandler Asset Management to the Board. The proposed Investment Policy does comply with all State Investment Policy statements and recommendations.

Respectfully Submitted,



Clarence Mansell Jr, General Manager

CM;llmb

ATTACHMENT(S):

1. WVWD investment policy Redline 20190524 (005)

RESOLUTION NO. 2017-21
RESOLUTION OF THE BOARD OF DIRECTORS OF
THE WEST VALLEY WATER DISTRICT
ADOPTING THE ANNUAL INVESTMENT POLICY
AMENDING RESOLUTIONS NO. 2010-13 AND 2016-12

WHEREAS, pursuant to State law, the Chief Financial Officer/or Treasurer of the West 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 legislative body at a public meeting;

NOW, THEREFORE, the Board of Directors (“Board”) of the District does hereby resolve and determine as follows:

Section 1. Policy It is the policy of the District to invest public 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 state and local statutes governing the investment of public funds.

Section 2. Scope This investment policy applies to all financial assets of the District. These funds are accounted for in the District’s audited Comprehensive Annual Financial Report (CAFR) and include:

2.1 Funds:

- 2.1.1 General Fund
- 2.1.2 Any new fund created by the District, unless specifically exempted

2.2 Funds Excluded From This Policy

- 2.2.1 Public Employees Retirement Fund
- 2.2.2 Deferred Compensation
- 2.2.3 West Valley Water District Water Revenue Refunding Bonds, Series 2016A
- 2.2.4 Any Restricted Funds

Section 3. 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” and/or “prudent investor” standard 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.

Section 4. Investment 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 by investing funds among independent financial institutions offering a variety of securities offering independent returns. Investments shall be made with the aim of avoiding capital losses due to issuer default, broker-dealer default or market value erosion.

4.2 Liquidity. The District's investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements which are reasonably anticipated.

4.3 Return on Investment. The District's investment portfolio 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.

Section 5. Delegation of Authority. Authority to manage the District's investment program is derived from California Government Code, Section 53607. Management responsibility for the investment program is hereby delegated to the General Manager and Chief Financial Officer/or Treasurer, who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials, and their procedures in their absence.

The Board of Directors, the General Manager, the Assistant General Manager, and the Chief Financial Officer/or Treasurer shall be signatories on all accounts, to access accounts for these and other authorized investments consistent with this investment policy.

The Chief Financial Officer/or Treasurer may retain the services of an outside investment advisor or manager as approved by the Board to assist with the District's investment program. Qualified outside managers will be either SEC Registered Investment Advisors or Bank Money Managers. The investment advisor shall make all investment decisions and transactions in strict accordance with State and Federal law, this Policy and such other written instructions as are provided. The performance and service levels of investment advisors and managers shall be reviewed annually.

5.1 Investment Procedures. The Chief Financial Officer/or Treasurer shall establish written investment policy procedures for the operation of the investment program consistent with this policy. The procedures should include reference to: safekeeping, wire transfer agreements, banking service contracts and collateral/depository agreements, and cash flow forecasting. 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 Chief Financial Officer/or Treasurer.

Section 6. Internal Controls. The Chief Financial Officer/or Treasurer shall establish a system of internal controls designed to prevent losses due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, and/or imprudent actions by employees of the District. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes the (1) cost of control should not exceed the benefits likely to be derived and (2) the value of costs and benefits requires estimates and judgements by management. Compliance with this policy and internal controls shall be reviewed annually by the District's independent, external auditors as part of its normal audit procedures.

Board of Director approval shall be required for the initial amount of cash to be invested in instruments other than LAIF and CalTrust. Any investment activity outside of the District's Financial Advisor's recommendation shall require approval by both the Chief Financial Officer and the General Manager.

Written operational and investment procedures consistent with this Policy shall be established and include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under this Policy and the established procedures.

Section 7. Ethics and Conflicts of Interest Officers and 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. Employees and investment officials shall disclose to the Board any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the District.

Section 8. Authorized Broker-Dealer the Chief Financial Officer/or Treasurer will maintain a list of financial institutions 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 services in the State of California. These may include "primary" dealers, or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by California laws. All financial institutions and broker/dealers who desire to become qualified bidders

for investment transactions must supply the Chief Financial Officer/or Treasurer with the following:

- 8.1 Must be in business for at least three (3) years
- 8.2 Proof of Financial Industry Regulatory Authority (FINRA) certification (not applicable to Certificate of Deposit counterparties)
- 8.3 Proof of national Association of Security Dealers certification.
- 8.4 Proof of California registration
- 8.5 Certification of having read and understood and agreeing to comply with the District's investment policy and depository contracts.
- 8.6 Evidence of adequate insurance coverage.

An annual review of the financial condition and registrations of qualified bidders will be conducted by the Chief Financial Officer/or Treasurer. A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the District invests. Broker/dealers utilized by an external investment adviser will be at the sole discretion of the adviser.

Section 9. Authorized Investments From the Board of Director's perspective, special care must be taken to ensure that the list of instruments includes only those allowed by law and those that the District Chief Financial Officer/or Treasurer is trained and competent to handle. Concentration and credit limits apply at the time the security is purchased.

The District is empowered by statute to invest in the following types of securities:

- 9.1 United States Treasury Issues.** 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 (CGC §53601(b)) There's no limitation as to the percentage of the portfolio that may be invested in this category, however, maximum investment maturities are limited to up to five years;
- 9.2 State of California Local Agency Investment Fund (LAIF).** The District may invest in the Local Agency Investment Fund established by the State Treasurer for the benefit of local agencies (CGC §16429.1). The fund must have 24 hour liquidity. There is no limitation on the percentage of the District portfolio that may be invested in this category;
- 9.3 The Investment Trust of California (CalTRUST).** The Investment Trust of California (CalTRUST) is a local government investment pool organized as a joint powers authority pursuant to California Government Code Section 6509.7 Shares of beneficial interest issued by the Investment

Trust of California (CalTRUST), which invests in securities and obligations eligible for direct investment by local agencies pursuant to California Government Code Section 53601.

There are four different funds that are available. They are:

1. Government Money Market Fund
2. Heritage Money Market Fund
3. CalTRUST Short term fund
4. CalTRUST Medium term fund

Both the Short term and the Medium term funds trade in a narrow range. During the 2016-2017 year they have traded between \$10.02 and \$10.04 Net Asset Value (NAV).

Investment of District funds in CalTRUST shall be subject to investigation and due diligence prior to investing. No limit will be placed on the percentage total in this category

- 9.4 Negotiable Certificates of Deposit.** Negotiable Certificates of Deposit (NCDs) issued by a nationally or state chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases are limited to institutions that have a long-term debt rating of at least the “A” category or its equivalent, by a Nationally Recognized Statistical Rating Organization (NRSRO); and/or have a short-term debt rating of at least “A-1”, or its equivalent, by NRSRO. NCDs for which the full amount of the principal and the interest that may be accrued during the maximum term of each certificate is insured by federal deposit insurance are exempt from rating requirements. A maximum of 30 percent of surplus funds can be invested in Certificates of Deposit (CGC §53601(h)).
- 9.5 Federal Agency Obligations.** Federal agency or United States government-sponsored enterprise obligations, participations, mortgage backed securities or other instruments, including those issued by or fully guaranteed as to principal and interest by Federal agencies or United States government-sponsored enterprises (CGC §53601 (f)). There is no limitation as to percentage of the portfolio that may be invested in this category, however, purchases of callable Federal Agency obligations are limited to a maximum of 30 percent of portfolio.
- 9.6 Municipal Securities.** Registered state warrants or treasury notes or bonds of this state or any of the other 49 states, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by

a state or by a department, board, agency, or authority of this state or any of the other 49 United States;

Bonds, notes, warrants, or other evidences of indebtedness of any local agency within this state, including the District's bonds.

Securities must have a long-term debt rating of at least the "A" category, or its equivalent, by a NRSRO; and/or have a short term debt rating of at least "A-1", or its equivalent, by a NRSRO. A maximum of 20 percent of the portfolio may be invested in this category.

- 9.7 Bankers' Acceptances.** Banker's acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank; Purchases are limited to bankers' acceptances issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System. Purchases of bankers' acceptance may not exceed 180 days maturity. Eligible bankers' acceptances are restricted to issuing financial institutions with a short-term debt rating of at least "A-1", or its equivalent, by a NRSRO. A maximum of 25 percent of the portfolio may be invested in this category.
- 9.8 Commercial Paper.** Commercial paper of "Prime" quality or the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions: (i) is organized and operating in the United States as a general corporation, (ii) has total assets in excess of five hundred million dollars (\$500,000,000), and (iii) has debt other than commercial paper, if any, that is rated in at least the "A" category, or its equivalent, by a NRSRO. Eligible commercial paper shall have a maximum maturity of 270 days or less and not represent more than 10 percent of the outstanding paper of an issuing corporation. A maximum of 25 percent of the portfolio may be invested in this category.
- 9.9 Repurchase Agreements.** Investments in repurchase agreements or reverse repurchase agreements or securities lending agreements are to be used as short-term investments not to exceed 90 days. Repurchase agreements shall be made with counterparties that are primary dealers of the Federal Reserve Bank of New York or a nationally or state-chartered

bank that has or has had a significant banking relationship with District. Furthermore, the counter-party shall have the following qualifications: (i) a long-term debt rating of at least the “A” category, or its equivalent, by a NRSRO; (ii) a short-term credit rating of at least “A-1” or its equivalent, by a NRSRO; (iii) minimum assets and capital size of \$25 billion in assets and \$350 million in capital; (iv) five years of acceptable audited financial results; and (v) a strong reputation among market participants.

The District shall have a properly executed master repurchase agreement with each counter-party for which it enters into an agreement for repurchase agreements. Collateral of at least 100 percent of market value of principal and accrued interest is required. For any repurchase agreement with a term of more than one day, the value of the underlying securities must be reviewed on an on-going basis according to market conditions. Market value must be calculated each time there is a substitution of collateral. Collateral is limited to obligations of the United States government and its agencies. Collateral must be delivered to the District’ custodian bank or handled under a properly executed master repurchase agreement. The District, or its trustee, shall have a perfected first security interest in all collateral. A maximum of 10 percent of the portfolio may be invested in this category.

9.10 Medium-Term notes. Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five 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 (CGC §53601 (k)). Purchases are limited to securities that have a long-term debt rating of at least the “A” category, or its equivalent, by a NRSRO. A maximum of 30 percent of the portfolio may be invested in this category.

9.11 Money Market Funds. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission (CGC 53601 (1)(2));

The company shall have met either of the following criteria: 1) attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs or 2) retained an

investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years of experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000). A maximum of 20 percent of the portfolio may be invested in this category

If the District has funds invested in a money market fund, a copy of the fund's information statement shall be maintained on file. In addition, the Chief Financial Officer/or Treasurer should review the fund's summary holdings on a quarterly basis.

Mutual Funds that are specifically designated for short term investments such as Floating Rate Funds are acceptable as long as they have a minimum of quarterly liquidity.

- 9.12 Bank Deposits.** FDIC insured or fully collateralized bank deposits, including, but not limited to, demand deposit accounts, savings accounts, market rate accounts and time deposits issued by a state or national bank, savings and loan associations, or state or federal credit unions located in California (CGC §53630 et. Seq.) A written depository contract is required with all institutions that hold District deposits requiring that deposits be collateralized in accordance with CGC. The Chief Finance Officer/or Treasurer, at his/her discretion, may waive the collateralization requirements for any portion that is covered by federal deposit insurance. Securities placed in a collateral pool must provide coverage for at least 100 percent of all deposits that are placed in that institution. Acceptable pooled coverage is governed by CGC §53651. Real estate mortgages are not considered acceptable collateral by the District, even though they are permitted in CGC §53651 (m). All financial institutions holding District deposits are required to provide the District with regular statements of pooled collateral. The report will state they are meeting the 100 percent collateral rule, a listing of all collateral with location and market value, plus an accountability of the total amount of deposits secured by the pool. In accordance with CGC §53638, no deposit shall exceed the shareholder's equity of any depository bank, nor shall a deposit exceed the total net worth of any institution. No deposits shall be made at a state or federal credit union if a member of the Board or the General Manger or Chief Financial Officer/or Treasurer of the District services on the Board of Directors or a committee of the credit union. The

maturity of time deposits (TCDs) may not exceed 4 years. There is no limit on the percentage of the portfolio that may be invested in bank deposits. However, a maximum of 20% of the portfolio may be invested in TCDs.

9.13 Local Government Investment Pools (LGIP). Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7. To be eligible for purchase, the pool shall meet all of the following conditions: (i) must meet the requirements of California Government Code Section 53601(p), (ii) the pool must seek to maintain a stable Net Asset Value (NAV), and (iii) the pool must be rated in at least the “AA” category, or its equivalent, by a NRSRO. A maximum of 50 percent of the portfolio may be invested in this category. Whenever the District has any funds invested in a LGIP, the Chief Financial Officer/or Treasurer shall maintain on file a copy of the pool’s current information statement. In addition, the Chief Financial Officer/or Treasurer should review the pool’s summary portfolio holdings on a quarterly basis.

9.14 Supranationals. US dollar-denominated senior unsecured unsubordinated obligations or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. The securities must be rated in the “AA” category or higher by a NRSRO. No more than 30% of the portfolio may be invested in these securities and no more than 10% per issuer. The maximum maturity is five years.

9.149.15 Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations from issuers not defined in sections 9.1 and 9.5 of the Authorized Investments of this policy, provided that the securities are rated in a rating category of “AA” or its equivalent or higher by a NRSRO. No more than 20% of the total portfolio may be invested in these securities. No more than 5% of the portfolio may be invested in a single Asset-Backed or Commercial Mortgage Security Issuer. The maximum legal final maturity may not exceed five years.

Section 10. Pooled Investment Information Requirements Insofar as this policy allows available funds to be deposited into pooled investment accounts, a thorough investigation of the pool is required prior to investing, and on a continual basis. There shall be a questionnaire developed which will answer the following general questions:

- 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 are the securities are priced and the program audited;
- A description of who may invest in the program, how often, what size deposit and withdrawal are allowed;
- A schedule for receiving statements and portfolio listings;
- Are reserves, retained earnings, etc., utilized by the pool?
- A fee schedule, and when and how it is assessed;
- Is the pool eligible for bond proceeds and/or will it accept such proceeds?

Section 11. Collateralization will be required on Certificates of Deposit, unless they are FDIC insured. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 100% of market value of principal and accrued interest.

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

Section 12. Prohibited Investments Under provisions of CGC §53601.6 and §53651.5, the District shall not invest any funds covered by this policy in equity securities, inverse floaters, range notes, interest-only strips that are derived from a pool of mortgages, or any investment that could result in zero interest earned if held to maturity.

The purchase of any investment permitted by the Government Code, but not listed as an authorized investment in this Policy is prohibited without prior approval of the Board.

Section 13. Safekeeping of Securities All security transactions entered into by the District shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third-party custodian designated by the Chief Financial Officer/or Treasurer and evidenced by safekeeping receipts.

Section 14. Diversification and Maximum Maturities 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 shall be determined and revised periodically. Adequate diversification shall be applied to the individual issuers of debt, both within each class of investments and collectively. With the exception of U. S. Treasury securities, Federal Agency securities, LGIFs, LAIF, CalTRUST securities, and authorized pools, no more than 50% of the District's total

investment portfolio will be invested in a single security type or with a single financial institution. No more than 5% of the total portfolio may be invested in securities issued by any single issuer with the exception of US Treasuries, US Agencies, Supranationals, LAIF, CalTRUST, money market funds and authorized pools, or unless otherwise specified in this investment policy.

- 14.1** To the extent possible, the District will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the District will not directly invest in securities maturing more than five years from the settlement date. Reserve funds may be invested in securities exceeding three years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.
- 14.2** The Chief Financial Officer/or Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

Section 15. Performance Standards The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs.

Section 15.1. The District's investment strategy is active. The District may 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 the District's risk preferences. Given this strategy, the basis used by the Chief Financial Officer/or Treasurer to determine whether market yields are being achieved shall be to identify a comparable benchmark to District's portfolio investment duration.

Section 16. Investment Reporting The Chief Financial Officer/or Treasurer shall provide to the Finance Committee of the Board of Directors monthly investment reports that provide a clear picture of the status of the current investment portfolio. The Management Report should include comments on the fixed income markets and economic conditions, discussions regarding restrictions on percentage of investment by categories, possible changes in the portfolio structure going forward, and thoughts on investment strategies.

Schedules in the monthly report should include the following:

- A listing of individual securities held at the end of the reporting period by authorized investment category
- Average life and final maturity of all investments lists
- Coupon, discount, or earnings rate
- Par value, amortized book value and market value

- Percentage of the portfolio represented by each investment category
- Transactions for the period

Section 17. Policy Adoption and Review The District's investment policy shall be adopted by resolution of the District's Board. The policy shall be reviewed annually by the Board and any modifications made thereto must be approved by the Board.

Section 18. Glossary. See attached Glossary.

Section 19. Resolution. This Resolution shall take effect immediately upon its adoption.

The foregoing Resolution was duly adopted at a Regular Meeting of the Board of Directors of West Valley Water District by motion made, seconded, and duly carried on

ROLL CALL:

AYES:	DIRECTORS:
NOES:	DIRECTORS:
ABSENT:	DIRECTORS:
ABSTAIN:	DIRECTORS:

WEST VALLEY WATER DISTRICT

Dr. Clifford O. Young, Sr
President of the Board

ATTEST:

Shanae Smith, Board Secretary

GLOSSARY

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

ASKED. The price at which securities are offered.

ASSET-BACKED SECURITIES (ABS). Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

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.

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

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.

COLLATERALIZED MORTGAGE OBLIGATION (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR). An official annual report of a local government. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory materials, and 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.

DELIVERY VERSUS PAYMENT. 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.

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

DISCOUNT SECURITIES. Non-interest bearing money market instruments that are issued a discount and redeemed at maturity for full face value (U. S. Treasury Bills).

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

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

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.

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. The aggregate of all funds from political subdivisions that are placed in the custody of the State Chief Financial Officer for investment and reinvestment.

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

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

MONEY MARKET. The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

MORTGAGE PASS-THROUGH SECURITIES. A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

PORTFOLIO. Collection of securities held by an investor.

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.

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 incomes return.

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.

STRUCTURED NOTES. Notes issued by Government Sponsored Enterprises (FHLB) and corporations that have imbedded options (call features, etc.,) 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.

SUPRANATIONAL. A multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

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.

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