



NOTICE OF BUDGET & FINANCE COMMITTEE MEETING

NOTICE IS HEREBY GIVEN that the San Lorenzo Valley Water District has called a regular meeting of the Budget & Finance Committee to be held Tuesday, **February 9, 2015 at 9:30 a.m.** at the Operations Building, 13057 Highway 9, Boulder Creek, California.

AGENDA

1. Convene Meeting/Roll Call
2. Oral Communications
This portion of the agenda is reserved for Oral Communications by the public for items that are not on the Agenda. Any person may address the Committee at this time, on any subject that lies within the jurisdiction of the Committee. Normally, presentations must not exceed three (3) minutes in length, and individuals may only speak once during Oral Communications. No actions may be taken by the Committee on any Oral Communications presented; however, the Committee may request that the matter be placed on a future agenda. Please state your name and town/city of residence at the beginning of the statement for the record.
3. Old Business: None
Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agenda items.
 - a. INVESTMENT POLICY
Discussion by the Committee regarding the District Investment Policy.
 - b. COST OF SERVICE PROPOSALS REVIEW
Discussion by the Committee regarding the Cost of Service Proposals.
4. New Business:
Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agenda items.
 - a. ELECTRONIC SERVICES FOR BILL PAY
Discussion by the Committee regarding Electronic Services for Bill Pay.
5. Informational Material: None.
6. Adjournment

In compliance with the requirements of Title II of the American Disabilities Act of 1990, the San Lorenzo Valley Water District requires that any person in need of any type of special equipment, assistance or accommodation(s) in order to communicate at the District's Public Meeting can contact the District Office at (831) 338-2153 a minimum of 72 hours prior to the scheduled meeting.

Agenda documents, including materials related to an item on this agenda submitted to the Committee after distribution of the agenda packet, are available for public inspection and may be reviewed at the office of the District Secretary, 13060 Highway 9, Boulder Creek, CA 95006 during normal business hours. Such documents may also be available on the District website at www.slvwd.com subject to staff's ability to post the documents before the meeting.

Certification of Posting

I hereby certify that on February 5, 2016, I posted a copy of the foregoing agenda in the outside display case at the District Office, 13060 Highway 9, Boulder Creek, California, said time being at least 72 hours in advance of the regular meeting of the Budget & Finance Committee of the San Lorenzo Valley Water District in compliance with California Government Code Section 54956.

Executed at Boulder Creek, California, on February 5, 2016.

Holly B. Morrison, District Secretary
San Lorenzo Valley Water District

SAN LORENZO VALLEY WATER DISTRICT
STATEMENT OF INVESTMENT POLICY 20142016

INTRODUCTION

The purpose of this document is to establish formal policies for the prudent investment of the District's unexpended cash. The main objective of this policy is the establishment of guidelines for the investment of all ~~San Lorenzo Valley Water District funds or~~ funds belonging to or in the custody of the District, in a manner which conforms to all state and local statutes governing the investment of public funds and provides for an optimal combination of safety, liquidity and yield. ~~This policy is in compliance with the provisions of California Government Code Section 53600, et seq.~~

BASIC POLICIES

1. PRUDENCE: ~~San Lorenzo Valley Water~~ District funds shall be invested under the "prudent investor standard" (~~California Civil Code, Section 2261, et seq.~~ California Government Code Section 27000.3 53600.3) which essentially states that all 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~~ that a prudent person acting in like capacity would use with funds of like character to safeguard capital ~~as well as the probable income to be derived and maintain liquidity.~~
- 2.
3. DELEGATION OF AUTHORITY: Authority to manage the ~~San Lorenzo Valley Water~~ District investment program is delegated to the District Manager. ~~This authority is derived from Resolution 79 (87-88) adopted February 1, 1988 by the San Lorenzo Valley Water District Board of Directors which by reference is attached hereto and incorporated herein. The District Manager shall establish written procedures for the operation of the investment program consistent with this investment policy.~~ No person may engage in an investment transaction except as provided under ~~the term of~~
4. this policy ~~and the procedures established by the District Manager.~~
- 1.

OBJECTIVES: The ~~primary~~ objectives of the ~~San Lorenzo Valley Water~~ District's investment activities in priority order ~~shall be~~ are as follows:

A.

SAFETY – Safety of principal is the foremost objective of the investment program. The District's investment portfolio shall be designed and undertaken in a manner that seeks to ensure the preservation of the principal invested.

B.

LIQUIDITY – The District's investment portfolio shall be designed to remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated. The liquid needs of the District shall be commensurate with the constraints of anticipated cash

flow requirements.

C.

RETURN ON INVESTMENTS – The District’s investment portfolio shall be designed with the objective of attaining the maximum possible rate of return commensurate with the District’s investment risk constraints and the cash flow characteristics of the portfolio.

4.

PERFORMANCE STANDARDS: Investments shall only be made as allowable by law with specific reference to California Government Code Section 53600, et seq., and any other applicable provisions of law.

5.

AUTHORIZED AND ACCEPTABLE INVESTMENTS: District funds shall be invested only in the following investment instruments and within any limits indicated.

A.

LAIF – The Local Agency Investment Fund (LAIF) was created by California Government Code Section 16429.1 ~~through 16429.3, et seq.~~ LAIF is an investment pool established and controlled by the State of California to afford smaller agencies the benefits of a large investment portfolio, such as higher interest rates and greater diversification. ~~Deposits are limited to \$30,000,000 per account. Funds are completely liquid except for a limitation of ten (10) transactions per month.~~

B.

COUNTY OF SANTA CRUZ INVESTMENT POOL – The County of Santa Cruz Investment Pool is a local government investment pool established and controlled by the County of Santa Cruz to afford smaller agencies the benefits of a larger investment portfolio, such as higher interest rates and greater diversification. Authority for the County of Santa Cruz Investment Pool is delegated to the County of Santa Cruz Treasurer.

B.

C.

CERTIFICATES OF DEPOSIT – These are receipts for funds deposited in a bank, or savings and loan, or broker deposits for a specific term and rate of interest. The principal and accrued interest shall be insured by the Federal Deposit Insurance Corporation (FDIC). The principal and ~~insur~~accrued interest in any one insured depository institution shall not exceed the limit amount insured by FDIC.

C.

D.

PASSBOOK SAVINGS ACCOUNTS – This is a regular liquid savings account. The principal and accrued interest shall be insured by the Federal Deposit Insurance Corporation (FDIC). The principal and ~~insur~~accrued interest in any one insured depository institution shall not exceed the limit amount insured by FDIC.

D.

E.

~~U.S. TREASURY AND AGENCY SECURITIES OBLIGATIONS – These are negotiable debt obligations of the U.S. Government which guarantee that all interest and principle payments will be paid on time. Government securities and debt obligations issued by the US Government or its agencies which are secured by the federal government. Among these are Treasury Bills and Notes. Government National Mortgage Association (Ginnie Mae); Federal National Mortgage Association (Fannie Mae); Federal Land Bank (FLB) and Federal Farm Credit Banks (FFCB).~~

~~F.~~

~~GOVERNMENT SPONSORED ENTERPRISES – Government sponsored enterprises are~~

~~privately held corporations with public purposes created by the U.S. Government, which carry the implicit backing of the U.S. Government, but are not a direct obligation of the U.S. Government. Among these are Government National Mortgage Association (Ginnie Mae); Federal National Mortgage Association (Fannie Mae); Federal Land Bank (FLB) and Federal Farm Credit Banks (FFCB).~~

6.

DIVERSIFICATION: The purpose of diversification is to reduce overall portfolio risks while attaining market yields. The District will diversify its investments by security type and institution, especially when there is no decrease in yield. Pursuant to California Government Code Section 53601(i) certificates of deposit invested outside of an authorized pool shall not exceed thirty percent (30%) of the District's total investment portfolio. ~~Current certificates of deposits exceed this limitation. It is the intent of the District to move toward compliance with said limitation. Whenever certificates of deposit purchased prior to the date of this policy mature or are called, the District shall invest in authorized investment instruments other than certificates of deposit until such time compliance has been achieved. The District shall not exceed fifty percent (50%) of the District's total investment portfolio in any one (1) authorized investment type, with the exception of the following; LAIF and County of Santa Cruz Investment Pool. Current Government Sponsored Enterprises investments exceed this limitation. It is the intent of the District to move toward compliance with said limitation. Whenever Government Sponsored Enterprise issuances purchased prior to the date of this policy mature or are called, the District shall invest in authorized investment instruments other than Government Sponsored Enterprises until such time compliance has been achieved.~~

7.

MATURITY OF INVESTMENTS: In order to minimize the impact of market risk, generally it is intended, that all investments will be held until maturity. Projected cash flow requirements are the primary factor to be used in determining investment maturity terms. After cash flow needs have been met, yield considerations will be the next factor in determining maturity terms, with the expectations that longer maturity periods will generally yield greater returns on investments. Investments may be sold before maturity if required for cash flow or appreciation purposes.

The maximum maturity term of any fixed rate investment shall not exceed ~~five (5) years.seven (7) years. However, callable investments that increase ("step-up") at regular intervals may have a maturity term which exceeds seven (7) years.~~ ~~The District will diversify its investment by maturity date in order to avoid over concentration in any one specific maturity sector.~~

8.

REPORTING: ~~The District's Board of Directors shall receive investment reports at least quarterly.~~The District Manager shall provide to the Board of Directors quarterly investment reports which provide a clear picture of the status of the current investment portfolio as ~~required~~ encouraged by law the state Legislature (California Government Code Section 53646).

9.

ETHICS AND CONFLICTS OF INTEREST: Officers and employees involved in the District's investment process shall not conduct personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. ~~Officers and employees involved in the District's investment process shall disclose to the District Secretary any material financial interests in financial institutions that conduct business within the jurisdiction of the San Lorenzo Valley Water District and they shall further disclose any large personal financial/investment positions that could be related to~~

~~the performance of the District's investment portfolio.~~

10.

INVESTMENT POLICY ADOPTION: ~~The District's investment policy shall be adopted by resolution of the San Lorenzo Valley Water District's Board of Directors. The District's investment policy shall be reviewed annually thereafter, and any modifications made thereto must be approved by the Board of Directors. The~~ In accordance with California Government Code Section 53607, the District's ~~Statement of~~ Investment Policy shall be adopted annually by resolution of the Board of Directors at a public meeting.

*** END ***

SAN LORENZO VALLEY WATER DISTRICT
RESOLUTION NO. 79 (87-88)

SUBJECT: DELEGATING INVESTMENT AUTHORITY TO THE DISTRICT
MANAGER IN ACCORDANCE WITH THE BOARD'S INVESTMENT
POLICY AND GUIDELINES

WHEREAS, the District has not had an Investment Policy
to date; and

WHEREAS, in their Management Letter of September 8,
1987, the District's Auditors, C.G. Uhlenberg & Co., recommended
that an Investment Policy be adopted as required by the State
of California; and

WHEREAS, the Board reviewed the Management Letter on
January 11, 1988 and directed that an Investment Policy be
brought back to the Board of Directors by February 1, 1988; and

WHEREAS, the Policy on Investments requires Board
action and the appointment of a person responsible for imple-
menting the Investment Policy; and

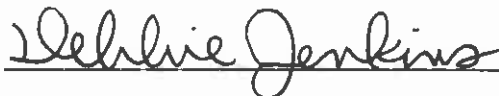
WHEREAS, the District Manager, because of his exper-
ience and education, is capable of carrying out this policy;

NOW, THEREFORE, BE IT RESOLVED by the Board of Direc-
tors of the San Lorenzo Valley Water District that the San
Lorenzo Valley Water District Investment Policy and Guidelines
is adopted, and the District Manager is delegated investment
authority in accordance with that policy.

* * * * *

PASSED AND ADOPTED by the Board of Directors of the
San Lorenzo Valley Water District, County of Santa Cruz, State
of California, on the 1st day of February, 1988, by the following
vote of the members thereof:

AYES, Directors: Burk, Bolden, Nitz, Rapoza, Steinkopff
NOES, Directors: NONE
ABSENT, Directors: NONE



District Secretary
San Lorenzo Valley Water District

POLICY NO. _____

SAN LORENZO VALLEY WATER DISTRICT
INVESTMENT POLICY AND GUIDELINES

February 1, 1988

I. INTRODUCTION

District monies not required for immediate expenditure will be invested in compliance with governing provisions of law (see Government Code Sections 53600 et seq.) and this policy.

The District will maintain adequate cash availability and maximum yield on invested idle funds while insuring that principal invested is protected from loss.

Investments will be made in a range of instruments to insure diversification of the District's portfolio and liquidity of assets in an emergency situation.

II. DEFINITION AND PROVISIONS OF THE GOVERNMENT CODE

Pursuant to Resolution No. _____ (87-88) of the San Lorenzo Valley Water District, the District Manager has been delegated investment authority by the Board. In accordance with this Code section, collateral established as security for municipal funds will be those securities specified by law as eligible for collateral for deposits of local public agencies. Investments of District monies not required for immediate expenditure will be made in securities or other certificates of indebtedness as provided by law for the investment of public funds. Investments will be made in accordance with this policy.

III. CASH FLOW AND AVAILABILITY

An average amount of two week's warrants and one payroll is to be maintained in immediate available investments, such as the State Treasurer's Local Agency Investment Fund or a similar liquid instrument. This may include commercial paper or repurchase agreements acquired through the District's bank.

Weekly analysis of cash flow will serve as a basis for determining the maturity date of investments.

IV. ACCEPTABLE INVESTMENT INSTRUMENTS

The District investment portfolio may include the following instruments:

- A. Certificates of Deposit purchased from banks or savings and loan institutions
- B. Bankers Acceptances
- C. Treasury Bills and Notes
- D. Government Agency Securities (e.g., Federal National Mortgage Association, Government National Mortgage Association, Federal Farm Credits)
- E. Repurchase Agreements
- F. Commercial Paper
- G. State Local Agency Investment Fund
- H. Passbook Savings Account

IV. AMOUNTS TO BE INVESTED

- A. Certificates of Deposit. Cash will be invested only in FDIC or FSLIC insured or fully collateralized certificates of deposit. Collateral for a given investment must be 110% of principal for government securities collateral and 150% of principal for first mortgage collateral. No more than 5% of the District portfolio, not to exceed \$1 million, shall be invested in any one institution. An institution must meet the following criteria to be considered by the District:
 - a) For investments greater than \$100,000 the institution must maintain \$100 million in assets. For investments greater than \$300,000, the institution must maintain at least \$300 million in assets.
 - b) The District will not invest in any institution less than ten years old.
 - c) The institution must maintain a net worth to asset ratio of at least 3.5%, and a positive earnings record.
 - d) The institution must have on file with the District a current FDIC call report (banks) or FHLB report.

- e) The bank or institution must be located in California.
 - f) The institution must have a jumbo certificate to total assets ratio of less than 50%.
- B. Bankers Acceptances. The District will only invest through the 15 largest banks in the United States (in terms of assets). The maximum investment with any one institution will not exceed \$1 million.
- C. Treasury Bills and Notes. The District will require safekeeping documentation of the treasury instrument in an acceptable safekeeping account in the District's name. The maximum maturity on a treasury instrument will be three years.
- D. Government Agency Securities. The District will require physical delivery of these securities to an acceptable safekeeping account in the District's name. Examples of these securities include Government National Mortgage Association, Federal National Mortgage Association, Federal Land Bank, and Federal Farm Credit banks.
- E. Commercial Paper. The District will require safekeeping documentation of the security in an acceptable safekeeping account in the District's name. Commercial paper will be used solely as a short-term investment not to exceed 15 days. A rating of Standard and Poors A-1 or Moodys P-1 is required. The District will only invest in the largest 15 banks (in terms of total assets) in the United States. The investment in any one institution will not exceed \$1 million.
- F. Repurchase Agreements (Repos). The District will require physical delivery of the securities backing the repo or safekeeping documentation in an acceptable safekeeping account in the District's name, depending on the type of security. Repos will be used solely as a short-term investment not to exceed 30 days. The institution from which the District purchases a repo must transfer on an ongoing basis sufficient securities to compensate for changing market conditions, and insure that adequate collateral is maintained in the District's safekeeping account to cover the principal invested. Repos will only be purchased through the 15 largest banks in the United States. The investment in any one institution will not exceed \$1 million.
- G. State Local Agency Investment Fund (LAIF). The investment with LAIF may not, by State regulation, exceed \$5 million.

H. Passbook Savings Account. Savings account shall be maintained for amounts under \$100,000 that are received too late in the day to invest in other instruments.

VII. MATURITY OF INVESTMENTS

With the exception of Treasury notes, the maturity of a given investment will not exceed one year. Treasury notes may be purchased for a period not to exceed three years. Approximately 50% of the idle funds will be placed in investments that can be sold for face value in the open market in the event of an emergency.

VIII. USE OF SECURITIES DEALERS AND BROKER

The District will utilize the services of brokers and securities dealers only if the firm is recognized as a primary dealer by the Federal government.

The District will work directly with banks and savings and loan institutions when purchasing certificates of deposit and not utilize the services of brokers for this purpose.

IX. INVESTMENT COMMITTEE AUTHORITY AND REPORTS TO BOARD OF DIRECTORS

A staff Investment Committee consisting of the District Manager and Accounting Supervisor will meet weekly to review the District investment portfolio, daily cash reports and anticipated cash requirements in selecting investment instruments for idle District funds.

A Board Investment Subcommittee will meet quarterly to insure that District investments are consistent with the adopted policy and to consider changes in the policy.

Pursuant to State law (Section 53646), the Board will receive a detailed monthly listing of all investments in the District portfolio.

M E M O

TO: District Manager and Finance Committee
FROM: Finance Manager
SUBJECT: Electronic Services for Bill Pay
DATE: February 2, 2016

RECOMMENDATION:

It is recommended that the Finance Committee review the E-Box proposal and recommend utilizing these services.

BACKGROUND:

A popular payment method for customers is using bill pay offered through their personal bank.

The majority of vendors and utilities these days are signed up to electronically receive the funds, which typically happens within 24-48hrs after the customer initiates it.

The District currently does not accept electronic payments. Which means after the customer initiates it, the bank sends a file to a third party, the third party physically cuts a check and puts it in the mail to us. These typically take 5-14 days to get to us depending on timing and location of the third party.

It is a regular phone call and complaint we receive from our customers. When the majority of their other bills acknowledge the payment within 48hrs, it is hard for them to remember the delay in processing to us. This also takes up a lot of staff time processing the physical checks that come in.

The return on investment speaks for itself considering the staff time involved and the value to the customer. This is a monthly service with a small startup cost. I recommend proceeding to modernize accepting electronic bill pay options.

Regards,

Stephanie Hill
Finance Manager