



moulton niguel water district

FINANCE & INFORMATION TECHNOLOGY

BOARD OF DIRECTORS' MEETING

MOULTON NIGUEL WATER DISTRICT

27500 La Paz Road, Laguna Niguel

June 14, 2017

8:30 AM

Approximate Meeting Time: 3 Hours

THIS BOARD MEETING WILL INCLUDE TELECONFERENCING AT THE FOLLOWING LOCATION: 12025 CEDAR SHORE ROAD, ELLISON BAY, WISCONSIN

1. CALL MEETING TO ORDER
2. APPROVE THE MINUTES OF THE MAY 17, 2017 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. Municipal Water District of Orange County (MWDOC) Water Awareness Poster Contest Winner

DISCUSSION ITEMS

5. Fiscal Year 2017-18 Proposed Budget
6. Debt Management Policy
7. Updated Investment Policy
8. Updated Purchasing Policy
9. General Obligation Bond Tax Rates for Fiscal Year 2017-18

10. Annual Gann Appropriations Limit for Fiscal Year 2017-18
11. Selection of the Annual Lump Sum Prepayment Option for Unfunded Accrued Liability to CalPERS for Fiscal Year 2017-18
12. Professional Services Agreement for Public Affairs Services
13. Amendment No. 1 to the Master Services Agreement with Smart Utility Systems
14. Fuel Delivery Service Agreement
15. Amendment No. 1 to the Janitorial Services Agreement – Priority Building Services, LLC

INFORMATION ITEMS

16. Monthly Financial Report
 - a. Summary of Financial Results
 - b. Budget Comparison Report
 - c. Statement of Net Position
 - d. Restricted Cash and Investments with Fiscal Agent
 - e. Net Position
 - f. Summary of Disbursements May 2017
17. Water Usage Update
18. Outreach Update
19. Future Agenda Items (Any items added under this section are for discussion at future meetings only)
20. 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.



moulton niguel water district

DRAFT

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

May 17, 2017

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 8:30 AM on May 17, 2017. There were present and participating:

DIRECTORS

Duane Cave	Director
Scott Colton	Vice President
Richard Fiore	Director
Donald Froelich	President
Gary Kurtz	Director
Larry Lizotte	Director
Brian Probolsky	Vice President/Chair (arrived at 8:32 a.m.)

Also present and participating were:

STAFF MEMBERS, LEGAL COUNSEL, AND MEMBERS OF THE PUBLIC

Matt Collings	Assistant General Manager
Gina Hillary	Director of Human Resources
Drew Atwater	Director of Planning
Paige Gulck	Board Secretary
Tim Bonita	Recording Secretary
Trevor Agrelius	MNWD
Todd Dmytryshyn	MNWD
Tracy Ingebrigtsen	MNWD
David Larsen	MNWD
Steve Merk	MNWD
Todd Novacek	MNWD
Medha Patel	MNWD
Lindsey Stuvick	MNWD
Alex Thomas	MNWD

#2.

Carole Wayman-Piascik MNWD
Rod Woods MNWD
Mike Dunbar General Manager, Emerald Bay Service District

1. CALL MEETING TO ORDER

The meeting was called to order by Richard Fiore at 8:30 a.m.

2. APPROVE THE MINUTES OF THE APRIL 19, 2017 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING

MOTION DULY MADE BY DUANE CAVE AND SECONDED BY DONALD FROELICH, MINUTES OF THE APRIL 19, 2017 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING WERE APPROVED AS PRESENTED. THE VOTE WAS UNANIMOUS WITH DIRECTORS DUANE CAVE, SCOTT COLTON, RICHARD FIORE, DONALD FROELICH, GARY KURTZ, AND LARRY LIZOTTE ALL VOTING 'AYE'. DIRECTOR BRIAN PROBOLSKY WAS ABSENT.

3. PUBLIC COMMENTS

None.

PRESENTATIONS

4. Website Presentation

Brian Probolsky arrived at 8:32 a.m.

Medha Patel provided a brief presentation on the District's new website.

INFORMATION ITEMS

8. Fiscal Year 2017-18 Budget Review

This item was taken after item #4. Matt Collings gave a brief introduction to the item. Johnathan Cruz provided a review of the proposed Fiscal Year 2017-18 Budget. A detailed discussion regarding the budget occurred.

Brian Probolsky left at 10:20 a.m.

DISCUSSION ITEMS

5. Professional Services Agreement for 54-Inch Central Intertie Pipeline Improvements

This item was taken next on the agenda. Alex Thomas provided information on the item.

Staff is recommending that the Board of Directors approve the Professional Services Agreement for engineering services with Dudek in the amount of \$380,296; authorize the General Manager or Assistant General Manager to execute the agreement; and to approve amendments up to 10% of the contract value. Discussion ensued regarding the terms of the agreement.

6. Professional Services Agreement for Hydrogeological Services

Alex Thomas provided details on the agreement. Staff recommends that the Board of Directors approve the Professional Services Agreement for Hydrogeological Services with Thomas Harder & Co. in the amount of \$122,061; authorize the General Manager or Assistant General Manager to execute the agreement; and to approve amendments up to 10% of the contract value. Discussion ensued regarding the agreement.

7. Amendment No. 2 to the Professional Services Agreement – LSA Associates, Inc.

Matt Collings provided information on the Amendment. Staff recommends that the Board of Directors approve Amendment No. 2 to the Professional Services Agreement with LSA Associates, Inc. for an amount not-to-exceed \$30,150 for a total contract amount of \$183,226; authorize the General Manager or Assistant General Manager to execute Amendment No. 2; and to approve change orders up to 15% of the total contract value. Discussion ensued regarding Amendment No. 2.

INFORMATION ITEMS CONTINUED

9. Quarterly Construction Progress Report

Steve Merk provided the Quarterly Construction Progress Report.

10. Quarterly Capital Improvement Program Report

Rod Woods provided the Quarterly Capital Improvement Program Report.

11. Operation Center Consolidation Improvement Project Update

Matt Collings provided the Operation Center Consolidation Improvement Project Update. Staff is working on finalizing the California Environmental Quality Act (CEQA) documents.

12. Future Agenda Items (Any items added under this section are for discussion at future meetings only)

Scott Colton requested an update on the Valve Replacement Program. Matt Collings stated that staff would work on setting a time for the Board to witness a live valve replacement project in the field.

#2.

13. Late Items (Appropriate Findings to be Made)

None.

ADJOURNMENT

The meeting was adjourned at 11:06 a.m.

Respectfully submitted,

Tim Bonita
Recording Secretary

DRAFT



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** June 14, 2017
FROM: Drew Atwater, Director of Planning
Johnathan Cruz, Financial Planning Manager
SUBJECT: Fiscal Year 2017-18 Proposed Budget
DIVISION: District-Wide

SUMMARY:

Issue: The current Operating and Maintenance Budget and the annual Capital Improvement Program for Fiscal Year 2017-18 has been developed and proposed to reflect current resource needs.

Recommendation: It is recommended that the Board of Directors approve the resolution entitled, “Approving a Budget Appropriation and Adopting the Operating Budget and Capital Improvement Program Budget for Fiscal Year 2017-18”.

Fiscal Impact: The proposed Budget, and staffing plan, along with the Cash Fund balances and projected 10-year cashflow, are included in the attached budget document.

Reviewed by Legal: Yes

BACKGROUND:

The District has a one-year Operating and Maintenance Budget and an annual 10-year Capital Improvement Program Budget. Additionally, staff updates the Long Range Financial Planning model to provide a comprehensive picture of the District’s financial position as the Board considers the budget. The Operating and Maintenance Budget includes the necessary staffing, resources, and services to provide water, wastewater, and recycled water services to the District’s customers. The Capital Improvement Program

#5.

Fiscal Year 2017-18 Proposed Budget

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budget includes appropriate funding to perform infrastructure improvements and/or the addition of new infrastructure.

DISCUSSION:

On May 3, 2017 and May 17, 2017, the Board participated in a budget workshop to review the details of the proposed budget and provide input through the process. The draft budget document provides a summary of the Fiscal Year 2015-16 actuals in comparison to the Fiscal Year 2015-16 Budget, the current Fiscal Year 2016-17 adopted Budget, the forecast of the Fiscal Year 2017-18 expenses consistent with the 10-year cashflow model and the proposed Fiscal Year 2017-18 budget. The budget document also includes narrative and graphics to provide additional context to the proposed budget and incorporates changes generated during the budget workshop. The public meetings to discuss the FY 2017-18 budget and its development are listed below:

Finance Board Meeting	Date
Financial Planning Workshop	December 14, 2016
Finance Overview	February 15, 2017
Presentation of Proposed FY 2017-18 Ten Year Capital Improvement Program	April 19, 2017
Budget Workshop	May 3, 2017
Detailed Budget Tables Discussion	May 17, 2017
FY 2017-18 Budget Adoption	June 15, 2017

Attachment: Resolution Approving a Budget Appropriation and Adopting the Operating Budget and Capital Improvement Program Budget for Fiscal Year 2017-18.

RESOLUTION NO. 17-__

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
MOULTON NIGUEL WATER DISTRICT
APPROVING A BUDGET APPROPRIATION AND ADOPTING THE OPERATING
BUDGET AND CAPITAL IMPROVEMENT PROGRAM BUDGET
FOR FISCAL YEAR 2017-18**

WHEREAS, the Financial Policies of the District provide that the Board shall hold public meetings and adopt the District’s budget and may modify appropriations with a majority approval throughout the Fiscal Year. Said budget consists of the estimated and anticipated expenditures and revenues for the Fiscal Year for all funds; and

WHEREAS, the Capital Improvement Program (“CIP”) outlines the expenditure plan for future capital projects for the next decade and provides a CIP Budget for the upcoming Fiscal Year. CIP projects are funded from four sources: Water Efficiency (“WE”) Fund 6, Replenishment and Refurbishment (“R&R”) Fund 7, Water Supply Reliability (“WSR”) Fund 12, and Planning and Construction (“P&C”) Fund 14. All of the funds described herein and as further set forth in the budget adopted by this Resolution shall be referred to herein as “Funds;” and

WHEREAS, the Board held multiple public meetings to review and discuss the proposed Fiscal Year 2017-18 Operating Budget and Capital Improvement Budget. In addition, a public meeting of the Board was duly noticed and conducted under the Brown Act on June 15, 2017 during which this Resolution and the budget were considered; and

NOW, THEREFORE the Board of Directors of the Moulton Niguel Water District, does hereby **RESOLVE, DETERMINE** and **ORDER** as follows:

SECTION 1. A certain document now on file in the Finance Division of the Moulton Niguel Water District entitled, “Moulton Niguel Water District FY 2017-18 Budget,” is hereby made part of this Resolution.

SECTION 2. Said Operating and Maintenance Budget and Capital Improvement Budget is hereby adopted for the Fiscal Year beginning July 1, 2017, and ending June 30, 2018, and consists of the estimated and anticipated expenditures and revenues for the Fiscal Year for all Funds.

SECTION 3. The expenditure amounts designated to each Fund for which they are designated and such appropriations shall not be increased except as provided herein.

#5.

SECTION 4. Except as provided for in SECTION 5, the appropriations for each Fund may only be increased or decreased by the Board during the Fiscal Year by passage of a resolution amending the Budget.

SECTION 5. The following controls are hereby placed on the use and transfers of budgeted Funds:

- A. No expenditure of Funds shall be authorized unless sufficient amounts have been appropriated by the Board or General Manager as described herein. The General Manager may authorize all transfers of amounts from category to category within the same Fund. The General Manager may delegate authority to Director level staff, the Assistant General Manager and/or Controller to transfer amounts between categories as necessary.
- B. The General Manager may authorize the transfer and expenditure of amounts between the Funds only to the extent of the specific Funds and maximum amounts set forth below. Said transfers may be made at one or more times during the Fiscal Year so long as the total amounts do not exceed the maximum amounts for the specific Funds set forth below. The General Manager may delegate authority to transfer amounts as necessary.
 - 1. The maximum amount which may be transferred by the General Manager from Fund 1 to Funds 7, 12, and/or 14 shall be \$44,497,108.
 - 2. The maximum amount which may be transferred by the General Manager between and among Funds 7, 12, and 14 shall be \$44,497,108.
 - 3. The maximum amount which may be transferred by the General Manager from the Capacity Fee Fund 15 to Fund 7 shall be \$267,368 to be spent on the identified projects in Table 1.

Table 1.

Project No.	Description	FY 2017-18 Budget
2016002	2016-17 VALVE REPLACEMENT	\$1,250,000
JRWSS	SCWD/JRWSS CAPITAL PROJECT	\$1,665,029
2015013	2016-17 RESERVOIR MANAGEMENT SYSTEM REPLACEMENT	\$1,700,000
SOCWA124	2016/2017 SOCWA CAPITAL PC 2(R)	\$1,029,280
2009115	SAN JUAN CREEK 30 EFFLUENT TM	\$2,211,063
SOCWA128	2016/2017 SOCWA CAPITAL PC 17(R)	\$3,376,803
Total		\$11,232,175

4. The maximum amount which may be transferred by the General Manager from Fund 1 to Funds 12, 68, 69, 70, 71 and 72 shall be \$10,293,690 to be spent on debt service payments.

C. The General Manager is authorized to employ during the fiscal year(s) covered by this Budget, the number and classifications of such full time employees as are shown in the Budget, all subject to the total number of authorized positions. The General Manager may also authorize the hiring of temporary or part time staff.

SECTION 6. All appropriations for the Capital Improvement Projects remaining unexpended on June 30, 2017, are hereby appropriated for such Capital Projects for the 2017-18 Fiscal Year.

SECTION 7. All appropriations and outstanding encumbrances for non-Capital Projects as of June 30, 2017, expire as of said date.

SECTION 8. The Board of Directors does hereby approve and adopt the General Manager, General Unit, Supervisory Unit and Exempt Employees' Job Classification Salary Schedules effective June 24, 2016, for Fiscal Year 2017-2018.

SECTION 9. If any section, subsection, clause or phrase in this Resolution is for any reason held invalid, the validity of the remainder of this Resolution shall not be affected thereby. The Board hereby declares that it would have passed this Resolution and each section, subsection, sentence, clause, or phrase thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases or the application thereof be held invalid.

SECTION 10. The Recitals set forth above are incorporated herein and made an operative part of this Resolution.

ADOPTED, SIGNED and APPROVED this 15th day of June, 2017.

MOULTON NIGUEL WATER DISTRICT

President/Vice President
MOULTON NIGUEL WATER DISTRICT
and of the Board of Directors thereof

Secretary/Assistant Secretary
MOULTON NIGUEL WATER DISTRICT and of the
Board of Directors thereof



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** June 14, 2017

FROM: Drew Atwater, Director of Planning
Johnathan Cruz, Financial Planning Manager

SUBJECT: Debt Management Policy

DIVISION: District-Wide

SUMMARY:

Issue: Moulton Niguel Water District is required to implement a debt management policy per SB 1029 in order to issue new money bonds.

Recommendation: It is recommended that the Board of Directors adopt the proposed Debt Management Policy.

Fiscal Impact: None.

Reviewed by Legal: Yes

BACKGROUND:

SB 1029 was chaptered September 12, 2016 and is a new requirement that public agencies in California adopt a debt management policy as a prerequisite for a new bond issuance. The debt policy shall include at a minimum:

- The purposes for which the debt proceeds may be used.
- The types of debt which may be issued.
- The relationship of the debt to, and integration with, the issuer's capital improvement program or budget.
- Policy goals related to the issuer's planning goals and objectives.

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Debt Management Policy

June 14, 2017

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- The internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.

The District has moved to annually review the District's financial policies and Staff propose to include the Debt Management Policy as part of the annual review as government code changes occur.

DISCUSSION:

Staff worked with the District's Financial Advisor, PFM and its financial consultant, Michael Bell to codify current debt management practices and anticipate potential future needs consistent with the requirements of SB 1029. The policy provides general direction to staff and codifies current internal controls. The policy does not authorize staff to issue debt, or obligate the District to issue new debt. Any new debt issuance or refunding of existing bonds would require Board authorization. The proposed policy was discussed at the Engineering & Operations Board Meeting on May 15, 2017. Staff recommends the Board adopt the Debt Management Policy with incorporated feedback received in the May Engineering and Operations Board Meeting.

Attachment: 2017 Debt Management Policy

**MOULTON NIGUEL WATER DISTRICT
DEBT MANAGEMENT POLICY
June 2017**

Policy Statement

This policy documents Moulton Niguel Water District’s (the “District” or “MNWD”) goals and guidelines for the use of debt instruments for financing District water, recycled water, and wastewater infrastructure, projects, and other financing needs. The District recognizes the need to invest in ongoing capital replacement and rehabilitation of its facilities as well as new infrastructure to ensure future viability of services, and that the appropriate use of debt can facilitate the timely construction of such facilities.

The District expects to pay for infrastructure and other projects (e.g., water supply) from a combination of current revenues, available reserves, and prudently issued debt. MNWD recognizes that debt can provide an equitable means of financing projects for its customers and provide access to new capital needed for infrastructure and project needs. Debt will be used to meet financing needs (i) if it meets the goals of equitable treatment of all customers, both current and future; (ii) if it is cost-effective and fiscally prudent, responsible, and diligent under the prevailing economic conditions; and (iii) if there are other important policy reasons therefor. All District debt must be approved by the Board of Directors (“Board”).

To endorse prudent financial management and achieve the highest practical credit ratings, the District is committed to systematic capital planning, and long-term financial planning. Evidence of this commitment to long term capital planning is demonstrated through adoption and periodic adjustment of the District’s Capital Improvement Plan (CIP) identifying the benefits, costs and method of funding capital improvement projects over the planning horizon.

Purpose of Policy

The purpose of this debt management policy is to:

- To establish parameters for issuing debt, including the purposes for which debt can be issued
- Describe how debt and debt proceeds will be managed
- Provide guidance as to the type of debt to be issued
- Provide guidance as to the relationship between the capital improvement plan and debt issuance

Purpose and Use of Debt

The District will utilize reasonable debt financing to fund long-term improvements and thus ensure equitable allocation of costs. Long-term improvements may include the acquisition of land, facilities, infrastructure, and supplies of water; and enhancements or expansions to existing water, recycled water, and wastewater capacity and facilities. Debt can be issued to fund the planning,

**MOULTON NIGUEL WATER DISTRICT
DEBT MANAGEMENT POLICY
June 2017**

pre-design, design, land and/or easement acquisition, construction, and related fixtures, equipment and other costs as permitted by law. The District will not issue debt to cover operating needs.

The District may utilize short term financing (including leases) to finance certain essential equipment and vehicles. These assets can range from service vehicles to equipment. The underlying asset must have a minimum useful life of one year or more. Short-term financings, including loans, on bill financing and capital lease purchase agreements, are executed to meet such needs.

The Treasurer, Director of Planning and Financial Planning Manager will periodically evaluate the District's existing debt and recommend re-financings or prepayment (refunding) when economically beneficial. A refinancing may include the issuance of bonds to refund existing bonds or the issuance of bonds in order to refund other obligations, such as commercial paper or loans.

The General Manager, Treasurer, Director of Planning and Financial Planning Manager and District Financial Advisor as appropriate shall be responsible for analyzing any debt financing proposal to determine if it is beneficial to the District and if it complies with the District's long-term financial planning objectives, including maintaining or improving the current credit ratings assigned to outstanding debt by the major credit rating agencies.

The proceeds of any debt obligation shall be expended only for the purpose for which it was authorized. Debt may only be issued upon Board authorization. No debt shall be issued with a maturity date greater than the expected weighted average useful life of the facilities or improvements being financed. The final maturity of bonds or state or federal loan debt shall be limited to 30 years after the date of issuance.

Debt Management

The District will provide for a periodic review of its financial performance and review its performance relative to the financial policies outlined herein. These financial policies will be taken into account during the capital planning, budgeting, and rate setting process. Necessary appropriations for annual debt service requirements will be routinely included in the District's annual budget. The District will maintain proactive communication with the investment community, including rating agencies, credit enhancers and investors, to ensure future capital market access at the lowest possible interest rates.

The District's Debt Management Policy, Reserve Policy and Investment Policy are integrated into the decision-making framework utilized in the budgeting and capital improvement planning process. As such, the following principles outline the District's approach to debt management:

- The District will issue debt only in the case where there is an identified source of repayment. Debt will be issued to the extent that (i) projected existing revenues are sufficient to pay for the proposed debt service together with existing debt service

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DEBT MANAGEMENT POLICY
June 2017

covered by such existing revenues, (ii) additional revenues, as necessary, have been identified as a source of repayment in an amount sufficient to pay for the proposed debt, and (iii) bond covenants will be maintained.

- Debt will be structured for the shortest period possible, consistent with an equitable allocation of costs to current and future users. Borrowings by the District should be of a duration that does not exceed the useful life of the improvement that it finances and where feasible, should be shorter than the projected economic life. The standard term of long-term borrowing is typically 20-30 years.
- The District may issue bonds on a fixed or variable interest rate basis. Fixed rate securities ensure budget certainty through the life of the securities and can be advantageous in a low interest rate environment. When appropriate, the District may choose to issue securities that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of the securities. Such variable rate bonds will be limited to no more than 20% of outstanding debt.

The proceeds of the bond sales will be invested until used for the intended project(s) in order to maximize utilization of the public funds. The investments will be made to obtain the highest level of safety. The District's Investment Policy and the specific bond indentures govern objectives and criteria for investment of bond proceeds. The Treasurer, Director of Planning and Financial Planning Manager will oversee the investment of bond proceeds in a manner to avoid, if possible, and minimize any potential negative arbitrage over the life of the bond issuance, while complying with arbitrage and tax provisions.

Bond proceeds will be deposited and recorded in separate accounts to ensure funds are not comingled with other forms of District cash and investments. The District's trustee will administer the disbursement of bond proceeds pursuant to an Indenture of Trust. Requisition for the disbursement of bonds funds must be approved by the District's General Manager or Treasurer.

The Financial Planning Manager and Controller will monitor dedicated debt reserve fund balances and periodically review the advisability of prepayment or refunding of related debt. The financial advantages of a current refunding must outweigh the cost of reissuing new debt. A potential refunding will be assessed in combination with any new capital projects requiring financing, and the benefits of the refunding will be evaluated in relation to its costs and risks.

Debt can be refunded to achieve one or more of the following objectives:

- Reduce future interest costs;
- Restructure future debt service in response to evolving conditions regarding anticipated revenue sources;
 - Current refundings (that is, refinancings within 90 days of the call date) must meet a minimum net present value savings target of 3% of refunded bonds, while advance refundings (those refinancings executed more than 90 days prior to the call

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DEBT MANAGEMENT POLICY
June 2017**

date) must meet a net present value savings target of at least 5% of refunded bonds and an escrow efficiency of 70%:

- Restructure the legal requirements, termed covenants of the original issue to reflect more closely the changing conditions of the District or the type of debt.

Debt Service Coverage Target

The District will not engage in debt financing unless the proposed obligation, when combined with all existing debts, will result in acceptable debt service coverage ratios. In determining the affordability of proposed revenue bonds, the District will perform an analysis comparing projected annual net revenues (after payment of operating and maintenance (O&M expense) to estimated annual debt service and estimated debt service coverage ratio (DCR). DCR is the amount of cash flow available to meet annual interest and principal payment on debt.

The District's objective is to maintain a DCR at or above 1.75 times to maintain its high quality credit rating.

Debt Instrument Rating

The General Manager, Director of Planning and Financial Planning Manager, with the District's Financial Advisor if appropriate, will assess whether a credit rating should be obtained for an issuance and make a recommendation to the Board. If it is determined that a credit rating is desirable, the probable rating of the proposed debt issuance is assessed before its issuance, and necessary steps are taken in structuring the debt issuance to ensure that the best possible rating is achieved.

Debt Structuring

In structuring a debt issuance, the district will manage the amortization of debt, and to the extent possible, match its cash flow to the anticipated debt service payments. The District will seek to structure debt with aggregate level principal and interest payments over the life of the borrowing. "Backloading" of debt service will be considered only when such structuring is beneficial to the District's aggregate overall debt payment schedule.

The Financial Planning Manager, Director of Planning and General Manager, with the advice of the District's Financial Advisor, will evaluate and recommend to the Board the use of a call option, if any, and call protection period for each issuance. A call option, or optional redemption provision, gives the District the right to prepay or retire debt prior to its stated maturity. This option may permit the District to achieve interest savings in the future through refunding of the bonds. Because the cost of call options can vary widely, depending on market conditions, an evaluation of factors,

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such as the call premium, time until the bonds may be called at a premium or at par, and interest rate volatility will guide the decision to issue bonds with a call option. Generally, 30-year tax exempt municipal borrowings are structured with a 10-year call. From time to time, shorter call options (5-9 years) may also be used.

Types of Debt

Revenue bonds, Certificates of Participation (COPs), variable rate bonds, state revolving fund (SRF) loans, federal loans, bank loans, notes, commercial paper, direct placements, capital leases, lease-purchase financing, and on bill financing. The weighted average useful life of the asset(s) or project shall exceed the payout schedule of any debt the District assumes. A definition on each type of debt is provided in Appendix A.

In addition to the aforementioned long and short term financing instruments, the District may also consider joint arrangements with other governmental agencies. Communication and coordination will be made with local governments regarding cost sharing in potential joint projects, including leveraging grants and funding sources.

The District is authorized to join with other special districts and/or municipal agencies to create a separate entity, a Joint Powers Authority (JPA), to issue debt on behalf of the District, the special district or municipality. The District will only be liable for its share of debt service, as specified in a contract executed in connection with the joint venture debt.

Credit Enhancement

Credit enhancement may be used to improve or establish a credit rating on District debt obligation. Types of credit enhancement include Letters of Credit, bond insurance or surety policies. The Treasurer and General Manager will recommend to the Board the use of credit enhancement if it reduces the overall cost of the proposed financing or if, in the opinion of the General Manager and/or Treasurer (with the advice of counsel and the District's Financial Advisor), the use of such credit enhancement furthers the District's overall financial objectives.

Debt Service Reserve Fund/Surety Policy

Unless there are market requirements or it is important to increase credit ratings, the District will not fund a debt service reserve fund as part of its debt issuance. To the extent the Treasurer, and/or Financial Planning Manager determine that a debt service reserve fund is advantageous, the debt reserves will be maintained in accordance with the District's Reserve Policy.

Capitalized Interest

MOULTON NIGUEL WATER DISTRICT DEBT MANAGEMENT POLICY

June 2017

Generally, interest shall be capitalized for the construction period of a revenue-producing project, that debt service expense does not begin until the project is expected to be operational and producing revenues. In addition, for lease back arrangements, such as those used for lease revenue bond transactions interest may be capitalized for the construction period, until the asset is operational. Only under extraordinary circumstances, interest may be capitalized for a period longer than the construction period.

Credit Ratings

The District will seek to maintain the highest possible credit ratings that can be achieved for debt instruments without compromising the District's policy objectives. Ratings are a reflection of the general fiscal health of the District. By maintaining the highest possible credit ratings, the District can issue its debt at a lower interest cost. To enhance creditworthiness, the District is committed to prudent financial management, systematic capital planning, and long-term financial planning.

The District recognizes that external economic, natural, or other events may from time to time affect the creditworthiness of its debt. Each proposal for additional debt will be analyzed for its impact upon the District's debt rating on outstanding debt.

Rating Agency Relationships

The District may seek credit ratings from any or all of the major credit rating agencies - Standard & Poor's, Moody's Investors Service, and Fitch Investors Service, as appropriate. In addition, the District will evaluate the value of additional ratings on a case by case basis (e.g., Kroll Rating Services). District staff will provide periodic updates to the rating agencies, both formal and informal, on the District's general financial condition and coordinate meetings and presentations in conjunction with a new debt issuance when determined necessary.

The retention of a rating agency relationship will be based on a determination of the potential for more favorable interest costs as compared to the direct and indirect cost of maintaining that relationship.

Bond Ratings

The General Manager, Director of Planning, and Financial Planning Manager, working with the District's Financial Advisor, shall be responsible for determining whether a rating shall be requested on a particular financing, and which of the major rating agencies shall be asked to provide such a rating.

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Method of Sale

The District will select the method of sale, which best fits the type of bonds being sold, market conditions, and the desire to structure bond maturities to enhance the overall performance of the entire debt portfolio. Three general methods exist for the sale of municipal bonds:

- I. Competitive sale. Bonds will be marketed to a wide audience of investment banking (underwriting) firms. The underwriter is selected based on its best bid for its securities. The District will award the sale of the competitively sold bonds on a true interest cost (TIC) basis. Pursuant to this policy, the General Manager is hereby authorized to sign the bid form on behalf of the District fixing the interest rates on bonds sold on a competitive basis.
- II. Negotiated sale. The General Manager, Director of Planning and Financial Planning Manager select the underwriter, or team of underwriters, of its securities in advance of the bond sale, subject to Board approval. The District works with the underwriter to bring the issue to market and negotiates all rates and terms of the sale. In advance of the sale, the General Manager after approval from the Board of Directors, with advice from the District's Financial Advisor, will determine compensation for and liability of each underwriter employed and the designation rules and priority of orders under which the sale itself will be conducted. Pursuant to this policy, the General Manager is hereby authorized to sign the bond purchase agreement on behalf of the District fixing the interest rates on bonds sold on a negotiated basis.
- III. Private placement. The District may elect to issue debt on a private placement bases. Such method shall be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or of it is determined that access to the public market is unavailable and timing considerations require that a financing be completed.

Roles and Responsibility

The primary responsibility for developing debt financing recommendations rests with the Financial Planning Manager. In developing such recommendations, the Financial Planning Manager shall consider the need for debt financing and assess progress on the current capital improvement program or plan (CIP) and any other program/improvement deemed necessary by the District. The Board authorizes and approves debt financing and/or debt service related recommendations and proposals.

All proposed debt financings shall be approved by the Board.

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Debt is to be issued pursuant to the authority of and in full compliance with provisions, restrictions and limitations of the Constitution and laws of the State of California Government Code (CGC) §54300 et seq.

Bond Counsel

The District will retain external bond counsel for all debt issues. As part of its responsibility to oversee and coordinate the marketing of all District indebtedness, the General Manager, Director of Planning, and Financial Planning Manager shall make recommendations for approval by the Board on the retention of bond counsel.

Bond counsel will prepare the necessary authorizing resolutions, agreements and other documents necessary to execute the financing. All debt issued by the District will include a written opinion by bond counsel affirming that the District is authorized to issue the debt, stating that the District has met all state constitutional and statutory requirements necessary for issuance, and determining the debt's federal income tax status.

District Financial Advisors

The District will select independent registered municipal advisors (District Financial Advisor) who may assist in planning and executing all bond and debt transactions. To avoid any appearance of conflict of interest, a District Financial Advisor may not also engage in the underwriting of the District's bonds. District Financial Advisors shall be selected through a competitive process after a review of proposals by the staff and approved by the Board.

The District Financial Advisor will advise the District on refunding opportunities for current outstanding debt, as well as assist in evaluating the merits of competitive, negotiated or private placement of new debt, and determining the most appropriate structure to ensure effective pricing that meets the District's near-term and long term cash flow needs. The District Financial Advisor will work with all parties involved in the financing transaction, including the District's bond counsel, trustee, underwriters, credit liquidity providers, to develop and monitor the financing schedule and preparation of the Official Statement. The District Financial Advisor will assist the District in developing and distributing bid specifications for desired services as, trustee and paying agents, printing, remarketing and credit liquidity service providers, and assist the District in its review process. The District also expects that its District Financial Advisor will provide objective advice and analysis, maintain confidentiality of the District's financial plans, and be free from any conflict of interest.

Underwriters

For negotiated sales, the District will generally select or pre-qualify underwriters through a competitive process. This process may include a request for proposal or qualifications to all firms considered appropriate for the underwriting of a particular issue or type of bonds. The Financial Planning Manager, in consultation with the District's Financial Advisor, will determine the appropriate method to evaluate the underwriter submittals and then recommend or qualify firms

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on that basis. The District will not be bound by the terms and conditions of any underwriting agreement; oral or written, to which it was not a party.

Federal Arbitrage and Rebate Compliance

The District will fully comply with federal arbitrage and rebate regulations. Concurrent with this policy, the Financial Planning Manager and Controller will take all permitted steps to minimize any rebate liability through proactive management in the structuring and oversight of its individual debt issues. All of the District's tax-exempt issues, including lease purchase agreements, are subject to arbitrage compliance regulations.

The Controller and Financial Planning Manager shall be responsible for the following:

- I. Monitoring the expenditure of bond proceeds to ensure they are used only for the purpose and authority for which the bonds were issued and exercising best efforts to spend bond proceeds in such a manner that the District shall meet one of the spend-down exemptions from arbitrage rebate. Tax-exempt bonds will not be issued unless it can be reasonably expected that 85% of the proceeds will be expended within the three-year temporary period.
- II. Monitoring the investment of bond proceeds with awareness of rules pertaining to yield restrictions. Maintaining detailed investment records, including purchase prices, sale prices and comparable market prices for all securities.
- III. Contracting the services of outside arbitrage consultants to establish and maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of federal tax code.

To the extent any arbitrage rebate liability exists, the District will report such liability in its annual Comprehensive Annual Financial Report (CAFR).

Continuing Disclosure

The District will meet secondary disclosure requirements in a timely and comprehensive manner, as stipulated by the Securities Exchange Commission (SEC) Rule 15c2-12 and consistent with the District's Disclosure Procedures Policy. The Financial Planning Manager shall be responsible for providing ongoing disclosure information to the Municipal Securities Rulemaking Board's (MSRB's) Electronic Municipal Market Access (EMMA) system, the central depository designated by the SEC for ongoing disclosures by municipal issuers. The District will provide financial information and operating data no later than 270 days following the end of the District's

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fiscal year each year, and will provide notice of certain enumerated events with respect to the bonds, if material, as defined in the District's bond covenants and as required by the SEC.

The District will keep current with any changes in both the administrative aspects of its filing requirements and the national repositories responsible for ensuring issuer compliance with the continuing disclosure regulations. In the event a 'material event' occurs requiring immediate disclosure, the Financial Planning Manager and Controller will ensure information flows to the appropriate disclosure notification parties.

Compliance with Bond Covenants

In addition to financial disclosure and arbitrage compliance, once the bonds are issued, the District is responsible for verifying compliance with all undertakings, covenants, and agreements of each bond issuance on an ongoing basis. This typically includes ensuring:

- Annual appropriation of revenues to meet debt service payments
- Timely transfer of debt service payments to the trustee or paying agent
- Compliance with insurance requirements
- Compliance with rate covenants where applicable
- Compliance with all other bond covenants

On an annual basis, the Controller will prepare all required debt related schedules and footnotes for inclusion in the District's CAFR. The CAFR shall describe in detail all funds and fund balances established as part of any direct debt financing of the District.

The CAFR may also contain a report detailing any material or rate covenants contained in any direct offering of the District and whether or not such covenants have been satisfied.

Policy Review

On an as needed basis, the General Manager will be responsible for updating and revising this Policy which shall be reviewed at the Board meeting and adopted by the Board of Directors.

MOULTON NIGUEL WATER DISTRICT
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APPENDIX “A”

Definitions of Types of Debt

Bank Loans and Notes

Use of short-term borrowing, such as bank loans and notes, will be undertaken only if available cash or reserves are insufficient to meet both project needs and current obligations.

Capital Lease

Capital lease debt may be considered to finance capital improvements, including vehicles and equipment with an expected useful life of less than ten years. A capital lease is a lease in which the lessor finances the lease and all other rights of ownership transfer to the District.

Derivatives

The District may choose to enter into contracts and financing agreements involving interest rate swaps, floating/fixed rate auction or reset securities, or other forms of debt bearing synthetically determined interest rates as authorized under the applicable statutes. The District will only consider the use of derivative products on a case-by-case basis and consistent with state statute and financial prudence. Before entering into such contracts or agreements, the District will review the risks and benefits of such financing techniques and expected impacts on the District’s long-term financial operations and credit ratings. The District shall not execute derivative contracts with terms exceeding 10 years.

Lease-Purchase Financing

The use of lease-purchase agreements in the acquisition of vehicles, equipment and other capital assets shall be considered carefully relative to any other financing option. The lifetime cost of a lease may be higher than other financing options or pay-go purchases. Nevertheless, lease-purchase agreements may be used by the District as funding options for capital acquisitions if circumstances warrant.

On Bill Financing

The District may choose to enter into low or zero interest financing agreements with utility providers who offer On Bill Financing. This type of financing offers financing of business improvements at little to no interest and no fees or costs to the District. Repayment amounts will be based on projected savings associated with the project and will be part of the monthly bill received from the issuer. Financing terms can range from three to ten years depending on the project to be financed.

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Revenue Bonds

Revenue bonds issued by the District are long term obligations issued to fund a specific project or purpose. The District will generally issue revenue bonds on a fixed interest rate basis, wherein at the time of the bond sale all interest rates are known and do not change while those bonds are outstanding. Particular conditions may arise where the District would consider the use of variable interest rate bonds. Variable interest rate bonds have interest rates that reset on a periodic basis (e.g. daily, weekly, monthly, etc.). Revenue bonds are payable solely from District revenues in accordance with the agreed upon bond covenants.

Variable Rate Debt

Variable rate debt is an alternative to fixed rate debt. It may be appropriate to issue short-term or long-term variable rate debt to diversify the District's debt portfolio, reduce interest costs, provide interim funding for capital projects and improve the match of assets to liabilities.

Variable rate debt typically has a lower cost of borrowing than fixed rate financing and shorter maturities in the range of 7 to 35 days. The District may consider variable rate debt in certain instances. The District will maintain a conservative level of outstanding variable debt not exceeding 20% of outstanding debt. Under no circumstances will the District issue variable rate debt solely for the purpose of earning arbitrage.

Short Term Debt

Pending the issuance of bonds the Board may authorize the issuance of short term debt. The Financial Planning Manager will determine and utilize the least costly method for short-term borrowing. Such debt shall be authorized by resolution of the Board.

These short term notes may be structured as:

- Bond Anticipation Notes (BANs) - BANs are short term obligations that will be repaid by proceeds of a subsequent long-term bond issue. The District may choose to issue Bond Anticipation Notes as a source of interim construction financing. Before issuing such notes, financing for such notes must be planned for and determined to be feasible by the General Manager and Financial Planning Manager, in consultation with the District's Financial Advisor.
- Commercial Paper (CP) - CP is a form of debt that has maturities up to 270 days although it may be rolled to a subsequent maturity date. Tax Exempt Commercial Paper shall not be issued for District for capital programs unless it is of sufficient economic size, as determined by the General Manager and Financial Planning Manager, in consultation with the District's Financial Advisor.

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- Tax and Revenue Anticipation Notes (TRANs) - TRANs are short term notes secured by a pledge of taxes and other revenues in the current fiscal year. TRANs, if issued, will constitute direct obligations of the District. All TRANs will be redeemed in the same fiscal year in which they are issued.

State Revolving Funds

A State Revolving Fund (SRF) loan is a low or zero interest loan program for the construction of wastewater treatment and sewage collection systems, water recycling facilities, storm water projects, implementation of nonpoint source and storm drainage pollution control management programs, and for the development and implementation of estuary conservation and management programs. SRF debt service payments are factored into debt service coverage ratios as defined by applicable water and wastewater indentures.

SRF loans are generally structured such that the District is required to contribute a percentage of the total project cost and receives loan proceeds from the State for the balance. The SRF loan interest rate is calculated by taking half of the True Interest Cost (TIC) of the most recent State of California General Obligation Bonds sale. The term of the loans can be 20 to 30 years. When compared to traditional bond financing, the District may realize substantial savings through the use of SRF loans.

SRF Loans may provide additional assistance in the form of principal forgiveness. Principal forgiveness must be specified at the execution of the loan agreement for the amount forgiven to be counted against the total loan required to be provided by the SRF.

Letters of Credit

The District shall have the ability to enter into a letter-of-credit agreement when such an agreement is deemed prudent and advantageous. Only those financial institutions with short-term credit ratings of VMIG 1/A-1, F1 by Moody's Investor Services, Standard & Poor's and Fitch IBCA, may participate in the District's letter of credit agreements.



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** June 14, 2017

FROM: Drew Atwater, Director of Planning
Johnathan Cruz, Financial Planning Manager

SUBJECT: Updated Investment Policy

DIVISION: District-Wide

SUMMARY:

Issue: The Moulton Niguel Water District's (District) current investment policy has been updated to match current financial operating conditions.

Recommendation: It is recommended that the Board of Directors approve the proposed changes to the investment policy.

Fiscal Impact: Potentially increase investment returns.

Reviewed by Legal: Yes

BACKGROUND:

The District's current investment policy was last updated in June of 2016. The District's Investment Policy identifies the permitted investments, controls and procedures for the investment of District funds and identifies the responsible agents. District staff will review and recommend updates to the Investment Policy periodically to ensure that it is consistent with state law, permitted investments and industry standards. The District last updated the investment policy to include restricted bond reserves and update the benchmark for the Limited Maturity Reserve. The District has moved to annually review the District's financial policies to provide timely updates as government code changes occur.

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Updated Investment Policy

June 14, 2017

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DISCUSSION:

Staff worked with the District's Investment Advisor, Chandler Asset Management, as well as the District's Financial Advisor, PFM and its financial consultant, Michael Bell to update the policy consistent with current financial operating conditions. The substantive proposed changes to the policy are to:

- Update the policy consistent with changes to the government code
- Allow the purchase of high rated mutual funds as a permitted investment as permitted by the government code
- Allow the purchase of Asset Backed and Mortgage Backed securities as permitted by the government code.
- Added a glossary to clarify terms.

The proposed changes were discussed at the May Engineering and Operations Board Meeting. Staff recommends the Board approve the included changes to the District's Investment Policy.

Attachment:

1. 2017 Investment Policy Redline
2. Final 2017 Investment Policy

MOULTON NIGUEL WATER DISTRICT
STATEMENT OF INVESTMENT POLICY

ADOPTED: ~~June 16, 2016~~ June 15, 2017

I. BACKGROUND

A. Prudent management of the District includes the adoption of appropriate goals, objectives, policies and guidelines for the investment of available funds.

B. The District's cash management system is designed to monitor and forecast accurately expenditures and revenues, thus enabling the District to invest funds to the fullest extent possible.

C. This policy serves to organize and formalize the District's investment-related activities, while complying with all applicable statutes governing the investment of public funds.

D. This policy supersedes any previous Investment Policies of the Moulton Niguel Water District.

II. PURPOSE

A. This statement is set forth by the District for the following purposes:

1. To establish a clear understanding for the Board, District management, responsible employees and third parties of the objectives, policies, and guidelines for the investment of District funds.

2. To offer guidance to any investment adviser on the investment of District funds.

3. To establish a basis for evaluating investment results.

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Statement of Investment Policy
Moulton Niguel Water District
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B. The general purpose of this Investment Policy is to outline a philosophy and attitude, which will guide the investment of District funds toward the desired investment goals. It is intended to be sufficiently specific to be meaningful, yet adequately flexible to be practical.

III. INVESTMENT AUTHORITY

A. In accordance with Section 53600 et seq. of the Government Code of the state of California, the authority to invest public funds is expressly delegated to the Board of Directors for subsequent delegation to the Treasurer. Investments are limited to those instruments specified by this Investment Policy.

B. The Moulton Niguel Water District may engage the services of one or more external investment advisers who are registered under the Investment Advisers Act of 1940 to assist in the management of the District's investment portfolio in a manner consistent with the District's objectives. External investment advisers may be granted discretion to purchase and sell investment securities in accordance with this investment policy.

IV. PRUDENCE

A. Pursuant to California Government Code, Section 53600.3, all persons authorized to make investment decisions on behalf of the Agency are trustees and therefore fiduciaries subject to the Prudent Investor Standard:

“...all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.”

B. The Treasurer or designated investment advisor and other authorized persons responsible for managing District funds acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes provided that the Treasurer or other authorized persons acted in good faith. Deviations from expectations of a security’s credit or market risk should be reported to the governing body in a timely fashion and appropriate action should be taken to control adverse developments.

V. STATEMENT OF OBJECTIVES

A. The District’s investment program is based first upon the principals of safety and liquidity. The expected return on investments is considered only after the first two criteria are met.

B. In order of priority, three fundamental criteria shall be followed:

1. SAFETY. Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the District will diversify its investments by investing funds among a variety of securities with independent returns.

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2. LIQUIDITY. The investment portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

3. RETURN ON INVESTMENTS. The investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints for safety and liquidity needs.

C. Funds are divided into six categories:

1. Funds needed for current operating expenses and capital requirements, known as the "Liquid Fund,"

2. Funds needed over the next one to five years known as the "Limited Maturity Fund", and

3. Funds not currently needed, known as the "Operating Reserve Fund."

4. Funds required per bond trust indentures of the 2009 COPs, known as the "Debt Service Restricted 2009 COP Reserve Fund."

5. Funds required per bond trust indentures of the 2010 COPs, known as the "Debt Service Restricted 2010 COP Reserve Fund."

6. Funds required per bond trust indentures of the 2015 Revenue Refunding Bond, known as the "Debt Service Restricted 2015 Revenue Refunding Reserve Fund."

D. The District shall inform the investment adviser from time to time of amounts to be allocated to each of the six categories.

E. The investment goals of the Liquid Fund shall be:

1. To preserve principal,

2. To provide liquidity for operating and maintenance expenses, debt service payments, and capital requirements, and

3. To earn a total rate of return commensurate with the first two goals.

F. The investment goals of the Limited Maturity Fund shall be:

1. To preserve principal,

2. To provide liquidity for operating and maintenance expenses, debt service payments, and capital requirements within the next one to five years, and

3. To earn a total rate of return commensurate with the first two goals.

G. The investment goal of the Operating Reserve Fund shall be:

1. To preserve principal and

2. To provide growth over the long term by earning the rate of return available from the longer-term investments permitted under the California Government Code.

H. The investment goal of the Debt Service Restricted 2009 COP Reserve Fund shall be:

1. To preserve principal

2. To provide liquidity for debt service payments in the event of defaulting, and

3. To earn a total rate of return commensurate with the first two goals.

I. The investment goal of the Debt Service Restricted 2010 COP Reserve Fund shall be:

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1. To preserve principal
2. To provide liquidity for debt service payments in the event of defaulting, and
3. To earn a total rate of return commensurate with the first two goals.

J. The investment goal of the Debt Service Restricted 2015 Revenue Refunding Reserve Fund shall be:

1. To preserve principal
2. To provide liquidity for debt service payments in the event of defaulting, and
3. To earn a total rate of return commensurate with the first two goals.

VI. INVESTMENT PERFORMANCE OBJECTIVES AND GUIDELINES

A. Liquid Fund

1. The investment performance objectives for the Liquid Fund shall be to earn a return over a market cycle, which equals or exceeds the return on 90-day Treasury Bills.
2. The average maturity of the Liquid Fund shall not exceed 90 days, and the maximum final stated maturity of individual securities in the Liquid Fund may not exceed one year.
3. The District's ~~Finance Director~~/Treasurer shall communicate periodically with the investment adviser in order to keep the adviser informed as to the District's specific short-term liquidity requirements.
4. The Liquid Fund shall maintain a minimum fund balance sufficient to provide adequate cash reserves to pay current operating expenses.

B. Limited Maturity Fund

1. The investment performance objective of the Limited Maturity Fund is to earn a return that equals or exceeds the return of the Bank of America Merrill Lynch 0-3 Year Treasury Index.

C. Operating Reserve Fund

1. The investment performance objective for the Operating Reserve Fund shall be to earn a rate of return over a market cycle, which exceeds the return on the Bank of America Merrill Lynch 1-10 Year US Corporate Treasury and Government Agency Index, or an equivalent index determined by the District.

2. The maximum stated final maturity of individual investments in the Operating Reserve Fund is ten years.

D. Debt Service Restricted 2009 COP Reserve Fund

1. The investment performance objectives for the Debt Service Restricted 2009 COP Reserve Fund shall be to earn a return over a market cycle, which equals or exceeds the return on Bank of America Merrill Lynch 3-5 Year US Treasury & Agency Index.

E. Debt Service Restricted 2010 COP Reserve Fund

1. The investment performance objectives for the Debt Service Restricted 2010 COP Reserve Fund shall be to earn a return over a market cycle, which equals or exceeds the return on Bank of America Merrill Lynch 3-month US Treasury Bill Index.

F. Debt Service Restricted 2015 Revenue Refunding Reserve Fund

1. The investment performance objectives for the Debt Service Restricted 2015 Revenue Refunding Reserve Fund shall be to earn a return over a market cycle, which equals or exceeds the return on Bank of America Merrill Lynch 3-5 Year US Treasury & Agency Index.

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VII. INVESTMENT POLICIES

- A. Investment of District funds is governed by California Government Code Section 53601 et seq., a copy of which is attached to this policy as Exhibit B. A Summary of Permitted Investments, prepared by District's current investment adviser is attached as Exhibit A.
- B. The District manages its investments under the prudent investor standard.
- C. The District's ~~Finance Director~~/Treasurer is designated by the Board of Directors as the officer responsible for the investment of District funds; provided, the Board may designate such responsibility to investment advisers pursuant to Section VII.D. below. The investment function shall be overseen by the Finance and Information Technology Committee of the Board of Directors.
- D. Because the Operating Reserve Fund has the specific purpose of providing for long-term growth, and because cash flow requirements of the District are met through other investments, the Board of Directors hereby grants authority for the purchase of securities with maturities in excess of five years in the Operating Reserve Fund only.
- E. The maximum stated final maturity of individual investments in the Operating Reserve Fund is be ten years.
- F. No more than 40% of the Operating Reserve Fund may be invested in securities with maturities in excess of five years.
- G. Investment securities and cash shall be held in a bank custody account in the name of the District
- H. All investments shall be made as "delivery vs. payment" transactions.
- I. The Debt Service Restricted 2009 COP Reserve Fund, Debt Service Restricted 2010 COP Reserve Fund, and Debt Service Restricted 2015 Revenue Refunding Reserve Fund will be compliant with each of their respective bond trust indenture investment requirements.

VIII. Authorized Financial Institutions, Broker/Dealers, Depositories

A. The District shall work with financial institutions that are reputable and trustworthy, knowledgeable and experienced in Public Agency investing and able to meet all of their financial obligations. These institutions may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (uniform net capital rule).

B. In accordance with Section 53601.5, institutions eligible to transact investment business with the District include:

1. Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
2. Nationally or state-chartered banks.
3. The Federal Reserve Bank.
4. Direct issuers of securities eligible for purchase.

C. Selection of financial institutions and broker/dealers authorized to engage in transactions will be at the sole discretion of the District, except where the District utilizes an external investment adviser in which case the District may rely on the adviser for selection.

D. Public deposits will be made only in qualified public depositories as established by State law. Deposits will be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with State law.

E. Selection of broker/dealers used by an external investment adviser retained by the District will be at the sole discretion of the adviser. Where possible, transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

IX. RISK MANAGEMENT AND DIVERSIFICATION

A. Mitigating Credit Risk in the Portfolio

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The District will mitigate credit risk by adopting the following strategies:

- a) The diversification requirements included in the “Authorized Investments” section of this policy are designed to mitigate credit risk in the portfolio.
- b) No more than 5% of the total portfolio may be invested in securities of any single issuer, except where the issuer is the US Government, its Agencies and Government-Sponsored Enterprises (GSEs), an authorized Supranational issuer or where the security is a Money Market Mutual Fund, Local Agency Investment Fund (LAIF) or other Local Government Investment Pool.
- c) The District may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or District’s risk preferences.
- d) If securities owned by the District are downgraded by a nationally recognized statistical rating organization (NRSRO) to a level below the quality required by this investment policy, it will be the District’s policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.
 - (i) If a security is downgraded, the Treasurer will use discretion in determining whether to sell or hold the security based on its current maturity, the economic outlook for the issuer, and other relevant factors.
 - (ii) If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported monthly to the Board of Directors.

B. Mitigating Market Risk in the Portfolio

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The District recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The

District will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

The District further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The District, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- a) The District will maintain a minimum of six months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements.
- b) The maximum percent of callable securities (does not include “make whole call” securities as defined in the Glossary) in the portfolio will be 20%.
- c) The maximum stated final maturity of individual securities in the portfolio will be five (5) years, except as otherwise stated in this policy.
- d) The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by the District based on the District’s investment objectives, constraints and risk tolerances.

IX.X. AUTHORIZED INVESTMENTS

A. The District’s investments are governed by California Government Code, Sections 53600 et seq. Within the investments permitted by the Code, the District seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the time the security is purchased.

B. Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity, and shall be exempt from the current policy (with the exception of credit quality). At the time of the investment’s maturity or liquidation, such funds shall be reinvested only as provided in the current policy.

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C. An appropriate risk level shall be maintained by purchasing securities that are of high quality, liquid, and marketable. The portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual issuers.

D. The authorized investments are as listed below:

1. MUNICIPAL SECURITIES include obligations of the District, the State of California, any of the other 49 states, and any local District within the State of California, provided that:

a) *The securities are rated in a rating category of "A" or higher by at least one nationally recognized statistical rating organization ("NRSRO").*

b) *No more than 5% of the portfolio may be invested in any single issuer.*

c) *No more than 30% of the portfolio may be in Municipal Securities.*

d) *The maximum stated maturity does not exceed five (5) years, with the exception of securities that have a "put" feature of five years or less.*

2. U.S. TREASURIES and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest. There are no limits on the dollar amount or percentage of the portfolio that the District may invest in U.S. Treasuries, provided that:

a) *The maximum maturity is five (5) years, with the exception of securities held in the Operating Reserve, which can have a stated maturity of 10 years.*

3. FEDERAL AGENCIES or United States Government-Sponsored Enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There are no limits on the dollar amount or percentage of the portfolio that the District may invest in Federal District or ~~Government-Sponsored Enterprises (GSEs)~~, provided that:

- a) *No more than 25% of the portfolio may be invested in any single District/GSE issuer.*
- b) *The maximum maturity does not exceed five (5) years, with the exception of securities held in the Operating Reserve, which may have a stated maturity of 10 years.*

4. BANKER'S ACCEPTANCES, provided that:

- a) *They are issued by institutions which have short-term debt obligations rated in a rating category of "A-1" or higher by at least one NRSRO; or long-term debt obligations which are rated in a rating category of "A" or higher by at least one NRSRO.*
- b) *No more than 40% of the portfolio may be invested in Banker's Acceptances.*
- c) *No more than 5% of the portfolio may be invested in any single issuer.*
- d) *The maximum maturity does not exceed 180 days.*

5. COMMERCIAL PAPER, provided that:

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- a) *The issuer is a corporation organized and operating in the United States with assets in excess of \$500 million.*
- b) *The securities are rated in a rating category of "A-1" or higher by at least one NRSRO.*
- c) *The securities are issued by corporations which have long-term obligations rated in a rating category of "A" or higher by at least one NRSRO.*
- d) *The District may purchase no more than 10% of the outstanding commercial paper of any single issuer.*
- e) *No more than 25% of the portfolio may be invested in Commercial Paper.*
- f) *No more than 5% of the portfolio may be invested in any single issuer.*
- g) *The maximum maturity does not exceed 270 days.*

6. NEGOTIABLE CERTIFICATES OF DEPOSIT (NCDS), issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, provided that:

- a) *The amount of the NCD insured up to the FDIC limit does not require any credit ratings.*
- b) *Any amount above the FDIC insured limit must be issued by institutions which have short-term debt obligations rated in a rating category of "A-1" or higher by at least one NRSRO; or long-term obligations rated in a rating category of "A" or higher by at least one NRSRO.*
- c) *No more than 30% of the total portfolio may be invested in NCDs*
- d) *No more than 5% of the portfolio may be invested in any single issuer.*
- e) *The maximum maturity does not exceed five (5) years.*

7. FEDERALLY INSURED TIME DEPOSITS (Non-Negotiable Certificates of Deposit) in state or federally chartered banks, savings and loans, or credit unions, provided that:

- a) *The amount per institution is limited to the maximum covered under federal insurance.*
- b) *No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits.*
- c) *The maximum maturity does not exceed five (5) years.*

8. COLLATERALIZED TIME DEPOSITS (Non-Negotiable Certificates of Deposit) in state or federally chartered banks, savings and loans, or credit unions in excess of insured amounts which are fully collateralized with securities in accordance with California law, provided that:

- a) *No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits.*
- b) *The maximum maturity does not exceed five (5) years.*

9. COLLATERALIZED BANK DEPOSITS. District deposits with financial institutions will be collateralized with pledged securities per California Government Code, Section 53651.

10. REPURCHASE AGREEMENTS collateralized with securities authorized under California Government Code, maintained at a level of at least 102% of the market value of the Repurchase Agreement. There are no limits on the dollar amount or percentage that the District may invest, provided that:

- a) *Securities used as collateral for Repurchase Agreements will be delivered to an acceptable third party custodian.*
- b) *Repurchase Agreements are subject to a Master Repurchase Agreement between the District and the provider of the repurchase agreement. The Master Repurchase Agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA).*
- c) *The maximum maturity does not exceed one (1) year.*

11. STATE OF CALIFORNIA LOCAL DISTRICT INVESTMENT FUND (LAIF), provided that:

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- a) *The District may invest up to the maximum amount permitted by LAIF.*
- b) *LAIF's investments in instruments prohibited by or not specified in the District's policy do not exclude the investment in LAIF itself from the District's list of allowable investments, provided LAIF's reports allow the Treasurer and the outside investment adviser to adequately judge the risk inherent in LAIF's portfolio.*

12. LOCAL GOVERNMENT INVESTMENT POOLS

- a) *The District may invest up to the maximum amount permitted by the following respective Local Government Investment Pools:*
 - (1) CALTRUST
 - (2) California Asset Management Program (CAMP)
- b) *Local Government Investment Pool investments in instruments prohibited by or not specified in the District's policy do not exclude the investment in LGIPs itself from the District's list of allowable investments, provided the specific LGIP's reports allow the Treasurer and the outside investment adviser to adequately judge the risk inherent in LGIP's portfolio.*

13. CORPORATE MEDIUM TERM NOTES (MTNS), provided that:

- a) *The issuer is a corporation organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.*
- b) *The securities are rated in a rating category of "A" or higher by at least one NRSRO.*
- c) *No more than 30% of the total portfolio may be invested in MTNs.*
- d) *No more than 5% of the portfolio may be invested in any single issuer.*
- e) *The maximum maturity does not exceed five (5) years.*

14. Mutual Funds that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940 that invest in the securities and obligations as authorized under California Government Code, Section 53601 (a) to (k) and (m) to (q) inclusive and that meet either of the following criteria:

- (1) Attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs;
or
- (2) Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California Government Code, Section 53601 and with assets under management in excess of \$500 million.
- (3) No more than 10% of the total portfolio may be invested in shares of any one mutual fund.
- (4) No more than 20% of the total portfolio may be invested in a combination of Mutual Funds and Money Market Mutual Funds.

14.15. MONEY MARKET MUTUAL FUNDS that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940, provided that:

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- a) *Such Funds meet either of the following criteria:*
- (1) *Have attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or*
 - (2) *Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California Government Code, Section 53601 and with assets under management in excess of \$500 million.*
 - (3) *No more than 20% of the total portfolio may be invested in a combination of Mutual Funds and Money Market Mutual Funds.*
 - ~~(4) *No more than 10% of the portfolio may be invested in any one Fund.*~~

~~15-16.~~ 16. SUPRANATIONALS, provided that:

- a) *Issues are US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.*
- b) *The securities are rated in a rating category of "AA" or higher by a NRSRO.*
- c) *No more than 30% of the total portfolio may be invested in these securities.*
- d) *No more than 10% of the portfolio may be invested in any single issuer.*
- ~~e) *The maximum stated maturity does not exceed five (5) years.*~~

17. ASSET-BACKED, MORTGAGE-BACKED. MORTGAGE PASS-THROUGH SECURITIES, AND COLLATERALIZED MORTGAGE OBLIGATIONS, provided that:

- a) The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.
- b) They are issued by an issuer having long-term debt obligations rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
- c) No more than 20% of the total portfolio may be invested in these securities.
- d) No more than 5% of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer. There is no issuer limitation on any Mortgage security where the issuer is the US Treasury or a Federal Agency/GSE.
- e) The maximum legal final maturity does not exceed five (5) years.

~~16-18.~~ Prohibited Investment Vehicles and Practices

- a) State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.
- b) In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.
- c) Investment in any security that could result in a zero interest accrual if held to maturity is prohibited.
- d) Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
- e) Purchasing or selling securities on margin is prohibited.
- f) The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.
- g) The purchase of foreign currency denominated securities is prohibited.

~~X-XI.~~ Collateralization

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A. CERTIFICATES OF DEPOSIT (CDs). The District shall require any commercial bank or savings and loan association to deposit eligible securities with an Agency of a depository approved by the State Banking Department to secure any uninsured portion of a Non-Negotiable Certificate of Deposit. The value of eligible securities as defined pursuant to California Government Code, Section 53651, pledged against a Certificate of Deposit shall be equal to 150% of the face value of the CD if the securities are classified as mortgages and 110% of the face value of the CD for all other classes of security.

B. COLLATERALIZATION OF BANK DEPOSITS. This is the process by which a bank or financial institution pledges securities, or other deposits for the purpose of securing repayment of deposited funds. The District shall require any bank or financial institution to comply with the collateralization criteria defined in California Government Code, Section 53651.

C. REPURCHASE AGREEMENTS. The District requires that Repurchase Agreements be collateralized only by securities authorized in accordance with California Government Code:

1. The securities which collateralize the repurchase agreement shall be priced at Market Value, including any Accrued Interest plus a margin. The Market Value of the securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities.
2. Financial institutions shall mark the value of the collateral to market at least monthly and increase or decrease the collateral to satisfy the ratio requirement described above.
3. The District and its investment adviser shall receive monthly statements of collateral.

~~XI.~~XII. Delivery, Safekeeping and Custody

A. DELIVERY-VERSUS-PAYMENT (DVP). All investment transactions shall be conducted on a delivery-versus-payment basis.

B. SAFEKEEPING AND CUSTODY. To protect against potential losses due to failure of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all cash and securities in the District’s portfolio shall be held in safekeeping in the District’s name by a third party custodian, acting as agent for the District under the terms of a custody agreement executed by the bank and the District. All investment transactions will require a safekeeping receipt or acknowledgment generated from the trade. A monthly report will be received by the District from the custodian listing all securities held in safekeeping with current market data and other information.

C. The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and, (iii) money market mutual funds, since the purchased securities are not deliverable.

~~XII.~~ XIII. Maximum Maturity

A. To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities.

~~XIII.~~ XIV. REPORTING AND REVIEWS

A. Transactions and portfolio holdings

1. The bank custodian and the investment adviser shall each provide monthly statements of holdings and account activity to the District’s ~~Director of Finance~~/Treasurer. The bank custodian shall also provide such information to the District’s Investment Adviser(s).

2. Confirmations of all transactions and movement of funds shall be forwarded promptly to the District by the investment adviser. The investment adviser shall ensure a duplicate confirmation is provided to the District by the broker.

B. Investment performance

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1. The investment adviser shall meet at least quarterly with District management and/or with the Finance & Information Technology Committee of the Board of Directors to review account activity, economic conditions and investment performance.

XIV.XV. AMENDMENTS

A. This Investment Policy is subject to amendment from time to time by the Board of Directors. Any changes must be approved by the Board of Directors and communicated in writing to the ~~Director of Finance~~/Treasurer and other responsible employees, appropriate third parties and investment advisers.

B. It shall be the responsibility of the investment adviser to inform the District of changes to the California Government Code, which affect the investment of District funds. Such changes shall be considered promptly by the Board of Directors.

C. The Investment Policy shall be reviewed and approved annually each fiscal year during the budget process.

XVI. GLOSSARY

AGENCIES. Shorthand market terminology for any obligation issued by a government-sponsored entity (GSE), or a federally related institution. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

FFCB. The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.

FHLB. The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.

FHLMC. Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called "FreddieMac" issues discount notes, bonds and mortgage pass-through securities.

FNMA. Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as "FannieMae," issues discount notes, bonds and mortgage pass-through securities.

GNMA. The Government National Mortgage Association, known as "GinnieMae," issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.

PEFCO. The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.

TVA. The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

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

AVERAGE LIFE. In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.

BANKER'S ACCEPTANCE. A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which "accepts" the obligation to pay the investor.

BENCHMARK. A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

BID. The price at which a buyer offers to buy a security.

BROKER. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

CALLABLE. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline since an issuer issues securities, it will likely call its current securities and reissue them at a lower rate of interest. Callable securities have reinvestment risk as the investor may receive its principal back when interest rates are lower than when the investment was initially made.

CERTIFICATE OF DEPOSIT (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

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CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM (CDARS). A private placement service that allows local agencies to purchase more than \$250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than \$250,000 each, so that FDIC coverage is maintained.

COLLATERAL. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

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

COMMERCIAL PAPER. The short-term unsecured debt of corporations.

COUPON. The rate of return at which interest is paid on a bond.

CREDIT RISK. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

CURRENT YIELD. The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

DEALER. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

DEBENTURE. A bond secured only by the general credit of the issuer.

DELIVERY VS. PAYMENT (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

DERIVATIVE. Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.

DISCOUNT. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and

banker's acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

DURATION. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).

FEDERAL FUNDS RATE. The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

FEDERAL OPEN MARKET COMMITTEE. A committee of the Federal Reserve Board that establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

LIQUIDITY. The speed and ease with which an asset can be converted to cash.

LOCAL AGENCY INVESTMENT FUND (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

LOCAL GOVERNMENT INVESTMENT POOL. Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

MAKE WHOLE CALL. A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

MARGIN. The difference between the market value of a security and the loan a broker makes using that security as collateral.

MARKET RISK. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

MARKET VALUE. The price at which a security can be traded.

MARKING TO MARKET. The process of posting current market values for securities in a portfolio.

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MATURITY. The final date upon which the principal of a security becomes due and payable.

MEDIUM TERM NOTES. Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION. The percent change in price for a 100 basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

MONEY MARKET. The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

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

MUNICIPAL SECURITIES. Securities issued by state and local agencies to finance capital and operating expenses.

MUTUAL FUNDS. An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

NATIONALLY RECOGNIZED STATISTICAL RATINGS ORGANIZATION (NRSRO). A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

NEGOTIABLE CD. A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).

PREMIUM. The difference between the par value of a bond and the cost of the bond, when the cost is above par.

PREPAYMENT SPEED. A measure of how quickly principal is repaid to investors in mortgage securities.

PREPAYMENT WINDOW. The time period over which principal repayments will be received on mortgage securities at a specified prepayment speed.

PRIMARY DEALER. A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

PRUDENT PERSON (PRUDENT INVESTOR) RULE. A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."

REALIZED YIELD. The change in value of the portfolio due to interest received and interest earned and realized gains and losses. It does not give effect to changes in market value on securities, which have not been sold from the portfolio.

REGIONAL DEALER. A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

REPURCHASE AGREEMENT. Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

SAFEKEEPING. A service to bank customers whereby securities are held by the bank in the customer's name.

STRUCTURED NOTE. A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

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

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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.

U.S. TREASURY OBLIGATIONS. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

TREASURY BILLS. All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES. All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.

TREASURY BONDS. All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

VOLATILITY. The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

YIELD TO MATURITY. The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.

C.

MOULTON NIGUEL WATER DISTRICT
STATEMENT OF INVESTMENT POLICY

ADOPTED: June 15, 2017

I. BACKGROUND

A. Prudent management of the District includes the adoption of appropriate goals, objectives, policies and guidelines for the investment of available funds.

B. The District's cash management system is designed to monitor and forecast accurately expenditures and revenues, thus enabling the District to invest funds to the fullest extent possible.

C. This policy serves to organize and formalize the District's investment-related activities, while complying with all applicable statutes governing the investment of public funds.

D. This policy supersedes any previous Investment Policies of the Moulton Niguel Water District.

II. PURPOSE

A. This statement is set forth by the District for the following purposes:

1. To establish a clear understanding for the Board, District management, responsible employees and third parties of the objectives, policies, and guidelines for the investment of District funds.

2. To offer guidance to any investment adviser on the investment of District funds.

3. To establish a basis for evaluating investment results.

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B. The general purpose of this Investment Policy is to outline a philosophy and attitude, which will guide the investment of District funds toward the desired investment goals. It is intended to be sufficiently specific to be meaningful, yet adequately flexible to be practical.

III. INVESTMENT AUTHORITY

A. In accordance with Section 53600 et seq. of the Government Code of the state of California, the authority to invest public funds is expressly delegated to the Board of Directors for subsequent delegation to the Treasurer. Investments are limited to those instruments specified by this Investment Policy.

B. The Moulton Niguel Water District may engage the services of one or more external investment advisers who are registered under the Investment Advisers Act of 1940 to assist in the management of the District's investment portfolio in a manner consistent with the District's objectives. External investment advisers may be granted discretion to purchase and sell investment securities in accordance with this investment policy.

IV. PRUDENCE

A. Pursuant to California Government Code, Section 53600.3, all persons authorized to make investment decisions on behalf of the Agency are trustees and therefore fiduciaries subject to the Prudent Investor Standard:

“...all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.”

B. The Treasurer or designated investment advisor and other authorized persons responsible for managing District funds acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes provided that the Treasurer or other authorized persons acted in good faith. Deviations from expectations of a security's credit or market risk should be reported to the governing body in a timely fashion and appropriate action should be taken to control adverse developments.

V. STATEMENT OF OBJECTIVES

A. The District's investment program is based first upon the principals of safety and liquidity. The expected return on investments is considered only after the first two criteria are met.

B. In order of priority, three fundamental criteria shall be followed:

1. SAFETY. Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the District will diversify its investments by investing funds among a variety of securities with independent returns.

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2. LIQUIDITY. The investment portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

 3. RETURN ON INVESTMENTS. The investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints for safety and liquidity needs.
- C. Funds are divided into six categories:
1. Funds needed for current operating expenses and capital requirements, known as the "Liquid Fund,"

 2. Funds needed over the next one to five years known as the "Limited Maturity Fund", and

 3. Funds not currently needed, known as the "Operating Reserve Fund."

 4. Funds required per bond trust indentures of the 2009 COPs, known as the "Debt Service Restricted 2009 COP Reserve Fund."

 5. Funds required per bond trust indentures of the 2010 COPs, known as the "Debt Service Restricted 2010 COP Reserve Fund."

 6. Funds required per bond trust indentures of the 2015 Revenue Refunding Bond, known as the "Debt Service Restricted 2015 Revenue Refunding Reserve Fund."
- D. The District shall inform the investment adviser from time to time of amounts to be allocated to each of the six categories.
- E. The investment goals of the Liquid Fund shall be:
1. To preserve principal,

2. To provide liquidity for operating and maintenance expenses, debt service payments, and capital requirements, and

3. To earn a total rate of return commensurate with the first two goals.

F. The investment goals of the Limited Maturity Fund shall be:

1. To preserve principal,

2. To provide liquidity for operating and maintenance expenses, debt service payments, and capital requirements within the next one to five years, and

3. To earn a total rate of return commensurate with the first two goals.

G. The investment goal of the Operating Reserve Fund shall be:

1. To preserve principal and

2. To provide growth over the long term by earning the rate of return available from the longer-term investments permitted under the California Government Code.

H. The investment goal of the Debt Service Restricted 2009 COP Reserve Fund shall be:

1. To preserve principal

2. To provide liquidity for debt service payments in the event of defaulting, and

3. To earn a total rate of return commensurate with the first two goals.

I. The investment goal of the Debt Service Restricted 2010 COP Reserve Fund shall be:

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1. To preserve principal
2. To provide liquidity for debt service payments in the event of defaulting, and
3. To earn a total rate of return commensurate with the first two goals.

J. The investment goal of the Debt Service Restricted 2015 Revenue Refunding Reserve Fund shall be:

1. To preserve principal
2. To provide liquidity for debt service payments in the event of defaulting, and
3. To earn a total rate of return commensurate with the first two goals.

VI. INVESTMENT PERFORMANCE OBJECTIVES AND GUIDELINES

A. Liquid Fund

1. The investment performance objectives for the Liquid Fund shall be to earn a return over a market cycle, which equals or exceeds the return on 90-day Treasury Bills.
2. The average maturity of the Liquid Fund shall not exceed 90 days, and the maximum final stated maturity of individual securities in the Liquid Fund may not exceed one year.
3. The District's Treasurer shall communicate periodically with the investment adviser in order to keep the adviser informed as to the District's specific short-term liquidity requirements.
4. The Liquid Fund shall maintain a minimum fund balance sufficient to provide adequate cash reserves to pay current operating expenses.

B. Limited Maturity Fund

1. The investment performance objective of the Limited Maturity Fund is to earn a return that equals or exceeds the return of the Bank of America Merrill Lynch 0-3 Year Treasury Index.

C. Operating Reserve Fund

1. The investment performance objective for the Operating Reserve Fund shall be to earn a rate of return over a market cycle, which exceeds the return on the Bank of America Merrill Lynch 1-10 Year US Treasury and Agency Index, or an equivalent index determined by the District.

2. The maximum stated final maturity of individual investments in the Operating Reserve Fund is ten years.

D. Debt Service Restricted 2009 COP Reserve Fund

1. The investment performance objectives for the Debt Service Restricted 2009 COP Reserve Fund shall be to earn a return over a market cycle, which equals or exceeds the return on Bank of America Merrill Lynch 3-5 Year US Treasury & Agency Index.

E. Debt Service Restricted 2010 COP Reserve Fund

1. The investment performance objectives for the Debt Service Restricted 2010 COP Reserve Fund shall be to earn a return over a market cycle, which equals or exceeds the return on Bank of America Merrill Lynch 3-month US Treasury Bill Index.

F. Debt Service Restricted 2015 Revenue Refunding Reserve Fund

1. The investment performance objectives for the Debt Service Restricted 2015 Revenue Refunding Reserve Fund shall be to earn a return over a market cycle, which equals or exceeds the return on Bank of America Merrill Lynch 3-5 Year US Treasury & Agency Index.

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VII. INVESTMENT POLICIES

- A. Investment of District funds is governed by California Government Code Section 53601 et seq., a copy of which is attached to this policy as Exhibit B. A Summary of Permitted Investments, prepared by District's current investment adviser is attached as Exhibit A.
- B. The District manages its investments under the prudent investor standard.
- C. The District's Treasurer is designated by the Board of Directors as the officer responsible for the investment of District funds; provided, the Board may designate such responsibility to investment advisers pursuant to Section VII.D. below. The investment function shall be overseen by the Finance and Information Technology Committee of the Board of Directors.
- D. Because the Operating Reserve Fund has the specific purpose of providing for long-term growth, and because cash flow requirements of the District are met through other investments, the Board of Directors hereby grants authority for the purchase of securities with maturities in excess of five years in the Operating Reserve Fund only.
- E. The maximum stated final maturity of individual investments in the Operating Reserve Fund is be ten years.
- F. No more than 40% of the Operating Reserve Fund may be invested in securities with maturities in excess of five years.
- G. Investment securities and cash shall be held in a bank custody account in the name of the District
- H. All investments shall be made as "delivery vs. payment" transactions.
- I. The Debt Service Restricted 2009 COP Reserve Fund, Debt Service Restricted 2010 COP Reserve Fund, and Debt Service Restricted 2015 Revenue Refunding Reserve Fund will be compliant with each of their respective bond trust indenture investment requirements.

VIII. Authorized Financial Institutions, Broker/Dealers, Depositories

A. The District shall work with financial institutions that are reputable and trustworthy, knowledgeable and experienced in Public Agency investing and able to meet all of their financial obligations. These institutions may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (uniform net capital rule).

B. In accordance with Section 53601.5, institutions eligible to transact investment business with the District include:

1. Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
2. Nationally or state-chartered banks.
3. The Federal Reserve Bank.
4. Direct issuers of securities eligible for purchase.

C. Selection of financial institutions and broker/dealers authorized to engage in transactions will be at the sole discretion of the District, except where the District utilizes an external investment adviser in which case the District may rely on the adviser for selection.

D. Public deposits will be made only in qualified public depositories as established by State law. Deposits will be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with State law.

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E. Selection of broker/dealers used by an external investment adviser retained by the District will be at the sole discretion of the adviser. Where possible, transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

IX. RISK MANAGEMENT AND DIVERSIFICATION

A. Mitigating Credit Risk in the Portfolio

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The District will mitigate credit risk by adopting the following strategies:

- a) The diversification requirements included in the “Authorized Investments” section of this policy are designed to mitigate credit risk in the portfolio.
- b) No more than 5% of the total portfolio may be invested in securities of any single issuer, except where the issuer is the US Government, its Agencies and Government-Sponsored Enterprises (GSEs), an authorized Supranational issuer or where the security is a Money Market Mutual Fund, Local Agency Investment Fund (LAIF) or other Local Government Investment Pool.
- c) The District may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or District’s risk preferences.
- d) If securities owned by the District are downgraded by a nationally recognized statistical rating organization (NRSRO) to a level below the quality required by this investment policy, it will be the District’s policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.
 - (i) If a security is downgraded, the Treasurer will use discretion in determining whether to sell or hold the security based on its current maturity, the economic outlook for the issuer, and other relevant factors.
 - (ii) If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported monthly to the Board of Directors.

B. Mitigating Market Risk in the Portfolio

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The District recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The

District will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

The District further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The District, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- a) The District will maintain a minimum of six months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements.
- b) The maximum percent of callable securities (does not include “make whole call” securities as defined in the Glossary) in the portfolio will be 20%.
- c) The maximum stated final maturity of individual securities in the portfolio will be five (5) years, except as otherwise stated in this policy.
- d) The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by the District based on the District’s investment objectives, constraints and risk tolerances.

X. AUTHORIZED INVESTMENTS

A. The District’s investments are governed by California Government Code, Sections 53600 et seq. Within the investments permitted by the Code, the District seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the time the security is purchased.

B. Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity, and shall be exempt from the current policy (with the exception of credit quality). At the time of the investment’s maturity or liquidation, such funds shall be reinvested only as provided in the current policy.

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C. An appropriate risk level shall be maintained by purchasing securities that are of high quality, liquid, and marketable. The portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual issuers.

D. The authorized investments are as listed below:

1. MUNICIPAL SECURITIES include obligations of the District, the State of California, any of the other 49 states, and any local District within the State of California, provided that:

a) *The securities are rated in a rating category of "A" or higher by at least one nationally recognized statistical rating organization ("NRSRO").*

b) *No more than 5% of the portfolio may be invested in any single issuer.*

c) *No more than 30% of the portfolio may be in Municipal Securities.*

d) *The maximum stated maturity does not exceed five (5) years, with the exception of securities that have a "put" feature of five years or less.*

2. U.S. TREASURIES and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest. There are no limits on the dollar amount or percentage of the portfolio that the District may invest in U.S. Treasuries, provided that:

a) *The maximum maturity is five (5) years, with the exception of securities held in the Operating Reserve, which can have a stated maturity of 10 years.*

3. FEDERAL AGENCIES or United States Government-Sponsored Enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There are no limits on the dollar amount or percentage of the portfolio that the District may invest in Federal District or GSEs, provided that:

- a) *No more than 25% of the portfolio may be invested in any single District/GSE issuer.*
 - b) *The maximum maturity does not exceed five (5) years, with the exception of securities held in the Operating Reserve, which may have a stated maturity of 10 years.*
4. BANKER'S ACCEPTANCES, provided that:
- a) *They are issued by institutions which have short-term debt obligations rated in a rating category of "A-1" or higher by at least one NRSRO; or long-term debt obligations which are rated in a rating category of "A" or higher by at least one NRSRO.*
 - b) *No more than 40% of the portfolio may be invested in Banker's Acceptances.*
 - c) *No more than 5% of the portfolio may be invested in any single issuer.*
 - d) *The maximum maturity does not exceed 180 days.*
5. COMMERCIAL PAPER, provided that:
- a) *The issuer is a corporation organized and operating in the United States with assets in excess of \$500 million.*
 - b) *The securities are rated in a rating category of "A-1" or higher by at least one NRSRO.*
 - c) *The securities are issued by corporations which have long-term obligations rated in a rating category of "A" or higher by at least one NRSRO.*
 - d) *The District may purchase no more than 10% of the outstanding commercial paper of any single issuer.*
 - e) *No more than 25% of the portfolio may be invested in Commercial Paper.*
 - f) *No more than 5% of the portfolio may be invested in any single issuer.*
 - g) *The maximum maturity does not exceed 270 days.*
6. NEGOTIABLE CERTIFICATES OF DEPOSIT (NCDS), issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, provided that:

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- a) *The amount of the NCD insured up to the FDIC limit does not require any credit ratings.*
- b) *Any amount above the FDIC insured limit must be issued by institutions which have short-term debt obligations rated in a rating category of "A-1" or higher by at least one NRSRO; or long-term obligations rated in a rating category of "A" or higher by at least one NRSRO.*
- c) *No more than 30% of the total portfolio may be invested in NCDs*
- d) *No more than 5% of the portfolio may be invested in any single issuer.*
- e) *The maximum maturity does not exceed five (5) years.*

7. FEDERALLY INSURED TIME DEPOSITS (Non-Negotiable Certificates of Deposit) in state or federally chartered banks, savings and loans, or credit unions, provided that:

- a) *The amount per institution is limited to the maximum covered under federal insurance.*
- b) *No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits.*
- c) *The maximum maturity does not exceed five (5) years.*

8. COLLATERALIZED TIME DEPOSITS (Non-Negotiable Certificates of Deposit) in state or federally chartered banks, savings and loans, or credit unions in excess of insured amounts which are fully collateralized with securities in accordance with California law, provided that:

- a) *No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits.*
- b) *The maximum maturity does not exceed five (5) years.*

9. COLLATERALIZED BANK DEPOSITS. District deposits with financial institutions will be collateralized with pledged securities per California Government Code, Section 53651.

10. REPURCHASE AGREEMENTS collateralized with securities authorized under California Government Code, maintained at a level of at least 102% of the market value of the Repurchase Agreement. There are no limits on the dollar amount or percentage that the District may invest, provided that:

- a) *Securities used as collateral for Repurchase Agreements will be delivered to an acceptable third party custodian.*
- b) *Repurchase Agreements are subject to a Master Repurchase Agreement between the District and the provider of the repurchase agreement. The Master Repurchase Agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA).*
- c) *The maximum maturity does not exceed one (1) year.*

11. STATE OF CALIFORNIA LOCAL DISTRICT INVESTMENT FUND (LAIF), provided that:

- a) *The District may invest up to the maximum amount permitted by LAIF.*
- b) *LAIF's investments in instruments prohibited by or not specified in the District's policy do not exclude the investment in LAIF itself from the District's list of allowable investments, provided LAIF's reports allow the Treasurer and the outside investment adviser to adequately judge the risk inherent in LAIF's portfolio.*

12. LOCAL GOVERNMENT INVESTMENT POOLS

- a) *The District may invest up to the maximum amount permitted by the following respective Local Government Investment Pools:*
 - (1) CALTRUST
 - (2) California Asset Management Program (CAMP)
- b) *Local Government Investment Pool investments in instruments prohibited by or not specified in the District's policy do not exclude the investment in LGIPs itself from the District's list of allowable investments, provided the specific LGIP's reports allow the Treasurer and the outside investment adviser to adequately judge the risk inherent in LGIP's portfolio.*

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13. CORPORATE MEDIUM TERM NOTES (MTNS), provided that:

- a) *The issuer is a corporation organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.*
- b) *The securities are rated in a rating category of "A" or higher by at least one NRSRO.*
- c) *No more than 30% of the total portfolio may be invested in MTNs.*
- d) *No more than 5% of the portfolio may be invested in any single issuer.*
- e) *The maximum maturity does not exceed five (5) years.*

14. Mutual Funds that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940 that invest in the securities and obligations as authorized under California Government Code, Section 53601 (a) to (k) and (m) to (q) inclusive and that meet either of the following criteria:

- (1) *Attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs;*
or
- (2) *Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California Government Code, Section 53601 and with assets under management in excess of \$500 million.*
- (3) *No more than 10% of the total portfolio may be invested in shares of any one mutual fund.*
- (4) *No more than 20% of the total portfolio may be invested in a combination of Mutual Funds and Money Market Mutual Funds.*

15. MONEY MARKET MUTUAL FUNDS that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940, provided that:

- a) *Such Funds meet either of the following criteria:*
- (1) Have attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or*
 - (2) Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California Government Code, Section 53601 and with assets under management in excess of \$500 million.*
 - (3) No more than 20% of the total portfolio may be invested in a combination of Mutual Funds and Money Market Mutual Funds.*

16. SUPRANATIONALS, provided that:

- a) Issues are US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.*
- b) The securities are rated in a rating category of "AA" or higher by a NRSRO.*
- c) No more than 30% of the total portfolio may be invested in these securities.*
- d) No more than 10% of the portfolio may be invested in any single issuer.*
- e) The maximum stated maturity does not exceed five (5) years.*

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17. ASSET-BACKED, MORTGAGE-BACKED. MORTGAGE PASS-THROUGH SECURITIES, AND COLLATERALIZED MORTGAGE OBLIGATIONS, provided that:

- a) *The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.*
- b) *They are issued by an issuer having long-term debt obligations rated in a rating category of "A" or its equivalent or better by at least one NRSRO.*
- c) *No more than 20% of the total portfolio may be invested in these securities.*
- d) *No more than 5% of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer. There is no issuer limitation on any Mortgage security where the issuer is the US Treasury or a Federal Agency/GSE.*
- e) *The maximum legal final maturity does not exceed five (5) years.*

18. Prohibited Investment Vehicles and Practices

- a) *State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.*
- b) *In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.*
- c) *Investment in any security that could result in a zero interest accrual if held to maturity is prohibited.*
- d) *Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.*
- e) *Purchasing or selling securities on margin is prohibited.*
- f) *The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.*
- g) *The purchase of foreign currency denominated securities is prohibited.*

XI. Collateralization

A. **CERTIFICATES OF DEPOSIT (CDs).** The District shall require any commercial bank or savings and loan association to deposit eligible securities with an Agency of a depository approved by the State Banking Department to secure any uninsured portion of a Non-Negotiable Certificate of Deposit. The value of eligible securities as defined pursuant to California Government Code, Section 53651, pledged against a Certificate of Deposit shall be equal to 150% of the face value of the CD if the securities are classified as mortgages and 110% of the face value of the CD for all other classes of security.

B. **COLLATERALIZATION OF BANK DEPOSITS.** This is the process by which a bank or financial institution pledges securities, or other deposits for the purpose of securing repayment of deposited funds. The District shall require any bank or financial institution to comply with the collateralization criteria defined in California Government Code, Section 53651.

C. **REPURCHASE AGREEMENTS.** The District requires that Repurchase Agreements be collateralized only by securities authorized in accordance with California Government Code:

1. The securities which collateralize the repurchase agreement shall be priced at Market Value, including any Accrued Interest plus a margin. The Market Value of the securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities.
2. Financial institutions shall mark the value of the collateral to market at least monthly and increase or decrease the collateral to satisfy the ratio requirement described above.
3. The District and its investment adviser shall receive monthly statements of collateral.

XII. Delivery, Safekeeping and Custody

A. **DELIVERY-VERSUS-PAYMENT (DVP).** All investment transactions shall be conducted on a delivery-versus-payment basis.

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B. **SAFEKEEPING AND CUSTODY.** To protect against potential losses due to failure of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all cash and securities in the District's portfolio shall be held in safekeeping in the District's name by a third party custodian, acting as agent for the District under the terms of a custody agreement executed by the bank and the District. All investment transactions will require a safekeeping receipt or acknowledgment generated from the trade. A monthly report will be received by the District from the custodian listing all securities held in safekeeping with current market data and other information.

C. The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and, (iii) money market mutual funds, since the purchased securities are not deliverable.

XIII. Maximum Maturity

A. To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities.

XIV. REPORTING AND REVIEWS

A. Transactions and portfolio holdings

1. The bank custodian and the investment adviser shall each provide monthly statements of holdings and account activity to the District's Treasurer. The bank custodian shall also provide such information to the District's Investment Adviser(s).

2. Confirmations of all transactions and movement of funds shall be forwarded promptly to the District by the investment adviser. The investment adviser shall ensure a duplicate confirmation is provided to the District by the broker.

B. Investment performance

1. The investment adviser shall meet at least quarterly with District management and/or with the Finance & Information Technology Committee of the Board of Directors to review account activity, economic conditions and investment performance.

XV. AMENDMENTS

- A. This Investment Policy is subject to amendment from time to time by the Board of Directors. Any changes must be approved by the Board of Directors and communicated in writing to the Treasurer and other responsible employees, appropriate third parties and investment advisers.
- B. It shall be the responsibility of the investment adviser to inform the District of changes to the California Government Code, which affect the investment of District funds. Such changes shall be considered promptly by the Board of Directors.
- C. The Investment Policy shall be reviewed and approved annually each fiscal year during the budget process.

XVI. GLOSSARY

AGENCIES. Shorthand market terminology for any obligation issued by a *government-sponsored entity (GSE)*, or a *federally related institution*. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

FFCB. The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.

FHLB. The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.

FHLMC. Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called "FreddieMac" issues discount notes, bonds and mortgage pass-through securities.

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FNMA. Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as “FannieMae,” issues discount notes, bonds and mortgage pass-through securities.

GNMA. The Government National Mortgage Association, known as “GinnieMae,” issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.

PEFCO. The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.

TVA. The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

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

AVERAGE LIFE. In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.

BANKER’S ACCEPTANCE. A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which “accepts” the obligation to pay the investor.

BENCHMARK. A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

BID. The price at which a buyer offers to buy a security.

BROKER. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

CALLABLE. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline since an issuer issues securities, it will likely call its current securities and reissue them at a lower rate of interest. Callable securities have reinvestment risk as the investor may receive its principal back when interest rates are lower than when the investment was initially made.

CERTIFICATE OF DEPOSIT (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM (CDARS). A private placement service that allows local agencies to purchase more than \$250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than \$250,000 each, so that FDIC coverage is maintained.

COLLATERAL. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

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

COMMERCIAL PAPER. The short-term unsecured debt of corporations.

COUPON. The rate of return at which interest is paid on a bond.

CREDIT RISK. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

CURRENT YIELD. The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

DEALER. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

DEBENTURE. A bond secured only by the general credit of the issuer.

DELIVERY VS. PAYMENT (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

DERIVATIVE. Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.

DISCOUNT. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and

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banker's acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

DURATION. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).

FEDERAL FUNDS RATE. The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

FEDERAL OPEN MARKET COMMITTEE. A committee of the Federal Reserve Board that establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

LIQUIDITY. The speed and ease with which an asset can be converted to cash.

LOCAL AGENCY INVESTMENT FUND (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

LOCAL GOVERNMENT INVESTMENT POOL. Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

MAKE WHOLE CALL. A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

MARGIN. The difference between the market value of a security and the loan a broker makes using that security as collateral.

MARKET RISK. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

MARKET VALUE. The price at which a security can be traded.

MARKING TO MARKET. The process of posting current market values for securities in a portfolio.

MATURITY. The final date upon which the principal of a security becomes due and payable.

MEDIUM TERM NOTES. Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION. The percent change in price for a 100 basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

MONEY MARKET. The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

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

MUNICIPAL SECURITIES. Securities issued by state and local agencies to finance capital and operating expenses.

MUTUAL FUNDS. An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

NATIONALLY RECOGNIZED STATISTICAL RATINGS ORGANIZATION (NRSRO). A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

NEGOTIABLE CD. A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).

PREMIUM. The difference between the par value of a bond and the cost of the bond, when the cost is above par.

#7.

Statement of Investment Policy
Moulton Niguel Water District
June 15, 2017

PREPAYMENT SPEED. A measure of how quickly principal is repaid to investors in mortgage securities.

PREPAYMENT WINDOW. The time period over which principal repayments will be received on mortgage securities at a specified prepayment speed.

PRIMARY DEALER. A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

PRUDENT PERSON (PRUDENT INVESTOR) RULE. A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."

REALIZED YIELD. The change in value of the portfolio due to interest received and interest earned and realized gains and losses. It does not give effect to changes in market value on securities, which have not been sold from the portfolio.

REGIONAL DEALER. A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

REPURCHASE AGREEMENT. Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

SAFEKEEPING. A service to bank customers whereby securities are held by the bank in the customer's name.

STRUCTURED NOTE. A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

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

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.

U.S. TREASURY OBLIGATIONS. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

TREASURY BILLS. All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES. All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.

TREASURY BONDS. All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

VOLATILITY. The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

YIELD TO MATURITY. The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** June 14, 2017

FROM: Jake Vollebregt, Director of Regional & Legal Affairs
Dori Dennis, Contracts & Procurement Manager

SUBJECT: Updated Purchasing Policy

DIVISION: District-Wide

SUMMARY:

Issue: Staff is proposing amendments to the District’s purchasing policy.

Recommendation: It is recommended that the Board of Directors approve the proposed changes to the purchasing policy.

Fiscal Impact: Increases to staff purchasing authorities.

Reviewed by Legal: Yes.

BACKGROUND:

The District’s current purchasing policy was updated in September 2014. The policy delegates authority to and outlines the conditions under which the General Manager and District staff may make purchases and obligate District funds.

DISCUSSION:

Staff has reviewed the policy and is proposing changes in the following areas:

- Procurement Limits and Contract Signature Authority (page 2).
- Treatment of renewals for software licenses and cloud-based services for critical business services as “non-discretionary purchases” (pages 3 and 6).
- Use of Cal Card as a Procurement Method (page 5).
- Competitive Solicitation Process – Requirements (page 6).

#8.

Updated Purchasing Policy

June 14, 2017

Page 2 of 2

The proposed changes were offered for the Board's review and discussion at the Board's Engineering & Operations Committee Meeting on May 15, 2017. The draft amendments to the policy are now being brought back to the Board for adoption, with an effective date of July 1, 2017.

Attachment: 2017 Purchasing Policy (with Redline edits)

Moulton Niguel Water District
Purchasing Policy (Effective ~~September 17, 2014~~ July 1, 2017)

I. PURPOSE OF POLICY

1.1 The Moulton Niguel Water District Purchasing Policy (this “Policy”) establishes policies and procedures for acquiring services and materials, equipment and supplies (referred to collectively as “materials”), and for public works projects, for the Moulton Niguel Water District (the “District”), pursuant to Government Code Section 54201 *et seq.*

California Government Code Section 54202: requires every local agency to adopt policies and procedures, including bidding regulations, governing purchases of supplies, materials and equipment and that said purchases shall be in accordance with said duly adopted policies and procedures.

California Government Code Section 54204: requires that if the local agency is other than a city or county, policies provided for in *Section 54202* shall be adopted by means of a written rule or regulation, copies of which shall be available for public distribution.

1.2 This Policy establishes the Board of Directors’ (the “Board”) approved policies with respect to the procurement of services and materials and for public works projects, including expenditure authorization and limits, competitive proposal and bidding requirements, and general procurement procedures. All purchases of services or materials and public works projects to be paid for by the District must adhere to the authority level and dollar limits of this Policy as set forth in Section 2, except as otherwise provided by specific terms and exceptions set forth in this Policy.

II. AUTHORIZATION

2.1 By adoption of this Policy, the Board is authorizing the General Manager, or his/her designated representatives to exercise certain duties and responsibilities that are essential for the day-to-day operation of the District.

2.2 The General Manager may delegate the procurement of services and materials and the provision of public works projects to those staff members given specific authority, consistent with the terms of this Policy.

2.3 Delegation of purchasing authority may be through the authorized use of purchasing cards, purchase orders, check requests, or other written authorization. All such purchases will be made in conformity with the policies and procedures prescribed within this Policy.

2.4 The Board-established procurement limits and contract signatory authority are listed in Table 1 below. These limits are applicable on a per-expenditure/per-contract basis, not on an aggregated basis, for unrelated activities.

Table 1

Procurement Limits and Contract Signature Authority		
Title	Expenditures	Contract Signature Authority
<i>General Manager</i>	up to \$75,000	\$75,001 and over with Board authorization Up to \$75,000 without Board authorization
<i>Assistant General Manager</i>	up to \$50,000	Up to \$50,000
<i>Staff Directors, Division Heads, Assistant Directors of Operations, Assistant Director of Engineering of Human Resources, Director of Engineering and Operations, Director of Finance</i>	up to \$25,000	Up to \$25,000
<i>Assistant Director of Operations, Assistant Director of Engineering Board Secretary</i>	up to \$10 20,000	Up to \$10,000 None
<i>Superintendents, Managers, Controller, Principal Engineers</i>	up to \$ 5 10,000	None
<i>Supervisors, Assistant to the General Manager Coordinators, Administrative Personnel, Board Secretary</i>	up to \$2,500 5,000	None
<i>Purchasing Agent, Administrative Personnel</i>	up to \$1,000	None

III. DEFINITIONS

The terms referenced in this Policy shall have the meanings as defined below.

Administrative Personnel – District administrative employees authorized by the General Manager to purchase miscellaneous items, food and travel in support of District functions; includes Administrative Assistant, Administrative Analyst, Human Resources ~~Analyst~~ Administrator and any other administrative position as authorized by the General Manager.

Amendment – A written change or addition to a legal document which, when properly executed, has the same legal validity of the original document.

Board – The Board of Directors of Moulton Niguel Water District.

Change Order – A written Amendment modifying the terms of an existing Contract or Purchase Order.

Consultant – An individual, firm or entity that provides or offers to provide Professional Services to the District.

Contingency - A predetermined amount or percentage of a Contract held for changes in a Public Works project.

Contract - Written agreement authorizing a contractor, Consultant, supplier or service provider to provide materials or services, or Public Works, in accordance with the material requirements, conditions or scope of work stated in the Contract.

Cooperative Purchasing – Participation with other agencies in cooperative purchasing arrangements and programs to leverage the benefits of volume purchases, delivery and supply chain advantages, best practices, and the reduction of administrative time and expenses.

District –Moulton Niguel Water District.

Emergency – A situation in which unforeseen circumstances present an immediate risk of harm or hazard to the public health, safety, and welfare, or to the District property, or threaten serious interruption of District operations.

General Manager – General Manager of the District or the person appointed by the Board to act in the capacity of the General Manager and authorized to administer this Policy on his/her behalf.

Invitation for Bids - A formal process for soliciting sealed bids from qualified prospective suppliers or Public Works contractors. Typically involves a formal bid opening, and the awarding of a Contract to a responsive and responsible supplier or contractor based on price and other specified factors, and as otherwise required by law.

Multiple Year Contract - A Contract for the purchase of services or materials, or for Public Works for a multiple year term or that may contain provisions to extend performance by exercising optional renewal periods. A Multiple Year Contract does not obligate the District beyond the initial award period and shall not provide for a cancellation payment to the contractor if options are not exercised.

Non-Discretionary Purchases – Payments to utilities, license renewals for software and cloud-based services that support critical business services, temporary employment services, insurance providers, healthcare providers and national, state or local agencies that relate to routine obligations and expenses essential to the District's ability to provide service to customers and that have been approved in fiscal year operating or capital budgets.

Non-Professional Services – Services other than Professional Services, including supply and maintenance services.

Procurement - The purchase or lease of materials, supplies, equipment or services, or Public Works.

Professional Services – Any type of special service or advice in financial, economic, accounting, engineering, legal or administrative matters by persons specially trained and experienced and competent to perform the special services required. (Gov't Code § 53060.) Such services include but are not limited to architectural; engineering; environmental; financial; land surveying; construction management; audits; training services; legal services; preparation of planning or studies; technology application development; and personnel, job classification and benefit studies.

Public Works – As defined by California Public Code Section 22002, public projects include construction, reconstruction, alteration, renovation, improvement, demolition, and repair work involving any publicly owned, leased or operated facility. Maintenance work is not considered a public project for purposes of this definition.

Purchasing Card - A form of charge card that allows materials and services to be purchased without using a Purchase Order. The District participates in the Cal Card, Home Depot, and Costco credit card programs.

Purchasing Department – The District employees assigned the duties of identifying vendors, obtaining competitive bids, issuing and processing Purchase Order Requisitions, maintaining office inventory, and assisting the General Manager in the application of Policy procedures within the District.

Purchase Order (PO) – – An authorization, under a standardized form in which the party designated as the “provider” is to provide materials and/or services for which the District agrees to pay.

Request for Proposal (RFP) - A solicitation used for the procurement of Professional Services and Non-Professional Services. Prospective suppliers or Consultants submit requested information and are evaluated/awarded based on pre-established criteria.

Request for Quotes (RFQ) - A solicitation used for procurement of supplies, materials, or equipment.

Requisition (REQ) - The procedural method by which departments may request a PO for the purchase of materials, supplies or equipment. Requisitions are entered into the District’s ERP system application.

Single Source Purchase - Procurement where: (1) there is a compelling reason for only one source, a preferred brand, like material, etc., to be procured; or (2) the commodity is unique, including, but not limited to, acquisition of data processing, telecommunications and word processing equipment, goods and services; or (3) the purchase of a specific brand name, make or model is necessary to match existing District equipment or facilitate effective maintenance and support; or (4) when it is in the best interest of the District to extend or renew a Contract from a previous contract period, based on satisfactory service, reasonable prices, avoidance of start-up costs, avoidance of interruptions to District business, or good business practices.

Sole Source Purchase - Procurement where only one viable source exists. This is usually due to legal restrictions of patent rights, a proprietary process, warranty issues, original equipment, copyrights, etc.

Staff Directors – District employees with the title of “Director.”

IV. GENERAL PROCUREMENT POLICIES

4.1 Procurement practices shall comply with laws, regulations and guidelines of the State and any other applicable law, and the provisions of grant or funding contracts, if applicable.

4.2 Any employee/individual effecting any procurement action outside of the policies and procedures established by this Policy and without General Manager or Board authorization to do so, shall be subject to disciplinary action and/or termination in accordance with District policies.

4.3 Expenditures and Contract awards must be authorized by the appropriate authorization level indicated in Table 1.

4.3.1 Separating or dividing Contracts into smaller components for the purpose of bringing the cost of one or more Contracts below any specified sum to avoid a requirement in any section of this Policy or any policy incorporated herein is strictly prohibited. Contracts may be divided only to meet unique scheduling of a project or to accommodate necessary time frames. In addition, no specifications shall be drafted in such a manner as to limit competitive bidding or solicitation directly or indirectly to any one specific vendor, or any specific brand, product, thing, or service, except for those items that are approved as exempt from competitive bidding or solicitation requirements as provided in Section 7.1.3.

4.4 Purchase amounts include taxes and the cost of shipping, freight fees and any other charges billed by the supplier or contractor for purposes of the authorization limits under this Policy.

4.5 Purchase authorization and expenditure limits in Table 1, and competitive solicitation requirements in Table 2 and as further set forth in this Policy, are on a per purchase/per contract basis and shall not be applied as an aggregate limit to any vendor, supplier, contractor or Consultant.

4.6 With the exception of the General Manager, in the absence of an authorized signatory for a given request, authorization will be obtained from the next highest authority in Table 1.

4.7 The District may use electronic commerce whenever practicable or cost-effective. The District may accept electronic signatures and records in connection with District procurement, as permitted by applicable law.

V. PROCUREMENT METHODS

The following methods are available to initiate a purchase request or to pay for materials, services or Public Works:

5.1 Requisition/Purchase Order: Staff that require materials or services to carry out the defined duties of their positions shall submit Requisitions, in advance, for purchases in accordance with this Policy and other applicable procedures and policies of the District. The Purchasing Department will generate a PO from the Requisition.

5.2 Check Request: A check request can be used to initiate payment for certain limited materials or services without a PO. Check requests can be used to request payment for Non-Discretionary Purchases, services rendered, subscriptions, membership dues, workshop/seminar/conference registrations, use of facilities, etc.

5.3 Cal Card and Other Purchasing Cards: Designated staff may be assigned a Cal Card for miscellaneous purchases ~~up to \$1,000.00 per purchase/per day~~ that fall within the authorization limits in Table 1. Purchases using the Cal Card are subject to the terms and conditions of the District Cardholder Acceptance Agreement and any other applicable District Cal Card policies or procedures. Services are not to be acquired on Cal Cards due to lack of insurance and indemnification language associated with these purchases. ~~Cal Card limits may be increased temporarily or permanently with approval by an authorized manager subject to the authorization limits in Table 1.~~ Use of all other Purchasing Cards are subject to the terms of this Policy and to any usage terms provided at the time of card issuance to the designated staff and any subsequent amendments to such terms, and other applicable District policies. Use of the Cal Card is not to be used in lieu of situations where a Purchase Order or other Procurement methods would be appropriate.

5.4 Blanket Purchase Order: A Blanket Purchase Order is used for payment to the same supplier/contractor/Consultant multiple times, or for ongoing monthly purchases/expenses. A Blanket Purchase Order is issued to cover all amounts anticipated to be paid to the supplier/contractor/Consultant for the fiscal year or through a contract term and typically expires at the end of the fiscal year or at the expiration or termination of a Contract.

5.5 Contracts: Provisions shall be made, either through specifications or procedures established by the District, for verification of the references and financial responsibility of the contracting parties prior to the award of a Contract. After award, all Contracts shall be executed on behalf of the District by the appropriate authorized signatory indicated in Table 1. In no case shall any Contract be made if sufficient

funds are not budgeted and appropriated and not available to make payment promptly upon delivery or completion, or in accordance with a progress payment schedule, unless otherwise authorized and approved by the Board or approved by the General Manager as provided for in Section 6.2 (Emergency).

5.5.1 Contracts for Non-Professional Services, Professional Services and Public Works shall be executed when an expenditure exceeds \$5,000 (except in the event of an Emergency).

5.5.2 Multiple Year Contracts are allowed when in the best interests of the District as determined, and executed by the General Manager.

a. For purposes of procurement authorization, the dollar value of a Multiple Year Contract shall be the total contract value, including optional renewal periods. Once initially approved in accordance with the Policy requirements, any optional renewals may then be authorized by the General Manager at the time of renewal, regardless of the dollar amount, provided the pre-priced option is consistent with the terms of the contract as initially approved.

VI. EXCEPTIONS TO PRE-AUTHORIZATION

6.1 Non-Discretionary Purchases do not require Board approval for payment, including those that exceed the General Manager limit of \$75,000. Initial engagement in all software license agreements and cloud-based service agreements are subject to the purchasing limitations as set forth in Table 1. Purchase Orders are not required for Non-Discretionary Purchases.

6.2 Emergency Work/Services: The General Manager, Assistant General Manager or the assigned Emergency Operations Director may authorize Emergency expenditures for work, services, and/or supplies where the cost exceeds \$75,000 without prior Board approval. The Board shall be notified of any expenditures for Emergency work, services and/or supplies exceeding the General Manager's authorization limit at the next regularly scheduled Board meeting.

6.3 Purchase requests to replenish the District's warehouse inventory within established inventory re-order levels require no prior authorization or signatory approval under Table 1.

VII. COMPETITIVE SELECTION PROCESS

7.1 General. A competitive selection process for procurement of services and materials, and for Public Works projects, is required in accordance with the limits as set forth in Table 2 below (subject to certain exceptions, qualifications or limitations as further set forth below).

Table 2

Competitive Solicitation Process - Requirements	
Purchase Amount	Solicitation Requirement
\$ 5 <u>10</u> ,000 and under	<i>One Quote</i>
\$ 5 <u>10</u> ,001-\$75,000	<i>Three Quotes</i>
\$75,001 and over	<i>RFP or RFQ or Invitation to Bid Process Required</i>

7.1.2 Competitive Solicitation - Submission.

- i) All quotes, bids and proposals must be in writing. Email is acceptable for expenditures under \$75,000.
- ii) RFP, RFQ, and Invitation to Bid submissions must be in writing and be in substantial compliance with terms in the solicitation, or as otherwise required by law, or may be disqualified.
- iii) Quotes, bids and proposal documentation shall be retained pursuant to the District's record retention policy.

7.1.3 Exceptions from Competitive Solicitation Process - Generally. Solicitation of bids or proposals is preferable whenever practicable. In addition, to the exceptions stated under Section 7.3.2, the competitive solicitation requirements set forth under Table 2 may be waived when any of the following is applicable:

- Sole Source Purchases.
- Single Source Purchases.
- Emergency expenditures.
- Supplies, materials or equipment procured through a Cooperative Purchasing program with federal, state, county, or other public agencies.
- After a reasonable attempt has been made to obtain competitive quotes/ responses and it has been determined that no additional suppliers/providers/contractors/Consultants can be located; the District has a lack of response from suppliers/providers/contractors/Consultants to a competitive solicitation; or, when sufficient, satisfactory bids/proposals are not received, based on the District's sole discretion.
- Purchases to replenish the District's warehouse inventory within established inventory re-order levels.
- As dictated by law.

7.1.4 It shall be at the discretion of the General Manager, Assistant General Manager or the Purchasing Manager to determine whether an expenditure meets the qualifications listed herein to be exempt from a competitive solicitation, subject to any Board authorization.

7.2 Public Works. Contracts for Public Works projects shall conform to applicable requirements for Public Works contracts under State law, including but not limited to requirements relating to listing of subcontractors, posting of a payment bond in an amount not less than 100% of the total contract amount (for all Public Works contracts over \$25,000) and payment of prevailing wages (for all contracts for Public Works exceeding \$1,000), or as otherwise required by statute. Unless specifically waived by the District with the approval of the General Manager and District's legal counsel, the District shall require performance bonds for all Public Works Contracts in an amount not less than 100% of the total contract amount. Public Works Contracts let by an Invitation to Bid shall be awarded to the lowest responsive, responsible bidder in accordance with State law and the District's standard Public Works contract documents.

7.3 Professional Services (over \$75,000). RFPs will be initiated pursuant to the limits set forth in Table 2 when the Contract is anticipated to exceed \$75,000, unless the District's needs mandate uniquely qualified services, in which case only one proposal from a qualified firm may be solicited. Professional Services shall be engaged in accordance with California Government Code §4525 et seq., on the basis of demonstrated competence and qualifications for the types of services to be performed and at fair and reasonable prices to the District.

7.3.1 Professional Engineering Services. The District may request proposals for engineering services when the contract amount is anticipated to exceed \$25,000, and up to \$75,000. For engineering services anticipated to exceed \$75,000, RFPs will be initiated pursuant to the limits set forth in Table 2.

7.3.2 Exceptions from Competitive Solicitation Process – Professional Services. In addition to the exception for “uniquely qualified services” set forth under Section 7.3, the following criteria shall apply as exceptions to the competitive solicitation requirements set forth under Table 2 for Professional Services where such requirements would otherwise apply:

- For Professional Services estimated to cost \$25,000 or less, staff may request a proposal from one (1) qualified Consultant selecting from the list of qualified Consultants on file with the District.
- For Public Works projects where the project design is scheduled in phases, the related Professional Services may be negotiated with the Consultant that performed the work for a prior phase, if the Consultant performed satisfactory work on the prior phase(s) in terms of quality, schedule and estimated design costs and a satisfactory Contract can be negotiated.
- For Professional Services in which it is impracticable to comply with the selection process because of the unique, exploratory or experimental nature of the project, staff may request a proposal from one (1) qualified Consultant selecting from a list of qualified Consultants on file with the District.

7.4 Rejecting Competitive Responses - In response to an Invitation to Bid, RFQ, or RFP, the District may reject a bid or other response which is in any way incomplete, irregular, amplified, unqualified, conditional or otherwise not in compliance with the solicitation documents in all material respects, and in accordance with law. The District may waive any informality, irregularity, immaterial defects or technicalities in any bids or other responses received; and/or cancel an invitation for bids or RFP/RFQ, or reject all bids or responses for any other reason, which indicates the cancellation or rejection of all bids or responses is in the best interest of the District, and in accordance with law. Rejection of all bids or responses or cancellation of competitive solicitations, including determinations to re-bid, or re-solicit are subject to the same level of authority which is required to award a Contract as provided under Table 1, and as required by law.

7.5 In the case of RFPs and RFQs, the General Manager and the Board reserve the right to award Contracts based upon the best interests of the District, as determined by the District in its sole discretion.

VIII. CHANGE ORDERS

8.1 Change Orders may be issued from time to time as required by changes in the specifications or conditions of a project, services performed or materials issued.

8.1.1 Change Orders – PO Only. Change Orders up to 10% (to a maximum additional \$1,000) of the original PO amount may be issued by the Purchasing ~~or Finance~~ Department without further approvals. A revised Purchase Order Requisition must be completed and approved at the appropriate authorization levels under Table 1 for any Change Order request exceeding the original amount by more than 10% or the \$1,000 limit.

8.1.2 Change Orders – Formal Contracts and Amendments.

(1) For Contracts and Amendments under \$75,000:

- a. Change Orders up to 10% of the original Contract amount can be approved by the appropriate authorization levels as outlined in Table 1 up to a maximum total Contract amount of \$75,000 without Board approval.
- b. Board approval is required for Change Order requests exceeding the original Contract amount by more than 10%, or resulting in a total Contract amount over \$75,000.

(2) For Contracts and Amendments \$75,001 and over:

- a. Change Orders up to 10% (to a maximum additional \$75,000) of the original Contract amount can be approved by the appropriate authorization levels as outlined in Table 1 without Board approval.
- b. Board approval is required for Change Order requests exceeding the original Contract amount by more than 10%, or resulting in a \$75,000 increase.

8.1.3 A Change Order exceeding the Change Order limits set forth in this article may be authorized by the General Manager prior to Board approval if, in the General Manager’s determination, any of the following circumstances exist:

- (1) A delay in Change Order authorization could result in a negative financial impact to the District.
- (2) A delay in Change Order authorization could result in damage to or impairment of the operations of a District facility.
- (3) An Emergency exists which requires immediate work/services.

The Board shall be notified of any Change Order authorization exceeding the General Manager’s authorization limit at the next regularly scheduled Board meeting.

IX. ETHICAL PROCUREMENT- CONFLICT OF INTEREST

9.1 Board members, and District officers and employees shall not be financially interested in any contract made by them in their official capacity. (Government Code Section 1090). Board Members, officers and employees shall not participate in any way to influence a governmental decision in which he/she knows or has reason to know that he/she has a financial interest. (Government Code Section 87100)

9.2 Any District employee (other than Administrative Personnel not under Designated Positions in the District’s Conflict of Interest Code) authorized under this Policy to make or enter into purchases on behalf of the District will complete a Statement of Economic Interests (Form 700) and comply with the District’s Conflict of Interest Code.

9.3 Confidential or proprietary information must be handled with due care and proper consideration of ethical and legal ramifications and governmental regulations.

9.4 Purchasing activities must be performed in accordance with all applicable laws and District policies.

9.5 Any employee/individual who violates the standards set forth in this Section shall be subject to disciplinary action consistent with District personnel policies.

X. CALIFORNIA WATER DISTRICT STATUS

Notwithstanding anything to the contrary in this Policy, the District is a California Water District and therefore is not mandated by State law to competitively bid any purchases, including those for Public Works projects and/or capital expenditures. The District is free to enter into non-bid contracts for Public Works, to purchase materials, services and supplies, to contract for design-build work, to utilize job-order contracting and to enter into Cooperative Purchasing arrangements for the design, construction and maintenance of Public Works, or undertake any other form of contracting determined to be in the District's best interest, except as otherwise expressly restricted by law.

XI. POLICY REVISIONS

This document will be maintained and revised by the General Manager with his/her designated representatives in consultation with the District's legal counsel, subject to approval by the Board. Revisions will occur whenever applicable Federal, State or local regulations change or otherwise as the need arises and in the discretion of the Board.

XII. POLICY APPROVAL AND ADOPTION

This Policy has been reviewed by the Moulton Niguel Water District Board of Directors and adopted by Resolution No. ~~14~~ ~~12~~ on ~~September~~ June 17, ~~2014~~ 2017.



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** June 14, 2017
FROM: Trevor Agrelius, Controller
SUBJECT: General Obligation Bond Tax Rates for Fiscal Year 2017-18
DIVISION: District-wide

SUMMARY:

Issue: Requesting approval of the Fiscal Year 2017-18 General Obligation Bond Tax Rates.

Recommendation: It is recommended that the Board of Directors approve the resolution entitled, "Setting Tax Rates for Outstanding General Obligation Bonds of Improvement District No. 7 for Fiscal Year 2017-18".

Fiscal Impact: Revenues collected from taxable property within Improvement District No. 7 are used to pay for voter approved General Obligation Bonds.

Reviewed by Legal: Yes

BACKGROUND:

Since its inception in 1960, the District has formed multiple improvement districts to provide major water distribution facilities and wastewater collection, treatment and disposal facilities services within their respective boundaries. Through consolidations and annexations, the District now contains 6 operational improvement districts, Improvement District Nos. 1, 2, 3, 6, 7 and 8. A map of the improvement districts is attached. Improvement District No. 7 is the only improvement district that currently has debt outstanding. As of June 30, 2017, the outstanding balance for the District No. 7 General Obligation Bonds will be \$4,105,000, with the final payment scheduled for September 1, 2019.

#9.

General Obligation Bond Tax Rates for Fiscal Year 2017-18

June 14, 2017

Page 2 of 2

DISCUSSION:

The District calculates the amount of money necessary to be raised by taxation upon the taxable property within each Improvement District and estimates the tax rate to be levied.

Each year, the Board of Directors must adopt by Resolution the District's required revenue for each Improvement District and estimated tax rate for the following year. For Fiscal Year 2017-18 the required revenue and estimated tax rates are as follows:

Improvement District No.	Required Revenue	Estimated Tax Rate
7	\$871,538	0.05374%

Attachments:

1. Resolution Setting Tax Rates for Outstanding General Obligation Bonds of Improvement Districts for Fiscal Year 2017-18.
2. Computation of the Improvement District No. 7 tax rate for Fiscal Year 2017-18.
3. Map of the Improvement Districts.

RESOLUTION NO. 17-_____

**RESOLUTION OF THE BOARD OF DIRECTORS OF
MOULTON NIGUEL WATER DISTRICT SETTING TAX RATES FOR
OUTSTANDING GENERAL OBLIGATION BONDS OF IMPROVEMENT DISTRICT
NO. 7 FOR FISCAL YEAR 2017-18**

WHEREAS, the Board of Directors of MOULTON NIGUEL WATER DISTRICT (sometimes the "District" herein) has considered the financial needs of the MOULTON NIGUEL WATER DISTRICT and its' IMPROVEMENT DISTRICT NO 7 for the 2017-18 Fiscal Year for payment of outstanding bonded indebtedness of such improvement districts, and the funds available and estimated to become available for meeting said financial needs; and

WHEREAS, pursuant to Section 37206 of the Water Code of the State of California, the Board of Directors of the District shall furnish to the Board of Supervisors of the County of Orange and the Auditor of the County of Orange an estimate in writing of the amount of money needed to be raised by the District during the 2017-18 Fiscal Year for the payment of outstanding voter approved general obligation bonded indebtedness of the District's improvement district for the 2017-18 Fiscal Year.

NOW, THEREFORE, the Board of Directors of MOULTON NIGUEL WATER DISTRICT does hereby resolve, determine and order as follows:

Section 1. That the amount of money necessary to be raised by ad valorem assessments upon the taxable property (land only) within the IMPROVEMENT DISTRICT NO. 7 of MOULTON NIGUEL WATER DISTRICT as revenue to pay the voter approved indebtedness for said district for the 2017-18 Fiscal Year is the sum of \$871,538. The estimated tax rate to be levied shall be .0005374 percent (.05374%) per \$100 of taxable land value. The tax rate herein is levied pursuant to Section 93 and 93.61 (a) (1) of the Revenue and Taxation Code for the purpose of paying voter approved indebtedness of the MOULTON NIGUEL WATER DISTRICT for IMPROVEMENT DISTRICT NO. 7.

Section 2. That the Secretary and Acting Treasurer of the District are hereby requested to furnish a certified copy of this Resolution to the Auditor of the County of Orange.

#9.

APPROVED, ADOPTED and SIGNED this 15th day of June, 2017.

MOULTON NIGUEL WATER DISTRICT

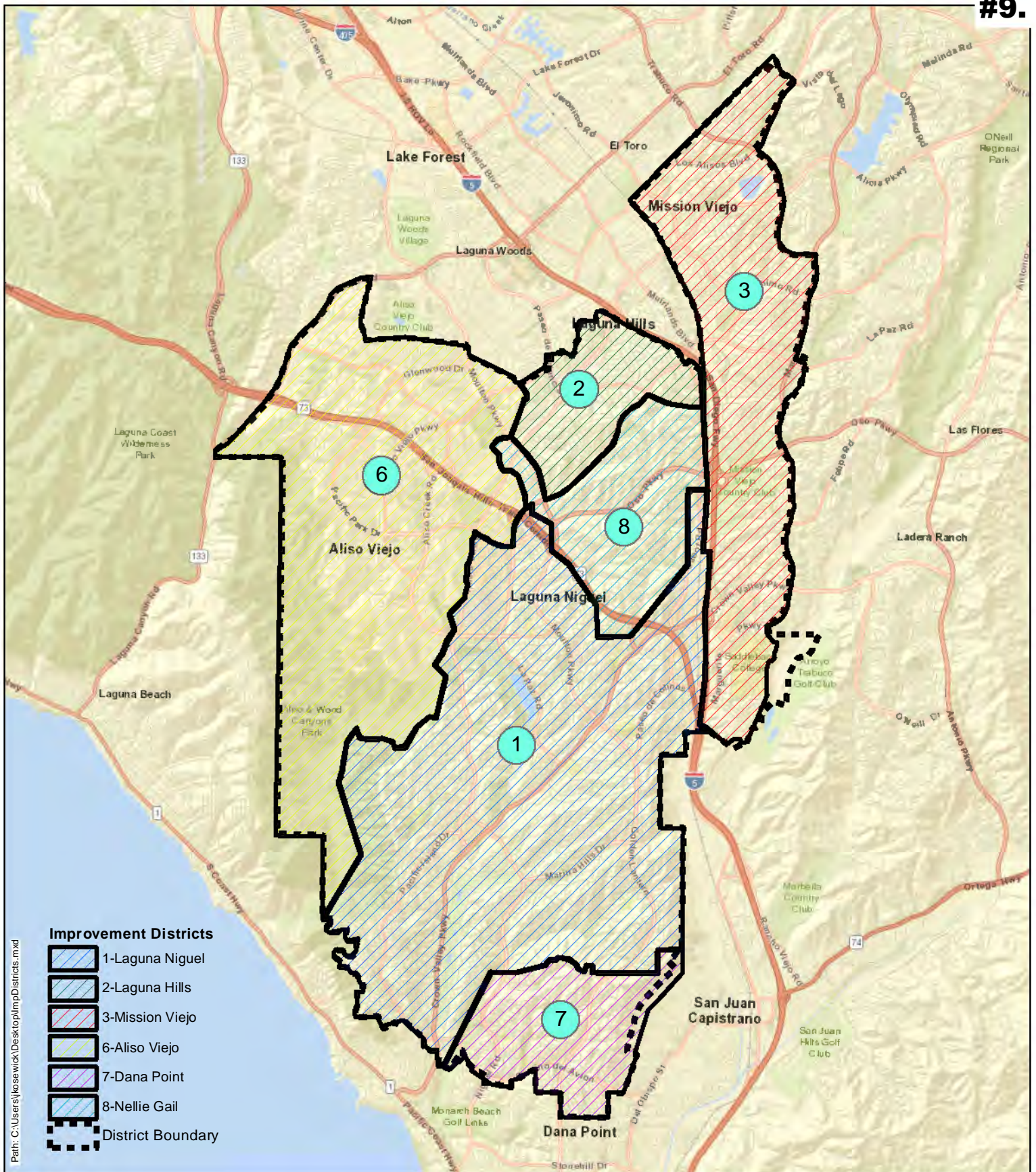
By: _____
President
MOULTON NIGUEL WATER DISTRICT
and of the Board of Directors thereof

By: _____
Secretary
MOULTON NIGUEL WATER DISTRICT
and of the Board of Directors thereof

Tax Rate Calculation

ID #7

Cash Balance at 06/30/2017 (Estimated)	2,015,347
	100%
Debt Service for FY 2017-18	\$1,419,500
Less: Prior Year's Taxes Available & Estimated Interest Earnings	(583,450)
Plus: 2.5% Delinquency Factor	35,488
	<hr/>
Debt Service	
September Payment	1,360,000
March Payment	59,500
Total Debt Service for FY 2017-18	1,419,500
Plus 2.5% Delinquency Factor	35,488
Less: Estimated Interest Earnings	12,397
Less: Prior year's taxes available	(595,847)
Total Assessment Requirement for 2016-17	<u>\$ 871,538</u>
	<hr/>
Secured Assessed Value - Estimated	1,621,757,459
Full Value Tax % Percentage	0.05374%
	<hr/>



Path: C:\Users\josewick\Desktop\ImpDistricts.mxd

Improvement Districts

-  1-Laguna Niguel
-  2-Laguna Hills
-  3-Mission Viejo
-  6-Aliso Viejo
-  7-Dana Point
-  8-Nellie Gail
-  District Boundary



**Improvement Districts
MNWD**



Scale = 1:85,000
-103-



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** June 14, 2017

FROM: Trevor Agrelius, Controller

SUBJECT: Annual Gann Appropriations Limit for Fiscal Year 2017-18

DIVISION: District-wide

SUMMARY:

Issue: Requesting approval of the Fiscal Year 2017-18 Gann Limit.

Recommendation: It is recommended that the Board of Directors approve the resolution entitled “Approving Appropriations Limit for Fiscal Year 2017-18 and Finding Compliance with Article XIII B of the Constitution of the State of California.”

Fiscal Impact: None.

Reviewed by Legal: Yes

BACKGROUND:

In November of 1979, the voters of the State of California approved Proposition 4, commonly known as the “Gann Initiative” or “Gann Limit”. The Proposition created Article XIII B of the State Constitution placing limits on the amount of tax revenue which can be received and allocated within a given year by public agencies, including many Special Districts. Division 9 of Title 1, beginning with Section 7900 of the Government Code, was then added to law to specify the process for calculating state and local government appropriation limits and appropriations subject to limitation under Article XIII B of the Constitution. These constitutional and statutory sections explain and define the appropriations limit and appropriations subject to limitation as they apply to state and local government, and require that each entity of government formally “adopt” its Appropriations Limit for a given fiscal year.

#10.

Annual Gann Appropriations Limit for Fiscal Year 2017-18

June 14, 2017

Page 2 of 2

DISCUSSION:

Fiscal Year 1978-79 appropriations serve as the base for this limit, with adjustments being made annually to reflect increase in population and the cost of living. Only tax proceeds are subject to the limit. Charges for services, regulatory fees, grants, loans, donations and other non-tax proceeds are not subject to the limit. Each year the Board of Directors must adopt by Resolution the District's Appropriations Limit for the following year. For Fiscal Year 2017-18 the Appropriations Limit is calculated to be \$7,885,291.

Attachments:

1. Resolution Approving Appropriations Limit for Fiscal Year 2017-18 and Finding Compliance With Article XIII B of the Constitution of the State of California
2. Computation of the Appropriation Limit for Fiscal Year 2017-18

RESOLUTION NO. 17-____

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
MOULTON NIGUEL WATER DISTRICT
APPROVING ITS APPROPRIATIONS LIMIT FOR FISCAL YEAR 2017-18 AND
FINDING COMPLIANCE WITH ARTICLE XIII B OF THE CONSTITUTION
OF THE STATE OF CALIFORNIA**

WHEREAS, the Board of Directors of the Moulton Niguel Water District (MNWD) has reviewed the financial affairs of MNWD and has reviewed the proposed Budget for the Fiscal Year 2017-18; and

WHEREAS, the Board of Directors desires to establish an Appropriations Limit for Fiscal Year 2017-18 for the purpose of complying with Article XIII B of the Constitution of the State of California. Said calculations have been posted at MNWD's offices and made available to the public at least 15 days prior to the adoption of this Resolution; and

WHEREAS, the Board of Directors desires at this time to approve its Budget for the Fiscal Year 2017-18, as well as its Appropriations Limit for said Fiscal Year 2017-18;

NOW, THEREFORE, the Board of Directors of MNWD does RESOLVE, DETERMINE, and ORDER as follows:

Section 1. That an Appropriations Limit of **\$7,885,291** be and the same hereby is established as the limit to which funds derived from proceeds of taxes may be appropriated during the Fiscal Year 2017-18.

Section 2. That the Budget for the Fiscal Year 2017-18 be and the same hereby is approved by this Board of Directors which Budget is on file with the Treasurer of MNWD and is by this reference incorporated herein.

Section 3. That the Treasurer of MNWD be and the same is hereby authorized to file copies of said Budget with such other public agencies as may be necessary. Pursuant to Government Code Section 7910, any judicial action or proceeding to attach, review, set aside, void, or annul the establishment of the appropriations limit as set forth herein must be commenced within 45 days of the adoption of this Resolution.

#10.

ADOPTED, SIGNED and APPROVED this 15th day of June, 2017.

MOULTON NIGUEL WATER DISTRICT

President/Vice President
MOULTON NIGUEL WATER DISTRICT
and of the Board of Directors thereof

Secretary/Assistant Secretary
MOULTON NIGUEL WATER DISTRICT
and of the Board of Directors thereof

MOULTON NIGUEL WATER DISTRICT
Permitted Growth Rate in Appropriations for 2017/18

Appropriations Limitation adopted 2016-17 \$7,552,566

Increase In CA Per Capita Personal Income

$$\frac{3.69 + 100.00}{100} = 1.036900$$

Increase In Population
Orange County

$$\frac{.69 + 100.00}{100} = 1.0069$$

Change Ratio 1.0369 x 1.0069 1.0441

Appropriations Limitation for 2017-18 \$7,885,291

Updated: 6/6/2017



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** June 14, 2017

FROM: Gina Hillary, Director of Human Resources

SUBJECT: Selection of the Annual Lump Sum Prepayment Option for
Unfunded Accrued Liability to CalPERS for Fiscal Year 2017-18

DIVISION: District-Wide

SUMMARY:

Issue: The District is required to remit employer contributions to the California Public Employees Retirement System (CalPERS).

Recommendation: It is recommended that the Board of Directors elect the annual lump sum prepayment option to pay for the unfunded accrued liability to CalPERS for Fiscal Year (FY) 2017-18.

Fiscal Impact: Should the District exercise this option, there would be a savings of \$29,220 for FY 2017-18.

BACKGROUND:

CalPERS conducts an annual actuarial valuation of our retirement plan to determine required employer contributions. Beginning with FY 2015-16, CalPERS changed the billing process for collecting employer contributions. The normal cost portion of employer contributions must be paid as a percentage of payroll. The unfunded accrued liability portion may be paid as an annual lump sum pre-payment or as a monthly dollar amount. The District paid the FY 2016-17 unfunded accrued liability portion as a lump sum payment last year.

The FY 2017-18 required employer contribution determined by the CalPERS actuarial valuation is summarized in the following table:

#11.

Selection of the Annual Lump Sum Prepayment Option for Unfunded Accrued Liability to CalPERS for Fiscal Year 2017-18

June 14, 2017

Page 2 of 2

Tier	1	2	3
Normal Cost Rate	10.812%	9.887%	7.045%
Unfunded Accrued Liability	\$788,672	\$3,066	\$1,826

DISCUSSION:

CalPERS offers two options for employers to pay the unfunded accrued liability:

Option 1: Lump sum pre-payment of \$793,564

Option 2: Monthly payments of \$68,565 (total for 12 months = \$822,784)

If the District elects Option 1, the lump sum pre-payment must be received in full by CalPERS on or before July 31, 2017 and would save the District \$29,220.



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** June 14, 2017

FROM: Joone Lopez, General Manager
 Jake Vollebregt, Director of Regional & Legal Affairs

SUBJECT: Professional Services Agreement for Public Affairs Services

DIVISION: District-Wide

SUMMARY:

Issue: Public affairs consulting services are required to support the District’s communications and community outreach requirements.

Recommendation: It is recommended that the Board of Directors approve a two-year professional services agreement with Faubel Public Affairs for an amount not-to-exceed \$192,000, and authorize the General Manager or Assistant General Manager to execute the Agreement.

Fiscal Impact: This is an annual obligation of \$96,000. Sufficient funds are included in the Government Affairs and General Manager operating budgets.

Reviewed by Legal: Yes

BACKGROUND:

The District has retained Faubel Public Affairs since July 2016 for communications, outreach, and public affairs services. In July 2016, the Assistant General Manager executed a six-month agreement with Faubel Public Affairs to develop strategic positions and communication protocols for issue management, community outreach, and media relations. The services have been performed or overseen by Roger Faubel, the firm’s principal, in exchange for a monthly retainer of \$5,000. In January 2017, the General Manager authorized a six-month extension.

DISCUSSION:

District staff have reviewed the level of services required to support its requirements. Based on the frequency and duration of public meetings, staff meetings, and

#12.

Professional Services Agreement for Public Affairs

June 14, 2017

Page 2 of 2

community events, staff and Faubel Public Affairs have arrived at a proposed monthly retainer of \$8,000 with a 2-year contract duration.

Attachments:

1. Original Agreement executed July 12, 2016.
2. Amendment No. 1 executed January 4, 2017.
3. Agreement for July 1, 2017 to June 30, 2019.

**AGREEMENT FOR CONSULTING SERVICES
BETWEEN MOULTON NIGUEL WATER DISTRICT AND
ROGER FAUBEL PUBLIC AFFAIRS, INC.
AGREEMENT NO. OM16-17.007**

THIS AGREEMENT (the "Agreement") is dated as of 7/1/16, 2016 (the "Effective Date"), by and between Roger Faubel Public Affairs, Inc., dba Faubel Public Affairs, hereinafter referred to as the "CONSULTANT" and Moulton Niguel Water District hereinafter referred to as "MNWD," and provides for the furnishing of consulting services to MNWD by CONSULTANT. MNWD and CONSULTANT may sometimes be referred to in this Agreement individually as "party" and together as "parties."

RECITALS

CONSULTANT proposes to provide communication and outreach services (the "Services") to MNWD. The scope of work to be performed by CONSULTANT under this Agreement is described in Exhibit A hereto, which is incorporated herein (the "Scope of Work").

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:

AGREEMENT

SECTION I - CONSULTING SERVICES

Section 1.1 CONSULTANT shall provide the Services to MNWD as further defined in Exhibit A. This Agreement, including all attached Exhibits form the Agreement between the parties.

SECTION II – SCOPE OF SERVICES AND PERFORMANCE

Section 2.1 CONSULTANT shall perform the Services in accordance with Exhibit A, the terms of this Agreement, and as directed by MNWD. MNWD reserves the right to develop additional Services and related requirements as it deems appropriate to meet the needs and objectives of MNWD and this Agreement.

Section 2.2 CONSULTANT acknowledges and agrees that MNWD does not guarantee any minimum or maximum amount of Services and MNWD may use other Consultants for the Services in its sole discretion.

Section 2.3 CONSULTANT shall provide all labor, materials, tools, equipment, supplies, utilities and transportation required to perform the Services, subject to compliance with the Agreement requirements, and complete all Services in a thorough, professional manner in accordance with generally accepted industry practices and principles, and to the satisfaction of MNWD. CONSULTANT shall have the sole and absolute discretion in determining the methods, details and means of performing the Services, and MNWD shall not have any right to direct the methods, details and means of the Services, provided that CONSULTANT must receive prior written approval from MNWD before using any subconsultants for the provision of Services under this Agreement. In performing the Services under this Agreement, CONSULTANT shall observe and abide by the terms and conditions of all applicable laws, regulations, ordinances, or other rules of the United States, of the State of California, or any political subdivisions thereof, or of any other duly constituted public authority or agency including but not limited to MNWD.

#12.

Section 2.4 MNWD may request or CONSULTANT may recommend, that CONSULTANT perform work in addition to or different from that delineated in the original Scope of Services, or delete services from the Scope of Services. Upon MNWD's request for additional or changed Services, CONSULTANT shall provide a cost estimate and written description of the additional or changed work. Prior to any such addition, changes, or deletion to the Scope of Services, MNWD and CONSULTANT shall negotiate an adjustment of the compensation and completion date and shall execute a written addendum. Upon execution of each addendum, (i) the Scope of Services shall thereafter be as described in the Agreement, respectively, as modified by the addendum and any previously executed addendum; and (ii) the time for completing the Services shall be as set forth in the addendum. Following execution of any amendment, all terms and provisions of the Agreement, except as expressly modified by such amendment, shall remain in full force and effect. MNWD will not be required to pay for any additional or changed work rendered in advance of the execution of an amendment covering the additional or changed work.

Section 2.5 CONSULTANT agrees to coordinate the work to ensure its timely completion and shall promptly notify MNWD of any anticipated delays or causes or casualties beyond CONSULTANT'S control which may affect the work schedule. CONSULTANT shall not begin work on any Services pursuant to this Agreement until receipt of MNWD'S written direction to proceed. Upon receipt of such notice, CONSULTANT shall immediately commence the work described in Exhibit A. The Services shall be completed in an expeditious manner and in any event no later than the completion date listed on the Scope of Services. Time is of the essence in this Agreement.

Section 2.6 CONSULTANT's manager in charge of the Services is Roger Faubel.

Section 2.7 Without prior written approval of MNWD, CONSULTANT will not make any changes in CONSULTANT'S manager in charge, in consultants, in outside labor arrangements, or associations or joint ventures which are required to accomplish any part of the Scope of Services. CONSULTANT is responsible to MNWD for the acts and omissions of its subcontractors as it is for persons directly employed by CONSULTANT. Nothing contained in this Agreement creates any contractual relationship between any subcontractor and MNWD. CONSULTANT shall not allow any subcontractor to commence work or services under any subcontract until all insurance required of CONSULTANT has been obtained for the subcontractor.

Section 2.8 MNWD shall make available to CONSULTANT, at no cost, all information reasonably required by CONSULTANT and relating to the work to be performed under this Agreement.

Section 2.9 All documents and information generated by CONSULTANT and any of CONSULTANT'S subcontractors pursuant to this Agreement shall remain confidential and shall not be copied, distributed, or otherwise provided or referenced by CONSULTANT or CONSULTANT'S subcontractors to any third parties other than with MNWD's prior written approval, or as compelled by order of court.

Section 2.10 CONSULTANT understands that all information, documents, records, reports, data or other materials (collectively "Materials") disclosed or provided by MNWD to CONSULTANT pursuant to this Agreement are to be considered confidential for all purposes and shall not be disclosed to or used for the benefit of third parties.

Section 2.11 All information, original drawings, artwork, media, final deliverables and other documents, developed pursuant to this Agreement shall, upon payment in full for the services

described in this Agreement or as otherwise provided in SECTION IV herein, be furnished to and become the property of MNWD.

SECTION III – TERM

Section 3.1 This Agreement shall commence as of the Effective Date and continue in effect through **December 31, 2016** unless otherwise terminated by either party pursuant to Section VII herein.

SECTION IV – FEES AND PAYMENT TERMS

Section 4.1 MNWD will pay Consultant for its performance of services pursuant to this Agreement, on a monthly retainer basis in the amount of **Five Thousand Dollars (\$5,000) per month**, to include all direct costs and expenses. Total payments under this Agreement shall not exceed **Thirty Thousand Dollars (\$30,000)**.

Section 4.2 Payments will be made based on submittal of invoices by CONSULTANT. Consultant will provide MNWD, on a monthly basis, copies of invoices sufficiently detailed to include summary of work performed, and related activities and costs for approval by MNWD.

SECTION V - INSURANCE AND INDEMNIFICATION

Section 5.1 Professional Liability Insurance. CONSULTANT and each of its sub-consultants/subcontractors shall maintain throughout the term of this Agreement a professional liability (errors and omissions) policy of insurance having coverage of not less than One Million Dollars (\$1,000,000) for each claim and in annual aggregate. The following provisions shall apply if the professional liability coverage is written on a claims-made basis:

- (a) The retroactive date of the policy must be shown and must be dated before the date of this Agreement.
- (b) Insurance must be maintained and evidence of insurance must be provided for at least five (5) years after completion of this Agreement or the services hereunder.
- (c) If coverage is canceled or not renewed and it is not replaced with another claims made policy form with a retroactive date that precedes the date of this Agreement, CONSULTANT must provide extended reporting coverage for a minimum of five (5) years after completion of the services. MNWD shall have the right to exercise at the CONSULTANT'S cost any extended reporting provisions of the policy should the CONSULTANT cancel or not renew the coverage.
- (d) A copy of the claims reporting requirements must be submitted to MNWD prior to the commencement of any work under this Agreement.

Section 5.2 General/Automobile Liability Insurance. CONSULTANT and each of its sub-consultants/subcontractors shall maintain throughout the term of this Agreement a general liability policy of insurance for bodily injury and/or death, personal injury and property damage claims which may arise from or in connection with the performance of the work under this Agreement by CONSULTANT and its sub-consultants/subcontractors, and each of their agents, representatives, or employees. Such public liability and property damage insurance (which shall cover claims, injury, death, loss or damage or accidents from the use or operation of any automobiles, trucks and/or other mobile or stationary equipment, whether owned, non-owned or hired) shall be comprehensive in form and shall be on a "per occurrence" basis in a minimum amount of One Million Dollars (\$1,000,000) per occurrence and an annual aggregate limit in a

#12.

minimum amount at least twice the per occurrence limit specified in this Section.

All insurance provided under this Section 5.2 shall name MNWD and its' directors, officers, employees and representatives as additional insureds under each such policy ("additional insureds") and an additional insured endorsement shall be provided in form acceptable to MNWD.

Section 5.3 Worker's Compensation. By its signature hereunder, CONSULTANT certifies that it is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and that CONSULTANT will comply with such provisions before commencing the performance of work under this Agreement. CONSULTANT and subcontractors shall maintain throughout the term of this Agreement workers' compensation insurance with limits no less than the statutory limits, and Employer's Liability insurance with limits no less than One Million Dollars (\$1,000,000) per accident and per disease for their employees and shall file with the MNWD the certificate required by Labor Code Section 3700. The workers compensation/Employer's Liability insurance shall be endorsed with a waiver of subrogation in favor of MNWD and its' directors, officers, employees and representatives.

Section 5.4 Requirements of All Policies. All policies of insurance required under this SECTION V shall be from insurance providers who are either admitted or licensed to do business in California, or are Surplus Lines Carriers authorized to do business in California, and who have financial size and ratings of no less than A-, Class VII, and in either case are otherwise acceptable to MNWD. All such policies shall include a provision and executed endorsement for thirty (30) days prior written notice by certified mail, return receipt requested, to MNWD of any cancellation or material alteration of such insurance. CONSULTANT shall provide original certificates and endorsements for all such insurance on forms approved by MNWD in conformity with all requirements of this Agreement prior to commencement of any work or professional services. The policies required hereunder shall be endorsed to include contractual liability.

In the case of additional insured provisions, any insurance afforded the additional insureds by this Agreement is primary insurance as to the additional insureds. Any insurance or self-insurance maintained by the additional insureds shall be excess of the CONSULTANT'S (and its subcontractor's) insurance, and shall not contribute to such insurance.

Any deductibles or self-insured retentions must be declared in writing and approved by MNWD. At the option of MNWD, either: the insurance provider(s) shall reduce or eliminate such deductibles or self-insured retentions as respects the MNWD and its' directors, officers, employees and representatives; or the CONSULTANT shall provide a financial guarantee satisfactory to MNWD guaranteeing payment of losses and related investigations, claim administration and defense expenses. Maintenance of insurance coverage as specified in this Agreement is a material term of this Agreement, and any failure to maintain or renew coverage, or to provide evidence thereof, as required by the terms is a material breach of this Agreement.

Section 5.5 Indemnity.

CONSULTANT agrees to indemnify, defend and hold harmless MNWD and its officers, directors, officials, and employees from and against all claims, damages, losses and expenses including attorneys' fees arising out of the performance of the work described herein caused by any negligence, recklessness, or willful misconduct of the CONSULTANT, its subconsultants or anyone for whose acts any of them may be liable. This section will survive the expiration or early termination of this Agreement. CONSULTANT is not responsible for errors or omissions in

the data provided by District to the CONSULTANT.

CONSULTANT's obligations pursuant to this Section shall survive the expiration or termination of this Agreement and/or the performance or completion of any or all Services and work provided under this Agreement. This indemnity obligation shall apply to all liability regardless of whether any insurance is applicable, and the policy limits of any insurance shall not act as a limitation upon the indemnification, and amounts related thereto, to be provided by CONSULTANT hereunder.

SECTION VI - SUBCONTRACTING

Section 6.1 No obligations under this Agreement shall be subcontracted without prior written approval by MNWD, which approval shall not be unreasonably withheld or delayed.

Section 6.2 In the event that subcontracting is approved by MNWD, CONSULTANT shall ensure that:

- 1) Each subcontractor complies in all respects with the provisions of this Agreement.
- 2) Its subcontractor maintains the same level of insurance coverage as required of CONSULTANT in Section V of this Agreement.

Section 6.3 CONSULTANT is as responsible to MNWD for the acts and omissions of its subcontractor as it is for persons directly employed by CONSULTANT. Nothing contained in this Agreement creates any contractual relationship between any subcontractor and MNWD. Supplier shall remain the primary debtor and be responsible for the due and timely performance by any subcontractor.

SECTION VII - TERMINATION OR ABANDONMENT

Section 7.1 This Agreement may be terminated in whole or in part in writing by either party provided that no such termination may be effected unless the other party is given not less than ten (10) calendar days' written notice (deliver by certified mail, return receipt requested) of intent to terminate. Additionally, MNWD may suspend performance by CONSULTANT of any or all services listed in the Scope of Services under this Agreement by providing written notice to CONSULTANT at least five (5) working days prior to the date on which MNWD wishes to suspend; provided, upon receipt of such notice, CONSULTANT shall immediately suspend any work or services hereunder, unless otherwise instructed by MNWD in such notice.

Section 7.2 CONSULTANT shall not perform further work under this Agreement after the effective date of suspension until receipt of written notice from MNWD to resume performance. MNWD and CONSULTANT agree that in the event MNWD suspends or terminates performance by CONSULTANT for any cause other than the intentional or negligent error or omission of CONSULTANT, CONSULTANT shall be entitled to payment of compensation incurred prior to the effective date of the suspension or termination, as determined under Section IV of this Agreement.

Section 7.3 In the event of any suspension or termination herein, MNWD shall have the right to take possession and shall immediately own all original drawings and other documents developed for that portion of the work completed and/or being suspended or abandoned.

SECTION VIII - GENERAL

Section 8.1 CONSULTANT represents that it is aware of no facts or circumstances which would impair its ability to provide fair and unbiased advice to MNWD in the course of performing the consulting services hereunder, or which would impact its objectivity in performing such services hereunder.

Section 8.2 This Agreement represents the entire understanding of MNWD and CONSULTANT as to those matters contained herein. No prior oral or written understanding shall be of any force or effect with respect to those matters covered hereunder. This Agreement may not be amended, modified or altered except in writing, signed by the parties. This Agreement shall not be construed against the party preparing it, but shall be construed as if both parties prepared it. In the event of any inconsistency between this Agreement and any other agreement or document between the parties, either written or verbal, including any CONSULTANT proposal document, this Agreement shall control unless such other agreement provides explicitly to the contrary.

Section 8.3 Any notice required or permitted to be given hereunder if not otherwise specified herein may be given or delivered by depositing the same in the United States Post Office, registered or certified, postage prepaid, or by personal service a hand delivery, and addressed to:

To MNWD - Attn: Matt Collings, Assistant General Manager
 Moulton Niguel Water District
 27500 La Paz Road
 Laguna Niguel, CA 92677

To CONSULTANT - Attn: Roger Faubel, President & CEO
 Faubel Public Affairs
 25 Orchard
 Lake Forest, CA 92630

Section 8.4 California law shall govern the interpretation of this Agreement. In the event of any legal action to enforce or interpret this Agreement, the sole and exclusive venue shall be a court of competent jurisdiction located in Orange County, California, and the parties hereto agree to and do hereby submit to the jurisdiction of such court, notwithstanding Code of Civil Procedure 394.

Section 8.5 In the event an action is commenced by either party to enforce its rights or obligations arising from this Agreement, the prevailing party in such action, in addition to any other relief and recovery awarded by the court, shall be entitled to recover all costs and expenses, including court costs, plus a reasonable amount for attorney's fees.

Section 8.6 If any section of this Agreement or provision of this Agreement as applied to either party or to any circumstance shall be adjudged by a court of competent jurisdiction to be void or unenforceable for any reason, the same shall in no way affect (to the maximum extent permissible by law) any other provision of this Agreement, the application of any such provision under circumstances different from those adjudicated by the court, or the validity or enforceability of this Agreement as a whole.

Section 8.7 It is expressly understood and agreed that CONSULTANT is retained as an independent contractor for the sole purpose of rendering the professional and/or special services, and is not an employee or agent of MNWD. CONSULTANT warrants that it will not

represent, at any time or in any manner, that CONSULTANT is an employee or agent of MNWD. CONSULTANT shall have no authority to, and shall not, incur any debt, obligation or liability on behalf of MNWD. CONSULTANT shall be solely responsible for the payment of all federal, state and local income tax, social security tax, Workers' Compensation insurance, state disability insurance, and any other taxes or insurance CONSULTANT, as an independent contractor, is responsible for paying under federal, state or local law. CONSULTANT is thus not eligible to receive workers' compensation, medical, indemnity or retirement benefits, including but not limited to enrollment in CalPERS.

Section 8.8 The person signing this Agreement on behalf of each party hereto represents he/she has authority to sign on behalf of, respectively, MNWD or CONSULTANT.

Section 8.9 This is a non-exclusive Agreement for the services contemplated herein.

Section 8.10 This Agreement and all of the terms, conditions, and provisions hereof shall inure to the benefit of and be binding upon the parties hereto, and their respective successors and assigns; provided, however, that no assignment of this Agreement or any interest herein shall be made by CONSULTANT without prior written consent of MNWD.

Section 8.11 This Agreement may be executed in counterparts, each of which shall be deemed an original.

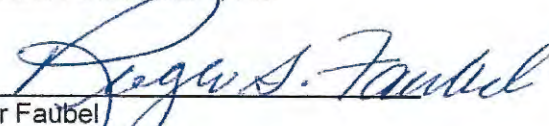
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

Moulton Niguel Water District

By: 
Matt Collings
Assistant General Manager

Date: 7/12/16

Roger Faubel Public Affairs, Inc.

By: 
Roger Faubel
President and CEO

Date: July 12, 2016

**EXHIBIT A
SCOPE OF WORK**

CONSULTANT shall perform the following services pursuant to this Agreement:

1. Assist the District with developing strategic positions and communication protocols as needed.
2. Support the District with issue management as identified by the District. Support may include developing and implementing programs for community outreach, media relations and government relations.
3. Support the District in furthering its policy objectives and targeted interests with local and regional elected officials and staff. Activities may include, but are not limited to, coordinating briefing meetings and developing position letters, talking points, or briefing packets.
4. Review and provide feedback on the District's outreach programs and community communication programs as requested.

**AMENDMENT NO. 1 TO THE AGREEMENT FOR CONSULTING SERVICES
BETWEEN MOULTON NIGUEL WATER DISTRICT AND
ROGER FAUBEL PUBLIC AFFAIRS, INC.; CONTRACT NO. OM16-17.007**

This Amendment No. 1 (this "Amendment") is entered into and effective as of January 1, 2017, amending the Agreement for Consulting Services, dated July 1, 2016 (the "Agreement"), by and between the Moulton Niguel Water District ("MNWD"), and Roger Faubel Public Affairs, Inc. ("Consultant") (collectively, the "Parties") for communication and outreach services. All capitalized terms not defined herein shall have the meanings set forth in the Agreement.

RECITALS

- A. WHEREAS, The Parties desire to extend the term of the Agreement for an additional six (6) month period at the same monthly retainer amount of five thousand dollars (\$5,000) per month; and
- B. WHEREAS, the Parties desire to amend SECTION II of the Agreement to include certain exclusivity requirements of CONSULTANT.


NOW THEREFORE, in consideration of these recitals and the mutual covenants contained herein, MNWD and Consultant agree as follows:

- 1. The term of the Agreement is hereby extended through June 30, 2017.
- 2. The Agreement is hereby amended to add the following language as Section 2.12 of the Agreement:

Section 2.12 While this Agreement is in effect, CONSULTANT will not take on additional client contracts or projects that involve providing services to any other water purveyors or water agencies in Orange County without the consent of MNWD. Nothing in this Agreement precludes or limits CONSULTANT or MNWD from retaining others to perform additional or supplemental services on behalf of MNWD.

- 3. Total payments under this Amendment, including all fees, costs and expenses, shall not exceed Thirty Thousand Dollars (\$30,000). The Parties agree that the total Agreement amount, including this Amendment, shall not exceed Sixty Thousand Dollars (\$60,000).
- 4. All other provisions of the Agreement, as may have been amended from time to time, will remain in full force and effect. In the event of any conflict or inconsistency between the Agreement and this Amendment, the terms of this Amendment shall control.
- 5. All requisite insurance policies to be maintained by the Consultant pursuant to the Agreement, as may have been amended from time to time, will include coverage for this Amendment.
- 6. The individuals executing this Amendment and the instruments referenced in it on behalf of Consultant each represent and warrant that they have the legal power, right and actual authority to bind Consultant to the terms and conditions of this Amendment.

ROGER FAUBEL PUBLIC AFFAIRS,
INC.

By: 

Title: 

Date: 1/4/2017

MOULTON NIGUEL WATER
DISTRICT, a California Water District

By: 
General Manager

Date: 12/29/16

**AGREEMENT FOR CONSULTING SERVICES
BETWEEN MOULTON NIGUEL WATER DISTRICT AND
ROGER FAUBEL PUBLIC AFFAIRS, INC.
AGREEMENT NO. OM17-18.006**

THIS AGREEMENT (the "Agreement") is dated as of _____, 2017 (the "Effective Date"), by and between Roger Faubel Public Affairs, Inc., dba Faubel Public Affairs, hereinafter referred to as "CONSULTANT" and Moulton Niguel Water District hereinafter referred to as "MNWD," and provides for the furnishing of consulting services to MNWD by CONSULTANT. MNWD and CONSULTANT may sometimes be referred to in this Agreement individually as "party" and together as "parties."

RECITALS

A. WHEREAS, the parties previously entered into that certain Agreement For Consulting Services, Agreement No. OM16-17.007, dated July 1, 2016 ("2016 Agreement") whereby CONSULTANT provided communication and outreach services ("Services") to MNWD. The term of the 2016 Agreement expired as of December 31, 2016; and

B. WHEREAS, the parties then entered into that certain Amendment No. 1 To The Agreement For Consulting Services, Contract No. OM16-17.007, dated January 1, 2017 ("First Amendment") to extend the term of the 2016 Agreement and to amend the 2016 Agreement to include certain exclusivity requirements of CONSULTANT. The term was extended to June 30, 2017; and

C. WHEREAS, the parties desire to enter into this Agreement in order to extend the term through June 30, 2019 for the provision of Services. The scope of work to be performed by CONSULTANT under this Agreement is described in **Exhibit A** hereto, which is incorporated herein (the "Scope of Work"). In addition, due to the frequency and duration of public meetings, staff meetings and community events, the parties have agreed to increase the amount of the monthly retainer from \$5,000 to \$8,000.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:

AGREEMENT

SECTION I - CONSULTING SERVICES

Section 1.1 CONSULTANT shall provide the Services to MNWD as further defined in **Exhibit A**. This Agreement, including all attached Exhibits form the Agreement between the parties.

SECTION II – SCOPE OF SERVICES AND PERFORMANCE

Section 2.1 CONSULTANT shall perform the Services in accordance with **Exhibit A**, the terms of this Agreement, and as directed by MNWD. MNWD reserves the right to develop additional Services and related requirements as it deems appropriate to meet the needs and objectives of MNWD and this Agreement.

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Section 2.2 CONSULTANT acknowledges and agrees that MNWD does not guarantee any minimum or maximum amount of Services and MNWD may use other Consultants for the Services in its sole discretion.

Section 2.3 CONSULTANT shall provide all labor, materials, tools, equipment, supplies, utilities and transportation required to perform the Services, subject to compliance with the Agreement requirements, and complete all Services in a thorough, professional manner in accordance with generally accepted industry practices and principles, and to the satisfaction of MNWD. CONSULTANT shall have the sole and absolute discretion in determining the methods, details and means of performing the Services, and MNWD shall not have any right to direct the methods, details and means of the Services, provided that CONSULTANT must receive prior written approval from MNWD before using any subconsultants for the provision of Services under this Agreement. In performing the Services under this Agreement, CONSULTANT shall observe and abide by the terms and conditions of all applicable laws, regulations, ordinances, or other rules of the United States, of the State of California, or any political subdivisions thereof, or of any other duly constituted public authority or agency including but not limited to MNWD.

Section 2.4 MNWD may request or CONSULTANT may recommend, that CONSULTANT perform work in addition to or different from that delineated in the original Scope of Services, or delete services from the Scope of Services. Upon MNWD's request for additional or changed Services, CONSULTANT shall provide a cost estimate and written description of the additional or changed work. Prior to any such addition, changes, or deletion to the Scope of Services, MNWD and CONSULTANT shall negotiate an adjustment of the compensation and completion date and shall execute a written addendum. Upon execution of each addendum, (i) the Scope of Services shall thereafter be as described in the Agreement, respectively, as modified by the addendum and any previously executed addendum; and (ii) the time for completing the Services shall be as set forth in the addendum. Following execution of any amendment, all terms and provisions of the Agreement, except as expressly modified by such amendment, shall remain in full force and effect. MNWD will not be required to pay for any additional or changed work rendered in advance of the execution of an amendment covering the additional or changed work.

Section 2.5 CONSULTANT agrees to coordinate the work to ensure its timely completion and shall promptly notify MNWD of any anticipated delays or causes or casualties beyond CONSULTANT'S control which may affect the work schedule. CONSULTANT shall not begin work on any Services pursuant to this Agreement until receipt of MNWD'S written direction to proceed. Upon receipt of such notice, CONSULTANT shall immediately commence the work described in **Exhibit A**. The Services shall be completed in an expeditious manner and in any event no later than the completion date listed on the Scope of Services. Time is of the essence in this Agreement.

Section 2.6 CONSULTANT's manager in charge of the Services is Roger Faubel.

Section 2.7 Without prior written approval of MNWD, CONSULTANT will not make any changes in CONSULTANT'S manager in charge, in consultants, in outside labor arrangements, or associations or joint ventures which are required to accomplish any part of the Scope of Services. CONSULTANT is responsible to MNWD for the acts and omissions of its subcontractors as it is for persons directly employed by CONSULTANT. Nothing contained in this Agreement creates any contractual relationship between any subcontractor and MNWD. CONSULTANT shall not allow any subcontractor to commence work or services under any subcontract until all insurance required of CONSULTANT has been obtained for the

subcontractor.

Section 2.8 MNWD shall make available to CONSULTANT, at no cost, all information reasonably required by CONSULTANT and relating to the work to be performed under this Agreement.

Section 2.9 All documents and information generated by CONSULTANT and any of CONSULTANT'S subcontractors pursuant to this Agreement shall remain confidential and shall not be copied, distributed, or otherwise provided or referenced by CONSULTANT or CONSULTANT'S subcontractors to any third parties other than with MNWD's prior written approval, or as compelled by order of court.

Section 2.10 CONSULTANT understands that all information, documents, records, reports, data or other materials (collectively "Materials") disclosed or provided by MNWD to CONSULTANT pursuant to this Agreement are to be considered confidential for all purposes and shall not be disclosed to or used for the benefit of third parties.

Section 2.11 All information, original drawings, artwork, media, final deliverables and other documents, developed pursuant to this Agreement shall, upon payment in full for the services described in this Agreement or as otherwise provided in SECTION IV herein, be furnished to and become the property of MNWD.

Section 2.12 While this Agreement is in effect, CONSULTANT will not take on additional client contracts or projects that involve providing services to any other water purveyors or water agencies in Orange County without the consent of MNWD. Nothing in this Agreement precludes or limits CONSULTANT or MNWD from retaining others to perform additional or supplemental services on behalf of MNWD.

SECTION III – TERM

Section 3.1 This Agreement shall commence as of the Effective Date and continue in effect through **June 30, 2019** unless otherwise terminated by either party pursuant to Section VII herein.

SECTION IV – FEES AND PAYMENT TERMS

Section 4.1 MNWD will pay Consultant for its performance of services pursuant to this Agreement, on a monthly retainer basis in the amount of **Eight Thousand Dollars (\$8,000) per month**, to include all direct costs and expenses. Total payments under this Agreement shall not exceed **One Hundred Ninety Two Thousand Dollars (\$192,000)**.

Section 4.2 Payments will be made based on submittal of invoices by CONSULTANT. Consultant will provide MNWD, on a monthly basis, copies of invoices sufficiently detailed to include summary of work performed, and related activities and costs for approval by MNWD.

SECTION V - INSURANCE AND INDEMNIFICATION

Section 5.1 Professional Liability Insurance. CONSULTANT and each of its sub-consultants/subcontractors shall maintain throughout the term of this Agreement a professional liability (errors and omissions) policy of insurance having coverage of not less than One Million Dollars (\$1,000,000) for each claim and in annual aggregate. The following provisions shall

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apply if the professional liability coverage is written on a claims-made basis:

- (a) The retroactive date of the policy must be shown and must be dated before the date of this Agreement.
- (b) Insurance must be maintained and evidence of insurance must be provided for at least five (5) years after completion of this Agreement or the services hereunder.
- (c) If coverage is canceled or not renewed and it is not replaced with another claims made policy form with a retroactive date that precedes the date of this Agreement, CONSULTANT must provide extended reporting coverage for a minimum of five (5) years after completion of the services. MNWD shall have the right to exercise at the CONSULTANT'S cost any extended reporting provisions of the policy should the CONSULTANT cancel or not renew the coverage.
- (d) A copy of the claims reporting requirements must be submitted to MNWD prior to the commencement of any work under this Agreement.

Section 5.2 General/Automobile Liability Insurance. CONSULTANT and each of its sub-consultants/subcontractors shall maintain throughout the term of this Agreement a general liability policy of insurance for bodily injury and/or death, personal injury and property damage claims which may arise from or in connection with the performance of the work under this Agreement by CONSULTANT and its sub-consultants/subcontractors, and each of their agents, representatives, or employees. Such public liability and property damage insurance (which shall cover claims, injury, death, loss or damage or accidents from the use or operation of any automobiles, trucks and/or other mobile or stationary equipment, whether owned, non-owned or hired) shall be comprehensive in form and shall be on a "per occurrence" basis in a minimum amount of One Million Dollars (\$1,000,000) per occurrence and an annual aggregate limit in a minimum amount at least twice the per occurrence limit specified in this Section.

All insurance provided under this Section 5.2 shall name MNWD and its' directors, officers, employees and representatives as additional insureds under each such policy ("additional insureds") and an additional insured endorsement shall be provided in form acceptable to MNWD.

Section 5.3 Worker's Compensation. By its signature hereunder, CONSULTANT certifies that it is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and that CONSULTANT will comply with such provisions before commencing the performance of work under this Agreement. CONSULTANT and subcontractors shall maintain throughout the term of this Agreement workers' compensation insurance with limits no less than the statutory limits, and Employer's Liability insurance with limits no less than One Million Dollars (\$1,000,000) per accident and per disease for their employees and shall file with the MNWD the certificate required by Labor Code Section 3700. The workers compensation/Employer's Liability insurance shall be endorsed with a waiver of subrogation in favor of MNWD and its' directors, officers, employees and representatives.

Section 5.4 Requirements of All Policies. All policies of insurance required under this SECTION V shall be from insurance providers who are either admitted or licensed to do business in California, or are Surplus Lines Carriers authorized to do business in California, and

who have financial size and ratings of no less than A-, Class VII, and in either case are otherwise acceptable to MNWD. All such policies shall include a provision and executed endorsement for thirty (30) days prior written notice by certified mail, return receipt requested, to MNWD of any cancellation or material alteration of such insurance. CONSULTANT shall provide original certificates and endorsements for all such insurance on forms approved by MNWD in conformity with all requirements of this Agreement prior to commencement of any work or professional services. The policies required hereunder shall be endorsed to include contractual liability.

In the case of additional insured provisions, any insurance afforded the additional insureds by this Agreement is primary insurance as to the additional insureds. Any insurance or self-insurance maintained by the additional insureds shall be excess of the CONSULTANT'S (and its subcontractor's) insurance, and shall not contribute to such insurance.

Any deductibles or self-insured retentions must be declared in writing and approved by MNWD. At the option of MNWD, either: the insurance provider(s) shall reduce or eliminate such deductibles or self-insured retentions as respects the MNWD and its' directors, officers, employees and representatives; or the CONSULTANT shall provide a financial guarantee satisfactory to MNWD guaranteeing payment of losses and related investigations, claim administration and defense expenses. Maintenance of insurance coverage as specified in this Agreement is a material term of this Agreement, and any failure to maintain or renew coverage, or to provide evidence thereof, as required by the terms is a material breach of this Agreement.

Section 5.5 Indemnity.

CONSULTANT agrees to indemnify, defend and hold harmless MNWD and its officers, directors, officials, and employees from and against all claims, damages, losses and expenses including attorneys' fees arising out of the performance of the work described herein caused by any negligence, recklessness, or willful misconduct of the CONSULTANT, its subconsultants or anyone for whose acts any of them may be liable. This section will survive the expiration or early termination of this Agreement. CONSULTANT is not responsible for errors or omissions in the data provided by District to the CONSULTANT.

CONSULTANT's obligations pursuant to this Section shall survive the expiration or termination of this Agreement and/or the performance or completion of any or all Services and work provided under this Agreement. This indemnity obligation shall apply to all liability regardless of whether any insurance is applicable, and the policy limits of any insurance shall not act as a limitation upon the indemnification, and amounts related thereto, to be provided by CONSULTANT hereunder.

SECTION VI - SUBCONTRACTING

Section 6.1 No obligations under this Agreement shall be subcontracted without prior written approval by MNWD, which approval shall not be unreasonably withheld or delayed.

#12.

Section 6.2 In the event that subcontracting is approved by MNWD, CONSULTANT shall ensure that:

- 1) Each subcontractor complies in all respects with the provisions of this Agreement.
- 2) Its subcontractor maintains the same level of insurance coverage as required of CONSULTANT in Section V of this Agreement.

Section 6.3 CONSULTANT is as responsible to MNWD for the acts and omissions of its subcontractor as it is for persons directly employed by CONSULTANT. Nothing contained in this Agreement creates any contractual relationship between any subcontractor and MNWD. Supplier shall remain the primary debtor and be responsible for the due and timely performance by any subcontractor.

SECTION VII - TERMINATION OR ABANDONMENT

Section 7.1 This Agreement may be terminated in whole or in part in writing by either party provided that no such termination may be effected unless the other party is given not less than ten (10) calendar days' written notice (deliver by certified mail, return receipt requested) of intent to terminate. Additionally, MNWD may suspend performance by CONSULTANT of any or all services listed in the Scope of Services under this Agreement by providing written notice to CONSULTANT at least five (5) working days prior to the date on which MNWD wishes to suspend; provided, upon receipt of such notice, CONSULTANT shall immediately suspend any work or services hereunder, unless otherwise instructed by MNWD in such notice.

Section 7.2 CONSULTANT shall not perform further work under this Agreement after the effective date of suspension until receipt of written notice from MNWD to resume performance. MNWD and CONSULTANT agree that in the event MNWD suspends or terminates performance by CONSULTANT for any cause other than the intentional or negligent error or omission of CONSULTANT, CONSULTANT shall be entitled to payment of compensation incurred prior to the effective date of the suspension or termination, as determined under Section IV of this Agreement.

Section 7.3 In the event of any suspension or termination herein, MNWD shall have the right to take possession and shall immediately own all original drawings and other documents developed for that portion of the work completed and/or being suspended or abandoned.

SECTION VIII - GENERAL

Section 8.1 CONSULTANT represents that it is aware of no facts or circumstances which would impair its ability to provide fair and unbiased advice to MNWD in the course of performing the consulting services hereunder, or which would impact its objectivity in performing such services hereunder.

Section 8.2 This Agreement represents the entire understanding of MNWD and CONSULTANT as to those matters contained herein. No prior oral or written understanding shall be of any force or effect with respect to those matters covered hereunder. This Agreement may not be amended, modified or altered except in writing, signed by the parties. This Agreement shall not be construed against the party preparing it, but shall be construed as if both parties prepared it. In the event of any inconsistency between this Agreement and any other agreement or document between the parties, either written or verbal, including any

CONSULTANT proposal document, this Agreement shall control unless such other agreement provides explicitly to the contrary.

Section 8.3 Any notice required or permitted to be given hereunder if not otherwise specified herein may be given or delivered by depositing the same in the United States Post Office, registered or certified, postage prepaid, or by personal service a hand delivery, and addressed to:

To MNWD - Attn: Matt Collings, Assistant General Manager
Moulton Niguel Water District
27500 La Paz Road
Laguna Niguel, CA 92677

To CONSULTANT - Attn: Roger Faubel, President & CEO
Faubel Public Affairs
25 Orchard
Lake Forest, CA 92630

Section 8.4 California law shall govern the interpretation of this Agreement. In the event of any legal action to enforce or interpret this Agreement, the sole and exclusive venue shall be a court of competent jurisdiction located in Orange County, California, and the parties hereto agree to and do hereby submit to the jurisdiction of such court, notwithstanding Code of Civil Procedure 394.

Section 8.5 In the event an action is commenced by either party to enforce its rights or obligations arising from this Agreement, the prevailing party in such action, in addition to any other relief and recovery awarded by the court, shall be entitled to recover all costs and expenses, including court costs, plus a reasonable amount for attorney's fees.

Section 8.6 If any section of this Agreement or provision of this Agreement as applied to either party or to any circumstance shall be adjudged by a court of competent jurisdiction to be void or unenforceable for any reason, the same shall in no way affect (to the maximum extent permissible by law) any other provision of this Agreement, the application of any such provision under circumstances different from those adjudicated by the court, or the validity or enforceability of this Agreement as a whole.

Section 8.7 It is expressly understood and agreed that CONSULTANT is retained as an independent contractor for the sole purpose of rendering the professional and/or special services, and is not an employee or agent of MNWD. CONSULTANT warrants that it will not represent, at any time or in any manner, that CONSULTANT is an employee or agent of MNWD. CONSULTANT shall have no authority to, and shall not, incur any debt, obligation or liability on behalf of MNWD. CONSULTANT shall be solely responsible for the payment of all federal, state and local income tax, social security tax, Workers' Compensation insurance, state disability insurance, and any other taxes or insurance CONSULTANT, as an independent contractor, is responsible for paying under federal, state or local law. CONSULTANT is thus not eligible to receive workers' compensation, medical, indemnity or retirement benefits, including but not limited to enrollment in CalPERS.

Section 8.8 The person signing this Agreement on behalf of each party hereto represents he/she has authority to sign on behalf of, respectively, MNWD or CONSULTANT.

#12.

Section 8.9 This is a non-exclusive Agreement for the services contemplated herein.

Section 8.10 This Agreement and all of the terms, conditions, and provisions hereof shall inure to the benefit of and be binding upon the parties hereto, and their respective successors and assigns; provided, however, that no assignment of this Agreement or any interest herein shall be made by CONSULTANT without prior written consent of MNWD.

Section 8.11 This Agreement may be executed in counterparts, each of which shall be deemed an original.

[Intentionally left blank, signed on following page]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

Moulton Niguel Water District

By: _____
Joone Lopez
Assistant General Manager

Date: _____

Roger Faubel Public Affairs, Inc.

By: _____
Roger Faubel
President and CEO

Date: _____

**EXHIBIT A
SCOPE OF WORK**

CONSULTANT shall perform the following services pursuant to this Agreement:

1. Assist the District with developing strategic positions and communication protocols as needed.
2. Support the District with issue management as identified by the District. Support may include developing and implementing programs for community outreach, media relations and government relations.
3. Support the District in furthering its policy objectives and targeted interests with local and regional elected officials and staff. Activities may include, but are not limited to, coordinating briefing meetings and developing position letters, talking points, or briefing packets.
4. Review and provide feedback on the District's outreach programs and community communication programs as requested.



moulton niguel water district
STAFF REPORT

TO: Board of Directors **MEETING DATE:** June 14, 2017
FROM: Drew Atwater, Director of Planning
SUBJECT: Amendment No. 1 to the Master Services Agreement with Smart Utility Systems
DIVISION: District-wide

SUMMARY:

Issue: Board action is required to execute an agreement for the continuation of the Customer Portal and Utility Dashboard.

Recommendation: It is recommended that the Board of Directors authorize the General Manager or Assistant General Manager to execute Amendment No. 1 to the agreement with Smart Utility Systems, for the licensed use of the Customer Portal Software Application, in the amount of \$267,250 and to fund water efficient devices consistent with current rebate funding levels through the Marketplace Module.

Fiscal Impact: The funds for this project are included in the FY 2017-2018 Operating Budget.

Reviewed by Legal: Yes.

Background:

On March 24, 2016, the District's purchasing department sent out a request for proposals to develop a Customer Portal and Utility Dashboard for the District's pilot AMI project. The Consultant produced both a customer portal and a utility portal that can be accessed via all current major web browsers and mobile devices. To facilitate

#13.

Amendment No. 1 to the Master Services Agreement with Smart Utility Systems

June 14, 2017

Page 2 of 3

the development of the portals, the consultant provided a secure channel to transfer relevant customer and District data.

Customers are able to login to their secure account and access up-to-date water budget and bill information, usage management tools and account alerts, advanced usage analytics, as well as bill pay and District water efficiency information. As of May 2017, over 1,100 customer accounts have successfully been registered through the portal.

Additionally, the Utility Dashboard serves as an analytical tool that District staff have used to monitor the water system, identify leaks, track and compare customer usage characteristics across the District, as well as generate summary statistics and activity reports. The Customer Portal and Utility Dashboard will continue to serve as a critical component of the AMI Pilot Project in the District's efforts to enhance customer service, promote the importance of water use efficiency, and expand the District's Water Loss Control Program.

To support project funding, the District was awarded a WaterSMART Grant from the United States Bureau of Reclamation (USBR) in the amount of \$300,000 in matching funds for the AMI Pilot Project, which includes the development of a Customer Portal and Utility Dashboard. The District successfully met USBR's grant funding requirement by populating AMI directly into the Customer Portal prior to the project deadline of June 30, 2017.

The following timeline provides a summary of items previously completed, in addition to a projection of future milestones.

Project Task	Completion Date
USBR Grant Presentation	December 2014
USBR Grant Resolution	January 2015
USBR Grant Award	August 2015
AMI Project Update	January 2016
Infrastructure Contract Award Recommendation	March 2016
Customer Portal Board Update	June 2016
Customer Portal Implemented Infrastructure Installation Complete	December 2016
Infrastructure Installation Complete	January 2017
AMI Data Available through Customer Portal	May 2017

Grant Report Due to USBR	September 2017
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Discussion:

Staff recommends the Board of Directors authorize an amendment to the master service agreement with Smart Utility Systems, Inc. to extend our partnership to June 30, 2020. The proposed amendment includes an expanded Scope of Work, provided in Exhibit A, which includes the addition of two modules that will enhance the customer's experience with the Customer Portal. The standard Portal view allows the user to view and track one account at a time, making it an ideal dashboard for residential customers who typically have one account. The District opted to incorporate the Commercial Portfolio View to provide additional management tools for commercial customers, who tend to manage multiple accounts with various rate schedules (e.g. commercial indoor, potable landscape, recycled landscape). The Portfolio View module allows commercial customers to view their usage and bills on an individual account basis or by aggregating accounts using the most relevant metric for their business needs, including dollars, tiers, or billing units. The Portfolio View also allows the main account holder to selectively group accounts and provide guest access to their property or landscape manager.

The second module provides customers with access to a Conservation Marketplace, where they can purchase high efficiency water-using devices at a discounted rate. The Marketplace would provide an alternative to the existing device rebate process, which currently requires customers to wait up three months to receive an incentive for purchasing and installing a high efficiency device. The District would provide the same level of device incentive funding through the Marketplace and customers could experience the enhanced benefit of an instant discount.

The proposed fee associated with the amendment includes the annual customer portal and utility dashboard annual operating costs, as well as the annual license fees for the additional modules. Smart Utility Systems, Inc. operates under a Software as a Service (SaaS) model, where they provide system upgrades and increased functionality developed as part of the annual operating costs. The District will continue to receive support for AMI meter data in the Customer Portal and Utility Dashboard and for the District's entire service area, if future expansion of the proposed system is desired. The proposed software will continue to support both AMI meters and meters read monthly so that all current District customers will have access to the portal.

Attachment: Amendment No. 1 to the Master Services Agreement between MNWD and Smart Utility Systems

**AMENDMENT NO. 1 TO THE MASTER SERVICES AGREEMENT BETWEEN
MOULTON NIGUEL WATER DISTRICT AND
SMART ENERGY SYSTEMS, LLC.
AGREEMENT NO. 2015.019, 2015.020**

This Amendment No. 1 (this "Amendment") is entered into and effective as of **July 1, 2017**, amending the Master Service Agreement dated June 28, 2016 (the "Agreement") by and between Moulton Niguel Water District ("DISTRICT") and Smart Energy Systems, LLC ("CONSULTANT") (collectively, the "Parties") to provide implementation services (the "Services") and software (the "Product") for the DISTRICT's AMI Customer Portal project.

RECITALS

- A. WHEREAS, the Parties desire to extend the term of the Agreement; and
- B. WHEREAS, the Parties desire to amend the Agreement's Scope of Services to be performed by CONSULTANT under the Agreement; and
- C. WHEREAS, the Parties have negotiated and agreed to the Supplemental Scope of Work and related fee schedule, attached hereto and incorporated herein by this reference as **Exhibit "A"**.

NOW, THEREFORE, in consideration of these recitals and the mutual covenants contained herein, DISTRICT and CONSULTANT agree as follows:

- 1. The term of the Agreement is hereby extended through **June 30, 2020**.
- 2. The Agreement is hereby revised to include the Services described in Exhibit "A", Supplemental Scope of Work.
- 3. DISTRICT will pay CONSULTANT on a fixed fee basis for Services performed pursuant to this Amendment per the compensation detail listed on Exhibit A, Section 3 hereto. Total payments under this Amendment, including all fees, costs and expenses, shall not exceed **One Hundred Four Thousand Three Hundred Fifty Dollars (\$104,350)** per year with a total not to exceed Agreement amount of **Two Hundred Sixty Seven Thousand Two Hundred (\$267,250)**. Said not-to-exceed amounts shall not include the compensation for the Conservation Marketplace module as set forth in Exhibit "B." DISTRICT will pay CONSULTANT on a per-device basis, at the rate for each device, as set forth in Exhibit "B" for the Conservation Marketplace module. Total payments for the Conservation Module shall not exceed the amount budgeted by DISTRICT for each fiscal year. CONSULTANT will provide DISTRICT, on an annual basis, copies of invoices sufficiently detailed to include summary of work performed, and related activities and costs for approval by DISTRICT.
- 4. The Parties agree that the total Agreement amount, including this Amendment, shall not exceed **Two Hundred Sixty Seven Thousand Two Hundred Fifty Dollars (\$267,250)**.
- 5. All requisite insurance policies to be maintained by the CONSULTANT pursuant to the Agreement, as may have been amended from time to time, will include coverage for this Amendment.
- 6. The individuals executing this Amendment and the instruments referenced in it on

#13.

behalf of CONSULTANT each represent and warrant that they have the legal power, right and actual authority to bind CONSULTANT to the terms and conditions of this Amendment.

SMART ENERGY SYSTEMS, LLC

MOULTON NIGUEL WATER DISTRICT, a California Water District

By:

By:

(sign here)

General Manager

(print name/title)

Date

Date



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** June 14, 2017
FROM: Trevor Agrelus, Controller
SUBJECT: Fuel Delivery Service Agreement
DIVISION: District-Wide

SUMMARY:

Issue: The District's current contract for fuel delivery services will expire on June 30, 2017.

Recommendation: It is recommended that the Board of Directors approve a two-year service agreement with California Fuel and Lubricants for a total not-to-exceed amount of \$720,000 (\$360,000 per year) with three one year options to extend for the purchase and delivery of unleaded fuel, diesel fuel, and motor oil lubricants; and authorize the General Manager or Assistant General Manager to execute the Agreement.

Fiscal Impact: Sufficient funds are included in the Fiscal Year 17-18 operating budget.

Legal: Yes

BACKGROUND:

The fuel pumping station located at the District's 2A Plant includes of a 10,000 gallon underground storage tank divided into two compartments: an 8,000-gallon unleaded fuel compartment and a 2,000-gallon diesel fuel compartment. The fuel pumping station enables staff to fill the District's 99 fleet vehicles, including both standard vehicles and heavy construction equipment. The on-site fuel is also used to supply fuel to 14 emergency back-up generators at various wastewater, and potable water pump stations.

The District's annual fuel usage ranges from 70,000 to 90,000 combined gallons of unleaded and diesel fuels. Annual automotive motor oil usage averages 700

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Fuel Delivery Service Agreement

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combined gallons of two different weights/types of oil. The oil is stored in two 180 gallon tanks.

Fuel orders are typically placed every other week, but may occur more or less frequently as usage dictates. Motor oil is typically ordered bi-annually.

DISCUSSION:

Staff issued a Request for Proposal (RFP) to six experienced bulk fuel and motor oil delivery service providers. Five qualified proposals were received and reviewed by staff.

Fuel pricing was quoted on a cost-plus model using the current Oil Price Information Service (OPIS) daily average rack pricing as the base price. Proposer's pricing consisted of the OPIS daily average cost per gallon, plus or minus Proposer's stated margin. Additional fees, such as delivery charges and surcharges are included in this margin. The oil pricing is quoted as per gallon.

The pricing from the five qualified respondents is below:

Summary of Proposals for Bulk Fuel Delivery Services				
Vendor	Unleaded (OPIS +)	Diesel (OPIS +)	CJ4 Oil/gal	10-30 Oil/gal
California Fuel and Lubricants	+\$0.0194	+\$0.0714	\$8.6988	\$5.2088
Nickey Petroleum	+\$0.099	+\$0.099	\$11.75	\$10.21
Merit Oil	+\$0.1275	+\$0.1275	\$5.914	\$4.847
Pinnacle	+\$0.1789	+\$0.2945	\$10.32	\$6.92
SC Fuels	+\$0.1229	+\$0.1229	\$6.57	\$5.39

Based on the District's historical usage rate for fuel and motor oil, California Fuel and Lubricant's proposal provided the lowest overall estimated cost, due to the fact that their proposal included the lowest fuel margin, and a competitively priced 10-30 and CJ4 oil price. The quoted margin will remain firm for the full term of the contract, including the optional years.

Based on review of all proposals, staff is recommending the District enter into an agreement with California Fuel and Lubricants, for a not-to-exceed amount of \$720,000 for a two-year agreement term with three optional one year terms at \$360,000 per year.

A draft service agreement is attached for reference. The District's standard ten day termination clause is included as a provision in the agreement.

Attachment: Fuel Delivery Service Agreement

**AGREEMENT FOR FUEL DELIVERY SERVICE
BETWEEN MOULTON NIGUEL WATER DISTRICT AND
AAA Oil, Inc.
AGREEMENT NO. OM17-180.001**

THIS AGREEMENT is made and entered into on July 1, 2017 (the “Effective Date”), by and between the **MOULTON NIGUEL WATER DISTRICT**, hereinafter referred to as “**DISTRICT**”, and **AAA Oil, Inc., dba California Fuels & Lubricants**, hereinafter referred to as “**Contractor**”. DISTRICT and Contractor are sometimes hereinafter individually referred to as “Party” and hereinafter collectively referred to as the “Parties”.

RECITALS

A. DISTRICT has determined there is a need for bulk fuel and motor oil delivery services.

B. DISTRICT desires to utilize the services of Contractor to provide bulk fuel and motor oil delivery services.

C. Contractor is qualified to accomplish the necessary Services and has agreed to provide such Services to DISTRICT.

NOW, THEREFORE, in consideration of the promises and mutual benefits, which will result to the Parties in carrying out the terms of this Agreement, it is mutually agreed as follows:

AGREEMENT

1. Scope of Agreement.

Contractor agrees to provide all Services as described in “Exhibit A” attached hereto and incorporated herein by reference. Contractor agrees that all Services will be performed in a competent, professional and satisfactory manner, and in accordance with this Agreement, the exhibits attached hereto and incorporated herein by reference, and all applicable local, state and federal laws, rules and regulations.

2. Term.

This Agreement shall be an initial two-year term, from July 1, 2017 to June 30, 2019, unless otherwise earlier terminated as provided herein. This Agreement may be extended, at DISTRICT’s sole option, for two additional 12-month terms, at the prices in the Fee Schedule listed in Exhibit "B". Subject to DISTRICT’s sole discretion, an extension will be based upon a satisfactory review of Contractor’s performance, DISTRICT’s needs, and appropriation of funds by the DISTRICT Board of Directors. The parties will prepare a written amendment indicating the effective date and length of the extended Agreement.

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3. Time for Completion.

The time for completion of the Services to be performed by Contractor is an essential condition of this Agreement. Contractor shall prosecute regularly and diligently the work of this Agreement according to reasonable schedules established by DISTRICT. Contractor shall not be accountable for delays in the progress of its work caused by any condition beyond its control and without the fault or negligence of Contractor.

4. Compensation.

DISTRICT shall pay Contractor total compensation for Services in accordance with the rates set forth in Exhibit "B" attached hereto and by reference made a part of this Agreement. The total compensation paid for services pursuant to the Agreement shall not exceed **Three Hundred Sixty Thousand Dollars (\$360,000) per year**. Total payments under this agreement shall not exceed **Seven Hundred Twenty Thousand Dollars (\$720,000)**.

Contractor shall submit detailed invoices, based upon services provided, accompanied by backup documentation as requested by DISTRICT. Contractor shall provide DISTRICT with a monthly itemization of all work performed, and the fees accrued thereon, in complete and sufficient detail to fully apprise DISTRICT thereof.

5. Termination.

DISTRICT may terminate this Agreement in whole or in part at any time, without cause, upon giving the other party ten (10) days' written notice. In the event of such termination, Contractor shall be entitled to compensation for work performed through and including the effective date of termination.

Additionally, DISTRICT may suspend performance by Contractor of any or all services listed in the Scope of Work under this Agreement by providing written notice to Contractor at least five (5) working days prior to the date on which DISTRICT wishes to suspend; provided, upon receipt of such notice, Contractor shall immediately suspend any work or services hereunder, unless otherwise instructed by DISTRICT in such notice.

Contractor shall not perform further work under this Agreement after the effective date of suspension until receipt of written notice from DISTRICT to resume performance. DISTRICT and Contractor agree that in the event DISTRICT suspends or terminates performance by Contractor for any cause other than the intentional or negligent error or omission of Contractor, Contractor shall be entitled to payment of compensation incurred prior to the effective date of the suspension or termination, as determined under Section 4 of this Agreement.

6. Relationship Between the Parties.

A. The relationship between the Parties hereto is that of an independent contractor, and nothing herein shall be deemed to make Contractor a DISTRICT employee. During the

performance of this Agreement, Contractor and its officers, employees, agents, and subcontractors shall act in an independent capacity and shall not act as DISTRICT officers, employees, or agents. The personnel performing the Services under this Agreement on behalf of Contractor shall at all times be under Contractor's exclusive direction and control. Neither DISTRICT nor any of its officers, employees, agents, or subcontractors shall have control over the conduct of Contractor or any of its officers, employees, or agents, except as set forth in this Agreement. Contractor, its officers, employees, agents, or subcontractors shall not maintain an office or any other type of fixed business location at DISTRICT's offices.

B. Contractor shall not incur or have the power to incur any debt, obligation, or liability against DISTRICT, or bind DISTRICT in any manner.

C. No DISTRICT benefits shall be available to Contractor, its officers, employees, agents, or subcontractors in connection with any performance under this Agreement. Except for fees paid to Contractor as provided for in this Agreement, DISTRICT shall not pay salaries, wages, or other compensation to Contractor for the performance of Services under this Agreement. DISTRICT shall not be liable for compensation or indemnification to Contractor, its officers, employees, agents, or subcontractors for injury or sickness arising out of performing Services hereunder.

7. Insurance.

In addition to the requirements set forth herein, during the entire term of the Agreement, Contractor will pay for and maintain, in full force and effect, all insurance required by DISTRICT as listed in this Section 7. Contractor shall not commence services under the Agreement until it has obtained all insurance required by the Agreement. Executed certificates of insurance and all required endorsements evidencing the required coverage detailed in this Section 7 shall be provided by Contractor with the Contractor's executed copy of this Agreement, and prior to commencement of any services. Contractor shall also require all of its subcontractors to procure and maintain the same insurance for the duration of the Agreement.

- a. Commercial General Liability. Coverage for commercial general liability insurance shall be at least as broad as Insurance Services Office (ISO) Commercial General Liability Coverage (Occurrence Form CG 0001). Contractor shall maintain limits no less than \$5,000,000 per occurrence, or the full per occurrence limits of the policies available, whichever is greater, for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with general aggregate limit or product-completed operations aggregate limit is used, including but not limited to form CG 2503, either the general aggregate limit shall apply separately to this Agreement or the general aggregate limit shall be twice the required occurrence limit. The general liability policy shall include or be endorsed (amended) to state that: (1) DISTRICT, its directors, officials, officers,

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- b. employees, agents, and volunteers shall be covered as additional insured with respect to the Services or operations performed by or on behalf of the Contractor, including materials, parts or equipment furnished in connection with such work using as broad a form as CG 20 10 11 85 or the latest versions of both CG 20 10 and CG 20 37; and (2) the insurance coverage shall be primary insurance as respects the DISTRICT, its directors, officials, officers, employees, agents, and volunteers using as broad a form as CG 20 01 04 13, or if excess, shall stand in an unbroken chain of coverage excess of the Contractor's scheduled underlying coverage. Any insurance or self-insurance maintained by the DISTRICT, its directors, officials, officers, employees, agents, and volunteers shall be excess of the Contractor's insurance and shall not be called upon to contribute with it in any way.
- c. Automobile Liability. Coverage shall be at least as broad as the latest version of the Insurance Services Office Business Auto Coverage form number CA 0001, code 1 (any auto). Contractor shall maintain limits no less than \$5,000,000 per accident for bodily injury and property damage. The automobile liability policy shall include or be endorsed (amended) to state that: (1) DISTRICT, its directors, officials, officers, employees, agents, and volunteers shall be covered as additional insureds with respect to the ownership, operation, maintenance, use, loading or unloading of any auto owned, leased, hired or borrowed by the Contractor or for which the Contractor is responsible; and (2) the insurance coverage shall be primary insurance as respects the DISTRICT, its directors, officials, officers, employees, agents, and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of the Contractor's scheduled underlying coverage. Any insurance or self-insurance maintained by the DISTRICT, its directors, officials, officers, employees, agents, and volunteers shall be excess of the Contractor's insurance and shall not be called upon to contribute with it in any way. The automobile liability policy shall cover all owned, non-owned, and hired automobiles.
- d. Worker's Compensation. By its signature hereunder, Contractor certifies that it is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and that Contractor will comply with such provisions before commencing the performance of work under this Agreement. Contractor and subcontractors shall maintain throughout the term of this Agreement workers' compensation insurance with limits no less than the statutory limits, and Employer's Liability insurance with limits no less than One Million Dollars (\$1,000,000) per accident and per disease for their employees and shall file with DISTRICT the certificate required by Labor Code Section 3700. The workers compensation/Employer's Liability insurance

shall be endorsed with a waiver of subrogation in favor of DISTRICT and its' directors, officers, employees and representatives.

- e. Contractor's Pollution Liability Coverage. Contractor shall provide pollution liability insurance in an amount not less than \$20,000,000 per occurrence and \$20,000,000 aggregate.
- f. Requirements of All Policies. All policies of insurance required under this Section 7 shall be from insurance providers who are either admitted or licensed to do business in California, or are Surplus Lines Carriers authorized to do business in California, and who have financial size and ratings of no less than A-, Class VII, and in either case are otherwise acceptable to DISTRICT. All such policies shall include a provision and executed endorsement for thirty (30) days prior written notice by certified mail, return receipt requested, to DISTRICT of any cancellation or material alteration of such insurance. Contractor shall provide original certificates and endorsements for all such insurance on forms approved by DISTRICT in conformity with all requirements of this Agreement prior to commencement of any work or professional services. The policies required hereunder shall be endorsed to include contractual liability.

In the case of additional insured provisions, any insurance afforded the additional insureds by this Agreement is primary insurance as to the additional insureds. Any insurance or self-insurance maintained by the additional insureds shall be excess of the Contractor's (and its subcontractor's) insurance, and shall not contribute to such insurance.

Any deductibles or self-insured retentions must be declared in writing and approved by DISTRICT. At the option of DISTRICT, either: the insurance provider(s) shall reduce or eliminate such deductibles or self-insured retentions as respects DISTRICT and its' directors, officers, employees and representatives; or the Contractor shall provide a financial guarantee satisfactory to DISTRICT guaranteeing payment of losses and related investigations, claim administration and defense expenses. Maintenance of insurance coverage as specified in this Agreement is a material term of this Agreement, and any failure to maintain or renew coverage, or to provide evidence thereof, as required by the terms is a material breach of this Agreement.

Nothing in the insurance requirements set forth in this Agreement is to be construed as limiting the liability of Contractor or Contractor's insurers or sureties. Contractor agrees that the provisions of this Section 7 shall not be construed as limiting in any way the extent to which Contractor may be held responsible for the payment of damages or other costs to DISTRICT, or any persons or property, resulting from Contractor's activities or the activities of any person or persons for which Contractor is otherwise responsible, including Contractor's subcontractors, if any.

8. Indemnity.

To the fullest extent allowed by law, Contractor agrees to indemnify, defend and hold harmless DISTRICT, its Board Members, officers, officials, agents and employees, harmless against any and all liability, claims, judgments, costs, and demands, including demands arising from injuries or death of persons (Contractor's employees included) and damage to property, arising directly or indirectly out of the obligations herein undertaken or out of the operations conducted by Contractor, save and except claims or litigation arising through the sole negligence or sole willful misconduct of DISTRICT and will make good to and reimburse DISTRICT for any expenditures, including reasonable attorneys' fees, DISTRICT may incur by reason of such matters, and if requested by DISTRICT, will defend any such suits at the sole cost and expense of Contractor.

In the event Contractor or its insurer refuses or fails to provide a legal defense to DISTRICT after receiving written notice of the legal action and a tender and demand for defense, DISTRICT shall have the right to select counsel of its own choice to represent all DISTRICT's interests. Contractor agrees that the amount of legal costs and expenses including attorneys' fees may be withheld by DISTRICT from any Agreement amounts due and owing to Contractor until such time as a final determination is made as to the responsibility for payment of the fees and costs.

This indemnity obligation shall survive the expiration or termination of this Agreement and/or the performance or completion of the Services. This indemnity obligation shall apply to all liability regardless of whether any insurance is applicable, and the policy limits of any insurance shall not act as a limitation upon the indemnification, and amounts related thereto, to be provided by Contractor under this Agreement.

9. Compliance with Law.

A. Contractor certifies by the execution of this Agreement the following: that it pays employees not less than the minimum wage as defined by law and that it does not discriminate in its employment with regard to race, color, religion, sex, or national origin.

B. Contractor shall comply with all applicable federal, state, and local laws, policies, rules, and requirements related to equal opportunity and nondiscrimination in employment, contracting, and the provision of any Services, including but not limited to the satisfaction of any positive obligations required of Contractor thereby.

C. Contractor shall comply with all local, State and Federal environmental laws, including but not limited to any record keeping requirements and will make all records available to DISTRICT upon request. Further, and to the fullest extent allowable by law, Contractor hereby agrees to defend, indemnify, and hold harmless DISTRICT, pursuant to this Agreement, for noncompliance with any local, State and Federal environmental laws, including but not limited to reimbursement of any penalties or fines assessed against DISTRICT for Contractor's noncompliance with any local, State and Federal environmental laws.

10. Notices.

All notices or other communications required or permitted hereunder shall be in writing and shall be personally delivered or sent by registered or certified mail, postage prepaid, return receipt requested, delivered or sent by electronic transmission, and shall be deemed received upon the earlier of: (i) the date of delivery to the address of the person to receive such notice if delivered personally or by messenger or overnight courier; (ii) three (3) business days after the date of posting by the United States Post Office if by mail; or (iii) when sent if given by electronic transmission. Any notice, request, demand, direction, or other communication sent by electronic transmission must be confirmed within forty-eight (48) hours by letter mailed or delivered. Notices or other communications shall be addressed as follows:

To DISTRICT: Attn: Asst. Director of Operations
Moulton Niguel Water District
27500 La Paz Road
Laguna Niguel, CA 92677-3489

To CONTRACTOR: Attn: Jaime Duenas
California Fuels & Lubricants
11621 Westminster Ave.
Garden Grove, CA 92843

Either Party may, by written notice to the other, designate a different address, which shall be substituted for that specified above.

11. Licenses and Qualifications.

Contractor represents and warrants to DISTRICT that it has obtained all licenses, permits, qualifications, and approvals of whatever nature that are legally required to practice its profession. Contractor represents and warrants to DISTRICT that Contractor shall, at its sole cost and expense, keep in effect at all times during the term of this Agreement, any license, permit or approval which is legally required for Contractor to perform its professional duties under this Agreement.

12. Agreement Execution Authorization.

Each of the persons executing this Agreement represent and warrant that they are authorized to sign this Agreement on behalf of the entity for which he/she is signing and empowered to bind such entity.

13. Jurisdiction.

This Agreement and any dispute arising hereunder shall be governed and interpreted in accordance with the laws of the State of California. In the event of any legal action to

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enforce or interpret this Agreement, the sole and exclusive venue shall be a court of competent jurisdiction located in Orange County, California, and the parties agree to and do hereby submit to the jurisdiction of such court, notwithstanding Code of Civil Procedure 394. This Agreement shall be construed as a whole according to its fair language and common meaning to achieve the objectives and purposes of the Parties hereto, and the rule of construction to the effect that ambiguities are to be resolved against the drafting Party shall not be employed in interpreting this Agreement, all Parties having been represented by counsel in the negotiation and preparation hereof.

14. Waiver.

No waiver of any provision of this Agreement shall be effective unless in writing and signed by a duly authorized representative of the Party against whom enforcement of a waiver is sought. Any waiver by the Parties of any default or breach of any covenant, condition, and term contained in this Agreement, shall not be construed to be a waiver of any subsequent or other default or breach, nor shall failure by the Parties to require exact, full, and complete compliance with any of the covenants, conditions, or terms contained in this Agreement be construed as changing the terms of this Agreement in any manner or preventing the Parties from enforcing the full provisions hereof.

15. Modifications and Amendments to Agreement.

No modification or amendment of this Agreement or any of the provisions hereof shall be effective for any purpose unless set forth in writing signed by duly authorized representatives of both Parties.

16. Successors in Interest.

This Agreement shall be binding upon and inure to the benefit of the Parties' successors and assignees.

17. Assignments.

No assignment by Contractor of this Agreement or any part hereof, or of funds to be received hereunder, will be recognized by DISTRICT unless such assignment has had prior written approval and consent of DISTRICT, which consent will not be unreasonably withheld.

18. Entire Agreement.

This Agreement and its Exhibits constitutes the entire understanding and agreement of the Parties hereto and supersedes all previous negotiations, discussions, and agreements between the Parties with respect to the subject matter hereof. No parol evidence shall be permitted to contradict or vary the terms of this Agreement.

19. Severability.

Whenever possible, each provision of this Agreement shall be interpreted in such a

manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be invalid under the applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of that provision, or the remaining provisions of this Agreement.

20. Recitals.

The Recitals above are hereby incorporated into this section as though fully set forth herein and each Party acknowledges and agrees that such Party is bound, for purposes of this Agreement, by the same.

21. Conflicts.

To the extent that there is any conflict between the provisions of this Agreement and any other agreement or document between the parties regarding the subject matter of this Agreement, the terms and conditions of this Agreement shall govern.

22. Separate Contracts.

Contractor understands that this is not an exclusive Agreement and that DISTRICT shall have the right to negotiate with and enter into separate contracts with others providing the same or similar services as those provided by Contractor as DISTRICT desires.

23. Time is of the Essence.

Time shall be of the essence as to all dates and times of performance contained in this Agreement.

24. Third Party Rights.

Nothing in this Agreement shall be construed to give any rights or benefits to anyone other than CVWD and the Contractor.

[Intentionally left blank, signed on following page]

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IN WITNESS WHEREOF, this Agreement has been executed in the name of DISTRICT, by its officers thereunto duly authorized, and Contractor as of the Effective Date of the Agreement as defined herein.

Moulton Niguel Water District

By: _____

Joone Lopez

General Manager

California Fuels & Lubricants

By: _____

Title: _____

EXHIBIT A

SCOPE OF WORK AND SPECIFICATIONS

Contractor shall provide DISTRICT with fuel delivery services subject to the following terms and specifications:

1.0 Contractor Responsibilities

The Contractor shall possess and maintain all Federal, State and Local permits, licenses and approvals necessary to provide goods / services as required in the Scope of Work, for the duration of the contract. Any associated fees shall be the responsibility of the Contractor.

The Contractor shall ensure that all delivery vehicles are in compliance with all current Federal, State and Local registration, licensing, insurance and maintenance requirements as mandated by the Department of Transportation (DOT), Federal Motor Carrier Safety Administration (FMCSA), Department of Toxic Substances (DTSC), California Air Resources Board (ARB), and California Highway Patrol (CHP), relating to the commercial transportation and delivery of bulk fuels and automotive lubricants in the State of California, for the duration of the contract.

The Contractor shall ensure that all of their fuel and oil delivery drivers are in compliance with current Federal, State and Local licensing, registration, training, communication, packaging, emergency response and security requirements, as mandated by the Department of Transportation (DOT), Federal Motor Carrier Safety Administration (FMCSA), California Air Resources Board (CARB), California Department of Motor Vehicles (DMV) and California Highway Patrol (CHP).

All drivers / delivery personnel shall be HAZMAT trained and certified in safety measures to prevent accidents endangering District personnel and property.

The Contractor's drivers / delivery personnel shall perform all deliveries in a safe and professional manner, adhering to all applicable Federal, State, Local regulations.

The Contractor shall ensure that the driver arrives at the fueling site with the proper equipment and the knowledge in the use of all equipment.

The Contractor shall supply to the District legible copies of State and Federally-required licenses, certifications and registrations for the business, vehicles and personnel with the submission of their proposal.

2.0 Fuel Usage and Storage

The District's annual fuel usage is approximately 53,000 gallons of unleaded and 40,000 gallons of diesel. The District's fuel delivery site contains one 10,000 gallon, double wall, double compartment underground storage tank, divided into 8000-gallon unleaded and 2000-diesel compartments. The District's fuel tank is electronically monitored with a Veeder-Root TLS-300C.

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3.0 Fuel Specifications

- a. Unleaded Gasoline provided shall have a minimum Octane rating of 89 as determined by using the standard R+M/2 method.
- b. Diesel fuel provided shall be Ultra Low Sulfur, #2, CARB-compliant.
- c. All fuel provided to the District must be in compliance with the State of California Air Resources Board (ARB) specifications as stated under the latest version of the California Reformulated Gasoline Regulations (CaRFG3), sections 2250 – 2273.5, including all amendments.
- d. All fuel content testing must comply with the American Society for Testing and Materials methods (D86-99, D287-82, D323-58, D613-84, D3231-73, D3237-79, D4629-96, D4814, D4815-09, D5186-03, D5453-93, D5580-02, D6079-02 and D7754-11).
- e. Fuel provided to the District must meet the latest flat limits of the Reid Vapor Pressure (RVP) requirements as set forth by the California Air Resources Board (ARB) in the California Reformulated Gasoline (CaRFG3) regulations.
- f. Diesel fuel provided must meet the content standards as specified under the California Air Resources Board, "California Diesel Fuel Regulations" (Title 13, Cal Code of Regulations, Sec 2281-2285 & Title 17, Cal Code of Regulations, Sec 93114).
- g. Contractor shall provide, upon request, Safety Data Sheet (SDS) at time of fuel delivery as required by law.
- h. Only products of new manufacture or distillation will be accepted. No refined or reclaimed products will be accepted. All fuel/gasoline shall have a minimum shelf life of one (1) year.
- i. All products furnished shall conform to all Federal, State, Local, American Society of Testing & Materials (ASTM), Department of Transportation (DOT) and Air Resources Board (ARB) regulations.

4.0 Motor Oil Usage and Storage

The District's annual automotive motor oil usage averages 400 combined gallons of two different weights/types of oil. The oil is stored in two 200 gallon tanks.

5.0 Motor Oil Specifications

- b. CJ-4, 15w/40 oil is used for our diesel vehicles. Oil provided shall meet 2007 and later California emissions standards and be formulated to be compatible with Diesel Particulate Filters (DPF).
- c. 10w/30 is used for our gasoline vehicles. Oil must be a synthetic blend.
- d. Only high quality, branded oils will be accepted.

EXHIBIT A

- e. Recycled oil is NOT acceptable.

6.0 Orders, Deliveries and Invoices

Orders

Fuel orders are typically placed every other week, but may occur more or less frequent as usage dictates. Motor oil is ordered twice annually. Most fuel orders are placed 24 to 72 hours in advance of need.

Fuel orders should be fulfilled by the Contractor as soon as possible, unless otherwise stated at the time of the order, but no more than 48 hours after the request has been made. Contractor must be able to deliver fuel within 24-hours of a telephoned or emailed request, and delineated fuel pricing shall be made available to the fuel coordinator within one twenty four (24) hour period of standard working hours of the actual delivery of fuel.

Deliveries

Fuel deliveries may be made between the hours of 8AM and 4PM, Monday through Friday, or as specified at the time of the order. Weekend or holiday deliveries are not to be made, unless specifically requested at the time of the order.

The Contractor's driver shall run a fuel tank read from the District's Veeder- Root monitor system, both prior and after fueling, to confirm delivery amounts and provide bill of lading documentation to the District's responsible party (Purchasing or the Warehouse) of the delivery types and quantities. Bill of Lading should contain, at a minimum:

- Company Name & Address
- Sold-to Party (Moulton Niguel Water District) with delivery address
- Date of delivery
- Type and Gallon Quantity of Unleaded Gasoline delivered
- Type and Gallon Quantity of Diesel Fuel delivered
- Fuel truck driver's signature
- District personnel's signature

Invoices

Contractor's fuel delivery invoice shall reference the Purchase Order, date of delivery, type of fuel, amount of delivered gallons, base fuel price per gallon (including margin), with all applicable taxes and surcharges itemized separately. The Contractor shall submit with each invoice, a copy of the OPIS price sheet for Orange, California, for the week of delivery.

District motor oil tanks are filled twice each yearly. Driver should arrive equipped for filling indoor, above-ground oil tanks. After delivery, a bill of lading will be provided to the District's responsible party. Bill of lading should contain, at a minimum:

- Contractor's Name & Address
- Sold-to Party (Moulton Niguel Water District), with delivery address
- Date of delivery
- Type and Gallon Quantity of oil delivered
- Oil truck driver's signature
- District personnel's signature

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Contractor's oil delivery invoice shall reference the Purchase Order, date of delivery, type of oil, amount of delivered gallons, price per gallon, with all applicable taxes and surcharges itemized separately.

7.0 Fuel and Oil Spills

The Contractor will be responsible for any spills on the District's premises, which occur from the company's fuel delivery vehicle or as a result of any of the driver's activities while in the process of filling the District's underground tank. The Contractor shall be financially and legally liable for the complete containment, remediation, and disposal of all hazardous waste spills that may occur during the Contractor's fueling operations. The Contractor must arrive at the District's fueling site equipped to handle the containment, remediation, and proper clean-up of all spills up to 100 gallons. The Contractor shall immediately report any spillage to the District and clean up the spillage within one working day of the time of spillage, or other time period as specified by the District. In the event of a fuel spill, the Contractor is required to immediately notify Moulton Niguel Water District, cover all drains in the vicinity, prevent spill from entering storm drains, and attempt to contain the spill. Moulton Niguel Water District will supervise any and all fuel spill remediation and disposal of hazardous waste. In the event of an emergency, the Contractor must have a 24-hour emergency contact number. Clean up shall be performed in accordance with EPA, DTSC and State of California guidelines and requirements. The District will charge the Contractor for all costs incurred during the clean-up process including: labor and administrative costs, hazardous waste material handling fees, disposal fees or other clean-up supplies, and any fines resulting from violations of state, federal, or local regulations.

The following Best Management Practices will be followed by the Contractor to minimize the risk of spills during mobile refueling operations and to prevent any liquids spilled during dispensing operations from flowing into buildings or offsite:

- All fuel delivery trucks are equipped with a remote emergency shut-off button.
- Automatic shut-off nozzles will be used.
- Automatic shut-off nozzles will be replaced as necessary.
- Equipment on fueling vehicles, particularly hoses and nozzles, will be maintained and replaced as needed to prevent failures.
- The operator shall be prohibited from leaving the tank area while fueling it.
- The fill nozzle shall be removed and fueling shall be ceased when the automatic shut-off engages.
- "Topping off" shall be prohibited.
- Absorbent pads shall be kept under the nozzle and the nozzle shall be kept facing upwards while transferring it between the fueling vehicle and the vehicle being fueled.
- The act of dragging hoses shall be minimized.
- All fueling vehicles shall have a minimum of these spill clean-up materials:
 - Non-water absorbents capable of absorbing 16 gallons of fuel.
 - A contamination boom of a minimum 10 feet in length.
 - All fueling vehicles shall be equipped with adequate lighting systems at the filling point.
- All fuel-contaminated media shall be disposed of in accordance with any/all applicable Regulatory requirements by a licensed disposal company.

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8.0. Other Emergencies

The Contractor shall work with the District to develop alternative interim fuel delivery solutions in the advent of a natural disaster or other emergencies that may disrupt normal fueling operations. The Contractor shall provide the District with a 24-hour contact number.

9.0. Delivered Fuel Price

- a. The current Oil Price Information Service (OPIS) daily average rack pricing (Orange, California) shall be used as the base price.
- b. Contractor's price shall consist of the OPIS daily average cost per gallon, plus or minus a stated amount (margin). Additional fees, such as delivery charges and surcharges must be included into this margin. The Contractor's margin will be added to the most recent published rack average (Orange, CA) to establish the pre-tax delivered, complete cost per gallon of fuel. The quoted margin as entered on Exhibit B shall remain firm for the term of the contract, including the two additional 12-month terms, if applicable.
- c. Taxes are not to be included in the Contractor's margin, as entered on the Pricing Schedule.
- d. Margin pricing entered on the Pricing Schedule (Exhibit B) shall be enumerated four (4) decimal places to the right of the decimal (ex: 0.1234).

10.0. Delivered Motor Oil Price

Contractor's motor oil price shall be enumerated as per gallon, minus any state-mandated fees (recycling, motor oil fee) or taxes.

11.0. Federal Excise Tax

"Federal law provides a fuel excise tax exemption for the sale of any liquid used as a fuel in a motor vehicle, motorboat, or aircraft for the exclusive use of any state, or any political subdivision of a governmental entity, or the District of Columbia. This fuel excise tax exemption does not include Leaking Underground Storage Tank (LUST) tax." (Internal Revenue Service)

The Moulton Niguel Water District qualifies for this Federal excise tax exemption.

12.0. Fuel Quality Control & Testing

DISTRICT reserves the right to conduct spot check testing for fuel product quality assurance. DISTRICT will arrange testing through an independent laboratory. Fuels supplies shall be free from contamination.

DISTRICT and/or its authorized representative(s) reserves the right to test fuel quality before, during, and after unloading. Should test results show that the fuel contains contaminants, the fuel will be rejected. The vendor shall be responsible for the removal of the fuel from DISTRICT property within three working days after requested to do so should test results show that the fuel contains any contaminants. The vendor shall also be responsible for all cleanup required to all DISTRICT property, storage facilities, and equipment as a result of noncompliance with

EXHIBIT A

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specifications. Furthermore, the vendor shall be fully responsible for any and all costs incurred by DISTRICT for any equipment sustaining damage that is attributed to a contaminated fuel that the vendor has delivered.

Any aftermarket additive used shall be identified by brand and/or trade name. The manufacturer's additive specifications shall be provided to DISTRICT, upon request. Failure to provide the manufacturer's additive specifications within seven working days of DISTRICT request will be grounds for purchase order cancellation without further cause. An additive, if used, shall comply with Environmental Protection Agency (EPA) regulations, and shall be compatible with the refiner's product. Additives, which increase emissions of sulfur and other substances proven to damage the environment, which are disallowed by EPA regulations, will not be accepted.

EXHIBIT A

EXHIBIT B

FEE SCHEDULE

Fuel pricing was quoted on a cost-plus model using the current Oil Price Information Service (OPIS) daily average rack pricing as the base price. Contractor's pricing consisted of the OPIS daily average cost per gallon, plus or minus Contractor's stated margin. Additional fees, such as delivery charges and surcharges are included in this margin. The quoted margin will remain firm for the entire term of the contract. The oil pricing is quoted as per gallon.

Contractor	Unleaded (OPIS +)	Diesel (OPIS +)	CJ4 Oil/gal	10-30 Oil/gal
California Fuel and Lubricants	+\$0.0194	+\$0.0714	\$7.3800 1-250 Gallons	\$5.9100 1-250 Gallons
			\$6.6788 251-500 Gallons	\$5.2088 251-500 Gallons

EXHIBIT B



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** June 14, 2017

FROM: Jake Vollebregt, Director of Regional and Legal Affairs
Dori Dennis, Contracts & Procurement Manager

SUBJECT: Amendment No. 1 to the Janitorial Services Agreement – Priority Building Services, LLC

DIVISION: District-Wide

SUMMARY:

Issue: The District’s current contract with Priority Building Services, LLC (“Priority”) for janitorial services will expire on June 30, 2017.

Recommendation: It is recommended that the Board of Directors approve Amendment No.1 to the agreement with Priority Building Services, LLC for another one-year term; authorize the General Manager or Assistant General Manager to execute Amendment No. 1 with the option to renew for two additional one-year extensions.

Fiscal Impact: The original contract was for a one-year term of performance for an annual amount not to exceed \$45,000. Amendment No. 1 will extend the term of performance for another year, and give the District two additional one-year options to extend.

BACKGROUND:

Priority has provided the District with janitorial services at its Main Administrative Building and Operations Center on a daily basis since July 2016. The original contract contemplated a one-year extension.

DISCUSSION:

Staff has evaluated Priority’s performance and considered alternatives in the market. Based on Priority’s cost-effectiveness and quality of service over the past year, Staff recommends approval of Amendment No. 1 in order to continue janitorial services

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Amendment No. 1 to the Janitorial Services Agreement – Priority Building Services, LLC.

June 14, 2017

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through Fiscal Year 2017-2018, and allow the General Manager to exercise two additional one-year options to extend.

Attachments:

1. Original Agreement: executed July 1, 2016
2. Amendment No. 1

**JANITORIAL SERVICES AGREEMENT
BETWEEN MOULTON NIGUEL WATER DISTRICT AND
PRIORITY BUILDING SERVICES, LLC
AGREEMENT NO. OM16-17.004**

THIS AGREEMENT is made and entered into on July 1, 2016 (the "Effective Date"), by and between the MOULTON NIGUEL WATER DISTRICT, hereinafter referred to as "MNWD", and PRIORITY BUILDING SERVICES, LLC, hereinafter referred to as "Contractor". MNWD and Contractor are sometimes hereinafter individually referred to as "Party" and hereinafter collectively referred to as the "Parties".

RECITALS

- A. MNWD requires janitorial services at its Main and 2A Field Office locations.
- B. MNWD desires to utilize the services of Contractor to provide such janitorial services, as described in Exhibit "A" attached hereto (hereinafter, the "Services").
- C. Contractor is qualified to accomplish the necessary Services and has agreed to provide such Services to MNWD.

NOW, THEREFORE, in consideration of the promises and mutual benefits, which will result to the Parties in carrying out the terms of this Agreement, it is mutually agreed as follows:

AGREEMENT

1. Scope of Agreement.

MNWD agrees to retain Contractor, and Contractor agrees to provide all Services as described in "Exhibit A" attached hereto and incorporated herein by reference. Contractor agrees that its provision of Services under this Agreement shall be within accepted standards for such services.

2. Term.

The Agreement shall commence on the Effective Date and continue through **June 30, 2017**, unless otherwise terminated by either party pursuant to Section 6 herein. This Agreement may be extended, at MNWD's option, for an additional one (1) year term, at the pricing listed on "Exhibit B" attached hereto and by reference made a part of this Agreement. Subject to MNWD's sole discretion, an extension will be based upon a satisfactory review of Contractor's performance, MNWD's needs, and appropriation of funds by the MNWD Board of Directors. The parties will prepare a written amendment indicating the extension effective date and length of the extended Agreement.

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3. Time for Completion.

The time for completion of the Services to be performed by Contractor is an essential condition of this Agreement. Contractor shall prosecute regularly and diligently the work of this Agreement according to reasonable schedules established by MNWD. Contractor shall not be accountable for delays in the progress of its work caused by any condition beyond its control and without the fault or negligence of Contractor.

4. Compensation.

MNWD shall pay Contractor total compensation for Services in accordance with the pricing listed in "Exhibit B". The total compensation paid for services pursuant to the Agreement shall not exceed **Forty-Five Thousand Dollars (\$45,000)**.

Contractor shall submit detailed invoices on a monthly basis, based upon services provided, accompanied by backup documentation as requested by MNWD. Contractor shall provide MNWD with a monthly itemization of all work performed, and the fees accrued thereon, in complete and sufficient detail to fully apprise MNWD thereof.

5. Non-Exclusive Agreement.

This is a non-exclusive Agreement. Contractor acknowledges and agrees that MNWD does not guarantee any minimum or maximum amount of Services and MNWD may use other Contractors for the Services in its sole discretion.

6. Termination.

Either party may terminate this Agreement in whole or in part at any time, without cause, upon giving the other party ten (10) days' written notice. In the event of such termination, Contractor shall be entitled to compensation for work performed through and including the effective date of termination.

Additionally, MNWD may suspend performance by Contractor of any or all services listed in the Scope of Work under this Agreement by providing written notice to Contractor at least five (5) working days prior to the date on which MNWD wishes to suspend; provided, upon receipt of such notice, Contractor shall immediately suspend any work or services hereunder, unless otherwise instructed by MNWD in such notice.

Contractor shall not perform further work under this Agreement after the effective date of suspension until receipt of written notice from MNWD to resume performance. MNWD and Contractor agree that in the event MNWD suspends or terminates performance by Contractor for any cause other than the intentional or negligent error or omission of Contractor, Contractor shall be entitled to payment of compensation incurred prior to the effective date of the suspension or termination, as determined under Section 4 of this Agreement.

7. Relationship Between the Parties.

A. The relationship between the Parties hereto is that of an independent contractor, and nothing herein shall be deemed to make Contractor a MNWD employee. During the performance of this Agreement, Contractor and its officers, employees, agents, and subcontractors shall act in an independent capacity and shall not act as MNWD officers, employees, or agents. The personnel performing the Services under this Agreement on behalf of Contractor shall at all times be under Contractor's exclusive direction and control. Neither MNWD nor any of its officers, employees, agents, or subcontractors shall have control over the conduct of Contractor or any of its officers, employees, or agents, except as set forth in this Agreement. Contractor, its officers, employees, agents, or subcontractors shall not maintain an office or any other type of fixed business location at MNWD's offices.

B. Contractor shall not incur or have the power to incur any debt, obligation, or liability against MNWD, or bind MNWD in any manner.

C. No MNWD benefits shall be available to Contractor, its officers, employees, agents, or subcontractors in connection with any performance under this Agreement. Except for fees paid to Contractor as provided for in this Agreement, MNWD shall not pay salaries, wages, or other compensation to Contractor for the performance of Services under this Agreement. MNWD shall not be liable for compensation or indemnification to Contractor, its officers, employees, agents, or subcontractors for injury or sickness arising out of performing Services hereunder.

8. Insurance.

A. In addition to the requirements set forth herein, during the entire term of the Agreement, Contractor will pay for and maintain, in full force and effect, all insurance required by MNWD as listed in this Section 8. Contractor shall not commence services under the Agreement until it has obtained all insurance required by the Agreement. Executed certificates of insurance and all required endorsements evidencing the required coverage detailed in this Section 8 shall be provided by Contractor with the Contractor's executed copy of this Agreement, and prior to commencement of any services.

1. General Liability / Automobile Liability Insurance. Contractor and each of its subcontractors shall maintain throughout the term of this Agreement a General Liability policy of insurance for bodily injury and/or death, personal injury and property damage claims which may arise from or in connection with the performance of the work under this Agreement by Contractor and its subcontractors, and each of their agents, representatives, or employees. Such public liability and property damage insurance (which shall cover claims, injury, death, loss or damage or accidents arising the use or operation of any automobiles, trucks and/or other mobile or stationary equipment, whether owned, non-owned or hired) shall be comprehensive in form and shall be on a "per occurrence" basis in a minimum amount of One Million Dollars (\$1,000,000) per occurrence and an annual aggregate limit in a minimum amount at least twice the per

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occurrence limit specified in this section with such aggregate to apply separately to the Project.

All insurance provided under this Section 8.A.1 shall name MNWD and its' directors, officers, employees and representatives as additional insureds under each such policy ("additional insureds") and an additional insured endorsement shall be provided in a form acceptable to MNWD.

2. Worker's Compensation. By its signature hereunder, Contractor certifies that it is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and that Contractor will comply with such provisions before commencing the performance of work under this Agreement. Contractor and subcontractors shall maintain throughout the term of this Agreement workers' compensation insurance with limits no less than the statutory limits, and Employer's Liability insurance with limits no less than One Million Dollars (\$1,000,000) per accident and per disease for their employees and shall file with the MNWD the certificate required by Labor Code Section 3700. The workers compensation/Employer's Liability insurance shall be endorsed with a waiver of subrogation in favor of MNWD and its' directors, officers, employees and representatives.
3. Requirements of All Policies. All policies of insurance required under this Section 8 shall be from insurance providers who are either admitted or licensed to do business in California, or are Surplus Lines Carriers authorized to do business in California, and who have financial size and ratings of no less than A-, Class VII, and in either case are otherwise acceptable to MNWD. All such policies shall include a provision and executed endorsement for thirty (30) days prior written notice by certified mail, return receipt requested, to MNWD of any cancellation or material alteration of such insurance. Contractor shall provide original certificates and endorsements for all such insurance on forms approved by MNWD in conformity with all requirements of this Agreement prior to commencement of any work or professional services. The policies required hereunder shall be endorsed to include contractual liability.

B. In the case of additional insured provisions, any insurance afforded the additional insureds by this Agreement is primary insurance as to the additional insureds. Any insurance or self-insurance maintained by the additional insureds shall be excess of the Contractor's (and its subcontractor's) insurance, and shall not contribute to such insurance.

C. Any deductibles or self-insured retentions must be declared in writing and approved by MNWD. At the option of MNWD, either: the insurance provider(s) shall reduce or eliminate such deductibles or self-insured retentions as respects the MNWD and its' directors, officers, employees and representatives; or the Contractor shall provide a financial guarantee satisfactory to MNWD guaranteeing payment of losses and related investigations, claim administration and defense expenses. Maintenance of insurance coverage as specified in this Agreement is a

material term of this Agreement, and any failure to maintain or renew coverage, or to provide evidence thereof, as required by the terms is a material breach of this Agreement.

D. Nothing in the insurance requirements set forth in this Agreement is to be construed as limiting the liability of Contractor or Contractor's insurers or sureties. Contractor agrees that the provisions of this Section 87 shall not be construed as limiting in any way the extent to which Contractor may be held responsible for the payment of damages or other costs to MNWD, or any persons or property, resulting from Contractor's activities or the activities of any person or persons for which Contractor is otherwise responsible, including Contractor's subcontractors, if any.

9. Indemnity.

To the fullest extent allowed by law, Contractor agrees to indemnify, defend and hold harmless MNWD, its Board Members, officers, officials, agents and employees, harmless against any and all liability, claims, judgments, costs, and demands, including demands arising from injuries or death of persons (Contractor's employees included) and damage to property, arising directly or indirectly out of the obligations herein undertaken or out of the operations conducted by Contractor, save and except claims or litigation arising through the sole negligence or sole willful misconduct of MNWD and will make good to and reimburse MNWD for any expenditures, including reasonable attorneys' fees, MNWD may incur by reason of such matters, and if requested by MNWD, will defend any such suits at the sole cost and expense of Contractor.

In the event Contractor or its insurer refuses or fails to provide a legal defense to MNWD after receiving written notice of the legal action and a tender and demand for defense, MNWD shall have the right to select counsel of its own choice to represent all the MNWD's interests. Contractor agrees that the amount of legal costs and expenses including attorneys' fees may be withheld by MNWD from any Agreement amounts due and owing to Contractor until such time as a final determination is made as to the responsibility for payment of the fees and costs.

This indemnity obligation shall survive the expiration or termination of this Agreement and/or the performance or completion of the Services. This indemnity obligation shall apply to all liability regardless of whether any insurance is applicable, and the policy limits of any insurance shall not act as a limitation upon the indemnification, and amounts related thereto, to be provided by Contractor under this Agreement.

10. Compliance with Law.

Contractor certifies by the execution of this Agreement the following: that it pays employees not less than the minimum wage as defined by law and that it does not discriminate in its employment with regard to race, color, religion, sex, or national origin. Contractor shall comply with all applicable federal, state, and local laws, policies, rules, and requirements related to equal opportunity and nondiscrimination in employment, contracting, and the provision of any Services, including but not limited to the satisfaction of any positive obligations required of Contractor thereby.

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11. Notices.

All notices or other communications required or permitted hereunder shall be in writing and shall be personally delivered or sent by registered or certified mail, postage prepaid, return receipt requested, delivered or sent by electronic transmission, and shall be deemed received upon the earlier of: (i) the date of delivery to the address of the person to receive such notice if delivered personally or by messenger or overnight courier; (ii) three (3) business days after the date of posting by the United States Post Office if by mail; or (iii) when sent if given by electronic transmission. Any notice, request, demand, direction, or other communication sent by electronic transmission must be confirmed within forty-eight (48) hours by letter mailed or delivered. Notices or other communications shall be addressed as follows:

To MNWD:

Correspondence:

Moulton Niguel Water District
Attn: Director of Engineering and Operations
26161 Gordon Road
Laguna Hills, CA 92653

Invoices:

Moulton Niguel Water District
Attn: Purchasing Department
26161 Gordon Road
Laguna Niguel, CA 92653

To CONTRACTOR:

Priority Building Services
Attn: David Kraushaar
521 Mercury Lane
Brea, CA 92821

Either Party may, by written notice to the other, designate a different address, which shall be substituted for that specified above.

12. Licenses and Qualifications.

Contractor represents and warrants to MNWD that it has obtained all licenses, permits, qualifications, and approvals of whatever nature that are legally required to practice its profession. Contractor represents and warrants to MNWD that Contractor shall, at its sole cost and expense, keep in effect at all times during the term of this Agreement, any license, permit or approval which is legally required for Contractor to perform its professional duties under this Agreement.

13. Agreement Execution Authorization.

Each of the persons executing this Agreement represent and warrant that they are authorized to sign this Agreement on behalf of the entity for which he/she is signing and empowered to bind such entity.

14. Jurisdiction.

This Agreement and any dispute arising hereunder shall be governed and interpreted in accordance with the laws of the State of California. In the event of any legal action to enforce or interpret this Agreement, the sole and exclusive venue shall be a court of competent jurisdiction located in Orange County, California, and the parties agree to and do hereby submit to the jurisdiction of such court, notwithstanding Code of Civil Procedure 394. This Agreement shall be construed as a whole according to its fair language and common meaning to achieve the objectives and purposes of the Parties hereto, and the rule of construction to the effect that ambiguities are to be resolved against the drafting Party shall not be employed in interpreting this Agreement, all Parties having been represented by counsel in the negotiation and preparation hereof.

15. Attorneys' Fees.

If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing Party shall be entitled to reasonable attorney's fees, costs, and necessary disbursements in addition to any other relief to which he may be entitled.

16. Waiver.

No waiver of any provision of this Agreement shall be effective unless in writing and signed by a duly authorized representative of the Party against whom enforcement of a waiver is sought. Any waiver by the Parties of any default or breach of any covenant, condition, and term contained in this Agreement, shall not be construed to be a waiver of any subsequent or other default or breach, nor shall failure by the Parties to require exact, full, and complete compliance with any of the covenants, conditions, or terms contained in this Agreement be construed as changing the terms of this Agreement in any manner or preventing the Parties from enforcing the full provisions hereof.

17. Modifications and Amendments to Agreement.

No modification or amendment of this Agreement or any of the provisions hereof shall be effective for any purpose unless set forth in writing signed by duly authorized representatives of both Parties.

18. Successors in Interest.

This Agreement shall be binding upon and inure to the benefit of the Parties' successors and assignees.

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19. Assignments.

No assignment by Contractor of this Agreement or any part hereof, or of funds to be received hereunder, will be recognized by MNWD unless such assignment has had prior written approval and consent of MNWD, which consent will not be unreasonably withheld.

20. Entire Agreement.

This Agreement and its Exhibits constitute the entire understanding and agreement of the Parties hereto and supersedes all previous negotiations, discussions, and agreements between the Parties with respect to the subject matter hereof. No parol evidence shall be permitted to contradict or vary the terms of this Agreement.

21. Severability.

Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be invalid under the applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of that provision, or the remaining provisions of this Agreement.

22. Recitals.

The Recitals above are hereby incorporated into this section as though fully set forth herein and each Party acknowledges and agrees that such Party is bound, for purposes of this Agreement, by the same.

23. Conflicts.

To the extent that there is any conflict between the provisions of this Agreement and any other agreement or document between the parties regarding the subject matter of this Agreement, the terms and conditions of this Agreement shall govern.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, this Agreement has been executed in the name of MNWD, by its officers thereunto duly authorized, and Contractor as of the Effective Date of the Agreement as defined herein.

Moulton Niguel Water District

By: 

Matt Collings
Assistant General Manager

Priority Building Services

By: 

Title: Sales Manager

EXHIBIT A

SCOPE OF WORK

1. JANITORIAL DUTIES AND SCHEDULE**MAIN OFFICE – 27500 La Paz Rd., Laguna Niguel, CA 92677**

The Contractor shall perform janitorial services per the schedule below, **5 days per week, after 9:00 PM**, with the exception of holidays.

Area	Duties	Schedule
Entrance, Lobby, Reception, General Offices, Cubicles, Conference Rooms, Copy Rooms, File Rooms, Common Areas, Supply and Storage Areas	Wastebaskets (including recycled): Empty, disinfect & re-line as needed	DAILY
	Dust: Furniture, counters, cabinets, remove cobwebs	DAILY
	Telephones: Clean and sanitize	DAILY
	Carpeted Floors: Vacuum all accessible carpeted areas	DAILY
	Tile/Linoleum Floors: Sweep & mop	DAILY
	Metal/Glass: Clean & polish metal, glass, mirrors	DAILY
	Drinking Fountain: Clean/disinfect drinking fountain	DAILY
	Doors/Switches: Spot clean doors, frames, walls & switches	DAILY
Executive Offices (4)	Carpeted Floors: Vacuum, spot clean	DAILY
	Dust: furniture, counters, cabinets, windowsills, blinds, pictures, TV, A/C registers, remove cobwebs	DAILY
	Telephones: Clean and sanitize	DAILY
	Desks/Furniture: Clean & polish wood & glass surfaces	DAILY
	Metal/Glass: Clean & polish metal, glass mirrors	DAILY
	Wastebaskets (including recycled): Empty/disinfect, re-line	DAILY
Restrooms	Sinks/Counter: Clean/disinfect & polish hardware	DAILY
	Toilets: Clean/ disinfect toilets, polish hardware	DAILY
	Stalls: Clean tile wall inside stall, stall partitions & door handles	DAILY
	Urinals: Clean/disinfect urinals & tiled area, polish hardware	DAILY
	Wastebaskets (including recycled): Empty trash. Wipe clean/re-line as needed	DAILY
	Sanitary Disposal: Empty/disinfect sanitary napkin receptacle	DAILY
	Dispensers: Refill paper & soap products & wipe down	DAILY
	Metal/Mirrors: Clean & polish	DAILY
	Floors: Sweep & mop floors with disinfectant cleaner	DAILY
Handles/Switches: Clean & disinfect door handles, light switches	DAILY	

Kitchen	Table/Chairs: Clean table and chairs	DAILY
	Wastebaskets (including recycled): Empty trash, wipe can clean, re-line always	DAILY
	Floor: Sweep & mop floors with disinfectant cleaner	DAILY
	Dust: Windowsills, ledges, blinds, cabinets, TV, remove cobwebs	DAILY
Board Room	Dust/Clean: Windowsills, ledges, pictures, TV, remove cobwebs	DAILY
	Linoleum/Tile Floor: Sweep & mop	DAILY
	Carpet: Vacuum, spot clean as necessary	DAILY
	Dais, Lectern, Desk: Wipe and disinfect dais, lectern and desk	DAILY
	Sink Area: Clean/disinfect sink & countertop, polish hardware	DAILY
	Wastebaskets (including recycled): Empty trash. Wipe clean/re-line as needed	DAILY
	Dispensers: Refill all paper & soap products	DAILY
	Doors/Switches: Spot clean doors, frames, walls & switches	DAILY

2A Offices - 26161 Gordon Rd., Laguna Hills, CA 92653

The Contractor shall perform janitorial services per the schedule below, **5 days per week, between the hours of 5:00 PM and 9:00 PM**, except for MNWD-observed holidays.

Area	Duties	Schedule
<u>Buildings 1, 3 and 4</u> Entrance, Lobby, Offices, Cubicles, Conference Rooms, Copy Rooms, File Rooms, Common Areas, Supply and Storage Areas	Wastebaskets (including recycled): Empty, disinfect & re-line as needed	DAILY
	Dust: Furniture, counters, cabinets, remove cobwebs	DAILY
	Telephones: Clean and sanitize	DAILY
	Carpeted Floors: Vacuum all accessible carpeted areas	DAILY
	Tile/Linoleum Floors: Sweep & mop	DAILY
	Metal/Glass: Clean & polish metal, glass, mirrors	DAILY
	Drinking Fountain: Clean/disinfect drinking fountain	DAILY
	Doors/Switches: Spot clean doors, frames, walls & switches	DAILY
Restrooms	Sink Area: Clean/disinfect sinks, counter & polish hardware	DAILY
	Toilets: Clean & disinfect, polish hardware	DAILY
	Stalls: Clean/disinfect partition & tiled walls, dispensers, stall handle	DAILY
	Urinals: Clean & disinfect, polish hardware	DAILY

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Restrooms	Wastebaskets (including recycled): Empty/disinfect, re-line	DAILY
	Sanitary Trash: Empty/disinfect sanitary napkin receptacle	DAILY
	Dispensers: Refill paper & soap products & wipe dispenser	DAILY
	Mirrors: Clean, free of spots and streaks	DAILY
	Floors: Sweep & mop floors with disinfectant cleaner	DAILY
	Doors/Switches: Spot clean doors, frames, walls & switches	DAILY
	Table/Chairs: Clean table and chairs	DAILY
Kitchen	Wastebaskets (including recycled): Empty, wipe clean, re-line	DAILY
	Floor: Sweep & mop floors	DAILY
	Dusting: Ledges, visible surfaces, TV, remove cobwebs	DAILY
	Sink Area: Clean/disinfect sink, counter & polish hardware	DAILY
	Dispensers: Refill all paper & soap products	DAILY
	Refrigerator: Wipe down front	DAILY
	Coffee Area: Wipe down counter	DAILY
	Microwave: Wipe front and interior	DAILY
	Stove: Wipe front and top exterior	DAILY
	Doors/Switches: Spot clean doors, frames, walls & switches	DAILY
	Food: Dispose of any perishable food left out in the open	DAILY
Locker Room	Sink Area: Clean/disinfect sink & polish hardware	DAILY
	Urinals: Clean/disinfect, polish hardware	DAILY
	Urinal Walls: Clean/disinfect walls adjacent to urinals	DAILY
	Showers: Wipe down/disinfect showers, soap dish, fixtures	DAILY
	Wastebaskets (including recycled): Empty, wipe clean, re-line	DAILY
	Mirrors: Clean, free of spots and streaks	DAILY
	Dispensers: Refill paper & soap products & wipe dispenser	DAILY
	Benches: Wipe/disinfect	DAILY
	Floors: Sweep & mop	DAILY
Doors/Switches: Spot clean doors, frames, walls & switches	DAILY	

The Contractor may be required to provide these additional services, per the schedules below

Other Scheduled Services, Main Building, 275000 La Paz Rd., Laguna Niguel, CA 92677		
Location	Service	Schedule

MAIN	Carpet Steam Clean	QUARTERLY
	Strip, wax & buff linoleum floors	QUARTERLY
	Empty & clean refrigerator, excluding condiments	QUARTERLY

Other Scheduled Services, 2A Building, 26161 Gordon Rd., Laguna Hills, CA 92653		
Location	Service	Schedule
2A	Dust locker tops	MONTHLY
	Clean & disinfect showers, remove mold, residue from tile	MONTHLY
	Vacuum Training Trailer Carpet	MONTHLY
	Empty & clean refrigerator, excluding condiments	QUARTERLY
	Carpet Steam Cleaning	QUARTERLY
	Strip, wax & buff linoleum/tile floors	QUARTERLY

2. WORK DETAIL SPECIFICATION

Cleaning tasks shall be in accordance with MNWD specifications. Any deviation from MNWD's specifications shall be brought to the attention of the Contractor and corrected at the next cleaning. Continued disregard or deviation from MNWD's specifications may result in Contractor dismissal and termination of contract.

Daily cleaning shall take place at the following times:

2A Yard location: Mondays, Tuesdays, Wednesdays, Thursdays and Fridays **between the hours of 5:00 PM and 9:00 PM**, except for MNWD-observed holidays.

Main Office location: Mondays, Tuesdays, Wednesdays, Thursdays and Fridays **after 9:00 PM**, except for MNWD-observed holidays.

Holidays honored are New Years' Day, President's Day, Memorial Day, Independence Day, Labor Day, Veterans' Day, Thanksgiving Day and Christmas Day (unless the holiday falls on a weekend). Special cleaning assignments may be scheduled on different hours and days.

Contractor is responsible for any damaged or lost materials of the District, which is caused by the Contractor. Any accidental damage to any property must be reported to the District immediately.

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The Contractor is not responsible for removing materials from desks, shelves, counters, files, or any other areas, for cleaning purposes. The Contractor must not remove anything from the premises except items in wastebaskets or items which have been clearly marked "trash". The Contractor is responsible for any items not marked "trash", which have been removed from the premises, including items left next to wastebaskets or normal trash disposal areas.

2.1 General Work Detail

- a. **WASTEBASKETS:** Wastebaskets (including recycled) shall be completely emptied of trash. The wastebasket shall have a new liner and washed clean when necessary. A wastebasket containing no trash and appearing to be clean and un-used need not be emptied, re-lined or washed. The liner must be replaced if soda/juice cans, food or fruit have been placed in wastebasket, or if the current liner is obviously worn, used or torn. Wastebaskets shall be completely washed out if food or liquid has leaked into the wastebasket itself from the liner. The washed wastebasket shall be dried prior to re-lining with a new trash bag. The wastebasket shall be placed back in the same location where it was removed from. The Contractor shall not allow their employees to store recyclable soda cans, water bottles or other items in the wastebaskets.
- b. **DUSTING:** Entry windows shall be dusted on both sides of frame. Window blinds shall be visibly free of dust, whether open or closed. General dusting of furniture/fixtures, as required by the schedule, includes: partition/workstation tops, accessories, ledges and all horizontal surfaces, including, but not limited to desk tops, credenzas, file cabinets, and bookcases. Spot clean as necessary. Wooden desks and furniture located in the Main Building Executive Offices shall be polished with wood polish. Wood polish shall not be sprayed directly on furniture to avoid overspray onto papers, files or other items. Papers, file folders or other items located on desks, shelves, tables or other furniture must not be moved or disturbed. If papers, file folders or other items located on furniture that is scheduled to be dusted impedes the Contractor's ability to dust, the Contractor shall report the situation to the District as soon as possible. Cobwebs shall be completely removed. Dusting shall be done prior to cleaning floors or vacuuming.
- c. **CARPETED FLOORS:** Carpet is to be vacuumed using a fully-functioning, commercial vacuum cleaner. The carpet shall be vacuumed completely, including the edges next to walls and baseboards. Carpet is to be spot cleaned as needed. Gum, wax or other material in carpet shall be removed as much as possible and spot cleaned. Spots on the carpet which are not able to be cleaned shall be noted and reported to the District as soon as possible. Contractor shall use care not to mark or scuff the walls, baseboards or furniture when vacuuming. Damage to the carpet, walls or furniture shall be reported to the District as soon as possible.
- d. **TILE/LINOLEUM/HARD SURFACE FLOORS** - Tile/linoleum floors are to be swept completely and wet mopped with a clean mop, using floor cleaner and clean hot water. Gum or other materials shall be removed from the floor, when present. After mopping, the floor shall be in a state where it can air dry completely in less than an hour. Contractor shall report any damage or problems with the floor to the District as soon as possible.

- e. **KITCHEN:** Sinks shall be cleaned and polished with a non-abrasive cleaner/polish. Microwaves are to be wiped clean inside and out with a mild detergent cleaner, inside surfaces wiped afterwards with plain water. Stove at 2A is to be wiped clean on the top and front surfaces only. The refrigerators at Main and 2A shall be wiped clean on the front exterior, including the handle. Tables shall be wiped clean. Chairs shall be wiped clean as needed.
- f. **OTHER CLEANING:** Door handles and light switches shall be wiped with disinfectant cleaner, spot cleaned as needed. Window on the entry door and behind the reception area at the Main office shall be cleaned, streak and smudge-free.

2.2 Restrooms

- a. **TOILETS:** Toilets shall be thoroughly cleaned inside and outside the bowl, using a disinfectant cleaner. Both sides of all toilet seats washed with disinfectant solution and wiped dry. Toilet seats left in upright position. Toilet chrome shall be wiped clean and polished dry. Urinals shall be thoroughly cleaned using a disinfectant cleaner, chrome cleaned and polished dry. Waterless urinals (2A only) shall be thoroughly cleaned using a mild detergent only. Tiled wall area shall be wiped with disinfectant.
- b. **TOILET PARTITIONS:** Partition walls, door and door handles shall be cleaned with disinfectant cleaner. Tiled wall inside stall area shall be cleaned with disinfectant cleaner. Toilet paper and toilet seat cover dispenser shall be cleaned with disinfectant cleaner. All surfaces shall be wiped dry, all wipe marks removed. All trash, empty toilet paper rolls, old newspapers shall be disposed of. Graffiti, markings or intentional damage shall be reported to the Maintenance Supervisor. Contractor shall not clean up graffiti or remove intentional markings until directed to do so by the Maintenance Supervisor.
- c. **WASTE RECEPTACLES:** All waste receptacles shall be emptied and wiped down with a disinfectant cleaner. New liner/disposal bags placed in receptacles.
- d. **DISPENSERS:** Toilet paper, toilet seat covers, paper towel, soap dispensers filled. Toilet paper rolls replaced if less than 1/4 roll left.
- e. **SINKS/FIXTURES:** All sinks washed and disinfected with disinfectant cleaner. Countertops wiped clean with disinfectant. Chrome/brass work, towel dispenser receptacles and any other metal accessories cleaned and polished. Mirrors cleaned and polished with glass cleaner.
- f. **FLOORS:** Floors shall be swept clean and wet-mopped using a disinfectant detergent. Areas around urinals scrubbed. Floors mopped dry and all watermarks dried from walls and partition bases.
- g. **TILE/LINOLEUM FLOORS STRIPPING –** Floors shall be stripped and re-waxed with buffing machine. Walls, baseboards and other surfaces shall be free of “splash” or buffing marks. Corners shall be scoured. Any dirt, wax, etc. buildup removed. Baseboards and coving to be wiped free of “splash” marks, buffing marks and stains.

3. SUPPLIES

The District will provide the Contractor with the following cleaning agents and stocking products:

- a) Toilet Paper
- b) Multifold Paper Towels
- c) Toilet Seat Covers
- d) Trashcan Liners, two sizes
- e) Spray glass cleaner
- f) Comet cleanser
- g) Furniture polish spray
- h) Tres-Elegance liquid hand soap bottles
- i) Carpet spot remover spray
- j) Dial hand soap refill in gallon bottles (for bathrooms)
- k) Lemon floor cleaner in gallon bottles

The supplies will be kept in a designated supply room at each facility. The District will inventory and stock this supply room weekly. The Contractor will notify the Maintenance Supervisor if there are supply needs beyond what is being made available by using the inventory order sheet located inside the supply room.

Contractor supplies their own cleaning tools and equipment (sponges, mops, brooms, vacuums, buffers, etc.).

4. SECURITY - GENERAL

Contractor will be provided a security code for access to enter the Main building. A Cyber key will be provided for keyed entry to the 2A buildings as well as a security code for the alarm system. All lights shall be turned off, doors locked and alarm set on completion of the day's cleaning service.

4.1 Building Security

The Contractor's cleaning crew and supervisors shall observe the following:

- a. Secure and lock all doors before leaving unoccupied buildings.
- b. Turn off all lights not left on for security reasons, as instructed.
- c. Activate intrusion alarm security systems after completing work and before leaving buildings.
- d. Deactivate security systems before entering secured buildings at the beginning of work, as instructed and where applicable.
- e. Immediately notify SOLA security should there be an unintended or false alarm to avoid Sheriff Dispatch to District facilities.
 - o Contractor shall be liable for all monetary fines or penalties assessed by local law enforcement to the District for neglecting to notify SOLA in a timely manner, thus avoiding Sheriff dispatch

- f. Report in writing to the District representative security system false alarms activated by Contractor's employees or otherwise occurring during janitorial service when no District employee is present.
- g. Contractor shall not duplicate keys.
- h. Contractor is responsible for retrieving all District security information from those employees no longer employed by the Contractor for whatever reason.
- i. Contractor will notify the District representative of any Contractor employee whose employment has been terminated who has District security information or appurtenances.
- j. Contractor is responsible for the cost of any re-keying, entry code or security code changes needed due to non-retrieval of this security information, keys or appurtenances from its past employees.

4.2 Personnel Qualification

- a. The Contractor shall be responsible for verifying that all its employees involved in performing cleaning services for the District have the legal right to work in the USA.
- b. All Contractor employees involved in performing cleaning services for the District shall be cleared through background check, performed by a reputable, professional service. Prior to the assignment of janitorial crew to clean District facilities, the winning Contractor shall provide a signed letter on company letterhead attesting that said employees have been cleared by background check. Subsequent newly added employees shall also be cleared by a background check, with Contractor providing additional affidavits, as required. All background checks are to be paid by Contractor.
- c. The Contractor shall ensure to the best of its knowledge that all employees involved in performing cleaning services for the District shall be free of serious contagious diseases and not be under the influence of alcohol or drugs while on District facilities.
- d. The Contractor shall ensure that employees have been properly trained and receive continual coaching, as needed, to meet the standards of cleaning requirements required by the District's Scope of Work.

4.3. Personnel Conduct

- a. Contractor and employees will be courteous and show respect to the public, District employees and other Contractor employees at all times while on District facilities.
- b. Contractor will ensure that its employees do not have other "unapproved" personnel, including children, in the District facilities or in the Contractor's vehicles outside the District facility.

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- c. Contractor will ensure that employees do not store personal property of any kind in or on District facilities.
- d. Contractor's employees shall be prohibited from possessing weapons, illicit or illegal substances or offensive or contraband material while on District facilities. Any employee violating this policy shall be immediately removed from District premises and replaced with acceptable personnel.
- e. Contractor's employees shall not read or disclose the contents of District materials, documents, emails, faxes or other items encountered while cleaning District facilities.
- f. Contractor's employees shall not use District property such as telephones, copy machines, computers, fax machines, calculators, washer/dryer, uniforms, linens, etc., which may be encountered while cleaning District facilities.

4.4. Personnel Identification

- a. Prior to the beginning of the contract start date the Contractor shall provide the District with an updated roster of all employees (See Attachment 1 to Exhibit A) who will or may be involved in performing cleaning services for Moulton Niguel Water District. The provided roster shall include:
 - 1. First and last name of employee
 - 2. Supervisory or non-supervisory status
 - 3. Supervisor's contact information
- b. The Contractor shall provide ongoing updates to the initial roster, outlining any changes, deletions, additions or supervisory status change of employees, as required.
- c. The Contractor shall provide employees who are on District property for work detail with a uniform or badge. The uniform or badge shall clearly spell out the Contractor's business name and the employee's name. Employees shall wear the badge or uniform conspicuously and continuously while engaged in cleaning services on District property

ATTACHMENT 1 to EXHIBIT A

PERSONNEL

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Moulton Niguel Water District, RFP OM15-16.065: Janitorial Services, Attachment 5 – Fee Schedule Form

ATTACHMENT 3 - PERSONNEL PROFILE FORM

LAST NAME	FIRST NAME	DATE EMPLOYED	IF SUPERVISOR, PROVIDE PHONE & EMAIL INFO	CLEAR BACKGROUND CHECK? YES OR NO
Rocha	Simon	4-5-2000	simon@priorityservices.net 714-255-2940	Yes
Rocha	Eddie	8-16-03	Eddie@priorityservices.net 858-518-1953	Yes
Rocha	Kelly	4-7-07	Kelly@priorityservices.net 714-255-2940	Yes
Bizarro	Laurie	11-10-06	Laurie@priorityservices.net 714-363-1018	Yes
Bravo	Antonio	2-14-03	Antonio@priorityservices.net 562-824-8496	Yes
Morales	Damien	4-25-11	Damien@priorityservices.net 714-421 5238	Yes

EXHIBIT B
COST BREAKDOWN

ATTACHMENT 5 - FEE SCHEDULE FORM

MAIN OFFICE - 27500 La Paz Rd., Laguna Niguel, CA 92677		
AREA	DUTY	SCHEDULE
Entrance, Lobby, Reception, General Offices, Cubicles, Conference Rooms, Copy Rooms, File Rooms, Common Areas, Supply and Storage Areas	Wastebaskets (including recycled): Empty, disinfect & re-line as needed	DAILY
	Dust: Furniture, counters, cabinets, remove cobwebs	DAILY
	Telephones: Clean and sanitize	DAILY
	Carpeted Floors: Vacuum all accessible carpeted areas	DAILY
	Tile/Linoleum Floors: Sweep & mop	DAILY
	Metal/Glass: Clean & polish metal, glass, mirrors	DAILY
	Drinking Fountain: Clean/disinfect drinking fountain	DAILY
	Spot clean doors, frames, walls & switches	DAILY
Executive Offices (4)	Carpeted Floors: Vacuum, spot clean	DAILY
	Dust furniture, counters, cabinets, windowsills, blinds, pictures, TV, A/C registers, remove cobwebs	DAILY
	Telephones: Clean and sanitize	DAILY
	Desks/Furniture: Clean & polish wood & glass surfaces	DAILY
	Metal/Glass: Clean & polish metal, glass mirrors	DAILY
	Wastebaskets (including recycled): Empty/disinfect, re-line	DAILY
Restrooms	Sinks/Counter: Clean/disinfect & polish hardware	DAILY
	Toilets: Clean/ disinfect toilets, polish hardware	DAILY
	Clean tile wall inside stall, stall partitions & door handles	DAILY
	Clean/disinfect urinals & tiled area, polish hardware	DAILY
	Wastebaskets (including recycled): Empty trash. Wipe clean/re-line as needed	DAILY
	Empty/disinfect sanitary napkin receptacle	DAILY
	Dispensers: Refill paper & soap products & wipe down	DAILY
	Metal/Mirrors: Clean & polish	DAILY
	Floors: Sweep & mop floors with germicidal cleaner	DAILY
	Clean & disinfect door handles, light switches	DAILY
Kitchen	Table/Chairs: Clean table and chairs	DAILY
	Wastebaskets (including recycled): Empty trash, wipe can clean, re-line	DAILY
	Floor: Sweep & mop floors with disinfectant cleaner	DAILY
	Dust: Windowsills, ledges, blinds, cabinets, TV, cobwebs	DAILY

Moulton Niguel Water District, RFP OM15-16.065: Janitorial Services, Attachment 5 – Fee Schedule Form

AREA	DUTY	SCHEDULE	
Board Room	Dust/Clean: Windowsills, ledges, pictures, TV, cobwebs	DAILY	
	Linoleum/Tile Floor: Sweep & mop	DAILY	
	Carpet: Vacuum, spot clean as necessary	DAILY	
	Wipe & Disinfect dais, lectern & desk	DAILY	
	Clean/disinfect sink & countertop, polish hardware	DAILY	
	Wastebaskets (including recycled): Empty trash. Wipe clean/re-line as needed	DAILY	
	Dispensers: Refill all paper & soap products	DAILY	
	Spot clean doors, frames, walls & switches	DAILY	
TOTAL MONTHLY FEE FOR ABOVE SERVICES			\$ 1,463

2A Offices - 26161 Gordon Rd., Laguna Hills, CA 92653			
AREA	DUTY	SCHEDULE	
<u>Buildings 1, 3 and 4</u> Entrance, Lobby, Offices, Cubicles, Conference Rooms, Copy Rooms, File Rooms, Common Areas, Supply and Storage Areas	Wastebaskets (including recycled): Empty, disinfect & re-line as needed	DAILY	
	Dust: Furniture, counters, cabinets, remove cobwebs	DAILY	
	Telephones: Clean and sanitize	DAILY	
	Vacuum all accessible carpeted areas	DAILY	
	Tile/Linoleum Floors: Sweep & mop	DAILY	
	Clean & polish metal, glass, mirrors	DAILY	
	Clean/disinfect drinking fountain	DAILY	
	Spot clean doors, frames, walls & switches	DAILY	
Restrooms	Clean/disinfect sinks, counter & polish hardware	DAILY	
	Toilets: Clean & disinfect, polish hardware	DAILY	
	Clean/disinfect partition & tile, dispensers, stall handle	DAILY	
	Urinals: Clean & disinfect, polish hardware	DAILY	
	Wastebaskets (including recycled): Empty/disinfect, re-line	DAILY	
	Empty/disinfect sanitary napkin receptacle	DAILY	
	Refill paper & soap products & wipe dispenser	DAILY	
	Mirrors: Clean, free of spots and streaks	DAILY	
	Sweep & mop floors with disinfectant cleaner	DAILY	
	Spot clean doors, frames, walls & switches	DAILY	

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Moulton Niguel Water District, RFP OM15-16.065: Janitorial Services, Attachment 5 – Fee Schedule Form

AREA	DUTY	SCHEDULE	
Kitchen	Clean table and chairs	DAILY	
	Wastebaskets (including recycled): Empty, wipe clean, re-line	DAILY	
	Sweep & mop floors	DAILY	
	Dusting: Ledges, visible surfaces, TV, cobwebs	DAILY	
	Clean/disinfect sink, counter & polish hardware	DAILY	
	Refill all paper & soap products	DAILY	
	Refrigerator: Wipe down front	DAILY	
	Coffee Area: Wipe down counter	DAILY	
	Microwave: Wipe front and interior	DAILY	
	Stove: Wipe front and top exterior	DAILY	
	Spot clean doors, frames, walls & switches	DAILY	
	Empty & clean inside refrigerator, defrost if necessary	MONTHLY	
	Locker Room	Clean/disinfect sink & polish hardware	DAILY
Urinals: Clean/disinfect, polish hardware		DAILY	
Clean/disinfect walls adjacent to urinals		DAILY	
Wipe down/disinfect showers, soap dish, fixtures		DAILY	
Wastebaskets (including recycled): Empty, wipe clean, re-line		DAILY	
Mirrors: Clean, free of spots and streaks		DAILY	
Refill paper & soap products & wipe dispenser		DAILY	
Benches: Wipe/disinfect		DAILY	
Floors: Sweep & mop		DAILY	
Spot clean doors, frames, walls & switches		DAILY	
Dust locker tops		MONTHLY	
Clean & disinfect showers, remove mold, residue from tile		MONTHLY	
Training Trailer	Vacuum carpet	MONTHLY	
	TOTAL MONTHLY FEE FOR ABOVE SERVICES		\$ 1,647

Moulton Niguel Water District, RFP OM15-16.065: Janitorial Services, Attachment 5 – Fee Schedule Form

QUARTERLY SERVICES – MAIN BUILDING, 27500 LA PAZ RD., LAGUNA NIGUEL, CA 92677		
Service	Schedule	QUARTERLY FEE
Carpet Steam Clean	QUARTERLY	\$ 200
Strip, wax & buff linoleum floors	QUARTERLY	\$ 163
	TOTAL	\$363

QUARTERLY SERVICES – 2A FIELD OFFICE, 26161 GORDON RD., LAGUNA HILLS, CA 92653		
Service	Schedule	QUARTERLY FEE
Carpet Steam Cleaning	QUARTERLY	\$200
Strip, wax & buff linoleum/tile floors	QUARTERLY	\$163
	TOTAL	\$ 363

MONTHLY JANITORIAL SERVICES TOTALS

JANITORIAL SERVICES, MAIN BUILDING, MONTHLY FEE	\$ 1,463
JANITORIAL SERVICES, 2A BUILDING, MONTHLY FEE	\$ 1,647
TOTAL MONTHLY	\$ 3,110

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Moulton Niguel Water District, RFP OM15-16.065: Janitorial Services, Attachment 5 – Fee Schedule Form

QUARTERLY JANITORIAL SERVICES TOTALS

QUARTERLY SERVICES – MAIN BUILDING, QUARTERLY FEE	\$ 5,582
QUARTERLY SERVICES – 2A BUILDING, QUARTERLY FEE	\$ 6,588
TOTAL QUARTERLY FEE	\$ 12,170

**AMENDMENT NO. 1 TO THE JANITORIAL SERVICES AGREEMENT
BETWEEN MOULTON NIGUEL WATER DISTRICT AND
PRIORITY BUILDING SERVICES, LLC
AGREEMENT NO. OM16-17.004**

This Amendment No. 1 (this "Amendment") is entered into and effective as of July 1, 2017, amending the Janitorial Services Agreement, dated July 1, 2016 (the "Agreement") by and between Moulton Niguel Water District ("DISTRICT") and Priority Building Services, LLC ("Contractor") (collectively, the "Parties").

RECITALS

A. WHEREAS, the Parties entered into the Agreement, effective July 1, 2016, for janitorial services at DISTRICT's Main and 2A Field Office locations, with a termination date of June 30, 2017; and

B. WHEREAS, the Parties desire to amend the Agreement to extend the term for an additional year, to terminate on June 30, 2018, add two additional options to extend the term of performance, up to one year each, and make other conforming changes.

AGREEMENTS

NOW THEREFORE, in consideration of the above recitals and the mutual covenants contained herein, DISTRICT and Contractor agree as follows:

1. Section 2 of the Agreement is hereby revised to extend the base term through **June 30, 2018**. Subject to the DISTRICT's sole discretion by and through DISTRICT's General Manager, the term of this Agreement may be extended for up to two additional one-year terms ("Option Terms"). The parties will prepare a written amendment indicating the effective date, length of each successive extension, and updates to the estimated cost breakdown in Exhibit "B".

2. Section 4 of the Agreement is hereby revised as follows:

a. Compensation During Base Term: The total maximum compensation paid for services pursuant to the Agreement during the extended base term (July 1, 2017 through June 30, 2018) shall not exceed **Forty-Five Thousand Dollars (\$45,000)**, and the total compensation paid for services under the Agreement during the entire two-year base term (July 1, 2016 through June 30, 2018) of the Agreement shall not exceed **Ninety Thousand Dollars (\$90,000)**.

b. Compensation During Option Terms: During both of the Option Terms described in the amended Section 2, the annual compensation paid for services shall not exceed **Forty-Five Thousand Dollars (\$45,000)**, subject to the District's Purchasing Policy regarding change orders for contracts and amendments in excess of the General Manager's purchasing authority.

3. Exhibit "B" – Cost Breakdown is hereby revised to reflect the increase in California's minimum wage. Please see attached the revised version of Exhibit "B."

4. All other provisions of the Agreement will remain in full force and effect. In

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the event of any conflict or inconsistency between the Agreement and this Amendment, the terms of this Amendment shall control.

4. The individuals executing this Amendment and the instruments referenced in it on behalf of Contractor each represent and warrant that they have the legal power, right and actual authority to bind Contractor to the terms and conditions of this Amendment.

[Signatures on Following Page]

AMENDMENT NO. 1 TO THE JANITORIAL SERVICES AGREEMENT
BETWEEN MOULTON NIGUEL WATER DISTRICT AND
PRIORITY BUILDING SERVICES, LLC
AGREEMENT NO. OM16-17.004

DISTRICT:

MOULTON NIGUEL WATER DISTRICT

By: _____

Title: _____

CONTRACTOR:

PRIORITY BUILDING SERVICES, LLC

By: _____

Title: _____

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EXHIBIT "B"
COST BREAKDOWN

Monthly Rate 1 July, 2017 to 31 December 2017

Monthly Cleaning of Main and 2A	\$3,327.70	Reflects a \$217.70 monthly increase
Quarterly Carpet Cleaning for Main and 2A	\$900	Reflects an increase to \$450 per site
Total fees for months July to December	\$10,883.10	1 July 2017 to 31 December 2017

Monthly Rate 1 January 2018 to 30 June 2018

Monthly Cleaning of Main and 2A	\$3,460.81	Reflects the \$133.11 monthly increase
Quarterly Carpet Cleaning for Main and 2A	\$900	Reflects an increase to \$450 per site
Total fees for January to June	\$11,282.43	1 January 2018 to 30 June 2018

MOULTON NIGUEL WATER DISTRICT
Summary of Financial Results
June 14, 2017

Unaudited results of operations for the ten months ended April 30, 2017, are summarized below.

Total operating revenues were \$47.7 million through April 2017, which is tracking at 84% of the budget. Total operating expenses were \$52.8 million through the month of April, which amounted to 75% of the approved budget. Total Net Income for the ten months ended is at \$6.9 million.

Investment income is at (\$0.7) million for the year, which has been impacted by an unrealized loss (change in market value) of (\$2.2) million. Excluding the market fluctuations, the District has realized gains of \$1.5 million, which remains consistent with the District's projections.

The District has received \$25.2 million in property taxes during the year, which amounts to 93% of the \$27.1 million budget. Although most of the receipts from property taxes have been received, the District has historically received additional receipts in the months of May and June, receiving \$1.0 million during those months in FY 15/16.

The District currently has \$6.0 million available in the Water Efficiency Fund for new projects, rebate applications or additional programs. The remaining fund balance takes into account \$1.1 million in water efficiency program commitments already approved by the Board. The Mission Viejo Country Club project was recently completed and is properly reflected in the \$6.0 million available balance.

The District's total cash balance has experienced a planned decrease by approximately \$8.9 million since June 30, 2016, despite expending over \$18 million on capital projects during the year. As a result of that spend-down in cash balances, the unrestricted net position has experienced a planned decrease by \$4.6 million (4%), however the net position related to the District infrastructure has increased by \$13.9 million (5%).

All District fiscal agent reserves are properly funded and meet the reserve requirements in the bond indentures. The report the Board received last month from Chandler Asset Management indicated that the \$7.9 million in reserves is earning approximately 1.11%, while the portfolio maintains a very secure AA+ average credit rating.

The Board has established a target reserve level of \$64.8 million, and as of April 30, 2017, the District held \$78.8 million in reserves.

Moulton Niguel Water District
All Funds - Budget Comparison Report
Ten Months Ended April 30, 2017

	1	2	3	=3-1	=1/3
Description	Fiscal Year to Date Actuals	Prior Fiscal Year to Date Actuals	Current Year Approved Budget	Current Year Budget Balance	% of Actuals to Budget
ALL FUNDS					
<u>Operating Revenues</u>					
Water Sales	\$ 21,432,846	\$ 20,810,285	\$ 28,338,290	\$ 6,905,444	76%
Recycled Water Sales	3,998,402	3,774,312	5,489,814	1,491,412	73%
Sewer Sales	16,688,328	15,685,869	18,911,865	2,223,537	88%
Water Efficiency	5,197,926	3,403,881	3,303,844	(1,894,082)	157%
Other Operating Income	365,825	363,491	491,585	125,760	74%
A Total Operating Revenue	47,683,327	44,037,839	56,535,398	8,852,071	84%
<u>Operating Expenses</u>					
Salaries	9,399,145	8,404,875	11,950,943	2,551,798	79%
PERs Employer Contributions	1,276,483	1,200,175	1,564,665	288,182	82%
Defined Contribution 401A	141,304	134,821	281,004	139,700	50%
Educational Courses	21,783	17,837	54,080	32,297	40%
Travel & Meetings	180,554	151,080	278,020	97,466	65%
Recruitment & Employee Relations	16,363	16,447	78,397	62,034	21%
General Services	279,370	291,422	394,750	115,380	71%
Annual Audit	21,378	46,562	53,000	31,622	40%
Member Agencies O&M	278,386	996,031	692,228	413,842	40%
Dues & Memberships	90,478	98,702	101,745	11,267	89%
Election Expenses	12,707	-	83,000	70,293	15%
Consulting Services	1,374,035	2,159,861	2,615,400	1,241,365	53%
Equipment Rental	11,707	48,259	69,000	57,293	17%
District Fuel	173,652	162,314	340,000	166,348	51%
Insurance - District	310,896	309,343	443,170	132,274	70%
Insurance - Personnel	258,475	302,372	480,546	222,071	54%
Insurance - Benefits	1,986,266	2,055,235	3,106,144	1,119,878	64%
Legal Services - Personnel	24,317	-	50,000	25,683	49%
Legal Services - General ¹	161,827	177,015	430,000	268,173	38%
District Office Supplies	467,072	644,383	853,750	386,678	55%
District Operating Supplies	309,380	317,974	390,450	81,070	79%
Repairs & Maintenance - Equipment	568,339	551,387	628,769	60,430	90%
Repairs & Maintenance - Facilities	3,045,278	2,493,339	3,447,205	401,927	88%
Safety Program & Compliance Requirements	178,732	186,092	191,650	12,918	93%
Wastewater Treatment	9,450,665	8,863,204	9,480,876	30,211	100%
Special Outside Assessments	108,054	188,051	240,000	131,946	45%
Utilities	1,417,183	1,694,783	2,373,260	956,077	60%
Water Purchases	18,949,590	19,411,664	25,826,808	6,877,218	73%
Meter / Vault Purchases	186,449	440,122	615,000	428,551	30%
Water Efficiency	1,733,920	2,548,490	2,898,457	1,164,537	60%
Other Operating Expenses ²	343,436	10,359	-	(343,436)	n/a
B Total Operating Expenses	52,777,223	53,922,201	70,012,317	17,578,530	75%
A-B Operating Income (Loss)	(5,093,896)	(9,884,362)	(13,476,919)	(8,726,459)	38%
<u>Non-Operating Revenues (Expenses)</u>					
Property Tax Revenue	25,242,739	24,234,796	27,069,573	1,826,834	93%
Investment Income ³	(738,168)	2,945,374	2,348,860	3,087,028	-31%
Property Lease Income	1,485,594	1,458,781	1,569,878	84,284	95%
Interest Expense	(4,356,328)	(4,657,309)	(5,466,157)	(1,109,829)	80%
Misc. Non-Operating Income	4,683,367	7,482,575	3,718,464	(964,903)	126%
Capacity fees	298,662	1,046,336	468,818	170,156	64%
C Total Non-Operating Revenue (Expenses)	26,615,866	32,510,553	29,240,618	2,624,752	91%
A-B+C Change in All Funds	\$ 21,521,970	\$ 22,626,190	\$ 15,763,699	\$ (6,101,707)	
<u>Other Non Cash Expenses</u>					
Depreciation	14,596,538	14,251,741	-	(14,596,538)	n/a
D Total Change in Net Position	\$ 6,925,432	\$ 8,374,450	\$ 15,763,699	\$ 8,494,831	

Note: Totals may not sum due to rounding.

1. Detail of Legal Services - General can be found on the next page.

2. The District performed an inventory inspection and removed approximately \$200k of obsolete equipment and supplies.

3. Investment income is comprised of realized income of \$1,452,317 and unrealized income (loss) of (\$2,190,486).

#16.b.

**Moulton Niguel Water District
All Funds - Budget Comparison Report
Ten Months Ended April 30, 2017
Legal Services - General**

Firm	Water Use		Capital ⁵	Total ⁶
	General ⁴	Efficiency ⁴		
Best Best & Krieger LLP	\$ 144,782	\$ 17,046	\$ 17,703	\$ 179,530
Budget Amount	420,000	10,000	-	430,000
Budget Balance	\$ 275,218	\$ (7,046)	n/a	\$ 268,173

Note: Totals may not sum due to rounding.

4. Legal Services - General on the previous page is made up of the General balance of \$144,782 and the \$17,046 Water Use Efficiency balance, for a total of \$161,827.

5. Capital legal services represent legal services rendered during construction and are capitalized by the District as part of the project. Each project budgets for legal expenses separately and are not included as part of this schedule.

6. Total budget balance remaining excludes the \$17,703 as the budget for legal services related to capital projects are not included in this report.

Consulting Services - Grant Administration

Firm	Spent YTD	Spent Overall	Grants Received
Nossaman LLP	\$ -	\$ -	\$ -
West Yost Associates	-	-	-

Moulton Niguel Water District
General Fund - Budget Comparison Report
Ten Months Ended April 30, 2017

	1	2	=1-2	=2/1
Description	Approved Budget	Fiscal Year to Date Actuals	Budget Balance	% of Actuals to Budget
GENERAL FUND				
<u>Operating Revenues</u>				
Water Sales	\$ 28,338,290	\$ 21,432,846	\$ 6,905,444	76%
Recycled Water Sales	5,489,814	3,998,402	1,491,412	73%
Sewer Sales	18,911,865	16,688,328	2,223,537	88%
Other Operating Income	491,585	365,825	125,760	74%
A Total Operating Revenue	53,231,554	42,485,401	10,746,153	80%
<u>Operating Expenses</u>				
Salaries	11,181,396	8,756,454	2,424,942	78%
PERs Employer Contributions	1,480,783	1,204,239	276,544	81%
Defined Contribution 401A	267,655	132,075	135,580	49%
Educational Courses	51,580	19,920	31,660	39%
Travel & Meetings	253,320	170,099	83,221	67%
Recruitment & Employee Relations	78,397	16,363	62,034	21%
General Services	394,750	279,370	115,380	71%
Annual Audit	53,000	21,378	31,622	40%
Member Agencies O&M	692,228	278,386	413,842	40%
Dues & Memberships	101,245	90,478	10,767	89%
Election Expenses	83,000	12,707	70,293	15%
Consulting Services	1,315,400	845,633	469,767	64%
Equipment Rental	69,000	11,707	57,293	17%
District Fuel	340,000	173,652	166,348	51%
Insurance - District	443,170	310,896	132,274	70%
Insurance - Personnel	460,266	245,304	214,962	53%
Insurance - Benefits	2,924,922	1,850,377	1,074,545	63%
Legal Services - Personnel	50,000	24,317	25,683	49%
Legal Services - General	420,000	144,782	275,218	34%
District Office Supplies	473,250	393,973	79,277	83%
District Operating Supplies	390,450	309,380	81,070	79%
Repairs & Maintenance - Equipment	626,269	568,117	58,152	91%
Repairs & Maintenance - Facilities	3,447,205	3,045,278	401,927	88%
Safety Program & Compliance Requirements	191,650	177,243	14,407	92%
Wastewater Treatment	9,480,876	9,450,665	30,211	100%
Special Outside Assessments	240,000	108,054	131,946	45%
Utilities	2,373,260	1,417,183	956,077	60%
Water Purchases	25,826,808	18,949,590	6,877,218	73%
Meter / Vault Purchases	615,000	186,449	428,551	30%
Other Operating Expenses	-	343,436	(343,436)	n/a
B Total Operating Expenses	64,324,880	49,194,069	15,130,811	76%
A-B Operating Income (Loss)	(11,093,326)	(6,708,668)	(4,384,658)	60%
<u>Non-Operating Revenues (Expenses)</u>				
Property Tax Revenue	27,069,573	25,242,739	1,826,834	93%
Investment Income	2,242,424	(963,019)	3,205,443	-43%
Property Lease Income	1,569,878	1,485,594	84,284	95%
Misc. Non-Operating Income (Expense)	3,718,464	95,760	3,622,704	3%
C Total Non-Operating Revenue (Expenses)	34,600,339	25,861,074	8,739,265	75%
A-B+C Change in General Fund	\$ 23,507,013	\$ 19,152,406	\$ 4,354,607	78%
<u>Other Non Cash Expenses</u>				
Depreciation	-	14,596,538	(14,596,538)	n/a
D Total Change in Net Position	\$ 23,507,013	\$ 4,555,869	\$ (10,241,931)	\$ 14,596,538

Note: Totals may not sum due to rounding.

#16.b.

Moulton Niguel Water District
Water Efficiency Fund - Budget Comparison Report
Ten Months Ended April 30, 2017

Description	1 Approved Budget	2 Fiscal Year to Date Actuals	=1-2 Budget Balance	=2/1 % of Actuals to Budget
WATER EFFICIENCY FUND				
Projected Operating Revenue				
Water Efficiency	\$ 3,303,844	\$ 5,197,926	\$ (1,894,082)	157%
A	3,303,844	5,197,926	(1,894,082)	157%
Projected Operating Expenses				
Labor	1,068,280	873,224	195,056	82%
Educational Courses	2,500	1,863	637	75%
Travel & Meetings	24,700	10,455	14,245	42%
Dues & Memberships	500	-	500	0%
Consulting Services	1,300,000	528,402	771,598	41%
Legal Services	10,000	17,046	(7,046)	170%
Conservation supplies	380,500	73,099	307,401	19%
Repairs and Maintenance - Equipment	2,500	222	2,278	9%
Safety Program & Compliance Requirements	-	1,489	(1,489)	n/a
Water Efficiency	2,898,457	1,733,920	1,164,537	60%
B	5,687,437	3,239,719	2,447,718	57%
A-B	(2,383,593)	1,958,207	(4,341,800)	-82%
Projected Non-Operating Revenue				
Demand offset fees	-	45,222	(45,222)	n/a
C	106,436	6,712	99,724	6%
A-B+C	106,436	51,934	54,502	49%
Projected Change in Water Efficiency Fund	\$ (2,277,157)	\$ 2,010,142	\$ (4,287,299)	

Note: Totals may not sum due to rounding.

Water Efficiency Available Net Position¹

Description	Approved Budget	Fiscal Year to Date Actuals	Budget Balance
Fund Net Position, Beginning of Year	\$ 5,158,320	\$ 5,158,320	\$ 5,158,320
Projected Change in Water Efficiency Fund	(2,277,157)	2,010,142	(4,287,299)
Project Commitments		(1,147,243)	
Fund Net Position, Ten Months Ended April 30, 2017	\$ 2,881,163	\$ 6,021,219	

1. In addition to realized expenditures, there is approximately \$1,147,243 in project commitments, reducing the available WBBRS reserve balance to \$6,021,219.



MOULTON NIGUEL WATER DISTRICT
STATEMENT OF NET POSITION

	(Unaudited)	
	April 30, 2017	June 30, 2016
CURRENT ASSETS:		
Cash and investments	\$ 36,904,256	\$ 21,149,580
Restricted cash and investments with fiscal agent	7,877,405	8,086,043
Accounts receivables:		
Water and sanitation charges	3,190,536	4,023,360
Taxes and acreage assessments	-	255,190
Grant Reimbursements	179,628	1,771,918
Other accounts receivable	195,418	347,088
Interest receivable	568,041	589,339
AMP receivable	-	656
Inventory	1,168,625	1,322,755
Prepaid expenses	994,601	566,095
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	51,078,510	38,112,024
	<hr/>	<hr/>
NONCURRENT ASSETS:		
Investments	84,353,960	109,982,071
Retrofit loans receivable	544,695	561,582
Capital assets, net of accumulated depreciation	331,753,067	344,747,326
Capital assets not being depreciated:		
Land	1,091,910	1,091,910
Construction in progress	61,798,086	45,135,106
	<hr/>	<hr/>
TOTAL NONCURRENT ASSETS	479,541,718	501,517,995
	<hr/>	<hr/>
TOTAL ASSETS	530,620,228	539,630,019
	<hr/>	<hr/>
DEFERRED OUTFLOW OF RESOURCES:		
Deferred Charges on Refunding	694,946	937,158
Deferred Items related to Pension	1,419,676	1,419,676
	<hr/>	<hr/>
TOTAL DEFERRED OUTFLOW OF RESOURCES	2,114,622	2,356,834
	<hr/>	<hr/>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES \$	532,734,850	\$ 541,986,853
	<hr/> <hr/>	<hr/> <hr/>

**MOULTON NIGUEL WATER DISTRICT
STATEMENT OF NET POSITION**

	(Unaudited) April 30, 2017	June 30, 2016
CURRENT LIABILITIES:		
Accounts payable	\$ 4,235,716	\$ 9,107,383
Interest payable	906,845	1,880,732
Unearned Revenue	-	45,572
Compensated absences	740,795	618,807
Current portion of long-term debt:		
Bonds payable	1,275,000	6,060,000
Loans Payable	2,032,109	1,994,998
Certificates of participation	1,925,000	1,855,000
TOTAL CURRENT LIABILITIES	11,115,464	21,562,492
LONG-TERM LIABILITIES		
Compensated absences	246,932	206,269
Long-term debt:		
Bonds payable	15,095,000	16,370,000
Loans payable	6,660,907	8,693,015
Certificates of participation	60,000,000	61,925,000
Net Pension Liability	12,934,337	12,934,337
TOTAL LONG-TERM LIABILITIES	94,937,175	100,128,621
Bond Discount/Premium	2,070,465	2,609,427
TOTAL LIABILITIES	108,123,105	124,300,540
DEFERRED INFLOW OF RESOURCES:		
Deferred Items related to Pension	3,530,389	3,530,389
TOTAL DEFERRED INFLOW OF RESOURCES	3,530,389	3,530,389
NET POSITION:		
Net investment in capital assets	306,279,529	292,404,060
Restricted for capital projects	276,161	2,632,947
Unrestricted	114,525,666	119,118,917
TOTAL NET POSITION	421,081,356	414,155,924
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	\$ 532,734,850	\$ 541,986,853

Note: Totals may not sum due to rounding.

**MOULTON NIGUEL WATER DISTRICT
RESTRICTED CASH AND INVESTMENTS WITH FISCAL AGENT
As of April 30, 2017**

	Reserve Requirement	(Unaudited) Balance 4/30/2017	Over (Under) Requirement	Balance 6/30/2016
<u>Restricted Cash and Investments:</u>				
2009 COPS Trust Reserve	\$ 6,000,000	\$ 6,108,812	\$ 108,812	\$ 6,033,813
2009 COPS Installment	-	59	59	39
2010 Installment Payment	-	140,960	140,960	264,609
2010 COPS Trust Reserves	192,500	378,796	186,296	555,767
2014 Consolidated Ref Bonds	-	2	2	4
2015 Refunding Bonds	-	9	9	8
2015 Refunding Reserve	1,226,500	1,248,768	22,268	1,231,804
Total Restricted Trust Accounts	\$ 7,419,000	\$ 7,877,405	\$ 458,405	\$ 8,086,043

Note: Totals may not sum due to rounding.

MOULTON NIGUEL WATER DISTRICT
NET POSITION
As of April 30, 2017

	Reserve Policy Target	(Unaudited)		Balance 6/30/2016
		Balance 4/30/2017	Net Change	
Adopted Reserve Targets ¹				
Designated for Self Insurance Reserve	\$ 250,000	\$ 253,582	\$ (1,177)	\$ 254,759
Designated for Rate Stabilization	13,250,000	13,722,405	64,921	13,657,484
Designated for Emergency Reserves	35,510,000	35,510,000	-	35,510,000
Designated for Operating Reserves ²	15,820,000	29,325,883	3,008,763	26,317,120
Total Adopted Reserve Targets	\$ 64,830,000	\$ 78,811,870	\$ 3,072,507	\$ 75,739,363
	FY 16/17 Capital Budget ³			
Designated for FY 16-17 Capital Projects				
Designated for Replacement and Refurbishment	\$ 27,144,426	\$ 16,634,313	\$ 6,904,548	\$ 9,729,765
Designated for Water Supply Reliability	8,861,074	3,146,836	3,146,836	-
Designated for Planning and Construction	9,613,031	8,764,186	(19,727,283)	28,491,469
Total Designated for FY 16-17 Capital Projects	\$ 45,618,531	\$ 28,545,335	\$ (9,675,899)	\$ 38,221,234
Other amounts				
Designated for Water Efficiency (WBBRS) ⁴		\$ 7,168,462	\$ 2,010,142	\$ 5,158,320
Restricted for Capital Facilities (Projects)		276,161	(2,356,786)	2,632,947
Net Investment in Capital Assets ⁵		306,279,529	13,875,469	292,404,060
Total Other amounts		\$ 313,724,151	\$ 13,528,824	\$ 300,195,327
Total Net Position		\$ 421,081,356	\$ 6,925,432	\$ 414,155,924

Note: Totals may not sum due to rounding.

1. Board designated balances represent available cash in that fund.

2. General Operating Reserves include the unrestricted, undesignated balance, and other general District accrued cash flows. This amount includes the remaining total cash balance of \$33,777,873.

3. FY 16-17 Budget also includes \$950,990 for capital expenses in Fund 6, bringing the total CIP budget to \$46,569,520.

4. In addition to realized expenditures, there is approximately \$1,147,243 in project commitments, reducing the available WBBRS reserve balance to \$6,021,219.

5. Net Investment in Capital Assets calculated as follows:

Total capital assets	\$ 394,643,063
Less capital related debt	(89,058,481)
Add deferred charges related to debt	694,946
Total Net Investment in Capital Assets	\$ 306,279,529

**MOULTON NIGUEL WATER DISTRICT
SUMMARY OF DISBURSEMENTS
FOR THE MONTH OF MAY 2017**

#16.f.

Summary of Disbursements in May 2017:

General Fund Disbursements		4,347,799
<u>Restricted Fund Disbursements:</u>		
Self Insurance Fund	5,822	
Water Efficiency Fund	385,966	
Replacement & Refurbishment Fund	811,774	
Planning & Construction Fund	130,308	1,333,869
Total Disbursements for all Funds		\$ 5,681,669

Detail of Major Expenditures in May 2017:

1. Municipal Water District of Orange County (MWDOC)		
March Water Purchases 1017.8 AF	985,033	
March Readiness To Serve	110,730	
March Turf, Nozzles, and Smart Timer Rebates	84,623	
March Capacity Charge	30,934	
March SCP Operation Surcharge	8,155	
March SAC Operation Surcharge	66	
February Reclaimed Rebate 26.2 AF	(4,035)	1,215,505
2. Santa Margarita Water District (SMWD)		
FY 16/17 Q3 Plant 3A O&M Charges	429,491	
FY 16/17 Q3 O&M Charges	91,031	520,522
3. Ferreira Construction Co., Inc.		
C# 2011010 & C# 2011015 PRS Relocation, progress payment #2		321,452
4. J. Colon Coatings, Inc.		
C# 2015004 & C# 2015022 Crown Valley RW Reservoir, progress payment #6		145,953
5. City of Laguna Niguel		
Recycled Water Infrastructure Reimbursement		140,699
6. Paulus Engineering, Inc.		
C# 2015002 Valve Replacements, final retention payment	55,337	
Fire Hydrant Repairs at various locations	47,110	
C# 2015012 Paseo De Valencia Rail Road Crossing Abandonment, progress payment #1	5,605	108,052

