



# PARADISE IRRIGATION DISTRICT

6332 Clark Road, Paradise CA 95969 | Phone (530)877-4971 | Fax (530)876-0483

## AGENDA

**Paradise Irrigation District  
Finance Committee Meeting  
6332 Clark Road, Paradise, CA 95969**

**FRIDAY, FEBRUARY 12, 2021 – 3:00 PM**

Committee Members: Directors Alan Hinman and Marc Sulik  
PID Staff: Ross Gilb, Tom Lando, Mickey Rich  
Public Members: Gary Ledbetter, Steven Oehler

### **Special Notice:**

Pursuant to California Governor Gavin Newsom's Executive Order N-29-20 issued on March 17, 2020, relating to the convening of public meetings in response to the COVID-19 pandemic, the Paradise Irrigation District Board of Director and Committee Meetings will be closed to the public and all non-essential District staff.

The public may listen to this meeting via computer or telephone by calling (Toll Free): 1-866-899-4679 and entering access code: 653-319-797. To join the meeting from your computer, tablet, or smartphone, please use the following link: <https://www.gotomeet.me/paradiseirrigation/finance>

Public comment will be accepted via email with the subject line, PUBLIC COMMENT ITEM NO. \_\_\_\_ to [gborrayo@paradiseirrigation.com](mailto:gborrayo@paradiseirrigation.com) by 2:00 p.m. on the day of the meeting and comments will be submitted to the Committee.

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### **AGENDA:**

#### **1. Opening & Introductions**

#### **2. Public Participation**

This is the time for members of the audience to present items not on the Agenda. No action can be taken on these items, but they may be placed on future agendas for consideration. Comments should be limited to a maximum of five minutes duration. If more time is needed, communication may be submitted in writing to committee members, or placed on the agenda for a future committee meeting.

(Pg. 2-10) **3. Mid-Year Budget Review for Fiscal Year 2020-2021 (Ross Gilb)**

(Pg. 11-17) **4. Overview and discussion regarding the District's Investment Policy (Ross Gilb)**

**5. Informational discussion and presentation from Wells Fargo Investment Advisor Services (Ross Gilb / Director Hinman)**

**6. Adjournment**



# Paradise Irrigation District

6332 Clark Rd, Paradise, CA 95969 · 530-877-4971 · Fax: 530-876-0483 · www.pidwater.com

## Mid-Year Budget Review FY 2020/21

1. **Overview** - Based on review of revenues and expenditures incurred during FY 2020/21 through 12/31/20, an additional decrease in cash of \$232,463 is projected through the end of the fiscal year.
2. **Operational Highlights**
  - a. **Operating Revenue** – Total operating revenue is currently projected to be \$79,160 less than originally estimated.
  - b. **Operating Expenses** – Total operating expenses are currently projected to be \$30,150 less than originally estimated.
  - c. **Debt Service** – Debt service payments are currently projected to be \$94,329 greater than originally budgeted. This increase is due to a required principal payment of \$96,000 that was previously deferred and required to be paid in the current year as a result of the District's receipt of California state revenue backfill funds. This payment resulted in an adjustment to the original loan amortization schedule, resulting in interest savings in the amount of \$1,671.
  - d. **Net Decrease in Operational Cash** – The decreases to projected operating revenue and operating expenses combined with the increase to debt service payments result in an additional net decrease of \$143,339 in overall operating cash.
3. **Recovery Funding Highlights**

No changes to budgeted Recovery funding are recommended at this time.
4. **Recovery Related Expenditures Highlights**
  - a. **Materials and Services** – Total recovery related materials and construction services expenditures are currently projected to be \$540,876 less than originally estimated.
  - b. **Professional Services** – Total recovery related professional services expenditures are currently projected to be approximately \$980,000 greater than originally estimated. This includes services relating to mutual aid, legal, project management, public assistance consulting, and underground locating services.
  - c. **Water Sampling** – Total water sampling expenditures are currently projected to be approximately \$350,000 less than originally estimated.

Paradise Irrigation District  
FY 2020/21 Mid-Year Budget Update  
Financial Summary

	2019/20 Actual	2020/21 Estimate Original	Adustment	2020/21 Estimate Adjusted	2020/21 Actual thorough 12/31/20
<b>Cash Balance</b>					
<b><u>REVENUES:</u></b>					
Water Sales	2,311,794	2,759,004	(224,160)	2,534,844	1,337,397
Outside Water Sales	105,338	100,000	-	100,000	81,494
Other	1,060,600	646,160	(30,000)	616,160	383,724
Interest	93,111	60,000	-	60,000	53,551
Taxes - 1%	380,185	250,000	-	250,000	71,387
FMV Gain/Loss - Securities	(427)	-	-	-	(319)
Grant Rev	25,500	-	25,000	25,000	25,000
Inc-Capacity Fees	16,252	-	150,000	150,000	150,403
Revenue - PFD	54,372	50,000	-	50,000	30,370
<b>Total Revenue</b>	<b>4,046,725</b>	<b>3,865,164</b>	<b>(79,160)</b>	<b>3,786,004</b>	<b>2,133,007</b>
<b><u>EXPENDITURES:</u></b>					
Operating	5,260,887	6,170,790	(30,150)	6,140,640	2,761,093
Pipeline	-	-	-	-	-
Debt Service	841,723	841,845	94,329	936,174	517,554
PFD	34,043	-	-	-	15,611
<b>Total Expenditures</b>	<b>6,136,653</b>	<b>7,012,635</b>	<b>64,179</b>	<b>7,076,814</b>	<b>3,294,258</b>
<b>Increase/(Decrease) in Cash before Recovery, Debt Proceeds, and Capital Improvements</b>	<b>(2,089,927)</b>	<b>(3,147,471)</b>	<b>(143,339)</b>	<b>(3,290,809)</b>	<b>(1,161,251)</b>
Debt Proceeds	76,922	-	-	-	-
<b>Increase/(Decrease) in Cash before Recovery and Capital Improvements</b>	<b>(2,013,005)</b>	<b>(3,147,471)</b>	<b>(143,339)</b>	<b>(3,290,809)</b>	<b>(1,161,251)</b>
FEMA Reimbursements	159,961	3,386,630		3,386,630	2,390,485
Insurance Proceeds	4,084,707	5,000,000	-	5,000,000	-
State Funding	7,374,330	7,374,000	-	7,374,000	7,374,330
PGE Locating Reimbursements	-	300,000	-	300,000	59,627
	11,618,998	16,060,630	-	16,060,630	9,824,442
<b>Cash Available for Recovery/Capital Projects</b>	<b>9,605,993</b>	<b>12,913,159</b>	<b>(143,339)</b>	<b>12,769,821</b>	<b>8,663,191</b>
Major Capital/Recovery Projects	(6,414,054)	(10,531,148)	(89,124)	(10,620,272)	(3,971,406)
Minor Capital/Recovery Projects	-	(649,541)	-	(649,541)	-
<b>Increase/(Decrease) in Cash</b>	<b>3,191,939</b>	<b>1,732,470</b>	<b>(232,463)</b>	<b>1,500,007</b>	<b>4,691,785</b>
<b>Beginning Cash Balance</b>	<b>4,043,797</b>	<b>7,235,736</b>		<b>7,235,736</b>	<b>7,235,736</b>
<b>Ending Cash Balance</b>	<b>7,235,736</b>	<b>8,968,205</b>		<b>8,735,743</b>	<b>11,927,521</b>

Paradise Irrigation District  
FY 2020/21 Mid-Year Budget Update  
Revenue Summary

	FY 2020/21 Estimate	FY 2020/21 Actual through 12/31/20	Variance to Date	Recommended Budget Adjustment	Reference
<b><u>General Fund/Operating</u></b>					
Water - Service	2,534,844	1,337,221	(1,197,623)		
Water - Consumption	224,160	(44)	(224,204)	(224,160)	1.
Water - Fees & Adjustments	-	220	220		
Outside Water Sales	100,000	81,494	(18,506)		
Meter Revenue	510,300	261,155	(249,145)		
Recreation & Boating Permits	-	165	165		
Backflow Check	80,000	-	(80,000)	(80,000)	2.
Rents	24,180	10,840	(13,340)		
Escrow Fees	-	-	-		
Custom Work/PFD Reimbursement	31,680	72,520	40,840	50,000	3.
Misc	-	39,044	39,044		
<b>Total Operating Income</b>	<b>3,505,164</b>	<b>1,802,615</b>	<b>(1,702,549)</b>	<b>(254,160)</b>	
<b><u>Special Revenue Fund</u></b>					
<b>Capital Improvement Program</b>					
Taxes - 1%	250,000	71,387	(178,613)		
Interest	60,000	53,551	(6,449)		
FMV Gain/Loss - Securities	-	(319)	(319)		
Inc-Capacity Fees	-	150,403	150,403	150,000	4.
Grant	-	25,000	25,000	25,000	5.
<b>Total Capital Improvement</b>	<b>310,000</b>	<b>300,022</b>	<b>(9,978)</b>	<b>175,000</b>	
<b><u>Debt Service Fund</u></b>					
Inc-Assessment Res (PID Share)	-	-	-		
Interest	-	-	-		
<b>Total Debt Service</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b><u>Recovery Proceeds</u></b>					
State Backfill Funding	7,374,000	7,374,330	330		
FEMA Reimbursements	3,386,630	2,390,485	(996,145)		
Insurance Proceeds	5,000,000	-	(5,000,000)		
PGE Locating Reimbursements	300,000	59,627	-		
<b>Total Recovery Proceeds</b>	<b>16,060,630</b>	<b>9,824,442</b>	<b>(6,236,188)</b>	<b>-</b>	
<b><u>PFD</u></b>					
Revenue - PFD	50,000	30,370	(19,630)		
PFD - Interest Income	-	-	-		
<b>Total PFD</b>	<b>50,000</b>	<b>30,370</b>	<b>(19,630)</b>	<b>-</b>	
<b>Total Revenue</b>	<b>19,925,794</b>	<b>11,957,449</b>	<b>(7,968,345)</b>	<b>(79,160)</b>	

Paradise Irrigation District  
FY 2020/21 Mid-Year Budget Update  
Revenue Summary

**Recommended Revenue Budget Adjustments**

1. **Water Consumption:** Water consumption charges were originally projected to be billed to customers beginning in January of 2021. Based on the updated expected timeline of the meter installation project, water consumption revenue is not expected to be recognized until FY 2021/22.
2. **Backflow Check:** Backflow testing fees were originally budgeted to be billed based on annual testing of the interim water devices that were installed in the prior fiscal year. However, with the installation of permanent meters and backflow devices, backflow tests on the interim devices will not be performed as they will be replaced with permanent devices. Once the permanent device is installed, the District will renew the annual testing program and related revenues.
3. **Custom Work / PFD Reimbursements:** The demand for Fire Flow Testing has been higher than originally projected, which has resulted in increased revenues associated with this service.
4. **Inc-Capacity Fees:** Capacity fees were not originally budgeted as capacity increases were unknown at the time of initial budget development. The increase to capacity fees represents the funds received to date.
5. **Grant:** The District received a grant from North Valley Community Foundation to provide funding for in home water testing for PID customers. This program was not estimated at the time of the original budget development.

Paradise Irrigation District  
FY 2020/21 Mid-Year Budget Update  
Operational Expense Summary

	FY 2020/21 Estimate	FY 2020/21 Actual through 12/31/20	Variance to Date	Recommended Increase to Budget	Reference
<b>Source of Supply</b>					
Salary and Benefits	-	-	-	-	
Materials and Supplies	30,000	2,589	(27,411)	-	
Outside Services	173,000	50,689	(122,311)	-	
Utilities	-	-	-	-	
Insurance	-	-	-	-	
<b>Total Source and Supply</b>	<b>203,000</b>	<b>53,278</b>	<b>(149,722)</b>	<b>-</b>	
<b>Security &amp; Recreation</b>					
Salary and Benefits	-	-	-	-	
Materials and Supplies	-	-	-	-	
Outside Services	-	-	-	-	
Utilities	-	-	-	-	
Insurance	-	-	-	-	
<b>Total Security &amp; Recreation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Water Treatment</b>					
Salary and Benefits	933,541	509,255	(424,285)	-	
Materials and Supplies	251,100	60,033	(191,067)	-	
Outside Services	69,000	15,152	(53,848)	-	
Utilities	149,300	64,570	(84,730)	-	
Insurance	25,500	17,500	(8,000)	-	
<b>Total Water Treatment</b>	<b>1,428,441</b>	<b>666,510</b>	<b>(761,931)</b>	<b>-</b>	
<b>Transmission &amp; Distribution</b>					
Salary and Benefits	1,615,118	644,118	(971,000)	-	
Materials and Supplies	541,500	311,389	(230,111)	-	
Outside Services	34,750	25,924	(8,826)	17,000	1.
Utilities	71,200	41,917	(29,283)	-	
Insurance	45,000	31,000	(14,000)	-	
<b>Total Transmission and Distribution</b>	<b>2,307,568</b>	<b>1,054,348</b>	<b>(1,253,220)</b>	<b>17,000</b>	
<b>Customer Service</b>					
Salary and Benefits	331,826	128,021	(203,805)	-	
Materials and Supplies	500	-	(500)	-	
Outside Services	5,000	2,897	(2,103)	-	
Utilities	-	-	-	-	
Insurance	18,750	12,900	(5,850)	-	
<b>Total Customer Service</b>	<b>356,076</b>	<b>143,819</b>	<b>(212,258)</b>	<b>-</b>	
<b>Administration</b>					
Salary and Benefits - Admin Staff	1,037,866	496,018	(541,848)	-	
Salary and Benefits - Board	56,638	14,644	(41,994)	(40,000)	2.
Materials and Supplies	220,300	84,500	(135,800)	-	
Outside Services	315,400	160,745	(154,655)	42,850	3.
Utilities	56,000	33,849	(22,151)	-	
Insurance	152,500	53,311	(99,189)	(50,000)	4.
Board	37,000	71	(36,929)	-	
<b>Total Administration</b>	<b>1,875,704</b>	<b>843,138</b>	<b>(1,032,566)</b>	<b>(47,150)</b>	
<b>Operational Summary</b>					
Salary and Benefits	3,974,990	1,792,056	(2,140,939)	(40,000)	
Materials and Supplies	1,043,400	458,512	(584,888)	-	
Outside Services	597,150	255,408	(341,742)	59,850	
Utilities	276,500	140,336	(136,164)	-	
Insurance	241,750	114,711	(127,039)	(50,000)	
Board	37,000	71	(36,929)	-	
<b>Total Operating Expense</b>	<b>6,170,790</b>	<b>2,761,093</b>	<b>(3,367,703)</b>	<b>(30,150)</b>	

Paradise Irrigation District  
FY 2020/21 Mid-Year Budget Update  
Operational Expense Summary

**Recommended Operational Expense Adjustments**

1. **Transmission and Distribution – Outside Services:** At the October 2020 regularly scheduled meeting, the Board of Directors voted to authorize approval of a short-term consultant contract with Keith O'Brien to provide safety and operation training services. The not-to-exceed amount of the awarded contract was \$17,000.
2. **Administration – Salary and Benefits – Board:** The Board of Directors voted to remove Director health benefits at the October 2020 regular board meeting.
3. **Administration – Outside Services:** At the October 2020 regularly scheduled meeting, the Board of Directors voted to authorize an award of contract for development of an After-Action Report relating to the 2018 Camp Fire to be incorporated into the District's Emergency Response Plan. The not-to-exceed amount of the awarded contract was \$42,850.
4. **Administration – Insurance:** The total insurance premiums for property and liability insurance were originally projected to increase 150% percent in the current budgeted fiscal year. The reduction in budgeted expense is the result of a smaller increase than originally expected.

Paradise Irrigation District  
FY 2020/21 Mid-Year Budget Update  
Recovery Related Materials and Construction Services

	FY 2020/21 Actual through 12/31/20	FY 2020/21 Estimate	Variance to Date	Recommended Increase to Budget
Service Lateral Replacement Project	2,315,915	3,306,882	(990,967)	1,000,000
Interim Backflow Installation Project	205,000	510,000	(305,000)	-
Meter Replacement Project	-	2,828,057	(2,828,057)	-
Mainline Repair / Replacement Project	111,612	645,333	(533,721)	(300,000)
B Reservoir Replacement Project	-	1,240,876	(1,240,876)	(1,240,876)
<b>Total</b>	<b>2,632,527</b>	<b>8,531,148</b>	<b>(5,898,621)</b>	<b>(540,876)</b>

**Recommended Recovery Related Materials and Construction Services Adjustments**

- Service Lateral Replacement Project:** The original budgeted annual expense for the service lateral replacement project included the remainder of the Sutton Enterprises Contract for the original project. As demand for service lateral replacement continues to outpace the capacity of the District, it is expected that additional contracted services will be required through the end of the fiscal year. The recommended increase to budgeted expenses for this project represents additional costs expected to be incurred through fiscal year end.
- Mainline Repair / Replacement Project:** The District has incurred less costs than originally projected relating to mainline repair and replacement. This is primarily due to delays in a final determination from FEMA regarding portions of the proposed project eligibility. The overall expected cost of the mainline repair and replacement project has not changed; however, the expected timeline of the project has been moved back. The adjusted costs reduced from the current fiscal year budget are expected to be incurred in future fiscal years.
- B Reservoir Replacement Project:** This project was originally expected to begin during the current fiscal year; however, the project is currently on hold due to delays in a final project eligibility determination from FEMA. The District is actively working to resolve questions relating to eligibility. The project is currently expected to begin in the following fiscal year.



Paradise Irrigation District  
FY 2020/21 Mid-Year Budget Update  
Recovery Related Professional Services

	FY 2020/21 Actual through 12/31/20	FY 2020/21 Estimate	Variance to Date	Recommended Increase to Budget
Mutual Aid	30,004	-	30,004	30,000
Legal	52,483	-	52,483	100,000
Project Management	848,924	850,000	(1,076)	850,000
Public Assistance Consulting	132,592	350,000	(217,408)	(75,000)
Underground Locating Services	215,428	300,000	(84,572)	75,000
Total	1,279,431	1,500,000	(220,569)	980,000

**Recommended Recovery Related Professional Services Adjustments**

- Mutual Aid:** The District paid final invoices for two water utilities that had provided assistance during the Camp Fire Recovery efforts but had not finalized invoices until the current fiscal year.
- Legal:** The District has incurred greater legal costs related to Camp Fire matters than originally projected due to ongoing legal matters primarily relating to the District's claim against PG&E.
- Project Management:** The not-to-exceed amount of the Water Works Engineers contract was increased from \$2,850,000 to \$3,700,000 by the Board of Directors at the September 2020 regular board meeting.
- Public Assistance Consulting:** The District has incurred less expenses relating to public assistance consulting than originally projected. The recommended budget adjustment is based on average monthly costs incurred to date for public assistance consulting, projected through the end of the fiscal year.
- Underground Locating Services:** At the September 2019 special meeting, the Board of Directors approved the District Manager to execute an agreement with Utilquest for underground locator services and with PG&E to fund the Utilquest contract. The District has incurred greater costs for locating services than originally expected. The increase to the budgeted amount represents the expected cost of underground locator services through fiscal year end that will be submitted to PGE for reimbursement.

Paradise Irrigation District  
FY 2020/21 Mid-Year Budget Update  
Recovery Related Water Sampling

	FY 2020/21 Actual through 12/31/20	FY 2020/21 Estimate	Variance to Date	Recommended Increase to Budget
Water Sampling	59,447	500,000	(440,553)	(350,000)

The original annual expenditure projection for water sampling was based on a conservative estimated number of samples expected to be completed during FY 2020/21, as the number of samples required for FEMA purposes was not fully known at the time of budget development. The recommended decrease to the budget of \$350,000 is based on the average monthly costs incurred to date for water monitoring sampling, projected through the end of the fiscal year.

## **CHAPTER 14 INVESTMENT POLICY**

### **14.1 INTRODUCTION**

It shall be the policy of the District to invest its cash assets in such a manner as to comply with the requirements of the California Government Code, to maintain the integrity of the principal of all investments, and to provide for necessary liquidity. Within those restrictions, the District shall attempt to obtain the highest return possible.

### **14.2 SCOPE**

This Investment Policy (Policy) covers all District funds.

### **14.3 OBJECTIVES**

The objectives of this investment policy include the following in order of importance:

A. Safety –

It shall be the primary duty and responsibility of those authorized to invest the District's funds to protect, preserve, and maintain cash and investments placed in trust on behalf of the citizens of the District. Diversification is allowed within the guidelines of California Government Code (CGC) § 53601 et seq.

B. Liquidity –

An adequate amount shall be maintained in liquid short-term securities, which can be converted to cash as necessary to meet disbursement requirements. Since all cash requirements cannot be anticipated, investments in securities with active secondary or resale markets will be used. Emphasis will be on marketable securities with low sensitivity to market risk.

C. Yield –

Yield shall be a consideration only after the basic requirements of safety and liquidity have been met.

## 14.4 POLICY

### A. Legal Investment Authority –

All available funds shall be invested in accordance with the provisions of the California Government Code (CGC) § 53601 et seq., and as authorized in accordance with GUIDELINES Section 14.5.A.

1. The Board, as the legislative body of the District and in accordance with § 53607 of the CGC, delegates and authorizes the Treasurer to invest or reinvest funds of the District, to sell or exchange securities so purchased and to assume full responsibility for those transactions as described in this Statement of Investment Policy. Under the provision of CGC § 53600.3, the Treasurer is a trustee and a fiduciary subject to the prudent investor standard. Said authority shall be held at the pleasure of the Board, and shall be subject to renewal annually.
2. The Treasurer may delegate a portion of his/her investment authority to a Deputy Treasurer. Prior to the delegation of the investment authority to a Deputy Treasurer, the Treasurer shall notify the Board and request confirmation of the delegation. Delegation of investment authority will not remove or abridge the Treasurer's investment responsibility.
3. The Treasurer may engage the services of one or more external investment advisors to assist in the management of the District's investment portfolio in a manner consistent with the District's objectives and in accordance with this Policy. Such external managers may provide advice and effectuate trades in a discretionary capacity within the guidelines established in this Policy. Such managers must be registered under the Investment Advisors Act of 1940 and must have not less than five years' experience investing in the securities and obligations authorized by the CGC § 53601, and with assets under management in excess of five hundred million dollars (\$500,000,000).

### B. Those Authorized to Invest District Funds –

In accordance with Section 21187 of the California Water Code, the Treasurer has appointed the following as "Deputy Treasurers" to assist in handling the **investment practices of the District**. By approval of this document these appointments are hereby ratified by the Board. The Board shall review the appointment of Deputy Treasurers annually at the first Board meeting each January.

Manager  
Office Manager  
Finance Committee Board Members  
Investment Advisor

The Treasurer and Deputy Treasurers are authorized to direct and invest District funds in accordance with this Policy.

C. Reports –

Monthly: Report of Transactions. All transactions into, out of or between various investments will be monitored and summaries reported monthly.

Quarterly:

1. Procedure.

The Treasurer shall furnish a Quarterly Investment/Cash report to the Board within forty-five (45) days following the close of the preceding quarter.

2. Content of Report.

Shall include a statement of compliance with this policy, and, as necessary, liquidity versus forecasted cash flow for the next six (6) months.

Detail Reports

Description of each investment

Cost

Market value (identify source)

Rate of Return - face and current

Date purchased (except LAIF)

Earned interest accrued and received

Maturity Date

Identify holder of security

Identify any funds managed or controlled by outside parties (except LAIF)

Summary by Investment Type (i.e., Treasury Notes, GNMA, LAIF)

Summary by Maturity Date

0 – 90 days

90 – 365 days

1 – 2 years

2 – 3 years

Etc.

Summary of Beginning Balance, Transactions, and Ending Balance

Annually:

Prior to January 31st at a meeting of the Board, the Board shall review the Statement of Investment Policy (including the authorization of the Treasurer to assume full responsibility for investment transactions) and amend it as appropriate or otherwise ratify its continuance. The Board will also confirm the delegation of the Investment functions as provided in Section 14.4.A. of this Policy.

D. Selling Securities Prior to Maturity –

Except for investments with maturities of one year or less, sale transactions prior to maturity shall be made only to provide for cash requirements, to sell an investment which does not meet current Investment Policy or to restructure maturities to meet current goals. However, such sales prior to maturity may be made to secure higher yields provided the objectives of safety and liquidity are met first.

Sufficient written documentation to facilitate audit of the transaction must be maintained.

E. Interest –

Interest shall be accounted for on the accrual basis quarterly. Gains or losses on the sale of securities will be recorded on the transaction date.

## 14.5 GUIDELINES

The following Guidelines are established to direct and control investment activities and are a part of the above policies:

A. Investments –

The investment portfolio shall be reviewed periodically by one of the following: Treasurer, Manager, Office Manager or Finance Committee Board member to insure compliance with this Policy.

B. Pooled Cash –

Whenever practical District cash shall be consolidated and invested on a pooled concept basis. Interest earnings will be allocated according to specific Board designated reserve accounts and other non-designated funds at monthly intervals.

C. Competitive Bids –

Purchase and sale of securities should be made on the basis of competitive offers and bids when applicable.

D. Cash Forecast –

Treasurer shall prepare six-month cash forecast for basis of setting goals for investment maturities quarterly or annually, and when any significant changes take place that would materially revise the forecast.

E. Investment Limitations –

Security purchases and holdings will be maintained within statutory limits imposed by the CGC § 53601 et seq. and contractual agreements. Additionally, only investments listed below as Permitted Investments may be purchased or held:

INVESTMENT TYPE	MAXIMUM MATURITY	MAXIMUM SPECIFIED % OF PORTFOLIO	MINIMUM QUALITY REQUIREMENTS
LOCAL AGENCY BONDS	5 YEARS	— NONE —	— NONE —
U.S. TREASURY OBLIGATIONS	5 YEARS	— NONE —	— NONE —
STATE OBLIGATIONS —CA AND OTHERS (CA preference)	5 YEARS	— NONE —	— NONE —
CA LOCAL AGENCY OBLIGATIONS	5 YEARS	— NONE —	— NONE —
U.S. AGENCY OBLIGATIONS	5 YEARS	— NONE —	— NONE —
BANKERS' ACCEPTANCES	180 DAYS	40%	— NONE —
COMMERCIAL PAPER —SELECT AGENCIES	270 DAYS	25% OF THE AGENCIES MONEY	<i>"A-1/P-F-1"; if the issuer has issued long-term debt it must be rated "A" without regard to modifiers"</i>
COMMERCIAL PAPER —OTHER AGENCIES	270 DAYS	40% OF THE AGENCY'S MONEY	<i>"A-1/P-F-1"; if the issuer has issued long-term debt it must be rated "A" without regard to modifiers"</i>
NEGOTIABLE CERTIFICATES OF DEPOSIT	5 YEARS	30%	— NONE —
CD PLACEMENT SERVICE	5 YEARS	30%	— NONE —
REPURCHASE AGREEMENTS	1 YEAR	— NONE —	— NONE —
REVERSE REPURCHASE AGREEMENTS AND SECURITIES LENDING AGREEMENTS	92 DAYS	20% OF THE BASE VALUE OF THE PORTFOLIO	— NONE —
MEDIUM-TERM NOTES	5 YEARS	30%	"A" RATING
MUTUAL FUNDS AND MONEY MARKET MUTUAL FUNDS	N/A	20%	MULTIPLE
COLLATERALIZED BANK DEPOSITS	5 YEARS	— NONE —	— NONE —
MORTGAGE PASS-THROUGH SECURITIES	5 YEARS	20%	"AA" RATING
BANK/TIME DEPOSITS	5 YEARS	— NONE —	— NONE —
COUNTY POOLED INVESTMENT FUNDS	N/A	— NONE —	— NONE —
JOINT POWERS AUTHORITY POOL	N/A	— NONE —	MULTIPLE
LOCAL AGENCY INVESTMENT FUND (LAIF)	N/A	— NONE —	— NONE —



F. Liquidity –

The marketability (salability) of a security should be considered at the time of purchase, as the security may have to be sold at a later date to meet unanticipated cash demands. The portion of the portfolio which may have to be liquidated in order to meet cash requirements should, therefore, consist largely of securities with active secondary or resale markets. This would include short-term maturities to limit the effect of market risk on the market price of securities.

G. Long-Term Maturities –

Maturities over three years should be limited to those funds, which clearly will not be required before maturity (or one year before maturity). A line of credit collateralized by the investment portfolio shall be established for short term borrowing. Any use of this line of credit is subject to Board Approval prior to execution.

H. Broker / Dealers –

Broker / Dealers and investment advisors shall be provided with a copy of this Policy to assure that they are aware of what are designated as Permitted Investments as well as those investments which are specifically prohibited.

I. Diversification –

The purpose of diversifying is to reduce the overall portfolio risks while attaining a market rate of return. Therefore, it needs to be conceptualized in terms of maturity, instrument types and issuer. The portfolio should consist of a mix of various types of securities, issuers and maturities.