



MARIN MUNICIPAL WATER DISTRICT

Revised Posting Date: January 22, 2020
Posting Date: January 17, 2020

220 Nellen Avenue Corte Madera CA 94925-1169
www.marinwater.org

NOTICE OF SPECIAL MEETING BOARD OF DIRECTORS (FINANCE)

Notice is hereby given that a Special Meeting of the Marin Municipal Water District's Board of Directors will be held as follows:

- MEETING DATE:** Thursday, January 23, 2020
TIME: 9:30 a.m.
LOCATION: 1) MMWD Board Room, 220 Nellen Ave., Corte Madera, CA 94925
 2) Sierra Nevada Research Institute: 2400 N. Lake Rd., Sustainability Research & Engineering Bldg. Room 115 UC Merced, Merced, CA 95343 (Director Quintero)

AGENDA

ITEM	RECOMMENDATION	APPROX. START
<input type="checkbox"/> CALL TO ORDER		9:30 a.m.
<input type="checkbox"/> ADOPT AGENDA		9:31 a.m.
<input type="checkbox"/> PUBLIC EXPRESSION*		9:32 a.m.
<input type="checkbox"/> CALENDAR		
1. Minutes October 24, 2019 Special Board Meeting (Finance)	<i>Approve</i>	9:37 a.m.
2. Monthly Financial Update	<i>Discussion</i>	9:38 a.m.
3. Amendment to Board Policy No. 33 Investment Policy	<i>Approve</i>	9:48 a.m.
4. Options for Refunding Water Revenue Bonds, Series 2022	<i>Approve</i>	9:55 a.m.


 Donna Lahey
 Acting Board Secretary

ADA NOTICE AND HEARING IMPAIRED PROVISIONS: The board room is equipped with sound amplifying units for use by the hearing impaired. The units operate in conjunction with the room's sound system. You may request the personal sound amplifier from the Board Secretary for use during meetings.

MMWD BOARD OF DIRECTORS: Larry Bragman, Jack Gibson, Cynthia Koehler, Armando Quintero, Larry Russell

* Anyone wishing to speak on an item other than those listed on this agenda will be recognized at this time. We ask any person wishing to be heard to come to the podium to address the board and state your name and address for the public record. A 3-minute limit is customary; however the board chair may adjust the actual time allotted to accommodate the number of speakers.

In accordance with the Americans with Disabilities Act and California Law, it is the policy of the Marin Municipal Water District to offer its public programs, services, and meetings in a manner that is readily accessible to everyone, including those with disabilities. If you are disabled and require a copy of a public hearing notice, an agenda, and/or agenda packet in an appropriate alternative format, or if you require other accommodation, please contact Donna Lahey at (415) 945-1448, at least two days in advance of the meeting. Advance notification within this guideline will enable the district to make reasonable arrangements to ensure accessibility.

INFORMATION PACKETS ARE AVAILABLE FOR REVIEW AT THE CIVIC CENTER LIBRARY, CORTE MADERA LIBRARY, FAIRFAX LIBRARY, MILL VALLEY LIBRARY, MMWD OFFICE AND MMWD WEBSITE (MARINWATER.ORG)

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FUTURE BOARD OF DIRECTORS MEETINGS:

Tuesday, February 4, 2020, 7:30 p.m.

MMWD Board Room



**MARIN MUNICIPAL
WATER DISTRICT**

ITEM NO. 1
MEETING DATE: January 23, 2020
MEETING: Special Board
(Finance)

STAFF REPORT

SUBJECT: Minutes of October 24 2019 Special Board (Finance) Meeting

SUBMITTED BY: Cheryl Howlett, Finance Analyst, Administrative Services Division

RECOMMENDED ACTION: Approve

ATTACHMENT:

1. Minutes of October 24, 2019 Board of Directors Meeting (Finance)

**MARIN MUNICIPAL WATER DISTRICT
BOARD OF DIRECTORS (FINANCE)**

Minutes of the meeting of the Special Meeting of the Board of Directors (Finance) held on Thursday, October 24, 2019 at 220 Nellen Avenue, Corte Madera, California.

Directors present: Cynthia Koehler, Jack Gibson, Larry Bragman, and Larry Russell (via teleconference)

Directors absent: Armando Quintero

CALL TO ORDER:

Director Koehler called the meeting to order at 9:31 a.m.

ADOPT AGENDA:

The Board adopted the agenda as presented by the following roll call vote:

Ayes: Directors Bragman, Gibson, Koehler, Russell
Noes: None
Absent: Director Quintero
Abstain: None

PUBLIC EXPRESSION:

None

ITEM 1. MINUTES OF THE SEPTEMBER 20, 2019 MEETING

The minutes of the September 20, 2019 meeting were approved by the following roll vote:

Ayes: Directors Bragman, Gibson, Koehler, Russell
Noes: None
Absent: Director Quintero
Abstain: None

Roger Roberts spoke (at 00:01:15 of the meeting recording).

ITEM 2. MONTHLY FINANCIAL UPDATE

Charlie Duggan, Administrative Services Division Manager/Treasurer (ASDM), presented the staff report and provided an overview of the financial summary for the month ending on September 30, 2019.

ITEM 3. PROPOSED CHANGES TO CAPITAL MAINTENANCE FEE ADJUSTMENT AND OTHER METER BASED RATES AND MODIFICATIONS TO THE LOW INCOME DISCOUNT AND WATER RATE FOR PEOPLE WITH MEDICAL DISABILITIES PROGRAMS

Charlie Duggan, Administrative Services Division Manager/Treasurer (ASDM), updated the board on the number of accounts thus far that have requested CMF adjustments due to upsized meters for non-consumption purposes, such as fire suppression systems and low-pressure issues.

Staff recommended modifying rates to allow qualifying residential customers, whose meters have been upsized for non-consumption purposes, to receive adjustments to meter size based on fixture count and to use the adjusted minimum meter size for all meter based rates, including the Watershed Maintenance Fee and Bi-monthly Service Charge. Staff also recommended that customers on the Low Income & Medical Disability rate programs, receive a reduction in the applicable CMF, to be funded by non-rate revenues.

The directors concurred with staff's recommendation and forwarded the item to a regular meeting of the board for approval.

Roger Roberts spoke (at 00:22:27 of the meeting recording).

ITEM 4. SB998 – DISCONTINUATION OF RESIDENTIAL WATER SERVICE & PROPOSED CHANGES TO DISTRICT POLICIES AND PROCEDURES REGARDING TERMINATION OF WATER SERVICE FOR NONPAYMENT

Colleen Kanzaki, Customer Service Manager, updated the board on new legislation SB 998 taking effect on February 1, 2020 which will change the way the district must handle the notification process and discontinuation of water service to customers with delinquent accounts. Staff is preparing updated policies and procedures to comply with SB 998.

The directors recommended a minor change and forwarded the item to a regular meeting of the board for approval.

Roger Roberts spoke (at 00:56:43 of the meeting recording).

ADJOURNMENT

There being no further business, the meeting of October 24, 2019, was adjourned at 10:31 p.m.

President, Board of Directors

ATTEST:

Secretary



STAFF REPORT

SUBJECT: Monthly Financial Update
SUBMITTED BY: Mikyung Pustelnik, Finance Manager
RECOMMENDED ACTION: Discussion

EXECUTIVE SUMMARY: The Monthly Financial Update for December 31, 2019

FISCAL IMPACT: YES _____ NO X _____ **FISCAL YEAR:** 2019/20 _____

BACKGROUND:

Water Sales and Consumption

The fiscal year to date water sales through December 31, 2019 were, \$35,582,107, which is \$612,815 or 1.7% below budget. Compared to the same period last year, water sales through December 31, 2019 increased by \$1,370,864 or 4%.

Billed water consumption (in CCFs), through December 31, 2019 was 6,205,982 CCFs, which is 97,472 CCFs or 1.6% above budget. Compared to the same period last year, billed water consumption through December 31, 2019 increased by 42,849 CCFs or 0.7%.

Fiscal year to date, total water sales and fixed charges (service and Watershed Fee) through December 31, 2019 was \$47,743,737 when compared to the budget of \$48,473,123 is \$729,386 or 1.5% below budget. The 2018/19 water sales and fixed charges compared to prior fiscal year through December 31, 2018 of \$45,764,085 is an increase of \$1,979,652 or 4.3%.

Budget to Actual Comparison – All Funds

Attached is the budget to actual comparison for fiscal year 2019/20 as of December 31, 2020. The budget to actual comparison is prepared by fund and includes revenues, expenditures and reserve balances.

As of December 31, 2020 the year to date net increase for the Operating Fund was \$6,395,280.

For the Operating Fund, total revenues as of December 31, 2019 are \$50.3 million or 59.7% of budget. Total operating expenditures of \$43.9 million, not including depreciation and amortization, is 51.7% of budget.

For the Capital and Fire Flow Funds, total revenues are \$9.8 million including the new CMF of \$6.4 million or 38.8% of budget. Spending on capital and fire flow projects at \$8.1 million is 33.1% of budget as of December 31, 2019.

The Watershed Fund as of December 31, 2019 is \$0.0 because the watershed expenditures exceeds the revenue by \$548,609 and non-watershed revenue was used to subsidize the deficit.

Fund Balances

Per the attached Fund Balance Summary as of December 31, 2019, unrestricted / undesignated - operating fund balance are \$28.4 million, or 4 months of annualized projected operating expenses for 2019/20.

STRATEGIC PLAN ALIGNMENT: The requested action aligns with the district’s Strategic Plan Goal 2: Financial Stewardship - Strategy 2 – ensure activities are transparent and reporting is accurate – Objective 3 – provide monthly reporting.

REVIEWED BY: Finance Manager/Acting Treasurer [X] NA []
General Counsel [X] NA []
General Manager [X] NA []

ATTACHMENTS:

- 1. Total Water Sales and Fixed Charges & Fees 2018/19 – 2019/20
- 2. Billed Water Consumption in CCFs FY 2010/11 – 2019/20
- 3. Budget to Actual Comparison for 2019/20 as of December 31, 2019
- 4. Fund Balance Summary as of December 31, 2019
- 5. CIP Budget to Actual Comparison for 2019/20 as of December 31, 2019
- 6. Watershed Fund & Non-Rate Based Revenue as of December 31, 2019

**Total Water Sales and Fixed Charges & Fees
Fiscal Years 2018/19 - 2019/20**

Month	Fixed Charges											
	Water Sales			Service Charges			Watershed Fee			Total Water Sales and Fixed Charges		
	18/19 Actual	19/20 Budget	19/20 Actual	18/19 Actual	19/20 Budget	19/20 Actual	18/19 Actual	19/20 Budget	19/20 Actual	18/19 Actual	19/20 Budget	19/20 Actual
July	\$ 4,628,766	\$5,075,528	\$ 4,172,202	\$ 1,291,109	\$ 1,369,919	\$ 1,290,106	\$ 305,496	\$ 326,979	\$308,467	\$ 6,225,371	\$ 6,772,426	\$ 5,770,775
August	8,039,383	\$8,438,820	7,624,531	1,858,290	1,971,721	1,837,178	419,492	448,992	\$419,181	10,317,165	10,859,533	9,880,889
September	5,532,082	\$5,822,705	5,413,030	1,269,220	1,346,694	1,404,034	306,956	328,542	\$319,775	7,108,258	7,497,941	7,136,839
October	7,124,237	\$7,951,242	7,620,939	1,841,388	1,953,787	1,986,438	422,265	451,960	\$437,376	9,387,890	10,356,989	10,044,752
November	3,914,735	\$4,117,957	5,113,722	1,291,762	1,370,573	1,314,525	305,414	326,881	\$295,821	5,511,911	5,815,411	6,724,067
December	4,972,040	\$4,788,670	5,637,683	1,823,147	1,934,433	2,088,260	418,303	447,719	\$460,472	7,213,490	7,170,823	8,186,415
January	2,071,367	\$2,232,684		1,290,851	1,369,606		306,070	327,584		3,668,288	3,929,874	-
February	3,306,634	\$3,823,128		1,826,278	1,937,755		418,543	447,977		5,551,456	6,208,860	-
March	1,747,138	\$2,014,876		1,289,833	1,368,526		306,957	328,533		3,343,929	3,711,936	-
April	3,047,734	\$3,403,622		1,816,528	1,927,370		417,086	446,407		5,281,348	5,777,399	-
May	2,609,677	\$2,840,808		1,298,790	1,377,840		307,954	329,573		4,216,421	4,548,221	-
June	5,077,891	\$5,789,198	-	1,811,016	1,921,444	-	415,480	444,666	-	7,304,387	8,155,308	-
TOTAL	\$52,071,685	\$56,299,237	\$35,582,107	\$18,708,213	\$19,849,670	\$9,920,539	\$4,350,017	\$4,655,814	\$2,241,091	\$75,129,915	\$80,804,721	\$47,743,737

Original Budget-to-Actual Basis **-1.50%**
 Actual-to-Actual Basis **4.33%**
 % of total budget received **59.09%**

**Billed Water Consumption In CCF's
Fiscal Year 2010/11 - 2019/20**

Month	10/11 Actual	11/12 Actual	12/13 Actual	13/14 Actual	14/15 Actual	15/16 Actual	16/17 Actual	17/18 Actual	18/19 Actual	19/20 Budget	19/20 Actual	Monthly Budget Variance	Actual to Actual % Change
July	857,071	806,534	940,774	960,503	857,599	709,164	817,152	841,088	860,335	870,144	798,930	-8.18%	-7.14%
August	1,505,682	1,373,824	1,552,514	1,483,888	1,387,986	1,141,147	1,312,021	1,396,443	1,413,528	1,423,180	1,355,462	-4.76%	-4.11%
September	1,005,679	947,293	1,016,379	977,353	859,553	773,020	844,640	882,952	934,385	919,123	919,801	0.07%	-1.56%
October	1,431,554	1,326,605	1,377,982	1,400,285	1,209,902	1,125,237	1,205,260	1,367,665	1,285,253	1,330,988	1,332,051	0.08%	3.64%
November	709,313	690,404	691,037	840,947	633,520	649,016	583,819	742,758	725,022	705,851	800,231	13.37%	10.37%
December	777,015	865,208	832,615	1,059,733	864,257	842,995	716,927	833,949	944,610	859,225	999,507	16.33%	5.81%
January	466,489	522,634	437,843	584,601	463,934	431,637	396,528	410,458	432,628	428,118			
February	707,803	809,417	731,899	869,459	719,107	631,478	606,381	763,871	664,283	700,675			
March	417,369	469,932	458,940	453,943	456,655	362,406	368,448	431,947	383,010	408,131			
April	714,398	730,127	878,103	708,756	832,060	639,191	598,740	702,023	621,690	663,017			
May	575,547	551,643	721,094	569,555	600,821	464,956	475,565	540,290	533,115	534,153			
June	1,118,447	1,215,077	1,377,068	1,150,742	1,020,910	1,079,197	1,052,513	1,095,760	1,023,236	1,096,239	-		
TOTAL	<u>10,286,367</u>	<u>10,308,698</u>	<u>11,016,248</u>	<u>11,059,765</u>	<u>9,906,304</u>	<u>8,849,444</u>	<u>8,977,994</u>	<u>10,009,204</u>	<u>9,821,095</u>	<u>9,938,843</u>	<u>6,205,982</u>		
		Budget-to-Actual Basis		<u>1.60%</u>									
		Actual-to-Actual Basis		<u>0.70%</u>									
		% of total budget		<u>62.44%</u>									

**Marin Municipal Water District
Budget to Actual Comparison for 2019/20 - All Funds
Actual as of December 31, 2019
Unaudited**

Revenues and Expenditures	2019/20 Adjusted Budget	Actual as of December 31, 2019	% of Budget
Revenues:			
<i>Water Sales and Service Charge:</i>			
Water Sales	\$ 56,299,237	\$ 35,582,107	63.2%
Service Charge	19,849,670	9,920,539	50.0%
Watershed Management Fee	4,655,814	2,241,091	48.1%
Total Water Sales and Service Charge	<u>80,804,721</u>	<u>47,743,737</u>	59.1%
<i>Other Revenues:</i>			
Rents	740,000	330,572	44.7%
Watershed Rents	920,000	475,120	51.6%
Watershed Payments	420,000	177,221	42.2%
Late Payment and Special Read Charges	370,000	190,631	51.5%
Interest	257,270	544,851	211.8%
Miscellaneous	750,000	117,726	15.7%
Total Other Revenues	<u>3,457,270</u>	<u>2,590,006</u>	74.9%
 Total Operating Revenues	 <u>84,261,991</u>	 <u>50,333,743</u>	 59.7%
Expenditures:			
Personnel services	50,779,918	27,036,898	53.2%
Materials and supplies	2,816,724	1,406,408	49.9%
Operations	7,818,760	3,048,322	39.0%
Water conservation rebate program	468,258	77,070	16.5%
Electrical power	4,973,647	3,094,118	62.2%
Water purchased	7,400,000	3,761,068	50.8%
Insurance, including claims	1,170,000	1,036,237	88.6%
General and administrative	3,870,697	1,700,647	43.9%
Debt service - interest and principal	10,233,475	5,100,488	49.8%
Overhead cost allocated to capital	(4,500,000)	(2,322,794)	51.6%
Total Expenditures and Capital Purchases	<u>85,031,479</u>	<u>43,938,463</u>	51.7%
 Transfer out to Capital Fund (PayGo)	 <u>-</u>	 <u>-</u>	
 Net Operating Fund Increase(Decrease)	 <u>\$ (769,488)</u>	 <u>\$ 6,395,280</u>	
Operating Fund Balance			
Opening Fund Balance	\$ 27,359,341	\$ 27,359,341	
Net Operating Fund Increase(Decrease)	-	6,395,280	
Accrual adjustments	-	(5,378,301)	
Ending Fund Balance	<u>\$ 27,359,341</u>	<u>\$ 28,376,320</u>	

Note: FY2019/20 Adjusted Budget includes carried forward operating budget of \$1.4M and capital budget of \$2.9M.

Capital and Fire Flow Funds

Revenues and Expenditures	2019/20 Adjusted Budget	Actual as of December 31, 2019	% of Budget
Revenues:			
Customer Reimbursement Project	\$ 654,209	\$ 211,883	32.4%
Interest Income	180,132	166,120	92.2%
Transfer-in from Operating (PayGo)	-	-	
Contributed Capital:			
Fire Flow	4,518,450	2,498,586	55.3%
Capital Maintenance Fee	16,500,000	6,396,546	38.8%
Capital Connection Fee	140,690	140,690	100.0%
Capital Grants & Contribution	597,000	362,013	60.6%
Total Revenues and Contributed Capital	<u>22,590,481</u>	<u>9,775,838</u>	43.3%
Capital Expenditures:			
Capital Projects - District	18,757,636	7,012,291	37.4%
Capital Projects - Fire Flow	4,500,000	1,024,253	22.8%
Capital equipment purchases	1,253,684	68,569	5.5%
Total Capital and Fire Flow Expenditures	<u>24,511,320</u>	<u>8,105,113</u>	33.1%
Net Capital and Fire Flow Fund Increase(Decrease)	<u>\$ (1,920,839)</u>	<u>\$ 1,670,725</u>	-87.0%
Capital Fund Balance			35.4%
Capital Fund			
Opening Fund Balance	\$ 23,957,026	\$ 23,957,026	
Net Capital Fund Increase(Decrease)	(17,506,427)	264,961	
Capital equipment purchases	(1,253,684)	(68,569)	
Accrual adjustments	-	(1,767,669)	
Ending Fund Balance	<u>\$ 5,196,915</u>	<u>\$ 22,385,749</u>	
Fire Flow Fund			
Opening Fund Balance	\$ (1,363,318)	\$ (1,363,318)	
Net Fire Flow Fund Increase(Decrease)	-	1,474,332	
Accrual adjustments	-	(13,605)	
Ending Fund Balance	<u>\$ (1,363,318)</u>	<u>\$ 97,409</u>	

Note: FY2019/20 Adjusted Budget includes carried forward operating budget of \$1.4M and capital budget of \$2.9M.

Fund Balance Summary

	Actual		Audited	Projected
	6/30/2017	6/30/2018	6/30/2019	12/31/2019
Restricted	\$ 7,723,634	\$ 6,443,970	\$ 7,653,646	\$ 2,796,959
Board Designated	9,847,168	10,425,446	6,643,705	10,174,793
Watershed Fund	35,425	114,515	-	-
Rate Stabilization Fund	8,000,000	9,400,000	9,400,000	9,400,000
Pension Reserve Fund	-	2,000,000	2,000,000	2,000,000
Fire Flow Fund	426,571	(1,973,265)	(1,363,318)	97,409
Capital Fund	1,610,857	37,040,971	23,957,026	22,385,749
Unrestricted/undesignated - Operating	<u>20,077,803</u>	<u>20,264,665</u>	<u>27,359,341</u>	<u>28,376,320</u>
Total	<u>\$ 47,721,458</u>	<u>\$ 83,716,302</u>	<u>\$ 75,650,400</u>	<u>\$ 75,231,230</u>

**Months Operating Fund
Unrestricted - Operating to
Annualized Actual Expenditure**

	4.09	3.45	4.19	4.00
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Debt Coverage Ratio

	1.50	1.52	1.39	2.80
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As of December 31, 2019	Principal	Interest	Total
2012 Bond	78,590,000	68,580,664	147,170,664
2016 Bond	31,380,000	23,624,238	55,004,238
2017 Bond	34,775,000	28,535,625	63,310,625
Total Bond Debt	144,745,000	120,740,527	265,485,527
MERA	20,350		20,350
CREB	489,000		489,000
AEEP	2,224,108	445,038	2,669,146
LGVSD	5,136,644	2,333,758	7,470,401
Total Other Debt	7,870,101	2,778,796	10,648,897
Total Outstanding Debt	<u>152,615,101</u>	<u>123,519,323</u>	<u>276,134,424</u>

Marin Municipal Water District
Budget to Actual Comparison for 2019/20 - Capital Fund
Actual as of December 31, 2019
Unaudited

CIP Projects	FY2019/20 Adjusted Budget	Capital Projects YTD Actual Expenditures As of 12/31/19	Encumbered for Contracts As of 12/31/19	Total Capital & Fire Flow As of 12/31/19
District Pipeline Replacement / Im	\$ 5,584,911	\$ 3,947,160	\$ 1,140,948	\$ 5,088,108
Replacements - Tank Maintenance	\$ 611,285	\$ 6,072	\$ 1,285	\$ 7,357
Replacements - Treatment Plant	\$ 3,843,864	\$ 301,175	\$ 162,856	\$ 464,031
Replacements - Dam/Pump/Contr	\$ 2,993,118	\$ 768,795	\$ 648,014	\$ 1,416,810
Fire Chief's Fund	\$ 150,000	\$ -	\$ -	\$ -
Program Management- Asset Ma	\$ 295,200			\$ -
System Improvements	\$ 616,806	\$ 93,904	\$ 34,737	\$ 128,642
Watershed - Minor Structures I/R	49,288	2,193	4,288	\$ 6,481
Watershed - Ranger Residence &	55,000	-	-	\$ -
Watershed - Road Repair & Impro	1,285,033	287,217	206,777	\$ 493,994
Reimbursable Grant Projects	2,137,643	1,152,602	167,490	\$ 1,320,092
Reimbursable Customer Projects	\$ 683,771	\$ 394,379	\$ -	\$ 394,379
Information Technology - Capital	\$ 522,174	\$ 58,794	\$ 79,419	\$ 138,213
Fire Flow Replacement	\$ 4,500,000	\$ 1,024,253	\$ 1,118	\$ 1,025,371
Capital Equipment Purchases	\$ 1,265,364	\$ 68,569	\$ 286,327	\$ 354,896
Total Capital Projects	\$ 24,593,458	\$ 8,105,113	\$ 2,733,261	\$ 10,838,374

Marin Municipal Water District
Watershed & Other Non Rate Based Revenue and Expenditures
Actual as of December 31, 2019
Unaudited

Revenues and Expenditures	2019/20 Budget	Actual as of December 31,	% of Budget
Watershed Revenues			
Watershed Management Fee	\$ 4,655,814	\$ 2,241,091	48.1%
Rent and Leases	920,000	475,120	51.6%
Permits, Parking and Passes	420,000	168,271	40.1%
Grants	1,870,916	362,013	
Other	-	5,925	
Total Watershed Revenues	<u>7,866,730</u>	<u>3,252,421</u>	41.3%
Expenditures - Operating and Capital			
Operating	5,483,552	2,265,945	41.3%
Capital Purchases & Wildfire Projects	<u>4,260,237</u>	<u>1,535,084</u>	36.0%
Total Expenditures and Capital Purchases	9,743,789	3,801,029	39.0%
Surplus (Deficit)	<u>(1,877,060)</u>	<u>(548,608)</u>	29.2%
Transfer from Operating & Capital Fund	1,877,060	548,608	
Net Surplus (Deficit)	\$ -	\$ -	
Other Non-Water Revenue			
Rent and Leases - Watershed		652,111	
Rent and Leases - Non Watershed		<u>638,746</u>	
Total Non Rate Based Other Revenues		<u>1,290,858</u>	
Non Rate Funded Program			
Low Income - Fee waived		122,952	
Medically Disabled - Fee waived		62,912	
Super Water Saver Credit		49,656	
CMF Adjustment		31,189	
Tier 4 Exemption (Estimated)		<u>30,000</u>	
		<u>296,709</u>	
Net Surplus (Deficit)		<u>994,149</u>	



STAFF REPORT

SUBJECT: Amendment to Board Policy No. 33 Investment Policy

SUBMITTED BY: Mikyung Pustelnik, Finance Manager
Administrative Services Division

RECOMMENDED ACTION: Approve Amended Board Policy No. 33 Investment Policy

EXECUTIVE SUMMARY: Investment Policy No. 33 is updated periodically to conform to the California Government Code, §53601 through §53609. Staff reviewed the codes and there were no changes to the codes. The only recommendation is to increase Local Agency Investment Fund's (LAIF) deposit limit to \$75 million from \$65 million to be in line with State changes to the LAIF program. Staff requests that the Board review and approve the investment policy of the District. Attached is Board Policy #33 - Investment Policy, and changes are underlined.

FISCAL IMPACT: YES **No** X **FISCAL YEAR:** 2019/20

FISCAL IMPACT NARRATIVE: No fiscal impact.

BACKGROUND: The District's investment policy strives to appropriately manage overall investment risk exposure. The investment policy defines allowable investments by type of security, type of issuer, dollar amount, overall percentage of portfolio and maturity. We practice a "buy and hold" strategy of investing and generally do not sell securities prior to maturity. Situations where we would sell prior to maturity are: 1) to meet current cash flow needs; 2) if an opportunity to swap from one investment to another does not impede our current cash flow needs and enhances our overall investments; and 3) to minimize losses due to a downgrade of a security below investment grade (Ba1 or BB+ rating or lower).

Staff reviewed California Government Codes, §53601 through §53609 and there were no changes to the codes. Under the current policy, one of the permitted investment instruments is the State of California's LAIF. The State Treasurer's Office increased the LAIF's deposit limit to \$75 million from \$65 million effective January 1, 2020. The attached Investment Policy has been amended to reflect the increased LAIF's deposit limit. Staff recommends that the Board approves the revised Board Policy #33 - Investment Policy.

STRATEGIC PLAN ALIGNMENT: The requested action aligns with the district's Strategic Plan Goal 2 (Financial Stewardship – We will prudently manage the public resources entrusted to us), Strategy 1 (Ensure financial planning is sufficient to address MMWD needs and risks) and Objective 1 (Develop a long range finance plan to support the strategic review, including

potential new sources of revenue and policies related to debt financing, investment, reserves and other post-employment benefit fund).

REVIEWED BY: Finance Manager/Acting Treasurer NA
 General Counsel NA
 General Manager NA

ATTACHMENTS:

1. Board Policy No. 33 Investment Policy



MARIN MUNICIPAL WATER DISTRICT

BOARD POLICY No. 33

DATE:	Reviewed	1-7-09
	Reviewed	1-6-10
	Revised	1-5-11
	Revised	1-5-12
	Revised	1-23-13
	Revised	2-7-17
	Revised	1-25-18
	Reviewed	3-13-19
	Revised	1-21-20

SUBJECT: INVESTMENT POLICY

I. Introduction

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

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

II. Scope

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

III. Prudence

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

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

IV. Objectives

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

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

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

V. Delegation of Authority

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

VI. Ethics and Conflict of Interest

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

VII. Selection of Financial Institutions and Broker/Dealers

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

VIII. Permitted Investment Instruments

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

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

Option 1:

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

Option 2:

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

1 year or less	A rating by two major rating agencies
1 - 2 years	AA rating by at least one major rating agency
2 - 4 years	AA rating by two major rating agencies
4 - 5 years	AAA rating by two major rating agencies
 - b. Investments will be limited to a maximum of 30 percent of the District's portfolio.

7. Federal Deposit Insurance Company (FDIC) insured or fully collateralized time certificates of deposit in financial institutions located in California, including United States branches of foreign banks licensed to do business in California. The maximum maturity of a time deposit shall not exceed 180 days. All time deposits must be collateralized in accordance with California Government Code §53651 and §53652, either at 150 percent by promissory notes secured by first mortgages and first trust deeds upon improved residential property in California eligible under Section 53651(m) or 110 percent by eligible marketable securities listed in subsections (a) through (l), (n) and (o) of §53651, or 105% of letters of credit issued by the Federal Home Loan Bank of San Francisco per subsection (p) of §53651.
8. Negotiable certificates of deposit or deposit notes issued by a nationally or State chartered bank or a State or Federal savings and loan association or by a Federally licensed or State licensed branch of a foreign bank; provided that the senior debt obligations of the issuing institution are rated "AA" or better by Moody's or Standard & Poor's.
 - a. Purchase of negotiable certificates of deposit may not exceed 20 percent of the District's surplus money.
9. State of California's Local Agency Investment Fund. Investment in LAIF may not exceed ~~\$65~~ \$75 million per account.
10. Shares of beneficial interest issued by diversified management companies (Money Market Mutual Funds) investing in the securities and obligations authorized by sections (a) through (l) of California Government Code §53601. To be eligible for investment pursuant to this subdivision these companies shall either: (1) attain the highest ranking letter or numerical rating provided by not less than two of the three largest nationally recognized rating services; or (2) have an investment advisor registered with the Securities and Exchange Commission with not less than five years experience investing in securities and obligations authorized by California Government Code §53601 and with assets under management in excess of \$500,000,000.

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

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

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

<u>Investment Type</u>	<u>Percentage</u>
Repurchase Agreements.....	0 to 10%
Local Agency Investment Fund	\$65,000,000 per account
U.S. Treasury Bonds/Notes/Bills	0 to 100%
U.S. Government Agency Obligations.....	0 to 100%
Banker's Acceptances	0 to 40%
Commercial Paper.....	0 to 15%
Negotiable Certificates of Deposit	0 to 20%
Time Certificates of Deposit	0 to 20%
Medium Term Corporate Notes.....	0 to 30%
Registered State Warrants or Local Agency Indebtedness	0 to 20%

IX. Safekeeping of Securities and Internal Controls

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

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

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

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

X. Maximum Maturity

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

The maximum maturity will not exceed five years.

XI. Ineligible Investments

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

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

XII. Portfolio Adjustments

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

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

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

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

XIII. Reporting Requirements

The ASD Manager/Treasurer shall render to the District Board a monthly investment report which shall include, at a minimum the following information for each individual investment:

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

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

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

This monthly report shall be submitted within 30 days following the end of the month.

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

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Local Agency Investment Fund (LAIF) Demand Deposit. Established by the State to enable financial managers to place idle funds in a pool for investment. Each agency is currently limited by LAIF to an investment of \$50 million plus any bond proceeds.

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

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

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

Portfolio. Collection of securities held by an investor.

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

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

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

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

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

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

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



STAFF REPORT

SUBJECT: Options for Refunding Water Revenue Bonds, Series 2022

SUBMITTED BY: Mikyung Pustelnik, Finance Manager/ Acting Treasurer
Ben Horenstein, General Manager

RECOMMENDED ACTION: Select one of two refunding options for Water Revenue Bonds, Series 2022

EXECUTIVE SUMMARY:

Following Board approval of Resolution 8554 at the Jan 21, 2020 Special Board meeting authorizing the issuance and sale of refunding Water Revenue Bonds, Series 2022, and associated documents, staff requests that the Board select one of the two refunding options described below to complete the bond purchase agreement with Morgan Stanley:

- Option 1: \$9.17 million in net present value savings (NPV) are annually received in reduced debt service payments over the thirty year term of the newly issued bonds in 2022.
- Option 2: \$8.61 million in NPV are received in one lump sum payment at the bond sale settlement date expected in April 2022.

FISCAL IMPACT: YES NO **FISCAL YEAR:** 2019/20

FISCAL IMPACT NARRATIVE:

There is no fiscal impact to the District during the fiscal year 2019/20. The District will continue to make the required annual debt service payments until April 2022 when the District will issue tax exempt refunding water revenue bonds. Both of these options will generate significant savings to the District through either reduced future debt services for annual operating savings or with a lump sum payment to address unmet capital needs. Table 1 on the next page provides a comparison of the two options and net present value.

TABLE 1: 2022 REFUNDING DEBT STRUCTURE OPTIONS (IN MILLIONS)
 (INTEREST RATES AS OF JANUARY 8, 2020)

Options	Description	NPV Savings	Par Amount	Premium	Average Coupon Rate
1	Annual Debt Service Savings	\$ 9.17	\$68.44	\$5.83	4.058661%
2	Lump Sum Savings	\$ 8.61	\$76.70	\$6.53	4.061900%

The savings for Option 1 are spread out annually over the new 2022 bond issuance with a term of thirty years. Option 2 is to receive a lump sum cash savings immediately at the sale settlement of refunding revenue bonds, 2022 series.

BACKGROUND:

The Board approved Resolution No. 8554 at the January 21, 2020 Special Board meeting which authorized the issuance and sale of refunding Water Revenue Bonds, Series 2022, and approved the execution of an indenture of trust, an escrow agreement, and the bond purchase agreement with Morgan Stanley. There are two refunding options for the Board to consider, discussed below:

- Option 1 – Annual Debt Service Savings: With estimated average annual cash flow saving of \$450,000, the District may fund operational needs, such as new positions of an additional full time Park Ranger position, an IT position to oversee MMWD’s integrated SAP software/ Enterprise Resource Planning (ERP) system migration and ongoing support, or an Employee Development position to support the development and coordination of District-wide training programs.
- Option 2 – Lump Sum Savings at Settlement of Bond Sale: The District may choose to utilize this option to fund additional capital improvement projects that are not identified in the 10-year capital improvement plan, such as a full-scale Automatic Meter Reading (AMR) implementation, accelerated work on the watershed, key water system storage and distribution projects(s), water recycling projects, or enhancing capital/emergency reserves.

RECOMMENDATION:

Staff recommends that the Board selects one of the two options to complete the bond purchase agreement with Morgan Stanley. Staff will bring the result of net cash savings in February after the forward delivery bond purchase transaction is complete.

STRATEGIC PLAN ALIGNMENT: The requested action aligns with the District’s Strategic Plan, Goal 2: Financial Stewardship – we will prudently manage the public resources entrusted to us and Strategy 1 - ensure financial planning is sufficient to address MMWD needs and risks.

REVIEWED BY:	Finance Manager	<input checked="" type="checkbox"/>	NA	<input type="checkbox"/>
	General Counsel	<input checked="" type="checkbox"/>	NA	<input type="checkbox"/>
	General Manager	<input checked="" type="checkbox"/>	NA	<input type="checkbox"/>

ATTACHMENTS:

None