



**FINANCE & INFORMATION TECHNOLOGY
BOARD OF DIRECTORS' MEETING
MOULTON NIGUEL WATER DISTRICT
27500 La Paz Road, Laguna Niguel
April 16, 2014
9:00 AM
Approximate Meeting Time: 2 Hours**

1. CALL MEETING TO ORDER
2. APPROVE THE MINUTES OF THE MARCH 19, 2014 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING
3. PUBLIC COMMENTS
Persons wishing to address the Board of Directors on matters not listed on the Agenda may do so at this time. "Request To Be Heard" forms are available at the entrance to the Board Room. Comments are limited to five minutes unless further time is granted by the Presiding Officer. Submit form to the Recording Secretary prior to the beginning of the meeting.

Those wishing to address the Board of Directors on any item listed on the Agenda should submit a "Request To Be Heard" form to the Recording Secretary before the Presiding Officer announces that agenda item. Your name will be called to speak at that time.

PRESENTATION ITEMS

4. Quarterly Investment Report - Chandler Asset Management

DISCUSSION ITEMS

5. Agreement for Participation and Co-Funding in Municipal Water District of Orange County Rebate Program
6. Rebate Applications for Turf Removal and Synthetic Turf
7. Amendment No. 2 to Professional Services Agreement for Public Financial Management, Inc.

INFORMATION ITEMS

8. Enterprise Resource Planning (ERP) Update

9. Monthly Financial Report
 - a. Summary of Financial Results
 - b. Budget Comparison Report
 - c. Financial Statements
 - d. Restricted Cash and Investments with Fiscal Agent
 - e. Unrestricted and Restricted Fund Balances
 - f. Summary of Disbursements March 2014
10. Late Items (Appropriate Findings to be Made)
 - a. Need to take immediate action; and
 - b. Need for action came to District's attention after Agenda Posting. [Requires 2/3 vote (5 members) or unanimous vote if less than 2/3 are present]

ADJOURNMENT

The Board of Directors' Meeting Room is wheelchair accessible. If you require any special disability related accommodations (i.e., access to an amplified sound system, etc.), please contact the Moulton Niguel Water District Secretary's office at (949) 831-2500 at least forty-eight (48) hours prior to the scheduled meeting. This agenda can be obtained in alternate format upon written request to the Moulton Niguel Water District Secretary at least forty-eight (48) hours prior to the scheduled meeting.

Agenda exhibits and other writings that are disclosable public records distributed to all, or a majority of, the members of the Moulton Niguel Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board of Directors are available for public inspection at the District Office, 27500 La Paz Road, Laguna Niguel, CA ("District Office"). If such writings are distributed to members of the Board less than seventy-two (72) hours prior to the meeting, they will be available in the reception area of the District Office at the same time as they are distributed except that, if such writings are distributed immediately prior to, or during the meeting, they will be available in the Board meeting room and on the District website at www.mnwd.com.



DRAFT
MINUTES OF THE REGULAR MEETING OF THE
FINANCE & INFORMATION TECHNOLOGY BOARD OF DIRECTORS OF THE
MOULTON NIGUEL WATER DISTRICT

March 19, 2014

A Regular Meeting of the Finance & Information Technology Board of Directors of the Moulton Niguel Water District was held at the District offices, 27500 La Paz Road, Laguna Niguel, California, at 9:00 AM on March 19, 2014. There were present and participating:

DIRECTORS

Scott Colton	Director
Richard Fiore	Director
Donald Froelich	Vice President
Gary Kurtz	Director
Larry Lizotte	Director
Larry McKenney	President
Brian Probolsky	Vice President/Chair

Also present and participating were:

STAFF MEMBERS, LEGAL COUNSEL, AND MEMBERS OF THE PUBLIC

Joone Lopez	General Manager
Matt Collings	Assistant General Manager
Marc Serna	Director of Engineering & Operations
Gina Hillary	Director of Human Resources
Kelly Winsor	Assistant to the General Manager
Ruby Yuen	MNWD
Karen Maddox	MNWD
Eva Plajzer	MNWD
Megan Geer	MNWD
Mark Hildebrand	MWH
Kelly Salt	Best, Best, and Krieger
Deborah Harper	Lange, Soll & Lunghard
Michael Bell	Consultant
Paige Gulck	Board Secretary

#2.

1. CALL MEETING TO ORDER
2. APPROVE THE MINUTES OF THE FEBRUARY 19, 2014, FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING

MOTION DULY MADE BY GARY KURTZ AND SECONDED BY RICHARD FIORE, THE MINUTES OF THE FINANCE AND INFORMATION TECHNOLOGY MEETING DATED FEBRUARY 19, 2014, WERE APPROVED AS PRESENTED. THE VOTE WAS UNANIMOUS WITH DIRECTORS SCOTT COLTON, RICHARD FIORE, DONALD FROELICH, GARY KURTZ, LARRY LIZOTTE, LARRY MCKENNEY, AND BRIAN PROBOLSKY ALL VOTING 'AYE' SPLIT WITH DIRECTORS VOTING 'AYE'.

3. PUBLIC COMMENTS

None.

DISCUSSION ITEMS

4. Agreement for Consulting Services to Perform a Cost of Service and Rate Design Study

Joone Lopez summarized the recommendation for the cost of service and rate design study. Staff fielded questions from the Board regarding amount of proposals, past design studies, scope of services, unexpected costs, and necessity of the project.

Mark Hildebrand from MWH was in attendance to answer questions regarding the model. Kelly Salt from Best, Best, and Krieger was in attendance to answer any legal questions regarding the model.

5. Agreement for Independent Audit Services

Joone Lopez summarized the recommendation for Independent Audit Services. Deborah Harper was in attendance to answer any questions regarding the services.

INFORMATION ITEMS

6. Budget Status Update

Matt Collings provided the timeline for fiscal year 2014-15 budgets. There will be two workshops, one in April and one in mid-May, to discuss the budgets.

7. Monthly Financial Report

Michael Bell discussed the written summary and the monthly reports. The Board commended staff on their efforts in creating the reports.

8. Quarterly Joint Powers Authority Report

Matt Collings summarized the Joint Powers Authority Report.

9. Late Items (Appropriate Findings to be Made)

Staff had none.

ADJOURNMENT

The meeting was adjourned at 10:47 a.m.

Respectfully submitted,

Paige Gulck
Board Secretary

DRAFT

Moulton Niguel Water District

Period Ending
March 31, 2014



SECTION 1

Account Profile

SECTION 2

Portfolio Holdings

SECTION 3

Economic Update



SECTION 1

Account Profile

Investment Objectives

In order to provide for current expenses and long term growth, the District has divided its portfolio into two categories, the Liquid Fund and the Operating Reserve Fund. The investment goals of the Liquid Fund are: to provide liquidity for operating expenses and current capital requirements, to preserve principal, and to earn a total rate of return commensurate with the first two goals.

The investment goals of the Operating Reserve Fund are to preserve real capital and provide growth over the long term by earning the rate of return which is available from longer term investments permitted under the California Government Code.

Chandler Asset Management Performance Objectives

The performance objective for the Liquid Fund is to earn a return in excess of the return on 90-day Treasury bills.

The investment performance objectives of the Operating Reserve Fund are (1) to earn a total rate of return over a market cycle which exceeds the return on a market index of government securities with maturities of one to ten years (the Bank of America Merrill Lynch 1-10 Year Government Index).

Strategy

In order to meet its goals, the Liquid Fund is invested in short term securities and LAIF. The average maturity of the Liquid Fund may not exceed 90 days, and the maximum maturity of individual securities in the fund shall be one year. In order to meet its goals, the Operating Reserve Fund is invested in a diversified portfolio of high quality fixed income securities with a maximum maturity of ten years. No more than 40% of the fund may be invested in securities with maturities in excess of five years.



Moulton Niguel Water District Operating Reserve

March 31, 2014

COMPLIANCE WITH INVESTMENT POLICY

Assets managed by Chandler Asset Management are in full compliance with State law and with the District's investment policy.

Category	Standard	Comment
Treasury/Agency issues	No Limit	Complies
Banker's Acceptances	≤40%; 180 days	Complies - 0.0%
Commercial Paper	A1/P1	Complies - 2.3%
Max. maturity < 270 days	25% maximum	Complies
Repurchase Agreements	≤10%; ≤1 year	Complies
Rev. Repo Agreements	≤10%; ≤90 days	Complies - 0.0%
Time CDs	110% collateral over \$100,000 or insured	Complies - 0.0%
Negotiable CDs	30% max; ≤2 yrs	Complies - 0.0%
Medium Term Notes	"A"-rated; 30% max	Complies - 24.5%
Mutual Funds	≤20%	Complies - 7.0%
LAIF	Not used by outside adviser; \$50 million maximum imposed by LAIF	Complies
Mortgage Pass Through, including CMOs and ABS	"AA"-rated; 20% Maximum	Complies - 5.4%
Money Market Funds	"AAA"-rated or SEC reg.; 20% Maximum	Complies
Inverse floaters, range notes	Prohibited	Complies
Interest only strips	Prohibited	Complies
Zero interest accruals	Prohibited	Complies
Per issuer max	5% (except gov'ts)	Complies
Modified duration	+/- 20% of 1-10 Year benchmark duration	Complies - 3.46
% invested less than 2 years	≥10%	Complies - 27.7%
% invested beyond 5 years	≤40%	Complies - 32.2%
Maximum maturity	10 years	Complies
Maximum maturity of corp.	5 years	Complies

*Please note that the FHMS K704 A2 Due 08/25/18 is rated AAA by Fitch.



PORTFOLIO CHARACTERISTICS

Liquid Fund

	3-month T-Bills Benchmark* G001	Liquid Fund	
	3/31/2014	3/31/2014	12/31/2013
Portfolio book value	--	\$12,339,163	\$24,830,961
Market value	--	\$12,352,049	\$24,840,383
Average book yield	--	0.23%	0.26%
Average maturity (yrs)	0.16	0.00	0.00
Modified duration	0.16	0.00	0.00
\$ change in value for 1% change in rates	--	\$0	\$0
% maturing within one year	100%	100%	100%
Average credit quality	AAA	Not Rated	Not Rated

Operating Reserve Fund

	1-10 year Govt. Benchmark* G5A0	Operating Reserve Fund	
	3/31/2014	3/31/2014	12/31/2013
Portfolio book value	--	\$123,079,628	\$113,380,799
Market value	--	\$123,780,132	\$113,672,111
Average book yield	--	2.11%	2.34%
Average maturity (yrs)	4.00	3.81	4.06
Modified duration	3.71	3.46	3.69
\$ change in value for 1% change in rates	--	\$4,282,793	\$4,194,501
% maturing within two years	21.7%	27.7%	25.2%
Average credit quality	AAA	AA	AA

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During the last quarter, our portfolio re-investment and re-balancing activity maintained our portfolio duration very close to that of the benchmark index. The portfolio duration was temporarily shortened due the contribution of \$9 million at the end of March.



Operating Reserve Fund

40- Trading Activity -12/31/2013 -3/31/2014

Settle Date	Description	MIG	Mat Date	Amount	Book Value	Market Value	Gain/Loss	Duration	Yield
Purchase									
02/13/2014	Bank of Tokyo Mitsubishi NY	Commercial Paper	06/17/2014	\$1,150,000.00	\$1,149,128.55	\$1,149,128.55	\$0.00	0.339	0.223
01/30/2014	FNMA	Agency	02/19/2019	\$1,750,000.00	\$1,762,722.50	\$1,762,722.50	\$0.00	4.799	1.724
03/03/2014	Cisco Systems	US Corporate	03/01/2019	\$470,000.00	\$469,666.30	\$469,666.30	\$0.00	4.714	2.140
03/03/2014	Cisco Systems	US Corporate	03/01/2019	\$980,000.00	\$987,183.40	\$987,183.40	\$0.00	4.719	1.970
03/03/2014	US Treasury	US Treasury	08/15/2021	\$1,650,000.00	\$1,637,953.86	\$1,637,953.86	\$0.00	6.848	2.232
03/11/2014	FHLMC	Collateral Mort Oblig	08/25/2018	\$1,745,000.00	\$1,798,576.95	\$1,798,576.95	\$0.00	4.260	1.676
03/19/2014	Toyota Auto Receivables Owner	Asset Backed Security	12/15/2017	\$975,000.00	\$974,819.82	\$974,819.82	\$0.00	1.263	0.686
03/31/2014	FNMA	Agency	02/08/2018	\$500,000.00	\$490,290.00	\$490,290.00	\$0.00	3.765	1.394
				\$9,220,000.00	\$9,270,341.38	\$9,270,341.38	\$0.00		
Sale									
01/30/2014	FNMA	Agency	10/30/2014	\$1,530,000.00	\$1,527,763.14	\$1,535,431.50	\$7,668.36	0.748	0.151
03/10/2014	FNMA	Agency	02/13/2017	\$1,200,000.00	\$1,336,435.20	\$1,345,596.00	\$9,160.80	2.749	0.795
03/10/2014	FHLMC	Agency	11/17/2017	\$350,000.00	\$392,301.00	\$400,031.80	\$7,730.80	3.361	1.152
03/14/2014	FFCB	Agency	12/16/2015	\$925,000.00	\$966,449.25	\$998,528.25	\$32,079.00	1.686	0.330
				\$4,005,000.00	\$4,222,948.59	\$4,279,587.55	\$56,638.96		

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During the first quarter of 2014, our portfolio investment and re-balancing activity maintained the duration position in the portfolio structure. Recent purchases included Commercial Paper, Corporate, Asset Backed, Agency and Treasury securities with maturities ranging from June 2014 through August 2021. Our transactions adjusted the portfolio duration to about equal to that of the benchmark index duration (before the late March contribution). The cumulative sale transactions realized a net gain of \$56,639.



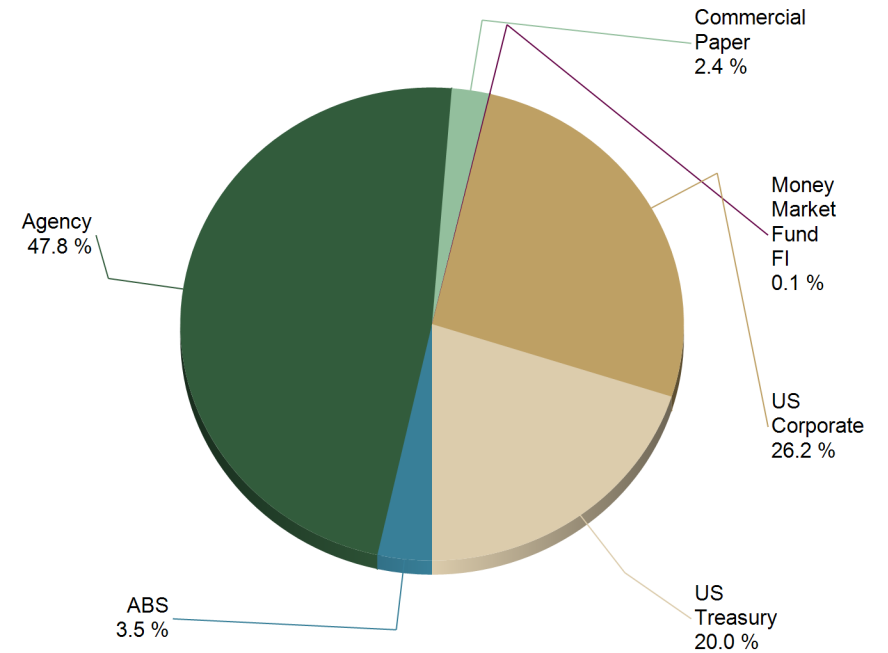
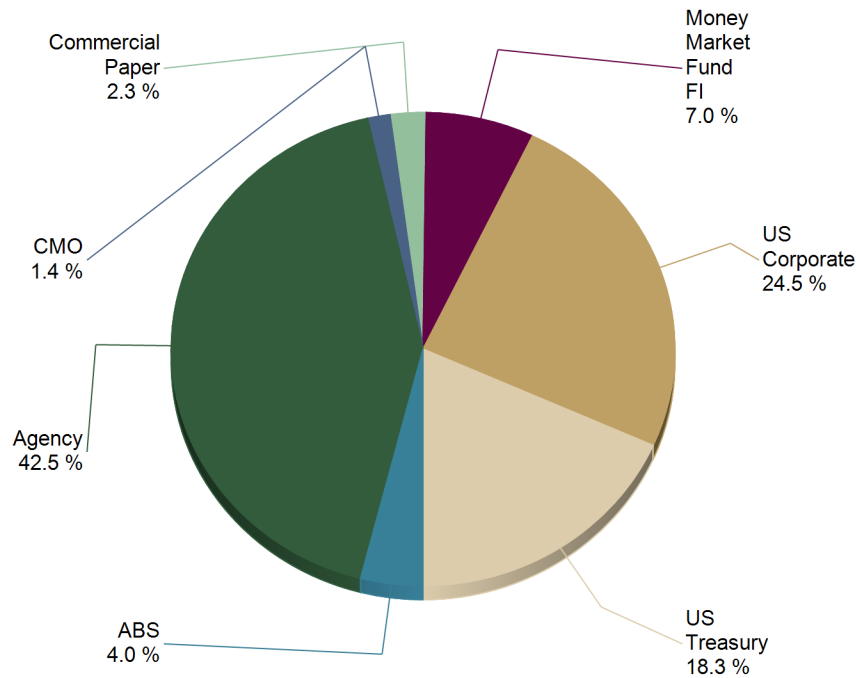
Sector Distribution

Moulton Niguel Water District Operating Reserve

March 31, 2014

December 31, 2013

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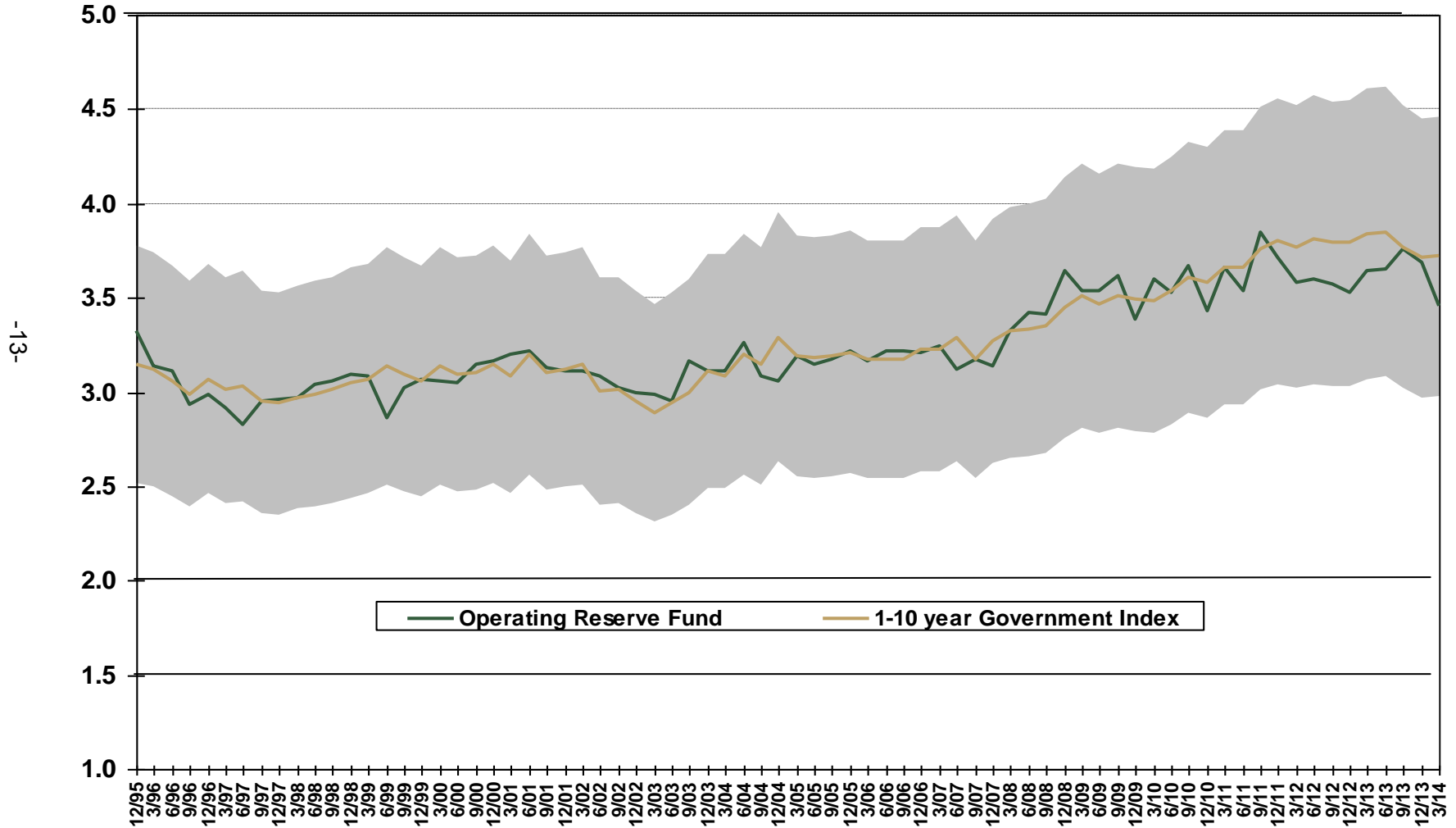


The portfolio sector allocation was generally stable during the quarter, except for the temporary Money Fund increase due to the late March contribution.



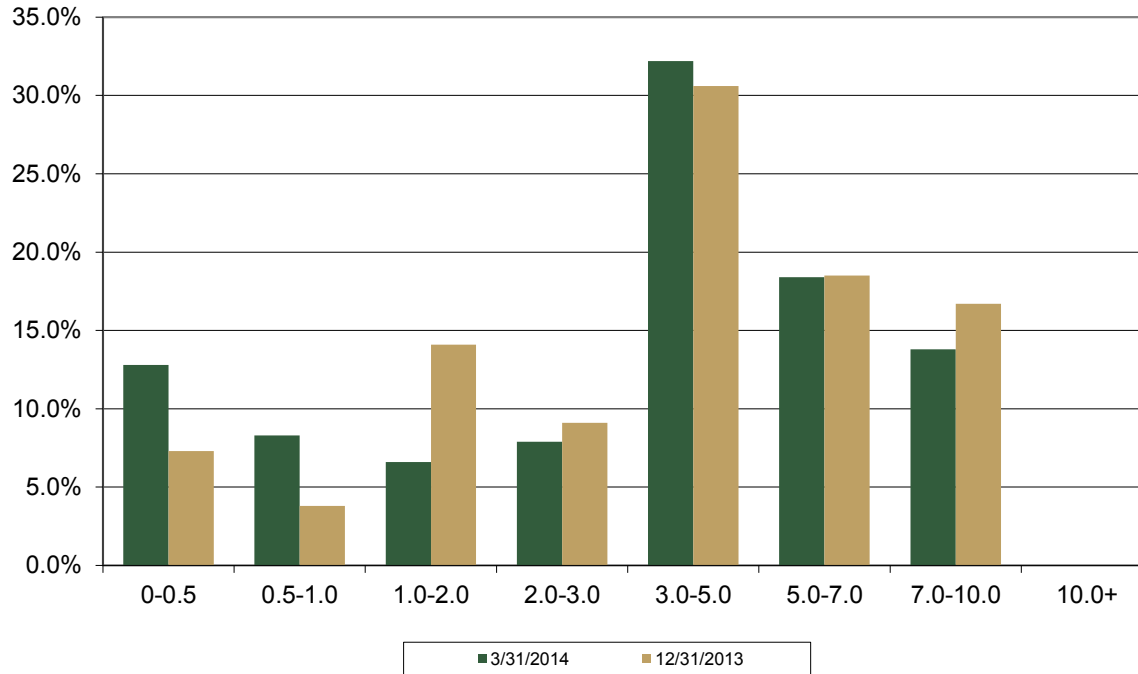
Exposure to Market Risk

Operating Reserve Fund Duration Compared to 1 - 10 Year Government Index Duration





MATURITY DISTRIBUTION
Operating Reserve Fund
March 31, 2014 vs. December 31, 2013



	0-0.5	0.5-1.0	1.0-2.0	2.0-3.0	3.0-5.0	5.0-7.0	7.0-10.0	10.0+
3/31/2014	12.8%	8.3%	6.6%	7.9%	32.2%	18.4%	13.8%	0.0%
12/31/2013	7.3%	3.8%	14.1%	9.1%	30.6%	18.5%	16.7%	0.0%

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The duration of the portfolio was close to that of the benchmark's duration during most of the recent quarter. The market continues to expect the Federal Reserve to taper the amount of its bonds purchases throughout 2014, likely increasing interest rate volatility during the year. Offsetting the expected increase in volatility is the unchanged forecast for the federal funds rate (currently 0-0.25%). We still anticipate that the portfolio maturity/duration will remain close to the 1-10 Year Government benchmark in the coming quarters.



Investment Performance

Moulton Niguel Water District Operating Reserve

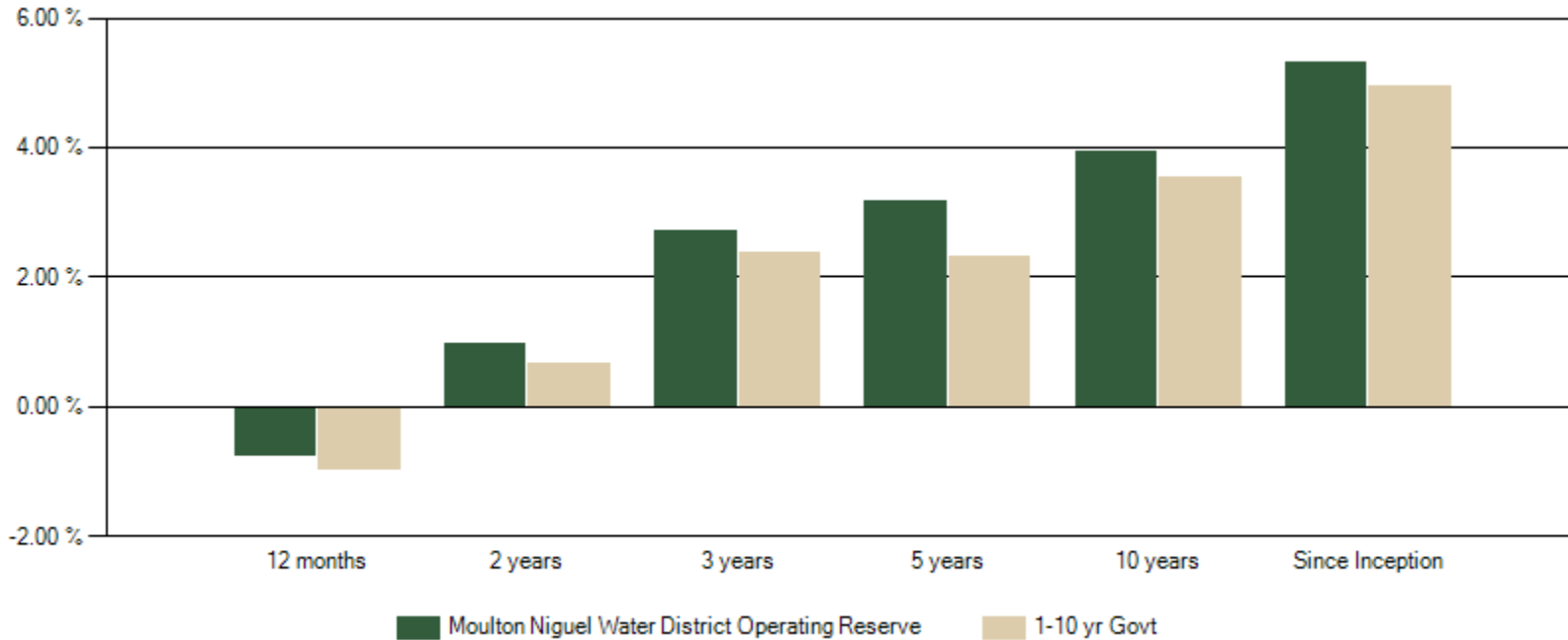
Period Ending

March 31, 2014

Total Rate of Return

Annualized Since Inception

September 30, 1995



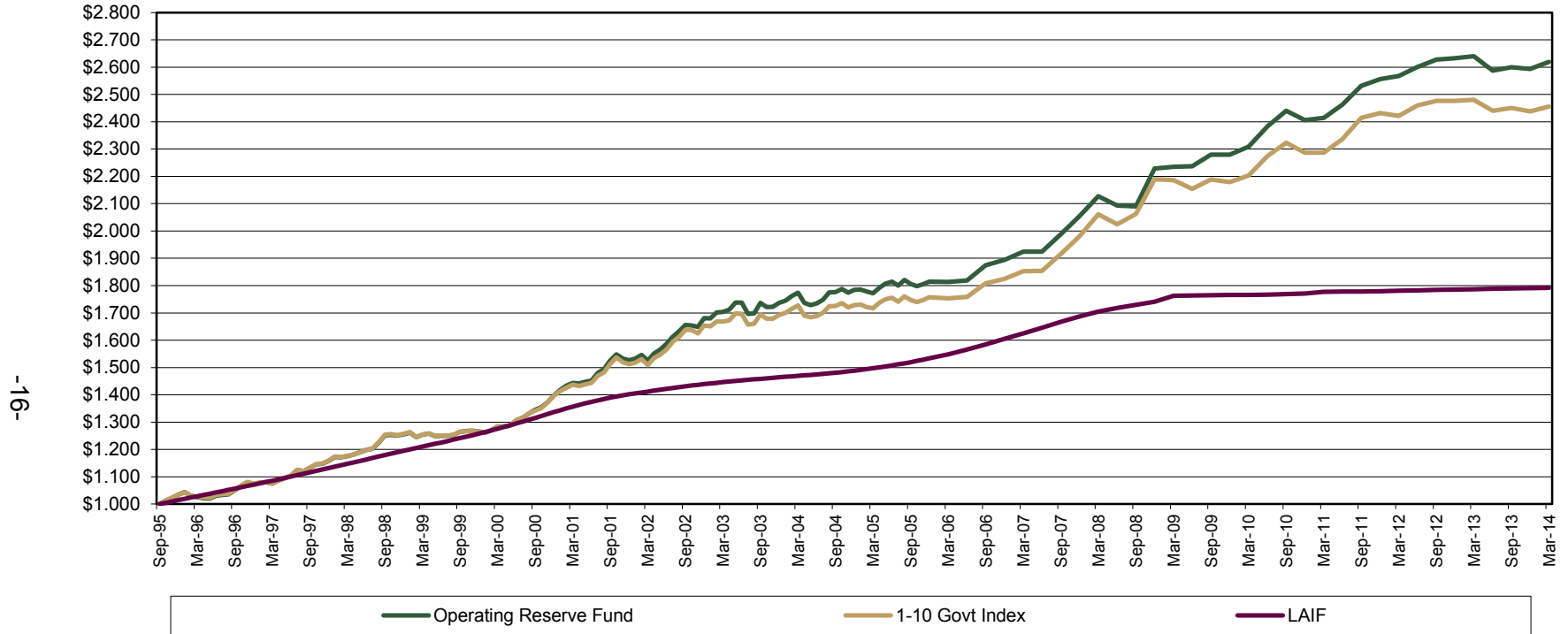
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	3 months	12 months	Annualized				
			2 years	3 years	5 years	10 years	Since Inception
Moulton Niguel Water District Operating Reserve	0.97 %	-0.78 %	1.00 %	2.76 %	3.22 %	3.97 %	5.34 %
1-10 yr Govt	0.72 %	-0.99 %	0.71 %	2.40 %	2.35 %	3.58 %	4.98 %

Total rate of return: A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains and losses in the portfolio.



Operating Reserve Fund Growth of \$1 Million



Historical return on \$1 million invested in September 1995

Operating Reserve Fund

1-10 Govt Index

LAIF

3/31/2014	Return
\$2,619,360	5.34%
\$2,456,037	4.98%
\$1,791,533	3.20%



SECTION 2

Portfolio Holdings



Moulton Niguel Water District Operating Reserve Account #40

Issuer Report

As of 3/31/2014

Issue Name	Investment Type	% Portfolio
Government of United States	US Treasury	18.33 %
Federal Home Loan Bank	Agency	9.38 %
Federal Home Loan Mortgage Corp	Agency	9.37 %
Federal National Mortgage Association	Agency	9.11 %
Tennessee Valley Authority	Agency	8.14 %
Wells Fargo Adv Govt Money Market Fund	Money Market Fund FI	6.96 %
Federal Farm Credit Bank	Agency	6.46 %
Wal-Mart Stores	US Corporate	2.08 %
Toyota Auto Receivables	ABS	1.68 %
IBM Corp	US Corporate	1.62 %
JP Morgan Chase & Co	US Corporate	1.58 %
Wells Fargo Corp	US Corporate	1.54 %
General Electric Co	US Corporate	1.44 %
Federal Home Loan Mortgage Corp	CMO	1.44 %
Berkshire Hathaway	US Corporate	1.38 %
PNC Financial Services Group	Commercial Paper	1.37 %
Ebay	US Corporate	1.35 %
Deere & Company	US Corporate	1.29 %
Pepsico Inc	US Corporate	1.29 %
Bank of New York	US Corporate	1.22 %
Cisco Systems	US Corporate	1.17 %
Intel Corp	US Corporate	1.16 %
Apple Inc	US Corporate	1.14 %
JP Morgan Chase & Co	ABS	1.02 %
Northern Trust Corp	US Corporate	0.94 %
Bank of Tokyo-Mit UFJ	Commercial Paper	0.93 %
Oracle Corp	US Corporate	0.93 %
BlackRock Inc/New York	US Corporate	0.91 %
Honda Motor Corporation	ABS	0.89 %
Coca Cola Co.	US Corporate	0.89 %
Google Inc	US Corporate	0.82 %
US Bancorp	US Corporate	0.82 %
ChevronTexaco Corp	US Corporate	0.43 %



Moulton Niguel Water District Operating Reserve
Account #40

Issuer Report
As of 3/31/2014

Issue Name	Investment Type	% Portfolio
Praxair	US Corporate	0.41 %
John Deere Security Trust	ABS	0.41 %
United Technology Corp	US Corporate	0.10 %
Total		100.00 %



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody S&P	Maturity Duration
ABS									
89231NAC7	Toyota Auto Receivable 2012-B A3 0.46% Due 7/15/2016	1,105,000.00	09/18/2012 0.46 %	1,104,894.91 1,104,894.91	100.05 0.39 %	1,105,553.61 225.91	0.89 % 658.70	Aaa AAA	2.29 0.69
43813CAC4	Honda Auto Receivables 2012-4 A3 0.52% Due 8/18/2016	1,100,000.00	10/11/2012 0.52 %	1,099,893.52 1,099,893.52	100.14 0.36 %	1,101,527.90 206.56	0.89 % 1,634.38	Aaa AAA	2.39 0.85
161571FL3	Chase CHAIT Pool #2012-A5 0.59% Due 8/15/2017	1,255,000.00	03/19/2013 0.59 %	1,255,000.00 1,255,000.00	100.15 0.48 %	1,256,844.85 329.09	1.02 % 1,844.85	NR AAA	3.38 1.36
477879AC4	John Deere Owner Trust 2013-B A3 0.87% Due 8/15/2017	500,000.00	08/27/2013 0.88 %	499,931.85 499,931.85	100.36 0.64 %	501,786.50 193.33	0.41 % 1,854.65	Aaa NR	3.38 1.56
89231MAC9	Toyota Auto Receivables Owner 2014-A 0.67% Due 12/15/2017	975,000.00	03/11/2014 0.69 %	974,819.82 974,819.82	100.15 0.60 %	976,416.68 217.75	0.79 % 1,596.86	Aaa AAA	3.71 1.99
Total ABS		4,935,000.00	0.60 %	4,934,540.10	0.47 %	4,942,129.54 1,172.64	3.99 % 7,589.44	Aaa AAA	2.98 1.24

AGENCY									
3133X7FK5	FHLB Note 5.25% Due 6/18/2014	1,400,000.00	12/02/2004 4.72 %	1,456,022.40 1,456,022.40	101.11 0.07 %	1,415,492.40 21,029.17	1.16 % (40,530.00)	Aaa AA+	0.22 0.21
31331VGU4	FFCB Note 4.875% Due 12/16/2015	2,500,000.00	Various 4.28 %	2,595,126.00 2,595,126.00	107.65 0.38 %	2,691,315.00 35,546.88	2.20 % 96,189.00	Aaa AA+	1.71 1.64
3131J6C2	FFCB Note 2.35% Due 12/22/2015	1,200,000.00	03/28/2011 2.27 %	1,204,344.00 1,204,344.00	103.30 0.43 %	1,239,649.20 7,755.00	1.01 % 35,305.20	Aaa AA+	1.73 1.69
3135G0BA0	FNMA Note 2.375% Due 4/11/2016	1,245,000.00	03/08/2011 2.49 %	1,238,438.85 1,238,438.85	103.78 0.50 %	1,292,108.31 13,963.02	1.06 % 53,669.46	Aaa AA+	2.03 1.97
31331V2U9	FFCB Note 5.125% Due 8/25/2016	1,950,000.00	08/30/2011 1.14 %	2,324,887.50 2,324,887.50	110.63 0.65 %	2,157,218.70 9,993.75	1.75 % (167,668.80)	Aaa AA+	2.41 2.28
3135G0UY7	FNMA Callable Note 1X 2/27/15 1% Due 2/27/2017	1,150,000.00	04/23/2013 0.75 %	1,160,925.00 1,160,925.00	100.06 0.94 %	1,150,632.50 1,086.11	0.93 % (10,292.50)	Aaa AA+	2.92 2.44
31359M7X5	FNMA Note 5% Due 5/11/2017	1,550,000.00	12/31/2009 3.68 %	1,680,508.45 1,680,508.45	112.11 1.03 %	1,737,672.45 30,138.89	1.43 % 57,164.00	Aaa AA+	3.12 2.87
31398ADM1	FNMA Note 5.375% Due 6/12/2017	1,200,000.00	Various 3.58 %	1,341,020.65 1,341,020.65	113.25 1.14 %	1,359,043.20 19,529.17	1.11 % 18,022.55	Aaa AA+	3.20 2.94
880591EA6	Tennessee Valley Authority Note 5.5% Due 7/18/2017	2,460,000.00	Various 4.32 %	2,660,209.76 2,660,209.76	114.01 1.16 %	2,804,737.02 27,435.84	2.29 % 144,527.26	Aaa AA+	3.30 3.03
3137EABA6	FHLMC Note 5.125% Due 11/17/2017	1,400,000.00	02/03/2011 3.13 %	1,569,204.00 1,569,204.00	113.70 1.25 %	1,591,863.00 26,706.94	1.31 % 22,659.00	Aaa AA+	3.64 3.30
313372C36	FHLB Note 3.125% Due 12/8/2017	1,150,000.00	03/18/2011 2.87 %	1,167,848.00 1,167,848.00	106.48 1.32 %	1,224,539.55 11,280.38	1.00 % 56,691.55	Aaa AA+	3.69 3.46
880591CU4	Tennessee Valley Authority Note 6.25% Due 12/15/2017	1,890,000.00	Various 4.27 %	2,157,081.80 2,157,081.80	117.35 1.43 %	2,217,945.24 34,781.24	1.82 % 60,863.44	NR AA+	3.71 3.32
3135G0TG8	FNMA Note 0.875% Due 2/8/2018	1,660,000.00	Various 1.15 %	1,640,685.20 1,640,685.20	97.89 1.44 %	1,624,940.80 2,138.41	1.31 % (15,744.40)	Aaa AA+	3.86 3.76



Holdings Report

As of 3/31/14

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody S&P	Maturity Duration
AGENCY									
880591EC2	Tennessee Valley Authority Note 4.5% Due 4/1/2018	285,000.00	02/03/2010 3.90 %	296,826.36 296,826.36	111.30 1.58 %	317,191.04 6,412.50	0.26 % 20,364.68	Aaa AA+	4.01 3.62
31331YF21	FFCB Note 4.25% Due 4/16/2018	650,000.00	07/15/2010 2.98 %	706,634.50 706,634.50	110.77 1.49 %	720,021.90 12,661.46	0.59 % 13,387.40	Aaa AA+	4.05 3.68
3135G0WJ8	FNMA Note 0.875% Due 5/21/2018	2,340,000.00	Various 1.42 %	2,285,340.25 2,285,340.25	97.29 1.55 %	2,276,688.96 7,393.75	1.85 % (8,651.29)	Aaa AA+	4.14 4.03
3137EABP3	FHLMC Note 4.875% Due 6/13/2018	1,950,000.00	Various 2.67 %	2,224,649.10 2,224,649.10	113.78 1.48 %	2,218,733.40 28,518.75	1.82 % (5,915.70)	Aaa AA+	4.21 3.80
3135G0ZA4	FNMA Note 1.875% Due 2/19/2019	1,750,000.00	01/29/2014 1.72 %	1,762,722.50 1,762,722.50	100.32 1.81 %	1,755,537.00 3,828.13	1.42 % (7,185.50)	Aaa AA+	4.89 4.64
3137EADG1	FHLMC Note 1.75% Due 5/30/2019	2,345,000.00	04/27/2012 1.66 %	2,358,760.46 2,358,760.46	99.10 1.93 %	2,323,827.00 13,793.16	1.89 % (34,933.46)	Aaa AA+	5.17 4.89
3137EADK2	FHLMC Note 1.25% Due 8/1/2019	2,250,000.00	Various 1.48 %	2,219,414.80 2,219,414.80	96.19 2.01 %	2,164,383.00 4,687.50	1.75 % (55,031.80)	Aaa AA+	5.34 5.11
3133X8AS1	FHLB Note 5.125% Due 8/15/2019	2,000,000.00	06/07/2011 3.02 %	2,303,860.00 2,303,860.00	115.92 1.98 %	2,318,486.00 13,097.22	1.88 % 14,626.00	Aaa AA+	5.38 4.74
3137EADM8	FHLMC Note 1.25% Due 10/2/2019	1,025,000.00	10/22/2012 1.42 %	1,013,304.75 1,013,304.75	95.78 2.07 %	981,753.20 6,370.66	0.80 % (31,551.55)	Aaa AA+	5.51 5.24
3137ECPD0	FFCB Note 1.42% Due 5/13/2020	1,165,000.00	05/22/2013 1.63 %	1,148,561.85 1,148,561.85	95.33 2.24 %	1,110,622.46 6,341.48	0.90 % (37,939.39)	Aaa AA+	6.12 5.78
3133XDVS7	FHLB Note 5.25% Due 12/11/2020	2,600,000.00	07/07/2011 3.54 %	2,953,808.00 2,953,808.00	117.37 2.42 %	3,051,643.40 41,708.33	2.50 % 97,835.40	Aaa AA+	6.70 5.67
880591EL2	Tennessee Valley Authority Note 3.875% Due 2/15/2021	2,120,000.00	04/06/2011 3.87 %	2,121,611.20 2,121,611.20	107.78 2.63 %	2,285,005.96 10,496.94	1.85 % 163,394.76	Aaa AA+	6.88 6.03
3133752P1	FHLB Note 3.5% Due 7/29/2021	3,300,000.00	08/03/2011 3.19 %	3,388,209.00 3,388,209.00	105.96 2.60 %	3,496,541.40 19,891.67	2.84 % 108,332.40	Aaa AA+	7.33 6.44
3137EADB2	FHLMC Note 2.375% Due 1/13/2022	2,275,000.00	Various 2.28 %	2,291,259.33 2,291,259.33	97.95 2.67 %	2,228,332.93 11,706.77	1.81 % (62,926.40)	Aaa AA+	7.79 7.01
880591EN8	Tennessee Valley Authority Note 1.875% Due 8/15/2022	2,585,000.00	Various 2.03 %	2,550,760.80 2,550,760.80	91.63 3.01 %	2,368,588.97 6,193.23	1.92 % (182,171.83)	Aaa AA+	8.38 7.62
Total Agency		49,395,000.00	2.74 %	51,822,024.51 51,822,024.51	1.64 %	52,124,513.99 434,486.35	42.46 % 302,489.48	Aaa AA+	4.62 4.20
CMO									
3137AH6Q6	FHLMC K704 A2 2.412% Due 8/25/2018	1,745,000.00	03/06/2014 1.68 %	1,798,576.95 1,798,576.95	102.40 1.79 %	1,786,792.75 701.49	1.44 % (11,784.20)	NR NR	4.41 4.01
Total CMO		1,745,000.00	1.68 %	1,798,576.95 1,798,576.95	1.79 %	1,786,792.75 701.49	1.44 % (11,784.20)	NR NR	4.41 4.01



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody S&P	Maturity Duration
COMMERCIAL PAPER									
06538CFH9	Bank of Tokyo Mitsubishi NY Discount CP 0.22% Due 6/17/2014	1,150,000.00	02/12/2014 0.22 %	1,149,128.55 1,149,458.86	99.95 0.22 %	1,149,458.86 0.00	0.93 % 0.00	P-1 A-1	0.21 0.21
69349KGP9	PNC Bank Discount CP 0.27% Due 7/23/2014	1,700,000.00	12/23/2013 0.27 %	1,697,297.00 1,698,559.25	99.92 0.27 %	1,698,559.25 0.00	1.37 % 0.00	P-1 A-1	0.31 0.31
Total Commercial Paper		2,850,000.00	0.25 %	2,846,425.55 2,848,018.11	0.25 %	2,848,018.11 0.00	2.30 % 0.00	P-1 A-1	0.27 0.27
MONEY MARKET FUND FI									
94975J466	Wells Fargo Advantage Government MMF	8,609,573.78	Various 0.01 %	8,609,573.78 8,609,573.78	1.00 0.01 %	8,609,573.78 0.00	6.96 % 0.00	Aaa NR	0.00 0.00
Total Money Market Fund FI		8,609,573.78	0.01 %	8,609,573.78 8,609,573.78	0.01 %	8,609,573.78 0.00	6.96 % 0.00	Aaa NR	0.00 0.00
US CORPORATE									
665859AK0	Northern Trust Company Note 4.625% Due 5/1/2014	1,140,000.00	Various 2.47 %	1,235,765.65 1,235,765.65	100.33 0.62 %	1,143,796.20 21,968.75	0.94 % (91,969.45)	A2 A+	0.08 0.08
-22- 42CQ4	Wal-Mart Stores Note 3.2% Due 5/15/2014	1,725,000.00	Various 1.60 %	1,823,201.61 1,823,201.61	100.34 0.41 %	1,730,866.73 20,853.33	1.42 % (92,334.88)	Aa2 AA	0.12 0.12
09247XAD3	Blackrock Inc Note 3.5% Due 12/10/2014	1,090,000.00	Various 2.84 %	1,120,065.90 1,120,065.90	102.15 0.38 %	1,113,454.62 11,762.92	0.91 % (6,611.28)	A1 A+	0.70 0.68
713448BM9	Pepsico Inc. Note 3.1% Due 1/15/2015	1,550,000.00	Various 2.10 %	1,614,584.35 1,614,584.35	102.12 0.41 %	1,582,815.06 10,143.88	1.29 % (31,769.29)	A1 A-	0.79 0.78
46625HHP8	JP Morgan Chase Note 3.7% Due 1/20/2015	1,900,000.00	Various 3.16 %	1,939,327.10 1,939,327.10	102.52 0.55 %	1,947,826.80 13,864.72	1.58 % 8,499.70	A3 A	0.81 0.79
94980VAA6	Wells Fargo Bank Note 4.75% Due 2/9/2015	1,825,000.00	Various 3.52 %	1,914,016.00 1,914,016.00	103.63 0.49 %	1,891,293.13 12,521.53	1.54 % (22,722.87)	A1 A+	0.86 0.84
084670AV0	Berkshire Hathaway Note 3.2% Due 2/11/2015	1,665,000.00	Various 3.12 %	1,670,612.45 1,670,612.45	102.46 0.33 %	1,705,983.98 7,400.00	1.38 % 35,371.53	Aa2 AA	0.87 0.85
06406JHB4	Bank of New York Mellon Note 4.95% Due 3/15/2015	1,445,000.00	Various 2.11 %	1,620,058.00 1,620,058.00	104.30 0.43 %	1,507,195.69 3,179.00	1.22 % (112,862.31)	A2 A	0.96 0.94
74005PAR5	Praxair Note 4.625% Due 3/30/2015	490,000.00	Various 2.58 %	534,803.30 534,803.30	104.04 0.56 %	509,819.52 62.95	0.41 % (24,983.78)	A2 A	1.00 0.99
278642AB9	Ebay Inc Note 1.625% Due 10/15/2015	1,625,000.00	10/22/2010 1.66 %	1,622,156.25 1,622,156.25	101.75 0.48 %	1,653,388.75 12,176.22	1.35 % 31,232.50	A2 A	1.54 1.51
459200GU9	IBM Corp Note 2% Due 1/5/2016	1,950,000.00	Various 2.77 %	1,882,374.00 1,882,374.00	102.56 0.53 %	2,000,015.55 9,316.66	1.62 % 117,641.55	Aa3 AA-	1.77 1.73
24422ERZ4	John Deere Capital Corp Note 0.75% Due 1/22/2016	475,000.00	01/17/2013 0.79 %	474,496.50 474,496.50	100.41 0.52 %	476,956.53 682.81	0.39 % 2,460.03	A2 A	1.81 1.79



Holdings Report

As of 3/31/14

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody S&P	Maturity Duration
US CORPORATE									
38259PAC6	Google Inc Note 2.125% Due 5/19/2016	975,000.00	11/15/2012 0.75 %	1,021,108.20 1,021,108.20	103.26 0.58 %	1,006,805.48 7,596.88	0.82 % (14,302.72)	Aa2 AA	2.14 2.08
191216AU4	Coca Cola Company Note 1.8% Due 9/1/2016	1,070,000.00	08/13/2013 0.98 %	1,096,225.70 1,096,225.70	102.38 0.80 %	1,095,497.03 1,605.00	0.89 % (728.67)	Aa3 AA-	2.42 2.36
36962G5W0	General Electric Capital Corp Note 2.3% Due 4/27/2017	1,720,000.00	03/07/2013 1.44 %	1,778,875.60 1,778,875.60	102.97 1.31 %	1,771,073.68 16,922.89	1.44 % (7,801.92)	A1 AA+	3.08 2.94
913017BU2	United Tech Corp Note 1.8% Due 6/1/2017	115,000.00	05/24/2012 1.82 %	114,901.10 114,901.10	101.67 1.26 %	116,921.88 690.00	0.10 % 2,020.78	A2 A	3.17 3.06
68389XAN5	Oracle Corp Note 1.2% Due 10/15/2017	1,150,000.00	08/28/2013 1.87 %	1,119,421.50 1,119,421.50	99.21 1.43 %	1,140,961.00 6,363.33	0.93 % 21,539.50	A1 A+	3.55 3.43
166764AA8	Chevron Corp. Callable Note Cont 11/5/17 1.104% Due 12/5/2017	535,000.00	Various 1.19 %	533,208.75 533,208.75	99.13 1.35 %	530,319.82 1,903.18	0.43 % (2,888.93)	Aa1 AA	3.68 3.58
458140AL4	Intel Corp Note 1.35% Due 12/15/2017	1,445,000.00	12/12/2012 1.29 %	1,449,314.55 1,449,314.55	99.32 1.54 %	1,435,211.57 5,743.88	1.16 % (14,102.98)	A1 A+	3.71 3.58
931142DF7	Wal-Mart Stores Note 1.125% Due 4/11/2018	840,000.00	04/04/2013 1.14 %	839,227.20 839,227.20	98.04 1.63 %	823,500.72 4,462.50	0.67 % (15,726.48)	Aa2 AA	4.03 3.90
133AJ9	Apple Inc Note 1% Due 5/3/2018	1,450,000.00	05/14/2013 1.21 %	1,435,659.50 1,435,659.50	96.94 1.78 %	1,405,557.50 5,961.11	1.14 % (30,102.00)	Aa1 AA+	4.09 3.96
91159HHE3	US Bancorp Callable Note Cont 10/15/2018 1.95% Due 11/15/2018	1,010,000.00	11/19/2013 1.86 %	1,014,082.85 1,014,082.85	99.64 2.03 %	1,006,379.16 7,878.00	0.82 % (7,703.69)	A1 A+	4.63 4.36
24422ESF7	John Deere Capital Corp Note 1.95% Due 12/13/2018	1,120,000.00	12/10/2013 1.99 %	1,117,614.40 1,117,614.40	99.55 2.05 %	1,114,923.04 6,552.00	0.91 % (2,691.36)	A2 A	4.71 4.44
17275RAR3	Cisco Systems Note 2.125% Due 3/1/2019	1,450,000.00	Various 2.02 %	1,456,849.70 1,456,849.70	99.55 2.22 %	1,443,512.70 2,396.53	1.17 % (13,337.00)	A1 AA-	4.92 4.63
Total US Corporate		29,760,000.00	2.06 %	30,427,950.16	0.93 %	30,154,076.14 192,008.07	24.52 % (273,874.02)	A1 AA-	2.12 2.04
US TREASURY									
912828GH7	US Treasury Note 4.625% Due 2/15/2017	800,000.00	07/12/2007 5.14 %	769,187.50 769,187.50	110.72 0.85 %	885,750.40 4,599.45	0.72 % 116,562.90	Aaa AA+	2.88 2.71
912828HH6	US Treasury Note 4.25% Due 11/15/2017	1,850,000.00	12/05/2007 3.94 %	1,896,755.86 1,896,755.86	110.79 1.20 %	2,049,598.35 29,755.87	1.68 % 152,842.49	Aaa AA+	3.63 3.34
912828SD3	US Treasury Note 1.25% Due 1/31/2019	2,335,000.00	05/29/2012 1.09 %	2,359,362.67 2,359,362.67	97.97 1.69 %	2,287,571.48 4,837.71	1.85 % (71,791.19)	Aaa AA+	4.84 4.66
912828SX9	US Treasury Note 1.125% Due 5/31/2019	2,475,000.00	01/30/2013 1.23 %	2,459,444.48 2,459,444.48	96.63 1.81 %	2,391,468.75 9,332.25	1.94 % (67,975.73)	Aaa AA+	5.17 4.97
912828TH3	US Treasury Note 0.875% Due 7/31/2019	2,300,000.00	10/25/2012 1.21 %	2,249,696.70 2,249,696.70	94.95 1.87 %	2,183,741.90 3,335.64	1.77 % (65,954.80)	Aaa AA+	5.34 5.17



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody S&P	Maturity Duration
US TREASURY									
912828UB4	US Treasury Note 1% Due 11/30/2019	2,400,000.00	Various 1.91 %	2,271,415.85 2,271,415.85	94.77 1.98 %	2,274,561.60 8,043.96	1.84 % 3,145.75	Aaa AA+	5.67 5.45
912828PX2	US Treasury Note 3.625% Due 2/15/2021	1,425,000.00	06/02/2011 2.95 %	1,505,662.92 1,505,662.92	108.78 2.24 %	1,550,132.10 6,421.36	1.26 % 44,469.18	Aaa AA+	6.88 6.09
912828RC6	US Treasury Note 2.125% Due 8/15/2021	1,650,000.00	02/28/2014 2.23 %	1,637,953.86 1,637,953.86	98.27 2.38 %	1,621,511.10 4,358.60	1.31 % (16,442.76)	Aaa AA+	7.38 6.76
912828RR3	US Treasury Note 2% Due 11/15/2021	2,300,000.00	01/18/2012 1.90 %	2,320,313.90 2,320,313.90	97.03 2.43 %	2,231,717.60 17,408.84	1.82 % (88,596.30)	Aaa AA+	7.63 6.96
912828SV3	US Treasury Note 1.75% Due 5/15/2022	2,400,000.00	07/29/2013 2.41 %	2,275,134.60 2,275,134.60	94.36 2.52 %	2,264,625.60 15,895.03	1.84 % (10,509.00)	Aaa AA+	8.13 7.44
912828TJ9	US Treasury Note 1.625% Due 8/15/2022	2,450,000.00	Various 2.15 %	2,342,880.91 2,342,880.91	92.98 2.56 %	2,278,117.80 4,949.07	1.84 % (64,763.11)	Aaa AA+	8.38 7.73
912828TY6	US Treasury Note 1.625% Due 11/15/2022	600,000.00	09/23/2013 2.63 %	551,135.21 551,135.21	92.54 2.60 %	555,234.60 3,689.92	0.45 % 4,099.39	Aaa AA+	8.63 7.90
Total US Treasury		22,985,000.00	2.15 %	22,638,944.46 22,638,944.46	2.03 %	22,574,031.28 112,627.70	18.33 % (64,913.18)	Aaa AA+	6.20 5.77
AL PORTFOLIO		120,279,573.78	2.11 %	123,078,035.51 123,079,628.07	1.35 %	123,039,135.59 740,996.25	100.00 % (40,492.48)	Aa1 AA	3.81 3.46
TOTAL MARKET VALUE PLUS ACCRUED						123,780,131.84			



Holdings Report

As of 3/31/14

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody S&P	Maturity Duration
LAIF									
90LAIF\$00	Local Agency Investment Fund State Pool	21,239,163.22	Various 0.23 %	21,239,163.22 21,239,163.22	1.00 0.23 %	21,239,163.22 13,502.17	100.00 % 0.00	NR NR	0.00 0.00
Total LAIF		21,239,163.22	0.23 %	21,239,163.22	0.23 %	21,239,163.22 13,502.17	100.00 % 0.00	NR NR	0.00 0.00
TOTAL PORTFOLIO		21,239,163.22	0.23 %	21,239,163.22	0.23 %	21,239,163.22 13,502.17	100.00 % 0.00	NR NR	0.00 0.00
TOTAL MARKET VALUE PLUS ACCRUED						21,252,665.39			



SECTION 3

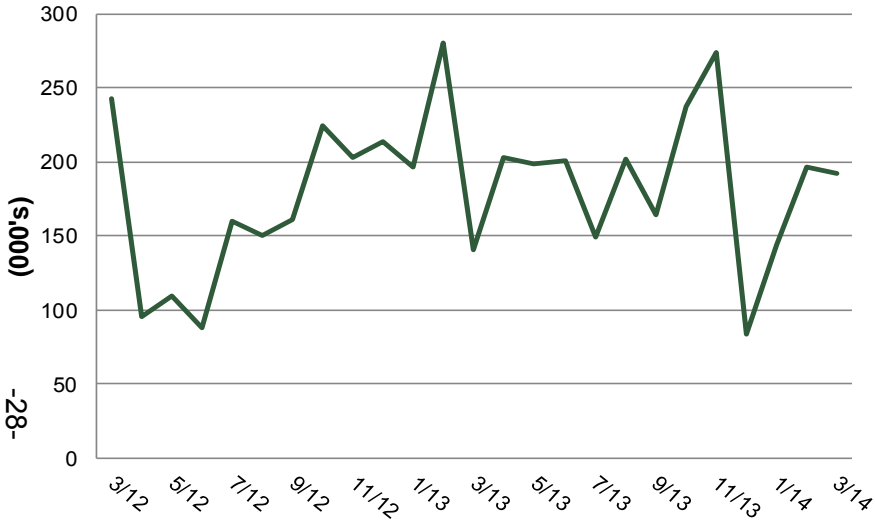
Economic Update



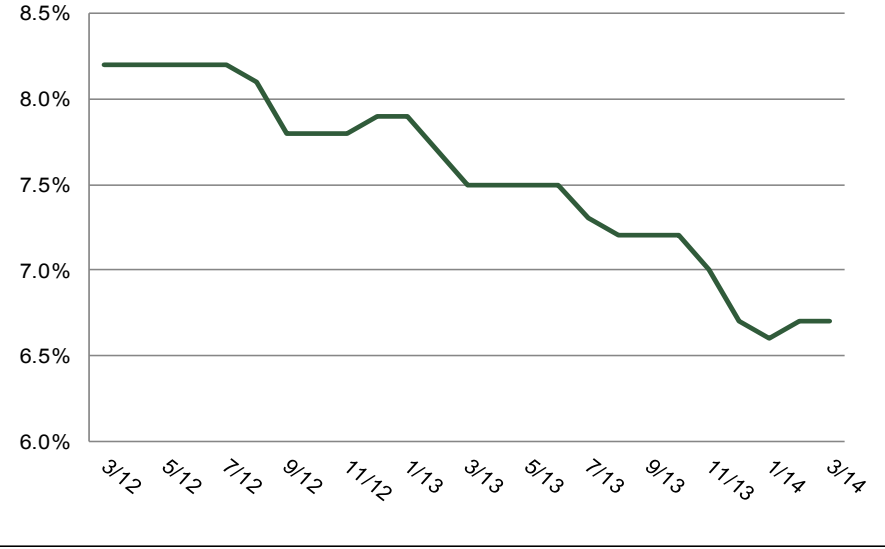
- The March employment report was slightly weaker than expected, but overall the labor market seems to be improving gradually. Nonfarm payroll jobs grew by 192,000 in March, versus expectations of 200,000. Private payrolls grew by 192,000 and government jobs were flat. The unemployment rate was unchanged at 6.7%, and wage growth was flat. For the first quarter of 2014, payrolls rose by 178,000 per month on average, which compares to average growth of 198,000 per month during the fourth quarter of last year. We believe this deceleration is at least partially explained by the severe winter weather that continued into March. Meanwhile manufacturing, housing, and consumer data remains mixed.
- The FOMC left policy rates unchanged at its March 18-19 meeting, and announced another \$10 billion reduction in asset purchases beginning in April, as expected. We believe the process of unwinding QE will likely continue at a steady pace throughout 2014. The Committee made some changes to its forward guidance on monetary policy. Rather than pointing to 6.5% unemployment as a trigger point for policy change, the Fed is now using more qualitative language and indicated that it will instead be focused on targeting “maximum employment”. The Committee will also continue to target a long-run inflation goal of 2%. The Fed slightly lowered its forecasts for GDP growth and unemployment (compared with its forecasts from December), while its inflation outlook was essentially unchanged. In her first post-meeting press conference, Chairwoman Yellen rattled the financial markets when she suggested that the first fed funds rate hike could begin 6 months after the taper is complete (which implies spring of 2015 – a few months earlier than the market had been forecasting). Overall, many market participants viewed Yellen’s comments as being more “hawkish” than expected. The next FOMC meeting is scheduled for April 29-30.
- During the past three months, the yield curve has flattened even as the Fed has been tapering its purchases of long-term Treasury bonds. The shape of the yield curve is changing as market participants anticipate future fed funds rate hikes by the Federal Reserve which has begun to put upward pressure on shorter-term yields. Meanwhile, over the past three months, market participants have reacted to lackluster domestic economic data (largely due to weather), as well as geopolitical tensions and fears about emerging market currencies. These worries have fueled a flight to quality, putting downward pressure on longer yields.



Non-farm Payroll (000's)



Unemployment Rate

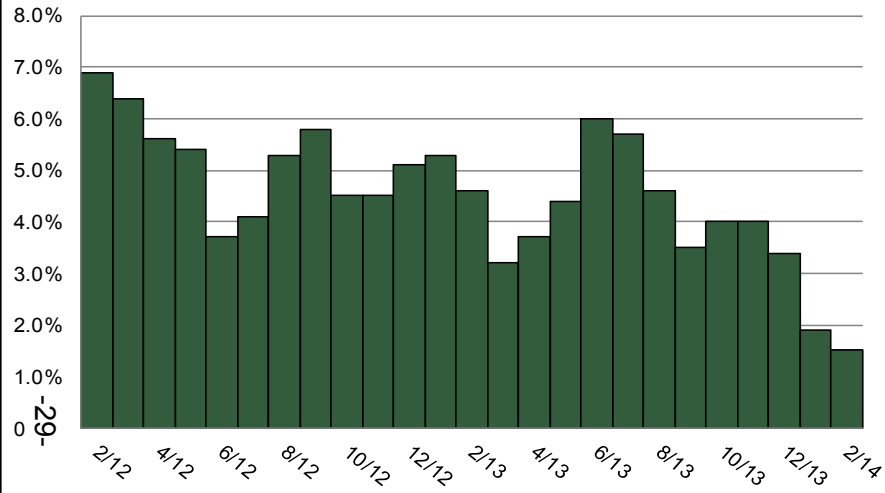


Source: U.S. Department of Labor

The March employment report was slightly weaker than expected as payrolls rose by 192,000 versus the 200,000 consensus estimate. Net revisions for job growth in February and January were +37,000. Private payrolls increased by 192,000 in March and government jobs were flat. The unemployment rate was unchanged at 6.7%, while the consensus projection was 6.6%.

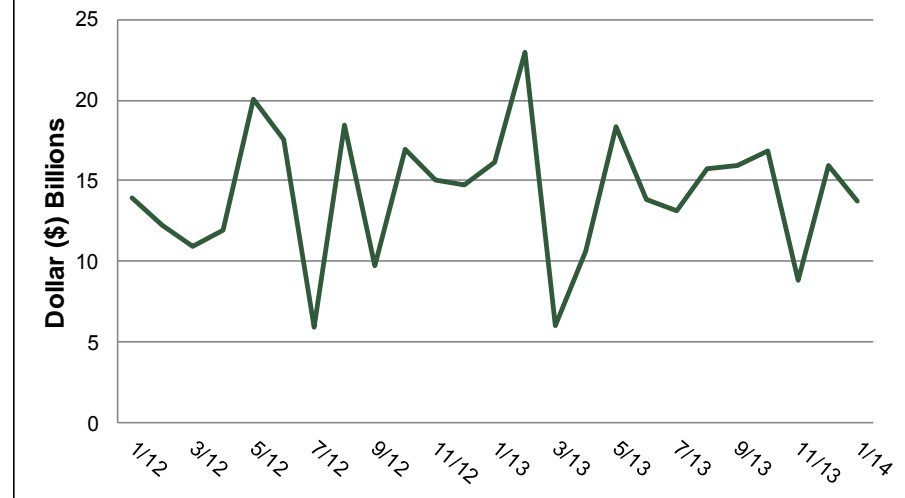


Retail Sales Y-O-Y % Change



Source: U.S. Department of Commerce

Consumer Credit

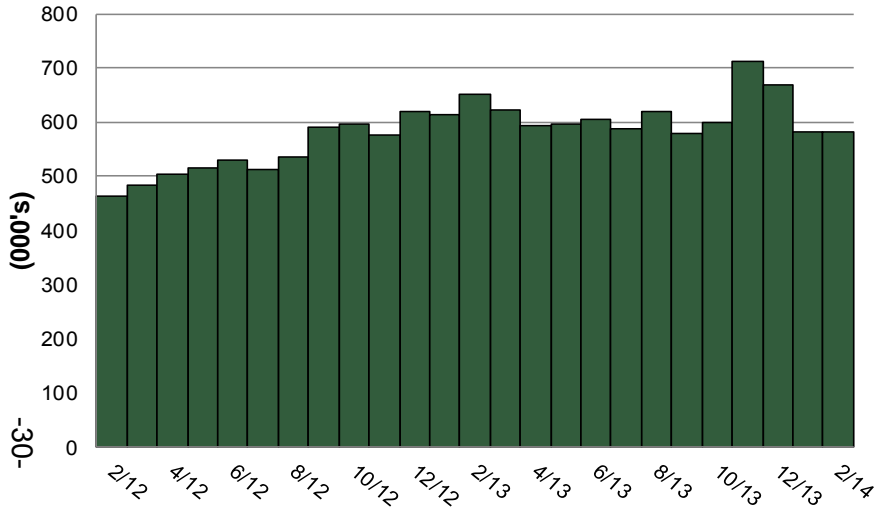


Source: Federal Reserve

In February, Retail Sales rose 1.5% on a year-over-year basis versus a gain of 1.9% in January. On a month-over-month basis, Retail Sales excluding autos and gas rose 0.3% in February which was ahead of the consensus forecast of +0.1%. Adverse weather likely continued to hinder retail sales during the month. Consumer Credit rose by \$13.7 billion in January versus a gain of \$18.8 billion in December. Revolving credit declined by \$0.2 billion in January, and December's gain in revolving credit was revised down to \$3.1 billion from \$5.0 billion. The non-revolving component (primarily auto and student loans) continues to fuel overall credit expansion and rose by \$13.9 billion in January.

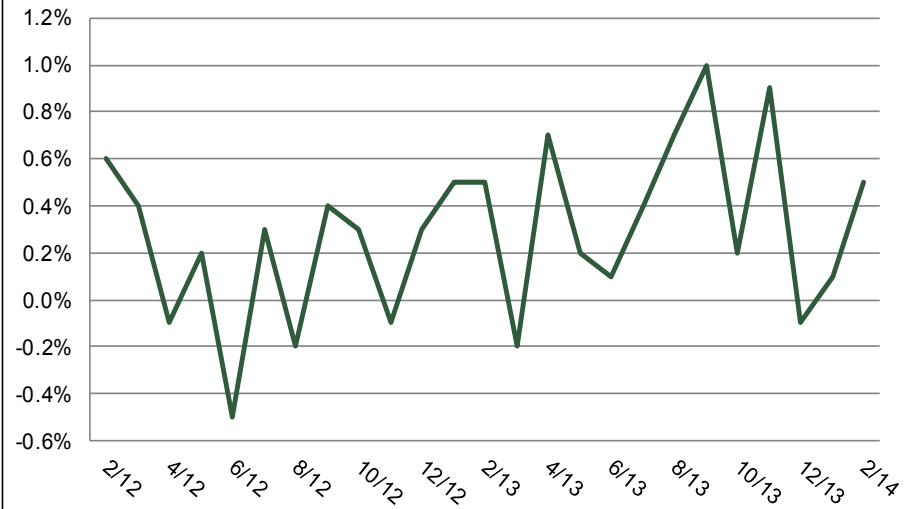


Starts - Single Family Housing



Source: US Department of Commerce

Leading Economic Indicators

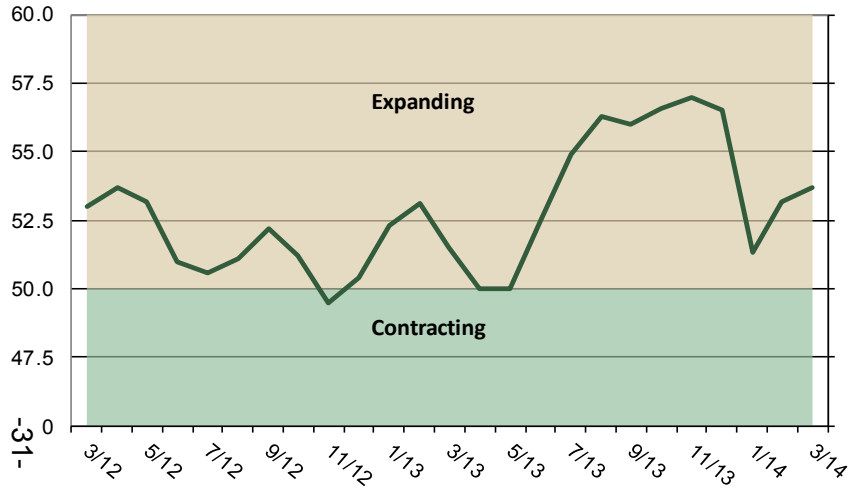


Source: The Conference Board

Single-family housing starts rose 0.3% in February after falling 13.2% in January. Unfavorable weather has likely affected housing trends in the past few months. The index of Leading Economic Indicators (LEI) rose 0.5% in February following a 0.1% gain in January. Overall, the LEI index continues to point to slow economic growth.

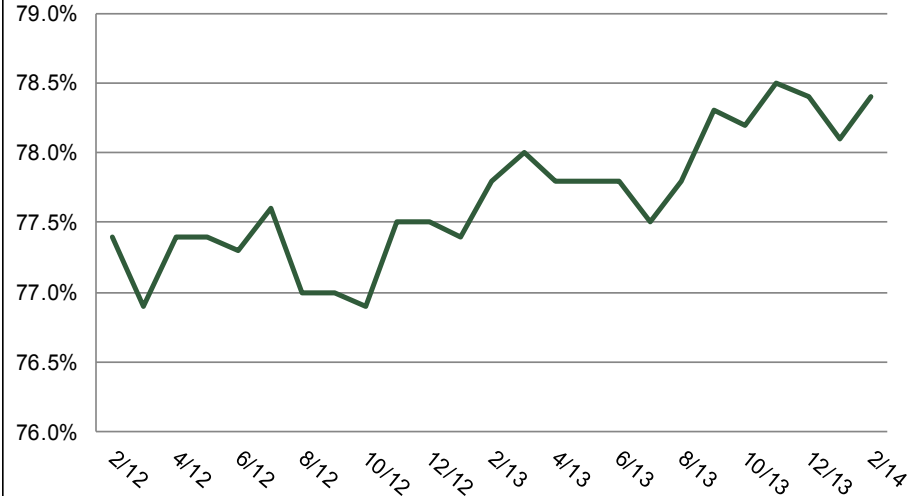


Institute of Supply Management Purchasing Manager Index



Source: Institute for Supply Management

Capacity Utilization

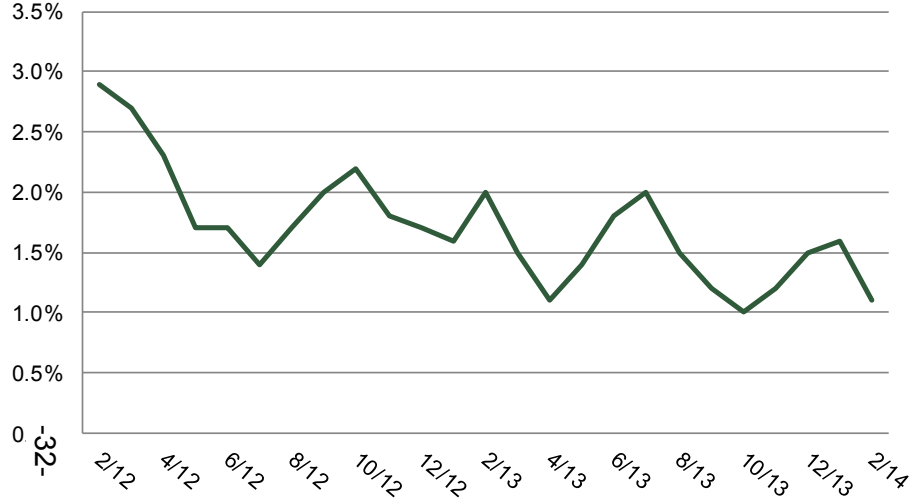


Source: Federal Reserve

During March, the ISM Manufacturing Index increased to 53.7 from 53.2 in February, signaling a slight uptick in the manufacturing sector. February's reading was slightly below expectations and was probably held down by ongoing weather-related factors. Nevertheless, a reading above 50.0 is viewed as expansionary in the manufacturing sector, while a reading below 50.0 suggests contraction in the manufacturing sector. Capacity Utilization, which is production divided by capacity, rose in February to 78.8% from 78.5% in January. The Capacity Utilization rate remains below the long-run average of 80.2% (1972-2012).



CPI Y-O-Y % Change

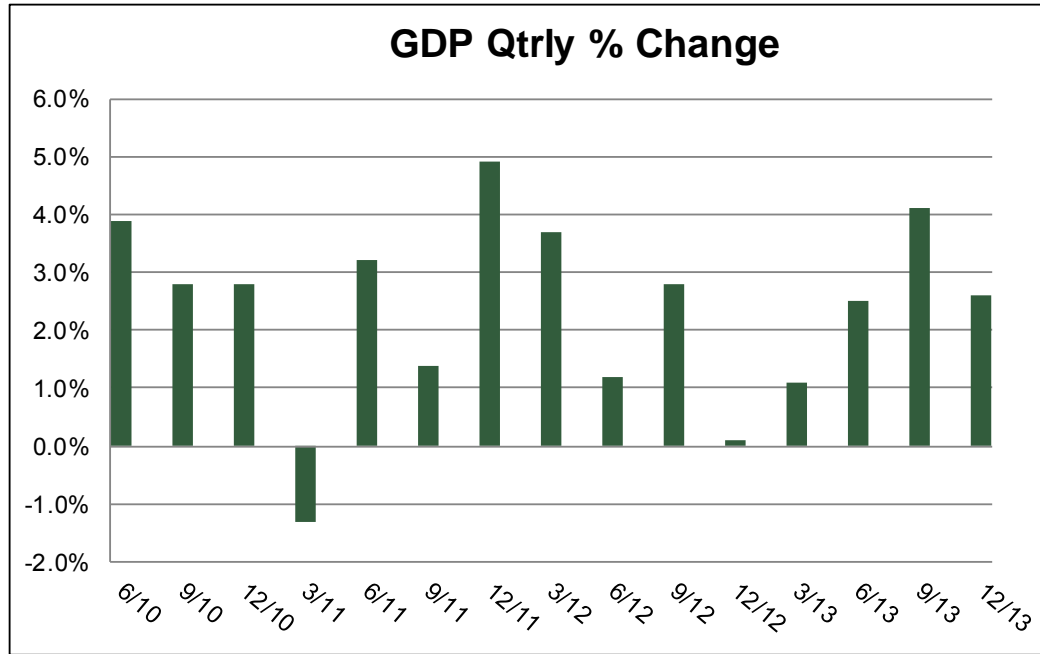


Core CPI Y-O-Y % Change



Source: US Department of Labor

In February, overall CPI inflation fell to 1.1% on a year-over-year basis from 1.6% in January. The year-over-year Core CPI (CPI less food and energy) was unchanged at 1.6% in February. The core inflation rate is still trending below the Fed's long-term goal of 2.0% and remains below the trigger rate for policy action of 2.5%.

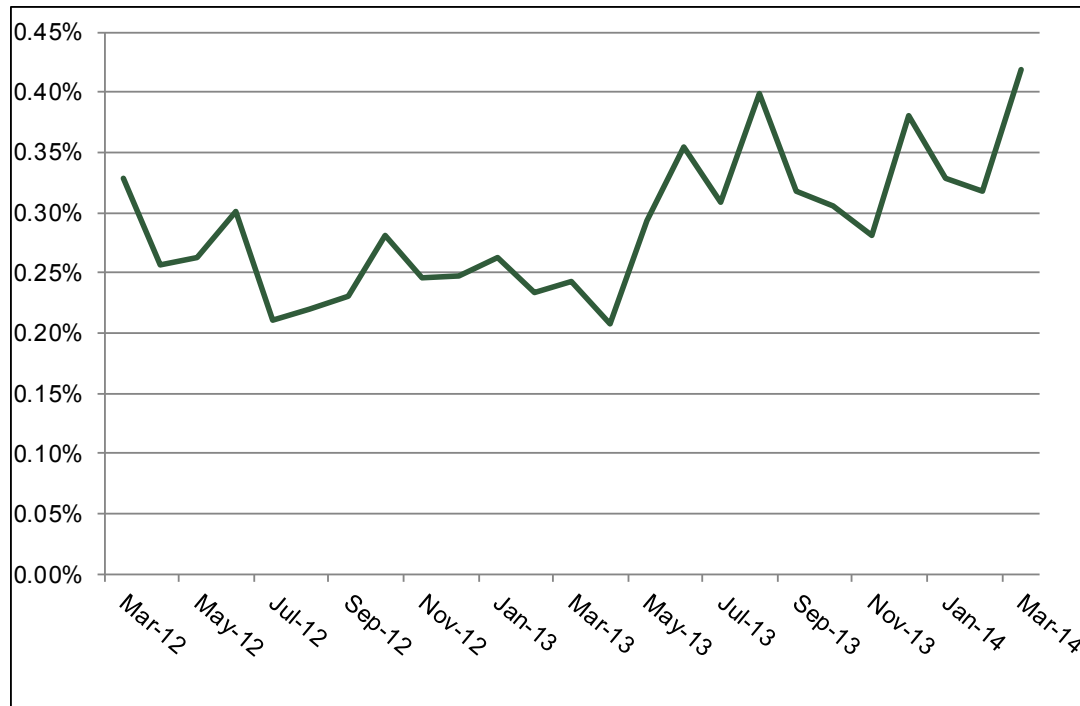


Source: U.S. Department of Commerce

The economy grew more slowly than previously estimated during the fourth quarter. Real annualized GDP growth for the fourth quarter of 2013 was 2.4%, down from the advance estimate of 3.2%. There were downward revisions to personal consumption, inventory investment, net exports, and government purchases. This follows third quarter GDP growth of 4.1%.



Yield on the Two-Year Note March 2012 through March 2014

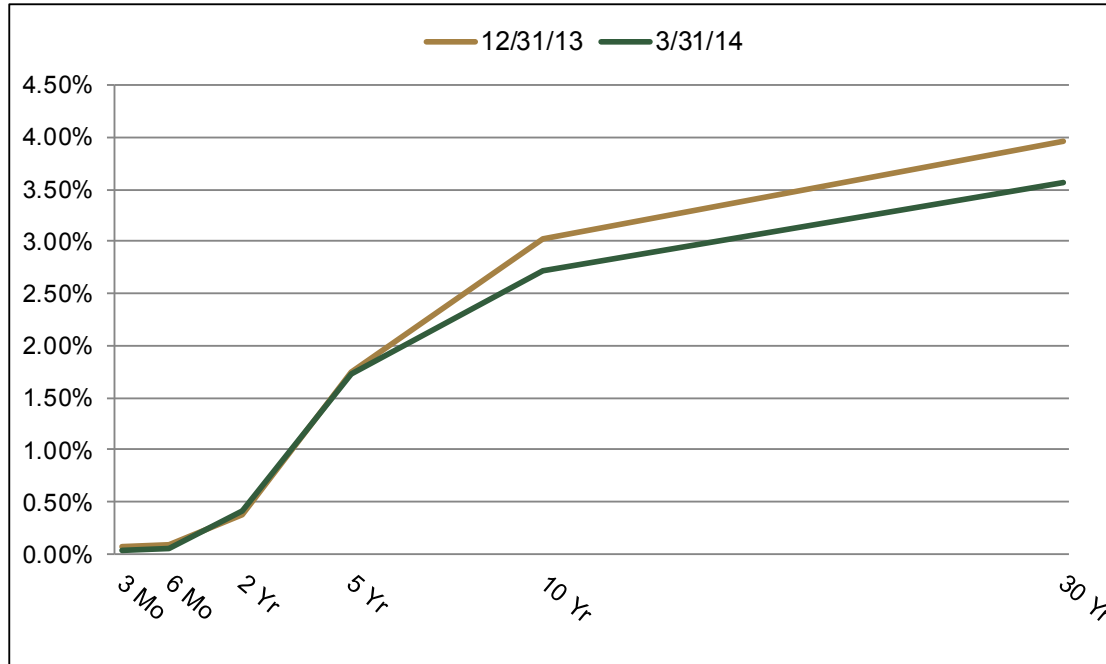


Source: Bloomberg

The yield on the two-year Treasury note increased in March, driven by in part by the ongoing unwinding of quantitative easing by the Federal Reserve along with increased anxiety that the Fed could begin hiking the fed funds rate sooner than market participants have been expecting. We believe these factors have been somewhat offset by a moderate flight to quality due to geopolitical tensions.



December 31, 2013 and March 31, 2014



Source: Bloomberg

During the past three months, the yield curve has flattened even as the Fed has been tapering its purchases of long-term Treasury bonds. The shape of the yield curve is changing as market participants anticipate future fed funds rate hikes by the Federal Reserve which has begun to put upward pressure on shorter-term yields. Meanwhile, over the past three months, market participants have reacted to lackluster domestic economic data (largely due to weather), as well as geopolitical tensions and fears about emerging market currencies. These worries have fueled a flight to quality, putting downward pressure on longer yields.

Moulton Niguel Water District



STAFF REPORT

TO: Board of Directors **MEETING DATE:** April 16, 2014

FROM: Matt Collings, Assistant General Manager
Doug Zytkevicz, Superintendent of Customer Service

SUBJECT: Agreement for Participation and Co-Funding in Municipal Water District of Orange County Rebate Program

SUMMARY:

Issue: Staff is proposing to transition administration of the District’s rebate programs to the Metropolitan Water District SoCal WaterSmart (WaterSmart) rebate program via an agreement with the Municipal Water District of Orange County (MWDOC).

Recommendation: It is recommended that the Board of Directors authorize the General Manager to execute the “Agreement for Participation and Co-Funding by Moulton Niguel Water District in Specified Municipal Water District of Orange County Rebate Programs” subject to non-substantive changes approved by Legal Counsel and the District staff.

Fiscal Impact: Sufficient funds for the rebate program are available in the WBBRS Efficiency Fund.

BACKGROUND:

The District’s rebate program was officially adopted by the Board on July 21, 2011 with additional revisions approved on October 20, 2011. The rebate devices included in the program were selected based on industry standards and the expressed interests of the District’s customers. The intent of the rebate program was to incentivize water-savings devices for the District’s customers to gain potential water savings for both internal and external water uses. A summary of the rebates that have been processed since the District’s rebate program has been in place is provided in Table 1.

DISCUSSION:

The Metropolitan Water District (MWD) administers the WaterSmart rebate program. This program offers rebates for water-savings devices and programs that are available to all of the residents within the MWD service area, including the District’s customers.

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The available programs within the WaterSmart rebate program are similar to the rebate programs offered by the District. Currently, all MWDOC member agencies, except MNWD, utilize the WaterSmart rebate program for processing all rebate applications while providing supplemental funding to increase rebate incentives. This includes Irvine Ranch Water District, Santa Margarita Water District, and El Toro Water District.

Staff is proposing to transition administration of the rebate program to the WaterSmart program. Transferring the program administration to the WaterSmart program will allow District staff to focus on targeted and programmatic outreach and education programs to assist District customers. Staff initially presented this item to the Board of Directors in February. Following that discussion, staff has met with the Chairman of the Finance and IT Committee and the administrators of the WaterSmart Program for MWD to further review the process a customer would follow to submit an application, and understand the flexibility within the system to address future changes or objectives that the District may wish to modify in the Program.

The Agreement for Participation and Co-Funding by Moulton Niguel Water District in Specified Municipal Water District of Orange County Rebate Programs (Agreement) is attached to this staff report. The Agreement will allow for the additional funding to be made available through the WaterSmart program. Upon approval and execution of the Agreement, the District will include the appropriate links and access on the District's website. Staff will coordinate with MWD and MWDOC staff to ensure all customers receive the appropriate rebates during the transition. The water rebate programs outlined in this report will be assessed on a regular basis to determine their effectiveness at increasing water-use efficiency. Programs determined not to be effective will be discontinued. Table 2 shows a summary of rebate programs offered by the District. The table identifies the current District funding for the various programs, MWD funding, and any recommended changes to support implementation with the WaterSmart program.

Attachments:

1. Table 1: Rebate Program Summary
2. Table 2: Available Rebates and Recommended Funding
3. Agreement for Participation and Funding by Moulton Niguel Water District in Specified Municipal Water District of Orange County Rebate Programs

TABLE 1
REBATE PROGRAM SUMMARY

Rebate Program or Device	Rebates (\$)		
	FY 13-14 (as of 12/31/13)	FY 12-13	FY 11-12
Residential Customers			
High Efficiency Clothes Washers	\$81,125	\$194,398	\$137,650
High Efficiency Toilets	\$155,451	\$378,849	\$228,257
Weather Based Irrigation Controllers	\$2,761	\$5,482	\$4,896
Rotating Spray Nozzles for Pop-Up Spray Heads	\$571	\$1,504	\$1,877
Drip Irrigation	\$690	\$2,406	\$637
Turf Removal	\$71,717	\$121,100	\$26,678
Synthetic Turf	\$62,420	\$85,906	\$19,896
Water Brooms	\$0	\$0	\$70
Residential Total	\$374,734	\$789,645	\$419,961
Commercial Customers			
High Efficiency Toilets	\$150	\$1,928	\$1,145
Zero & Ultra Low Water Urinals	\$0	\$150	\$280
Commercial Clothes Washers	\$0	\$0	\$4,000
Rotating Spray Nozzles for Pop-Up Spray Heads	\$0	\$0	\$1,468
Water Cooling Tower Conductivity Controller	\$0	\$0	\$600
Turf Removal	\$0	\$8,434	\$0
Commercial Total	\$150	\$10,512	\$7,493
Irrigation Customers			
Weather Based Irrigation Controller	\$16,200	\$44,210	\$15,947
Rotating Spray Nozzles for Pop-Up Spray Heads	\$1,560	\$715	\$624
High Efficiency Nozzles for Large Rotary Sprinklers	\$0	\$331	\$0
Turf Removal	\$19,643	\$65,337	\$46,133
Drip Irrigation	\$0	\$12,644	\$0
Recycled Water Retrofits	\$0	\$6,795	\$10,813
Irrigation Total	\$37,403	\$130,033	\$73,516
TOTAL REBATE PROGRAM	\$412,287	\$930,189	\$500,971

Table 2: Available Rebates & Recommended Funding

	Regional Commercial Program	Current MNWD Rebate	Proposed Supplemental MNWD Rebate	Metropolitan Incentive	Total Possible Rebate (excluding restrictions)	Notes
1	Weather-Based Irrigation Controller (WBIC) <i>Upgrades to existing equipment that enable functionality as a WBIC may qualify for incentives provided they meet program terms and conditions.</i>	\$40 per ACTIVE station Max of \$1,440 (36 stations)	\$25 per station based on controller station capacity	\$25 per station	Up to \$50 per Active Station	<ul style="list-style-type: none"> Remove maximum Rebate will be based on 'Up to the Cost of the Device'
2	Central Computer Irrigation Controller (CCIC) <i>Upgrades to existing equipment that enable functionality as a CCIC may qualify for incentives provided they meet program terms and conditions.</i>	\$40 per ACTIVE station Max of \$1,440 (36 stations)	\$25 per station based on controller station capacity	\$25 per station	Up to \$50 per Active Station	<ul style="list-style-type: none"> Same as commercial WBIC above Rebate will be based on 'Up to the Cost of the Device'
3	Soil Moisture Sensors <i>Treated like a WBIC. MET's Board to consider adding this device at their Sept Board meeting.</i>	None	Add to list with no additional funding	\$30 -\$40 per station based on site	\$30 -\$40 per station based on site	<ul style="list-style-type: none"> Rely solely on the MWD funding
4	Large Rotary Nozzles <i>Minimum 8 sets (2 each) per site required.</i>	\$15 per set Max of \$1,500 (100 sets)	\$15 per set, no maximum	\$13 per set	\$28 per set	<ul style="list-style-type: none"> Remove maximum Rebate will be based on 'Up to the Cost of the Device'
5	Rotating Nozzles for Pop-up Spray Heads Retrofits <i>Minimum 15 units per site.</i>	\$4 per nozzles Max of \$800 (200 nozzles)	\$4 per nozzle, no maximum	\$4 - \$6 per nozzle based on site	\$8 - \$10 per nozzle based on site	<ul style="list-style-type: none"> Remove maximum Rebate will be based on 'Up to the Cost of the Device'
6	Commercial High Efficiency Toilet (HET) – Tank Type <i>Rebates are for matching bowls & tanks.</i>	\$150 per HET Max of \$750/5 Toilets	\$150 per HET, no maximum	\$100	\$250 per HET	<ul style="list-style-type: none"> Remove maximum Should cover the cost of most HET's
7	Commercial High Efficiency Toilet (HET) – Flushometer <i>Rebates are for matching bowls and flushometer valves.</i>	None	No supplemental funding	\$100	\$100 per HET	<ul style="list-style-type: none"> Rely solely on the MWD funding
8	Multi-Family High Efficiency Toilets	None	No supplemental funding	\$50	\$50 MF HET	<ul style="list-style-type: none"> Rely solely on the MWD funding

Note: Rebate amounts, stated comments, and rebate offerings are as of August 2, 2013. All stated items are subject to change and will be communicated when known.

	Regional Commercial Program	Current MNWD Rebate	Proposed Supplemental MNWD Rebate	Metropolitan Incentive	Total Possible Rebate (excluding restrictions)	Notes
9	Zero Water Urinals (ZWU) <i>ZWU units must replace existing urinals flushing at 1.5 gpf or greater.</i>	\$150 per ZWU Max of \$750/5 urinals	\$150 per ZWU, no maximum	\$200	\$350 per ZWU	<ul style="list-style-type: none"> Remove maximum Rebate will be based on 'Up to the Cost of the Device'
10	Ultra Low Water Urinal (ULWU) <i>Rebates are for matching bowls and flushometer valves. Must flush at < 0.125 gpf, and must replace existing urinals flushing at 1.5 gpf or greater.</i>	\$150 per ULWU Max of \$750/5 urinals	\$150 per ULWU, no maximum	\$200	\$350 per ULWU	<ul style="list-style-type: none"> Remove maximum Rebate will be based on 'Up to the Cost of the Device'
11	pH-Cooling Tower Controller (pH-CTC)	\$600 per controller Max of \$1,200/2 controllers	\$1,000 per controller, no Maximum	\$1,750	\$2,350 per controller	<ul style="list-style-type: none"> Remove maximum Rebate will be based on 'Up to the Cost of the Device'
12	Cooling Tower Conductivity Controller (CTCC)	\$1,000 per controller Max of \$2,000/2 controllers	\$600 per controller, no Maximum	\$625	\$1,625 per controller	<ul style="list-style-type: none"> Remove maximum Rebate will be based on 'Up to the Cost of the Device'
13	Dry Vacuum Pump <i>Maximum 2 Horsepower (HP) motor.</i>	None	\$125 per 0.5 HP	\$125 per 0.5 HP	\$125 per 0.5 HP	<ul style="list-style-type: none"> Rebate will be based on 'Up to the Cost of the Device'
14	Connectionless Food Steamers	\$500 per compartment Max of \$1,000/2 cmp	\$500 per compartment, no maximum	\$485 per compartment	\$985 per compartment	<ul style="list-style-type: none"> Remove maximum Rebate will be based on 'Up to the Cost of the Device'
15	Ice-Making Machines	\$750 per machine Max of 1	\$750 per machine, no maximum	\$1,000	\$1,750 per machine	<ul style="list-style-type: none"> Remove maximum Rebate will be based on 'Up to the Cost of the Device'
16	Laminar Flow Restrictors	None	\$10 per restrictor, no maximum	\$10 per restrictor	\$10 per restrictor	<ul style="list-style-type: none"> Rebate will be based on 'Up to the Cost of the Device'

Note: Rebate amounts, stated comments, and rebate offerings are as of August 2, 2013. All stated items are subject to change and will be communicated when known.

	Regional Commercial Program	Current MNWD Rebate	Proposed Supplemental MNWD Rebate	Metropolitan Incentive	Total Possible Rebate (excluding restrictions)	Notes
17	In-Stem Flow Regulator <i>Minimum 25 units per site required.</i>	None	\$1 per regulator, no maximum	\$1 per regulator	\$1 per regulator	<ul style="list-style-type: none"> Rebate will be based on 'Up to the Cost of the Device'
18	Commercial Clothes Washers	\$400 per washer Max \$4,000/10 washers	Recommend eliminating program	Not available	\$400 per washer	<ul style="list-style-type: none"> Remove program
19	Synthetic Turf	\$1.50 per sf Max \$3,000/2,000 sf	\$1.50 per sf Max \$3,000/2,000 sf	\$0.30 per sf	\$1.80 per sf	<ul style="list-style-type: none"> MWDOC will administer this program
20	Turf Removal Program	\$1.50 per sf Max \$4,500/3,000 sf	\$1.50 per sf, limit of 10,000 sf/meter	\$1.00 per sf	\$2.50 per sf	<ul style="list-style-type: none"> MWDOC will administer this program
21	Drip Irrigation	\$0.20 per sf Max of \$1,000	\$0.10 per sf	\$0.40 per sf	\$0.50 per sf	<ul style="list-style-type: none"> Must purchase a "drip kit" Max rebate is \$200
22	Waterbrooms	\$75 per unit Max of \$225/3	Recommend eliminating program	Not available	\$75 per wb	<ul style="list-style-type: none"> Remove program
23	Pre-Rinse Spray Nozzles	\$50 per unit Max of \$100/2	Recommend eliminating program	Not available	\$50 per PRSN	<ul style="list-style-type: none"> Remove program
24	Recycled Water Retrofits	\$1,250 per irrigated acre or 50% of the project cost, whichever is less for work performed past the current potable meter. Max of \$1,250 per acre or \$5,000 total	Not eligible through regional program, MNWD staff to continue to administer this program	Not available	\$1,250 per irrigated acre/50% of project cost	

Note: Rebate amounts, stated comments, and rebate offerings are as of August 2, 2013. All stated items are subject to change and will be communicated when known.

	Regional Residential Program	Current MNWD Rebate Per Website	MWDOC Recommended MNWD Incentive	Metropolitan Incentive	Total Possible Rebate (excluding restrictions)	Notes
1	High Efficiency Clothes Washer (HECW) 4.0 Water Factor	\$200 per HECW Max 1	\$200 per HECW Max 1	\$85	\$285 per HECW	<ul style="list-style-type: none"> MET incentive to increase to \$100 later this year
2	High Efficiency Toilet (HET) (single-family)	\$150 per HET Max \$750/5	\$150 per HET, maximum of 5	\$50	\$200 per HET	<ul style="list-style-type: none"> Up to the cost of the device
3	Rotating Nozzles <i>Minimum 15 per home</i>	\$4 per Nozzle Max of \$200/50 nozzles	\$4 per Nozzle, no maximum	\$4	\$8 per Nozzle	<ul style="list-style-type: none"> Remove maximum Up to the cost of the device
Weather Based Irrigation Controller (WBIC)						
4	- WBIC <i>Less than one irrigated acre</i>	\$25 per active station Max of \$600/24 stations	\$75 per device	\$305 per in MWDOC area	\$380 per clock	<ul style="list-style-type: none"> Up to the cost of the device
5	- WBIC <i>One irrigated acre or larger</i>	\$25 per active station Max of \$600/24 stations	\$25 - \$40 per station based on controller station capacity	\$30 per station	\$55 - \$70 per station	<ul style="list-style-type: none"> Up to the cost of the device
6	Synthetic Turf	\$1.50 per sf Max \$1,500/1,000 sf	\$1.50 per sf Max \$1,500/1,000 sf	\$0.30 per sf	\$1.80 per sf	<ul style="list-style-type: none"> MWDOC will administer this program
7	Turf Removal	\$1.50 per sf Max \$1,500/1,000 sf	\$1.50 per sf, limit of 10,000 per meter	\$1.00 per sf	\$2.50 per sf	<ul style="list-style-type: none"> MWDOC will administer this program
8	Drip Irrigation <i>MET's Board to consider adding this device at their Sept Board meeting</i>	\$0.20 per sf Max of \$300	\$0.10 per sf	\$0.40 per sf	\$0.50 per sf	<ul style="list-style-type: none"> Must purchase a "drip kit" Max rebate is \$200

Note: Rebate amounts, stated comments, and rebate offerings are as of August 2, 2013. All stated items are subject to change and will be communicated when known.

**AGREEMENT FOR PARTICIPATION AND CO-FUNDING
BY MOULTON NIGUEL WATER DISTRICT IN
SPECIFIED MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
REBATE PROGRAMS**

This agreement for participation (“Agreement”) is made as of the latest date executed below by and between the MUNICIPAL WATER DISTRICT OF ORANGE COUNTY (“MWDOC”) and MOULTON NIGUEL WATER DISTRICT (“MNWD”). The Agreement provides for participation and co-funding by MNWD of water use efficiency devices through Metropolitan Water District of Southern California’s (“Metropolitan”) SoCal Water\$mart (“Water\$mart”) rebate program in MNWD’s service area, as administered by MWDOC.

MWDOC and MNWD agree as follows:

- 1. Rebate Programs.** MWDOC has developed and arranged funding through Metropolitan and other sources for programs to provide rebates to water users within MNWD’s service area upon the purchase and installation of common plumbing devices designed to increase water use efficiency. Through Metropolitan’s “Water\$mart” rebate programs (“Program”), property owners within MNWD’s service area are eligible for rebates in varying amounts for a range of devices. The Program’s objectives are to achieve savings in water consumption, reduce water runoff to storm drains and natural water bodies, and promote the goals of the applicable Best Management Practices.
- 2. Rebate Contractor.** In connection with the Program, MWDOC and Metropolitan have contracted for the services of a qualified rebate contractor (“Rebate Contractor”) to provide information about the Program and participation criteria to eligible participants, administer the rebates, and report the results of the Program. Participants qualify for rebates, and rebate checks are issued, when proper installation and operation of particular devices have occurred.
- 3. MNWD Participation and Co-Funding.** In addition to the existing funding for rebates provided directly through Metropolitan’s Water\$mart program, MNWD will provide additional Co-Funding” to the Program in the “Maximum Funding” amounts identified on Exhibit A to this Agreement, entitled “Proposed Rebate Funding Levels FY 2013-2014.” MNWD shall have the ability to transfer funding between devices as it deems necessary by sending written notice to MWDOC. Such a notice shall specify changes to the “Maximum Funding” for each device affected by the transfer between devices and shall not result in a net increase in total funding. For example, if the Water\$mart high efficiency clothes washer rebate is nearing the “Maximum Funding” amount, while the Water\$mart high efficiency toilet rebate has funding remaining, MNWD may notify MWDOC in writing to transfer funding between the devices, thereby increasing the Maximum Funding for one device and decreasing it for the other. MNWD may also, upon notice by MWDOC of depleted funds prior to Program Expiration, as defined in paragraph 8 herein, make additional funding available, without formal amendment of this Agreement. This can be accomplished by letter from an authorized MNWD representative to MWDOC’s General Manager. If the Maximum Funding for a particular device is exhausted prior to the Program Expiration, as defined in Paragraph 8 herein, and MNWD does not elect to add

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additional funding or transfer available funding from another device, MWDOC will direct the Rebate Contractor to discontinue offering the additional rebate funding for that device in MNWD's service area.

4. MWDOC's Obligations. Under this Agreement:

- MWDOC will be responsible to MNWD for ensuring that timely reports on the Program's results are prepared by the Rebate Contractor and MWDOC's own staff.
- MWDOC will develop a database of information regarding participation in the Program and provide monthly electronic and written reports of activity to MNWD.
- The electronic reports will include, at a minimum, MNWD customer account number, customer name, service address, quantity and type of device rebated, and rebate amount paid.
- MWDOC will invoice MNWD for its funding obligation pursuant to Exhibit A on a monthly basis for rebates issued during the previous month.
- MWDOC, through the Rebate Contractor or its own staff, will provide MNWD with monthly electronic and written reports and shall monitor the number of rebate applications provided in MNWD's service territory to ensure that it is within the "Maximum Funding" as provided in Exhibit A to this Agreement.
- MWDOC does not guarantee any minimum number of rebates will be available for MNWD's service area.

5. MNWD's Obligations. MWDOC will invoice MNWD on a monthly basis for rebates issued in the previous month period, and payment by MNWD will be made pursuant to Exhibit A and within thirty (30) days of the date of the MWDOC invoice.

6. Confidentiality. MWDOC agrees to maintain the confidentiality of MNWD's customer names, addresses and other information about participants in the Program gathered in connection with the Program, and MWDOC will not cause or permit the disclosure of such information except as required by law and as necessary to carry out the Program. To the extent MWDOC contracts with the Rebate Contractor or other third party contractors to carry out all or any portion of the Program, MWDOC will require such contractors to similarly maintain the confidentiality of such customer information.

7. Indemnification. The Program is a rebate program in which a participant is solely responsible for selecting, purchasing and installing the water use efficiency devices. MWDOC will require each participant to sign a release and waiver of claims against MWDOC, MNWD and any other funding agency as a condition for participating in the Program. To the extent MWDOC and/or MNWD or their respective staffs perform any activities in connection with the Program, each agrees to indemnify and hold the other harmless from any and all liability, claims, obligations, damages and suits arising out of its negligence or liability without fault in the performance of such activities, except to the extent such liability, claims, obligations, damages or suits arise from the other's negligence or liability without fault.

8. **Term.** This Agreement shall commence on July 1, 2014 and continue until June 30, 2015 or until the Total Funding for the Program, as shown on Exhibit A hereto, has been exhausted, whichever occurs first (“Program Expiration”). If the Total Funding for the Program is exhausted prior to Program Expiration, MWDOC will notify MNWD and inquire about the availability of additional funding, as provided herein. If MNWD declines to provide additional funding, MWDOC will direct its Rebate Contractor to discontinue offering rebate funding for the Program in MNWD’s service area.

9. **Early Termination.** MNWD may terminate this Agreement at any time upon thirty (30) days’ written notice to MWDOC. MWDOC may terminate this Agreement prior to the Program Expiration date, or prior to the exhaustion of the Total Funding for the Program for MNWD’s service area, without prior notice in the event funding for the Program is exhausted, reduced, or eliminated from any funding source. If MWDOC deems it necessary to terminate this Program for any other reason, MWDOC will give MNWD thirty (30) days’ written notice. In the event of termination by either party, MNWD will be responsible for payment of its funding contribution for all rebates initiated by participants of the Program within MNWD’s service area prior to the effective date of the termination. For purposes of this paragraph, an application is deemed initiated when a participant in the Program submits an online rebate application or obtains a rebate reservation.

Dated: _____

MUNICIPAL WATER DISTRICT OF
ORANGE COUNTY

By: _____

Karl W. Seckel, P.E.
Interim General Manager

Dated: _____

MOULTON NIGUEL WATER DISTRICT

By: _____

_____, General Manager

APPROVED AS TO FORM:

Dated: _____

By: _____

Patricia B. Giannone for
Bowie, Arneson, Wiles & Giannone
Legal Counsel

Exhibit A: Proposed Rebate Funding Levels FY 2013-2014

Program	Maximum Funding*	Devices	MNWD Rebate Funding Level Per Device
SoCal Water\$mart Residential Program	\$450,000	High Efficiency Clothes Washer (HECW)	\$165
		High Efficiency Toilet (HET)	\$50
Program	Maximum Funding*	Devices	MNWD Rebate Funding Level Per Device
SoCal Water\$mart Commercial Program	\$50,000	Commercial High Efficiency Toilet	\$100
		Zero Water/Ultra Low Water Urinals	\$100
		Connectionless Food Steamer	\$485 Per Compartment
		Commercial Ice Making Machine (Tier III)	\$250
		Hotel Connectionless Food Steamer	\$485 Per Compartment
		Hotel Commercial Ice Making Machine (Tier III)	\$250.00
Total Funding for All Programs	\$500,000		

* Where indicated, "Maximum Funding" amounts for certain programs are subject to the provisions of Paragraph 3 of the Agreement and will be adjusted upon notification by MNWD to transfer funding between programs.