



moulton niguel water district

**BOARD OF DIRECTORS' MEETING
MOULTON NIGUEL WATER DISTRICT
26880 Aliso Viejo Pkwy, Suite 150, Aliso Viejo
May 14, 2020
CLOSED SESSION – 5:00 PM
OPEN SESSION – 6:00 PM
Approximate Meeting Time: 2 Hours**

IN AN EFFORT TO PREVENT THE SPREAD OF COVID-19 (CORONAVIRUS), AND IN ACCORDANCE WITH THE GOVERNOR'S EXECUTIVE ORDER N-29-20, THERE WILL BE NO PUBLIC LOCATION FOR ATTENDING THIS BOARD MEETING IN PERSON. MEMBERS OF THE PUBLIC MAY LISTEN AND PROVIDE PUBLIC COMMENT TELEPHONICALLY BY CALLING THE FOLLOWING NUMBER:

**DIAL: 1-669-900-9128
MEETING ID: 837 4528 8205#**

1. CALL MEETING TO ORDER:

CLOSED SESSION:

2. CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Pursuant to Government Code Section 54956.8
Property: 27500 La Paz Road, Laguna Niguel, CA
Agency Negotiator: Joone Lopez, General Manager
Negotiating Parties: Cypress Express Partners, LLC
Under Negotiation: Price and terms of payment for a ground lease

OPEN SESSION - 6:00 PM

3. REPORT OUT OF CLOSED SESSION:

4. PUBLIC COMMENTS:

As permitted under the Brown Act, and in order to provide an equal opportunity for members of the public to provide comment without everyone talking over one another, the Board of Directors will receive all public comments, on items on or off the agenda, during the Public Comment portion of this meeting. Comments are limited to five minutes unless further time is granted by the Presiding Officer.

PRESENTATION ITEM:

5. QUARTERLY INVESTMENT REPORT - CHANDLER ASSET MANAGEMENT

CONSENT CALENDAR ITEMS:(Items on the Consent Calendar have been discussed at the regularly scheduled Administrative and Technical Committee meetings) (ROLL CALL VOTE)

Consent items: Unless the General Manager or the Board requests that an item be removed from the Consent Calendar, all items will be acted upon as a whole and by one vote. Requests for discussion of any specific item should be made to the Presiding Officer in conjunction with the discussion of the consent motion.

6. MINUTES OF THE APRIL 9, 2020 BOARD OF DIRECTORS MEETING

7. MINUTES OF THE APRIL 23, 2020 BOARD OF DIRECTORS MEETING

8. AMENDMENT NO. 1 TO THE CONSTRUCTION MANAGEMENT AND INSPECTION AGREEMENT FOR RESERVOIR MANAGEMENT SYSTEMS REPLACEMENT PHASE 2

It is recommended that the Board of Directors approve Amendment No. 1 to the PSA with Butier Engineering, Inc. (Butier) in the amount of \$110,000 for a new total not-to-exceed amount of \$468,990; and authorize the General Manager or Assistant General Manager to execute the amendment.

9. WARE MALCOMB PROFESSIONAL SERVICES AGREEMENT CONTINGENCY FOR UPGRADES AT PLANT 2A

It is recommended that the Board of Directors approve a \$75,000 not-to-exceed contingency for a total not-to-exceed authorization of \$1,363,360 with Ware Malcomb and authorize the General Manager or Assistant General Manager to execute any required amendments through June 2021.

10. DESIGNATION OF AUTHORIZED AGENTS WITH CALIFORNIA GOVERNOR'S OFFICE OF EMERGENCY SERVICES

It is recommended that the Board of Directors approve CalOES Form 130, designating the General Manager, Assistant General Manager, and the Controller as authorized agents to work with CalOES.

ADMINISTRATIVE MATTERS (ROLL CALL VOTE):

11. APPROVAL OF A GROUND LEASE OF 27500 LA PAZ ROAD, LAGUNA NIGUEL TO CYPRESS EXPRESS PARTNERS, LLC

It is recommended that the Board approve a ground lease of 27500 La Paz Road, Laguna Niguel to Cypress Express Partners, LLC for a 25-year term.

12. AMENDMENT NO. 1 TO THE LISTING AGREEMENT FOR 27500 LA PAZ ROAD

It is recommended that the Board approve Amendment No. 1 to the Listing Agreement with Colliers International Greater Los Angeles, Inc. ("Colliers"); and authorize the General Manager or Assistant General Manager to execute Amendment.

13. SB 1386 (MOORLACH) LOCAL GOVERNMENT: ASSESSMENTS, FEES, AND CHARGES

It is recommended that the Board of Directors take a "Support" position on SB 1386 and prepare a letter consistent with this position to share with Senator Moorlach's office and other interested parties.

TECHNICAL MATTERS (ROLL CALL VOTE):

14. CONSTRUCTION CONTRACT AWARD FOR ALISO CREEK AND SOUTHWING LIFT STATIONS AUXILIARY GENERATOR REPLACEMENTS

It is recommended that the Board of Directors award the construction services contract to Pascal & Ludwig Constructors in the amount of \$1,241,000; authorize the General Manager or Assistant General Manager to execute the contract; and to approve change orders up to 10% of the contract value.

15. CONSTRUCTION MANAGEMENT AND INSPECTION SUPPORT FOR REGIONAL LIFT STATION ENHANCEMENTS

It is recommended that the Board of Directors approve the Professional Services Agreement with Butier Engineering in the amount of \$492,386; authorize the General Manager or Assistant General Manager to execute the agreement; and to approve amendments up to 10% of the contract value.

INFORMATION ITEMS:

16. MONTHLY FINANCIAL REPORT
17. FISCAL YEAR 2020-21 PROPOSED BUDGET
18. PURCHASING POLICY ANNUAL REVIEW
19. INVESTMENT POLICY ANNUAL REVIEW
20. RESERVE POLICY ANNUAL REVIEW
21. DEBT MANAGEMENT POLICY ANNUAL REVIEW

22. CAPITALIZATION & SURPLUS POLICY ANNUAL REVIEW
23. FEDERAL GRANTS MANAGEMENT POLICY ANNUAL REVIEW

GENERAL MANAGER MATTERS:(Brief general updates on District matters and/or brief general updates from staff - Informational purposes only.)

24. COMMUNITY ROOTS ACADEMY WATER PROJECT CLASS PRESENTATIONS

PRESIDENT'S REPORT:

BOARD REPORTS:

FUTURE AGENDA ITEMS (Any items added under this section are for discussion at future meetings only.):

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, 26880 Aliso Viejo Parkway, Suite 150, Aliso Viejo, 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

Period Ending March 31, 2020

CHANDLER ASSET MANAGEMENT, INC. | 800.317.4747 | www.chandlerasset.com



Table of Contents

SECTION 1	Consolidated Information
SECTION 2	Account Profile
SECTION 3	Portfolio Holdings
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SECTION 5	Economic Update



Section 1 | Consolidated Information

Objectives

Investment Objectives

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

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

Chandler Asset Management Performance Objective

The performance objective for the Liquid Fund is to earn a return in excess of the return of the ICE BAML 3-Month US Treasury Bill Index..

The performance objective of the Limited Maturity Fund is to earn a return that equals or exceeds the return of the ICE BAML 0-3 Yr US Treasury Index.

The performance of the Operating Reserve Fund is to earn a total rate of return over a market cycle which exceeds the return on a market index of government securities with maturities of one to ten years (ICE BAML 1-10 Yr Treasury/Agency Index).

Bond Reserves: To earn a commensurate rate of return over market cycles while ensuring compliance with the District's indentured funds.

Strategy

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

Moulton Niguel Water District Bond Reserves

	3/31/2020 Portfolio	12/31/2019 Portfolio
Average Maturity (yrs)	1.99	2.22
Modified Duration	1.92	2.13
Average Purchase Yield	1.77%	1.88%
Average Market Yield	0.30%	1.60%
Average Quality*	AA+/Aaa	AA+/Aaa
Total Market Value	1,365,039	1,327,462

* Portfolio is S&P and Moody's respectively.

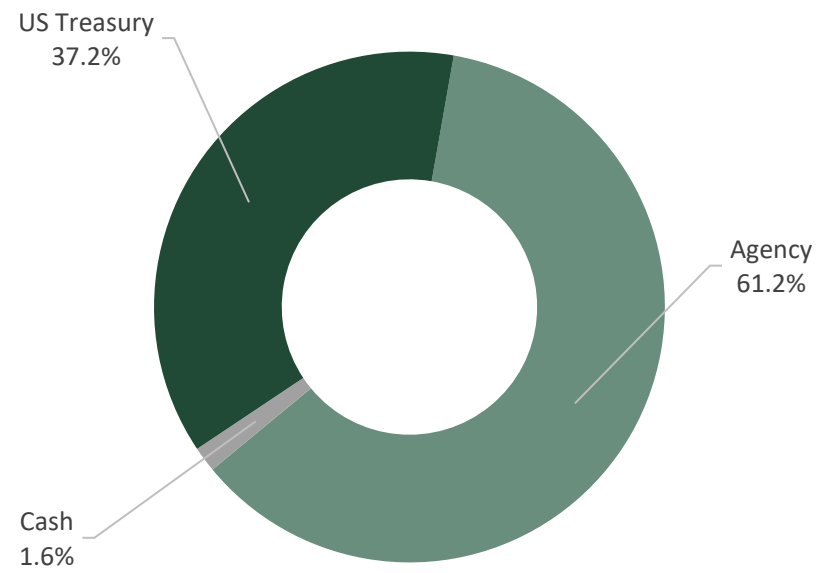
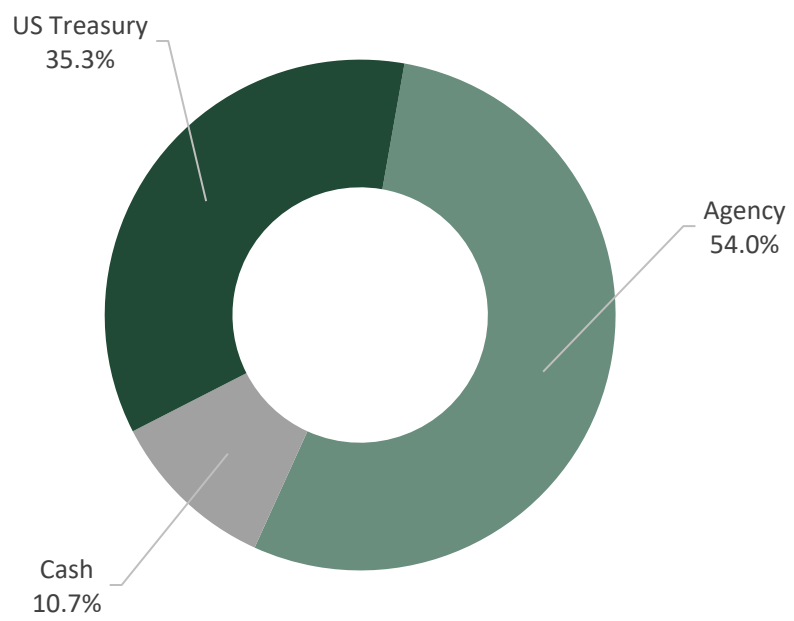
Sector Distribution

Moulton Niguel Water District Bond Reserves

March 31, 2020

December 31, 2019

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Moulton Niguel Water District Consolidated

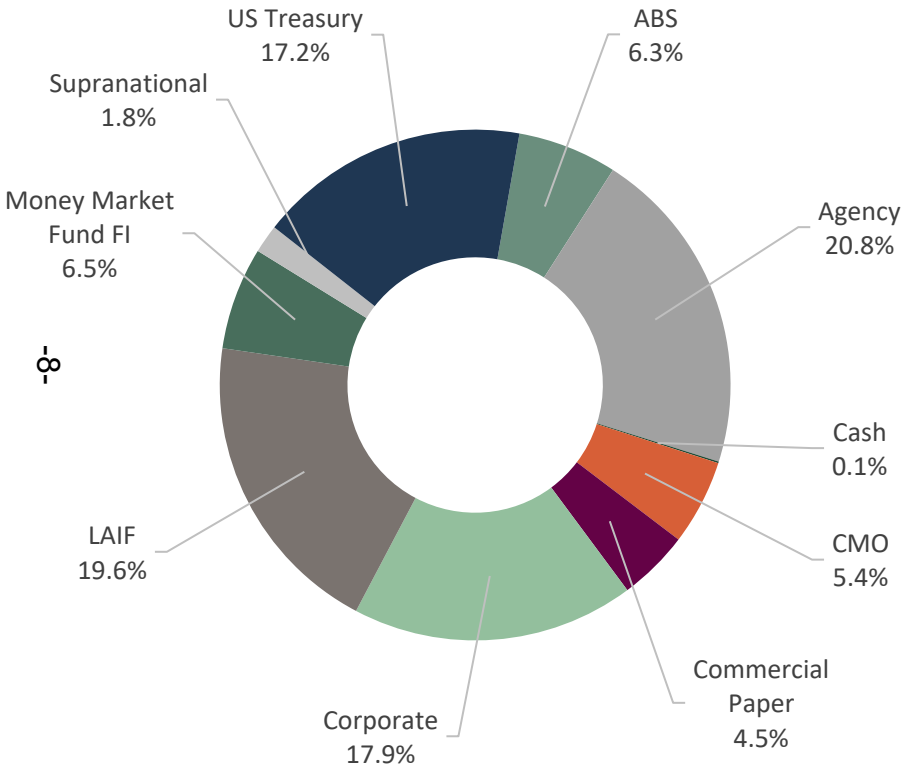
	3/31/2020 Portfolio	12/31/2019 Portfolio
Average Maturity (yrs)	2.41	2.46
Modified Duration	2.15	2.20
Average Purchase Yield	1.97%	2.20%
Average Market Yield	1.21%	1.84%
Average Quality*	AA+/Aa1	AA+/Aa1
Total Market Value	150,419,110	138,511,843

* Portfolio is S&P and Moody's respectively.

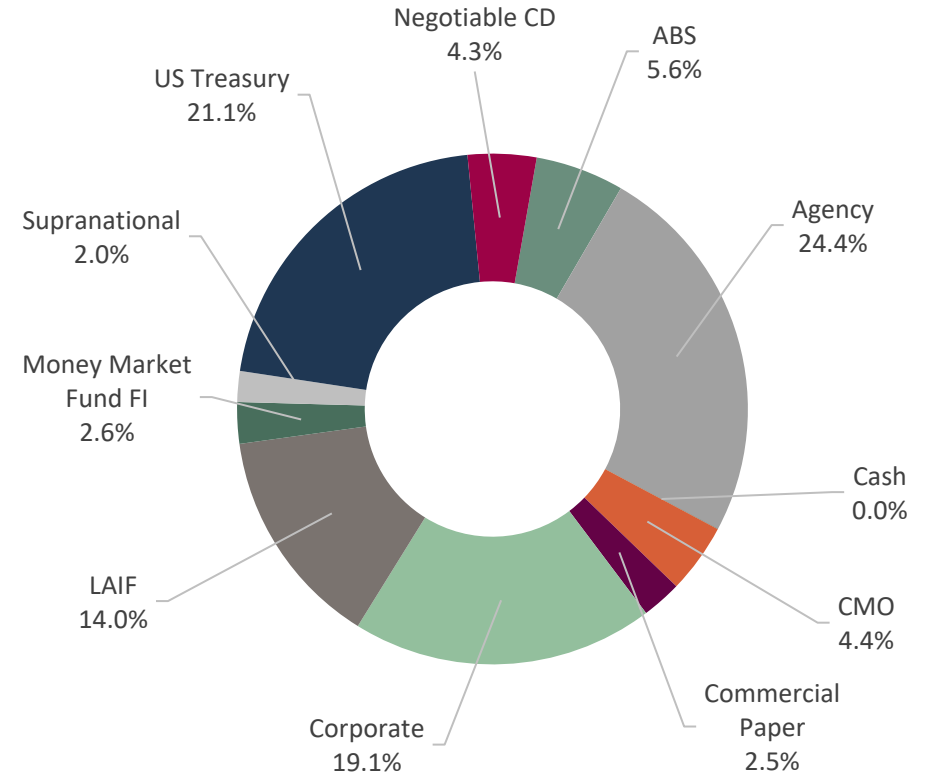
Sector Distribution

Moulton Niguel Water District Consolidated

March 31, 2020



December 31, 2019



Moulton Niguel Water District Consolidated – Account #43

Issue Name	Investment Type	Avg Mkt Yield	Avg Maturity	% Portfolio
Local Agency Investment Fund	LAIF	1.74%	0.00	19.58%
Government of United States	US Treasury	0.30%	3.38	17.15%
Federal Home Loan Bank	Agency	0.83%	6.39	7.61%
Wells Fargo Adv Govt Money Market Fund	Money Market Fund FI	0.17%	0.00	6.31%
Federal National Mortgage Association	Agency	0.65%	4.26	6.28%
Federal Home Loan Mortgage Corp	CMO	1.25%	3.57	5.37%
Tennessee Valley Authority	Agency	0.91%	3.48	4.28%
Federal Home Loan Mortgage Corp	Agency	0.49%	3.31	2.60%
Exxon Mobil Corp	Commercial Paper	1.63%	0.20	1.99%
Honda ABS	ABS	1.65%	2.63	1.74%
John Deere ABS	ABS	1.60%	2.24	1.72%
MUFG Bank Ltd/NY	Commercial Paper	1.59%	0.40	1.65%
HSBC Holdings PLC	Corporate	2.68%	2.08	1.53%
Inter-American Dev Bank	Supranational	0.53%	2.13	1.37%
American Express ABS	ABS	2.93%	2.82	1.17%
Paccar Financial	Corporate	2.58%	2.23	1.02%
Nissan ABS	ABS	1.41%	2.96	0.97%
Oracle Corp	Corporate	1.68%	1.46	0.90%
Qualcomm Inc	Corporate	2.33%	0.14	0.90%
ChevronTexaco Corp	Corporate	3.01%	0.63	0.88%
State Street Bank	Corporate	2.34%	1.13	0.84%
JP Morgan Securities LLC	Commercial Paper	1.66%	0.38	0.83%
Exxon Mobil Corp	Corporate	1.50%	0.92	0.82%
US Bancorp	Corporate	2.21%	4.81	0.82%
Honda Motor Corporation	Corporate	3.11%	3.46	0.76%
Wells Fargo Corp	Corporate	2.32%	4.45	0.76%
Deere & Company	Corporate	2.17%	2.83	0.75%
Charles Schwab Corp/The	Corporate	2.10%	2.82	0.75%
Apple Inc	Corporate	1.46%	2.45	0.71%
JP Morgan Chase & Co	Corporate	2.32%	4.32	0.70%
Bank of America Corp	Corporate	1.96%	2.78	0.69%
Toronto Dominion Holdings	Corporate	2.55%	3.30	0.69%
PNC Financial Services Group	Corporate	2.04%	1.88	0.68%
Toyota Motor Corp	Corporate	2.66%	1.79	0.68%
Royal Bank of Canada	Corporate	2.14%	4.59	0.67%
Berkshire Hathaway	Corporate	1.47%	2.96	0.62%
IBM Corp	Corporate	1.46%	2.44	0.62%
Microsoft	Corporate	0.99%	1.36	0.58%

Issuers

Moulton Niguel Water District Consolidated – Account #43

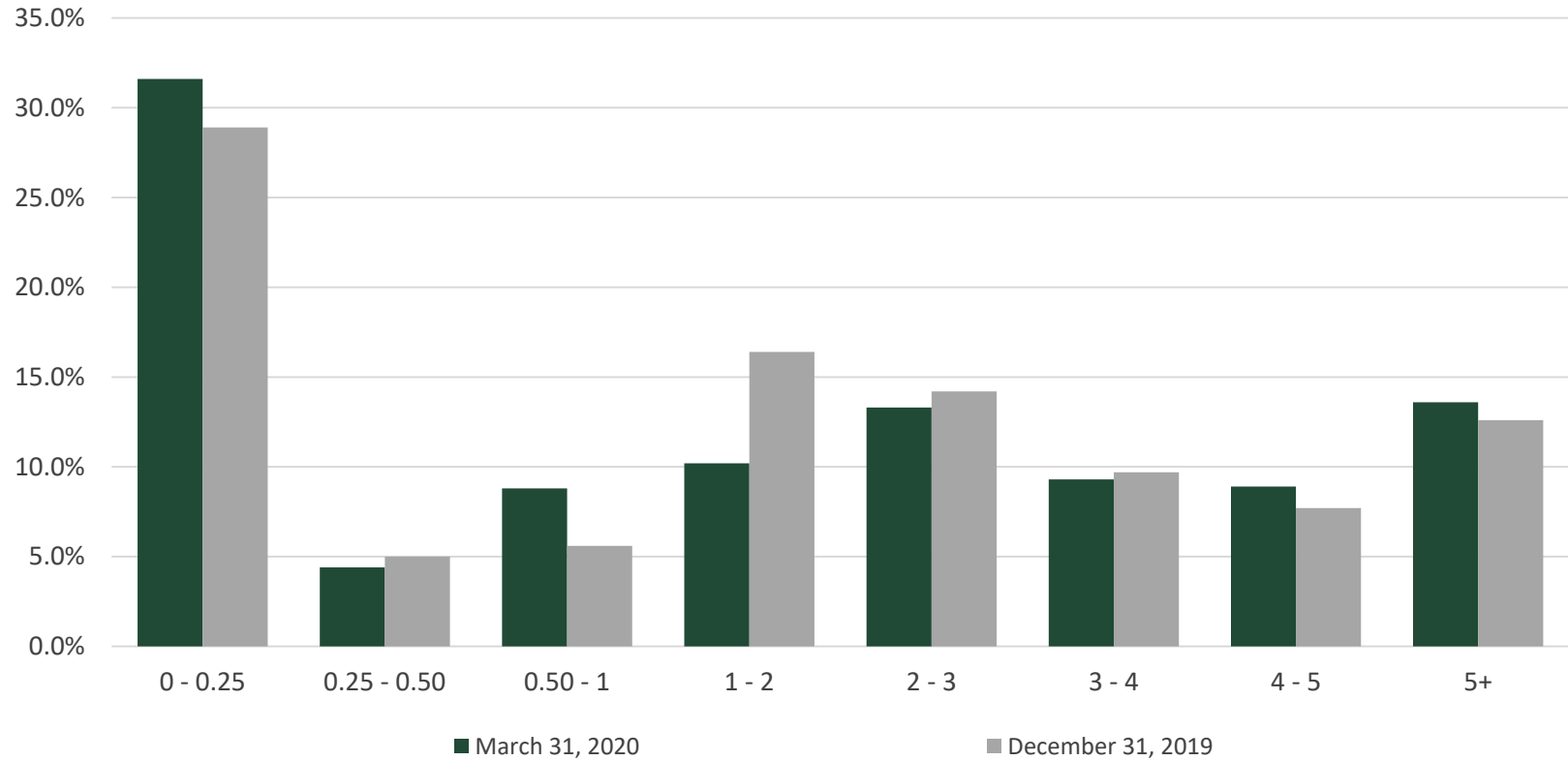
Issue Name	Investment Type	Avg Mkt Yield	Avg Maturity	% Portfolio
Wal-Mart Stores	Corporate	1.43%	3.24	0.51%
International Finance Corp	Supranational	0.53%	0.82	0.45%
Toyota ABS	ABS	1.57%	2.46	0.44%
Verizon Owner Trust	ABS	1.82%	4.06	0.28%
US Bancorp	Money Market Fund FI	0.20%	0.00	0.23%
Bank Cash Account	Cash	0.00%	0.00	0.10%
TOTAL		1.21%	2.41	100%

Duration Distribution

As of March 31, 2020

Moulton Niguel Water District Consolidated March 31, 2020 vs. December 31, 2019

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	0 - 0.25	0.25 - 0.50	0.50 - 1	1 - 2	2 - 3	3 - 4	4 - 5	5+
03/31/20	31.6%	4.4%	8.8%	10.2%	13.3%	9.3%	8.9%	13.6%
12/31/19	28.9%	5.0%	5.6%	16.4%	14.2%	9.7%	7.7%	12.6%

Section 2 | Account Profile

Moulton Niguel Water District Bond Reserves

	Bond Reserves	
	3/31/2020	12/31/2019
Portfolio book value	\$1,313,530	\$1,311,289
Market value	\$1,365,039	\$1,327,462
Net Contribution/Withdrawal for the Period	\$0	--
Average book yield	1.77%	1.88%
Average maturity (yrs)	1.99	2.22
Modified duration	1.92	2.13
\$ change in value for 1% change in rates	\$26,209	\$28,275
% maturing within two years	51.6%	45.1%
Average credit quality	AA+/Aaa	AA+/Aaa

Portfolio Characteristics

Moulton Niguel Water District Liquid Fund

	ICE BAML 3-Month US Treasury Bill Index		Liquid Fund	
	3/31/2020	3/31/2020	3/31/2020	12/31/2019
Portfolio book value	--	\$29,329,847	\$29,329,847	\$19,298,267
Market value	--	\$29,452,855	\$29,452,855	\$19,364,281
Net Contribution/Withdrawal for the Period	--	\$9,960,000	\$9,960,000	--
Average book yield	--	1.74%	1.74%	2.03%
Average maturity (yrs)	0.16	0.00	0.00	0.00
Modified duration	0.16	0.00	0.00	0.00
\$ change in value for 1% change in rates	--	\$0	\$0	\$0
% maturing within one year	100%	100%	100%	100%
Average credit quality	AAA	Not Rated	Not Rated	Not Rated

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Portfolio Characteristics

As of March 31, 2020

Moulton Niguel Water District Limited Maturity Fund

	ICE BAML 0-3 Yr US Treasury Index (G1QA)	Limited Maturity Fund	
	3/31/2020	3/31/2020	12/31/2019
Portfolio book value	--	\$31,361,382	\$31,195,892
Market value	--	\$31,436,301	\$31,243,704
Net Contribution/Withdrawal for the Period	--	\$0	--
Average book yield	--	1.22%	1.77%
Average maturity (yrs)	1.41	0.86	0.75
Modified duration	1.38	0.39	0.38
\$ change in value for 1% change in rates	--	\$122,602	\$118,726
% maturing within two years	71.1%	79.4%	69.5%
Average credit quality	AAA	AAA/Aaa	AA+/Aaa

Portfolio Characteristics

Moulton Niguel Water District Operating Reserve Fund

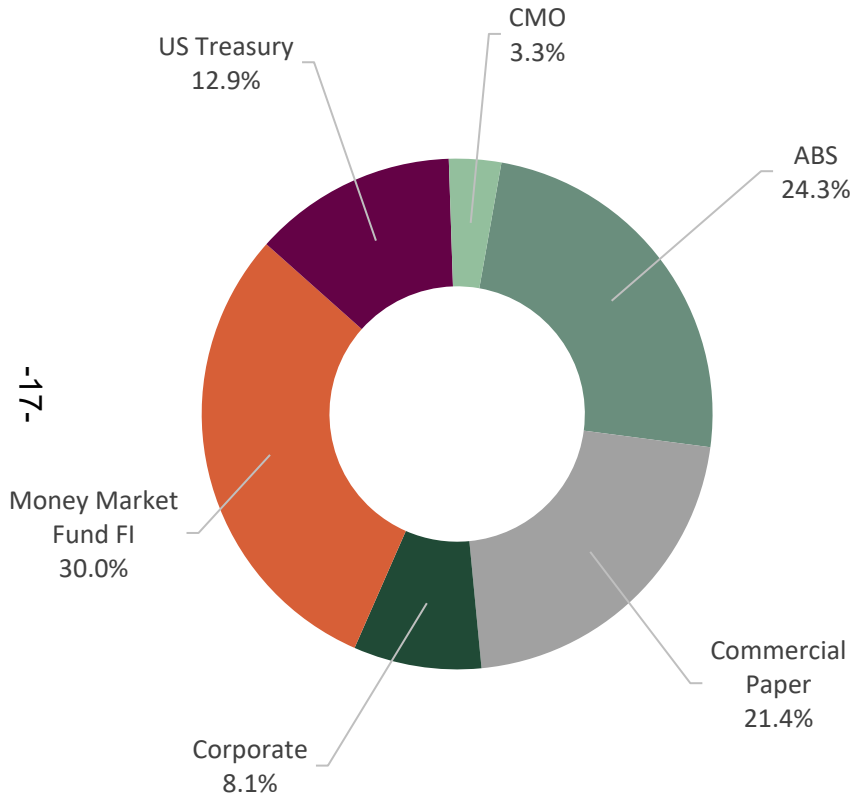
	ICE BAML 1-10 Yr US Treasury/Agency Index	Operating Reserve Fund	
	3/31/2020	3/31/2020	12/31/2019
Portfolio book value	--	\$80,290,935	\$79,594,602
Market value	--	\$84,770,725	\$82,016,070
Net Contribution/Withdrawal for the Period	--	(\$1,875)	--
Average book yield	--	2.37%	2.46%
Average maturity (yrs)	3.94	3.90	3.80
Modified duration	3.70	3.61	3.49
\$ change in value for 1% change in rates	--	\$3,060,223	\$2,862,361
% maturing within two years	25.2%	19.4%	24.2%
Average credit quality	AAA	AA/Aa1	AA/Aa1

Sector Distribution

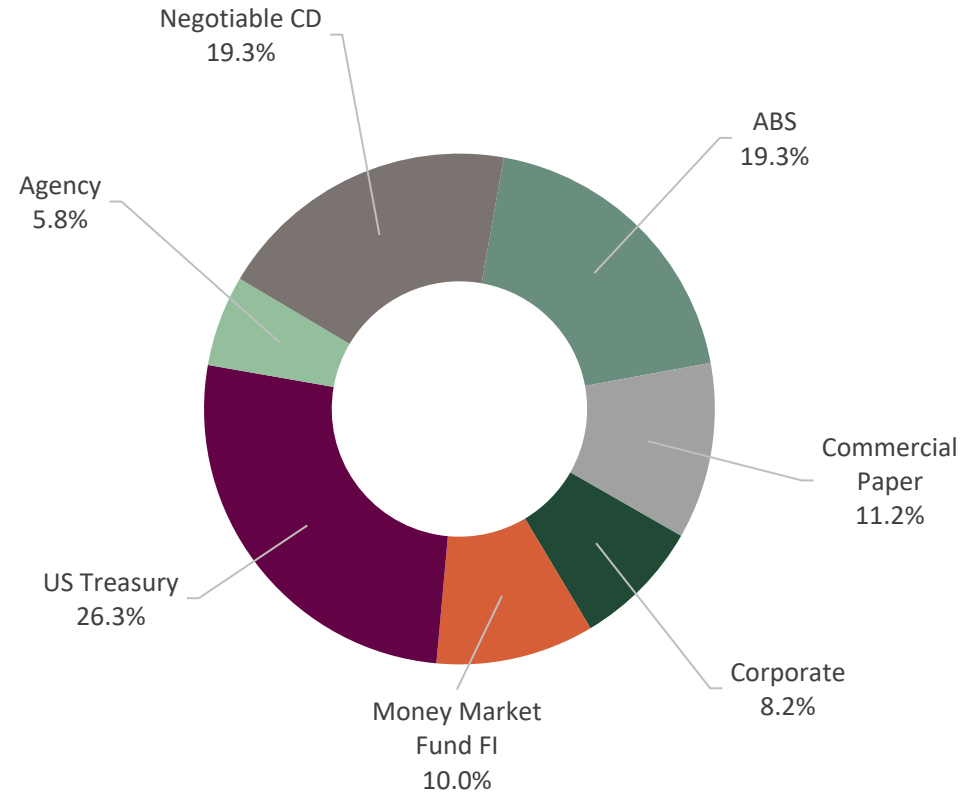
As of March 31, 2020

Moulton Niguel Water District Limited Maturity

March 31, 2020



December 31, 2019



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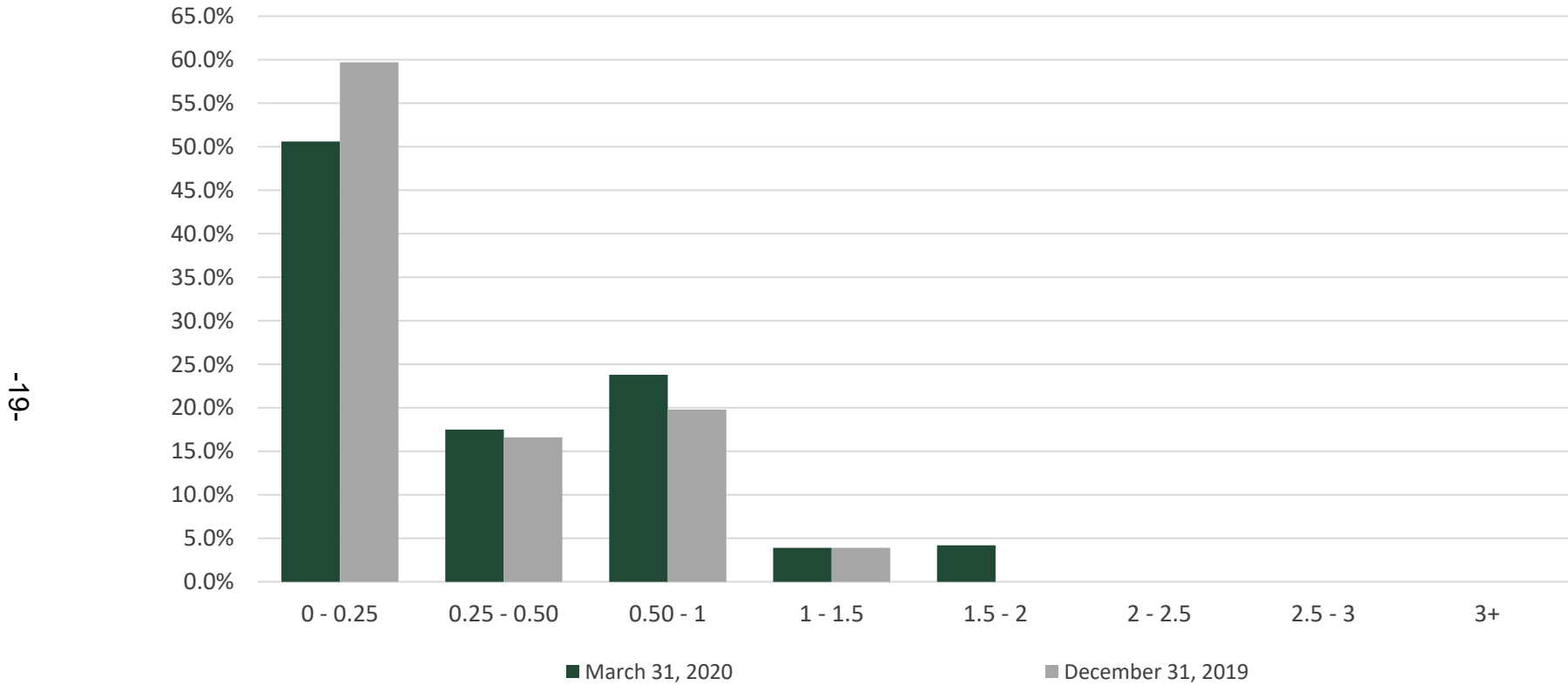
Moulton Niguel Water District Limited Maturity – Account #42

Issue Name	Investment Type	Avg Mkt Yield	Avg Maturity	% Portfolio
Wells Fargo Adv Govt Money Market Fund	Money Market Fund FI	0.17%	0.00	30.01%
Government of United States	US Treasury	0.08%	0.50	12.88%
Exxon Mobil Corp	Commercial Paper	1.63%	0.20	9.51%
MUFG Bank Ltd/NY	Commercial Paper	1.59%	0.40	7.90%
Honda ABS	ABS	1.70%	2.39	6.34%
John Deere ABS	ABS	1.40%	1.83	5.64%
American Express ABS	ABS	2.93%	2.82	5.59%
Nissan ABS	ABS	1.41%	2.96	4.64%
ChevronTexaco Corp	Corporate	3.01%	0.63	4.22%
JP Morgan Securities LLC	Commercial Paper	1.66%	0.38	3.95%
HSBC Holdings PLC	Corporate	2.15%	1.15	3.90%
Federal Home Loan Mortgage Corp	CMO	0.90%	1.82	3.28%
Toyota ABS	ABS	1.57%	2.46	2.12%
TOTAL		1.10%	0.86	100%

Duration Distribution

As of March 31, 2020

Moulton Niguel Water District Limited Maturity March 31, 2020 vs. December 31, 2019

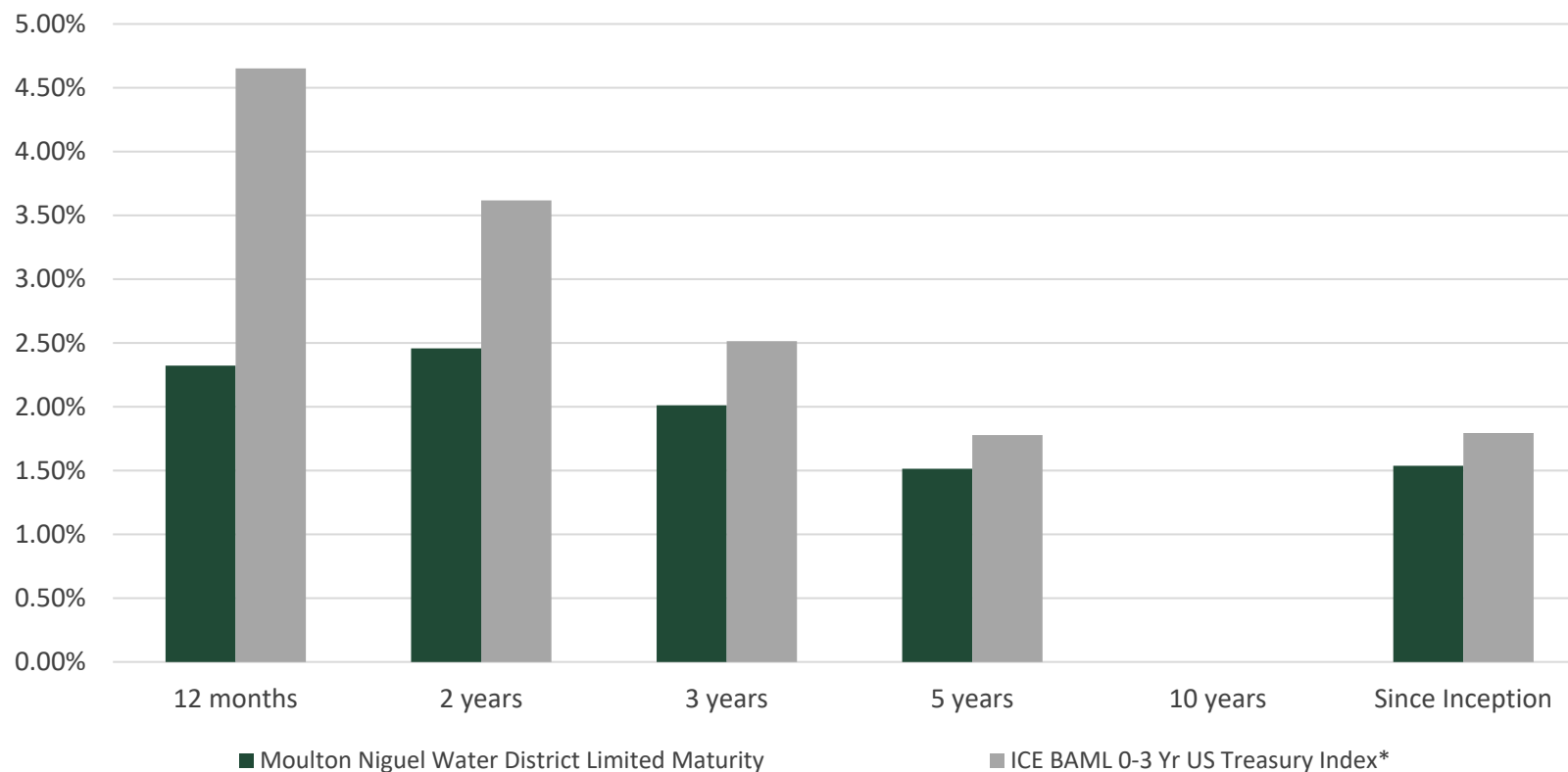


	0 - 0.25	0.25 - 0.50	0.50 - 1	1 - 1.5	1.5 - 2	2 - 2.5	2.5 - 3	3+
03/31/20	50.6%	17.5%	23.8%	3.9%	4.2%	0.0%	0.0%	0.0%
12/31/19	59.7%	16.6%	19.8%	3.9%	0.0%	0.0%	0.0%	0.0%

Investment Performance

Moulton Niguel Water District Limited Maturity Total Rate of Return Annualized Since Inception 02/28/2015

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TOTAL RATE OF RETURN	Annualized						
	3 months	12 months	2 years	3 years	5 years	10 years	Since Inception
Moulton Niguel Water District Limited Maturity	0.62%	2.32%	2.46%	2.01%	1.51%	N/A	1.54%
ICE BAML 0-3 Yr US Treasury Index	2.25%	4.65%	3.62%	2.51%	1.78%	N/A	1.79%

*ICE BAML 1-3 Yr US Treasury Index until 6/30/16; Then 0-3 ICE BAML US Treasuries

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.

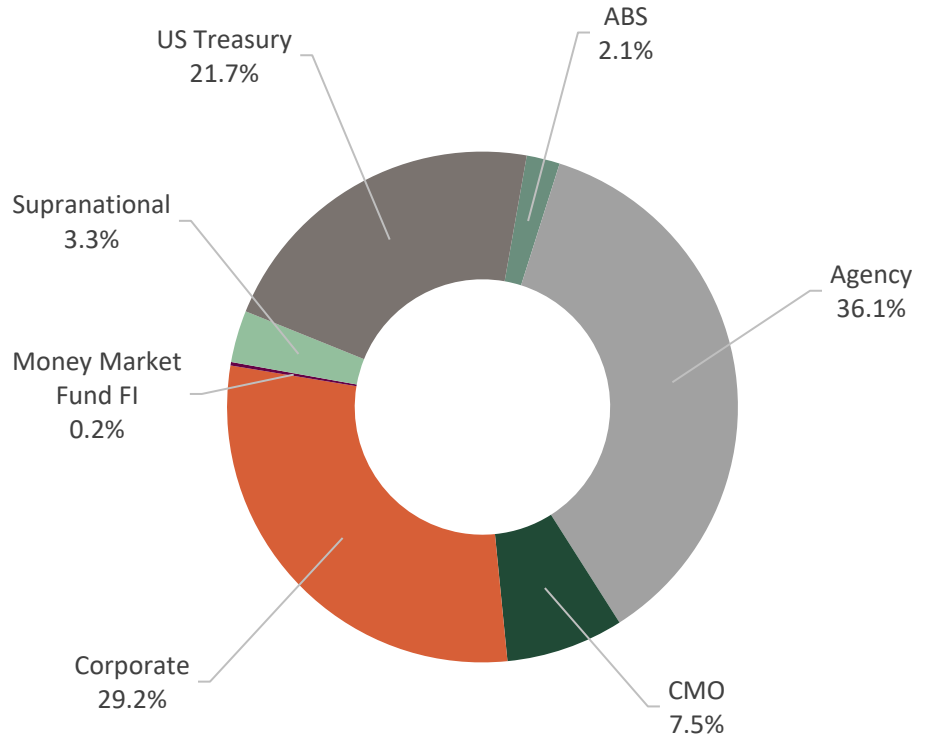
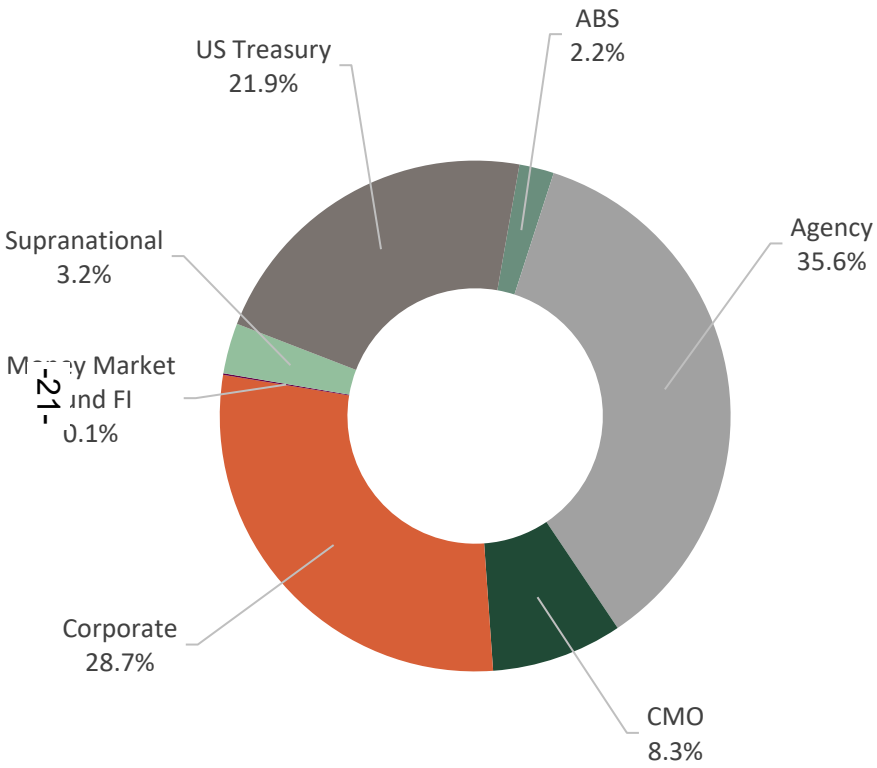
Sector Distribution

As of March 31, 2020

Moulton Niguel Water District Operating Reserve

March 31, 2020

December 31, 2019



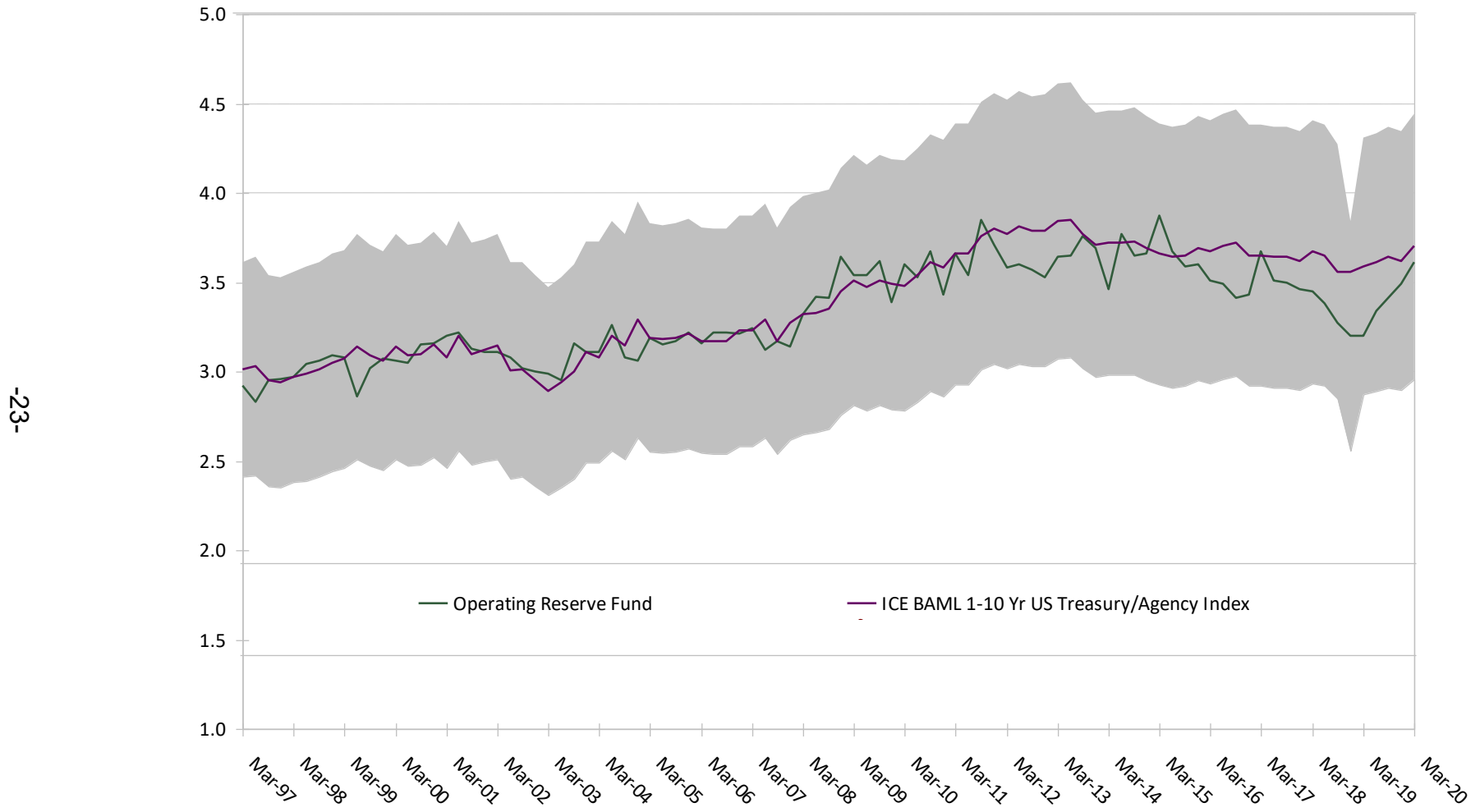
Moulton Niguel Water District Operating Reserve – Account #40

Issue Name	Investment Type	Avg Mkt Yield	Avg Maturity	% Portfolio
Government of United States	US Treasury	0.38%	4.43	21.91%
Federal Home Loan Bank	Agency	0.86%	6.65	12.83%
Federal National Mortgage Association	Agency	0.66%	4.36	10.65%
Federal Home Loan Mortgage Corp	CMO	1.31%	3.83	8.31%
Tennessee Valley Authority	Agency	0.91%	3.48	7.59%
Federal Home Loan Mortgage Corp	Agency	0.49%	3.31	4.49%
Inter-American Dev Bank	Supranational	0.53%	2.13	2.43%
Paccar Financial	Corporate	2.58%	2.23	1.81%
Oracle Corp	Corporate	1.68%	1.46	1.60%
Qualcomm Inc	Corporate	2.33%	0.14	1.59%
State Street Bank	Corporate	2.34%	1.13	1.48%
Exxon Mobil Corp	Corporate	1.50%	0.92	1.46%
US Bancorp	Corporate	2.21%	4.81	1.45%
Honda Motor Corporation	Corporate	3.11%	3.46	1.35%
Wells Fargo Corp	Corporate	2.32%	4.45	1.35%
Deere & Company	Corporate	2.17%	2.83	1.33%
Charles Schwab Corp/The	Corporate	2.10%	2.82	1.32%
HSBC Holdings PLC	Corporate	3.28%	3.15	1.27%
Apple Inc	Corporate	1.46%	2.45	1.26%
JP Morgan Chase & Co	Corporate	2.32%	4.32	1.24%
Bank of America Corp	Corporate	1.96%	2.78	1.23%
Toronto Dominion Holdings	Corporate	2.55%	3.30	1.22%
PNC Financial Services Group	Corporate	2.04%	1.88	1.21%
Toyota Motor Corp	Corporate	2.66%	1.79	1.20%
Royal Bank of Canada	Corporate	2.14%	4.59	1.20%
Berkshire Hathaway	Corporate	1.47%	2.96	1.10%
IBM Corp	Corporate	1.46%	2.44	1.10%
Microsoft	Corporate	0.99%	1.36	1.04%
John Deere ABS	ABS	2.04%	3.13	0.97%
Wal-Mart Stores	Corporate	1.43%	3.24	0.90%
International Finance Corp	Supranational	0.53%	0.82	0.80%
Honda ABS	ABS	1.50%	3.38	0.74%
Verizon Owner Trust	ABS	1.82%	4.06	0.50%
Wells Fargo Adv Govt Money Market Fund	Money Market Fund FI	0.17%	0.00	0.06%
TOTAL		1.13%	3.90	100%

Exposure to Market Risk

As of March 31, 2020

Operating Reserve Fund Duration Compared to ICE BAML 1-10 Yr US Treasury/Agency Index Duration

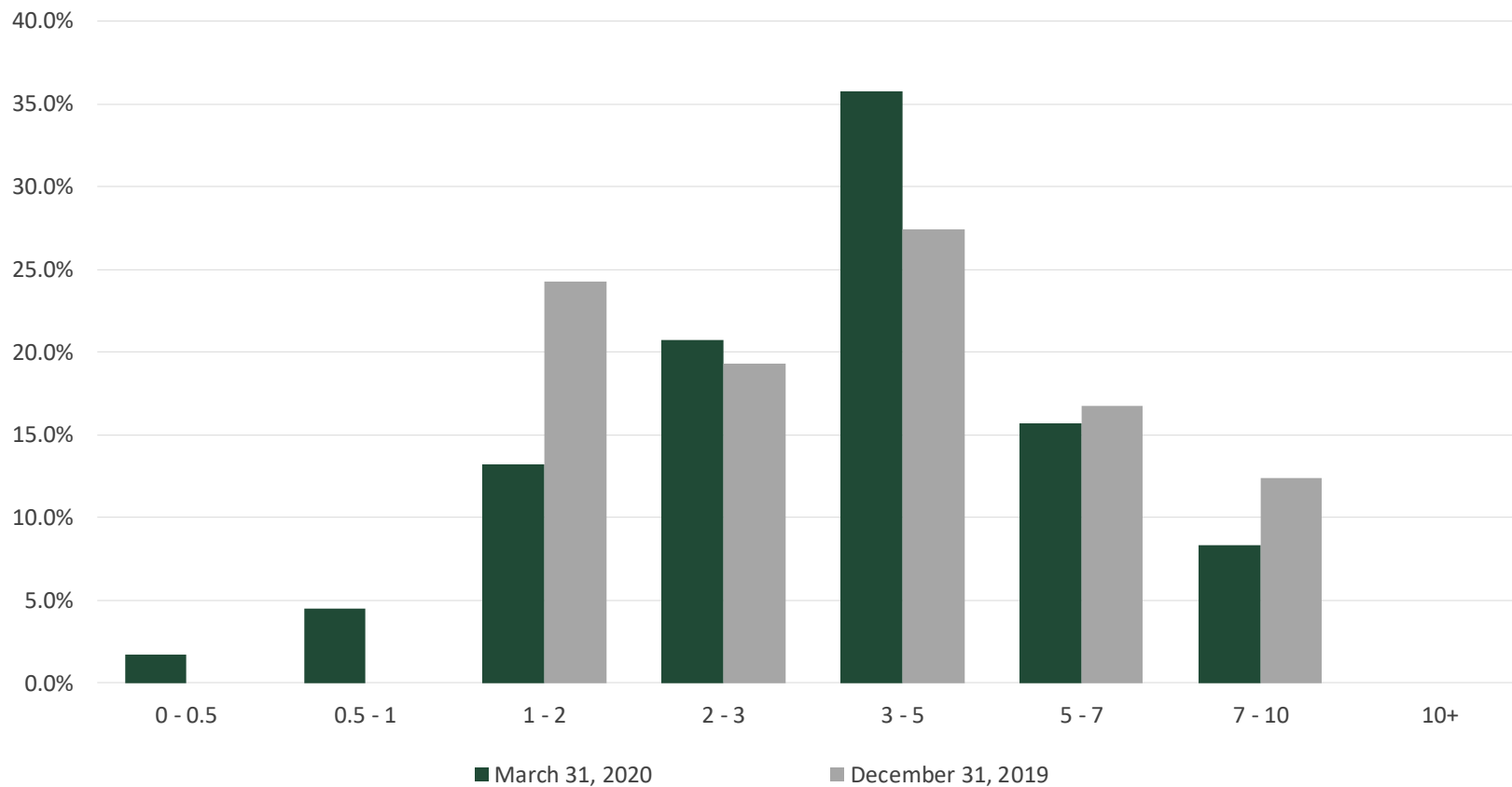


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Maturity Distribution

Moulton Niguel Water District Operating Reserve Fund
December 31, 2019 vs. September 30, 2019

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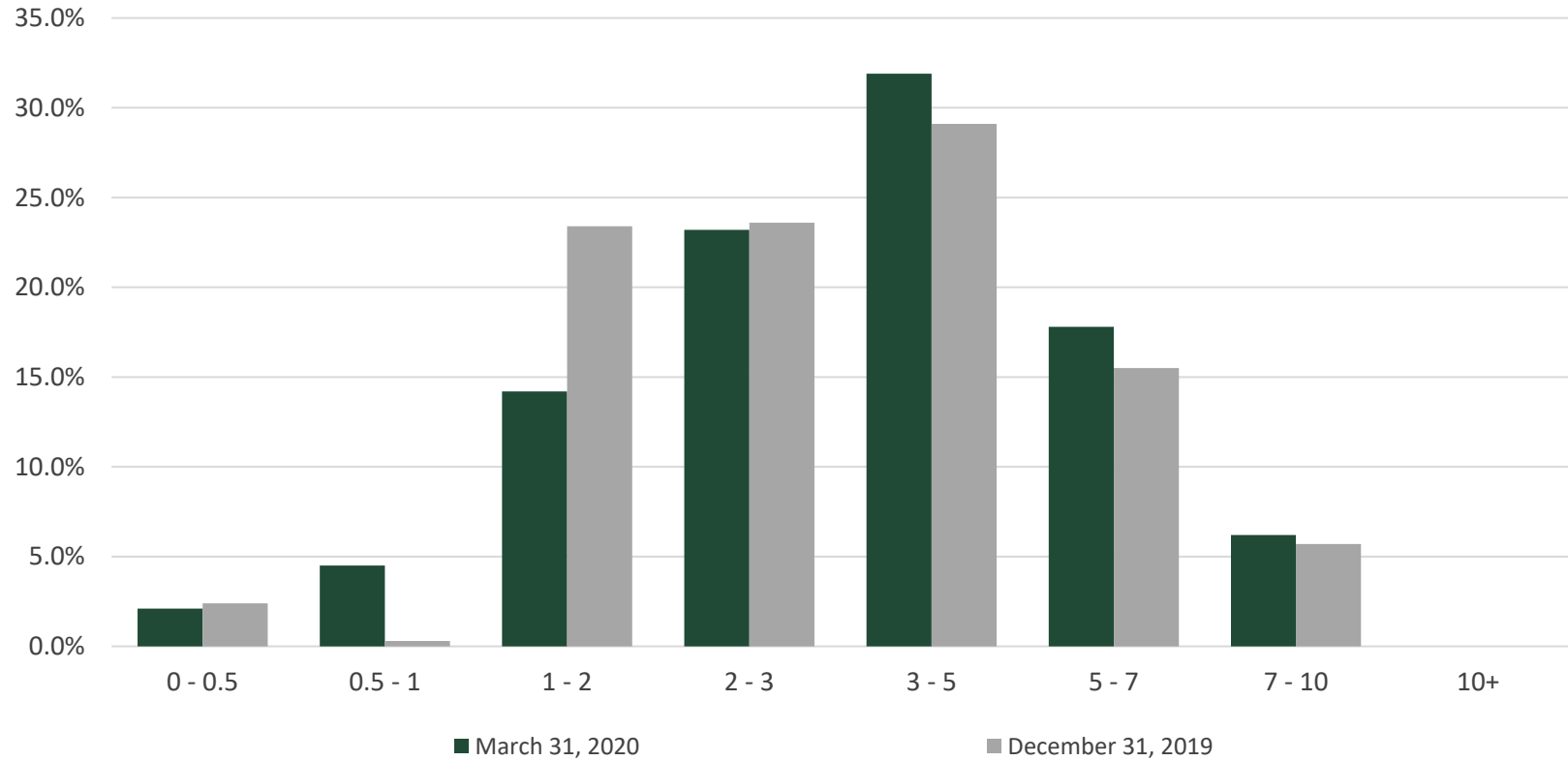
	0 - 0.5	0.5 - 1	1 - 2	2 - 3	3 - 5	5 - 7	7 - 10	10+
3/31/2020	1.7%	4.5%	13.2%	20.7%	35.8%	15.7%	8.3%	0.0%
12/31/2019	0.0%	0.0%	24.2%	19.3%	27.4%	16.8%	12.3%	0.0%

Duration Distribution

As of March 31, 2020

Moulton Niguel Water District Operating Reserve
March 31, 2020 vs. December 31, 2019

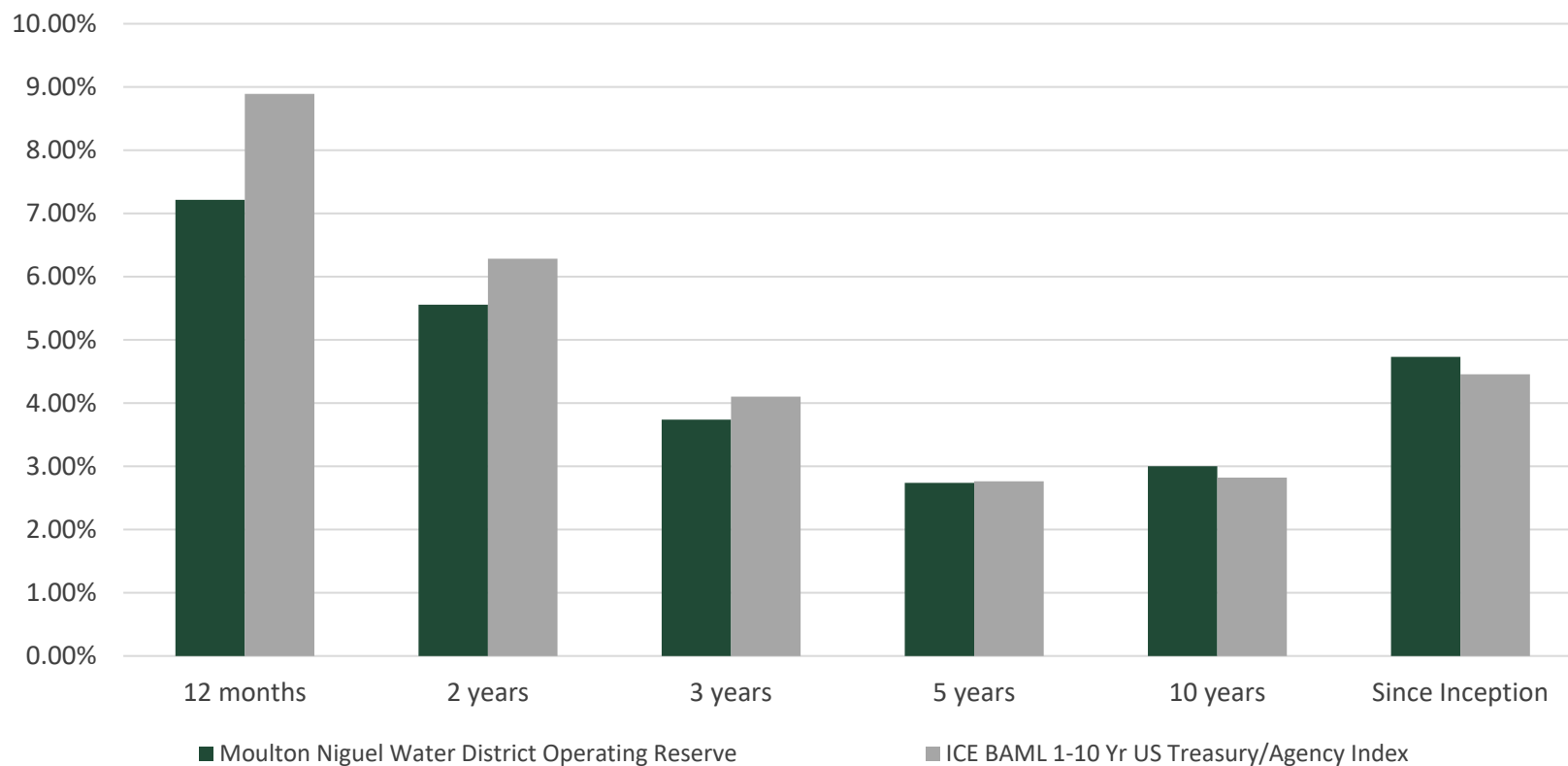
-25-



	0 - 0.5	0.5 - 1	1 - 2	2 - 3	3 - 5	5 - 7	7 - 10	10+
03/31/20	2.1%	4.5%	14.2%	23.2%	31.9%	17.8%	6.2%	0.0%
12/31/19	2.4%	0.3%	23.4%	23.6%	29.1%	15.5%	5.7%	0.0%

Investment Performance

Moulton Niguel Water District Operating Reserve Total Rate of Return Annualized Since Inception 09/30/1995



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TOTAL RATE OF RETURN	Annualized						
	3 months	12 months	2 years	3 years	5 years	10 years	Since Inception
Moulton Niguel Water District Operating Reserve	3.36%	7.22%	5.56%	3.74%	2.74%	3.00%	4.73%
ICE BAML 1-10 Yr US Treasury/Agency Index	5.20%	8.89%	6.28%	4.10%	2.76%	2.82%	4.46%

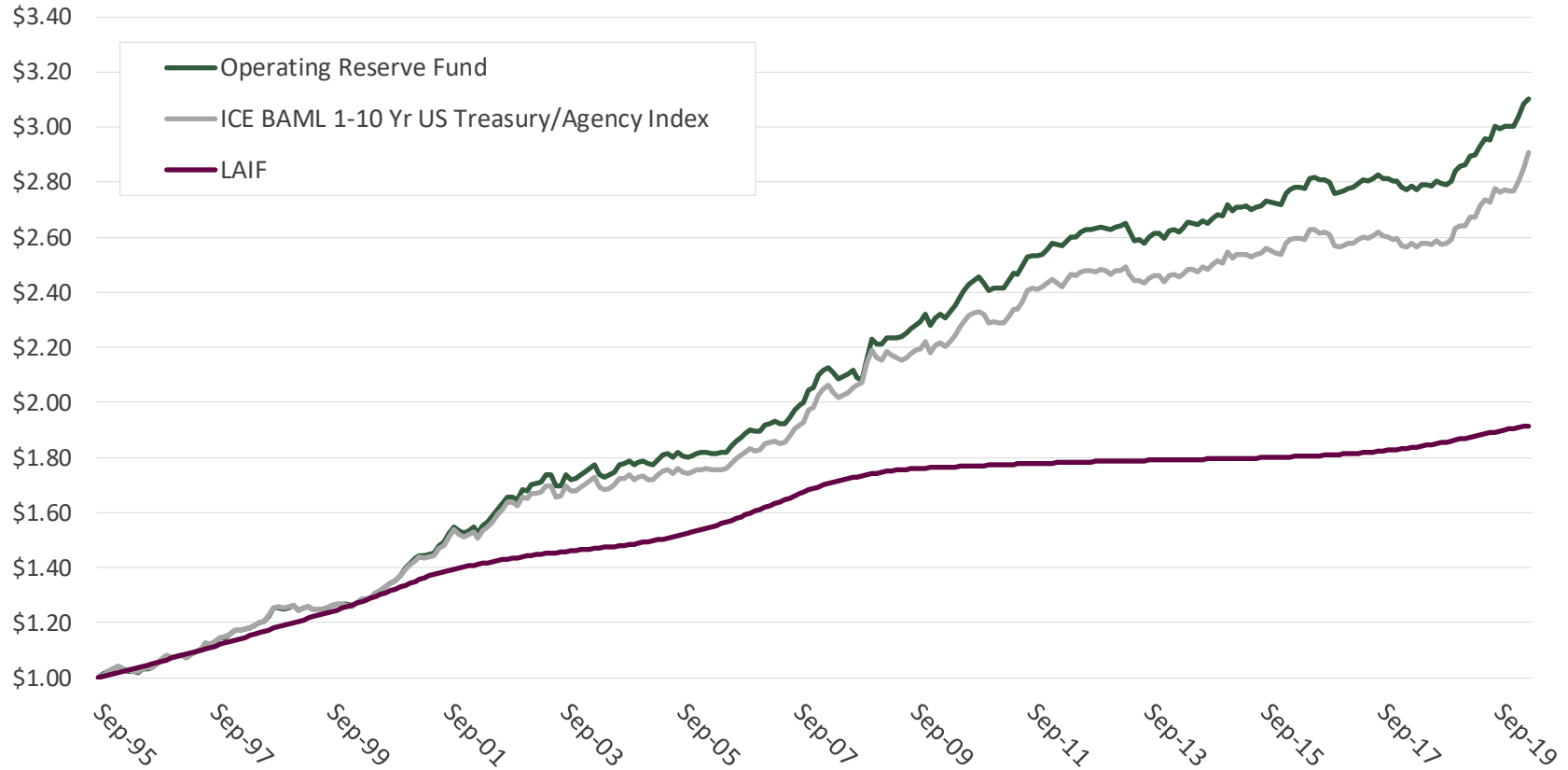
Total rate of return: A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains and losses in the portfolio.

Growth Over Time

As of March 31, 2020

**Moulton Niguel Water District Operating Reserve
Growth of \$1 Million**

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Historical return on \$1 million invested in September 1995

	3/31/2020	Return
Operating Reserve Fund	\$3,102,861	4.73%
ICE BAML 1-10 Yr US Treasury/Agency Index	\$2,909,664	4.46%
LAIF	\$1,915,002	2.69%

Section 3 | Portfolio Holdings

Holdings Report

As of March 31, 2020

Moulton Niguel Water District Liquid Fund - Account #41

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
LAIF									
90LAIF\$00	Local Agency Investment Fund State Pool	29,329,847.19	Various 1.74%	29,329,847.19 29,329,847.19	1.00 1.74%	29,329,847.19 123,008.07	100.00% 0.00	NR / NR NR	0.00 0.00
TOTAL LAIF		29,329,847.19	1.74%	29,329,847.19	1.74%	29,329,847.19 123,008.07	100.00% 0.00	NR / NR NR	0.00 0.00
TOTAL PORTFOLIO		29,329,847.19	1.74%	29,329,847.19	1.74%	29,329,847.19 123,008.07	100.00% 0.00	NR / NR NR	0.00 0.00
TOTAL MARKET VALUE PLUS ACCRUALS						29,452,855.26			

Moulton Niguel Water District Limited Maturity - Account #42

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
ABS									
47789JAB2	John Deere Owner Trust 2019-A A2 2.850% Due 12/15/2021	1,151,522.06	11/21/2019 2.52%	1,155,660.34 1,155,660.34	100.26 1.93%	1,154,573.40 1,458.59	3.68% (1,086.94)	Aaa / NR AAA	1.71 0.28
47788CAC6	John Deere Owner Trust 2018-A A3 2.660% Due 04/18/2022	620,712.14	12/17/2019 2.37%	623,015.57 623,015.57	99.27 0.41%	616,178.14 733.82	1.96% (6,837.43)	Aaa / NR AAA	2.05 0.43
43815HAC1	Honda Auto Receivables Trust 2018-3 A3 2.950% Due 08/22/2022	1,973,925.94	12/16/2019 1.27%	1,994,204.95 1,994,204.95	100.92 1.70%	1,992,085.94 1,617.52	6.34% (2,119.01)	Aaa / NR AAA	2.39 0.72
89238TAD5	Toyota Auto Receivables Trust 2018-B A3 2.960% Due 09/15/2022	660,000.00	02/10/2020 0.74%	667,192.97 667,192.97	100.94 1.57%	666,202.02 868.27	2.12% (990.95)	Aaa / AAA NR	2.46 0.67
02582JHE3	American Express Credit Trust 2017-3 A 1.770% Due 11/15/2022	1,480,000.00	12/09/2019 1.79%	1,479,653.13 1,479,653.13	99.96 3.08%	1,479,376.92 1,164.27	4.71% (276.21)	NR / AAA AAA	2.63 0.03
65479GAD1	Nissan Auto Receivables Trust 2018-B A3 3.060% Due 03/15/2023	1,435,000.00	01/16/2020 1.03%	1,455,516.02 1,455,516.02	101.57 1.41%	1,457,556.77 1,951.60	4.64% 2,040.75	Aaa / AAA NR	2.96 0.94
02582JF8	American Express Credit Trust 2018-6 A 3.060% Due 02/15/2024	270,000.00	03/05/2020 1.69%	277,330.08 277,330.08	101.85 2.11%	274,988.52 367.20	0.88% (2,341.56)	Aaa / NR AAA	3.88 1.91
-30-	TOTAL ABS	7,591,160.14	1.57%	7,652,573.06 7,652,573.06	1.84%	7,640,961.71 8,161.27	24.33% (11,611.35)	Aaa / AAA Aaa	2.47 0.58
CMO									
3137BHXY8	FHLMC K718 A2 2.791% Due 01/25/2022	1,000,000.00	01/15/2020 1.91%	1,014,765.63 1,014,765.63	102.96 0.90%	1,029,594.00 2,325.83	3.28% 14,828.37	Aaa / NR NR	1.82 1.64
TOTAL CMO		1,000,000.00	1.91%	1,014,765.63 1,014,765.63	0.90%	1,029,594.00 2,325.83	3.28% 14,828.37	Aaa / NR NR	1.82 1.64
Commercial Paper									
30229AFB0	Exxon Mobil Discount CP 1.600% Due 06/11/2020	3,000,000.00	02/18/2020 1.63%	2,984,800.00 2,990,533.33	99.68 1.63%	2,990,533.33 0.00	9.51% 0.00	P-1 / A-1+ NR	0.20 0.20
46640PHJ5	JP Morgan Discount CP 1.620% Due 08/18/2020	1,250,000.00	02/20/2020 1.66%	1,239,931.25 1,242,181.25	99.37 1.66%	1,242,181.25 0.00	3.95% 0.00	P-1 / A-1 F-1+	0.38 0.38
62479LHQ1	MUFG Bank Ltd Discount CP 1.560% Due 08/24/2020	2,500,000.00	02/26/2020 1.59%	2,480,500.00 2,484,291.67	99.37 1.59%	2,484,291.67 0.00	7.90% 0.00	P-1 / A-1 NR	0.40 0.40
TOTAL Commercial Paper		6,750,000.00	1.62%	6,705,231.25 6,717,006.25	1.62%	6,717,006.25 0.00	21.37% 0.00	P-1 / A-1 F-1+	0.31 0.30

Moulton Niguel Water District Limited Maturity - Account #42

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
Corporate									
166764AY6	Chevron Corp Callable Note Cont 10/17/20 2.419% Due 11/17/2020	1,320,000.00	12/06/2019 1.93%	1,325,926.80 1,325,926.80	99.63 3.01%	1,315,093.56 11,885.35	4.22% (10,833.24)	Aa2 / AA NR	0.63 0.61
404280AY5	HSBC Holdings PLC Note 2.950% Due 05/25/2021	1,200,000.00	12/12/2019 2.15%	1,213,476.00 1,213,476.00	101.12 2.15%	1,213,476.00 12,390.00	3.90% 0.00	A2 / A A+	1.15 1.12
TOTAL Corporate		2,520,000.00	2.04%	2,539,402.80	2.60%	2,528,569.56 24,275.35	8.12% (10,833.24)	A1 / AA- A+	0.88 0.85
Money Market Fund FI									
94975J466	Wells Fargo Advantage Government MMF	9,435,290.77	Various 0.17%	9,435,290.77 9,435,290.77	1.00 0.17%	9,435,290.77 0.00	30.01% 0.00	Aaa / AAA NR	0.00 0.00
TOTAL Money Market Fund FI		9,435,290.77	0.17%	9,435,290.77	0.17%	9,435,290.77 0.00	30.01% 0.00	Aaa / AAA NR	0.00 0.00
Treasury									
912828XH8	US Treasury Note 1.625% Due 06/30/2020	2,000,000.00	12/30/2019 1.61%	2,000,156.25 2,000,156.25	100.38 0.11%	2,007,588.00 8,214.29	6.41% 7,431.75	Aaa / AA+ AAA	0.25 0.25
912828N48	US Treasury Note 1.750% Due 12/31/2020	2,000,000.00	12/30/2019 1.64%	2,002,187.50 2,002,187.50	101.27 0.05%	2,025,468.00 8,846.15	6.47% 23,280.50	Aaa / AA+ AAA	0.75 0.75
TOTAL US Treasury		4,000,000.00	1.62%	4,002,343.75	0.08%	4,033,056.00 17,060.44	12.88% 30,712.25	Aaa / AA+ Aaa	0.50 0.50
TOTAL PORTFOLIO		31,296,450.91	1.22%	31,349,607.26 31,361,382.26	1.10%	31,384,478.29 51,822.89	100.00% 23,096.03	Aaa / AAA Aaa	0.86 0.39
TOTAL MARKET VALUE PLUS ACCRUALS						31,436,301.18			

Holdings Report

Moulton Niguel Water District Operating Reserve - Account #40

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
ABS									
47787XAC1	John Deere Owner Trust 2017-A A3 1.780% Due 04/15/2021	11,225.77	06/01/2018 2.65%	11,114.39 11,114.39	99.90 3.51%	11,214.07 8.88	0.01% 99.68	Aaa / NR AAA	1.04 0.03
47788BAD6	John Deere Owner Trust 2017-B A3 1.820% Due 10/15/2021	215,203.76	Various 2.48%	213,453.99 213,453.99	99.63 3.56%	214,416.13 174.08	0.25% 962.14	Aaa / NR AAA	1.54 0.21
47788CAC6	John Deere Owner Trust 2018-A A3 2.660% Due 04/18/2022	164,488.72	02/21/2018 2.68%	164,476.90 164,476.90	99.27 0.41%	163,287.21 194.46	0.19% (1,189.69)	Aaa / NR AAA	2.05 0.43
43815NAC8	Honda Auto Receivables Trust 2019-3 A3 1.780% Due 08/15/2023	620,000.00	08/20/2019 1.79%	619,994.85 619,994.85	100.53 1.50%	623,274.22 490.49	0.74% 3,279.37	Aaa / AAA NR	3.38 1.86
92348AAA3	Verizon Owner Trust 2019-C A1A 1.940% Due 04/22/2024	425,000.00	10/01/2019 1.95%	424,967.23 424,967.23	100.25 1.82%	426,062.50 251.93	0.50% 1,095.27	NR / AAA AAA	4.06 1.96
47789KAC7	John Deere Owner Trust 2020-A A3 1.100% Due 08/15/2024	440,000.00	03/04/2020 1.11%	439,973.12 439,973.12	98.17 1.87%	431,939.20 268.89	0.51% (8,033.92)	Aaa / NR AAA	4.38 2.39
TOTAL ABS		1,875,918.25	1.83%	1,873,980.48	1.81%	1,870,193.33 1,388.73	2.21% (3,787.15)	Aaa / AAA Aaa	3.42 1.68
Agency									
880591EL2	Tennessee Valley Authority Note 3.875% Due 02/15/2021	1,695,000.00	04/06/2011 3.87%	1,696,288.20 1,696,288.20	102.74 0.71%	1,741,514.19 8,392.60	2.06% 45,225.99	Aaa / AA+ AAA	0.88 0.86
3135G0J20	FNMA Note 1.375% Due 02/26/2021	175,000.00	04/21/2016 1.45%	174,364.75 174,364.75	100.95 0.32%	176,662.85 233.94	0.21% 2,298.10	Aaa / AA+ AAA	0.91 0.90
3135G0K69	FNMA Note 1.250% Due 05/06/2021	1,400,000.00	07/22/2016 1.27%	1,398,978.00 1,398,978.00	100.80 0.52%	1,411,190.20 7,048.61	1.67% 12,212.20	Aaa / AA+ AAA	1.10 1.09
3137EAEC9	FHLMC Note 1.125% Due 08/12/2021	225,000.00	08/16/2016 1.32%	222,851.25 222,851.25	101.03 0.37%	227,311.65 344.53	0.27% 4,460.40	Aaa / AA+ AAA	1.37 1.35
3137EADB2	FHLMC Note 2.375% Due 01/13/2022	1,600,000.00	01/27/2016 1.78%	1,653,328.00 1,653,328.00	103.51 0.40%	1,656,104.00 8,233.33	1.96% 2,776.00	Aaa / AA+ AAA	1.79 1.75
3130A5P45	FHLB Note 2.375% Due 06/10/2022	1,850,000.00	07/24/2015 2.31%	1,857,751.50 1,857,751.50	104.16 0.47%	1,926,891.55 13,547.40	2.29% 69,140.05	Aaa / AA+ AAA	2.19 2.13
880591EN8	Tennessee Valley Authority Note 1.875% Due 08/15/2022	1,585,000.00	Various 2.09%	1,556,800.80 1,556,800.80	102.97 0.61%	1,632,064.99 3,797.40	1.93% 75,264.19	Aaa / AA+ AAA	2.38 2.32
3135G0T78	FNMA Note 2.000% Due 10/05/2022	900,000.00	10/05/2017 2.01%	899,406.00 899,406.00	103.61 0.55%	932,506.20 8,800.00	1.11% 33,100.20	Aaa / AA+ AAA	2.52 2.43
313383YJ4	FHLB Note 3.375% Due 09/08/2023	325,000.00	11/29/2018 3.00%	330,401.50 330,401.50	110.11 0.41%	357,842.88 700.78	0.42% 27,441.38	Aaa / AA+ NR	3.44 3.27

Holdings Report

As of March 31, 2020

Moulton Niguel Water District Operating Reserve - Account #40

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
3135G0ZR7	FNMA Note 2.625% Due 09/06/2024	1,400,000.00	10/29/2014 2.68%	1,393,896.00 1,393,896.00	109.07 0.55%	1,526,911.40 2,552.08	1.80% 133,015.40	Aaa / AA+ AAA	4.44 4.20
880591ER9	Tennessee Valley Authority Note 2.875% Due 09/15/2024	1,500,000.00	02/27/2019 2.65%	1,517,325.00 1,517,325.00	109.60 0.68%	1,643,958.00 1,916.67	1.94% 126,633.00	Aaa / AA+ AAA	4.46 4.21
3135G0W66	FNMA Note 1.625% Due 10/15/2024	850,000.00	10/17/2019 1.66%	848,546.50 848,546.50	104.68 0.58%	889,814.85 6,253.99	1.06% 41,268.35	Aaa / AA+ AAA	4.55 4.35
3135G0X24	FNMA Note 1.625% Due 01/07/2025	615,000.00	01/08/2020 1.69%	613,038.15 613,038.15	104.97 0.57%	645,560.58 2,248.59	0.76% 32,522.43	Aaa / AA+ AAA	4.78 4.58
3137EAEP0	FHLMC Note 1.500% Due 02/12/2025	1,830,000.00	02/13/2020 1.52%	1,828,590.90 1,828,590.90	104.35 0.59%	1,909,579.38 3,583.75	2.26% 80,988.48	Aaa / AA+ AAA	4.87 4.69
3135G0K36	FNMA Note 2.125% Due 04/24/2026	1,900,000.00	Various 2.16%	1,893,849.00 1,893,849.00	107.65 0.83%	2,045,268.30 17,607.99	2.43% 151,419.30	Aaa / AA+ AAA	6.07 5.66
3130AGFP5	FHLB Note 2.500% Due 06/12/2026	1,650,000.00	06/17/2019 2.19%	1,683,280.50 1,683,280.50	111.23 0.65%	1,835,331.30 12,489.58	2.18% 152,050.80	Aaa / AA+ NR	6.20 5.75
3130A2VE3	FHLB Note 3.000% Due 09/11/2026	500,000.00	05/25/2017 2.61%	516,110.00 516,110.00	113.36 0.86%	566,823.50 833.33	0.67% 50,713.50	Aaa / AA+ NR	6.45 5.91
3135G0Q22	FNMA Note 1.875% Due 09/24/2026	1,275,000.00	12/14/2016 2.97%	1,157,190.00 1,157,190.00	106.38 0.86%	1,356,388.35 464.84	1.60% 199,198.35	Aaa / AA+ AAA	6.49 6.12
880591EU2	Tennessee Valley Authority Note 2.875% Due 02/01/2027	1,300,000.00	07/30/2019 2.26%	1,354,418.00 1,354,418.00	107.23 1.75%	1,393,939.30 6,229.17	1.65% 39,521.30	Aaa / AA+ AAA	6.84 6.20
3130ACKB9	FHLB Note 2.625% Due 09/10/2027	1,600,000.00	11/20/2017 2.68%	1,592,032.00 1,592,032.00	111.19 1.06%	1,779,006.40 2,450.00	2.10% 186,974.40	Aaa / AA+ NR	7.45 6.80
3130AEB25	FHLB Note 3.250% Due 06/09/2028	1,500,000.00	01/29/2019 3.13%	1,514,355.00 1,514,355.00	117.85 0.98%	1,767,727.50 15,166.67	2.10% 253,372.50	Aaa / AA+ NR	8.20 7.25
3130AG3X1	FHLB Note 2.875% Due 03/09/2029	430,000.00	04/22/2019 2.90%	428,968.00 428,968.00	114.65 1.15%	493,015.21 755.49	0.58% 64,047.21	Aaa / AA+ NR	8.95 7.97
3130AGDY8	FHLB Note 2.750% Due 06/08/2029	1,645,000.00	Various 2.45%	1,688,254.35 1,688,254.35	114.19 1.12%	1,878,491.30 14,199.55	2.23% 190,236.95	Aaa / AA+ NR	9.19 8.15
3130AGUW3	FHLB Note 2.125% Due 09/14/2029	200,000.00	03/05/2020 1.21%	216,408.00 216,408.00	106.62 1.38%	213,232.80 200.69	0.25% (3,175.20)	Aaa / AA+ NR	9.46 8.58
TOTAL Agency		27,950,000.00	2.35%	28,036,431.40	0.76%	30,007,136.68 138,050.98	35.56% 1,970,705.28	Aaa / AA+ Aaa	4.87 4.51

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Holdings Report

As of March 31, 2022

#5.

Moulton Niguel Water District Operating Reserve - Account #40

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
CMO									
3137B5JM6	FHLMC K034 A2 3.531% Due 07/25/2023	1,275,000.00	08/28/2018 3.03%	1,302,043.95 1,302,043.95	107.18 1.18%	1,366,530.98 3,751.69	1.62% 64,487.03	NR / NR AAA	3.32 3.04
3137B4WB8	FHLMC K033 A2 3.060% Due 07/25/2023	1,200,000.00	10/19/2018 3.64%	1,184,718.75 1,184,718.75	105.69 1.17%	1,268,233.20 612.00	1.50% 83,514.45	Aaa / NR NR	3.32 3.02
3137B7YY9	FHLMC K037 A2 3.490% Due 01/25/2024	1,100,000.00	Various 2.10%	1,161,039.07 1,161,039.07	107.80 1.22%	1,185,746.10 3,199.17	1.40% 24,707.03	NR / AAA NR	3.82 3.39
3137BYPQ7	FHLMC K726 A2 2.905% Due 04/25/2024	1,300,000.00	04/22/2019 2.72%	1,309,292.97 1,309,292.97	105.07 1.51%	1,365,845.00 3,147.08	1.61% 56,552.03	NR / AAA NR	4.07 3.65
3137FAE0	FHMS K727 A2 2.946% Due 07/25/2024	1,000,000.00	07/23/2019 1.66%	1,031,054.69 1,031,054.69	105.68 1.49%	1,056,797.00 2,455.00	1.25% 25,742.31	NR / AAA NR	4.32 3.89
3137BEVH4	FHLMC K040 A2 3.241% Due 09/25/2024	725,000.00	02/06/2020 0.68%	768,386.72 768,386.72	108.12 1.27%	783,901.90 1,958.10	0.93% 15,515.18	NR / NR AAA	4.49 4.06
TOTAL CMO		6,600,000.00	2.45%	6,756,536.15	1.31%	7,027,054.18 15,123.04	8.31% 270,518.03	Aaa / AAA Aaa	3.83 3.46
Corporate									
747525AD5	Qualcomm Inc Note 2.250% Due 05/20/2020	1,340,000.00	05/13/2015 2.25%	1,340,302.10 1,340,302.10	99.99 2.33%	1,339,825.80 10,971.26	1.59% (476.30)	A2 / A- NR	0.14 0.14
30231GAV4	Exxon Mobil Corp Callable Note Cont 2/1/2021 2.222% Due 03/01/2021	1,230,000.00	05/16/2016 1.84%	1,251,561.90 1,251,561.90	100.65 1.50%	1,237,998.69 2,277.55	1.46% (13,563.21)	Aaa / AA NR	0.92 0.90
857477AV5	State Street Bank Note 1.950% Due 05/19/2021	1,255,000.00	05/18/2016 2.02%	1,250,557.30 1,250,557.30	99.56 2.34%	1,249,486.78 8,973.25	1.48% (1,070.52)	A1 / A AA-	1.13 1.11
594918BP8	Microsoft Callable Note Cont 7/8/2021 1.550% Due 08/08/2021	870,000.00	Various 1.57%	868,966.50 868,966.50	100.70 0.99%	876,050.85 1,985.30	1.04% 7,084.35	Aaa / AAA AA+	1.36 1.26
69371RN44	Paccar Financial Corp Note 1.650% Due 08/11/2021	1,102,000.00	Various 2.39%	1,075,704.67 1,075,704.67	98.90 2.48%	1,089,847.14 2,525.41	1.29% 14,142.47	A1 / A+ NR	1.36 1.33
68389XBK0	Oracle Corp Callable Note Cont 8/15/2021 1.900% Due 09/15/2021	1,350,000.00	10/05/2016 1.93%	1,347,988.50 1,347,988.50	100.29 1.68%	1,353,978.45 1,140.00	1.60% 5,989.95	A3 / A+ A-	1.46 1.35
89233P5T9	Toyota Motor Credit Corp Note 3.300% Due 01/12/2022	1,000,000.00	05/16/2018 3.35%	998,429.70 998,429.70	101.11 2.66%	1,011,091.00 7,241.67	1.20% 12,661.30	A1 / AA- A+	1.79 1.71
69353RFB9	PNC Bank Callable Note Cont 1/18/2022 2.625% Due 02/17/2022	1,015,000.00	Various 2.53%	1,020,132.25 1,020,132.25	101.02 2.04%	1,025,373.30 3,256.46	1.21% 5,241.05	A2 / A A+	1.88 1.75
44932HAC7	IBM Credit Corp Note 2.200% Due 09/08/2022	915,000.00	11/29/2017 2.58%	899,518.20 899,518.20	101.75 1.46%	931,040.87 1,286.08	1.10% 31,522.67	A2 / A NR	2.44 2.37

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Holdings Report

As of March 31, 2020

Moulton Niguel Water District Operating Reserve - Account #40

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
037833DC1	Apple Inc Callable Note Cont 08/12/2022 2.100% Due 09/12/2022	1,050,000.00	09/12/2017 2.23%	1,043,626.50 1,043,626.50	101.47 1.46%	1,065,472.80 1,163.75	1.26% 21,846.30	Aa1 / AA+ NR	2.45 2.30
06051GEU9	Bank of America Corp Note 3.300% Due 01/11/2023	1,000,000.00	03/09/2018 3.44%	993,910.00 993,910.00	103.60 1.96%	1,036,040.00 7,333.33	1.23% 42,130.00	A2 / A- A+	2.78 2.64
808513AT2	Charles Schwab Corp Callable Note Cont 12/25/2022 2.650% Due 01/25/2023	1,100,000.00	04/13/2018 3.24%	1,071,411.00 1,071,411.00	101.45 2.10%	1,115,922.50 5,344.17	1.32% 44,511.50	A2 / A A	2.82 2.62
24422ERT8	John Deere Capital Corp Note 2.800% Due 01/27/2023	1,100,000.00	05/22/2018 3.47%	1,068,551.00 1,068,551.00	101.72 2.17%	1,118,865.00 5,475.56	1.33% 50,314.00	A2 / A A	2.83 2.69
084670BR8	Berkshire Hathaway Callable Note Cont 1/15/2023 2.750% Due 03/15/2023	900,000.00	07/13/2018 3.23%	881,460.00 881,460.00	103.47 1.47%	931,232.70 1,100.00	1.10% 49,772.70	Aa2 / AA A+	2.96 2.68
404280BA6	HSBC Holdings PLC Note 3.600% Due 05/25/2023	1,050,000.00	10/18/2018 4.00%	1,032,465.00 1,032,465.00	100.95 3.28%	1,059,957.15 13,230.00	1.27% 27,492.15	A2 / A A+	3.15 2.92
931142EK5	Wal-Mart Stores Callable Note Cont 5/26/2023 3.400% Due 06/26/2023	715,000.00	Various 3.41%	714,814.15 714,814.15	106.06 1.43%	758,294.68 6,415.14	0.90% 43,480.53	Aa2 / AA AA	3.24 2.98
02665WCJ8	American Honda Finance Note 3.450% Due 07/14/2023	325,000.00	07/11/2018 3.49%	324,437.75 324,437.75	101.27 3.04%	329,126.20 2,398.23	0.39% 4,688.45	A3 / A NR	3.29 3.07
-35- 14QC48	Toronto Dominion Bank Note 3.500% Due 07/19/2023	1,000,000.00	07/27/2018 3.56%	997,100.00 997,100.00	103.00 2.55%	1,030,004.00 7,000.00	1.22% 32,904.00	Aa1 / AA- AA-	3.30 3.09
02665WCQ2	American Honda Finance Note 3.625% Due 10/10/2023	790,000.00	10/03/2018 3.64%	789,352.20 789,352.20	101.60 3.14%	802,662.12 13,602.81	0.96% 13,309.92	A3 / A NR	3.53 3.24
46647PAU0	JP Morgan Chase & Co Callable Note 1X 7/23/2023 3.797% Due 07/23/2024	1,000,000.00	10/09/2019 2.20%	1,058,880.00 1,058,880.00	104.67 2.32%	1,046,690.00 7,172.11	1.24% (12,190.00)	A2 / A- AA-	4.32 3.96
69371RQ25	Paccar Financial Corp Note 2.150% Due 08/15/2024	450,000.00	08/08/2019 2.20%	449,005.50 449,005.50	97.16 2.85%	437,210.10 1,236.25	0.52% (11,795.40)	A1 / A+ NR	4.38 4.12
94974BGA2	Wells Fargo Corp Note 3.300% Due 09/09/2024	1,100,000.00	09/11/2019 2.37%	1,147,762.00 1,147,762.00	104.12 2.32%	1,145,310.10 2,218.33	1.35% (2,451.90)	A2 / A- A+	4.45 4.12
78015K7C2	Royal Bank of Canada Note 2.250% Due 11/01/2024	1,000,000.00	12/05/2019 2.26%	999,480.00 999,480.00	100.48 2.14%	1,004,830.00 9,812.50	1.20% 5,350.00	A2 / A AA	4.59 4.29
90331HPL1	US Bank NA Callable Note Cont 12/21/2024 2.050% Due 01/21/2025	1,235,000.00	01/16/2020 2.10%	1,232,369.45 1,232,369.45	99.26 2.21%	1,225,905.46 4,922.85	1.45% (6,463.99)	A1 / AA- AA-	4.81 4.53
				23,857,785.67		24,222,215.69	28.72%	A1 / A+	2.61
TOTAL Corporate		23,892,000.00	2.67%	23,857,785.67	2.13%	128,082.01	364,430.02	A+	2.44

Moulton Niguel Water District Operating Reserve - Account #40

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
Money Market Fund FI									
94975J466	Wells Fargo Advantage Government MMF	50,795.80	Various 0.17%	50,795.80 50,795.80	1.00 0.17%	50,795.80 0.00	0.06% 0.00	Aaa / AAA NR	0.00 0.00
TOTAL Money Market Fund FI		50,795.80	0.17%	50,795.80	0.17%	50,795.80	0.06%	Aaa / AAA	0.00
Supranational									
45950KCM0	International Finance Corp Note 2.250% Due 01/25/2021	665,000.00	01/18/2018 2.35%	663,044.90 663,044.90	101.40 0.53%	674,316.65 2,743.13	0.80% 11,271.75	Aaa / AAA NR	0.82 0.81
4581X0CW6	Inter-American Dev Bank Note 2.125% Due 01/18/2022	1,000,000.00	01/10/2017 2.15%	998,770.00 998,770.00	102.84 0.54%	1,028,393.00 4,309.03	1.22% 29,623.00	Aaa / NR AAA	1.80 1.76
4581X0CZ9	Inter-American Dev Bank Note 1.750% Due 09/14/2022	1,000,000.00	02/28/2018 2.80%	955,460.00 955,460.00	102.99 0.52%	1,029,934.00 826.39	1.22% 74,474.00	Aaa / AAA AAA	2.46 2.40
TOTAL Supranational		2,665,000.00	2.45%	2,617,274.90	0.53%	2,732,643.65	3.23%	Aaa / AAA	1.81
US Treasury									
912828SV3	US Treasury Note 1.750% Due 05/15/2022	1,800,000.00	07/29/2013 2.41%	1,706,350.95 1,706,350.95	103.28 0.20%	1,858,991.40 11,942.31	2.21% 152,640.45	Aaa / AA+ AAA	2.12 2.08
912828TJ9	US Treasury Note 1.625% Due 08/15/2022	2,000,000.00	Various 2.17%	1,910,562.70 1,910,562.70	103.25 0.25%	2,065,000.00 4,107.14	2.44% 154,437.30	Aaa / AA+ AAA	2.38 2.33
912828TY6	US Treasury Note 1.625% Due 11/15/2022	1,600,000.00	05/27/2014 2.37%	1,509,318.90 1,509,318.90	103.54 0.27%	1,656,625.60 9,857.14	1.97% 147,306.70	Aaa / AA+ AAA	2.63 2.56
912828VB3	US Treasury Note 1.750% Due 05/15/2023	1,800,000.00	Various 2.37%	1,713,425.18 1,713,425.18	104.51 0.30%	1,881,140.40 11,942.31	2.23% 167,715.22	Aaa / AA+ AAA	3.12 3.03
912828B66	US Treasury Note 2.750% Due 02/15/2024	1,725,000.00	Various 1.97%	1,819,091.87 1,819,091.87	109.29 0.34%	1,885,236.98 5,994.84	2.23% 66,145.11	Aaa / AA+ AAA	3.88 3.70
912828J27	US Treasury Note 2.000% Due 02/15/2025	2,000,000.00	08/15/2017 2.15%	1,979,929.88 1,979,929.88	107.75 0.39%	2,155,078.00 5,054.95	2.55% 175,148.12	Aaa / AA+ AAA	4.88 4.66
912828M56	US Treasury Note 2.250% Due 11/15/2025	1,400,000.00	01/25/2018 2.64%	1,361,828.13 1,361,828.13	109.89 0.47%	1,538,468.40 11,942.31	1.83% 176,640.27	Aaa / AA+ AAA	5.63 5.28
912828R36	US Treasury Note 1.625% Due 05/15/2026	1,800,000.00	Various 2.00%	1,753,064.10 1,753,064.10	106.72 0.51%	1,921,008.60 11,089.29	2.28% 167,944.50	Aaa / AA+ AAA	6.13 5.82
912828YG9	US Treasury Note 1.625% Due 09/30/2026	1,000,000.00	12/18/2019 1.86%	985,078.13 985,078.13	107.03 0.52%	1,070,312.00 44.40	1.26% 85,233.87	Aaa / AA+ AAA	6.50 6.19

Holdings Report

As of March 31, 2020

Moulton Niguel Water District Operating Reserve - Account #40

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
912828ZB9	US Treasury Note 1.125% Due 02/28/2027	1,500,000.00	03/24/2020 0.75%	1,538,261.72 1,538,261.72	103.90 0.55%	1,558,534.50 1,467.39	1.84% 20,272.78	Aaa / AA+ AAA	6.92 6.65
9128283F5	US Treasury Note 2.250% Due 11/15/2027	800,000.00	11/07/2019 1.89%	821,218.75 821,218.75	112.44 0.58%	899,500.00 6,824.18	1.07% 78,281.25	Aaa / AA+ AAA	7.63 7.02
TOTAL US Treasury		17,425,000.00	2.08%	17,098,130.31	0.38%	18,489,895.88 80,266.26	21.91% 1,391,765.57	Aaa / AA+ Aaa	4.43 4.23
TOTAL PORTFOLIO		80,458,714.05	2.38%	80,290,934.71	1.13%	84,399,935.21 370,789.57	100.00% 4,109,000.50	Aa1 / AA Aaa	3.90 3.61
TOTAL MARKET VALUE PLUS ACCRUALS						84,770,724.78			

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Holdings Report

As of March 31, 2020

#5.

Moulton Niguel Water District 2015 REV REF RSV - Account #46

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
Agency									
3130A7CV5	FHLB Note 1.375% Due 02/18/2021	95,000.00	04/12/2016 1.34%	95,171.00 95,171.00	100.90 0.35%	95,858.99 156.02	7.03% 687.99	Aaa / AA+ AAA	0.89 0.88
3135G0Q89	FNMA Note 1.375% Due 10/07/2021	95,000.00	Various 1.61%	94,023.65 94,023.65	101.45 0.41%	96,381.87 631.36	7.11% 2,358.22	Aaa / AA+ AAA	1.52 1.49
3135G0S38	FNMA Note 2.000% Due 01/05/2022	90,000.00	04/24/2017 1.92%	90,320.40 90,320.40	102.87 0.37%	92,578.77 430.00	6.81% 2,258.37	Aaa / AA+ AAA	1.77 1.73
3135G0T78	FNMA Note 2.000% Due 10/05/2022	120,000.00	01/09/2018 2.36%	118,074.00 118,074.00	103.61 0.55%	124,334.16 1,173.33	9.19% 6,260.16	Aaa / AA+ AAA	2.52 2.43
3135G0T94	FNMA Note 2.375% Due 01/19/2023	100,000.00	06/13/2018 2.91%	97,733.00 97,733.00	105.39 0.44%	105,389.80 475.00	7.76% 7,656.80	Aaa / AA+ AAA	2.81 2.71
3137EAEN5	FHLMC Note 2.750% Due 06/19/2023	100,000.00	09/14/2018 2.97%	99,024.00 99,024.00	107.13 0.51%	107,131.80 779.17	7.91% 8,107.80	Aaa / AA+ AAA	3.22 3.08
3130A0F70	FHLB Note 3.375% Due 12/08/2023	100,000.00	02/21/2019 2.62%	103,378.00 103,378.00	111.14 0.33%	111,143.40 1,059.38	8.22% 7,765.40	Aaa / AA+ AAA	3.69 3.47
3130A0F70	FHLB Note	700,000.00	2.28%	697,724.05	0.43%	732,818.79	54.03%	Aaa / AA+	2.40
3130A0F70	FHLB Note	700,000.00	2.28%	697,724.05	0.43%	4,704.26	35,094.74	Aaa	2.31
Cash									
90CASH\$00	Cash Custodial Cash Account	146,045.45	Various 0.00%	146,045.45 146,045.45	1.00 0.00%	146,045.45 0.00	10.70% 0.00	NR / NR NR	0.00 0.00
TOTAL Cash		146,045.45	0.00%	146,045.45	0.00%	146,045.45	10.70%	NR / NR	0.00
US Treasury									
912828WC0	US Treasury Note 1.750% Due 10/31/2020	95,000.00	04/14/2016 1.21%	97,263.99 97,263.99	100.97 0.09%	95,920.36 698.80	7.08% (1,343.63)	Aaa / AA+ AAA	0.59 0.58
912828WN6	US Treasury Note 2.000% Due 05/31/2021	70,000.00	07/11/2016 1.01%	73,281.48 73,281.48	102.15 0.15%	71,506.61 470.49	5.27% (1,774.87)	Aaa / AA+ AAA	1.17 1.15
912828G53	US Treasury Note 1.875% Due 11/30/2021	100,000.00	01/18/2017 1.89%	99,926.12 99,926.12	102.79 0.20%	102,789.10 630.12	7.58% 2,862.98	Aaa / AA+ AAA	1.67 1.64
912828L24	US Treasury Note 1.875% Due 08/31/2022	100,000.00	09/18/2017 1.84%	100,172.21 100,172.21	103.92 0.25%	103,918.00 163.04	7.62% 3,745.79	Aaa / AA+ AAA	2.42 2.37

Holdings Report

As of March 31, 2020

Moulton Niguel Water District 2015 REV REF RSV - Account #46

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
912828T91	US Treasury Note 1.625% Due 10/31/2023	100,000.00	06/18/2019 1.84%	99,117.19 99,117.19	104.69 0.31%	104,691.40 683.04	7.72% 5,574.21	Aaa / AA+ AAA	3.59 3.47
TOTAL US Treasury		465,000.00	1.60%	469,760.99	0.20%	478,825.47 2,645.49	35.27% 9,064.48	Aaa / AA+ Aaa	1.96 1.91
TOTAL PORTFOLIO		1,311,045.45	1.80%	1,313,530.49	0.30%	1,357,689.71 7,349.75	100.00% 44,159.22	Aaa / AA+ Aaa	1.99 1.92
TOTAL MARKET VALUE PLUS ACCRUALS						1,365,039.46			

Section 4 | Transactions

Transaction Ledger

As of March 31, 2020

Moulton Niguel Water District Liquid Fund - Account #41

December 31, 2019 through March 31, 2020

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
ACQUISITIONS										
Purchase	01/15/2020	90LAIF\$00	71,580.61	Local Agency Investment Fund State Pool	1.000	2.03%	71,580.61	0.00	71,580.61	0.00
Subtotal			71,580.61				71,580.61	0.00	71,580.61	0.00
Security Contribution	01/06/2020	90LAIF\$00	1,500,000.00	Local Agency Investment Fund State Pool	1.000		1,500,000.00	0.00	1,500,000.00	0.00
Security Contribution	01/08/2020	90LAIF\$00	900,000.00	Local Agency Investment Fund State Pool	1.000		900,000.00	0.00	900,000.00	0.00
Security Contribution	01/10/2020	90LAIF\$00	960,000.00	Local Agency Investment Fund State Pool	1.000		960,000.00	0.00	960,000.00	0.00
Security Contribution	01/24/2020	90LAIF\$00	10,500,000.00	Local Agency Investment Fund State Pool	1.000		10,500,000.00	0.00	10,500,000.00	0.00
Security Contribution	02/26/2020	90LAIF\$00	1,450,000.00	Local Agency Investment Fund State Pool	1.000		1,450,000.00	0.00	1,450,000.00	0.00
Security Contribution	03/09/2020	90LAIF\$00	600,000.00	Local Agency Investment Fund State Pool	1.000		600,000.00	0.00	600,000.00	0.00
Security Contribution	03/13/2020	90LAIF\$00	1,300,000.00	Local Agency Investment Fund State Pool	1.000		1,300,000.00	0.00	1,300,000.00	0.00
Security Contribution	03/19/2020	90LAIF\$00	2,300,000.00	Local Agency Investment Fund State Pool	1.000		2,300,000.00	0.00	2,300,000.00	0.00

Transaction Ledger

Moulton Niguel Water District Liquid Fund - Account #41

December 31, 2019 through March 31, 2020

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
Security Contribution	03/20/2020	90LAIF\$00	700,000.00	Local Agency Investment Fund State Pool	1.000		700,000.00	0.00	700,000.00	0.00
Subtotal			20,210,000.00				20,210,000.00	0.00	20,210,000.00	0.00
TOTAL ACQUISITIONS			20,281,580.61				20,281,580.61	0.00	20,281,580.61	0.00
DISPOSITIONS										
Security Withdrawal	01/14/2020	90LAIF\$00	1,200,000.00	Local Agency Investment Fund State Pool	1.000		1,200,000.00	0.00	1,200,000.00	0.00
Security Withdrawal	01/17/2020	90LAIF\$00	250,000.00	Local Agency Investment Fund State Pool	1.000		250,000.00	0.00	250,000.00	0.00
Security Withdrawal	01/31/2020	90LAIF\$00	900,000.00	Local Agency Investment Fund State Pool	1.000		900,000.00	0.00	900,000.00	0.00
Security Withdrawal	02/13/2020	90LAIF\$00	4,800,000.00	Local Agency Investment Fund State Pool	1.000		4,800,000.00	0.00	4,800,000.00	0.00
Security Withdrawal	02/24/2020	90LAIF\$00	500,000.00	Local Agency Investment Fund State Pool	1.000		500,000.00	0.00	500,000.00	0.00
Security Withdrawal	02/28/2020	90LAIF\$00	2,600,000.00	Local Agency Investment Fund State Pool	1.000		2,600,000.00	0.00	2,600,000.00	0.00
Subtotal			10,250,000.00				10,250,000.00	0.00	10,250,000.00	0.00
TOTAL DISPOSITIONS			10,250,000.00				10,250,000.00	0.00	10,250,000.00	0.00

Transaction Ledger

As of March 31, 2020

Moulton Niguel Water District Limited Maturity - Account #42

December 31, 2019 through March 31, 2020

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
ACQUISITIONS										
Purchase	01/16/2020	3137BHXY8	1,000,000.00	FHLMC K718 A2 2.791% Due: 01/25/2022	101.477	1.91%	1,014,765.63	1,162.92	1,015,928.55	0.00
Purchase	01/21/2020	65479GAD1	1,435,000.00	Nissan Auto Receivables Trust 2018-B A3 3.06% Due: 03/15/2023	101.430	1.03%	1,455,516.02	731.85	1,456,247.87	0.00
Purchase	02/12/2020	89238TAD5	660,000.00	Toyota Auto Receivables Trust 2018-B A3 2.96% Due: 09/15/2022	101.090	0.74%	667,192.97	1,465.20	668,658.17	0.00
Purchase	02/18/2020	30229AFB0	3,000,000.00	Exxon Mobil Discount CP 1.6% Due: 06/11/2020	99.493	1.63%	2,984,800.00	0.00	2,984,800.00	0.00
Purchase	02/21/2020	46640PHJ5	1,250,000.00	JP Morgan Discount CP 1.62% Due: 08/18/2020	99.195	1.66%	1,239,931.25	0.00	1,239,931.25	0.00
Purchase	02/26/2020	62479LHQ1	2,500,000.00	MUFG Bank Ltd Discount CP 1.56% Due: 08/24/2020	99.220	1.59%	2,480,500.00	0.00	2,480,500.00	0.00
Purchase	03/09/2020	02582JIF8	270,000.00	American Express Credit Trust 2018-6 A 3.06% Due: 02/15/2024	102.715	1.69%	277,330.08	550.80	277,880.88	0.00
Subtotal			10,115,000.00				10,120,035.95	3,910.77	10,123,946.72	0.00
TOTAL ACQUISITIONS			10,115,000.00				10,120,035.95	3,910.77	10,123,946.72	0.00
DISPOSITIONS										
Maturity	01/21/2020	313384SB6	1,800,000.00	FHLB Discount Note 1.575% Due: 01/21/2020	100.000		1,800,000.00	0.00	1,800,000.00	0.00
Maturity	02/15/2020	912828W22	2,000,000.00	US Treasury Note 1.375% Due: 02/15/2020	100.000		2,000,000.00	0.00	2,000,000.00	546.87
Maturity	02/24/2020	62479LBQ7	2,500,000.00	MUFG Bank Ltd Discount CP 1.88% Due: 02/24/2020	99.504		2,500,000.00	0.00	2,500,000.00	0.00
Maturity	03/09/2020	06417MBK0	2,000,000.00	Bank of Nova Scotia Houston Yankee CD 2% Due: 03/09/2020	100.000		2,000,000.00	20,222.22	2,020,222.22	-438.34

Transaction Ledger

Moulton Niguel Water District Limited Maturity - Account #42

December 31, 2019 through March 31, 2020

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
Maturity	03/15/2020	912828W63	2,200,000.00	US Treasury Note 1.625% Due: 03/15/2020	100.000		2,200,000.00	0.00	2,200,000.00	-429.69
Maturity	03/18/2020	02665JCJ7	1,000,000.00	American Honda Corp Discount CP 1.83% Due: 03/18/2020	99.532		1,000,000.00	0.00	1,000,000.00	0.00
Maturity	03/18/2020	06367BDS5	2,000,000.00	Bank of Montreal Chicago Yankee CD 2% Due: 03/18/2020	100.000		2,000,000.00	10,111.11	2,010,111.11	-98.96
Maturity	03/31/2020	89114NE68	2,000,000.00	Toronto Dominion Bank NY Yankee CD 1.99% Due: 03/31/2020	100.000		2,000,000.00	11,387.22	2,011,387.22	0.00
Subtotal			15,500,000.00				15,500,000.00	41,720.55	15,541,720.55	-420.12
TOTAL DISPOSITIONS			15,500,000.00				15,500,000.00	41,720.55	15,541,720.55	-420.12

Transaction Ledger

As of March 31, 2020

Moulton Niguel Water District Operating Reserve - Account #40

December 31, 2019 through March 31, 2020

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
ACQUISITIONS										
Purchase	01/10/2020	3135G0X24	615,000.00	FNMA Note 1.625% Due: 01/07/2025	99.681	1.69%	613,038.15	0.00	613,038.15	0.00
Purchase	01/21/2020	90331HPL1	1,235,000.00	US Bank NA Callable Note Cont 12/21/2024 2.05% Due: 01/21/2025	99.787	2.10%	1,232,369.45	0.00	1,232,369.45	0.00
Purchase	02/11/2020	3137BEVH4	725,000.00	FHLMC K040 A2 3.241% Due: 09/25/2024	105.984	0.68%	768,386.72	652.70	769,039.42	0.00
Purchase	02/14/2020	3137EAEP0	1,830,000.00	FHLMC Note 1.5% Due: 02/12/2025	99.923	1.52%	1,828,590.90	0.00	1,828,590.90	0.00
Purchase	03/06/2020	3130AGUW3	200,000.00	FHLB Note 2.125% Due: 09/14/2029	108.204	1.21%	216,408.00	2,479.17	218,887.17	0.00
Purchase	03/11/2020	47789KAC7	440,000.00	John Deere Owner Trust 2020-A A3 1.1% Due: 08/15/2024	99.994	1.11%	439,973.12	0.00	439,973.12	0.00
Purchase	03/25/2020	912828ZB9	1,500,000.00	US Treasury Note 1.125% Due: 02/28/2027	102.551	0.75%	1,538,261.72	1,146.40	1,539,408.12	0.00
Subtotal			6,545,000.00				6,637,028.06	4,278.27	6,641,306.33	0.00
TOTAL ACQUISITIONS			6,545,000.00				6,637,028.06	4,278.27	6,641,306.33	0.00
DISPOSITIONS										
Sale	01/09/2020	3135G0J20	450,000.00	FNMA Note 1.375% Due: 02/26/2021	99.736	1.61%	448,812.00	2,285.94	451,097.94	445.50
Sale	01/17/2020	3135G0J20	200,000.00	FNMA Note 1.375% Due: 02/26/2021	99.715	1.64%	199,430.00	1,077.08	200,507.08	156.00
Sale	01/17/2020	912828RR3	375,000.00	US Treasury Note 2% Due: 11/15/2021	100.773	1.57%	377,900.39	1,298.08	379,198.47	-411.66
Sale	01/21/2020	91159HHP8	575,000.00	US Bancorp Callable Note Cont 12/23/2021 2.625% Due: 01/24/2022	101.556	1.83%	583,947.00	7,421.09	591,368.09	9,936.00
Sale	02/07/2020	3135G0J20	525,000.00	FNMA Note 1.375% Due: 02/26/2021	99.794	1.57%	523,918.50	3,228.39	527,146.89	824.25

Transaction Ledger

Moulton Niguel Water District Operating Reserve - Account #40

December 31, 2019 through March 31, 2020

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
Sale	02/14/2020	3133752P1	1,525,000.00	FHLB Note 3.5% Due: 07/29/2021	102.873	1.50%	1,568,813.25	2,223.96	1,571,037.21	3,050.00
Sale	02/14/2020	3137EAEC9	225,000.00	FHLMC Note 1.125% Due: 08/12/2021	99.450	1.50%	223,762.50	14.06	223,776.56	911.25
Sale	03/06/2020	3137EADB2	400,000.00	FHLMC Note 2.375% Due: 01/13/2022	103.067	0.71%	412,268.00	1,398.61	413,666.61	-1,064.00
Sale	03/25/2020	912828SF8	1,025,000.00	US Treasury Note 2% Due: 02/15/2022	102.906	0.46%	1,054,789.06	2,196.43	1,056,985.49	53,087.69
Sale	03/25/2020	912828SV3	200,000.00	US Treasury Note 1.75% Due: 05/15/2022	102.879	0.40%	205,757.81	1,259.62	207,017.43	16,163.26
Subtotal			5,500,000.00				5,599,398.51	22,403.26	5,621,801.77	83,098.29
TOTAL DISPOSITIONS			5,500,000.00				5,599,398.51	22,403.26	5,621,801.77	83,098.29

Transaction Ledger

As of March 31, 2020

Moulton Niguel Water District 2015 REV REF RSV - Account #46

December 31, 2019 through March 31, 2020

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
DISPOSITIONS										
Maturity	03/13/2020	313378J77	95,000.00	FHLB Note 1.875% Due: 03/13/2020	100.000		95,000.00	0.00	95,000.00	-2,449.10
Maturity	03/31/2020	912828UV0	25,000.00	US Treasury Note 1.125% Due: 03/31/2020	100.000		25,000.00	0.00	25,000.00	-26.45
Subtotal			120,000.00				120,000.00	0.00	120,000.00	-2,475.55
TOTAL DISPOSITIONS			120,000.00				120,000.00	0.00	120,000.00	-2,475.55

Section 5 | Economic Updates

Economic Update

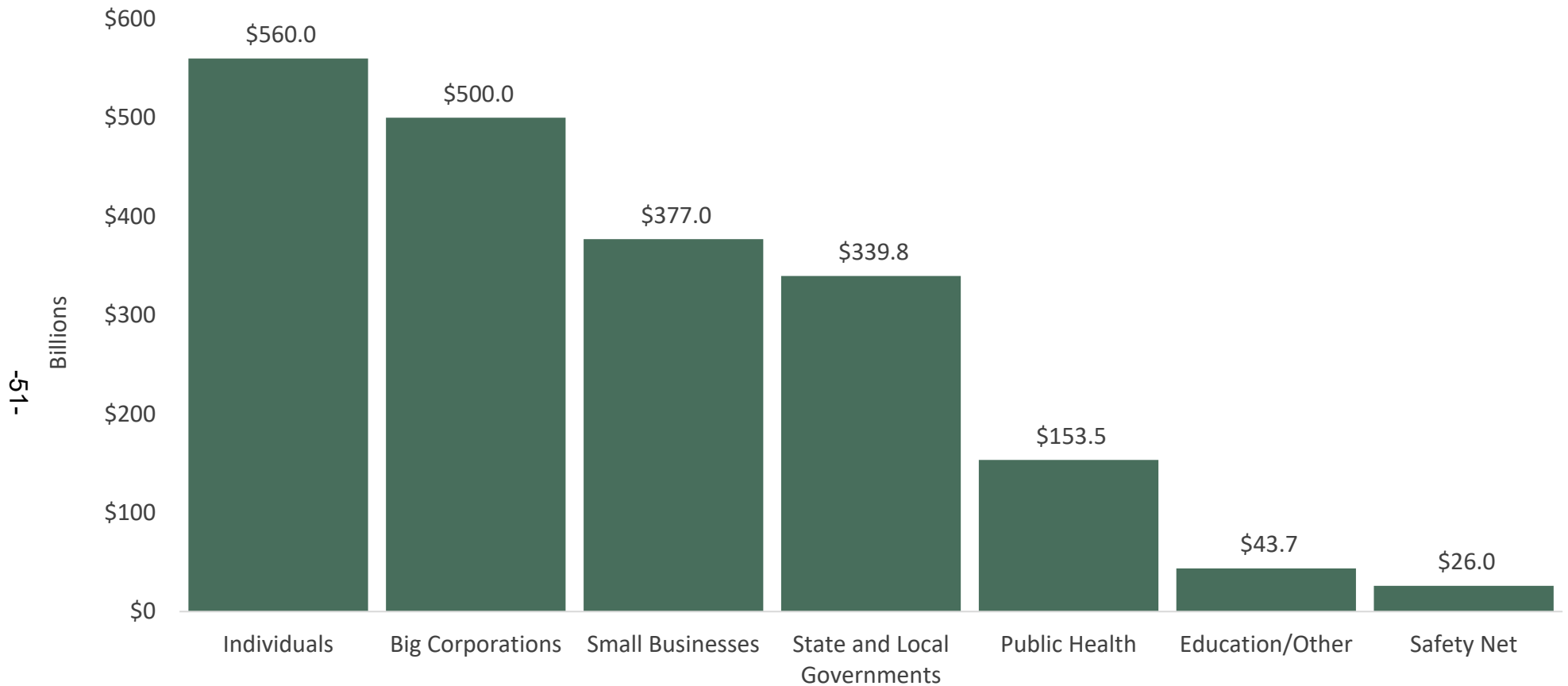
- Financial markets have experienced significant turbulence, driven by a high level of uncertainty about the impact of the COVID-19 pandemic on the global economy. US Treasury yields have declined, amid a global flight to quality. At the end of the first quarter, the yield on 2-year Treasuries was down 132 basis points year-to-date, and the yield on 10-year Treasuries was down nearly 125 basis points. The S&P 500 index declined 20.0% in the first quarter. There are still many unknowns about the coronavirus including how widespread it will become, how long it will take to contain the virus, and the actual impact on economic activity. We believe containment efforts and supply chain disruptions will cause a sharp increase in unemployment and a swift and deep contraction in economic activity. Financial markets will likely remain volatile over the near term but we believe that large-scale global monetary and fiscal stimulus programs will help mitigate the longer-term impact of the pandemic. Notably, President Trump approved a \$2 trillion economic relief package on March 27, the largest fiscal stimulus package in US history.
- The Fed has taken a wide range of aggressive actions to help stabilize and provide liquidity to the financial markets. The Fed has lowered the fed funds target rate to a range of 0.0%-0.25% and said it will purchase Treasury and agency mortgage-backed securities in any amount needed to support smooth market functioning. Policymakers have established several facilities to help support the flow of credit to businesses and state and local governments including the Commercial Paper Funding Facility, Main Street Lending Facility, Money Market Mutual Fund Liquidity Facility, Municipal Liquidity Facility, Paycheck Protection Program Liquidity Facility, Primary Market Corporate Credit Facility, Secondary Market Corporate Credit Facility, and Term Asset-Backed Securities Loan Facility. The Fed has also provided short-term funding through large-scale repo operations and lowered the reserve requirement for depository institutions. Fed Chair Powell has indicated that the Fed will continue to act “forcefully, proactively, and aggressively” until the economy is solidly on a road to recovery.
- The slope of the Treasury yield curve steepened in March, though rates across the curve declined meaningfully. At March month-end, the yield on 10-year Treasuries was down 48 basis points to 0.67% while the yield on 2-year Treasuries was down 67 basis points to 0.25%. The yield on 3-month T-bills declined 121 basis points in March. The movement in yields has been driven by fears about the coronavirus and its potential impact on global economic growth and inflation expectations, as well as the cumulative 150 basis point cut to the fed funds target rate in March.

Unprecedented Fed Intervention

Fed Action	Details
Rate Cuts	<ul style="list-style-type: none"> • Cut fed funds target rate by 1.50% to 0.00-0.25% • Discount window rate lowered to 0.25% • Fractional reserve requirement 0% • Interest on Excess Reserves cut to 0.10%
TSY/Agency MBS Purchases	<ul style="list-style-type: none"> • \$500 billion+ TSY and \$200 billion+ AGY MBS
Repo Operations	<ul style="list-style-type: none"> • \$1.5 trillion+ short-term repo facilities to provide liquidity
Commercial Paper Funding Facility (CPFF)	<ul style="list-style-type: none"> • Purchases of Tier 1 CP*
Primary Dealer Credit Facility (PDCF)	<ul style="list-style-type: none"> • Loans to Primary Dealers up to 3 months
Money Market Mutual Fund Liquidity Facility (MMLF)	<ul style="list-style-type: none"> • Liquidity to MMFs in form of loans to banks to purchase assets from MMFs
FX Swap Lines	<ul style="list-style-type: none"> • Temporary lending to boost circulation of dollars worldwide
Primary Market Corporate Credit Facility (PMCCF)	<ul style="list-style-type: none"> • Purchases of investment grade corporate debt directly from issuers**
Secondary Market Corporate Credit Facility (SMCCF)	<ul style="list-style-type: none"> • Purchases of investment grade debt and ETFs (IG and HY) in the secondary market
Term ABS Loan Facility (TALF)	<ul style="list-style-type: none"> • Loans to investors to buy highest-rated ABS, CMBS and CLOs to support consumer and business credit
Municipal Liquidity Facility	<ul style="list-style-type: none"> • Up to \$500 billion in lending to states and municipalities via debt security purchases from states, large counties, and cities
Main Street Lending Program	<ul style="list-style-type: none"> • Up to \$600 billion in loan purchases from small- and mid-sized businesses
Paycheck Protection Program Liquidity Facility (PPP)	<ul style="list-style-type: none"> • Liquidity to participating financial institutions through term financing backed by PPP loans to small businesses

*CP issuers that were Tier 1 as of March 17, 2020 and were subsequently downgraded to no lower than Tier 2 may be eligible on a one-time basis. **Issuers that were rated at least Baa3/BBB- as of March 22, 2020 and were subsequently downgraded to no lower than Ba3/BB- may be eligible.

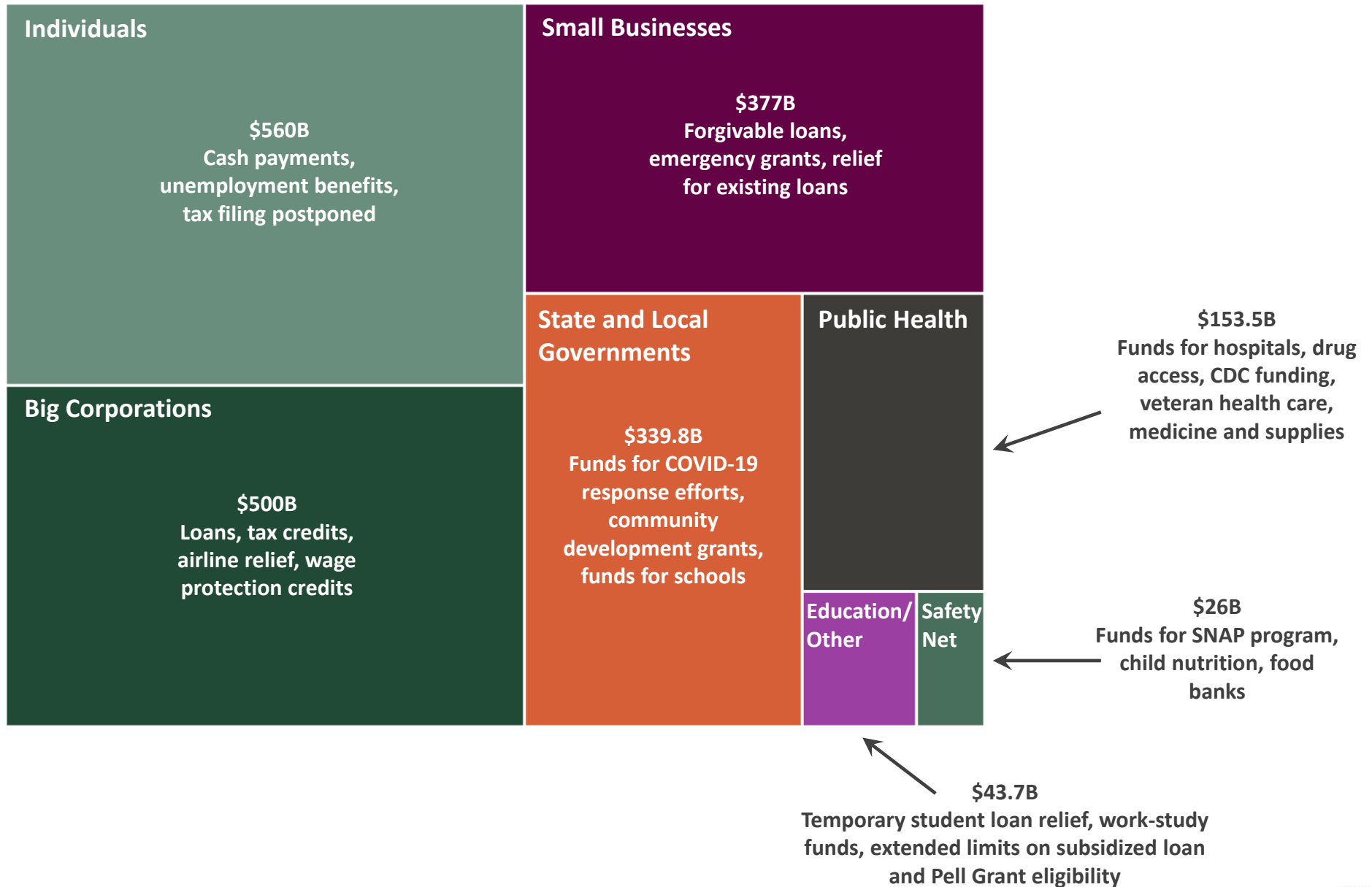
\$2 Trillion CARES Act



Stimulus includes direct cash payments to individuals, unemployment assistance, refundable tax credits to large corporations, airline relief, small business emergency grants, forgivable loans, direct aid and funding for local governments, funding for hospitals, and grants for child nutrition and food stamps, among other initiatives.

\$2 Trillion CARES Act

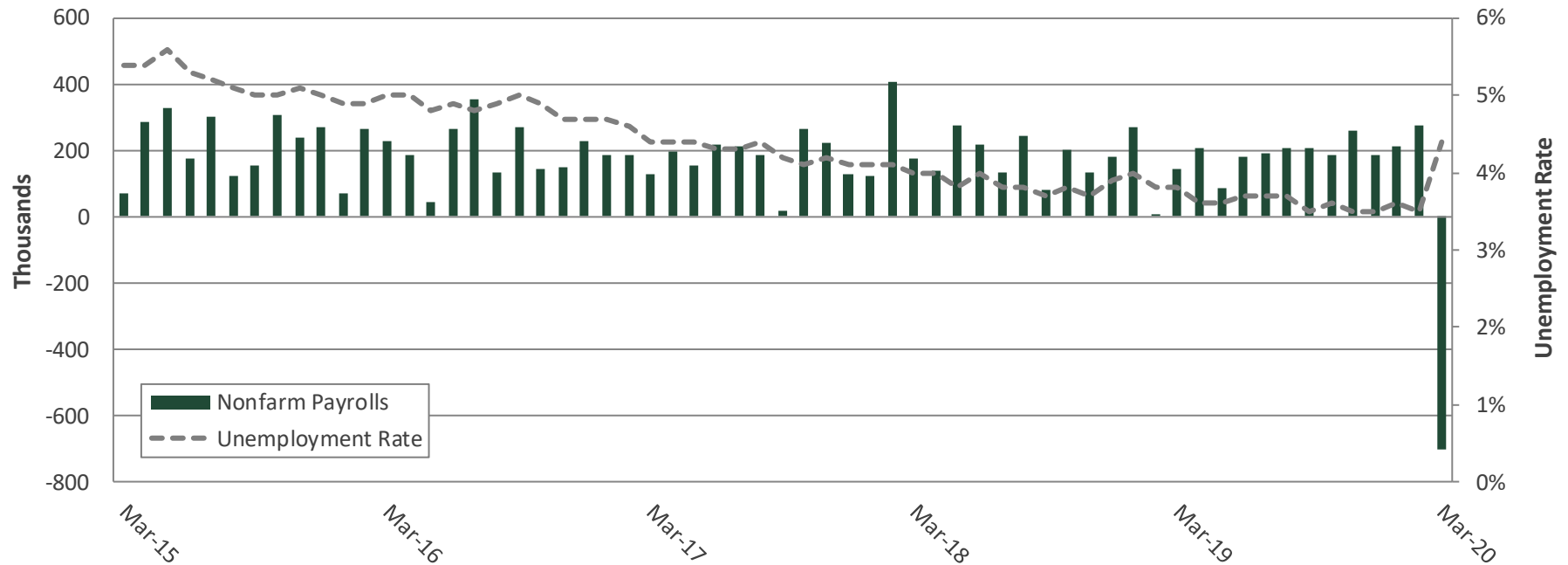
-52-



Source: NPR, <https://www.npr.org/2020/03/26/821457551/whats-inside-the-senate-s-2-trillion-coronavirus-aid-package>

Employment

Change in Nonfarm Payrolls and Unemployment Rate
March 2015 - March 2020

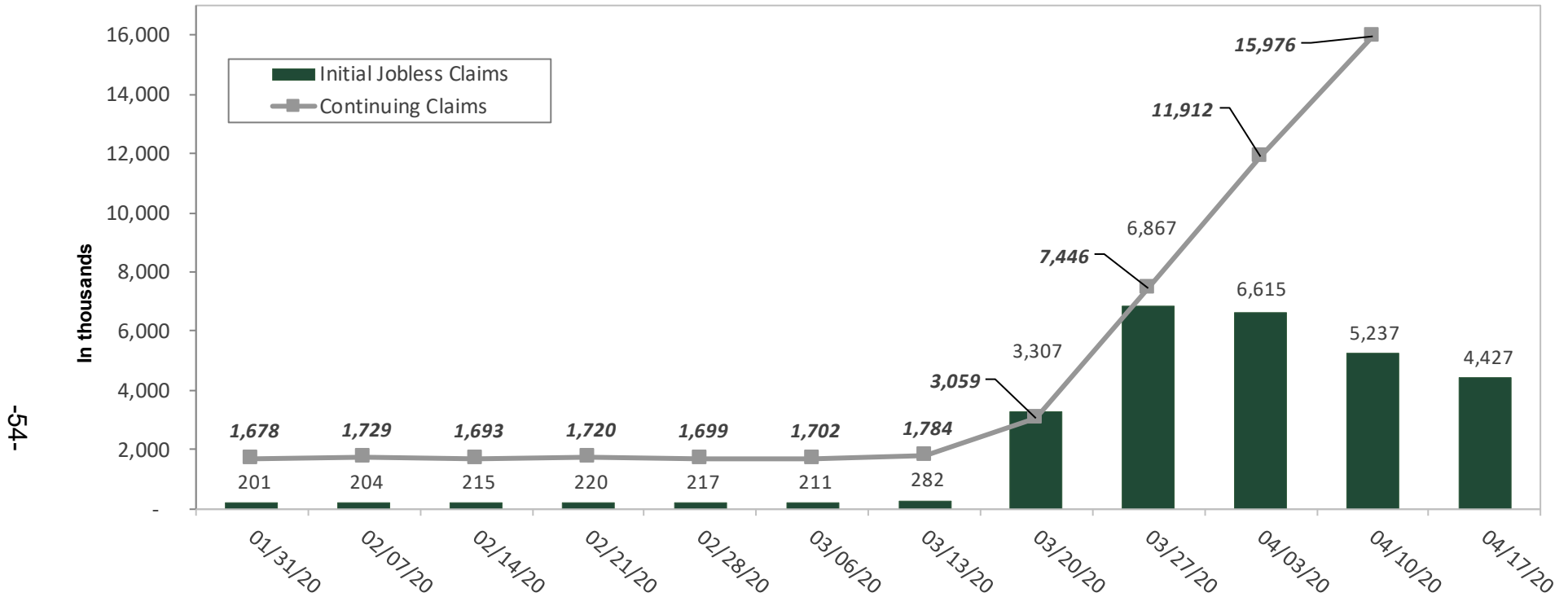


Source: US Department of Labor

U.S. nonfarm payrolls declined by 701,000 in March. Employment in leisure and hospitality was particularly weak with payrolls down 459,000. The U-3 unemployment rate increased to 4.4% in March from 3.5% in February, and the participation rate declined to 62.7% from 63.4%. A broader measure of unemployment called the U-6, which includes those who are marginally attached to the labor force and employed part time for economic reasons, increased to 8.7% from 7.0%. Wages rose 0.4% in March and were up 3.1% on year-over-year basis. The average workweek declined to 34.2 hours from 34.4 hours. Notably, the establishment survey of payrolls and the household survey of unemployment were collected in the first half of March, which predates many of the business and school closures related to the pandemic.

Initial Claims for Unemployment

Initial Claims For Unemployment January 31, 2020 - April 17, 2020

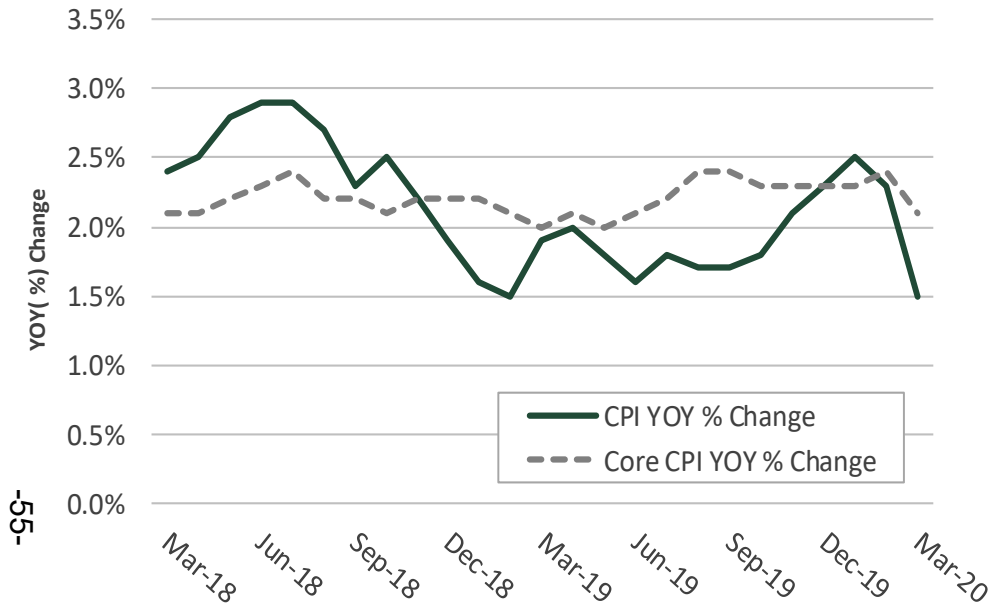


Source: US Department of Labor

More than 4.4 million people filed an initial claim for unemployment in the April 18 week, bringing the total number of initial claims since mid-March to 26.5 million. The level of continuing unemployment claims (where the data is lagged by one week) rose to nearly 16 million in the April 10 week, which is the highest on record.

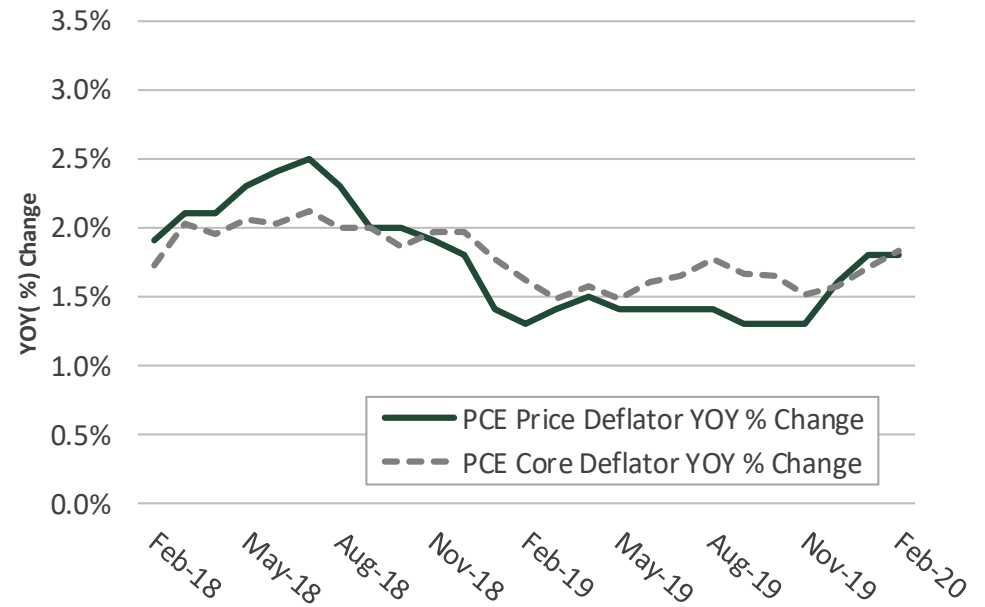
Inflation

Consumer Price Index (CPI)



Source: US Department of Labor

Personal Consumption Expenditures (PCE)

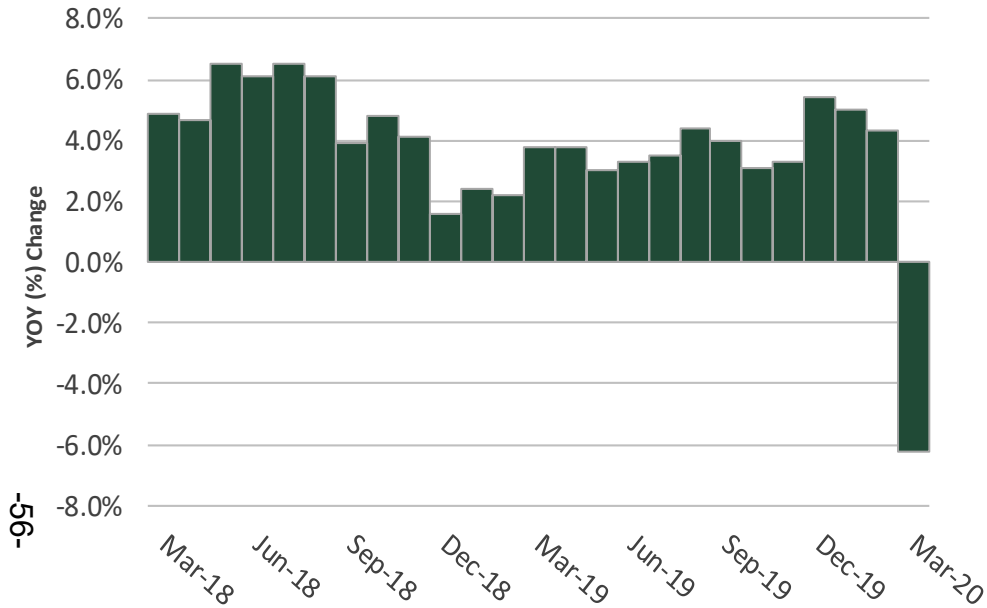


Source: US Department of Commerce

The Consumer Price Index (CPI) was up 1.5% year-over-year in March, down from 2.3% in February. Core CPI (CPI less food and energy) was up 2.1% year-over-year in March, down from 2.4% in February. The CPI data for March indicates that the initial net effect of the pandemic has been deflationary. The Personal Consumption Expenditures (PCE) index was up 1.8% year-over-year in February, unchanged from 1.8% year-over-year in January. Core PCE, which is the Fed's primary inflation gauge, was up 1.8% year-over-year in February versus 1.7% year-over-year in January. Core PCE was trending below the Fed's 2.0% inflation target before the COVID-19 pandemic.

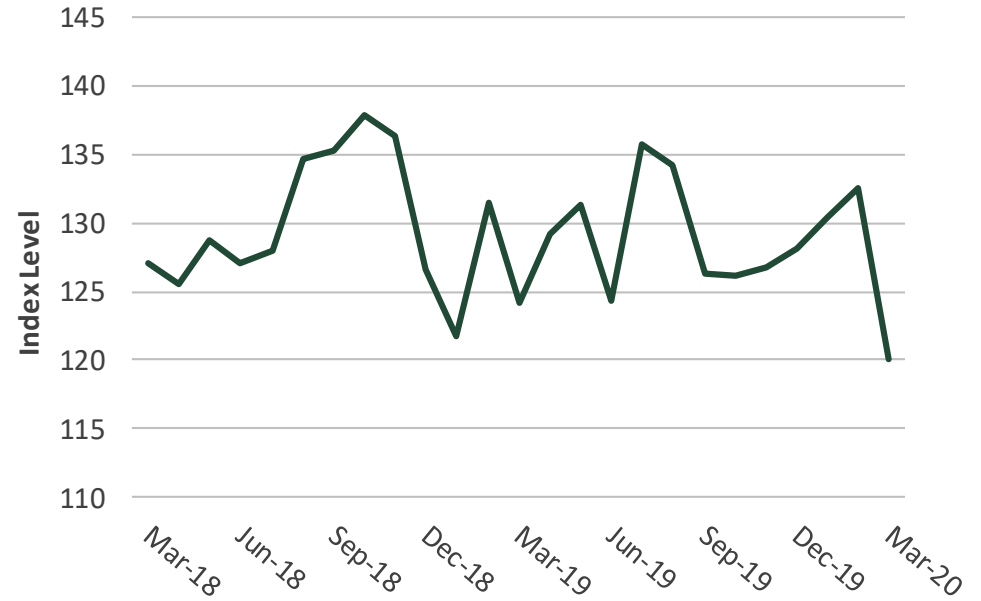
Consumer

Retail Sales YOY % Change



Source: US Department of Commerce

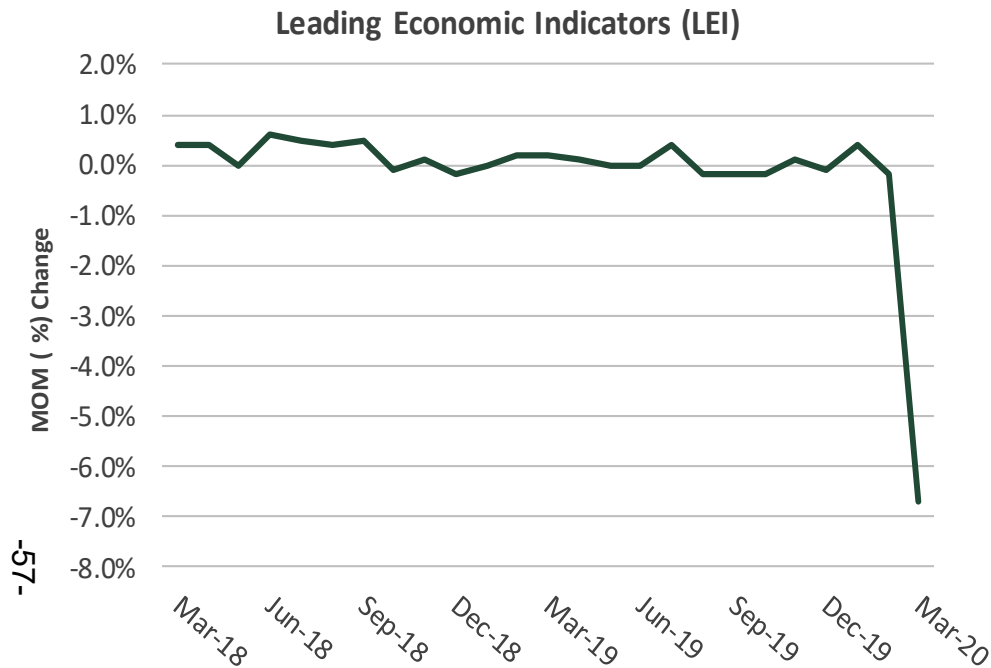
Consumer Confidence



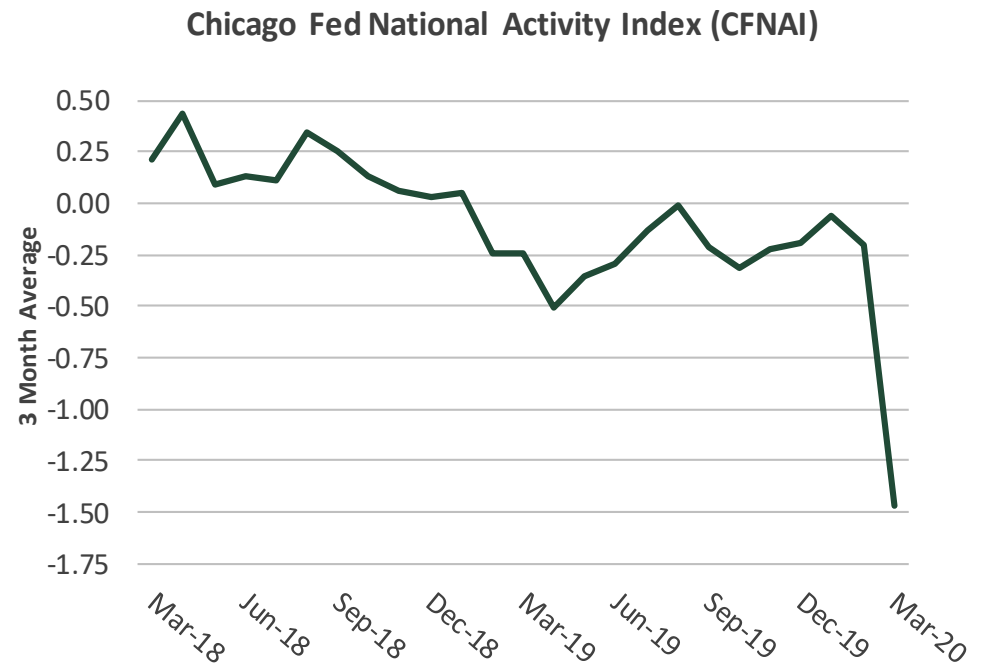
Source: The Conference Board

On a year-over-year basis, retail sales fell 6.2% in March versus an increase of 4.3% in February. On a month-over-month basis, retail sales plunged 8.7% in March, the worst monthly decline on record. Vehicle, gasoline, restaurant, and clothing sales were particularly weak in the month. On a control group basis, retail sales rose 1.9% in March (which was better than expected), helped by a surge in consumer stockpiling. The Consumer Confidence Index remained fairly strong in March but declined to 120.0 from 132.6 in February. The cut-off date for the survey was March 19. Confidence was high going into the pandemic, but we expect to see a meaningful decline in the coming months.

Economic Activity



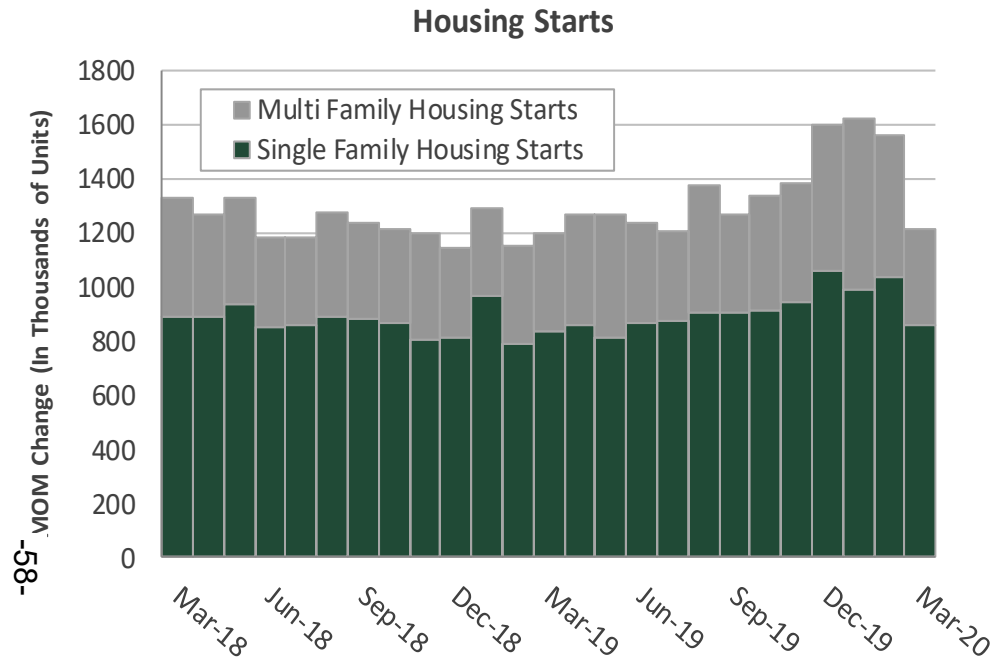
Source: The Conference Board



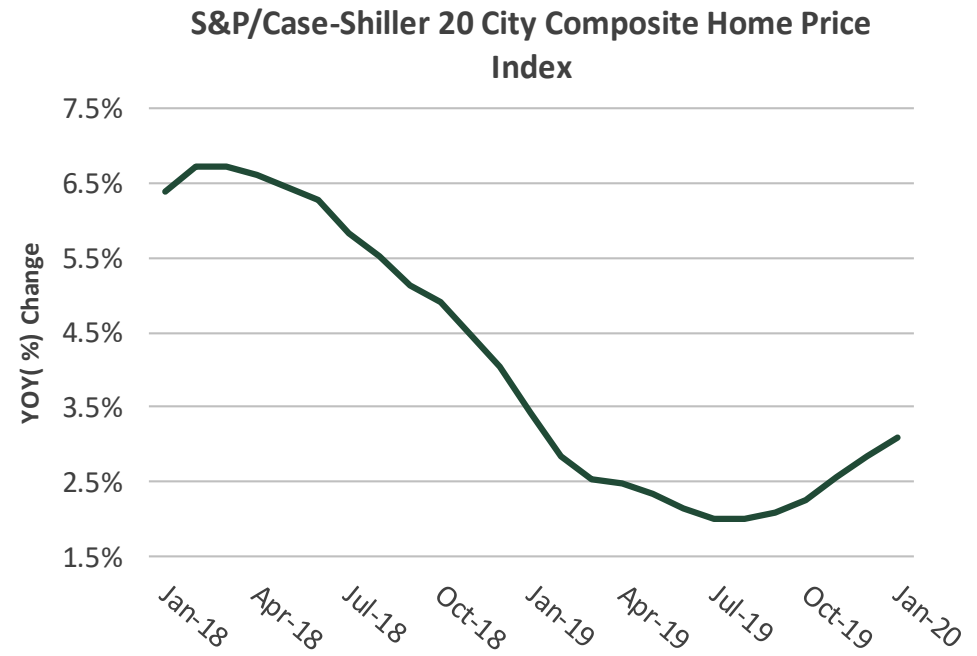
Source: Federal Reserve Bank of Chicago

The Conference Board’s Leading Economic Index (LEI) fell 6.7% in March, the largest monthly decline in its 60-year history. On a year-over-year basis, the LEI was down 6.6% in March reflecting broad-based deterioration. According to the Conference Board, the LEI suggests that the US economy is facing a “very deep” contraction. The Chicago Fed National Activity Index (CFNAI) declined to -4.19 in March from 0.06 in February. On a 3-month moving average basis, the CFNAI declined to -1.47 in March from -0.20 in February.

Housing



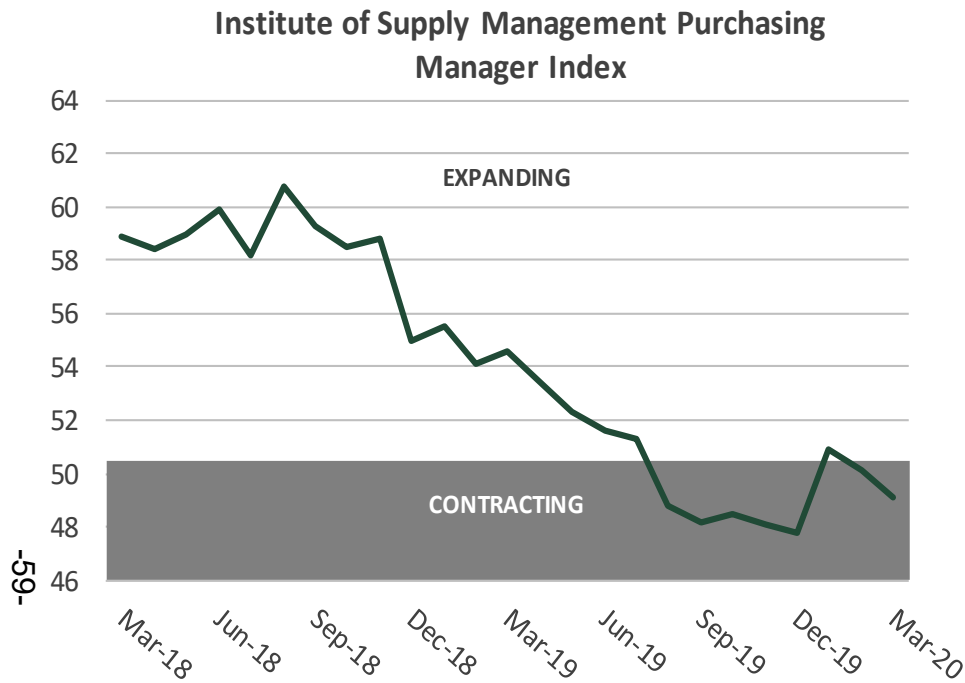
Source: US Department of Commerce



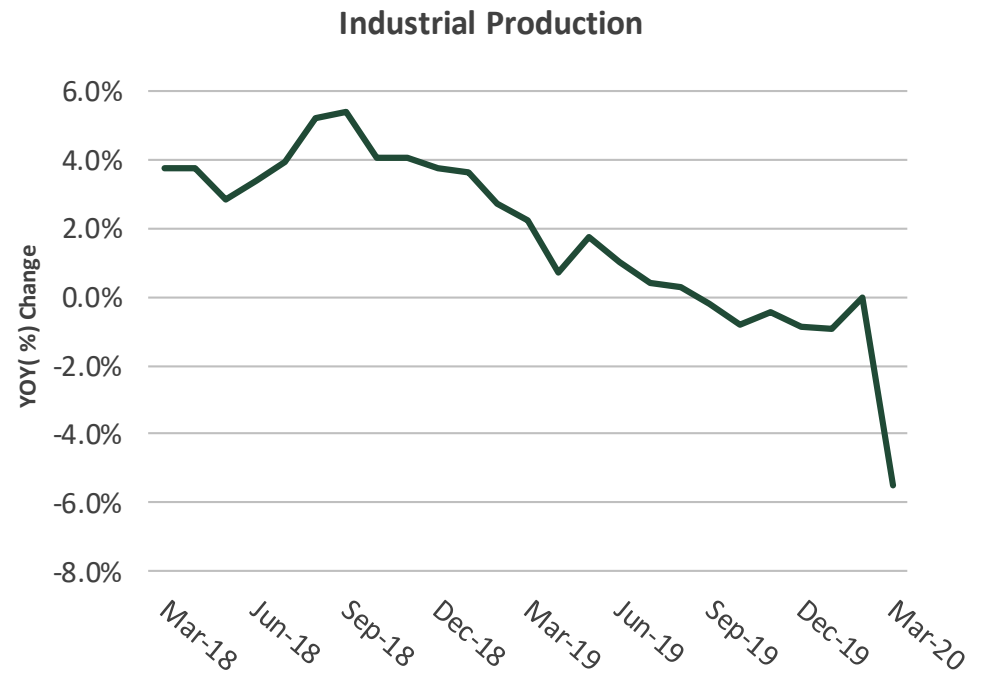
Source: S&P

Housing starts declined 22.3% in March to an annual pace of 1.216 million, although the pace was 1.4% higher on a year-over-year basis. On a month-over-month basis, single family starts fell 17.5% to an annualized rate of 856,000, while multi-family starts declined 31.7% to an annualized rate of 360,000. Low mortgage rates and a strong labor market were fueling housing activity heading into the COVID-19 crisis. Although the month-over-month declines in activity were significant in March, housing starts are generally on pace with the year-ago rate. According to the Case-Shiller 20-City home price index, home prices were up 3.1% year-over-year in January, versus up 2.9% year-over-year in December, which suggests that pricing in the sector was gaining momentum prior to the pandemic.

Manufacturing



Source: Institute for Supply Management



Source: Federal Reserve

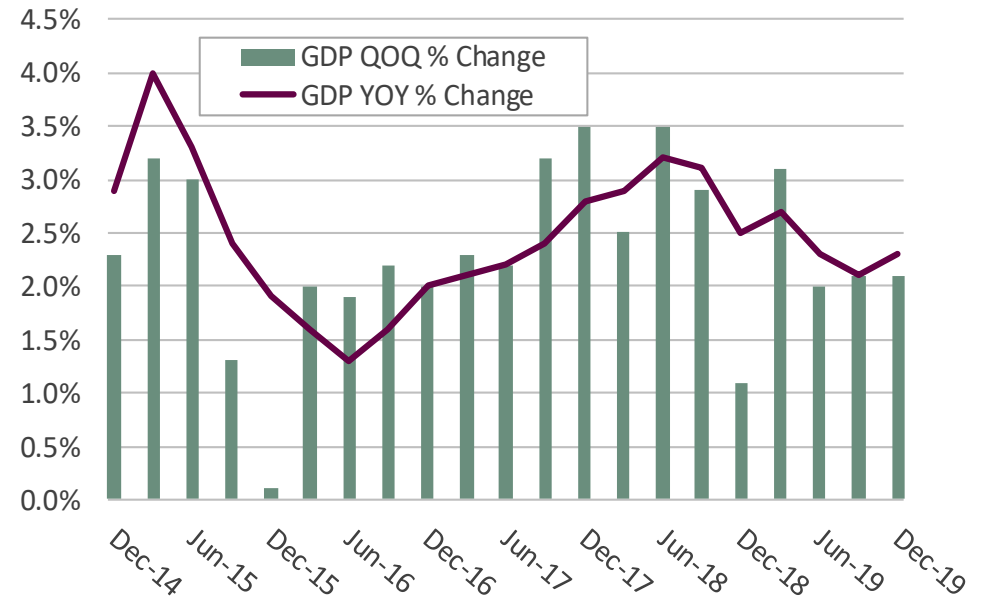
The Institute for Supply Management (ISM) manufacturing index decreased to 49.1 in March from 50.1 in February. The sub-50.0 reading suggests that the manufacturing sector is in contraction but it was stronger than the consensus estimate of 44.0. The Industrial Production index was down 5.5% year-over-year in March, versus up 0.02% in February. On a month-over-month basis, the Industrial Production index fell 5.4% in March (the worst monthly decline since 1946), following a 0.5% increase in February. Capacity Utilization dropped to 72.7% in March from 77.0% in February, well below the long-run average of 79.8%.

Gross Domestic Product (GDP)

Components of GDP	3/19	6/19	9/19	12/19
Personal Consumption Expenditures	0.8%	3.0%	2.1%	1.2%
Gross Private Domestic Investment	1.1%	-1.2%	-0.2%	-1.1%
Net Exports and Imports	0.7%	-0.7%	-0.1%	1.5%
Federal Government Expenditures	0.1%	0.5%	0.2%	0.2%
State and Local (Consumption and Gross Investment)	0.4%	0.3%	0.1%	0.2%
Total	3.1%	2.0%	2.1%	2.1%

Source: US Department of Commerce

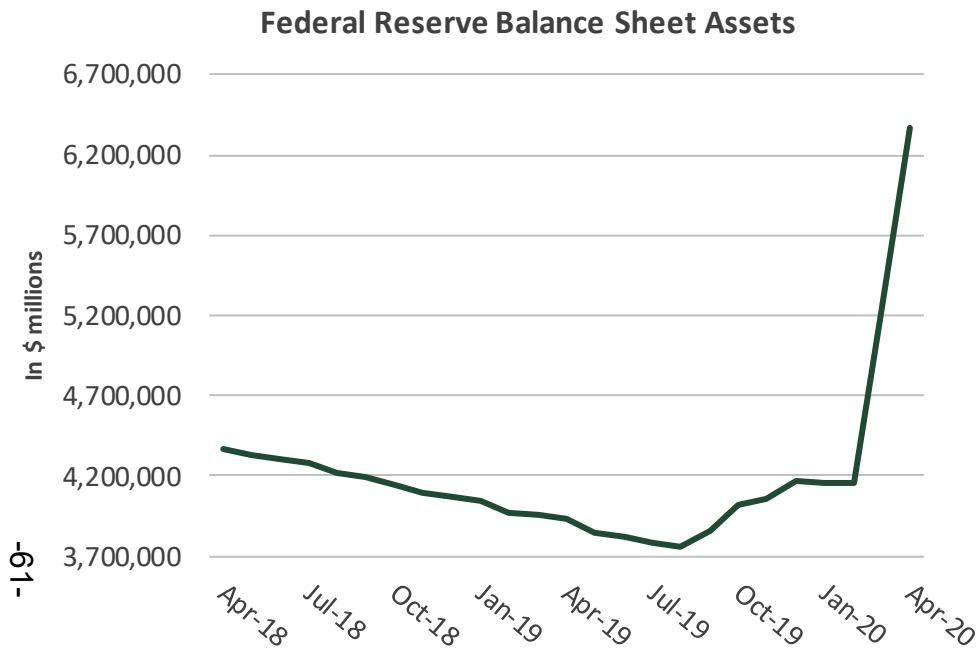
Gross Domestic Product (GDP)



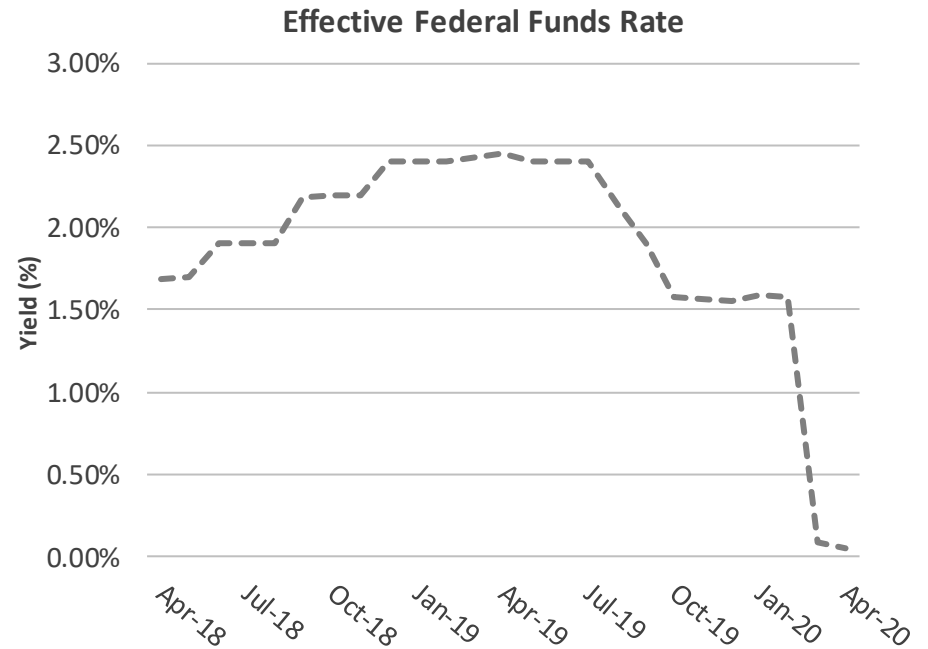
Source: US Department of Commerce

Fourth quarter 2019 GDP grew at a 2.1% annualized rate, in line with expectations. This follows growth of 2.1% in the third quarter, 2.0% in the second quarter, and 3.1% in the first quarter. Overall, GDP grew 2.3% in 2019, down from 2.9% in 2018. Fourth quarter growth was fueled by net exports and consumer spending which contributed 1.5% and 1.2% to GDP in the quarter, respectively, while gross private domestic investment was a drag on the economy. We believe the economy was expanding at a moderate pace at the beginning of this year but containment efforts related to the COVID-19 pandemic have almost certainly resulted in a steep contraction in US economic activity beginning in early March.

Federal Reserve



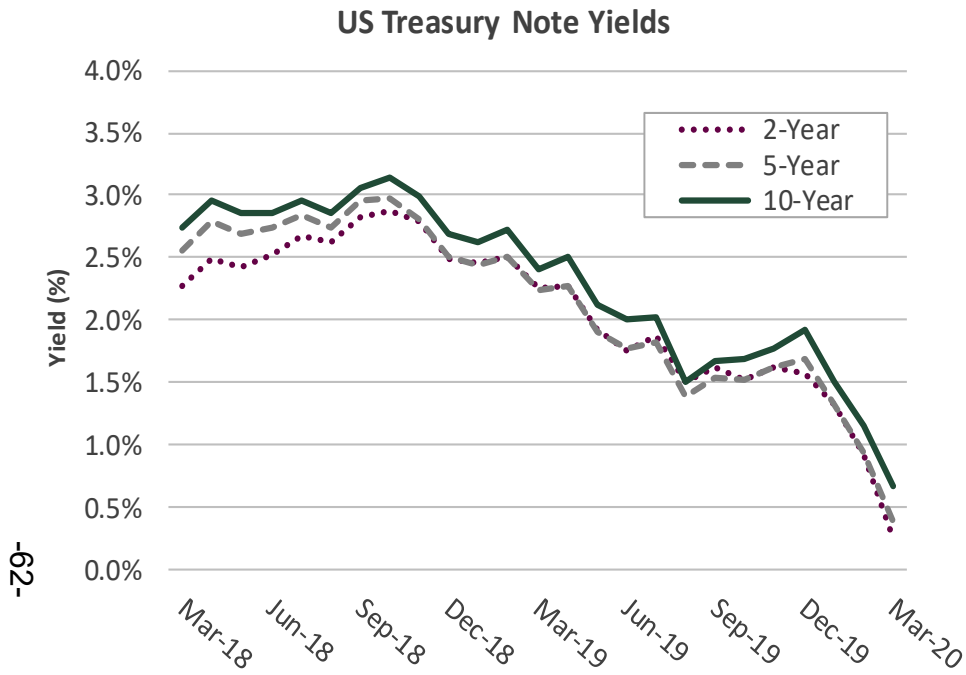
Source: Federal Reserve



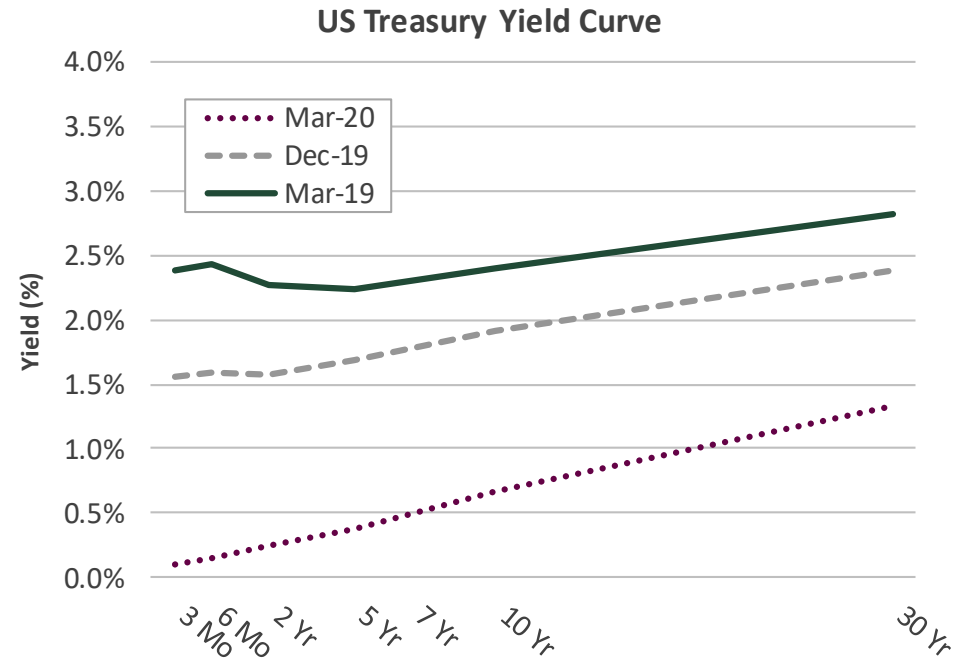
Source: Bloomberg

The Fed has taken a wide range of aggressive actions this month to help stabilize and provide liquidity to the financial markets. The Fed has lowered the fed funds target rate to a range of 0.0%-0.25% and said it will purchase Treasury and agency mortgage-backed securities in any amount needed to support smooth market functioning. Policymakers reinstated the Commercial Paper Funding Facility and Money Market Mutual Fund Liquidity Facility in order to provide liquidity to the commercial paper, money markets, and the municipal bond markets. The Fed has established the Primary Market Corporate Credit Facility and Secondary Market Corporate Credit Facility to support the corporate bond market. The Term Asset-Backed Securities Loan Facility has been established to enable the issuance of asset-backed securities backed by student loans, auto loans, credit card loans, and loans guaranteed by the Small Business Administration. The Fed has established the Paycheck Protection Program Liquidity Facility and Fed's Main Street Lending Facility which will support the flow of credit to businesses. The Fed established the Municipal Liquidity Facility to purchase short-term debt directly from US states, counties, and cities. The Fed has also provided short-term funding through large-scale repo operations and lowered the reserve requirement for depository institutions.

Bond Yields



Source: Bloomberg



Source: Bloomberg

At March month-end, Treasury yields were much lower on a year-over-year basis. The 3-month T-bill yield was down 232 basis points, the 2-year Treasury yield was down 202 basis points, and the 10-Year Treasury yield was down 174 basis points, year-over-year. Much of the spread movement was in the month of March, with the Fed cutting rates by a total of 150 basis points and concerns about a global recession and a flight to safe-haven assets driving down yields across the curve.

Important Disclosures

As of March 31, 2020

2020 Chandler Asset Management, Inc, An Independent Registered Investment Adviser.

Information contained herein is confidential. Prices are provided by IDC, an independent pricing source. In the event IDC does not provide a price or if the price provided is not reflective of fair market value, Chandler will obtain pricing from an alternative approved third party pricing source in accordance with our written valuation policy and procedures. Our valuation procedures are also disclosed in Item 5 of our Form ADV Part 2A.

Performance results are presented gross-of-advisory fees and represent the client's Total Return. The deduction of advisory fees lowers performance results. These results include the reinvestment of dividends and other earnings. Past performance may not be indicative of future results. Therefore, clients should not assume that future performance of any specific investment or investment strategy will be profitable or equal to past performance levels. All investment strategies have the potential for profit or loss. Economic factors, market conditions or changes in investment strategies, contributions or withdrawals may materially alter the performance and results of your portfolio.

Index returns assume reinvestment of all distributions. Historical performance results for investment indexes generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results. It is not possible to invest directly in an index.

Source ice Data Indices, LLC ("ICE"), used with permission. ICE permits use of the ICE indices and related data on an "as is" basis; ICE, its affiliates and their respective third party suppliers disclaim any and all warranties and representations, express and/or implied, including any warranties of merchantability or fitness for a particular purpose or use, including the indices, index data and any data included in, related to, or derived therefrom. Neither ICE data, its affiliates or their respective third party providers guarantee the quality, adequacy, accuracy, timeliness or completeness of the indices or the index data or any component thereof, and the indices and index data and all components thereof are provided on an "as is" basis and licensee's use it at licensee's own risk. ICE data, its affiliates and their respective third party do not sponsor, endorse, or recommend chandler asset management, or any of its products or services.

This report is provided for informational purposes only and should not be construed as a specific investment or legal advice. The information contained herein was obtained from sources believed to be reliable as of the date of publication, but may become outdated or superseded at any time without notice. Any opinions or views expressed are based on current market conditions and are subject to change. This report may contain forecasts and forward-looking statements which are inherently limited and should not be relied upon as indicator of future results. Past performance is not indicative of future results. This report is not intended to constitute an offer, solicitation, recommendation or advice regarding any securities or investment strategy and should not be regarded by recipients as a substitute for the exercise of their own judgment.

Fixed income investments are subject to interest, credit and market risk. Interest rate risk: the value of fixed income investments will decline as interest rates rise. Credit risk: the possibility that the borrower may not be able to repay interest and principal. Low rated bonds generally have to pay higher interest rates to attract investors willing to take on greater risk. Market risk: the bond market in general could decline due to economic conditions, especially during periods of rising interest rates.

Ratings information have been provided by Moody's, S&P and Fitch through data feeds we believe to be reliable as of the date of this statement, however we cannot guarantee its accuracy.

Security level ratings for U.S. Agency issued mortgage-backed securities ("MBS") reflect the issuer rating because the securities themselves are not rated. The issuing U.S. Agency guarantees the full and timely payment of both principal and interest and carries a AA+/Aaa/AAA by S&P, Moody's and Fitch respectively.

Benchmark Disclosures

ICE BAML 3-Month US Treasury Bill Index

The ICE BAML US 3-Month Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding Treasury Bill that matures closest to, but not beyond, three months from the rebalancing date. (Index: G001. Please visit www.mlindex.ml.com for more information)

ICE BAML 1-10 Yr US Treasury/Agency Index

The ICE BAML 1-10 Year US Treasury & Agency Index tracks the performance of US dollar denominated US Treasury and nonsubordinated US agency debt issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch). Qualifying securities must have at least one year remaining term to final maturity and less than ten years remaining term to final maturity, at least 18 months to maturity at time of issuance, a fixed coupon schedule and a minimum amount outstanding of \$1 billion for sovereigns and \$250 million for agencies. (Index: G5A0. Please visit www.mlindex.ml.com for more information)

ICE BAML 1-10 Yr US Corporate/Govt Rated AAA-A Idx

The ICE BAML 1-10 AAA-AA Year US Corporate & Government Index tracks the performance of US dollar denominated investment grade debt publicly issued in the US domestic market, including US Treasury, US agency, foreign government, supranational and corporate securities. Qualifying securities must be rated AAA through AA3 (based on an average of Moody's, S&P and Fitch). In addition, qualifying securities must have at least one year remaining term to final maturity and less than ten years remaining term to final maturity, at least 18 months to final maturity at point of issuance, a fixed coupon schedule and a minimum amount outstanding of \$1 billion for US Treasuries and \$250 million for all other securities. (Index: B5B0. Please visit www.mlindex.ml.com for more information)

ICE BAML 3-5 Yr US Treasury/Agency Index

The ICE BAML 3-5 Year US Treasury & Agency Index tracks the performance of US dollar denominated US Treasury and nonsubordinated US agency debt issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch). Qualifying securities must have at least three years remaining term to final maturity and less than five years remaining term to final maturity, at least three years to maturity at time of issuance, a fixed coupon schedule and a minimum amount outstanding of \$1 billion for sovereigns and \$250 million for agencies. (Index: G2A0. Please visit www.mlindex.ml.com for more information)

ICE BAML 0-3 Yr US Treasury Index*

The ICE BAML 0-3 Year US Treasury Index tracks the performance of US Dollar denominated Sovereign debt publicly issued by the US government in its domestic market with maturities less than three years. Qualifying securities must have at least 18 months to maturity at point of issuance, at least one month and less than three years remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of \$1 billion. (Index: G1QA. Please visit www.mlindex.ml.com for more information)

The ICE BAML 1-3 Year US Treasury Index tracks the performance of US dollar denominated sovereign debt publicly issued by the US government in its domestic market. Qualifying securities must have at least one year remaining term to final maturity and less than three years remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of \$1 billion. Qualifying securities must have at least 18 months to final maturity at the time of issuance. (Index: G1O2. Please visit www.mlindex.ml.com for more information)



moulton niguel water district

DRAFT

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE MOULTON NIGUEL WATER DISTRICT

April 9, 2020

A Regular Meeting of the Board of Directors of the Moulton Niguel Water District was held telephonically at 6:00 PM on April 9, 2020. There were present and participating:

DIRECTORS

Duane Cave	Vice President
Richard Fiore	Director
Donald Froelich	Vice President
Kelly Jennings	Director
Gary Kurtz	Director
Bill Moorhead	Director
Brian Probolsky	President

Also present and participating were:

STAFF MEMBERS, LEGAL COUNSEL, AND MEMBERS OF THE PUBLIC

Matt Collings	Assistant General Manager
Rod Woods	Director of Engineering
Drew Atwater	Director of Finance & Water Resources
Gina Hillary	Director of Human Resources
Todd Novacek	Director of Operations
Jose Solorio	Government Affairs Officer
Jeff Ferre	Best, Best, & Krieger (General Counsel)
Paige Gulck	Board Secretary
Tim Bonita	Recording Secretary
Trevor Agrelius	MNWD
Matthew Brown	MNWD
Johnathan Cruz	MNWD
Todd Dmytryshyn	MNWD
Medha Patel	MNWD
Genevieve Ramirez	MNWD

#6.

1. CALL MEETING TO ORDER:

The meeting was called to order by President Probolsky at 6:02 p.m. President Probolsky stated that the meeting was being conducted by teleconference pursuant to the Brown Act waivers provided for under the Governor's Executive Orders in response to the COVID-19 State of Emergency. As stated on the agenda, there was no public location for attending the meeting in person. The agenda also stated that the public could listen and provide comment telephonically by calling the number listed on the agenda.

2. PUBLIC COMMENTS:

President Probolsky stated that as permitted under the Brown Act, and in order to provide an equal opportunity for members of the public to provide comment without everyone talking over one another, public comments, on items on or off the agenda, would be taken during the Public Comment portion of the meeting. President Probolsky then asked if there was anyone on the phone who would like to provide comment. Hearing none, the Public Comment portion of the meeting was closed.

CONSENT CALENDAR ITEMS:(Items on the Consent Calendar have been discussed at the regularly scheduled Administrative and Technical Committee meetings)

3. MINUTES OF THE MARCH 10, 2020 SPECIAL BOARD OF DIRECTORS MEETING

4. MINUTES OF THE MARCH 12, 2020 BOARD OF DIRECTORS MEETING

MOTION DULY MADE BY GARY KURTZ AND SECONDED BY DONALD FROELICH, CONSENT ITEMS 3 AND 4 WERE APPROVED AS PRESENTED. A ROLL CALL VOTE WAS TAKEN, AND THE VOTE WAS UNANIMOUS WITH DIRECTORS DUANE CAVE, RICHARD FIORE, DONALD FROELICH, KELLY JENNINGS, GARY KURTZ, BILL MOORHEAD, AND BRIAN PROBOLSKY ALL VOTING 'AYE'.

5. MINUTES OF THE MARCH 26, 2020 BOARD OF DIRECTORS MEETING

This item was pulled from consent. Discussion ensued regarding the item.

MOTION DULY MADE BY DUANE CAVE AND SECONDED BY GARY KURTZ, ITEM 5 WAS APPROVED AS PRESENTED. A ROLL CALL VOTE WAS TAKEN, AND THE VOTE WAS UNANIMOUS WITH DIRECTORS DUANE CAVE, RICHARD FIORE, DONALD FROELICH, KELLY JENNINGS, GARY KURTZ, BILL MOORHEAD, AND BRIAN PROBOLSKY ALL VOTING 'AYE'.

6. PROFESSIONAL SERVICES AGREEMENT FOR EASTERN TRANSMISSION MAIN CONDITION ASSESSMENT

It is recommended that the Board of Directors approve the Professional Services Agreement with Black & Veatch in the amount of \$194,105; authorize the General Manager or Assistant General Manager to execute the agreement; and to approve amendments up to 10% of the contract value.

This item was pulled from consent. Rod Woods provided information on the item. Discussion ensued regarding the agreement.

MOTION DULY MADE BY BILL MOORHEAD AND SECONDED BY DONALD FROELICH, ITEM 6 WAS APPROVED AS PRESENTED. A ROLL CALL VOTE WAS TAKEN, AND THE VOTE WAS UNANIMOUS WITH DIRECTORS DUANE CAVE, RICHARD FIORE, DONALD FROELICH, KELLY JENNINGS, GARY KURTZ, BILL MOORHEAD, AND BRIAN PROBOLSKY ALL VOTING 'AYE'.

ADMINISTRATIVE MATTERS:

7. TEMPORARY BILL ADJUSTMENT POLICY REVISIONS

It is recommended that the Board of Directors approve the Temporary Amendment to the Bill Adjustment Policy.

Matt Collings provided details on the item. Discussion ensued regarding the policy revisions.

MOTION DULY MADE BY RICHARD FIORE AND SECONDED BY GARY KURTZ, ITEM 7 WAS APPROVED AS PRESENTED. A ROLL CALL VOTE WAS TAKEN, AND THE VOTE WAS UNANIMOUS WITH DIRECTORS DUANE CAVE, RICHARD FIORE, DONALD FROELICH, KELLY JENNINGS, GARY KURTZ, BILL MOORHEAD, AND BRIAN PROBOLSKY ALL VOTING 'AYE'.

LEGAL ITEMS:

8. ADOPTION OF RESOLUTION PROCLAIMING EXISTENCE OF A LOCAL EMERGENCY (RESOLUTION 20-04)

It is recommended that the Board of Directors approve the resolution entitled, "Proclaiming Existence of a Local Emergency."

Matt Collings provided information on the item. Discussion ensued regarding the resolution.

MOTION DULY MADE BY DUANE CAVE AND SECONDED BY GARY KURTZ, ITEM 8 WAS APPROVED AS PRESENTED. A ROLL CALL VOTE WAS TAKEN, AND THE

#6.

VOTE WAS UNANIMOUS WITH DIRECTORS DUANE CAVE, RICHARD FIORE, DONALD FROELICH, KELLY JENNINGS, GARY KURTZ, BILL MOORHEAD, AND BRIAN PROBOLSKY ALL VOTING 'AYE'.

INFORMATION ITEMS:

9. MONTHLY FINANCIAL REPORT

Trevor Agrelius presented the Monthly Financial Report.

GENERAL MANAGER MATTERS:(Brief general updates on District matters and/or brief general updates from staff - Informational purposes only.)

Matt Collings provided the Board with an update on the Districts COVID-19 response. Matt also stated that staff will be working on a response letter to the Municipal Water District of Orange County (MWDOC) proposed rate resolution and revised ordinance that will be considered by their Board. Finally, staff will provide the Board with a presentation on the District's budget at the April 23rd meeting.

PRESIDENT'S REPORT:

Brian Probolsky stated that the Building Ad-hoc committee has continued to meet with staff about the projects in progress at Plant 2A and that the projects are progressing well. Brian also stated that staff provided a letter to MWDOC on his behalf in regard to the Metropolitan Water District budget.

BOARD REPORTS:

Bill Moorhead commented on Plant 3A and asked staff if there was any concern that operations at the plant might be impacted due to people flushing items that shouldn't be flushed down the toilet.

Duane Cave thanked staff for all that they are doing to keep the District running during this troubling time.

Richard Fiore also thanked staff for all that they are doing and thanked President Probolsky for his very positive report.

Donald Froelich stated that he attended two MWDOC committee meetings.

FUTURE AGENDA ITEMS (Any items added under this section are for discussion at future meetings only.):

None.

LATE ITEMS: (Appropriate Findings to be Made)

None.

ADJOURNMENT:

The meeting was adjourned at 7:17 p.m.

Respectfully submitted,

Tim Bonita
Recording Secretary

DRAFT



moulton niguel water district

**DRAFT
MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
MOULTON NIGUEL WATER DISTRICT**

April 23, 2020

A Regular Meeting of the Board of Directors of the Moulton Niguel Water District was held telephonically at 6:00 PM on April 23, 2020. There were present and participating:

DIRECTORS

Duane Cave	Vice President
Richard Fiore	Director
Donald Froelich	Vice President
Kelly Jennings	Director
Gary Kurtz	Director
Bill Moorhead	Director
Brian Probolsky	President

Also present and participating were:

STAFF MEMBERS, LEGAL COUNSEL, AND MEMBERS OF THE PUBLIC

Joone Lopez	General Manager
Matt Collings	Assistant General Manager
Rod Woods	Director of Engineering
Drew Atwater	Director of Finance & Water Resources
Gina Hillary	Director of Human Resources
Todd Novacek	Director of Operations
Jose Solorio	Government Affairs Officer
Jeff Ferre	Best, Best, & Krieger (General Counsel)
Paige Gulck	Board Secretary
Tim Bonita	Recording Secretary
Trevor Agrelius	MNWD
Matthew Brown	MNWD
Johnathan Cruz	MNWD
Todd Dmytryshyn	MNWD
Shanika Goonewardene	MNWD
Deena Malone-Collom	MNWD

#7.

Mark Mountford	MNWD
Medha Patel	MNWD
Sheldon Yu	MNWD

1. **CALL MEETING TO ORDER:**

The meeting was called to order by President Probolsky at 6:00 p.m. President Probolsky stated that the meeting was being conducted by teleconference pursuant to the Brown Act waivers provided for under the Governor's Executive Orders in response to the COVID-19 State of Emergency. As stated on the agenda, there was no public location for attending the meeting in person. The agenda also stated that the public could listen and provide comment telephonically by calling the number listed on the agenda.

2. **PUBLIC COMMENTS:**

President Probolsky stated that as permitted under the Brown Act, and in order to provide an equal opportunity for members of the public to provide comment without everyone talking over one another, public comments, on items on or off the agenda, would be taken during the Public Comment portion of the meeting. President Probolsky then asked if there was anyone on the phone who would like to provide comment. Hearing none, the Public Comment portion of the meeting was closed.

ADMINISTRATIVE MATTERS:

3. **ADOPTION OF RESOLUTION ESTABLISHING DATES AND TIMES FOR REGULAR BOARD MEETINGS AND ESTABLISHING COMMITTEES (RESOLUTION 20-05)**

It is recommended that the Board of Directors approve the resolution entitled, "Establishing Dates and Times for Regular Board Meetings and Establishing Committees".

Matt Collings provided information on the item. Discussion ensued regarding the resolution.

MOTION DULY MADE BY DUANE CAVE AND SECONDED BY BILL MOORHEAD, ITEM 3 WAS APPROVED AS PRESENTED. A ROLL CALL VOTE WAS TAKEN, AND THE VOTE WAS UNANIMOUS WITH DIRECTORS DUANE CAVE, RICHARD FIORE, DONALD FROELICH, KELLY JENNINGS, GARY KURTZ, BILL MOORHEAD, AND BRIAN PROBOLSKY ALL VOTING 'AYE'.

4. **FISCAL YEAR 2020-21 PROPOSED BUDGET**

Joone Lopez provided a brief introduction to the item. Staff provided a presentation on the Fiscal Year 2020-21 Proposed Budget. Discussion ensued regarding proposed budget.

GENERAL MANAGER MATTERS:(Brief general updates on District matters and/or brief general updates from staff - Informational purposes only.)

Joone Lopez provided the Board with updates on the Districts COVID-19 response and MWDOC Budget. Joone also thanked the Board for their support of staff during this unprecedented time.

PRESIDENT'S REPORT:

Brian Probolsky stated that he attended the MWDOC Board meeting on April 15th. Brian also stated that the District's Board and employees raised over \$5,000 to help support the frontline workers at Mission Hospital.

BOARD REPORTS:

Donald Froelich stated that he attended the MWDOC Joint Planning Committee meeting on April 22nd.

Bill Moorhead provided a comment on emergency response training.

Richard Fiore stated that he attended the Laguna Niguel Chamber of Commerce virtual mixer on April 16th.

FUTURE AGENDA ITEMS (Any items added under this section are for discussion at future meetings only.):

None.

LATE ITEMS: (Appropriate Findings to be Made)

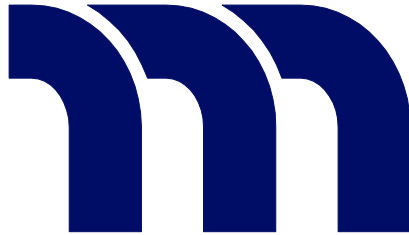
None.

ADJOURNMENT:

The meeting was adjourned at 7:37 p.m.

Respectfully submitted,

Tim Bonita
Recording Secretary



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** May 14, 2020

FROM: Rod Woods, Director of Engineering
Todd Dmytryshyn, Engineering Manager

SUBJECT: Amendment No. 1 to the Construction Management and Inspection Agreement for Reservoir Management Systems Replacement Phase 2

SUMMARY:

Issue: Board action is required to execute an amendment to the Professional Services Agreement (PSA) for construction management and inspection (CM&I) services for the Reservoir Management Systems Replacement Phase 2, Project No. 2017.003.

Recommendation: It is recommended that the Board of Directors approve Amendment No. 1 to the PSA with Butier Engineering, Inc. (Butier) in the amount of \$110,000 for a new total not-to-exceed amount of \$468,990; and authorize the General Manager or Assistant General Manager to execute the amendment.

Fiscal Impact: Project No. 2017.003 is budgeted in Fund 7, Rehabilitation and Replacement with a current project budget of \$5,487,394. The proposed project budget is \$5,561,495. Sufficient funds are available in Fund 7; the overall Fiscal Year 2019-20 CIP budget for Fund 7 is \$43,624,388.

Reviewed by Committee: Yes, recommended for approval at Technical Committee Meeting on May 4, 2020.

Reviewed by Legal: Yes

BACKGROUND:

The District is currently in the process of replacing reservoir management systems (RMS) located at reservoir sites throughout the District. The replacement program will ultimately replace all twenty (20) of the existing systems. The RMS are used to maintain consistent disinfection levels in the District's potable water distribution system. The Phase 1 project was completed in July 2019. This Phase 2 project involves the simultaneous construction of new RMS at five sites as shown on the Exhibit A Location Map and is currently under construction.

#8.

Amendment No. 1 to the Construction Management and Inspection Agreement for Reservoir Management Systems Replacement Phase 2

May 14, 2020

Page 2 of 2

In December 2018, the Board approved the PSA for CM&I services with Butier in the amount of \$358,990. The Board also approved a 10% contingency in the amount of \$35,899. There have been no previous amendments and none of the original contingency has been utilized. Also, in December 2018, the Board awarded the construction contract to Gateway Pacific Contractors, Inc. The Notice to Proceed was issued to Gateway on March 29, 2019. The original construction duration was 390 calendar days, with a completion date of April 22, 2020.

DISCUSSION:

Due to a variety of unforeseen circumstances, construction work has been extended by approximately three months and is estimated to be completed in late July 2020. The primary cause of the extended construction schedule was unforeseen buried utility conflicts at several of the reservoir sites. These conflicts significantly slowed down excavation activities associated with construction of the RMS building foundations and new buried piping connecting the buildings and reservoirs. Another factor that contributed to the extended construction schedule involved weather-related operational constraints related to draining a reservoir to complete the required work.

District Staff has been very pleased with the CM&I services provided by Butier in support of the project to date. The proposed amendment would cover similar CM&I services for an additional three months through the remainder of the extended construction schedule. This amendment, as well as the original PSA, will continue to be performed on a time and materials not to exceed basis.

SUMMARY OF PROJECT BUDGET:

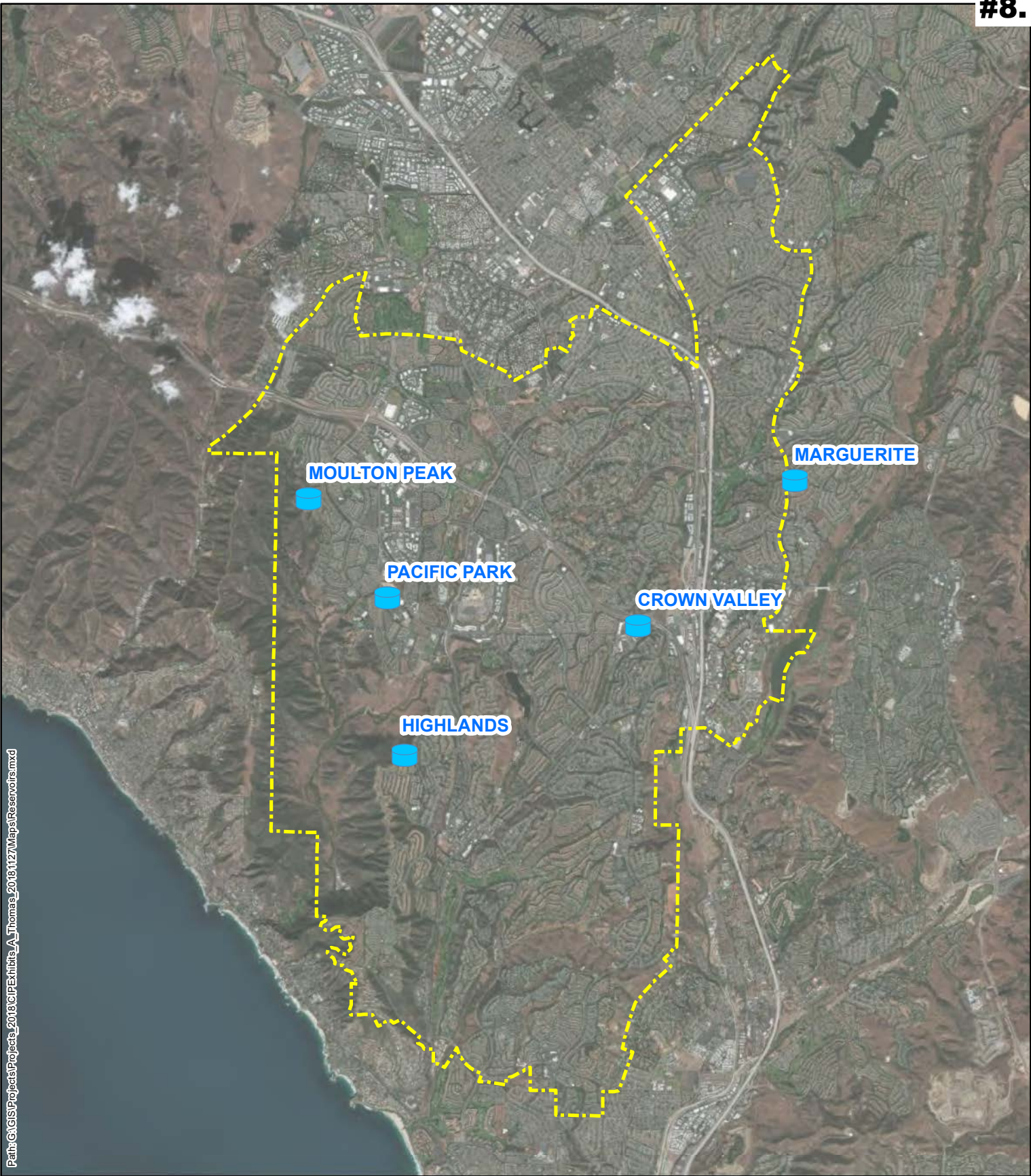
	Project Budget	Proposed / Approved Contract	Proposed / Authorized Contingency	Total Proposed / Authorized Amount
Project Items*				
Engineering	\$514,243	\$467,494	\$46,749	\$514,243
Construction	\$4,553,262	\$4,139,329	\$413,933	\$4,553,262
CM&I	\$394,889	\$358,990	\$110,000	\$468,990
Legal, Permits, District Labor	\$25,000	\$25,000	\$0	\$25,000
Totals	\$5,487,394	\$4,990,813	\$570,682	\$5,561,495

*\$3,098,365 has been expended to date



Currently Proposed Amount

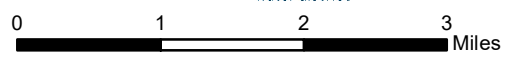
Attachments:

1. Exhibit A – Location Map
2. Exhibit B – Original PSA (Fully Executed)
3. Exhibit C – Amendment No. 1 to PSA (Proposed)



Path: C:\GIS\Projects\Projects_2018\CIP\Exhibit_A_Thomas_2018\1127\Maps\Reservoirs.mxd

-  Reservoir Sites
-  District Boundary



Scale = 1:85,000

Exhibit "A" Location Map
2017-18 Reservoir Management
Systems Replacement
Contract No. 2017.003

**PROFESSIONAL SERVICES AGREEMENT
 BETWEEN
 MOULTON NIGUEL WATER DISTRICT AND
 BUTIER ENGINEERING, INC.
 MNWD PROJECT: CM&I SERVICES FOR 2017-18 RESERVOIR MANAGEMENT SYSTEMS
 REPLACEMENT
 CONTRACT NO. 2017.003b**

This Agreement (the "Agreement") is made and entered into this 9th day of January, 2019 ("Effective Date") by and between the Moulton Niguel WATER DISTRICT ("MNWD") and Butier Engineering, Inc., a corporation with its principal place of business at 17822 17th Street, Suite 404, Tustin, CA 92780 ("Consultant"). MNWD and Consultant are sometimes individually referred to as "Party" and collectively as "Parties" in this Agreement.

SECTION I – PURPOSE

Consultant shall provide certain professional services required by MNWD on the terms and conditions set forth in this Agreement. Consultant represents that it has the qualifications, experience, licenses, and facilities necessary to properly perform construction management and inspection services in a competent and professional manner.

SECTION II – TERM

The term of this Agreement shall be from the Effective Date above to **June 30, 2020**, unless earlier terminated as provided herein.

SECTION III – SCOPE OF SERVICES

Section 3.1. Scope of Services. The scope of services to be provided by Consultant is set forth on Exhibit "A" attached hereto and by this reference incorporated herein ("Services"). Consultant warrants that it will perform the Services as set forth herein in a competent, professional and satisfactory manner. All Services shall be subject to, and performed 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.

Section 3.2. Schedule of Services. Consultant shall complete the Services within the term of this Agreement and shall meet any other established schedules and deadlines, including any schedule of services set forth in Exhibit "A."

Section 3.3. Permits, Licenses, Fees and Other Charges. Consultant shall, in accordance with applicable laws and ordinances, obtain at his/her/its expense all permits and licenses necessary to accomplish the Services. Failure to maintain a required license or permit may result in immediate termination of this Agreement.

SECTION IV – COMPENSATION

Section 4.1. Payment for Services Rendered. Consultant shall receive compensation, including authorized reimbursements, for all Services rendered under this Agreement at the rates set forth in Exhibit "B" attached hereto and incorporated herein by reference. The total compensation shall not exceed **Three Hundred Fifty-Eight Thousand Nine Hundred Ninety Dollars (\$358,990)** without written approval by MNWD. Extra Work may be authorized, as

described below, and if authorized, will be compensated at the rates and manner set forth in this Agreement.

Section 4.2. Invoices. Consultant shall submit to MNWD a monthly itemized statement which indicates work completed and hours of Services rendered by Consultant. The statement shall describe the Services and supplies provided since the initial commencement date, or since the start of the subsequent billing periods, as appropriate, through the date of the statement. MNWD shall, within 45 days of receiving such statement, review the statement and pay all approved charges thereon.

- A. Payment shall not constitute acceptance of any work completed by Consultant.
- B. The making of final payment shall not constitute a waiver of any claims by MNWD for any reason whatsoever.

Section 4.3. Reimbursement for Expenses. Consultant shall not be reimbursed for any expenses unless authorized in writing by MNWD.

Section 4.4. Extra Work. At any time during the term of this Agreement, MNWD may request that Consultant perform Extra Work. As used herein, "Extra Work" means any work which is determined by MNWD to be necessary for the proper completion of the Project, but which the parties did not reasonably anticipate would be necessary at the execution of this Agreement. Consultant shall not perform, nor be compensated for, Extra Work without written authorization by MNWD.

SECTION V – REPRESENTATIVES OF THE PARTIES

Section 5.1. MNWD's Representative. MNWD hereby designates its Director of Engineering, or his designee, to act as its representative for the performance of this Agreement ("MNWD's Representative"). Consultant shall not accept direction or orders from any person other than MNWD's Representative or his or her designee.

Section 5.2. Consultant's Representative. Consultant hereby designates Mark M. Butier, Jr. or his designee, to act as its representative for the performance of this Agreement ("Consultant's Representative"). Consultant's Representative shall have full authority to represent and act on behalf of the Consultant for all purposes under this Agreement. The Consultant's Representative shall supervise and direct the Services, using his best skill and attention, and shall be responsible for all means, methods, techniques, sequences, and procedures and for the satisfactory coordination of all portions of the Services under this Agreement.

SECTION VI – RESPONSIBILITIES OF CONSULTANT

Section 6.1. Control and Payment of Subordinates; Independent Contractor. The Services shall be performed by Consultant or under its supervision. Consultant will determine the means, methods and details of performing the Services subject to the requirements of this Agreement. MNWD retains Consultant on an independent contractor basis and not as an employee. Consultant retains the right to perform similar or different services for others during the term of this Agreement. Any additional personnel performing the Services under this Agreement on behalf of Consultant shall also not be employees of MNWD and shall at all times be under Consultant's exclusive direction and control. Consultant shall pay all wages, salaries, and other amounts due such personnel in connection with their performance of Services under this

Agreement and as required by law. Consultant shall be responsible for all reports and obligations respecting such additional personnel, including, but not limited to: social security taxes, income tax withholding, unemployment insurance, disability insurance, and workers' compensation insurance.

Section 6.2. Standard of Care; Performance of Employees. Consultant shall perform all Services under this Agreement in a skillful and competent manner, consistent with the standards generally recognized as being employed by professionals in the same discipline in the State of California. Consultant represents and maintains that it is skilled in the professional calling necessary to perform the Services. Consultant warrants that all employees and subconsultants shall have sufficient skill and experience to perform the Services assigned to them. Finally, Consultant represents that it, its employees and subconsultants have all licenses, permits, qualifications and approvals of whatever nature that are legally required to perform the Services, and that such licenses and approvals shall be maintained throughout the term of this Agreement. As provided for in the indemnification provisions of this Agreement, Consultant shall perform, at its own cost and expense and without reimbursement from MNWD, any services necessary to correct errors or omissions which are caused by the Consultant's failure to comply with the standard of care provided for herein.

Section 6.3. Conformance to Applicable Requirements. All work prepared by Consultant shall be subject to the approval of MNWD.

Section 6.4. Substitution of Key Personnel. Consultant has represented to MNWD that certain key personnel will perform and coordinate the Services under this Agreement. The key personnel for performance of this Agreement are as follows: Kenji Shintaku, Joseph Hawes, Frank Johnson, and Kent Kreeger. Should one or more of such personnel become unavailable, Consultant may substitute other personnel of at least equal competence upon written approval of MNWD. In the event that MNWD and Consultant cannot agree as to the substitution of key personnel, MNWD shall be entitled to terminate this Agreement for cause. Furthermore, any personnel who fail or refuse to perform the Services in a manner acceptable to MNWD, or who are determined by MNWD to be uncooperative, incompetent, a threat to the adequate or timely completion of the Services or a threat to the safety of persons or property, shall be promptly removed from performing Services by the Consultant at the request of MNWD.

Section 6.5. Coordination of Services. Consultant agrees to work closely with MNWD staff in the performance of Services and shall be available to MNWD's staff, consultants and other staff at all reasonable times.

Section 6.6. Laws and Regulations. Consultant shall keep itself fully informed of and in compliance with all local, state and federal laws, rules and regulations in any manner affecting the performance of the Project or the Services, including all Cal/OSHA requirements, and shall give all notices required by law. Consultant shall be liable for all violations of such laws and regulations in connection with Services. If the Consultant performs any work knowing it to be contrary to such laws, rules and regulations, Consultant shall be solely responsible for all costs arising therefrom. Consultant shall defend, indemnify and hold MNWD, its officials, directors, officers, employees, and agents free and harmless, pursuant to the indemnification provisions of this Agreement, from any claim or liability arising out of any failure or alleged failure to comply with such laws, rules or regulations.

SECTION VII – LABOR CODE PROVISIONS

Section 7.1. Prevailing Wages. Consultant is aware of the requirements of California Labor Code Section 1720, et seq., and 1770, et seq., as well as California Code of Regulations, Title 8, Section 16000, et seq., ("Prevailing Wage Laws"), which require the payment of prevailing wage rates and the performance of other requirements on "public works" and "maintenance" projects. If the Services are being performed as part of an applicable "public works" or "maintenance" project, as defined by the Prevailing Wage Laws, and if the total compensation is \$1,000 or more, Consultant agrees to fully comply with such Prevailing Wage Laws. MNWD shall provide Consultant with a copy of the prevailing rates of per diem wages in effect at the commencement of this Agreement. Consultant shall make copies of the prevailing rates of per diem wages for each craft, classification or type of worker needed to execute the Services available to interested parties upon request, and shall post copies at the Consultant's principal place of business and at the project site. It is the intent of the parties to effectuate the requirements of sections 1771, 1774, 1775, 1776, 1777.5, 1813, and 1815 of the Labor Code within this Agreement, and Consultant shall therefore comply with such Labor Code sections to the fullest extent required by law. Consultant shall defend, indemnify and hold MNWD, its elected officials, officers, employees and agents free and harmless from any claim or liability arising out of any failure or alleged failure to comply with the Prevailing Wage Laws.

Section 7.2. Registration and Labor Compliance. If the services are being performed as part of an applicable "public works" or "maintenance" project, then, in addition to the foregoing, pursuant to Labor Code sections 1725.5 and 1771.1, the Consultant and all subconsultants must be registered with the Department of Industrial Relations ("DIR"). Consultant shall maintain registration for the duration of the project and require the same of any subconsultants. This project may also be subject to compliance monitoring and enforcement by the Department of Industrial Relations. It shall be Consultant's sole responsibility to comply with all applicable registration and labor compliance requirements, including the submission of payroll records directly to the DIR.

Section 7.3. Labor Certification. By its signature hereunder, Consultant certifies that it is aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for Worker's Compensation or to undertake self-insurance in accordance with the provisions of that Code, and agrees to comply with such provisions before commencing the performance of the Services.

SECTION VIII – INDEMNIFICATION

To the fullest extent permitted by law, Consultant shall immediately indemnify, defend, and hold MNWD, its directors, officials, officers, employees, volunteers and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury of any kind, in law or equity, to property or persons, including wrongful death, in any manner arising out of, pertaining to, or incident to any alleged acts, errors or omissions of Consultant, its officials, officers, employees, subcontractors, consultants or agents in connection with the performance of the Consultant's Services or this Agreement, including without limitation the payment of all consequential damages, expert witness fees and attorneys' fees and other related costs and expenses. Consultant shall pay and satisfy any judgment, award or decree that may be rendered against MNWD or its directors, officials, officers, employees, volunteers and agents as part of any such claim, suit, action or other proceeding. Consultant shall also reimburse MNWD for the cost of any settlement paid by MNWD or its directors, officials, officers, employees, agents or volunteers as part of any such claim, suit, action or other proceeding. Such reimbursement

shall include payment for MNWD's attorneys' fees and costs, including expert witness fees. Consultant shall reimburse MNWD and its directors, officials, officers, employees, agents, and/or volunteers, for any and all legal expenses and costs incurred by each of them in connection therewith or in enforcing the indemnity herein provided. Consultant's obligation to indemnify shall survive expiration or termination of this Agreement, and shall not be restricted to insurance proceeds, if any, received by MNWD, its directors, officials, officers, employees, agents, or volunteers. Notwithstanding the foregoing, to the extent Consultant's Services are subject to Civil Code Section 2782.8, the above indemnity shall be limited, to the extent required by Civil Code Section 2782.8, to claims that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Consultant.

SECTION IX – INSURANCE

Section 9.1. Time for Compliance. Consultant shall not commence Work under this Agreement until it has provided evidence satisfactory to MNWD that it has secured all insurance required under this section. In addition, Consultant shall not allow any subconsultant to commence work on any subcontract until it has provided evidence satisfactory to MNWD that the subconsultant has secured all insurance required under this section. Failure to provide and maintain all required insurance shall be grounds for MNWD to terminate this Agreement for cause.

Section 9.2. Minimum Requirements. Consultant shall, at its expense, procure and maintain for the duration of the Agreement insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the Agreement by the Consultant, its agents, representatives, employees or subconsultants. Consultant shall also require all of its subconsultants to procure and maintain the same insurance for the duration of the Agreement. Such insurance shall meet at least the following minimum levels of coverage:

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). Consultant shall maintain limits no less than \$1,000,000 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/location 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) MNWD, its directors, officials, officers, employees, agents, and volunteers shall be covered as additional insured with respect to the Work or operations performed by or on behalf of the Consultant, 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 MNWD, 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 Consultant's scheduled underlying coverage. Any insurance or self-insurance maintained by MNWD, its directors, officials, officers, employees, agents, and volunteers shall be excess of the Consultant's insurance and shall not be called upon to contribute with it in any way.

B. 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). Consultant shall maintain limits no less than \$1,000,000 per accident for bodily injury and property damage. The automobile liability policy shall include or be endorsed (amended) to state that: (1) MNWD, 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 Consultant or for which the Consultant is responsible; and (2) the insurance coverage shall be primary insurance as respects MNWD, its directors, officials, officers, employees, agents, and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of the Consultant's scheduled underlying coverage. Any insurance or self-insurance maintained by MNWD, its directors, officials, officers, employees, agents, and volunteers shall be excess of the Consultant'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.

C. Workers' Compensation and Employer's Liability Insurance. Consultant shall maintain Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance in an amount no less than \$1,000,000 per accident for bodily injury or disease. The insurer shall agree to waive all rights of subrogation against MNWD, its directors, officials, officers, employees, agents, and volunteers for losses paid under the terms of the insurance policy which arise from work performed by the Consultant.

D. Professional Liability. Consultant shall procure and maintain, and require its subconsultants to procure and maintain, for a period of five (5) years following completion of the Project, errors and omissions liability insurance appropriate to their profession covering Consultant's wrongful acts, negligent actions, errors or omissions. The retroactive date (if any) is to be no later than the effective date of this agreement. Consultant shall purchase a one-year extended reporting period: i) if the retroactive date is advanced past the effective date of this Agreement; ii) if the policy is canceled or not renewed; or iii) if the policy is replaced by another claims-made policy with a retroactive date subsequent to the effective date of this Agreement. Such insurance shall be in an amount not less than \$2,000,000 per claim.

E. Excess Liability (if necessary). The limits of Insurance required in this Agreement may be satisfied by a combination of primary and umbrella or excess insurance. Any umbrella or excess coverage shall contain or be endorsed to contain a provision that such coverage shall also apply on a primary and non-contributory basis for the benefit of MNWD (if agreed to in a written contract or agreement) before MNWD's own primary or self-insurance shall be called upon to protect it as a named insured. The policy shall be endorsed to state that MNWD, its directors, officials, officers, employees, agents, and volunteers shall be covered as additional insured at least as broad a form as CG 20 10 11 85 or the latest versions of both CG 20 10 and CG 20 37. The coverage shall contain no special limitations on the scope of protection afforded to MNWD, its directors, officials, officers, employees, agents, and volunteers.

Section 9.3. All Coverages. The Consultant is required by this Agreement to state that: (i) coverage shall not be suspended, voided, reduced or canceled except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to MNWD; If any of the required coverages expire or cancel during the term of this agreement, the Consultant shall deliver the renewal certificate(s) including the general liability additional insured endorsement to MNWD at least ten (10) days prior to the cancellation or expiration date; and (ii) any failure to comply with

reporting or other provisions of the policies, including breaches of warranties, shall not affect coverage provided to MNWD, its directors, officials, officers, employees, agents, and volunteers.

Section 9.4. Separation of Insureds; No Special Limitations. All insurance required by this Section shall contain standard separation of insureds provisions. In addition, such insurance shall not contain any special limitations on the scope of protection afforded to MNWD, its directors, officials, officers, employees, agents, and volunteers.

Section 9.5. Deductibles and Self-Insurance Retentions. Any deductibles or self-insured retentions must be declared to and approved by MNWD. Consultant shall guarantee that, at the option of MNWD, either: (i) the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects MNWD, its directors, officials, officers, employees, agents, and volunteers; and insurer shall provide or be endorsed to provide that the deductibles or SIR may be satisfied by either the named or additional insureds, co-insurers, and/or insureds other than the First Named Insured or (ii) the Consultant shall procure a bond guaranteeing payment of losses and related investigation costs, claims, and administrative and defense expenses.

Section 9.6. Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating no less than A-:VII or equivalent, or as otherwise approved by MNWD.

Section 9.7. Verification of Coverage. Consultant shall furnish MNWD with original certificates of insurance and endorsements effecting coverage required by this Agreement on forms satisfactory to MNWD. The certificates and endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf, and shall be on forms provided by MNWD if requested. All certificates and endorsements must be received and approved by MNWD before work commences. MNWD reserves the right to require complete, certified copies of all required insurance policies, at any time. In the event that the Consultant employs other consultants (sub-consultants) as part of the services covered by this agreement, it shall be the Consultant's responsibility to require and confirm that each sub-consultant meets the minimum insurance requirements specified above.

Section 9.8. Reporting of Claims. Consultant shall report to MNWD, in addition to Consultant's insurer, any and all insurance claims submitted by Consultant in connection with the Services under this Agreement.

SECTION X – TERMINATION

Section 10.1. Grounds for Termination. MNWD may, by written notice to Consultant, terminate the whole or any part of this Agreement at any time and without cause by giving written notice to Consultant of such termination, and specifying the effective date thereof, at least seven (7) days before the effective date of such termination. Upon termination, Consultant shall be compensated only for those services which have been adequately rendered to MNWD, and Consultant shall be entitled to no further compensation. Consultant may not terminate this Agreement except for cause.

Section 10.2. Effect of Termination. If this Agreement is terminated as provided herein, MNWD may require Consultant to provide all finished or unfinished Documents and Data and other information of any kind prepared by Consultant in connection with the performance of Services under this Agreement. Consultant shall be required to provide such document and other information within fifteen (15) days of the request.

Section 10.3. Additional Services. In the event this Agreement is terminated in whole or in part as provided herein, MNWD may procure, upon such terms and in such manner as it may determine appropriate, services similar to those terminated.

SECTION XI – OWNERSHIP OF MATERIALS AND CONFIDENTIALITY

Section 11.1. Documents & Data; Licensing of Intellectual Property. This Agreement creates a non-exclusive and perpetual license for MNWD to copy, use, modify, reuse, or sublicense any and all copyrights, designs, and other intellectual property embodied in plans, specifications, studies, drawings, estimates, and other documents or works of authorship fixed in any tangible medium of expression, including but not limited to, physical drawings or data magnetically or otherwise recorded on computer diskettes, which are prepared or caused to be prepared by Consultant under this Agreement ("Documents & Data"). All Documents & Data shall be and remain the property of MNWD, and shall not be used in whole or in substantial part by Consultant on other projects without MNWD's express written permission. Within thirty (30) days following the completion, suspension, abandonment or termination of this Agreement, Consultant shall provide to MNWD reproducible copies of all Documents & Data, in a form and amount required by MNWD. MNWD reserves the right to select the method of document reproduction and to establish where the reproduction will be accomplished. The reproduction expense shall be borne by MNWD at the actual cost of duplication. In the event of a dispute regarding the amount of compensation to which the Consultant is entitled under the termination provisions of this Agreement, Consultant shall provide all Documents & Data to MNWD upon payment of the undisputed amount. Consultant shall have no right to retain or fail to provide to MNWD any such documents pending resolution of the dispute. In addition, Consultant shall retain copies of all Documents & Data on file for a minimum of fifteen (15) years following completion of the Project, and shall make copies available to MNWD upon the payment of actual reasonable duplication costs. Before destroying the Documents & Data following this retention period, Consultant shall make a reasonable effort to notify MNWD and provide MNWD with the opportunity to obtain the documents.

Section 11.2. Subconsultants. Consultant shall require all subconsultants to agree in writing that MNWD is granted a non-exclusive and perpetual license for any Documents & Data the subconsultant prepares under this Agreement. Consultant represents and warrants that Consultant has the legal right to license any and all Documents & Data. Consultant makes no such representation and warranty in regard to Documents & Data which were prepared by design professionals other than Consultant or its subconsultants, or those provided to Consultant by MNWD.

Section 11.3. Right to Use. MNWD shall not be limited in any way in its use or reuse of the Documents and Data or any part of them at any time for purposes of this Project or another project, provided that any such use not within the purposes intended by this Agreement or on a project other than this Project without employing the services of Consultant shall be at MNWD's sole risk. If MNWD uses or reuses the Documents & Data on any project other than this Project, it shall remove the Consultant's seal from the Documents & Data and indemnify and hold harmless Consultant and its officers, directors, agents and employees from claims arising out of the negligent use or re-use of the Documents & Data on such other project. Consultant shall be responsible and liable for its Documents & Data, pursuant to the terms of this Agreement, only with respect to the condition of the Documents & Data at the time they are provided to MNWD upon completion, suspension, abandonment or termination. Consultant shall not be responsible or liable for any revisions to the Documents & Data made by any party other than Consultant, a

party for whom the Consultant is legally responsible or liable, or anyone approved by the Consultant.

Section 11.4. Intellectual Property Indemnification. Consultant shall defend, indemnify and hold MNWD, its directors, officials, officers, employees, volunteers and agents free and harmless, pursuant to the indemnification provisions of this Agreement, for any alleged infringement of any patent, copyright, trade secret, trade name, trademark, or any other proprietary right of any person or entity in consequence of the use on the Project by MNWD of the Documents & Data, including any method, process, product, or concept specified or depicted.

Section 11.5. Confidentiality. All Documents & Data, either created by or provided to Consultant in connection with the performance of this Agreement, shall be held confidential by Consultant. All Documents & Data shall not, without the prior written consent of MNWD, be used or reproduced by Consultant for any purposes other than the performance of the Services. Consultant shall not disclose, cause or facilitate the disclosure of the Documents & Data to any person or entity not connected with the performance of the Services or the Project. Nothing furnished to Consultant that is otherwise known to Consultant or is generally known, or has become known, to the related industry shall be deemed confidential. Consultant shall not use MNWD's name or insignia, photographs of the Project, or any publicity pertaining to the Services or the Project in any magazine, trade paper, newspaper, television or radio production or other similar medium without the prior written consent of MNWD.

SECTION XII – ACCOUNTING, INSPECTION AND AUDIT

Section 12.1. Records. Consultant shall keep and shall preserve for four (4) years after final completion of the services, accurate and detailed records of all ledgers, books of account, invoices, vouchers, cancelled checks, and other documents or records evidencing or relating to the work, services and disbursements charged to MNWD under this Agreement (collectively, "Books and Records"). Any and all Books and Records must be maintained in accordance with generally accepted accounting principles and must be sufficiently complete and detailed so as to permit an accurate evaluation of the services provided by Consultant under this Agreement. During such four (4) year period, Consultant shall give MNWD and its agents, during normal business hours, access to such Books and Records. MNWD and its agents shall have the right to make copies of any of the said Books and Records.

Section 12.2. Custody. Where MNWD has reason to believe that any of the Books and Records required to be maintained by this Article may be lost or discarded due to dissolution or termination of Consultant's business, MNWD may, by written request, require that custody of such Books and Records be given to a person or entity mutually agreed upon and such Books and Records thereafter shall be maintained by such person or entity at Consultant's expense. Access to the Books and Records shall be granted to MNWD and its Representatives.

SECTION XIII – GENERAL PROVISIONS

Section 13.1. Delivery of Notices. All notices permitted or required under this Agreement shall be given to the respective parties at the following address, or at such other address as the respective parties may provide in writing for this purpose:

MNWD:

Moulton Niguel Water District
26161 Gordon Rd.
Laguna Hills, CA 92653
Attn: Director of Engineering

CONSULTANT:

Butier Engineering, Inc.
17822 17th Street, Suite 404
Tustin, CA 92780
Attn: Mark M. Butier, Jr.

Such notice shall be deemed made when personally delivered or when mailed, forty-eight (48) hours after deposit in the U.S. Mail, first class postage prepaid and addressed to the party at its applicable address. Actual notice shall be deemed adequate notice on the date actual notice occurred, regardless of the method of service.

Section 13.2. Subcontracting/Subconsulting. Consultant shall not subcontract any portion of the work required by this Agreement, except as expressly stated herein, without prior written approval of MNWD. Subcontracts, if any, shall contain a provision making them subject to all provisions stipulated in this Agreement.

Section 13.3. Equal Opportunity Employment. Consultant represents that it is an equal opportunity employer and it shall not discriminate against any subconsultant, employee or applicant for employment because of race, religion, color, national origin, handicap, ancestry, sex or age. Such non-discrimination shall include, but not be limited to, all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination. Consultant shall also comply with all relevant provisions of MNWD's Minority Business Enterprise program, Affirmative Action Plan or other related programs or guidelines currently in effect or hereinafter enacted.

Section 13.4. Time of Essence. Time is of the essence for each and every provision of this Agreement.

Section 13.5. MNWD's Right to Employ Other Consultants. MNWD reserves right to employ other consultants in connection with this Project.

Section 13.6. Successors and Assigns. This Agreement shall be binding on the successors and assigns of the parties.

Section 13.7. Assignment or Transfer. Consultant shall not assign, hypothecate or transfer, either directly or by operation of law, this Agreement or any interest herein without the prior written consent of MNWD. Any attempt to do so shall be null and void, and any assignees, hypothecates or transferees shall acquire no right or interest by reason of such attempted assignment, hypothecation or transfer.

Section 13.8. Construction; References; Captions. Since the Parties or their agents have participated fully in the preparation of this Agreement, the language of this Agreement shall be construed simply, according to its fair meaning, and not strictly for or against any Party. Any term referencing time, days or period for performance shall be deemed calendar days and not work days. All references to Consultant include all personnel, employees, agents, and subconsultants of Consultant, except as otherwise specified in this Agreement. All references to MNWD include its elected officials, officers, employees, agents, and volunteers except as otherwise specified in this Agreement. The captions of the various articles and paragraphs are for convenience and ease of reference only, and do not define, limit, augment, or describe the scope, content or intent of this Agreement.

Section 13.9. Amendment; Modification. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing and signed by both Parties.

Section 13.10. Waiver. No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a Party shall give the other Party any contractual rights by custom, estoppel or otherwise.

Section 13.11. No Third Party Beneficiaries. There are no intended third party beneficiaries of any right or obligation assumed by the Parties.

Section 13.12. Invalidity; Severability. If any portion of this Agreement is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.

Section 13.13. Prohibited Interests. Consultant maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Consultant, to solicit or secure this Agreement. Further, Consultant warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. Consultant further agrees to file, or shall cause its employees or subconsultants to file, a Statement of Economic Interest with MNWD's Filing Officer as required under state law in the performance of the Services. For breach or violation of this warranty, MNWD shall have the right to rescind this Agreement without liability. For the term of this Agreement, no member, officer or employee of MNWD, during the term of his or her service with MNWD, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

Section 13.14. Cooperation; Further Acts. The Parties shall fully cooperate with one another, and shall take any additional acts or sign any additional documents as may be necessary, appropriate or convenient to attain the purposes of this Agreement.

Section 13.15. Governing Law. This Agreement shall be governed by the laws of the State of California. Venue shall be in Orange County.

Section 13.16. Government Code Claim Compliance. In addition to any and all contract requirements pertaining to notices of and requests for compensation or payment for extra work, disputed work, claims and/or changed conditions, Consultant must comply with the claim procedures set forth in Government Code sections 900 et seq. prior to filing any lawsuit against MNWD. Such Government Code claims and any subsequent lawsuit based upon the Government Code claims shall be limited to those matters that remain unresolved after all procedures pertaining to extra work, disputed work, claims, and/or changed conditions have been followed by Consultant. If no such Government Code claim is submitted, or if any prerequisite contractual requirements are not otherwise satisfied as specified herein, Consultant shall be barred from bringing and maintaining a valid lawsuit against MNWD.

Section 13.17. Attorneys' Fees. If either party commences an action against the other party, either legal, administrative or otherwise, arising out of or in connection with this Agreement, the prevailing party in such litigation shall be entitled to have and recover from the losing party reasonable attorneys' fees and all other costs of such action.

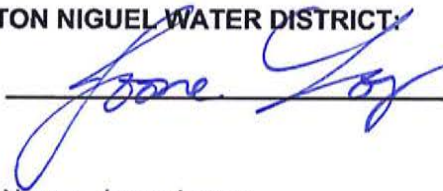
Section 13.18. Authority to Enter Agreement. Consultant has all requisite power and authority to conduct its business and to execute, deliver, and perform the Agreement. Each Party warrants that the individuals who have signed this Agreement have the legal power, right, and authority to make this Agreement and bind each respective Party.

Section 13.19. Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original.

Section 13.20. Entire Agreement. This Agreement contains the entire Agreement of the parties with respect to the subject matter hereof, and supersedes all prior negotiations, understandings or agreements. This Agreement may only be modified by a writing signed by both parties.

MOULTON NIGUEL WATER DISTRICT:

By:



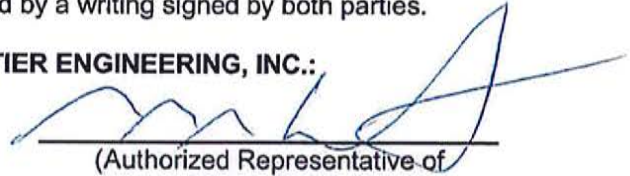
Printed Name: Joone Lopez

Title: General Manager

Dated: 1/9/19

BUTIER ENGINEERING, INC.:

By:


(Authorized Representative of Consultant)

Printed Name: Mark M. Bether

Title: VP/CEO

Dated: 1/3/2019

Exhibit "A"

SECTION A
Executive Summary Letter



November 14, 2018

Moulton Niguel Water District
26161 Gordon Road
Laguna Hills, CA 92653
Attn: Todd Dmytryshyn, Principal Engineer

Subject: Construction Management and Inspection Services for 2017-18 Reservoir Management Systems Replacement, Project No. 2017.003

Dear Mr. Dmytryshyn:

Butier Engineering, Inc. (Butier) is pleased to present three (3) hard copies and one (1) electronic PDF copy of our qualifications on CD. We have also included three (3) hard copies of our Fee Proposal in a separate sealed envelope. Our submittal is fully responsive to the RFP issued on October 17, 2018, and all attachments.

Existing Professional Relationship with District and Stakeholders

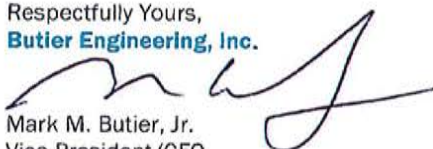
Butier has formed excellent relationships with the City of Laguna Niguel through our contracts with South Coast Water District and South Orange County Wastewater Authority. In addition, we provided constructability review, estimating, scheduling and project management services to the District for the Moulton Niguel Water Pollution Control and Reclamation Facility.

Unique Team Features

- **Project Relationship with the Design Team**—Butier has provided construction management and inspection services on similar projects designed by **Lee & Ro**, including SOCWA's recent J.B. Latham Treatment Plant Facility Improvements and Regional Treatment Plant Cogeneration and Switchgear Upgrades Projects. Our long-standing and professional relationship with Lee & Ro will make the development of our management approach more efficient and cost effective.
- **Project Team Members**—Butier has an established, long-term working relationship with our key team member **ON-SITE Technical Services, Inc.** Our firms have successfully teamed on recent water infrastructure projects for Metropolitan Water District; Orange County Water District; Poseidon Water; San Diego County Water Authority; Water Replenishment District of Southern California; and West Basin Municipal Water District. Our continuous professional relationship has refined our ability to address specific field QA/QC issues and create efficient management practices that will be utilized on the District's Reservoir Management Systems Replacement project.
- **Independent Third-Party Construction Management**—Butier's sole focus is to provide third-party CM and inspection services for reservoirs, large-diameter pipelines, pump stations, and water/wastewater treatment facilities. Consequently, we do not have the potential conflicts inherent with a large multi-practice firm.
- **Local Market Knowledge**—The Butier team will provide unmatched cost control and estimating services. The firm's strong relationship with the Southern California construction community allows us to provide market price cost estimates. We also have the ability to survey local contractors on the current market environment. This provides our clients with an assessment of the best time to release a project for bidding.

We appreciate the opportunity to meet the District's project challenges and are confident that we have assembled a team that will serve the best interests of all participants. If you have any questions regarding our proposal, please contact me for clarification at (714) 832-7222 or jrbutier@butier.com.

Respectfully Yours,
Butier Engineering, Inc.


Mark M. Butier, Jr.
Vice President/CFO

SECTION B

Scope of Work



Understanding & Approach

As summarized in the RFP, Moulton Niguel Water District is seeking a professional consulting firm to provide comprehensive construction management and inspection services for the second phase of the Reservoir Management Systems (RMS) Replacement Program. The Program consists of replacing 20 existing on-site generation (OSG) systems incrementally in phases. This phase of the program includes replacing the existing OSG systems at the following RMS sites with 12.5% bulk hypochlorite and ammonia systems:



Challenges/Solutions

1. Staffing

Construction activities are planned to begin on April 1, 2019, with an estimated completion date of March 14, 2020. In order to meet the schedule requirements, the work will be performed concurrently at all five reservoir sites. We intend to provide a full-time Lead Field Inspector to address the needs of the concurrent work. The Lead Inspector will report directly to Butier's Resident Engineer. The Butier Team will be supported by supplemental specialty staff on an on-call basis to provide discipline specific support (i.e., mechanical, electrical, instrumentation, start-up). Our staffing plan will be tied to the baseline schedule provided by the Contractor. We have completed several "multi-site" projects using this approach.

2. Start-Up/Commissioning

We have added **ON-SITE Technical Services, Inc.** to our team to provide mechanical, start-up and commissioning support services. Our experience with rehabilitation projects has taught us that incorporating new equipment and controls (PLCs into existing SCADA) will create unique and unforeseen challenges. In conjunction with MNWD Operations staff, we intend to integrate the commissioning staff at the field level during key points of installation. Strong emphasis will be put on the review of the Contractor's commissioning submittal, startup schedule and coordination. Detailed checklists will be developed to eliminate schedule delays associated with functional testing.

Scope of Services

The Butier Team will act as an extension of the District's staff and will take the lead role in the daily field management of the project working directly under the District's Project Manager. The Team will become familiar with the appropriate District staff members to integrate the services scope within existing District administrative policies and procedures.

1. Review Contract Documents

The Butier Team will review the contract documents for clarity, conflicts, consistency and completeness prior to the preconstruction meeting. The Team will identify potential construction conflicts in relationship to District standards, permits, or other relevant requirements. The Team will identify potential areas within the contract documents that may require clarification, recognizing that there are potential benefits to the District to resolve cost or schedule issues prior to the construction phase.

2. Pre-Construction Meeting

The Butier Team will schedule and facilitate a pre-construction meeting with the District, Design Engineer, Contractor and other project stakeholders. The meeting will outline the following to the Contractor: contract administration guidelines, contractual roles, reinforcement of specific requirements for safety, traffic access, and coordination issues for the work.

3. Contract Administration & Management

a. Daily Inspection Activity Reports

The Butier Team will document daily start and stop times, size of Contractor's crew, equipment used, visitors to jobsite, climatic conditions throughout the day, quantities of materials used, work accomplished, periods of Contractor downtime and cause, inspection procedures and results, and verification of compliance with Contract Documents. Electronic copies of reports will be submitted to the District on a weekly basis.

SECTION B

Scope of Work



b. Compliance with Contract Documents

The Butier Team will respond to inquiries regarding the requirements of the Contract Documents and will ensure that the Contractor is in compliance. The Lead Inspector will verify that all deliveries and installation of equipment and materials conform to the Contract Documents and shop drawings.

c. Contractor Safety Program

The Butier Team will monitor the Contractors' work practices. We will review the Contractor's Injury and Illness Prevention Plan (IIPP) and spot check that field work is conducted under the approved program. Site safety is the responsibility of Contractor. We will request minutes and agendas from "tool box" meetings. Safety will be a weekly meeting topic. If a modification to the safety plan is needed to accommodate a change in condition or MNWD operational needs, separate, field-specific meetings will be conducted. These changes will be coordinated with MNWD Operations.

d. Monitor Contractor's Schedule

The Resident Engineer will evaluate and monitor the Contractor's Baseline Schedule, weekly look-ahead schedules, monthly schedule updates, Time Impact Analyses (TIAs), schedule revisions, and as-built schedule submittals. The RE will also update the overall project schedule to reflect actual progress and changes. Slippage of any contract activities on the critical path, as well as time sequence problems, will be identified early so that the CM team may take corrective action, if possible. The Contractor should be required to re-evaluate the logic of his original schedule and resubmit revised planning should the original plan be ineffective or not followed. All Contractor time extensions must be supported by critical path impacts on the approved baseline schedule.

e. Digital Photographs

A digital photographic library will be maintained. The photographs will be labeled with the date, location, and narrative information. Additional digital photographs and video will be taken to document differing site conditions, change order and claim items, and any special or unique conditions.

f. Daily Communication

The Butier Team will coordinate daily with the District and necessary project stakeholders, including the Design Engineer, geotechnical firm, HOAs, the public, and the Cities of Laguna Niguel, Aliso Viejo, and Mission Viejo.

g. Requests for Information (RFIs)

The Butier Team will document the submittal and disposition of RFIs. All responses will be monitored with suspense action dates and follow-up procedures

implemented to ensure timely action by all parties. Should the Contractor deem the RFI response has created a change in scope and a change order is requested, the RE will obtain approval of the District's Project Manager prior to issuing a change order authorization.

h. Submittal Review and Process

The Butier Team will use a cloud-based construction project management program to coordinate the submittal/shop drawing review process and route all transmittals to the appropriate reviewer. The Lead Inspector will maintain a log to track the status and review action of all submittals. The Lead Inspector will ensure that all submittals required by the contract documents have been submitted by the Contractor. The Butier Team is responsible for reviewing the contract documents, identifying the submittals, and maintaining PDF copies of all submittals.

i. Change Order Log / Tracking

The Butier Team will utilize the document control system to track and document all changes for added costs or credits. Butier will have no authority to issue changes or modifications to the contract documents. The District or the Contractor may initiate a change, or request for changes or modifications may arise due to differing site conditions. The Butier Team will track, document, and negotiate all changes for added costs or credits with the construction Contractor and evaluate all schedule impacts of changes in addition to advising the District of equitable cost and time adjustments for proposed or authorized changes including credits, if any, that are due. At the District's direction, the RE will prepare and issue to the Contractor appropriate change order documents. The RE will provide to the Design Consultant copies of all approved change orders. The RE will also prepare draft formal Change Orders and forward them to the District for formal authorization.

j. Claims Management

The Butier Team will minimize the potential impact of claims through prompt and equitable resolution with minimal disruption to the on-going construction effort. If the District and the Contractor disagree over the contractual merit of a change order, a claim may arise. If this occurs, the change request will be flagged in the change order tracking system to designate a changed status for monitoring and reporting. The Butier Team review the project documentation in detail and evaluate the claim accordingly:

- **Resolution Alternative:** The RE will prepare a written acknowledgement of receipt of the claim. The intent of this correspondence is to provide detailed documentation in order to mitigate misunderstandings. The RE will work closely with District staff to assess the risk of exposure and to determine an appropriate response to the claim.

SECTION B

Scope of Work



- **Negotiate and Resolve Claims:** The evaluation results and recommendations will be forwarded to the District's Project Manager. The recommendation may suggest a negotiated settlement (in which case a settlement strategy would need to be established) or may confirm the original results of the change order evaluation, in which case the claim would be denied and the dispute acknowledged. The timeframe for claims will be handled according to the timeline required by the Contract Documents.

4. Biweekly Jobsite Meetings

The Butier Team will conduct approximately 24 biweekly jobsite meetings to perform period review of project progress, issues, and schedule. The primary focus of the meetings will be to proactively resolve any potential issues and review the Contractor's planned work over the next two weeks. The Butier Team will prepare agendas and meeting minutes for all meetings. After incorporating comments, the Butier Team will distribute the meeting minutes to all attendees and other District designated entities.

5. Partial Payment Requests

The Butier Team will review and approve the Contractor's partial payment requests and other project-related invoices each month. The progress payment worksheet will be based on an approved schedule of values and validated by daily inspection reports. Pay requests will be checked against actual in-place quantities verified at the end of the pay period. The pay request format will be established by the project team to expedite checking, processing, and subsequent updating of project budgets and cost projections and forwarded to the District for approval and payment to the Contractor.

6. Electronic Document Control System

In addition to using MS Office software, the Butier Team utilizes **Procore**—a cloud-based construction project management solution—to organize, manage and control project documentation. The advantages of Procore include **unlimited users, unlimited storage, 24/7 visibility** into project status, and a centralized, comprehensive platform to manage vital project data. All parties involved have access to the system. Each user is able to access the program via a web browser on their computer or mobile device using secure log-in information. Procore can be

utilized to store, review, track, and manage all project documents, including construction drawings and specifications, RFIs, submittals, transmittals, meeting agendas and minutes, emails and correspondence, progress photos, budgets, schedule of values, payment applications, change orders, daily inspection reports, final punch lists, and point of contact information.

7. Construction Inspection & Specialty Inspection

Butier has assigned **Joseph Hawes, CWI, NACE as the full-time Lead Inspector**. He will be supported by specialty inspectors, as needed. Our inspectors are qualified to provide comprehensive on-site civil, structural, mechanical, and electrical / instrumentation and controls services. They will oversee all work performed by the Contractor to ensure compliance with the contract documents, industry standards and applicable codes, regulations, and permits.

Our Lead Inspector and Specialty Inspectors have the required experience and certifications for the work being performed. They will be responsible for the following:

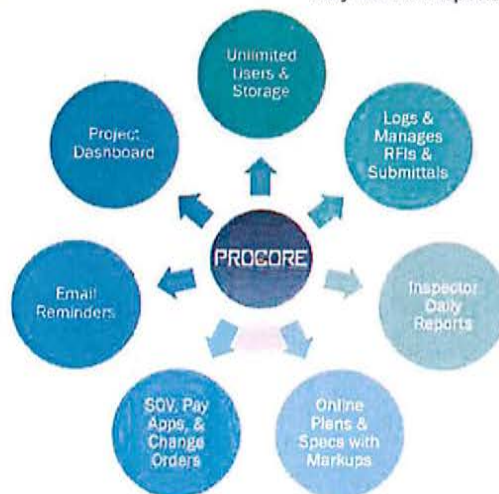
reviewing the Contractor's two week "look ahead" schedules; reviewing the Contractor's as-built drawings; discussing responses to RFIs; preparing and submitting to the District daily construction reports; providing weekly digital photographs; and coordinating with other District contracted consultants. Additional inspection services include the following:

- **Welding Operations**—verify certifications, joint preparation, electrode types and finished product comply with the contract documents.

- **Mechanical Anchorages**—verify materials and installation

procedures comply with the contract documents, approved submittals and manufacturer's recommendations.

- **Coating Operations**—physically inspect blast-cleaned surfaces, monitor ambient conditions, verify proper mixing and application of materials, and test that film continuity and dry film thickness comply with Contract Documents.
- **Electrical Conduit and Wire Size**—verify all electrical conduit and wire size, materials, locations, terminations, labeling and testing; grounding system installation and testing; and installation, testing and calibration of instrumentation.



SECTION B

Scope of Work



- **Electrical Equipment Compliance**—verify all electrical equipment complies with the Contract Documents, approved submittals and manufacturer's requirements; witness "pre-startup" by the Contractor and manufacturer's representatives to verify all equipment has been installed and is operating in accordance with the Contract Documents and manufacturer's recommendations; and witness complete equipment and system performance testing by the Contractor.

8. Startup and Commissioning

Butier has selected **ON-SITE Technical Services, Inc. to provide startup and commissioning support**. ON-SITE will verify compliance with the Contract Documents, manufacturer recommendations and industry best practices. ON-SITE and our Lead Inspector will coordinate with the Contractor, Engineer, and District for any sequencing required during the commissioning process.

When the equipment is turned over to the commissioning team, the Contractor verifies that the equipment has been FAT tested; is installed to specifications; and that the feed pumps and analytical equipment have been loop tested. The feed systems will be evaluated separately.

Verify Equipment—Review FAT testing report and control logic. Inspect installed equipment, compare to vendor information, verify capacity of equipment, control, etc.

- **Verify Installation**—Inspect system, trace feed lines from storage tanks to feed pumps and from feed pumps to injection points. Verify shut off valve locations. Verify calibration column locations and valving.
- **Surrogate Testing (Manual)**—Fill feed tanks with enough water for 24 hours of continuous feed at high rate. Valves will be opened to allow water flow to the feed pumps. Air will be bled from the feed lines and the pump will be started in manual pumping water at a high rate to the feed point for 24 hours. Calibration of feed rate will be confirmed using the calibration columns. Feed and fill lines will be checked for leakage, during and after testing.
- **Surrogate Testing (Automatic)**—More water will be added to the feed tank, if needed. Feed pump will be placed in automatic and will be checked for response for simulated signals from PLC for flow rate and disinfectant residual to verify control logic.
- **Live Testing**—Water will be drained from feed tanks and chemicals added, sufficient for a few hours of testing. Analytical equipment will be powered up and placed in service. Feed pumps will be placed in automatic to meet system needs.
- **Performance Testing**—After both chemical systems have been commissioned/started up, the system will be tested

for 1 week with the existing system as a backup in case of issues. After the 1 week testing period is over, the system will be placed in permanent service and the existing system can be abandoned.

- **Documentation**—After the commissioning, a memorandum will be prepared documenting the success of the testing and that it has been completed and the systems are ready to be placed in service.

9. Maintenance of As-Built Drawings

The Butier Team will maintain a comprehensive and accurate set of as-built drawings throughout construction. At the conclusion of the project, we will consolidate all changes into a single red-line utilizing **BLUEBEAM** software and submit to the Design Engineer. Butier's Resident Engineer will coordinate the submittal of completed as-built drawings to the District's Records Manager. The Butier Team will hold monthly record drawing review meetings with the District's PM and the Contractor prior to submittal of the monthly progress payment. Construction contract documents should provide the District with the ability to withhold a percentage of the monthly pay request.

10. Project Close-Out

a. Final Inspection / Acceptance

The Butier Team will prepare detailed project punch lists and will coordinate with the District and the Contractor for final acceptance. The RE will assign cost values for outstanding punch list items to facilitate prompt and timely close-out of the project. Upon correction of deficiencies by the Contractor, the Lead Inspector will schedule, coordinate, and conduct a final walk-through prior to the acceptance of work with the District. The RE will provide a letter to the District recommending acceptance of the project and a substantial completion date.

b. Pre- and Post-Construction Conditions

The Butier Team will compare between pre-construction and post-construction conditions of the RMS sites and access routes to ensure that all areas are returned to pre-construction conditions. The RE and Lead Inspector will demonstrate to the District, HOAs, and additional stakeholders that the sites have been properly restored.

c. Final Project Documentation

The Butier Team will furnish all project documents, final project reports and as-built drawings to the District's Project Manager at the conclusion of the project. Project documents will be accurately titled and labeled and delivered in form and fashion acceptable to the District.

#8.



2017-18 RESERVOIR MANAGEMENT SYSTEMS REPLACEMENT (Project No. 2017.003)

Classification / Hourly Rate / Assigned Personnel	RE Kenil Shintaku	Lead Inspector Joseph Hawes	Electrical/Startup Frank Johnson	Mechanical/Startup Kent Kroeger	Proposed LOE
Task 2 Construction Phase					
2.1 Review Contract Documents	40				
2.2 Pre-Construction Meeting	8				
2.3 Contract Administration and Management	220				
2.4 Bi-weekly Jobsite Meetings	88				
2.5 Partial Payment Requests	22	44			
2.6 Document Control		450			
2.7 Construction Inspection and Specialty Inspection		1000			
2.8 Startup and Commissioning		82	124	124	
2.9 Maintenance of As-Built Drawings		100			
2.10 Project Closeout	40	100			
Total Hours	418	1776	124	124	2442

SECTION C Project Team



Introduction

Butier Engineering Inc.'s professional staff consists of skilled project managers, resident engineers, schedulers, estimators, and inspectors who have successfully managed water/wastewater treatment, storage, and transmission projects



throughout Southern California. By having the Butier Team serve the District as a single-source of responsibility, the construction management and inspection activities will be well coordinated and delivered efficiently. We propose to approach this project with a spirit of partnership, coordinating closely with the District's CM personnel. This enables us to combine the knowledge, ideas, and talents of the District's staff with our construction administration experience to provide extraordinary results.

Our project teams are structured to provide for disciplined layers of quality assurance, from preconstruction through startup and project close-out. **Kenji Shintaku, P.E.—Butier's proposed Resident Engineer**—has full access to teams of civil, mechanical, electrical, and structural engineers, specialty consultants, and inspectors through existing relationships and teaming arrangements with local firms. The construction management team is always vigilant during preconstruction, construction, and close-out to meticulously document project activities and minimize contractor claims.

Field Inspection Personnel

The Butier Team has the capacity to successfully provide construction management and inspection services for the three Reservoir Management Systems sites. **We have assigned Joseph Hawes, CWI, NACE as our full-time Lead Inspector** who will be responsible for inspecting the work at each site. He will be supported by additional civil, mechanical, structural, electrical and specialty inspectors, as necessary.

Butier's field inspection staff bring significant experience in the construction of reservoirs, pump stations, water and wastewater treatment plants, wells, and pipelines. In addition, they have years of experience managing or inspecting public works projects for major cities, counties, and water and sanitation districts. Our inspection staff possess licenses / certifications from the following organizations:

- **American Concrete Institute** (Field Testing Technicians)
- **American Welding Society** (Certified Welding Inspectors)
- **International Code Council** (Reinforced Concrete, Prestressed Concrete, Structural Masonry, Soils, Spray-Applied Fireproofing, Structural Steel And Bolting, Structural Welding, Electrical)
- **NACE International** (Level 1, 2 and 3 Certified Coating Inspectors)
- **Post Tension Institute** (Field Technicians)

Butier's field inspectors will observe and document the work and its conformance with construction documents. Their duties will include, but not be limited to, preparing daily inspection reports of construction activities; reports of deviations and non-conformance to specifications; and performing technical inspection at the jobsite or off-site of materials.

ON-SITE Technical Services, Inc. (Mechanical / Startup & Commissioning Support)

ON-SITE Technical Services, Inc. has over 25 years of direct experience in functional testing, start-up and commissioning of systems related to water treatment, storage, and conveyance, including large pumping stations, electrical equipment, components and instrumentation, SCADA, and other equipment and systems. Their inspectors possess ICC, ACI, AWS, CWI, NACE, and ASNT NDE certifications. They have supported the fabrication inspection of switchgear, transformers, MCCS, control systems and PLCS; possess extensive experience in FRP fabrication and testing of filament wound tanks and pipe, and hand laid up assemblies; and have inspected the application of all types of coating systems used in industrial applications. Additional areas of expertise include inspection of mechanical equipment, welded structures, pressure vessels, fiberglass reinforced tanks and pipe. Over the last 15 years, ON-SITE has provided similar services as a part of Butier's team for numerous projects for MWD, OCWD, WRD, WBMWD, Chino Basin Desalter Authority, and Poseidon Water.

Biographical Sketches

Please find biographical sketches of our key personnel and the project team organizational chart on the following pages. **Résumés for all personnel listed are provided in the Appendix.**

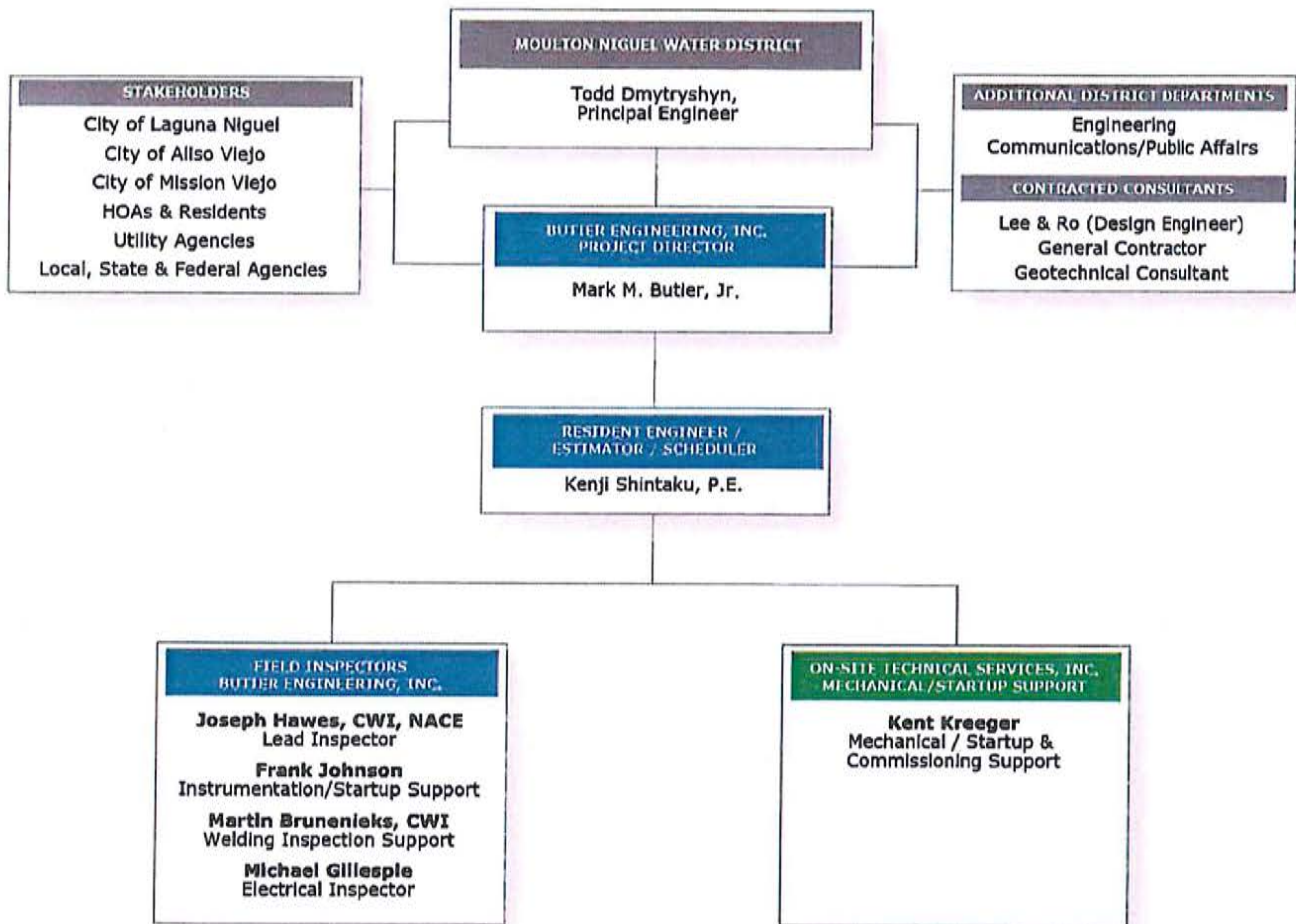
SECTION C

Project Team



Member Name / Role / Years' Experience	Areas of Expertise/Specialization
Mark M. Butler, Jr. Project Director Butier Engineering, Inc. Yrs. Experience: 30	Mr. Butler has over 30 years of project management, CM, and claims mitigation experience on major water / wastewater treatment, storage, and transmission pipeline projects. He will serve as the Project Director responsible for ensuring that all necessary resources are available to meet the requirements of the project and expectations of the District. He will meet with the District's representatives at key project milestones, as appropriate.
Kenji Shintaku, P.E. Resident Engineer / Estimator / Scheduler Butier Engineering, Inc. Yrs. Experience: 29	Mr. Shintaku routinely takes the lead in managing, estimating, consulting, and scheduling large multi-million dollar heavy civil infrastructure projects, including water treatment facilities, reservoirs, pump stations, pipelines, odor control facilities, and cogeneration facilities. He will be responsible for the following: supervising Butier's Field CM Team; full contract administration; monitoring the Contractor's baseline schedule; preparing and reviewing cost estimates; negotiating change orders and claims; coordinating with District operations personnel, PM staff, and stakeholders; recommending monthly progress payments; and leading preconstruction and biweekly progress meetings.
Joseph Hawes, CWI, NACE Lead Inspector Butier Engineering, Inc. Yrs. Experience: 16	As a Lead Inspector, Mr. Hawes manages daily field operations for various public works, residential, and commercial projects, including reservoirs, water treatment facilities, pipelines, and airports. He has performed varying degrees of inspections for welding, coatings, electrical, post-tension, reinforced concrete, structural masonry, plumbing, and soils/engineered fill operations. Recent projects include Poseidon Water's 50 MGD Desalination Treatment Plant and Pipeline (\$697 million) and the County of Orange, Airport Operations' JWA Thomas F. Riley Terminal Building Improvements (\$102 million).
Frank Johnson, P.E. Instrumentation / Startup Support Butier Engineering, Inc. Yrs. Experience: 37	Mr. Johnson has extensive experience providing lead inspection for the water/wastewater treatment industry. He performed as Lead Inspector for West Basin Municipal Water District's \$60.5 million ECLWRF Phase V Design/Build Expansion and the Water Replenishment District's Leo J. Vander Lans Water Treatment Facility Expansion. He is currently the Lead Inspector for WRD's Multiple Safe Drinking Water Wellhead Treatment Project.
Martin Bruneniks, CWI Welding Inspection Support Butier Engineering, Inc. Yrs. Experience: 22	Mr. Bruneniks provides inspection services for water/wastewater treatment facilities, reservoirs, pump stations, pipelines, airports, and public facilities. He is ICC-certified in structural steel and welding, spray-applied fireproofing, and concrete. He recently provided civil/mechanical/structural inspection services for SOCWA's J.B. Latham Treatment Plant Facility Improvements Project and Regional Treatment Plant Cogeneration and Switchgear Upgrades Project. He is currently providing field inspection services for OCWD's Mid-Basin Injection: Centennial Park Project.
Michael Gillespie Electrical Inspector Butier Engineering, Inc. Yrs. Experience: 40	Mr. Gillespie has an extensive background in electrical power, instrumentation, and controls for various types of projects, including water and wastewater treatment plants, pump stations, educational facilities, airports, co-generation facilities, and methane gas compressor facilities. He performed as an Electrical Inspector for Poseidon Water's Carlsbad 50 MGD Seawater Reverse Osmosis Desalination Treatment Plant. Prior to joining Butier, Mr. Gillespie was an ICC-Certified County of Orange Building Inspector IV.
Kent Kreeger Mechanical/Startup & Commissioning ON-SITE Technical Services, Inc. Yrs. Experience: 35	Lending 35 years of experience, Kent leads ON-SITE's mechanical equipment team for constructability reviews, equipment QA, installation and start-up, vibration analysis, failure analysis, and problem resolution in the water/wastewater industry. Additional areas of expertise include inspection of mechanical equipment, welded structures, pressure vessels, fiberglass reinforced tanks and pipelines.

SECTION C
Project Team



SECTION E

Schedule



Ability to Complete the Work

Butier's construction management and inspection team has the ability to complete all work based on the proposed schedule for the Reservoir Management Systems Replacement Project. Butier has the flexibility and low overhead of a small firm with the resources and capability of a large firm. Our company structure allows greater involvement of our principals, which means better continuity and customer support, while ensuring our ability to respond rapidly to projects with known, reliable resources. Our strengths allow us to respond to projects of all potential size, scope, duration, and location. Butier has the necessary experience, past performance, and resources in order to provide the District with proven results.

As stated previously, Lead Inspector Joseph Hawes, CWI, NACE will be assigned full-time for the duration of the project and will provide inspection services at the five RMS sites as required. He will be supported by additional civil, mechanical, electrical and specialty inspectors when necessary. In addition to the key personnel who are directly employed by Butier, we can also call upon professional, experienced and reliable outside resources to complete any task. Over the past 42 years, we have developed a continuous and successful relationship with each of our resources. This ensures that our high quality, in-house standards are always followed.

Schedule Control

While the CM Team's ability to meet schedule milestones will be important for meeting the overall goals of the project, their ability to monitor and manage the Contractor's performance will be critical to minimizing problems during construction. Contractor schedule requirements will be specified in the contract documents based on the needs of the project. Such requirements include substantial completion deadlines and interim and final completion dates.

The Butier Team will use two primary tools to track construction schedule performance. First, **resource-loaded schedules (Primavera)** are the basis for evaluating performance and identifying if potential problems will occur. Second, **variance identification/analysis** initiates recovery when problems do occur.

The construction progress will be evaluated based on data contained in approved, resource-loaded critical path

method schedules. The Contractor will be required to submit detailed resource-loaded schedules for acceptance by the District. The Contractor is then required to provide timely, detailed status information as the work progresses. The Butier Team will project future performance through trend analysis and evaluate the Contractor's actual performance by comparing actual qualities completed versus planned. The primary resource loading for these evaluations include:

1. Cost (dollars)
2. Man-hours (by craft)
3. Quantity of work (cubic yards, linear feet, etc.)
4. Construction equipment listing

The CM Team must be aware of the actual activity start date, regardless of float. Schedule variances must be addressed with the Contractor at weekly progress meetings and additionally whenever the CM Team deems

appropriate. The importance of schedule management and "staying ahead of the Contractor" is critical for managing a Contractor that is prone to submitting claims in order to minimize costs to the District. The Butier Team has successfully managed this type of Contractor.

The CM Team will evaluate each variance, its cause and possible corrective actions, and require the Contractor to provide an action plan to correct unsatisfactory variances. If a satisfactory resolution is not achieved, the CM Team must take action. Control of schedule performance must be addressed at the weekly progress meetings with the Contractor. Anticipated work to be accomplished should be reviewed based on a **three-week "look ahead"** schedule updated weekly by the Contractor. Available information must be evaluated for schedule exceptions, available contractual options, and corrective actions required by the Contractor.

Recovery plans are required whenever the Contractor falls significantly behind schedule. These plans should address mitigation efforts such as additional crews, additional shifts, or developing work-around schedules that move the delayed activity off the critical path so that its completion will not affect critical milestones. As stated previously, the Butier Team prepares monthly project reports tracking project status and budget to document the project history. Any critical issues are identified, and an analysis includes action items and recommendations.

Butier has the necessary experience, past performance, and resources in order to provide the District with proven results.

Exhibit "B"

SECTION F,
Budget

November 14, 2018

Moulton Niguel Water District
26161 Gordon Road
Laguna Hills, CA 92653
Attn: Todd Dmytryshyn, Principal Engineer

Subject: Construction Management and Inspection Services for 2017-18 Reservoir Management Systems Replacement, Project No. 2017.003

Dear Mr. Dmytryshyn:

Butier Engineering, Inc. (Butier) is pleased to present three (3) hard copies of our fee schedule in a separate sealed envelope. In addition, we have provided three (3) hard copies and one (1) electronic PDF copy of our qualifications on CD. Our submittal is fully responsive to the RFP issued on October 17, 2018, and all attachments.

Company Name / Address:	Butier Engineering, Inc. 17822 E. 17 th Street, Suite 404; Tustin, CA 92780
Contact Person:	Mark M. Butier Jr., Vice President/CFO Tel: 714.832.7222 Email: jrbutier@butier.com

The proposed level of effort is based on the project schedule provided in the RFP. The objective of our staffing plan is to take full advantage of our local project resources. The final staffing plan will be based on the approved schedules furnished by the construction contractor. Final budgets will be based negotiations with MNWD.

Rates for the Construction Management Team

Vehicle mileage, computers, computer software, printers, cell phone service, broadband service, delivery service, mail, office supplies, technical reference materials, training, and personal protective equipment (PPE) including hard hats, safety boots, work gloves, safety glasses and other PPE as required shall be billed at the attached rates per labor hour charged to the project.

Excluded from Rates

Trailer rental costs, installation of utilities, cost of utilities, cost of sanitary services, broadband / high speed connections, janitorial, furniture, travel and per diem outside the District's service area for local in-plant fabrication inspection.

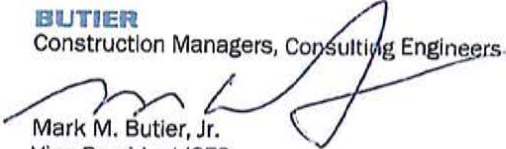
Legal

All sub-consultants will be bound to the final terms and conditions of the prime agreement.

We are confident we have assembled a team that will serve the best interests of the District. Butier has demonstrated it is well structured to service the demands of this project. If you have any questions regarding our proposal, please direct them to me for clarification at (714) 832-7222.

Respectfully Yours,


BUTIER
Construction Managers, Consulting Engineers


Mark M. Butier, Jr.
Vice President/CFO

2017.003b CM&I - Exhibit "B"

BUTIER
Construction Managers, Consulting Engineers

17822 E. 17th Street, Suite 404
Tustin, California 92780
Tel: (714) 832-7222 Fax: (714) 832-7211

 2017-18 RESERVOIR MANAGEMENT SYSTEMS REPLACEMENT (Project No. 2017.003)						
Classification / Hourly Rate / Assigned Personnel	RE Kenji Shintaku	Lead Inspector Joseph Hawes	Electrical/Startup Frank Johnson	Mechanical/Startup Kent Kreeger	Proposed Total Cost	
	\$ 175.00 \$	140.00 \$	150.00 \$	150.00 \$	150.00	
Task 2 Construction Phase						
2.1 Review Contract Documents	40					
2.2 Pre-Construction Meeting	8					
2.3 Contract Administration and Management	220					
2.4 Bi-weekly Jobsite Meetings	88					
2.5 Partial Payment Requests	22	44				
2.6 Document Control		450				
2.7 Construction Inspection and Specialty Inspection		1000				
2.8 Startup and Commissioning		82	124			
2.9 Maintenance of As-Built Drawings		100				
2.10 Project Closeout	40	100				
Total Hours	418	1776	124	124	2442	
	\$ 73,150.00 \$	248,640.00 \$	18,600.00 \$	18,600.00 \$	18,600.00 \$	358,990.00

**AMENDMENT NO. 1 TO THE PROFESSIONAL SERVICES AGREEMENT
BETWEEN MOULTON NIGUEL WATER DISTRICT AND
BUTIER ENGINEERING, INC.
MNWD PROJECT: CM&I SERVICES FOR 2017-18 RESERVOIR MANAGEMENT
SYSTEMS REPLACEMENT
CONTRACT NO. 2017.003b**

This Amendment No. 1 (this "Amendment") is entered into and effective as of _____, amending the Professional Services Agreement dated January 9, 2019 (the "Agreement"), by and between Moulton Niguel Water District ("MNWD"), and Butier Engineering, Inc. ("Consultant") (collectively, the "Parties"). Any capitalized terms used but not defined herein shall have the meaning assigned to them in the Agreement.

RECITALS

A. WHEREAS, on January 9, 2019, the Parties entered into the Agreement for construction management and inspection services through June 30, 2020 for a total not-to-exceed amount of \$358,990; and

B. WHEREAS, the Parties desire to increase the total not-to-exceed amount by \$110,000 and extend Agreement term until September 30, 2020.

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 September 30, 2020.
2. The Services to be provided by Consultant shall be revised to include the Services set forth in Exhibit "A" attached hereto and incorporated by this reference.
3. All payments and services associated with this Amendment shall not exceed \$110,000.
4. The Parties agree that the total Agreement amount, including this Amendment, shall not exceed \$468,990.
5. All requisite insurance policies to be maintained by the Consultant pursuant to the Agreement will include coverage for this Amendment.
6. All other provisions of the Agreement 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.
7. The individuals executing this Amendment and the instruments referenced in it on behalf of the 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.

-Signatures on following page-

#8.

MOULTON NIGUEL WATER DISTRICT:

BUTIER ENGINEERING, INC.:

By: _____

By: _____
(Authorized Representative of
Consultant)

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Dated: _____

Dated: _____

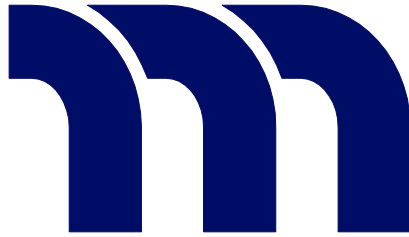
EXHIBIT A**SCOPE OF WORK**

Butier shall provide extended construction management and inspection support services through July 2020. Services include ongoing construction and specialty inspection; document control as directed by the District, including all project submittals, RFIs, change orders, progress payments, field reports, and correspondence; startup and commissioning; maintenance of as-built drawings; and project closeout including final inspection, punch list, and project documentation.

FEE

Anticipated to Complete					
Team Member	Hours/Week	Weeks	Total Hours	Billing Rate	Total Fees
Kenji Shintaku	8	14	112	\$175.00	\$19,600.00
Joseph Hawes	40	14	560	\$140.00	\$78,400.00
Kent Kreeger	32	1	32	\$150.00	\$4,800.00
Frank Johnson	24	2	48	\$150.00	\$7,200.00
Totals			752		\$110,000.00

On-site inspection will be performed by Joseph Hawes. When the chemical feed systems and control systems are in place, Kent Kreeger will assist Joseph Hawes and Kenji Shintaku with startup and testing. Mr. Shintaku will be primarily responsible for project closeout.



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** May 14, 2020

FROM: Rodney Woods, Director of Engineering
David Larsen, Engineering Manager

SUBJECT: Ware Malcomb Professional Services Agreement Contingency for Upgrades at Plant 2A

SUMMARY:

Issue: Additional consulting services may be required to support the completion of the upgrades at the District's Plant 2A facility.

Recommendation: It is recommended that the Board of Directors approve a \$75,000 not-to-exceed contingency for a total not-to-exceed authorization of \$1,363,360 with Ware Malcomb and authorize the General Manager or Assistant General Manager to execute any required amendments through June 2021.

Fiscal Impact: Sufficient funds are included in the Capital Budgets for the projects at Plant 2A.

Reviewed by Committee: Yes, recommended for approval at Technical Committee Meeting on May 4, 2020.

Reviewed by Legal: Yes

BACKGROUND:

In November 2018, the Board of Directors authorized an amendment to the professional services agreement with Ware Malcomb for the design of projects at Plant 2A. At that time, the Board also authorized the approval of amendments to the Agreement of up to 10% of the total contract value. This resulted in an approved total authorization of \$1,288,360.

Since that time, the Board of Directors authorized the execution of an agreement with Layton Construction to provide construction-manager-at-risk services and complete construction. Construction of the upgrades at Plant 2A commenced on August 26, 2019 and has been ongoing since that time. As the construction progressed, additional design services were required, including: interior space revisions to

#9.

Ware Malcomb Professional Services Agreement Contingency for Upgrades at Plant 2A

May 14, 2020

Page 2 of 2

accommodate the District's current needs, landscape revisions to incorporate more native plant species, revisions to the design of the facilities in coordination with the District's design-build services for the security and audio-visual systems, and other miscellaneous revisions.

DISCUSSION:

These revisions have required staff to execute additional amendments to the Ware Malcomb agreement per the Board's authorization. The services completed by Ware Malcomb to date allowed for final approvals to be obtained from the City, permits to be issued, construction to commence, and the support of construction related activities. Staff anticipates that Ware Malcomb's services will continue to be needed to resolve construction issues and incorporate minor District initiated revisions. In anticipation of these additional services, staff is requesting an increase to the agreement contingency of \$75,000 for a not-to-exceed total authorization of \$1,363,360. This request will allow for timely architectural services amendments to be executed as needed in support of the ongoing critical construction at Plant 2A. The proposed contingency increase, as well as the previous individual amendments, was reviewed with the Ad-Hoc Committee members.



moulton niguel water district

STAFF REPORT

TO: Board of Directors MEETING DATE: May 14, 2020

FROM: Trevor Agrelus, Controller

SUBJECT: Designation of Authorized Agents with California Governor's Office of Emergency Services

SUMMARY:

Issue: Board action is required to approve the California Governor's Office of Emergency Services (CalOES) Form 130. This form allows the Board to designate District employees to serve as authorized agents with CalOES to seek financial assistance after a disaster has been declared.

Recommendation: It is recommended that the Board of Directors approve CalOES Form 130, designating the General Manager, Assistant General Manager, and the Controller as authorized agents to work with CalOES.

Fiscal Impact: None

Reviewed by Committee: Yes, recommended for approval at Administrative Committee Meeting on May 6, 2020.

Reviewed by Legal: Yes

BACKGROUND:

The California Disaster Assistance Act (CDAA) authorizes the Director of the California Governor's Office of Emergency Services (Cal OES) to administer a disaster assistance program that provides financial assistance from the state for costs incurred by local governments as a result of a disaster event. The program also provides for the reimbursement of local government costs associated with certain emergency activities undertaken in response to a state of emergency proclaimed by the Governor. In addition, the program may provide matching fund assistance for cost sharing required under federal public assistance programs in response to a Presidential Major Disaster or Emergency Declaration.

#10.

Designation of Authorized Agents with California Governor's Office of Emergency Services

May 14, 2020

Page 2 of 2

The District has worked successfully with CalOES in the past, receiving a \$1.8 million Hazard Mitigation grant in Fiscal Year 2015-16 for the Districts Plant 3A Effluent Transmission Main Protection Project.

DISCUSSION:

CalOES Form 130 authorizes the positions listed on the form to execute for and on behalf of the District for the purpose of obtaining financial assistance. Form 130 is valid for three years after its initial adoption, and CalOES requires that this form be completed to be eligible for financial assistance.

District staff has proposed that the following positions be designated as authorized agents with CalOES for the purposes of seeking financial assistance:

1. General Manager
2. Assistant General Manager
3. Controller

Attachment: CalOES Form 130

**DESIGNATION OF APPLICANT'S AGENT RESOLUTION
FOR NON-STATE AGENCIES**

BE IT RESOLVED BY THE Board of Directors OF THE Moulton Niguel Water District
(Governing Body) (Name of Applicant)

THAT General Manager, OR
(Title of Authorized Agent)

Assistant General Manager, OR
(Title of Authorized Agent)

Controller
(Title of Authorized Agent)

is hereby authorized to execute for and on behalf of the Moulton Niguel Water District, a public entity
(Name of Applicant)

established under the laws of the State of California, this application and to file it with the California Governor's Office of Emergency Services for the purpose of obtaining certain federal financial assistance under Public Law 93-288 as amended by the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1988, and/or state financial assistance under the California Disaster Assistance Act.

THAT the Moulton Niguel Water District, a public entity established under the laws of the State of California,
(Name of Applicant)

hereby authorizes its agent(s) to provide to the Governor's Office of Emergency Services for all matters pertaining to such state disaster assistance the assurances and agreements required.

Please check the appropriate box below:

- This is a universal resolution and is effective for all open and future disasters up to three (3) years following the date of approval below.
- This is a disaster specific resolution and is effective for only disaster number(s) _____

Passed and approved this _____ day of _____, 20 _____

(Name and Title of Governing Body Representative)

(Name and Title of Governing Body Representative)

(Name and Title of Governing Body Representative)

CERTIFICATION

I, _____, duly appointed and _____ of
(Name) (Title)

_____, do hereby certify that the above is a true and correct copy of a
(Name of Applicant)

Resolution passed and approved by the _____ of the _____
(Governing Body) (Name of Applicant)

on the _____ day of _____, 20 _____.

(Signature)

(Title)

#10.

STATE OF CALIFORNIA
GOVERNOR'S OFFICE OF EMERGENCY SERVICES
Cal OES 130 - Instructions

Cal OES Form 130 Instructions

A Designation of Applicant's Agent Resolution for Non-State Agencies is required of all Applicants to be eligible to receive funding. A new resolution must be submitted if a previously submitted Resolution is older than three (3) years from the last date of approval, is invalid or has not been submitted.

When completing the Cal OES Form 130, Applicants should fill in the blanks on page 1. The blanks are to be filled in as follows:

Resolution Section:

Governing Body: This is the group responsible for appointing and approving the Authorized Agents.
Examples include: Board of Directors, City Council, Board of Supervisors, Board of Education, etc.

Name of Applicant: The public entity established under the laws of the State of California. Examples include: School District, Office of Education, City, County or Non-profit agency that has applied for the grant, such as: City of San Diego, Sacramento County, Burbank Unified School District, Napa County Office of Education, University Southern California.

Authorized Agent: These are the individuals that are authorized by the Governing Body to engage with the Federal Emergency Management Agency and the Governor's Office of Emergency Services regarding grants applied for by the Applicant. There are two ways of completing this section:

1. **Titles Only:** If the Governing Body so chooses, the titles of the Authorized Agents would be entered here, not their names. This allows the document to remain valid (for 3 years) if an Authorized Agent leaves the position and is replaced by another individual in the same title. If "Titles Only" is the chosen method, this document must be accompanied by a cover letter naming the Authorized Agents by name and title. This cover letter can be completed by any authorized person within the agency and does not require the Governing Body's signature.
2. **Names and Titles:** If the Governing Body so chooses, the names **and** titles of the Authorized Agents would be listed. A new Cal OES Form 130 will be required if any of the Authorized Agents are replaced, leave the position listed on the document or their title changes.

Governing Body Representative: These are the names and titles of the approving Board Members.
Examples include: Chairman of the Board, Director, Superintendent, etc. The names and titles **cannot** be one of the designated Authorized Agents, and a minimum of two or more approving board members need to be listed.

Certification Section:

Name and Title: This is the individual that was in attendance and recorded the Resolution creation and approval.
Examples include: City Clerk, Secretary to the Board of Directors, County Clerk, etc. This person **cannot** be one of the designated Authorized Agents or Approving Board Member (if a person holds two positions such as City Manager and Secretary to the Board and the City Manager is to be listed as an Authorized Agent, then the same person holding the Secretary position would sign the document as Secretary to the Board (not City Manager) to eliminate "Self Certification.")



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** May 14, 2020
FROM: Matt Collings, Assistant General Manager
SUBJECT: Amendment No. 1 to the Listing Agreement for 27500 La Paz Road

SUMMARY:

Issue: Board action is required to approve Amendment No. 1 to the Listing Agreement for the District’s property at 27500 La Paz Road.

Recommendation:

It is recommended that the Board of Directors approve Amendment No.1 to the Listing Agreement with Colliers International Greater Los Angeles, Inc. (“Colliers”); and authorize the General Manager or Assistant General Manager to execute the Amendment.

Fiscal Impact: Sufficient funds are included in the Fiscal Year 2020-21 Budget.

Reviewed by Committee: Yes, the amendment was reviewed with the Ad-hoc Committee.

Reviewed by Legal: Yes.

Background:

The District no longer requires the use of the property located at 27500 La Paz Road. In September 2019, the District executed a Listing Agreement to engage a real estate brokerage team to solicit offers for the purchase or lease of the subject property. The District’s real estate brokers have been actively pursuing the best possible financial value for the District.

#12.

Amendment No. 1 to the Listing Agreement for 27500 La Paz Road

May 14, 2020

Page 2 of 2

Discussion:

In solicitation and review of potential offers for the subject property, District staff has identified the need to amend the Listing Agreement to clarify two items. The proposed clarifications are:

- Language has been added to note the commission will be paid on the Lease Commencement Date;
- Language has been added to provide commission for a ground lease that would extend to Years 21-25 at a rate of .34375%.

District staff has reviewed the proposed clarifications with the Ad-Hoc committee, legal counsel, and our consultant, Starpointe Ventures. A copy of the existing Listing Agreement and Amendment No. 1 are attached with the staff report. Staff is recommending that the District's Board of Directors approve Amendment No. 1 to the Listing Agreement with Colliers for the District's property at 27500 La Paz Road.

Attachment:

1. Listing Agreement with Colliers International Greater Los Angeles, Inc.
2. Amendment No. 1 to the Listing Agreement

EXCLUSIVE LISTING AGREEMENT

THIS EXCLUSIVE LISTING AGREEMENT (the “**Agreement**”), made as of October 1, 2019 and is entered into by and between Moulton Niguel Water District, a California Water District duly formed and operating under the California Water District Law set forth in the California Water Code (“**Owner**”), and Colliers International Greater Los Angeles, Inc., (Robert G. Caudill) (“**Broker**”).

RECITALS

THIS AGREEMENT IS ENTERED into on the basis of the following facts, intentions and understandings of the parties:

A. Owner is the owner of the real property (“**Real Property**”) located at 27500 La Paz Road, Laguna Niguel, in Orange County California. The Real Property and any buildings or improvements that are owned by Owner and that are located on the Real Property are collectively referred herein to as “**Property**.”

B. Broker represents that it is a real estate broker licensed in the State of California and has fulfilled all licensing requirements in connection with performing all the services described in this Agreement.

C. Owner desires to hire Broker as Owner’s exclusive representative to either sell or lease the Property and Broker desires to accept said hiring on the terms and conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the mutual undertakings, terms and conditions set forth in this Agreement, Owner and Broker agree as follows:

ARTICLE 1
SUMMARY OF BASIC TERMS

The basic terms of this Agreement are summarized as follows:

- 1.1 Owner: Moulton Niguel Water District
- 1.2 Broker: Colliers International Greater Los Angeles, Inc.
- 1.3 Property: 27500 La Paz Road, Laguna Niguel, CA 92677
- 1.4 Term: 36 Months, or upon completion of sale or execution of a lease agreement, whichever comes first
- 1.5 Commission: Sales - all commissions will be paid upon closing as further set forth in Section 5.2;
Leases - commissions paid according to lease term structure as further set forth in Section 5.2.

1.6 Scope of Work: The “**Scope of Work**” is set forth in Exhibit “A”.

In the event of any inconsistency between the summary of basic terms contained in this Article 1 and the remainder of this Agreement, the terms set forth in the remainder of this Agreement shall control.

ARTICLE 2
BROKER’S STATUS

2.1 Owner and Broker expressly understand and agree that Broker shall perform all services under this Agreement as an independent contractor in the business of real estate brokerage and not as an employee or agent of Owner. Therefore, Broker shall be responsible for complying with all applicable laws and regulations with respect to its employees, including but not limited to, licensing, worker’s compensation, hours of work, wages, Social Security, vacation time, sick leave and working conditions. Owner hereby grants Broker an exclusive listing to sell or lease the Property for the price and on the terms and conditions set forth in this Agreement, or as otherwise agreed in writing by Owner.

2.2 Broker is a real estate broker licensed by the state of California and has fulfilled all licensing requirements in connection with performing all the services described in this Agreement. Throughout the term of this Agreement, Broker and all employees and officers of Broker who are performing Broker’s duties under this Agreement shall maintain their licenses as real estate brokers and shall fulfill all licensing requirements.

ARTICLE 3
BROKER’S DUTIES AND RESPONSIBILITIES

- 3.1 Subject to the Scope of Work, during the term of this Agreement, Broker shall:
- a. diligently investigate, analyze and disclose to Owner all offers and/or inquiries to purchase or lease the Property which are received by Broker or are referred to Broker by third parties, including other brokers;
 - b. obtain all references reasonably required by Owner (including at least one bank reference) and a financial statement from each prospective purchaser or lessee of the Property;
 - c. cause cooperating brokers to execute a written acknowledgement of the commission schedule for outside brokers on a form reasonably satisfactory to Owner. It is understood that Owner shall have no responsibility for commissions which exceed those calculated as set forth in this Agreement or to any cooperating or outside broker unless agreed to in writing by Owner, in advance, prior to entering into any letter of intent, purchase and sale agreement, or lease agreement;
 - d. cooperate fully with Owner’s Property Manager, if any, who is responsible for managing, operating and maintaining the Property;

- e. cooperate fully with Owner and outside brokers in the sale or lease of the Property; and
- f. perform other similar sales functions or functions associated with leasing the Property upon Owner’s reasonable request.

ARTICLE 4
TERM OF THIS AGREEMENT; TERMINATION

4.1 The term of this Agreement shall be for 36 months commencing October 1, 2019 and expiring September 30, 2022, or upon a completed sale or execution of a lease agreement, whichever comes first. Notwithstanding the foregoing, either party may elect to terminate this Agreement without cause upon thirty (30) days’ prior written notice to the other party. Broker acknowledges that Owner shall have the right to terminate this Agreement immediately for cause, including but not limited to Broker’s failure to perform hereunder, Broker’s breach of duty, Broker’s failure to use its best efforts to diligently market the Property and pursuant to Section 11.4 herein.

4.2 Subject to Section 4.3 below, if, prior to termination of this Agreement, Broker is involved in pending and active negotiations for the purchase and sale of the Property or the leasing of the property and such purchase and sale or lease is consummated within thirty (30) days after termination of this Agreement, as evidenced by the recordation of the deed to such purchaser and receipt by Owner of the Purchase Price (defined below), or of an executed lease agreement and the first month’s Rent for the Property (defined below), Owner shall pay to Broker a commission as stipulated in Article 5. This provision shall not apply if Owner terminates this Agreement for cause.

4.3 Prior to termination, Broker shall submit to Owner a list of prospective purchasers or lessees with whom Broker claims to have pending and active negotiations. As used in this Agreement, pending and active negotiations shall mean that the potential purchaser or lessee and Owner have either executed a purchase and sale agreement or intent to lease, that has not been terminated or Owner and purchaser have executed a letter of intent in a form approved by Owner in its sole discretion. Broker shall, upon Owner’s request, provide reasonable descriptions and documentation regarding pending and active negotiations with prospective purchasers or lessees.

4.4 If, within thirty (30) days after the termination of this Agreement, a sale of any of the Property is not closed as evidenced by recordation of the deed to such prospective purchaser and receipt of the Purchase Price by Owner or a lease agreement is not executed, then Owner shall have no obligation to pay Broker a commission with respect to such transaction or prospective purchaser or lessee on its own behalf or through another broker free of any obligation to Broker for a commission.

4.5 In the event Owner terminates this agreement and a commission is not paid, the parties shall have no further obligation to each other (except for any obligation which expressly survive).

ARTICLE 5
SALES COMMISSIONS

5.1 For the purpose of this Agreement, the term “**Purchase Price**” shall mean the amount received or to be received by Owner in connection with the sale of the Property; or alternatively, in the event the Property is leased, the term “**Rent**” shall mean the amount to be received from lessee pursuant to the Lease Term schedule.

5.2 With respect to sale or lease of the Property during the term hereof, Owner will pay a commission as more particularly described below. Owner hereby agrees to pay Broker said commission from funds available in the sales escrow or as per the applicable lease term schedule below. All commissions due under this Agreement shall be paid to Broker via wire transfer in immediately available funds to a bank account designated by Broker.

(a) Sale: If buyer is represented by outside broker 1.5% of the total sales price plus 3.5% to Broker; or if buyer is represented by Broker or unrepresented, 4.0% of total sales price.

(b) Lease Term Schedule for Landlord’s Broker only (no tenant broker).
1st through 5th year: 5.5% of Rent
6th through 10th year: 2.75% of Rent
11th through 15th year: 1.375% of Rent
16th through 20th year: 0.6875% of Rent

Lease Term Schedule for Landlord’s Broker and Tenant Broker. Landlord’s Broker to receive 2/3 of the below schedule and Tenant broker to receive 1/3 of the below schedule:

1st through 5th Year: 7.5% of Rent
6th through 10th Year: 3.75 of Rent
11th through 15th year: 1.875% of Rent
16th through 20th year: 0.9375% of Rent

5.3 Provided Owner pays Broker the commission set forth in Section 5.2 of this Agreement, Broker shall be responsible for paying the outside or cooperating broker its commission within three (3) days after Broker’s receipt of its commission in accordance with Section 5.2 of this Agreement.

ARTICLE 6
AUTHORITY OF OWNER AND BROKER

6.1 Owner shall have the exclusive right and authority to execute and deliver letters of intent, purchase and sale agreements, lease agreements, modifications and amendments thereto, and all other agreements with respect to the Property.

6.2 Broker shall have no authority to bind Owner to any offer, purchase and sale agreement, lease agreement or other contract and Owner has no obligation to sell or lease the Property or enter into any purchase and sale agreement or other contract with any party. Broker shall only have authority to meet with prospective purchasers or lessees and, subject to Owner’s

approval, negotiate the terms and conditions of a proposed sale or lease in accordance with the Scope of Work and Owner's instructions from time to time. The proposed terms and conditions of any proposed sale or lease must be stated in a written proposal which shall expressly recite that the terms and conditions are subject to Owner's approval and which shall contain such other conditions and acknowledgements as Owner may require.

6.3 Broker acknowledges that Owner intends to sell the Property "as-is," except for any specific representation and warranty that Owner may specifically agree to in a purchase and sale agreement with a particular purchaser. Broker shall not have authority to make any representations or warranties regarding the condition of the Property without the prior written consent of Owner.

6.4 In the event Owner elects to lease the Property, Broker acknowledges that Owner may negotiate certain terms with respect to modification of the Property to accommodate a lessee. Broker shall not have authority to make any representations or warranties regarding the condition or potential modification of the Property without the prior written consent of Owner.

ARTICLE 7
INDEMNIFICATION

7.1 Broker shall protect, indemnify, and hold Owner, its directors, officers, employees and agents (collectively, "Indemnitee"), harmless from any and all claims, demands, causes of action, losses, damages, fines, penalties, liabilities, costs and expenses, including attorneys' fees and court costs, sustained and incurred by or asserted against Indemnitee by reason of or arising out of Broker's breach of or failure to perform properly the duties and obligations required under this Agreement or Broker's misrepresentations or activities outside the scope of this Agreement, including, without limitation, claims for commissions by outside or cooperating brokers.

7.2 Should any claims, demands, suits or other legal proceedings be made or instituted against Indemnitee with respect to the sale of the Property, Broker agrees to give Indemnitee all necessary information and assistance in the defense or other disposition thereof.

7.3 Owner agrees to disclose to Broker and to prospective purchasers or lessees any and all material information which Owner has actual knowledge regarding the condition of Property. As used herein, actual knowledge of Owner means the actual knowledge of the asset management team of Owner assigned or previously assigned to the Property or Property in question without any duty of inquiry or investigation.

ARTICLE 8
ASSIGNMENT

8.1 Broker shall not have the right to assign its rights under this Agreement or delegate its duties under this Agreement to any person or entity (whether voluntarily, involuntarily or by operation of law) without the prior written consent of Owner, which may be withheld in Owner's sole and absolute discretion.

ARTICLE 9
BOOKS AND RECORDS

9.1 Broker shall keep adequate books and records of all matters contemplated by this Agreement and shall also allow a representative of Owner, during normal business hours, to examine said books and records and any relevant correspondence pertaining to this Agreement.

9.2 In the event of termination of this Agreement, Broker agrees to deliver to Owner copies of all such books, records and correspondence pertaining to the Property or this Agreement immediately upon request of Owner.

ARTICLE 10
NOTICES

10.1 All notices under this Agreement shall be in writing and shall be served either personally, by overnight delivery service, or by registered or certified mail, return receipt requested, addressed to Owner and Broker as follows:

To Owner: Moulton Niguel Water District
Attn: Director of Engineering
P.O. Box 30203
Laguna Niguel, CA 92607
Phone: (949) 831-2500
Email: RWoods@mnwd.com

With copy to: Moulton Niguel Water District
Attn: Assistant General Manager
P.O. Box 30203
Laguna Niguel, CA 92607
Phone: (949) 831-2500
Email: MCollings@mnwd.com

To Broker: Colliers International Greater Los Angeles, Inc.
Attn: Robert G. Caudill, designated broker State of California
Address: 3 Park Plaza, Suite 1200
City/State/Zip: Irvine, CA 92614
Phone: (949) 724-5550
Email: bob.caudill@colliers.com
California Real Estate License: 00813140

10.2 All notices shall be deemed delivered upon the earliest of (a) receipt thereof by Owner and Broker, as the case may be, or (b) three (3) business days after posting in accordance with Section 10.1. If the date on which any notice to be given hereunder falls on a Saturday, Sunday or legal holiday, then such date shall automatically be extended to the next business day immediately following such Saturday, Sunday or legal holiday. The addresses of the parties set forth in Section 10.1 above may be changed by written notice given in accordance with this Article 10.

ARTICLE 11
MISCELLANEOUS PROVISIONS

11.1 This Agreement represents the entire understanding between Owner and Broker and supersedes all prior negotiations, representations and agreements between them, both written and oral. This Agreement may only be modified pursuant to a written agreement.

11.2 This Agreement and the rights and obligations of Owner and Broker shall be interpreted, construed and enforced in accordance with the laws of the State of California.

11.3 If either party files an action or brings any proceeding against the other arising out of this Agreement, the prevailing party shall be entitled to recover, as costs of suit and not damages, reasonable attorneys' fees as fixed by the court or other arbiter. The "prevailing party" shall be the party entitled to recover its costs of suit, whether or not suit proceeds to final judgment. No sum for attorneys' fees shall be considered in calculating the amount of a judgment for purposes of determining whether a party is entitled to its cost of suit.

11.4 Broker shall immediately notify Owner in the event Broker or any of its licensed agents becomes the subject of any investigation or proceeding brought by any applicable licensing agency having jurisdiction over Broker in matters adversely affecting Broker's or any of its agent's license or its ability to perform any of its obligations under this Agreement. Broker acknowledges that Owner is entering this Agreement in reliance on Broker's reputation for ethical and professional conduct, Broker's experience and Broker's past performance. In the event that any such licensing agency determines that Broker has acted unprofessionally or unethically in regards to its licensing activities, Owner shall be entitled to terminate this Agreement for cause, in addition to any other remedies available to Owner.

11.5 The Property is offered without regard to race, creed, color, sex, national origin, or religion.

11.6 Owner acknowledges receipt of a copy of this Exclusive Listing Agreement which Owner has read and understands.

IN WITNESS WHEREOF, this Agreement has been executed as of the day and year first above written.

OWNER:

Moulton Niguel Water District,
a California Water District duly formed and
operating under the California Water District
Law set forth in the California Water Code

By: 
MATT COLLINGS

Its: ASSISTANT GENERAL MANAGER

Date: 10/1/19

BROKER:

Colliers International Greater Los Angeles,
Inc.

By: 
Bob Caudill (Sep 27, 2019)

Its: Bob Caudill

Date: Sep 27, 2019

EXHIBIT "A"
SCOPE OF WORK

Broker's Services under this Agreement shall include, but not be limited to the following:

Project Management & Administration

- Conduct/attend meetings as required
- Coordinate with District, Starpointe Ventures, and others
- Perform quality assurance/quality control
- Prepare and maintain project schedule
- Perform other related duties as requested by District

Strategic Planning & Underwriting

- Establish objectives and start financial modeling
- Execute listing agreement
- Property recommendations
- Conduct initial physical inspection and evaluate property condition
- Compile due diligence
- Review building plans/demo plans
- Create property description, focus on unique re-positioning new development concepts
- Compile targeted investor & developer lists
- Schedule photographs, aerials, and drone
- Highest and best analysis
- Void analysis—when needed
- Install signage
- Create property collateral
- Develop owner's preferred reporting system (template)
- Schedule reporting calls/meetings

Pre-Marketing

- Send offering brochure to approved list of investors/developer/retailers (and post to website), with request for buyer qualifications and signed confidentiality agreements
- Present ownership with draft of offering memorandum
- Finalize offering materials
- Contact investors promoting the offering and request qualifications and confidentiality agreement

Marketing

- Develop target buyers
- Send offering memorandum
- Utilize social media marketing to include Twitter, Facebook, and LinkedIn
- Deliver professional marketing brochures and discuss property advantages with prospects

#12.

- Send direct mail announcements announcing availability and property highlights and advantages
- Respond to all broker inquiries quickly and accurately with professional marketing materials.
- Contact all credible prospects by phone
- Conduct on-site presentations and property tours
- Distribute weekly activity reports to District
- Follow-up with prospective buyers

Bid Analysis and Buyer Notification

- Call for offers
- Investor & user/buyer bids are due/date/deadline
- Analyze individual offers
- Interview top bidders
- Distribute due diligence materials
- Call for best and final offers from top bidders
- Request contract mark-ups
- Select primary and back-up offers
- Negotiate terms of purchase/lease

Negotiations

- Finalize contract(s)
- Coordinate appraisal package and inspections for buyer
- Coordinate all due diligence tours
- Negotiate purchase/lease agreement
- Monitor purchaser's commitment to closing
- Coordinate escrow and prepare escrow tracker
- Respond to all issues that arise from purchase due diligence

Closing

- Finalize closing documents
- Prepare final closing summary to District





Listing- Hartel-27500 La Paz Road, Laguna Niguel, CA

Final Audit Report

2019-09-28

Created:	2019-09-27
By:	Ellie Neuroth 137112 (ellie.neuroth@colliers.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAAQ7VHJVHXwfnLQi_gCuLrZrPICbt2ijDT

"Listing- Hartel-27500 La Paz Road, Laguna Niguel, CA" History

-  Document created by Ellie Neuroth 137112 (ellie.neuroth@colliers.com)
2019-09-27 - 7:29:26 PM GMT- IP address: 52.73.234.82
-  Document emailed to Bob Caudill (bob.caudill@colliers.com) for signature
2019-09-27 - 7:30:48 PM GMT
-  Document e-signed by Bob Caudill (bob.caudill@colliers.com)
Signature Date: 2019-09-28 - 4:07:39 AM GMT - Time Source: server- IP address: 68.228.92.10- Located near: (0.0, 0.0)
-  Signed document emailed to Ellie Neuroth 137112 (ellie.neuroth@colliers.com) and Bob Caudill (bob.caudill@colliers.com)
2019-09-28 - 4:07:39 AM GMT



Adobe Sign

OM19-20.030 Brokerage Agreement
Colliers International

**AMENDMENT NO. 1 TO THE EXCLUSIVE LISTING AGREEMENT
BETWEEN MOULTON NIGUEL WATER DISTRICT AND
COLLIERS INTERNATIONAL GREATER LOS ANGELES, INC.
CONTRACT NO. OM19-20.030**

This Amendment No. 1 (this "Amendment") is entered into and effective as of _____, amending the Exclusive Listing Agreement dated October 1, 2019 (the "Agreement"), by and between Moulton Niguel Water District ("Owner"), and Colliers International Greater Los Angeles, Inc. ("Broker") (collectively, the "Parties"). Any capitalized terms used but not defined herein shall have the meaning assigned to them in the Agreement.

RECITALS

A. WHEREAS, on October 1, 2019, the Parties entered into the Agreement for brokerage services through September 30, 2022 or upon completion of sale or execution of lease, whichever comes first; and

B. WHEREAS, the Parties desire to amend certain provisions in the Agreement.

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

1. Amendment to Article 5 Sales Commission, Section 5.2. This Section shall be amended to include the following sentence:

"100% of Broker's commission shall be paid upon lease commencement date."

2. Amendment to Article 5, Sales Commission, Section 5.2(b), Lease Term Schedule for Landlord's Broker only (no tenant broker). This Section shall be amended to include commission for years 21 through 25 at 0.34375% of Rent.

3. All requisite insurance policies to be maintained by the Broker pursuant to the Agreement will include coverage for this Amendment.

4. All other provisions of the Agreement 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. The individuals executing this Amendment and the instruments referenced in it on behalf of the Parties each represent and warrant that they have the legal power, right and actual authority to bind each to the terms and conditions of this Amendment.

-Signatures on following page-

#12.

MOULTON NIGUEL WATER DISTRICT:

**COLLIERS INTERNATIONAL GREATER
LOS ANGELES, INC.:**

By: _____

By: _____

(Authorized Representative of
Broker)

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Dated: _____

Dated: _____



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** May 14, 2020
FROM: Jose Solorio, Government Affairs Officer
SUBJECT: SB 1386 (Moorlach) Local government: Assessments, Fees, and Charges

SUMMARY:

Issue: Senate Bill 1386, authored by Senator John Moorlach, is co-sponsored by Irvine Ranch Water District (IRWD) and the San Diego County Water Authority (SDCWA). SB 1386 would clarify that Proposition 218 allows public agencies to collect revenue for fire protection services through their rates and would help prevent lawsuits against agencies regarding this revenue source.

Recommendation: It is recommended that the Board of Directors take a “Support” position on SB 1386 and prepare a letter consistent with this position to share with Senator Moorlach’s office and other interested parties.

Fiscal Impact: No direct fiscal impact for taking a position on this legislation. Minor staff time to prepare a letter in support and coordinate with author’s office and coalition in support of the legislation.

If SB 1386 is enacted into law, it would provide the District additional protection against the type of lawsuits that other water agencies are facing in the state.

Reviewed by Committee: No. Given that the Legislature is back in session, the coalition is seeking additional supporters now and this was the soonest staff could bring this item for Board consideration.

Reviewed by Legal: Not applicable.

BACKGROUND:

Earlier this year in March, a series of lawsuits were filed against 81 water suppliers throughout California (including Anaheim, IRWD, Fullerton, and Garden Grove) claiming that fixed costs for capacity necessary for fire protection and fire hydrants owned by the

#13.

SB 1386 (Moorlach) Local government: Assessments, Fees, and Charges

May 14, 2020

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water suppliers are being subsidized by ratepayers in violation of Proposition 218 and should instead be charged to the particular governmental entity responsible for fire protection.

To address the issues raised by the lawsuits, Senator Moorlach is authoring SB 1386, which would codify that water dispensed through fire hydrants for fire suppression is a property-related service and, therefore, fees charged for such service are consistent with the requirements of Proposition 218.

Proposition 218, a constitutional amendment approved by voters in 1996, prohibits local government from imposing fees for property-related services that exceed the cost of providing service, unless the fees are approved by the voters as a tax. It also prohibits local government, without voter approval, from imposing property-related service fees for general governmental services that are available to the public at large in substantially the same manner they are available to property owners.

California Government Code Section 53069.6, which permits a public agency providing water for fire protection services to include those costs in the water rates they charge their customers, reflects the long understanding that fire hydrants and water served by them are part of the property-related services water suppliers provide their customers. Additionally, in an unpublished opinion, *Glendale Coalition for Better Gov't v. City of Glendale* (2018), the court effectively reaffirmed this interpretation by stating that fire hydrants used to protect properties from fire and the costs associated with them are in fact property-related services. SB 1386 seeks to further solidify this understanding by amending the Proposition 218 Omnibus Implementation Act (Govt. Code Sec. 53750 et seq.).

DISCUSSION:

In consideration of the current lawsuits against other water agencies that provide fire protection services to their customers, and the possible consequences to the District of those lawsuits being successful, staff recommends a "Support" position on SB 1386.

Although the Legislature and the Governor are currently focused on the state's COVID-19 response and budget, the proponents are trying to get the bill passed through the Legislature during this session.

For additional information, the current bill language for SB 1386 and the official fact sheet from Senator Moorlach's office are attached.

Attachments:

1. SB 1386 Current Language
2. SB 1386 Fact Sheet

AMENDED IN SENATE APRIL 1, 2020

SENATE BILL

No. 1386

Introduced by Senator Moorlach

February 21, 2020

~~An act to amend Section 56000 of the Government Code, relating to local government.~~ *An act to amend Section 53750 of, and to add Section 53750.5 to, the Government Code, relating to local government finance.*

LEGISLATIVE COUNSEL'S DIGEST

SB 1386, as amended, Moorlach. ~~Local government.~~ *Local government: assessments, fees, and charges: water.*

The California Constitution specifies various requirements with respect to the levying of assessments and property-related fees and charges by a local agency, including requiring that the local agency provide public notice and a majority protest procedure in the case of assessments and submit property-related fees and charges for approval by property owners subject to the fee or charge or the electorate residing in the affected area following a public hearing.

Existing law, known as the Proposition 218 Omnibus Implementation Act, prescribes specific procedures and parameters for local jurisdictions to comply with these requirements and, among other things, authorizes an agency providing water, wastewater, sewer, or refuse collection services to adopt a schedule of fees or charges authorizing automatic adjustments that pass through increases in wholesale charges for water, sewage treatment, or wastewater treatment or adjustments for inflation under certain circumstances. Existing law defines, among other terms, the term "water" for these purposes to mean any system of public improvements intended to provide for the production, storage, supply, treatment, or distribution of water from any source.

This bill would specify that “water” for purposes of the Proposition 218 Omnibus Implementation Act also includes the public fixtures, appliances, and appurtenances connected to an above-described system of public improvements intended to provide for the production, storage, supply, treatment, or distribution of water from any source. The bill would specify that a property-related water service fee or charge by a local agency may include the costs to construct, maintain, repair, or replace public hydrants attached to a water system, and the cost of water dispensed through public hydrants, to the extent those fees or charges are consistent with the California Constitution.

~~Existing law, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, provides the exclusive authority and procedure for the initiation, conduct, and completion of changes of organization and reorganization for cities and districts, except as specified.~~

This bill would make a nonsubstantive change to the provision naming the act.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 53750 of the Government Code is
2 amended to read:

3 53750. For purposes of Article XIII C and Article XIII D of
4 the California Constitution and this article, the following words
5 have the following meanings, and shall be read and interpreted in
6 light of the findings and declarations contained in Section 53751:

7 (a) “Agency” means any local government as defined in
8 subdivision (b) of Section 1 of Article XIII C of the California
9 Constitution.

10 (b) “Assessment” means any levy or charge by an agency upon
11 real property that is based upon the special benefit conferred upon
12 the real property by a public improvement or service, that is
13 imposed to pay the capital cost of the public improvement, the
14 maintenance and operation expenses of the public improvement,
15 or the cost of the service being provided. “Assessment” includes,
16 but is not limited to, “special assessment,” “benefit assessment,”
17 “maintenance assessment,” and “special assessment tax.”

1 (c) “District” means an area that is determined by an agency to
2 contain all of the parcels that will receive a special benefit from a
3 proposed public improvement or service.

4 (d) “Drainage system” means any system of public
5 improvements that is intended to provide for erosion control, for
6 landslide abatement, or for other types of water drainage.

7 (e) “Extended,” when applied to an existing tax or fee or charge,
8 means a decision by an agency to extend the stated effective period
9 for the tax or fee or charge, including, but not limited to,
10 amendment or removal of a sunset provision or expiration date.

11 (f) “Flood control” means any system of public improvements
12 that is intended to protect property from overflow by water.

13 (g) “Identified parcel” means a parcel of real property that an
14 agency has identified as having a special benefit conferred upon
15 it and upon which a proposed assessment is to be imposed, or a
16 parcel of real property upon which a proposed property-related
17 fee or charge is proposed to be imposed.

18 (h) (1) “Increased,” when applied to a tax, assessment, or
19 property-related fee or charge, means a decision by an agency that
20 does either of the following:

21 (A) Increases any applicable rate used to calculate the tax,
22 assessment, fee, or charge.

23 (B) Revises the methodology by which the tax, assessment, fee,
24 or charge is calculated, if that revision results in an increased
25 amount being levied on any person or parcel.

26 (2) A tax, fee, or charge is not deemed to be “increased” by an
27 agency action that does either or both of the following:

28 (A) Adjusts the amount of a tax, fee, or charge in accordance
29 with a schedule of adjustments, including a clearly defined formula
30 for inflation adjustment that was adopted by the agency prior to
31 November 6, 1996.

32 (B) Implements or collects a previously approved tax, fee, or
33 charge, so long as the rate is not increased beyond the level
34 previously approved by the agency, and the methodology
35 previously approved by the agency is not revised so as to result in
36 an increase in the amount being levied on any person or parcel.

37 (3) A tax, assessment, fee, or charge is not deemed to be
38 “increased” in the case in which the actual payments from a person
39 or property are higher than would have resulted when the agency
40 approved the tax, assessment, fee, or charge, if those higher

1 payments are attributable to events other than an increased rate or
2 revised methodology, such as a change in the density, intensity,
3 or nature of the use of land.

4 (i) “Notice by mail” means any notice required by Article XIII C
5 or XIII D of the California Constitution that is accomplished
6 through a mailing, postage prepaid, deposited in the United States
7 Postal Service and is deemed given when so deposited. Notice by
8 mail may be included in any other mailing to the record owner
9 that otherwise complies with Article XIII C or XIII D of the
10 California Constitution and this article, including, but not limited
11 to, the mailing of a bill for the collection of an assessment or a
12 property-related fee or charge.

13 (j) “Record owner” means the owner of a parcel whose name
14 and address appears on the last equalized secured property tax
15 assessment roll, or in the case of any public entity, the State of
16 California, or the United States, means the representative of that
17 public entity at the address of that entity known to the agency.

18 (k) “Sewer” includes systems, all real estate, fixtures, and
19 personal property owned, controlled, operated, or managed in
20 connection with or to facilitate sewage collection, treatment, or
21 disposition for sanitary or drainage purposes, including lateral and
22 connecting sewers, interceptors, trunk and outfall lines, sanitary
23 sewage treatment or disposal plants or works, drains, conduits,
24 outlets for surface or storm waters, and any and all other works,
25 property, or structures necessary or convenient for the collection
26 or disposal of sewage, industrial waste, or surface or storm waters.
27 “Sewer system” shall not include a sewer system that merely
28 collects sewage on the property of a single owner.

29 (l) “Registered professional engineer” means an engineer
30 registered pursuant to the Professional Engineers Act (Chapter 7
31 (commencing with Section 6700) of Division 3 of the Business
32 and Professions Code).

33 (m) “Vector control” means any system of public improvements
34 or services that is intended to provide for the surveillance,
35 prevention, abatement, and control of vectors as defined in
36 subdivision (k) of Section 2002 of the Health and Safety Code and
37 a pest as defined in Section 5006 of the Food and Agricultural
38 Code.

39 (n) “Water” means any system of public ~~improvements~~
40 *improvements, and the public fixtures, appliances, and*

1 *appurtenances connected to that system, intended to provide for*
2 *the production, storage, supply, treatment, or distribution of water*
3 *from any source.*

4 *SEC. 2. Section 53750.5 is added to the Government Code, to*
5 *read:*

6 *53750.5. (a) The Legislature finds and declares all of the*
7 *following:*

8 *(1) The provision of fire service is a different and distinct*
9 *category of service from the water service made available by a*
10 *water service provider, which aids the fire service provider in*
11 *providing fire service.*

12 *(2) Hydrants owned by water service providers are a public*
13 *fixture, appliance, or appurtenance connected to a water system*
14 *for the purpose of providing an immediately available water service*
15 *and are often used by a water service provider for water system*
16 *maintenance.*

17 *(3) Hydrants are generally designed, installed, and used to*
18 *provide an immediately available supply of water to extinguish*
19 *fires that threaten structures and other improvements on property*
20 *served by the water service provider, and are not for the purpose*
21 *of extinguishing wildfires or fires that threaten personal property,*
22 *vacant lands, or structures without water service.*

23 *(4) Hydrants generally are not available to the public at large*
24 *in substantially the same manner as they are to property owners.*

25 *(5) The fact that water from a hydrant could be used for a*
26 *purpose other than property protection in an emergency does not*
27 *make either the hydrant or the water dispensed from the hydrant*
28 *available to the public at large in substantially the same manner*
29 *as to property owners.*

30 *(6) The water dispensed through a public hydrant owned by a*
31 *water service provider is a property-related water service provided*
32 *to all property owners, as an incident of property ownership,*
33 *because the water is immediately available to be used to extinguish*
34 *a direct threat to structures and other improvements on property*
35 *and concurrently benefits all parcels, which are threatened with*
36 *damage or destruction by the fire not being extinguished.*

37 *(7) There are water service costs associated with maintaining,*
38 *repairing, and replacing hydrants and costs associated with the*
39 *water dispensed through hydrants to protect real property.*

1 ***(b) To the extent consistent with the requirements of Section 6***
2 ***of Article XIII D of the California Constitution, fees or charges***
3 ***for property-related water service may include the costs to***
4 ***construct, maintain, repair, or replace public hydrants attached***
5 ***to a water system, and the cost of water dispensed through public***
6 ***hydrants. The fee or charge may be fixed and collected consistent***
7 ***with Section 53069.9 of the Government Code, or consistent with***
8 ***any other method consistent with Section 6 of Article XIII D of the***
9 ***California Constitution.***

10 ***(c) This section is declaratory of existing law.***

11 ~~SECTION 1. Section 56000 of the Government Code is~~
12 ~~amended to read:~~

13 ~~56000. This division shall be known, and may be cited, as the~~
14 ~~Cortese-Knox-Hertzberg Local Government Reorganization Act~~
15 ~~of 2000.~~

O

SB 1386 (Moorlach) Protecting Fire Hydrant System Funding

Problem

Lawsuits have been filed against 81 water suppliers throughout California, calling into question their ability to lawfully and appropriately charge residents and businesses for the costs of water supplies used during fire protection services and for the costs associated with the fire hydrants the water supplier owns and maintains within the community.

If such legal challenges were to succeed, water suppliers would likely be required to charge fire protection agencies for these costs, which would be necessary for a water supplier to continue to support the hydrant systems. This would impact fire protection agencies' ability to fund critically needed equipment and personnel.

Background

The lawsuits against water suppliers, who own and operate fire hydrant systems, allege that water suppliers are in violation of Proposition 218 - a 1996 constitutional amendment that placed restrictions on local governments' imposition of taxes, assessments, fees and charges. Proposition 218 established the rules related to fees and charges assessed for property tax-related services.

While the basis of the lawsuits is fundamentally flawed, in that fire hydrants owned and maintained by a public water supplier and the water served by them have long been understood to be part of the property-related services water suppliers provide their customers, the Legislature can act to confirm this understanding.¹



Moreover, in an unpublished case - *Glendale Coalition for Better Gov't v. City of Glendale* (2018), the court effectively reaffirmed this interpretation by stating that fire hydrants used to protect properties from fire and the costs associated with them are in fact property-related services.

Property-Related Service Charges

Proposition 218 requires that any fees and charges assessed for a property-related service may only be assessed if the:

- *Revenues derived from the fee or charge do not exceed the funds required to provide the property-related service;*
- *Revenues derived from the fee or charge are not to be used for any purpose other than that for which the fee or charge was imposed;*
- *Amount of a fee or charge does not exceed the proportional cost of the service attributable to the parcel charged;*
- *Service being charged for is actually used by, or immediately available to, the owner of the property being charged; and*
- *Fee or charge assessed is not for a general governmental service, which is a service available to the general public in substantially the same manner as the person paying the fee.*

Solution

To protect fire hydrant system funding - while preventing additional costs and financial burdens to individual fire protection agencies that could range from the hundreds of thousands of dollars to the millions of dollars - the Legislature can enact a statement declarative of its understanding of existing law relating to the property-related nature of the hydrant systems. This can be accomplished in the context of amending existing statutes that implement Proposition 218.

¹ This understanding is reflected in California Government Code Section 53069.9, which permits a public agency providing water for fire protection services to include those costs in the water rates they charge their customers.

Local Governmental Agencies Sued

1. Alameda County Water District
2. Carlsbad Municipal Water District
3. Citrus Heights Water District
4. City of Anaheim
5. City of Antioch
6. City of Brea
7. City of Chino
8. City of Clovis
9. City of Compton
10. City of Corona
11. City of Downey
12. City of Escondido
13. City of Fairfield
14. City of Fountain Valley
15. City of Fresno
16. City of Fullerton
17. City of Garden Grove
18. City of Hayward
19. City of Hemet
20. City of Hesperia
21. City of Huntington Park
22. City of La Habra
23. City of Long Beach
24. City of Madera
25. City of Modesto
26. City of Napa
27. City of Norwalk
28. City of Oceanside
29. City of Ontario
30. City of Oxnard
31. City of Pasadena
32. City of Petaluma
33. City of Pomona
34. City of Sacramento
35. City of San Bernardino
36. City of San Diego
37. City of San Francisco
38. City of San Jose
39. City of San Luis Obispo
40. City of Santa Clara
41. City of Santa Cruz
42. City of Santa Monica
43. City of Santa Rosa
44. City of Stockton
45. City of Suisun
46. City of Torrance
47. City of Tracy
48. City of Tustin
49. City of Vacaville
50. City of Vallejo
51. City of Ventura
52. City of Victorville
53. City of Whittier
54. City of Woodland
55. Contra Costa Water District
56. Cucamonga Valley Water District
57. Desert Water Agency
58. East Bay Municipal Utility District
59. Eastern Municipal Water District
60. El Toro Water District
61. Elsinore Valley Municipal Water District
62. Fallbrook Public Utility District
63. Goleta Water District
64. Helix Water District
65. Irvine Ranch Water District
66. Lakeside Water District
67. Los Angeles County
68. Nevada Irrigation District
69. Otay Water District
70. Padre Dam Municipal Water District
71. Palmdale Water District
72. Placer County Water Agency
73. Rainbow Municipal Water District
74. Sacramento County Water Agency
75. San Diego County Water Authority
76. Santa Clarita Valley Water Agency
77. Vallecitos Water District
78. Valley Center Municipal Water District
79. Ventura County Waterworks
80. Vista Irrigation District
81. Walnut Valley Water District

These local governmental agencies were sued individually and on behalf of all others similarly situated.

Contact Information



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moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** May 14, 2020

FROM: Rod Woods, Director of Engineering
Bryan Hong, Senior Engineer

SUBJECT: Construction Contract Award for Aliso Creek and Southwing Lift Stations Auxiliary Generator Replacements

SUMMARY:

Issue: Board action is required for the Notice Inviting Sealed Bids for the Aliso Creek and Southwing Lift Stations Auxiliary Generator Replacements, Project Nos. 2017.007 and 2018.023.

Recommendation: It is recommended that the Board of Directors award the construction services contract to Pascal & Ludwig Constructors in the amount of \$1,241,000; authorize the General Manager or Assistant General Manager to execute the contract; and to approve change orders up to 10% of the contract value.

Fiscal Impact: Project Nos. 2017.007 and 2018.023 are budgeted in Fund 7, Replacement and Rehabilitation with a current combined project budget of \$1,450,000. The proposed project budget is \$1,640,100. The project will be constructed next fiscal year. Adequate funds will be included in the FY 2020-21 Capital Improvement Program budget.

Reviewed by Committee: Yes, recommended for approval at Technical Committee Meeting on May 4, 2020.

Reviewed by Legal: Yes

BACKGROUND:

Aliso Creek Lift Station is located near the intersection of Aliso Creek Road and El Toro Road in the City of Aliso Viejo. This lift station has a pumping capacity of 1,200 gallons per minute. Southwing Lift Station is located on Canyon Vistas adjacent to Canyon

#14.

Construction Contract Award for Aliso Creek and Southwing Lift Stations Auxiliary Generator Replacements

May 14, 2020

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View Park in the City of Aliso Viejo. This lift station has a pumping capacity of 500 gallons per minute.

This project will replace the existing propane backup generators with new auxiliary diesel generators at both lift stations. The project also includes improvements to fuel piping, fuel storage tanks, ventilation, electrical, controls, and appurtenances.

Construction documents for the project were prepared by Lee & Ro utilizing the on-call engineering services agreement. A categorical exemption was prepared in accordance with State CEQA Guidelines and a Notice of Exemption was filed with Orange County on November 30, 2018.

DISCUSSION:

A request for bids was issued to six qualified contractors. The District received six sealed bids for subject contract on April 23, 2020. The table below summarizes the bids received:

Firm	Bid
Pascal & Ludwig Constructors	\$1,241,000
Schuler Constructors	\$1,293,381
Kingmen Construction	\$1,460,200
SS Mechanical Construction Corp.	\$1,471,422
Pacific Hydrotech Corporation	\$1,495,800
PCL Construction	\$1,584,987
Engineer's Estimate	\$1,935,789

Staff has determined that the lowest responsible and responsive bidder was Pascal & Ludwig Constructors. Staff has completed its review of the contract documents and has determined that they are in order. Pascal & Ludwig Constructors has performed quality work for the District in the past and is well-qualified to perform this type of work.

Staff intends to procure specialty inspection services related to the electrical and structural work under the existing On-Call Construction Management and Inspection Services Agreements. These services are anticipated to be approximately \$50,000.

Construction Contract Award for Aliso Creek and Southwing Lift Stations Auxiliary
Generator Replacements
May 14, 2020
Page 3 of 3

SUMMARY OF PROJECT BUDGET:

	Project Budget*	Proposed / Approved Contract	Proposed / Authorized Contingency	Total Proposed / Authorized Amount
Project Items				
Engineering	\$175,000	\$175,000	\$0	\$175,000
Construction Contract	\$1,175,000	\$1,241,000	\$124,100	\$1,365,100
Specialty Inspection	\$50,000	\$50,000	\$0	\$50,000
Legal, Permits, District Labor	\$50,000	\$50,000	\$0	\$50,000
Totals	\$1,450,000	\$1,516,000	\$124,100	\$1,640,100

*\$167,800.90 has been expended to date.

Currently Proposed Amount

Attachments:

1. Exhibit A – Location Map for Aliso Creek Lift Station
2. Exhibit B – Location Map for Southwing Lift Station
3. Exhibit C – Vendor Contact List



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Scale = 1:2,000

**Exhibit "A" Location Map
Aliso Creek Lift Station
Auxiliary Generator Replacement
Contract No. 2017.007**



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Scale = 1:2,000

**Exhibit "B" Location Map
Southwing Lift Station
Auxiliary Generator Replacement
Contract No. 2018.023**



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** May 14, 2020

FROM: Rod Woods, Director of Engineering
Bryan Hong, Senior Engineer

SUBJECT: Construction Management and Inspection Support for Regional Lift Station Enhancements

SUMMARY:

Issue: Board action is required to execute a Professional Services Agreement (PSA) for construction management and inspection (CM&I) services for the Regional Lift Station Enhancements, Project No. 2017.022.

Recommendation: It is recommended that the Board of Directors approve the Professional Services Agreement with Butier Engineering in the amount of \$492,386; authorize the General Manager or Assistant General Manager to execute the agreement; and to approve amendments up to 10% of the contract value.

Fiscal Impact: Project No. 2017.022 is budgeted in Fund 14, Planning and Construction with a current project budget of \$4,997,961. The proposed project budget is \$5,289,586. The project will be constructed next fiscal year. Adequate funds will be included in the FY 2020-21 Capital Improvement Program budget.

Reviewed by Committee: Yes, recommended for approval at Technical Committee Meeting on May 4, 2020.

Reviewed by Legal: Yes

BACKGROUND:

The Regional Lift Station is located along Alicia Parkway adjacent to the Laguna Niguel Regional Park and pumps wastewater from the District’s collection system to the Joint Regional Treatment Plant. Over half of all wastewater generated within the District is pumped through the Regional Lift Station.

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Construction Management and Inspection Support for Regional Lift Station Enhancements

May 14, 2020

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This project includes enhancements at the Regional Lift Station that will improve the operational reliability of this critical facility. The proposed enhancements include the addition of a standby diesel engine-driven emergency bypass pumping system, rehabilitation of the existing wet well, installation of an overflow basin, and replacement of Pump No. 5. The project also includes related piping, electrical, and instrumentation controls. The Board of Directors awarded the construction services contract to Pacific Hydrotech Corporation on March 12, 2020.

Considering the scope, complexity, and importance of the project, in addition to current workloads, staff recommends the use of an outside firm for construction management and inspection support. The construction management and inspection services will include: construction inspection and specialty inspection; document control as directed by the District including all project submittals, requests for information, change orders, progress payments, field reports, and correspondence; condition assessment of the existing wet well; startup and commissioning; maintenance of as-built drawings; and project closeout including final inspection, punch list, and project documentation.

DISCUSSION:

On March 31, 2020, staff issued a Request for Proposals (RFP) for construction management and inspection services to six qualified firms. Six proposals were received and the fee estimates are summarized below:

Firm	Fee Estimate
Dudek	\$436,350
MWH Constructors	\$466,659
Wallace and Associates	\$474,180
Butier Engineering	\$492,386
Black & Veatch	\$589,482
TRC	\$706,680

Staff performed a thorough review of the proposals received to determine the best overall value for the professional services required. The key personnel proposed by Butier for the construction manager and inspector exhibited the best combined relevant experience and skillsets for the work to be performed on this project. Based on the firms' key personnel and balance of team, specific project understanding and approach, overall proposal quality, project specific experience and cost, staff recommends that Butier Engineering be awarded the professional services agreement.

All services will be performed on a time and materials not to exceed basis.

Construction Management and Inspection Support for Regional Lift Station Enhancements
May 14, 2020
Page 3 of 3

SUMMARY OF PROJECT BUDGET:

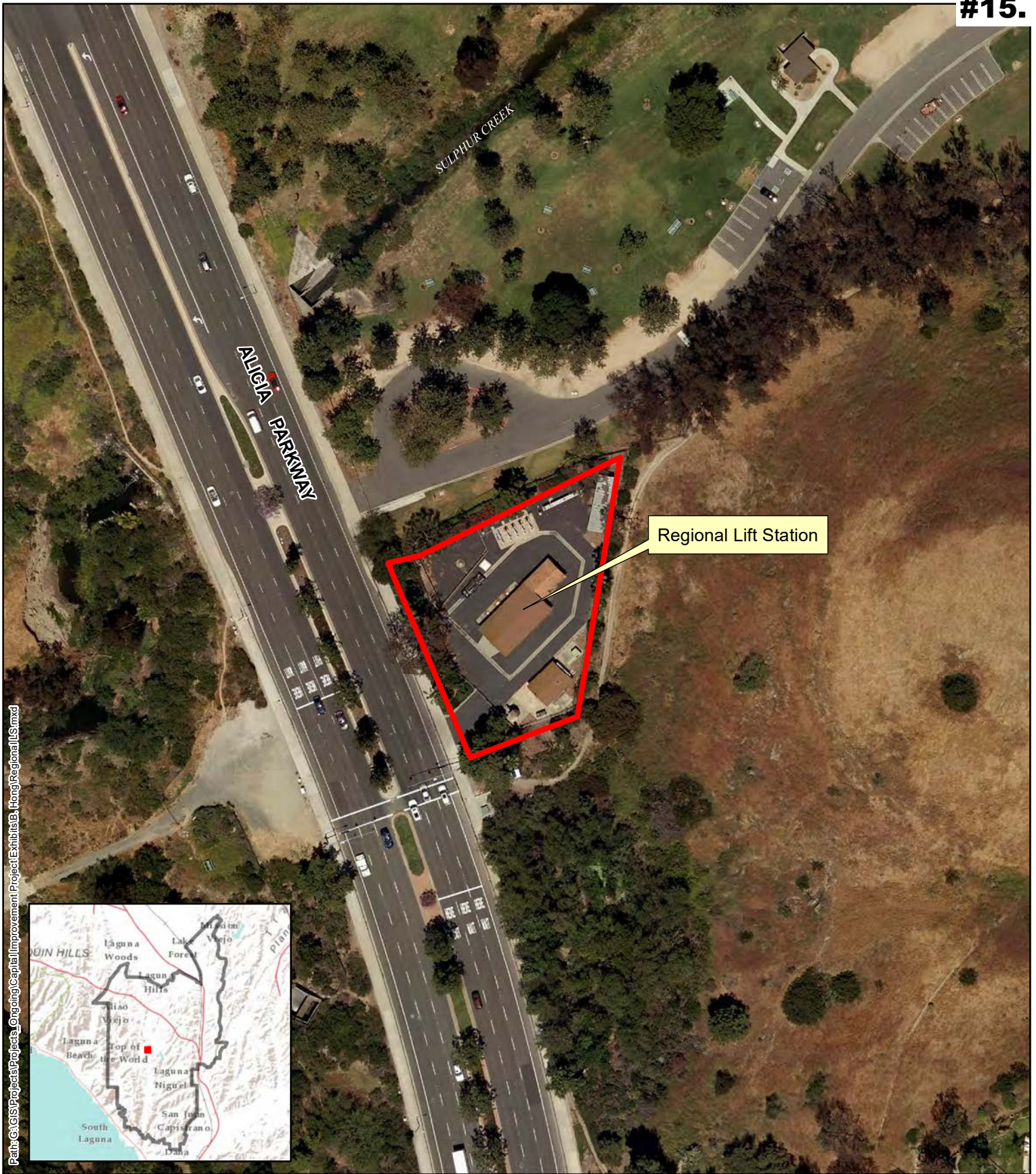
	Project Budget*	Proposed / Approved Contract	Proposed / Authorized Contingency	Total Proposed / Authorized Amount
Project Items				
Engineering	\$288,860	\$262,600	\$26,260	\$288,860
Construction Contract	\$4,439,101	\$4,035,546	\$403,555	\$4,439,101
CM and Inspection	\$250,000	\$492,386	\$49,239	\$541,625
Legal, Permits, District Labor	\$20,000	\$20,000	\$0	\$20,000
Totals	\$4,997,961	\$4,810,532	\$479,054	\$5,289,586

*\$213,025.44 has been expended to date.

 Currently Proposed Amount

Attachments:

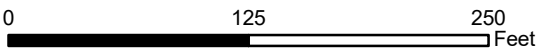
1. Exhibit A – Location Map
2. Exhibit B – PSA for CM&I Services for Regional Lift Station Enhancements
3. Exhibit C – Vendor Contact List



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Regional Lift Station



Scale = 1:1,200

Exhibit "A" Location Map
Regional Lift Station Enhancements
Contract No. 2017.022

**PROFESSIONAL SERVICES AGREEMENT
BETWEEN
MOULTON NIGUEL WATER DISTRICT AND
BUTIER ENGINEERING, INC.
MNWD PROJECT: CM&I SERVICES FOR REGIONAL LIFT STATION ENHANCEMENTS
CONTRACT NO. 2017.022**

This Agreement (the "Agreement") is made and entered as of _____ ("Effective Date") by and between the Moulton Niguel WATER DISTRICT ("MNWD") and Butier Engineering, Inc., a corporation with its principal place of business at 17822 17th Street, Suite 404, Tustin, CA 92780 ("Consultant"). MNWD and Consultant are sometimes individually referred to as "Party" and collectively as "Parties" in this Agreement.

SECTION I – PURPOSE

Consultant shall provide certain professional services required by MNWD on the terms and conditions set forth in this Agreement. Consultant represents that it has the qualifications, experience, licenses, and facilities necessary to properly perform construction management and inspection services in a competent and professional manner.

SECTION II – TERM

The term of this Agreement shall be from the Effective Date to **December 31, 2021**, unless earlier terminated as provided herein.

SECTION III – SCOPE OF SERVICES

Section 3.1. Scope of Services. The scope of services to be provided by Consultant is set forth on Exhibit "A" attached hereto and by this reference incorporated herein ("Services"). Consultant warrants that it will perform the Services as set forth herein in a competent, professional and satisfactory manner. All Services shall be subject to, and performed 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.

Section 3.2. Schedule of Services. Consultant shall complete the Services within the term of this Agreement and shall meet any other established schedules and deadlines, including any schedule of services set forth in Exhibit "A."

Section 3.3. Permits, Licenses, Fees and Other Charges. Consultant shall, in accordance with applicable laws and ordinances, obtain at his/her/its expense all permits and licenses necessary to accomplish the Services. Failure to maintain a required license or permit may result in immediate termination of this Agreement.

SECTION IV – COMPENSATION

Section 4.1. Payment for Services Rendered. Consultant shall receive compensation, including authorized reimbursements, for all Services rendered under this Agreement at the rates set forth in Exhibit "B" attached hereto and incorporated herein by reference. The total compensation shall not exceed **Four Hundred Ninety-Two Thousand Three Hundred Eighty-Six Dollars (\$492,386)** without written approval by MNWD. Extra Work may be authorized, as

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described below, and if authorized, will be compensated at the rates and manner set forth in this Agreement.

Section 4.2. Invoices. Consultant shall submit to MNWD a monthly itemized statement which indicates work completed and hours of Services rendered by Consultant. The statement shall describe the Services and supplies provided since the initial commencement date, or since the start of the subsequent billing periods, as appropriate, through the date of the statement. MNWD shall, within 45 days of receiving such statement, review the statement and pay all approved charges thereon.

- A. Payment shall not constitute acceptance of any work completed by Consultant.
- B. The making of final payment shall not constitute a waiver of any claims by MNWD for any reason whatsoever.

Section 4.3. Reimbursement for Expenses. Consultant shall not be reimbursed for any expenses unless authorized in writing by MNWD.

Section 4.4. Extra Work. At any time during the term of this Agreement, MNWD may request that Consultant perform Extra Work. As used herein, "Extra Work" means any work which is determined by MNWD to be necessary for the proper completion of the Project, but which the parties did not reasonably anticipate would be necessary at the execution of this Agreement. Consultant shall not perform, nor be compensated for, Extra Work without written authorization by MNWD.

SECTION V – REPRESENTATIVES OF THE PARTIES

Section 5.1. MNWD's Representative. MNWD hereby designates its Director of Engineering, or his or her designee, to act as its representative for the performance of this Agreement ("MNWD's Representative"). Consultant shall not accept direction or orders from any person other than MNWD's Representative or his or her designee.

Section 5.2. Consultant's Representative. Consultant hereby designates Mark M. Butier, Jr., or his designee, to act as its representative for the performance of this Agreement ("Consultant's Representative"). Consultant's Representative shall have full authority to represent and act on behalf of the Consultant for all purposes under this Agreement. The Consultant's Representative shall supervise and direct the Services, using his best skill and attention, and shall be responsible for all means, methods, techniques, sequences, and procedures and for the satisfactory coordination of all portions of the Services under this Agreement.

SECTION VI – RESPONSIBILITIES OF CONSULTANT

Section 6.1. Control and Payment of Subordinates; Independent Contractor. The Services shall be performed by Consultant or under its supervision. Consultant will determine the means, methods and details of performing the Services subject to the requirements of this Agreement. MNWD retains Consultant on an independent contractor basis and not as an employee. Consultant retains the right to perform similar or different services for others during the term of this Agreement. Any additional personnel performing the Services under this Agreement on behalf of Consultant shall also not be employees of MNWD and shall at all times be under Consultant's exclusive direction and control. Consultant shall pay all wages, salaries, and other amounts due such personnel in connection with their performance of Services under this

Agreement and as required by law. Consultant shall be responsible for all reports and obligations respecting such additional personnel, including, but not limited to: social security taxes, income tax withholding, unemployment insurance, disability insurance, and workers' compensation insurance.

Section 6.2. Standard of Care; Performance of Employees. Consultant shall perform all Services under this Agreement in a skillful and competent manner, consistent with the standards generally recognized as being employed by professionals in the same discipline in the State of California. Consultant represents and maintains that it is skilled in the professional calling necessary to perform the Services. Consultant warrants that all employees and subconsultants shall have sufficient skill and experience to perform the Services assigned to them. Finally, Consultant represents that it, its employees and subconsultants have all licenses, permits, qualifications and approvals of whatever nature that are legally required to perform the Services, and that such licenses and approvals shall be maintained throughout the term of this Agreement. As provided for in the indemnification provisions of this Agreement, Consultant shall perform, at its own cost and expense and without reimbursement from MNWD, any services necessary to correct errors or omissions which are caused by the Consultant's failure to comply with the standard of care provided for herein.

Section 6.3. Conformance to Applicable Requirements. All work prepared by Consultant shall be subject to the approval of MNWD.

Section 6.4. Substitution of Key Personnel. Consultant has represented to MNWD that certain key personnel will perform and coordinate the Services under this Agreement. The key personnel for performance of this Agreement are as follows: Mark Butier Jr., Kenji Shintaku, Joseph Hawes, Steve Naylor, Bruce Phillips, Kent Kreeger, Richard Grounds. Should one or more of such personnel become unavailable, Consultant may substitute other personnel of at least equal competence upon written approval of MNWD. In the event that MNWD and Consultant cannot agree as to the substitution of key personnel, MNWD shall be entitled to terminate this Agreement for cause. Furthermore, any personnel who fail or refuse to perform the Services in a manner acceptable to MNWD, or who are determined by MNWD to be uncooperative, incompetent, a threat to the adequate or timely completion of the Services or a threat to the safety of persons or property, shall be promptly removed from performing Services by the Consultant at the request of MNWD.

Section 6.5. Coordination of Services. Consultant agrees to work closely with MNWD staff in the performance of Services and shall be available to MNWD's staff, consultants and other staff at all reasonable times.

Section 6.6. Laws and Regulations. Consultant shall keep itself fully informed of and in compliance with all local, state and federal laws, rules and regulations in any manner affecting the performance of the Project or the Services, including all Cal/OSHA requirements, and shall give all notices required by law. Consultant shall be liable for all violations of such laws and regulations in connection with Services. If the Consultant performs any work knowing it to be contrary to such laws, rules and regulations, Consultant shall be solely responsible for all costs arising therefrom. Consultant shall defend, indemnify and hold MNWD, its officials, directors, officers, employees, and agents free and harmless, pursuant to the indemnification provisions of this Agreement, from any claim or liability arising out of any failure or alleged failure to comply with such laws, rules or regulations.

SECTION VII – LABOR CODE PROVISIONS

Section 7.1. Prevailing Wages. Consultant is aware of the requirements of California Labor Code Section 1720, et seq., and 1770, et seq., as well as California Code of Regulations, Title 8, Section 16000, et seq., (“Prevailing Wage Laws”), which require the payment of prevailing wage rates and the performance of other requirements on “public works” and “maintenance” projects. If the Services are being performed as part of an applicable “public works” or “maintenance” project, as defined by the Prevailing Wage Laws, and if the total compensation is \$1,000 or more, Consultant agrees to fully comply with such Prevailing Wage Laws. A copy of these prevailing wage rates are on file with the Department of Industrial Relations and can be found online with the State of California at <http://www.dir.ca.gov/dlsr/pwd>. Consultant shall make copies of the prevailing rates of per diem wages for each craft, classification or type of worker needed to execute the Services available to interested parties upon request, and shall post copies at the Consultant’s principal place of business and at the project site. It is the intent of the parties to effectuate the requirements of sections 1771, 1774, 1775, 1776, 1777.5, 1813, and 1815 of the Labor Code within this Agreement, and Consultant shall therefore comply with such Labor Code sections to the fullest extent required by law. Consultant shall defend, indemnify and hold MNWD, its elected officials, officers, employees and agents free and harmless from any claim or liability arising out of any failure or alleged failure to comply with the Prevailing Wage Laws.

Section 7.2. Registration and Labor Compliance. If the services are being performed as part of an applicable “public works” or “maintenance” project, then, in addition to the foregoing, pursuant to Labor Code sections 1725.5 and 1771.1, the Consultant and all subconsultants must be registered with the Department of Industrial Relations (“DIR”). Consultant shall maintain registration for the duration of the project and require the same of any subconsultants. This project may also be subject to compliance monitoring and enforcement by the Department of Industrial Relations. It shall be Consultant’s sole responsibility to comply with all applicable registration and labor compliance requirements, including the submission of payroll records directly to the DIR.

Section 7.3. Labor Certification. By its signature hereunder, Consultant certifies that it is aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for Worker’s Compensation or to undertake self-insurance in accordance with the provisions of that Code, and agrees to comply with such provisions before commencing the performance of the Services.

SECTION VIII – INDEMNIFICATION

To the fullest extent permitted by law, Consultant shall immediately indemnify, defend, and hold MNWD, its directors, officials, officers, employees, volunteers and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury of any kind, in law or equity, to property or persons, including wrongful death, in any manner arising out of, pertaining to, or incident to any alleged acts, errors or omissions of Consultant, its officials, officers, employees, subcontractors, consultants or agents in connection with the performance of the Consultant’s Services or this Agreement, including without limitation the payment of all consequential damages, expert witness fees and attorneys’ fees and other related costs and expenses. Consultant shall pay and satisfy any judgment, award or decree that may be rendered against MNWD or its directors, officials, officers, employees, volunteers and agents as part of any such claim, suit, action or other proceeding. Consultant shall also reimburse MNWD for the cost of any settlement paid by MNWD or its directors, officials, officers, employees, agents or volunteers as part of any such claim, suit, action or other proceeding. Such reimbursement

shall include payment for MNWD's attorneys' fees and costs, including expert witness fees. Consultant shall reimburse MNWD and its directors, officials, officers, employees, agents, and/or volunteers, for any and all legal expenses and costs incurred by each of them in connection therewith or in enforcing the indemnity herein provided. Consultant's obligation to indemnify shall survive expiration or termination of this Agreement, and shall not be restricted to insurance proceeds, if any, received by MNWD, its directors, officials, officers, employees, agents, or volunteers. Notwithstanding the foregoing, to the extent Consultant's Services are subject to Civil Code Section 2782.8, the above indemnity shall be limited, to the extent required by Civil Code Section 2782.8, to claims that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Consultant.

SECTION IX – INSURANCE

Section 9.1. Time for Compliance. Consultant shall not commence Work under this Agreement until it has provided evidence satisfactory to MNWD that it has secured all insurance required under this section. In addition, Consultant shall not allow any subconsultant to commence work on any subcontract until it has provided evidence satisfactory to MNWD that the subconsultant has secured all insurance required under this section. Failure to provide and maintain all required insurance shall be grounds for MNWD to terminate this Agreement for cause.

Section 9.2. Minimum Requirements. Consultant shall, at its expense, procure and maintain for the duration of the Agreement insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the Agreement by the Consultant, its agents, representatives, employees or subconsultants. Consultant shall also require all of its subconsultants to procure and maintain the same insurance for the duration of the Agreement. Such insurance shall meet at least the following minimum levels of coverage:

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). Consultant shall maintain limits no less than \$1,000,000 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/location 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) MNWD, its directors, officials, officers, employees, agents, and volunteers shall be covered as additional insured with respect to the Work or operations performed by or on behalf of the Consultant, 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 MNWD, 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 Consultant's scheduled underlying coverage. Any insurance or self-insurance maintained by MNWD, its directors, officials, officers, employees, agents, and volunteers shall be excess of the Consultant's insurance and shall not be called upon to contribute with it in any way.

B. 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

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(any auto). Consultant shall maintain limits no less than \$1,000,000 per accident for bodily injury and property damage. The automobile liability policy shall include or be endorsed (amended) to state that: (1) MNWD, 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 Consultant or for which the Consultant is responsible; and (2) the insurance coverage shall be primary insurance as respects MNWD, its directors, officials, officers, employees, agents, and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of the Consultant's scheduled underlying coverage. Any insurance or self-insurance maintained by MNWD, its directors, officials, officers, employees, agents, and volunteers shall be excess of the Consultant'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.

C. Workers' Compensation and Employer's Liability Insurance. Consultant shall maintain Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance in an amount no less than \$1,000,000 per accident for bodily injury or disease. The insurer shall agree to waive all rights of subrogation against MNWD, its directors, officials, officers, employees, agents, and volunteers for losses paid under the terms of the insurance policy which arise from work performed by the Consultant.

D. Professional Liability. Consultant shall procure and maintain, and require its subconsultants to procure and maintain, for a period of five (5) years following completion of the Project, errors and omissions liability insurance appropriate to their profession covering Consultant's wrongful acts, negligent actions, errors or omissions. The retroactive date (if any) is to be no later than the effective date of this agreement. Consultant shall purchase a one-year extended reporting period: i) if the retroactive date is advanced past the effective date of this Agreement; ii) if the policy is canceled or not renewed; or iii) if the policy is replaced by another claims-made policy with a retroactive date subsequent to the effective date of this Agreement. Such insurance shall be in an amount not less than \$2,000,000 per claim.

E. Excess Liability (if necessary). The limits of Insurance required in this Agreement may be satisfied by a combination of primary and umbrella or excess insurance. Any umbrella or excess coverage shall contain or be endorsed to contain a provision that such coverage shall also apply on a primary and non-contributory basis for the benefit of MNWD (if agreed to in a written contract or agreement) before MNWD's own primary or self-insurance shall be called upon to protect it as a named insured. The policy shall be endorsed to state that MNWD, its directors, officials, officers, employees, agents, and volunteers shall be covered as additional insured at least as broad a form as CG 20 10 11 85 or the latest versions of both CG 20 10 and CG 20 37. The coverage shall contain no special limitations on the scope of protection afforded to MNWD, its directors, officials, officers, employees, agents, and volunteers.

Section 9.3. All Coverages. The Consultant is required by this Agreement to state that: (i) coverage shall not be suspended, voided, reduced or canceled except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to MNWD; If any of the required coverages expire or cancel during the term of this agreement, the Consultant shall deliver the renewal certificate(s) including the general liability additional insured endorsement to MNWD at least ten (10) days prior to the cancellation or expiration date; and (ii) any failure to comply with

reporting or other provisions of the policies, including breaches of warranties, shall not affect coverage provided to MNWD, its directors, officials, officers, employees, agents, and volunteers.

Section 9.4. Separation of Insureds; No Special Limitations. All insurance required by this Section shall contain standard separation of insureds provisions. In addition, such insurance shall not contain any special limitations on the scope of protection afforded to MNWD, its directors, officials, officers, employees, agents, and volunteers.

Section 9.5. Deductibles and Self-Insurance Retentions. Any deductibles or self-insured retentions must be declared to and approved by MNWD. Consultant shall guarantee that, at the option of MNWD, either: (i) the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects MNWD, its directors, officials, officers, employees, agents, and volunteers; and insurer shall provide or be endorsed to provide that the deductibles or SIR may be satisfied by either the named or additional insureds, co-insurers, and/or insureds other than the First Named Insured or (ii) the Consultant shall procure a bond guaranteeing payment of losses and related investigation costs, claims, and administrative and defense expenses.

Section 9.6. Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating no less than A-VII or equivalent, or as otherwise approved by MNWD.

Section 9.7. Verification of Coverage. Consultant shall furnish MNWD with certificates of insurance and endorsements effecting coverage required by this Agreement on forms satisfactory to MNWD. The certificates and endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf, and shall be on forms provided by MNWD if requested. All certificates and endorsements must be received and approved by MNWD before work commences. MNWD reserves the right to require complete, certified copies of all required insurance policies, at any time. In the event that the Consultant employs other consultants (sub-consultants) as part of the services covered by this agreement, it shall be the Consultant's responsibility to require and confirm that each sub-consultant meets the minimum insurance requirements specified above.

Section 9.8. Reporting of Claims. Consultant shall report to MNWD, in addition to Consultant's insurer, any and all insurance claims submitted by Consultant in connection with the Services under this Agreement.

SECTION X – TERMINATION

Section 10.1. Grounds for Termination. MNWD may, by written notice to Consultant, terminate the whole or any part of this Agreement at any time and without cause by giving written notice to Consultant of such termination, and specifying the effective date thereof, at least seven (7) days before the effective date of such termination. Upon termination, Consultant shall be compensated only for those services which have been adequately rendered to MNWD, and Consultant shall be entitled to no further compensation. Consultant may not terminate this Agreement except for cause.

Section 10.2. Effect of Termination. If this Agreement is terminated as provided herein, MNWD may require Consultant to provide all finished or unfinished Documents and Data and other information of any kind prepared by Consultant in connection with the performance of Services under this Agreement. Consultant shall be required to provide such document and other information within fifteen (15) days of the request.

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Section 10.3. Additional Services. In the event this Agreement is terminated in whole or in part as provided herein, MNWD may procure, upon such terms and in such manner as it may determine appropriate, services similar to those terminated.

SECTION XI – OWNERSHIP OF MATERIALS AND CONFIDENTIALITY

Section 11.1. Documents & Data; Licensing of Intellectual Property. This Agreement creates a non-exclusive and perpetual license for MNWD to copy, use, modify, reuse, or sublicense any and all copyrights, designs, and other intellectual property embodied in plans, specifications, studies, drawings, estimates, and other documents or works of authorship fixed in any tangible medium of expression, including but not limited to, physical drawings or data magnetically or otherwise recorded on computer diskettes, which are prepared or caused to be prepared by Consultant under this Agreement (“Documents & Data”). All Documents & Data shall be and remain the property of MNWD, and shall not be used in whole or in substantial part by Consultant on other projects without MNWD’s express written permission. Within thirty (30) days following the completion, suspension, abandonment or termination of this Agreement, Consultant shall provide to MNWD reproducible copies of all Documents & Data, in a form and amount required by MNWD. MNWD reserves the right to select the method of document reproduction and to establish where the reproduction will be accomplished. The reproduction expense shall be borne by MNWD at the actual cost of duplication. In the event of a dispute regarding the amount of compensation to which the Consultant is entitled under the termination provisions of this Agreement, Consultant shall provide all Documents & Data to MNWD upon payment of the undisputed amount. Consultant shall have no right to retain or fail to provide to MNWD any such documents pending resolution of the dispute. In addition, Consultant shall retain copies of all Documents & Data on file for a minimum of fifteen (15) years following completion of the Project, and shall make copies available to MNWD upon the payment of actual reasonable duplication costs. Before destroying the Documents & Data following this retention period, Consultant shall make a reasonable effort to notify MNWD and provide MNWD with the opportunity to obtain the documents.

Section 11.2. Subconsultants. Consultant shall require all subconsultants to agree in writing that MNWD is granted a non-exclusive and perpetual license for any Documents & Data the subconsultant prepares under this Agreement. Consultant represents and warrants that Consultant has the legal right to license any and all Documents & Data. Consultant makes no such representation and warranty in regard to Documents & Data which were prepared by design professionals other than Consultant or its subconsultants, or those provided to Consultant by MNWD.

Section 11.3. Right to Use. MNWD shall not be limited in any way in its use or reuse of the Documents and Data or any part of them at any time for purposes of this Project or another project, provided that any such use not within the purposes intended by this Agreement or on a project other than this Project without employing the services of Consultant shall be at MNWD’s sole risk. If MNWD uses or reuses the Documents & Data on any project other than this Project, it shall remove the Consultant’s seal from the Documents & Data and indemnify and hold harmless Consultant and its officers, directors, agents and employees from claims arising out of the negligent use or re-use of the Documents & Data on such other project. Consultant shall be responsible and liable for its Documents & Data, pursuant to the terms of this Agreement, only with respect to the condition of the Documents & Data at the time they are provided to MNWD upon completion, suspension, abandonment or termination. Consultant shall not be responsible or liable for any revisions to the Documents & Data made by any party other than Consultant, a

party for whom the Consultant is legally responsible or liable, or anyone approved by the Consultant.

Section 11.4. Intellectual Property Indemnification. Consultant shall defend, indemnify and hold MNWD, its directors, officials, officers, employees, volunteers and agents free and harmless, pursuant to the indemnification provisions of this Agreement, for any alleged infringement of any patent, copyright, trade secret, trade name, trademark, or any other proprietary right of any person or entity in consequence of the use on the Project by MNWD of the Documents & Data, including any method, process, product, or concept specified or depicted.

Section 11.5. Confidentiality. All Documents & Data, either created by or provided to Consultant in connection with the performance of this Agreement, shall be held confidential by Consultant. All Documents & Data shall not, without the prior written consent of MNWD, be used or reproduced by Consultant for any purposes other than the performance of the Services. Consultant shall not disclose, cause or facilitate the disclosure of the Documents & Data to any person or entity not connected with the performance of the Services or the Project. Nothing furnished to Consultant that is otherwise known to Consultant or is generally known, or has become known, to the related industry shall be deemed confidential. Consultant shall not use MNWD's name or insignia, photographs of the Project, or any publicity pertaining to the Services or the Project in any magazine, trade paper, newspaper, television or radio production or other similar medium without the prior written consent of MNWD.

SECTION XII – ACCOUNTING, INSPECTION AND AUDIT

Section 12.1. Records. Consultant shall keep and shall preserve for four (4) years after final completion of the services, accurate and detailed records of all ledgers, books of account, invoices, vouchers, cancelled checks, and other documents or records evidencing or relating to the work, services and disbursements charged to MNWD under this Agreement (collectively, "Books and Records"). Any and all Books and Records must be maintained in accordance with generally accepted accounting principles and must be sufficiently complete and detailed so as to permit an accurate evaluation of the services provided by Consultant under this Agreement. During such four (4) year period, Consultant shall give MNWD and its agents, during normal business hours, access to such Books and Records. MNWD and its agents shall have the right to make copies of any of the said Books and Records.

Section 12.2. Custody. Where MNWD has reason to believe that any of the Books and Records required to be maintained by this Article may be lost or discarded due to dissolution or termination of Consultant's business, MNWD may, by written request, require that custody of such Books and Records be given to a person or entity mutually agreed upon and such Books and Records thereafter shall be maintained by such person or entity at Consultant's expense. Access to the Books and Records shall be granted to MNWD and its Representatives.

SECTION XIII – GENERAL PROVISIONS

Section 13.1. Delivery of Notices. All notices permitted or required under this Agreement shall be given to the respective parties at the following address, or at such other address as the respective parties may provide in writing for this purpose:

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MNWD:

Moulton Niguel Water District
P.O. Box 30203
Laguna Niguel, CA 92607
Attn: Director of Engineering

CONSULTANT:

Butier Engineering, Inc.
17822 E. 17th Street, Suite 404
Tustin, CA 92780
Attn: Mark Butier Jr.

Such notice shall be deemed made when personally delivered or when mailed, forty-eight (48) hours after deposit in the U.S. Mail, first class postage prepaid and addressed to the party at its applicable address. Actual notice shall be deemed adequate notice on the date actual notice occurred, regardless of the method of service.

Section 13.2. Subcontracting/Subconsulting. Consultant shall not subcontract any portion of the work required by this Agreement, except as expressly stated herein, without prior written approval of MNWD. Subcontracts, if any, shall contain a provision making them subject to all provisions stipulated in this Agreement.

Section 13.3. Equal Opportunity Employment. Consultant represents that it is an equal opportunity employer and it shall not discriminate against any subconsultant, employee or applicant for employment because of race, religion, color, national origin, handicap, ancestry, sex or age. Such non-discrimination shall include, but not be limited to, all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination. Consultant shall also comply with all relevant provisions of MNWD's Minority Business Enterprise program, Affirmative Action Plan or other related programs or guidelines currently in effect or hereinafter enacted.

Section 13.4. Time of Essence. Time is of the essence for each and every provision of this Agreement.

Section 13.5. MNWD's Right to Employ Other Consultants. MNWD reserves right to employ other consultants in connection with this Project.

Section 13.6. Successors and Assigns. This Agreement shall be binding on the successors and assigns of the parties.

Section 13.7. Assignment or Transfer. Consultant shall not assign, hypothecate or transfer, either directly or by operation of law, this Agreement or any interest herein without the prior written consent of MNWD. Any attempt to do so shall be null and void, and any assignees, hypothecates or transferees shall acquire no right or interest by reason of such attempted assignment, hypothecation or transfer.

Section 13.8. Construction; References; Captions. Since the Parties or their agents have participated fully in the preparation of this Agreement, the language of this Agreement shall be construed simply, according to its fair meaning, and not strictly for or against any Party. Any term referencing time, days or period for performance shall be deemed calendar days and not work days. All references to Consultant include all personnel, employees, agents, and subconsultants of Consultant, except as otherwise specified in this Agreement. All references to MNWD include its elected officials, officers, employees, agents, and volunteers except as otherwise specified in this Agreement. The captions of the various articles and paragraphs are for convenience and ease of reference only, and do not define, limit, augment, or describe the scope, content or intent of this Agreement.

Section 13.9. Amendment; Modification. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing and signed by both Parties.

Section 13.10. Waiver. No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a Party shall give the other Party any contractual rights by custom, estoppel or otherwise.

Section 13.11. No Third Party Beneficiaries. There are no intended third party beneficiaries of any right or obligation assumed by the Parties.

Section 13.12. Invalidity; Severability. If any portion of this Agreement is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.

Section 13.13. Prohibited Interests. Consultant maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Consultant, to solicit or secure this Agreement. Further, Consultant warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. Consultant further agrees to file, or shall cause its employees or subconsultants to file, a Statement of Economic Interest with MNWD's Filing Officer as required under state law in the performance of the Services. For breach or violation of this warranty, MNWD shall have the right to rescind this Agreement without liability. For the term of this Agreement, no member, officer or employee of MNWD, during the term of his or her service with MNWD, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

Section 13.14. Cooperation; Further Acts. The Parties shall fully cooperate with one another, and shall take any additional acts or sign any additional documents as may be necessary, appropriate or convenient to attain the purposes of this Agreement.

Section 13.15. Governing Law. This Agreement shall be governed by the laws of the State of California. Venue shall be in Orange County.

Section 13.16. Government Code Claim Compliance. In addition to any and all contract requirements pertaining to notices of and requests for compensation or payment for extra work, disputed work, claims and/or changed conditions, Consultant must comply with the claim procedures set forth in Government Code sections 900 et seq. prior to filing any lawsuit against MNWD. Such Government Code claims and any subsequent lawsuit based upon the Government Code claims shall be limited to those matters that remain unresolved after all procedures pertaining to extra work, disputed work, claims, and/or changed conditions have been followed by Consultant. If no such Government Code claim is submitted, or if any prerequisite contractual requirements are not otherwise satisfied as specified herein, Consultant shall be barred from bringing and maintaining a valid lawsuit against MNWD.

Section 13.17. Attorneys' Fees. If either party commences an action against the other party, either legal, administrative or otherwise, arising out of or in connection with this Agreement, the prevailing party in such litigation shall be entitled to have and recover from the losing party reasonable attorneys' fees and all other costs of such action.

#15.

Section 13.18. Authority to Enter Agreement. Consultant has all requisite power and authority to conduct its business and to execute, deliver, and perform the Agreement. Each Party warrants that the individuals who have signed this Agreement have the legal power, right, and authority to make this Agreement and bind each respective Party.

Section 13.19. Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original.

Section 13.20. Entire Agreement. This Agreement contains the entire Agreement of the parties with respect to the subject matter hereof, and supersedes all prior negotiations, understandings or agreements. This Agreement may only be modified by a written amendment signed by both parties.

MOULTON NIGUEL WATER DISTRICT:

BUTIER ENGINEERING, INC:

By: _____

By: _____

(Authorized Representative of
Consultant)

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Dated: _____

Dated: _____

SECTION 1
Executive Summary Letter



April 21, 2020

Moulton Niguel Water District
26880 Aliso Viejo Parkway
Aliso Viejo, CA 92656
Attn: Brian Hong, P.E., Senior Engineer

**Subject: Construction Management and Inspection Services for Regional Lift Station Enhancements
Project No. 2017.022**

Dear Mr. Hong:

Butier Engineering, Inc. (Butier) is pleased to present an electronic PDF copy of our qualifications. We have also included an electronic PDF copy of our Fee Schedule in a separate file. Our submittal is fully responsive to the RFP issued on March 31, 2020, and all attachments. Butier is willing and able to provide the required insurance coverage as stated under Section IX – Insurance of the Sample Agreement.

Existing Professional Relationship with District and Stakeholders

Butier is currently providing construction management and inspection services for the District's **2017-2018 Reservoir Management Systems Replacement (Project No. 2017.003)**. In addition, we provided constructability review, estimating, scheduling and project management services to the District for the **Moulton Niguel Water Pollution Control and Reclamation Facility**. Butier has formed excellent relationships with the City of Laguna Niguel and OC Parks.

Unique Team Features

- **Established Working Relationship with Designer of Record**—Butier has developed a strong working history with the Designer of Record. Butier and Tetra Tech, specifically, Mr. Tom Epperson have 28 years of project history. Our firm has provided CM and inspection services on several large, multi-phase projects designed by Tetra Tech, including the City of Tustin's Rawlings Reservoir Replacement, City of Anaheim's Nohl Canyon Water Storage Tank, OCWD's Mid-Basin Injection Wells - Centennial Park, and OCWD's Burris Pump Station Phase 2. **Our long-standing relationship with Tetra Tech and Mr. Epperson will make the development of our management approach more efficient and cost effective.**
- **Established Working Relationship with the selected General Contractor**—**Butier currently has four on-going projects with Pacific Hydrotech. We have completed 6 projects with Pac Hydro, two of them award winning.** This high degree of familiarity will allow us to quickly respond to the potential risk issues associated with the Regional Lift Station Project.
- **Community Sensitive, High-Profile Projects**—We have significant experience balancing the vested interest of the owner, local jurisdictions, and stakeholder expectations. This balance will be pivotal to the success of the Regional Lift Station Project. Butier recently completed a sewer lift station rehabilitation project for SCWD with very similar technical challenges and risk profile.

We appreciate the opportunity to meet the District's project challenges and are confident that we have assembled a team that will serve the best interests of all participants. If you have any questions regarding our proposal, please contact me for clarification at (714) 832-7222.

Respectfully Yours,
Butier Engineering, Inc.

A handwritten signature in blue ink, appearing to read 'm butier jr'.

Mark M. Butier Jr.
President/CFO

Understanding & Approach

As summarized in the RFP, Moulton Niguel Water District (District) is seeking a firm to provide construction management and inspection services for construction enhancements at the Regional Lift Station in order to improve the operational reliability of this critical facility. The Regional Lift Station is located along Alicia Parkway adjacent to the Laguna Niguel Regional Park. The proposed improvements include the following:

- Addition of a standby diesel engine-driven emergency bypass pump system;
- Rehabilitation of the existing wet well;
- Installation of an overflow basin;
- Replacement of Pump No. 5; and
- Pipeline, electrical, instrumentation, and controls

The Butier Team understands that the District is in the process of applying for an OC Parks Encroachment Permit in order to gain temporary construction access to the Regional Lift Station site from the Laguna Niguel Regional Park. The existing facility operation is to be maintained during construction.

Recommendations/Solutions

Safety—The project demands a full reconciliation of the safety approach between the Contractor and MNWD Operations staff. Given the critical nature of this facility, and potential wet weather impacts, response planning will receive very high priority during the submittal process.

Planning Workshop—The project specifications (Special Provisions and Section 01011) place a high burden on the Contractor to coordinate the upgrades project while maintaining full facility operations. Butier suggest that contingency scenarios for wet-well repairs be vetted with the entire project team to understand and mitigate potential delay costs.

Jurisdictional Coordination—Butier recently completed a sewer lift station upgrade project with SCWD that required a high degree of coordination with **OC Parks**. It is imperative the proposed baseline schedule account for site access, traffic restrictions, safety issues, noise and any other limitations by permit. We highly recommend a limited schedule presentation/workshop with all impacted stakeholders.

Coordination with MNWD Operations—The critical nature of this facility will require strict coordination with MNWD Operations staff. Construction phasing must be reviewed by Operations to ensure that facility operations are not impacted as upgrades are incorporated into the project.

Scope of Work

1. Contract Administration and Construction Management

Butier's Resident Engineer (RE) will be responsible for providing continuous construction management of the work of the Contractor at the site and will supervise the activities of the construction management team. Under the direction of the District's Project Manager, the RE will provide the following services:

- a) **Review Contract Documents:** Analyze the Project Plans and Specifications for possible errors and deficiencies and report such findings to the District Project Manager. Identify actual and potential problems associated with the Project and recommend sound engineering solutions to the District.
- b) **Preconstruction Meeting:** Schedule and facilitate a Preconstruction Meeting with the Contractor and the City. The project team will outline the following to the Contractor: contract administration guidelines, contractual roles, reinforcement of specific requirements for safety, access, and coordination issues for the work. The CM will provide a meeting agenda 3 days in advance of the meeting and transmit meeting minutes to all attendees within 2 business days.
- c) **Daily Inspection Activity Reports:** The RE and Field Inspectors will submit Daily Inspection Activity Reports to the District on a weekly basis. The reports will document construction activities, including the date, day of week, and weather conditions; hours of work; personnel on site; equipment being used; idle or inoperable equipment; details of each activity; controversial matters/disputes; deficiencies and violations; instructions issued to the construction contractor; safety concerns; description of accidents; major material and equipment deliveries to the site; names of visitors to the site; and delays and extra work.
- d) **Contract Documents:** Ensure compliance with contract documents and respond to inquiries.
- e) **Contractor Safety Program:** Monitor the Contractors' work practices to ensure that all safety requirements are met. The RE will review the Contractor's Injury and Illness Prevention Plan (IIPP) and will observe the Contractor's work to ensure conformance with OSHA requirements. The RE will promptly notify the Contractor and the District's Project Manager of any observed safety violations.

SECTION 2

Scope



- f) **Equipment & Materials:** Verify that all deliveries and installation of equipment and materials conform to the Contract Documents and approved shop drawings.
- g) **Construction Schedule:** Evaluate and monitor the Contractors' Baseline Schedules, weekly look-ahead schedules, monthly schedule updates, Time Impact Analyses, schedule revisions, and as-built schedule submittals. The RE will update the project schedule to reflect actual progress and changes. All Contractor delays, reasons for delay, length of time for delay, and phases of work will be documented. Slippage of contract activities on the critical path, as well as time sequence problems, will be identified early so that the Team may take corrective action. The Contractor should be required to re-evaluate the original schedule and resubmit revised planning should the original plan be ineffective or not followed. Contractor time extensions must be supported by critical path impacts on the approved baseline schedule. The RE will utilize **Primavera Project Planner (P6)** to perform schedule reviews.
- h) **Photographic Records:** The RE and Field Inspectors will provide weekly photographic/digital records of the project during construction. Log construction digital photographs on a daily basis. A digital photographic library will be maintained of significant construction activities. The photographs will be labeled with the date, location, and narrative information. Additional digital photographs will be taken of change order and claim items, and any special or unique conditions as they arise. The photographic library will be turned over to the District at the completion of the construction contract.
- i) **Communication & Conferences:** In cooperation with District staff, the RE will provide daily communication and conferences with various parties including the District, Engineer, OC Parks, City of Laguna Niguel, and the public.
- j) **Shop Drawing and Submittal Review:** Use the cloud-based construction project management program to coordinate the submittal/shop drawing review process and route all transmittals to the appropriate reviewer. Maintain a log to track the status and review action of all submittals and will ensure that submittals required by the Contract Documents have been submitted by the Contractor.
- k) **Requests for Information (RFIs):** Document the submittal and disposition of all the Contractor's RFIs. All responses will be monitored with suspense action dates and follow-up procedures implemented to ensure timely action by all parties including input from District staff and Operations. Should the Contractor deem the RFI response has created a change in scope and a change order is requested, the RE will obtain approval of the District's Project Manager prior to issuing a change order authorization.
- l) **Change Order Log / Tracking:** Utilize the document control system to track and document all changes for added costs or credits. The RE will have no authority to issue changes or modifications to the contract documents. The District or the Contractor may initiate a change, or request for changes or modifications may arise due to differing site conditions. The RE will track, document, and negotiate all changes for added costs or credits with the construction Contractor and evaluate all schedule impacts of changes in addition to advising the District of equitable cost and time adjustments for proposed or authorized changes including credits, if any, that are due. At the District's direction, the RE will prepare and issue to the Contractor appropriate change order documents. The RE will provide to the Design Consultant copies of all approved change orders. The RE will also prepare draft formal Change Orders and forward them to the District for formal authorization. The RE will work with the Contractor to establish labor, equipment rates, and applicable mark-ups that will be used in future negotiation of change orders. These shall be established in accordance with the Contract Documents.
- m) **Biweekly Jobsite Meetings:** The RE will schedule and lead biweekly meetings with the Contractor, District's Project Manager, and other agency representatives to resolve all project matters and assess responsibilities for response to respective participants. The RE will implement action monitoring to ensure compliance and timely response. The RE will distribute the minutes to the attendees within two working days and include the minutes in the monthly progress reports.
- n) **Partial Payment Requests:** The Resident Engineer will review and approve the Contractor's partial payment requests and other project-related invoices on a monthly basis. The progress payment worksheet will be based on an approved schedule of values and validated by daily inspection reports. Pay requests will be checked against actual in-place quantities verified at the end of the pay period. The pay request format will be established by the project team to expedite checking, processing, and subsequent updating of project budgets and cost projections and forwarded to the District for approval and payment to the Contractor.

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- o) **Document Control:** Butier recommends utilizing **Procore** to organize, manage and control project documentation. We are currently utilizing Procore on the District's **2017-2018 Reservoir Management Systems Replacement Project**. The advantages of using the cloud-based construction project management program include unlimited users, unlimited storage, 24/7 visibility into project status, and a centralized, comprehensive platform to manage vital project data. All parties involved have access to the system. Each user is able to access the program via a web browser on their computer or mobile device using secure log-in information. All documents will be prepared in MS Office software, saved as .pdf files as appropriate, and accessed/distributed electronically. Hard copies will be provided as appropriate, or as requested by District staff.
- p) **Record Drawings:** The RE will coordinate with the Design Engineer, which may include preparation of revisions to contract drawings and specifications to resolve conflicts. The RE and Field Inspectors will review the Contractor's record drawings on a weekly basis to ensure that the drawings are up to date and accurate. The CM Team shall review the Contractor's record drawings at the end of each month prior to approving the monthly progress payment request. The RE will also maintain an independent set of record drawings in the CM office.
- q) **Shutdown:** Butier's Construction Management Team will coordinate closely with the District, Design Engineer, and the Contractor to establish successful shutdown and start-up procedures that will have minimal impact to facility operations. Butier's CM Team will coordinate closely with the District's Operations Department and the Contractor while monitoring shutdown work and communicate with the District on an as-needed basis.
- a) **Welding Operations**—Verify certifications, joint preparation, electrode types and finished product comply with the Contract Documents.
- b) **Construction of Removable Canopy**—Perform specialty inspection, verify materials and installation procedures comply with the Contractor Documents, approved submittals, and manufacturer's recommendations.
- c) **Rehabilitation of Wet Well**—Perform visual inspection, monitor ambient conditions, verify proper missing and application of materials, and test that film continuity and thickness comply with the Contract Documents.
- d) **Electrical Conduit and Wire Size**—Verify all materials, locations, terminations, labeling and testing. Verify installation, testing and calibration of instrumentation.
- e) **Electrical Equipment**—Verify all equipment complies with the Contract Documents, approved submittals and manufacturer's requirements. Witness "pre-startup" by Contractor and manufacturer's representatives to verify equipment has been installed and is operating in accordance with the Contract Documents and manufacturer's recommendations. Witness complete equipment and system performance testing by the Contractor to verify compliance with Contract Documents.
- f) **Reviewing Contractor's two week "look ahead" schedules** and coordinate staffing needs with the Resident Engineer.
- g) **Reviewing Contractor's record drawings** prior to monthly progress payment. Preparing written response giving general indication of missing items to be completed by Contractor.
- h) **Discussing responses to RFIs** with the Resident Engineer as required and coordinate the replies to the Contractor; assisting the RE in the review of the submittals; providing non-conformance reports; and providing documentation of construction activities, duration of activities, manpower and equipment allocation.
- i) **Coordinating with Other Contracted Consultants**—The Field Inspectors will coordinate with the District, Contractor and Design Engineer to schedule 3rd party testing and outside agency inspections.

2. Construction Inspection & Specialty Inspection

Butier will provide full-time inspection and as-needed specialty inspection to ensure the Contractor's work is in compliance with the Contract Documents, industry standards and applicable codes, regulations, and permits. Butier's and ON-SITE Technical Services' Field Inspectors and Specialty Inspectors are qualified to provide comprehensive civil, structural, mechanical, electrical, welding, and coating inspection services. They possess the required experience and certifications for the work being performed. In addition to preparing daily field reports and photographs, the Field Inspectors will be responsible for the following:

3. Wet Well Concrete Condition Assessment

Butier has selected **V&A Consulting Engineers** (V&A) to conduct a condition assessment and corrosion evaluation of the wet well at the Regional Lift Station. The District will be responsible for isolating, bypass pumping and dewatering/cleaning of the wet well. V&A's proposal assumes a one 8-hour workday for condition assessment of the concrete wet well, including the option task to perform concrete coring. The following methods will be used to conduct the wet well assessment:

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Scope



- a) **Visual Assessment**—Perform visual observation of the concrete surfaces in accordance with ACI 201.1R, “Guide for Making a Condition Survey of Concrete in Service.” The primary focus of the visual observation will be to quantify the depth of acid attack, if evidently observed, and determine the extents of attack. Use digital photographs to document condition and capture corrosion observations of the concrete surfaces and the condition of coatings present on the interior of the wet well. The condition will be rated using the VANDA® Concrete Condition Index. It is noted that the qualitative condition assessment observations are subjective and based upon the evaluator’s expertise.
- b) **Concrete Sounding**—Sounding is performed by using a chipping hammer to strike concrete surfaces. The sound from the hammer strike can indicate shallow subsurface discontinuities, such as voids, delamination, and honeycombing.
- c) **Concrete Penetration Testing**—Penetration measurements involve applying a consistent level of force from a chipping hammer to remove loose material from the concrete surface, until solid, hard material is reached, and then measuring the depth of the resulting cavity.
- d) **Concrete Surface pH Testing**—V&A will conduct in-situ pH measurements within the wet well to determine the pH of the concrete. Concrete is generally made from a combination of aggregate, sand, and Portland cement. The Portland cement in mortar has a pH usually between 12 and 13 after curing. This elevated pH level provides corrosion protection for the reinforcing steel. At a pH of less than 10, corrosion is possible.
- e) **Surface Penetrating Radar**—A Surface Penetrating Radar (SPR) unit will be used to measure the depth of concrete cover, identify placement of reinforcing steel, and to detect coarse voids and defects (up to 6 locations). Information will be used to evaluate concrete cover versus depth of acid attack to evaluate risk of degradation of reinforcing steel. SPR scanning is typically conducted over a 3-foot by 3-foot area and can be performed over coated surfaces. The portable wheel-mounted unit is rolled across the surface to be investigated and a radar beam scans up to 16 inches into the concrete generating a 2-dimensional image of the underlying concrete member.
- f) **Thickness testing of coatings** (up to 30 measurements) within the interior and at accessible locations on the exterior roof of the wet well.
- g) **OPTIONAL Concrete Core Sampling**—V&A will coordinate with JEC and Voss Labs to obtain 4 (2 pairs) of core samples from the wet well. Core diameter shall be 3-inch or less. Locations of the cores will be determined based on concrete condition observed during the assessment. JEC will patch the core holes with Sikaquick VOH (vertical/overhead patching material manufactured by Sika). Concrete coring includes:
1. V&A will use SPR to verify the location of the reinforcing steel and thickness of the slab prior to the core drilling. No reinforcing shall be damaged during coring. Cores will not go through the entire wall.
 2. One core sample from the structure will be laboratory tested by Voss Labs for compressive strength per ASTM C42.
 3. One core sample from the structure will be used by Voss Labs to take four 1/2 -inch incremental chloride, carbonation, and pH tests.
- h) The actual amount of nondestructive testing (NDT) performed will be dependent the time available during each 8-hour assessment. The focus for NDT will be on noted areas of concern based on visual assessment.
- i) **Wet Well Condition Assessment Report:** Following condition assessment activities, V&A will prepare a brief condition assessment technical memo that provides recommendations and locations for concrete repair. The repair recommendations TM will be provided to Tetra Tech and MNWD within one (1) day of completing the wet well assessment so that the repair work can be performed by the contractor prior to applying the spray coating.
- A final condition assessment report will be prepared to be submitted for one round of comments from Tetra Tech and MNWD (assumed 2-week turnaround). Comments will be incorporated into final report. Submittals will be in electronic format. V&A’s report will include the following:
1. Summary of the condition assessment approach and methodology.
 2. Site information, such as location maps with address, site schematics, existing equipment, and digital photographs.
 3. Documented findings and testing results with graphical and illustrative figures as needed to present the information.
 4. VANDA® Condition ratings and recommendations for short- and long-term repair or rehabilitation for the concrete wet well.

4. Startup & Commissioning

Butier and **ON-SITE Technical Services, Inc.** key personnel will take the lead and directly oversee the implementation of the plans, procedures, and practices necessary for startup and commissioning. The Team will be responsible for coordinating with the Contractor, Engineer, and District to develop a process that includes proper installation and verification checklists, equipment functional testing procedures, and a comprehensive startup plan and implementation schedule. Our personnel will provide

SECTION 2

Scope



inspection and expertise on all startup and commissioning to verify compliance with the Contract Documents, manufacturer recommendations and industry best practices. Startup and commissioning tasks may include, but are not limited to, the following:

- a) Coordination with District staff, Contractor, subcontractors, equipment manufacturers, and suppliers.
- b) Verification of proper installation and operations of all components, equipment, controls and instrumentation.
- c) Witnessing operational demonstrations, simulations, and validation tests for all components of each system and entire facility.
- d) Verification of manual and automatic modes of operation or all equipment and system components.
- e) Verification of all programming and programmable logic controllers.
- f) Assisting the District and Contractor with coordinating integration of PLC modifications into District's existing SCADA system (programming of SCADA system by District).
- g) Witnessing complete performance testing of all equipment.
- h) Coordination, preparation, and/or review of commissioning schedules, worksheets, checklists, logs, and overall plans.

5. Maintenance of As-Built Drawings

The Butier Team will review the Contractor's As-Built drawings on a monthly basis to ensure timely recording. The RE will hold monthly review meetings with the District's PM and the Contractor prior to submittal of monthly progress payments. The RE will ensure that the District's drawings identify RFIs, shop drawing revisions, change order modifications, etc. and that they are updated weekly. The As-Built drawings will be submitted to the Design Engineer at the completion of the project for the preparation of the final Record Drawings. The RE will coordinate the submittal of completed Record Drawings to the City's Records Manager. Butier will utilize **Blue Beam**.

6. Project Close-Out

- a) **Detailed Punch Lists:** The Butier Team will prepare detailed project punch lists and will coordinate with the District and the Contractor for final acceptance. The RE will assign cost values for outstanding punch list items to facilitate prompt and timely close-out of the project. Upon correction of deficiencies by the Contractor, the RE will schedule, coordinate, and conduct a final walk-through prior to the acceptance of work with the District and provide certification of Contractor

compliance on work items specifically requested by the District.

- b) **Pre- and Post-Construction Conditions:** Compare between pre- and post-construction conditions of the construction areas and access routes to ensure that all areas are returned to pre-construction conditions, including review of Contractor's pre-construction photos and videos. Demonstrate proper restoration to the District, OC Parks, etc.
- c) **Final Project Documentation:** The RE will furnish all project documents and final project reports and record drawings to the District's Project Manager at the conclusion of the project. Project documents will be accurately titled and labeled and delivered in form and fashion acceptable to the District. The RE will submit one (1) PDF copy on a flash drive and one (1) paper copy (if requested) to the District.

SECTION 3

Project Team



Introduction

Butier Engineering Inc.'s Team consists of skilled construction management and inspection personnel who have successfully managed water/wastewater treatment, storage, and transmission projects throughout Southern California. The Construction Management Team is a key link to a successful project. By having the Butier Team serve the District as a single-source of responsibility, the construction management and inspection activities will be well coordinated and delivered efficiently.

Roles & Responsibilities

Butier has assembled a team of highly skilled professionals who have successfully managed reservoir, pump station, pipeline, water and wastewater treatment plant, and related capital improvement projects throughout Southern California. Butier's commitment is demonstrated through the establishment of a core team, with in-house support staff as may be required to augment office and field efforts.

Please find biographical sketches of our key personnel below. Résumés for all personnel are provided in the Appendix.

Key Personnel—Butier Engineering, Inc.

Mark Butier, Jr.—Project Director

Mr. Butier Jr. will serve as the primary point of contact to the City, coordinating technical and project resources to meet the requirements of the project. He will meet with the City's representatives at key project milestones, as appropriate. Mr. Butier has over 30 years of project management, client relations, contract management, staff resource management, claims mitigation, and public outreach experience on major water/wastewater treatment plant, pipeline, reservoir, and pump station projects. He has acted in this capacity for numerous CM and inspection services projects with the Metropolitan Water District, Chino Basin Desalter Authority, City of Chino Hills, Orange County Water District, West Basin Municipal Water District, San Bernardino Valley MWD, and San Diego County Water Authority.

Kenji Shintaku, P.E.—Resident Engineer

Mr. Shintaku has 30 years of experience as a project manager, estimator, scheduler, and engineering consultant. He has taken the lead in bidding, managing, consulting, and scheduling large multi-million dollar heavy civil infrastructure projects. Mr. Shintaku is currently providing identical services for the District's **Reservoir Management Systems Replacement Project for five (5) reservoirs located in Laguna Niguel, Mission Viejo, and Aliso Viejo, CA.** As Resident Engineer, his responsibilities will include, but not be

limited to, the following: document control, review of construction documents, construction QA/QC, site conditions and progress visual documentation, conducting project meetings, reviewing submittals and RFIs, implementing a change order control system, monitoring as-built drawings, managing Contractor claims, preparing monthly project status reports, CPM schedule monitoring, coordinating Q/A inspection services, and Close-Out and Acceptance services.

Steve Naylor—Field Inspector (Civil/Mechanical/Structural)

Mr. Naylor specializes in providing inspection oversight for water capital improvement projects, including pump stations, water/wastewater treatment plants, pipelines, reservoirs, and wells. He is ICC certified in reinforced concrete with specific experience in code enforcement. Mr. Naylor recently performed as a QC Inspector for WBMWD's Visitor Center Renovation; Title 22 Recycled Water Alkalinity Improvements; and Rehabilitation and Repairs of Biological Aeration Filters (Biofords) Projects.

Joseph Hawes, CWI, NACE Technical Support, Inspection

As a Lead Inspector, Mr. Hawes has managed the scheduling and daily field operations for reservoirs, pipelines, water treatment facilities, and airports. He has certifications through AWS, ACI, ICC, and NACE. He has performed inspections for fuel system, electrical, plumbing, post-tension, reinforced concrete, welding, structural masonry, and soils/engineered fill operations. Mr. Hawes provided field inspection services for Poseidon Water's 50 MGD Seawater Desalination Treatment Plant and 10-Mile Conveyance Pipeline project and is currently the Lead Inspector for the City of Fountain Valley's Reservoir No. 2 Pump Station Rehabilitation Project.

Bruce Phillips, P.E. Electrical, Instrumentation & Controls

Mr. Phillips brings over 30 years of experience in providing field engineering, electrical design, and electrical inspection services to Butier Engineering, Inc. He is a Master Electrician and graduate of the IBEW/NECA Local 11 Apprenticeship Program and the Electrical Training Institute's Instrumentation I & II Program. He has focused the last 20 years of his career on providing construction cost estimating, project management, human resources (craft), client development and client management services. His skills include a comprehensive array of experience in operations, management, project management, estimating and start-up/commissioning services in water/wastewater treatment, upstream oil and gas production, petroleum refining, petrochemical, food processing and power generation.

**Key Personnel –
ON-SITE Technical Services, Inc.****Kent Kreeger
In-Plant Fabrication Inspection/Start-Up**

Mr. Kreeger leads ON-SITE's mechanical equipment team providing technical support to clients including, installation and start-up support, vibration analysis, failure analysis, and problem resolution. He has over 25 years of direct QA management experience providing, inspection and engineering support of water/wastewater treatment projects both domestic and overseas. He provided shop fabrication inspection services as a part of Butier's team for WRD's Expansion of the Leo J. Vander Lans Water Treatment Facility and WBMWD's ECLWRF Phase V Design/Build Expansion.

**Richard Grounds, P.E.
Mechanical Engineer/Start-Up**

Mr. Grounds provides engineering support in all aspects of rotating and stationary equipment operation and reliability. His areas of expertise include inspection of mechanical equipment specializing in rotating equipment support, equipment startup and repairs. He provides constructability review, submittal review, works with contractors during installation of equipment, witnesses performance testing and factory acceptance tests, and completes QA inspections at fabricators. He performed as a Start-Up Engineer as a part of Butier's team for Poseidon Water's Carlsbad 50 MGD Seawater Desalination Plant.

V&A Project No. 20-0088

April 20, 2020

Butier Engineering, Inc.
17822 E. 17th Street, Suite 404
Tustin, CA 92780

Subject: Moulton Niguel Water District (MNWD) Regional Lift Station Rehabilitation Project – Wet Well Concrete Condition Assessment

To Whom It May Concern,

Thank you for requesting a proposal to provide condition assessment of the Regional Lift Station concrete wet well. The Regional Lift Station is owned by Moulton Niguel Water District (MNWD) and is located in Laguna Niguel, CA. V&A Consulting Engineers (V&A) is prepared to perform field services and conduct a condition assessment of the wet well during a shutdown and bypass pumping of the wet well. V&A will subcontract with Jamison Engineering Contractors (JEC) to provide confined space entry support and sample concrete coring; Voss Laboratories will perform lab analysis of the sample concrete cores collected. Based on review of the record drawings and background information provided, V&A proposes the following scope of work:

Scope of Work

Task | Description

1. **Project Management:** The objective of this task is to track and execute the project in accordance with the schedule, budget, and quality expectations that are established. This task includes the following project management work activities:
 - a. Monitor project progress, including work completed, work remaining, budget expended, schedule, estimated cost of work remaining, and estimated cost at completion; manage activities within total project budget.
 - b. Monitor project activities for potential changes and anticipate changes whenever possible; with approval, modify project tasks, task budgets, and approach to keep the overall project within budget and on schedule.
 - c. Submit required prevailing wage documents and DAS forms as required by the State of California Department of Industrial Relations for all work performed in the field.
 - d. Manage the quality of all work activities and project deliverables.
 - e. Subcontractor coordination.
2. **Document Review and Health & Safety Work Plan:** V&A will collect and review relevant data to the wet well provided by MNWD. Data anticipated to be provided by Butier Engineering and/or MNWD will include record drawings of the lift station/wet well, maintenance logs, previous inspection reports and/or condition assessment reports, District standards and design criteria, site-specific geotechnical reports, and any other relevant data available.

V&A will review the site-specific Health & Safety Work Plan prepared by the contractor performing the site rehabilitation. The Health & Safety Plan should identify locations of wet well condition assessment field work and specific procedures required to perform a safe confined space entry (CSE) into the wet well in order to collect field data regarding the wet well condition assessment.

#15.

The contractor, Butier Engineering, and/or MNWD will provide site photos indicating the location for the CSE of wet well for assessment. Site photos will be current to the condition to be expected by the V&A team for wet well condition assessment.

V&A's scope does not include the preparation of a separate Health & Safety Plan specific to the CSE for condition assessment of the wet well. If a separate Health & Safety Plan is required for V&A's scope of work, the costs for preparation and submittal of this deliverable will be billed at the time & materials rates shown in the proposal and in addition to the stated proposal costs.

3. **Concrete Wet Well Condition Assessment:** V&A will conduct a condition assessment and corrosion evaluation of the wet well at the Regional Lift Station. MNWD will be responsible for isolating, bypass pumping and dewatering/cleaning of the wet well. Our proposal assumes one 8-hour workday for condition assessment of the concrete wet well, including the optional task to perform concrete coring. Our subcontractor Jamison Engineering Contractors (JEC) will support the V&A field engineers for confined space entry support and rescue and will perform the optional concrete coring and repair.

V&A will coordinate and conduct the wet well assessment using the following methods:

- a. Visual assessment - Perform visual observation of the concrete surfaces in accordance with ACI 201.1R, "Guide for Making a Condition Survey of Concrete in Service." The primary focus of the visual observation will be to quantify the depth of acid attack, if evidently observed, and determine the extents of attack. Use digital photographs to document condition and capture corrosion observations of the concrete surfaces and the condition of coatings present on the interior of the wet well. The condition will be rated using the VANDA® Concrete Condition Index. It is noted that the qualitative condition assessment observations are subjective and based upon the evaluator's expertise.
- b. Concrete sounding – Sounding is performed by using a chipping hammer to strike concrete surfaces. The sound from the hammer strike can indicate shallow subsurface discontinuities, such as voids, delamination, and honeycombing.
- c. Concrete Penetration Testing – Penetration measurements involve applying a consistent level of force from a chipping hammer to remove loose material from the concrete surface, until solid, hard material is reached, and then measuring the depth of the resulting cavity.
- d. Concrete Surface pH Testing – V&A will conduct in-situ pH measurements within the wet well to determine the pH of the concrete. Concrete is generally made from a combination of aggregate, sand, and Portland cement. The Portland cement in mortar has a pH usually between 12 and 13 after curing. This elevated pH level provides corrosion protection for the reinforcing steel. At a pH of less than 10, corrosion is possible.
- e. Surface Penetrating Radar – A Surface Penetrating Radar (SPR) unit will be used to measure the depth of concrete cover, identify placement of reinforcing steel, and to detect coarse voids and defects (up to 6 locations). Information will be used to evaluate concrete cover versus depth of acid attack to evaluate risk of degradation of reinforcing steel. SPR scanning is typically conducted over a 3-foot by 3-foot area and can be performed over coated surfaces. The portable wheel-mounted unit is rolled across the surface to be investigated and a radar beam scans up to 16 inches into the concrete generating a 2-dimensional image of the underlying concrete member.
- f. Thickness testing of coatings (up to 30 measurements) within the interior and at accessible locations on the exterior roof of the wet well.
- g. **OPTIONAL Concrete Core Sampling** - V&A will coordinate with JEC and Voss Labs to obtain 4 (2 pairs) of core samples from the wet well. Core diameter shall be 3-inch or less. Locations of the cores will be determined based on concrete condition observed during the assessment. JEC will patch the core holes with Sikaquick VOH (vertical/overhead patching material manufactured by Sika). Concrete coring includes:

- 1) V&A will use SPR to verify the location of the reinforcing steel and thickness of the slab prior to the core drilling. No reinforcing shall be damaged during coring. Cores will not go through the entire wall.
 - 2) One core sample from the structure will be laboratory tested by Voss Labs for compressive strength per ASTM C42.
 - 3) One core sample from the structure will be used by Voss Labs to take four 1/2-inch incremental chloride, carbonation, and pH tests.
- h. The actual amount of nondestructive testing (NDT) performed will be dependent the time available during each 8-hour assessment. The focus for NDT will be on noted areas of concern based on visual assessment.
4. **Wet Well Condition Assessment Reporting:** Following condition assessment activities, V&A will prepare a brief Repair Recommendations Technical Memo (TM) that provides recommendations and locations for concrete repair. The repair recommendations TM will be provided to Butier Engineering and MNWD within one (1) day of completing the wet well assessment so that the repair work can be performed by the contractor prior to applying the spray coating.
- A final Condition Assessment Report will be prepared to be submitted for one round of comments from Butier Engineering and MNWD (assumed 2-week turnaround). Comments will be incorporated into final report. Submittals will be in electronic format. V&A's report will include the following:
- 1) Summary of the condition assessment approach and methodology.
 - 2) Site information, such as location maps with address, site schematics, existing equipment, and digital photographs.
 - 3) Documented findings and testing results with graphical and illustrative figures as needed to present the information.
 - 4) VANDA® Condition ratings and recommendations for short- and long-term repair or rehabilitation for the concrete wet well.

Assumptions

The following is a list of additional assumptions used to develop the V&A scope of work:

- MNWD shall be responsible for isolating, dewatering, and cleaning the wet well prior to the assessment team arriving onsite.
- Condition assessment work will not require environmental documentation prior as it is assumed to fall under standard operation and maintenance activities.
- If required, a Health & Safety Plan specific to V&A's work will be prepared at an additional cost to what is stated in this proposal.
- Concrete condition assessment work, including optional concrete coring, will take place during a one 8-hour workday. Additional CSE will not be required to perform concrete coring.
- V&A's Repair Recommendations TM will be provided within one (1) day of completing the wet well assessment. V&A's draft Condition Assessment Report will be submitted 3 weeks after the completion of field assessment activities.
- Assessment services performed by V&A engineers and the concrete coring subcontractor are subject to Prevailing Wage Laws.

Fee Agreement

V&A proposes to complete this work on a time and materials basis, shown as follows:

Summary of Cost per Task

Task No.	Task	Amount
1	Project Management, including meetings/workshops	\$ 2,266
2	Document Review and Health & Safety Work Plan	\$ 1,832
3	Concrete Wet Well Condition Assessment	\$13,753
4	OPTIONAL Concrete Core Sampling and Analysis	\$ 6,648
5	Wet Well Condition Assessment Report	\$ 8,355
Total, excluding Optional Task 4 Concrete Coring & Analysis		\$ 26,206
		Total \$ 32,854

Terms are Net 60 days. This fee is valid for 90 days from the date of this proposal. The scope of work was developed as a result of our discussion with you and represents our mutual understanding.

Estimated costs for the above project scope are itemized in the attached Resource Allocation Estimate. These costs represent our best estimate at this time and may change subject to future developments during the project. It is possible that some of the estimated manpower requirements for specific task items may increase while others may not require the entire anticipated effort. This provides us a greater degree of confidence in the overall project estimate, rather than in any given particular task.

If unforeseen circumstances should arise which indicate that more time is required, V&A will provide a written estimate of additional required time and cost. V&A will not proceed with work beyond the not to exceed figure without a written authorization from your office. Charges to this project will be made for actual time spent on the project and will be charged as per the attached Resource Allocation Estimate. We request that you carefully review this proposal to assure full understanding of the scope of the work. Our Fee Schedule is adjusted annually in January. Fees will be adjusted at that time and a new Fee Schedule will be sent. Charges on the remainder of the project will be based on the new schedule.

We are prepared to begin work on your project upon receiving written approval, a notice to proceed (NTP), or a purchase order from your office.

On behalf of our staff and myself, I would like to thank you for the opportunity to be of service to Butier Engineering and the Moulton Niguel Water District. We look forward to working with you.

Sincerely,
V&A Consulting Engineers, Inc.



Megan Brown, PE
Southwest Regional Manager

Accepted: _____
Butier Engineering, Inc.

Date: _____

SECTION 6.
Budget



April 21, 2020

Moulton Niguel Water District
26880 Aliso Viejo Parkway
Aliso Viejo, CA 92656
Attn: Brian Hong, P.E., Senior Engineer

**Subject: Construction Management and Inspection Services for Regional Lift Station Enhancements
Project No. 2017.022**

Dear Mr. Hong:

Butier Engineering, Inc. (Butier) is pleased to present an electronic PDF copy of our fee schedule under a separate file. Our submittal is fully responsive to the RFP issued on March 31, 2020, and all attachments.

Company Information

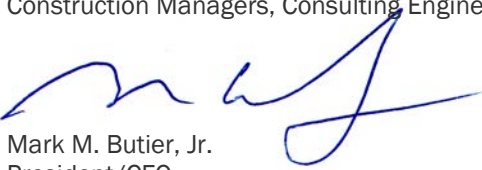
Company Name / Address: Butier Engineering, Inc.
17822 E. 17th Street, Suite 404; Tustin, CA 92780

Contact Person: Mark M. Butier Jr., President/CFO
Tel: 714.832.7222
Email: jrbutier@butier.com

We are confident we have assembled a team that will serve the best interests of the District. Butier has demonstrated it is well structured to service the demands of the Regional Lift Station Enhancements Project. The proposal fee is subject to final negotiation and review of the Contractor's baseline schedule. If you have any questions regarding our proposal, please direct them to me for clarification at (714) 832-7222.

Respectfully Yours,

BUTIER
Construction Managers, Consulting Engineers


Mark M. Butier, Jr.
President/CFO

SECTION 6. BUDGET



**CM&I Services for Regional Lift Station Enhancements (Project No. 2017.022)
Butier Engineering, Inc.**

Classification / Hourly Rate / Assigned Personnel	CM/RE Kenji Shintaku	QA/QC Inspection S. Naylor/ J. Hawes	Electrical/I&C Bruce Phillips	Mechanical/Startup K. Kreeger	Total Cost
	\$ 195.00	\$ 145.00	\$ 175.00	\$ 175.00	
Part 2 Construction Phase					
2.1 Review Contract Documents	40				
2.2 Pre-Construction Meeting	8				
2.3 Contract Administration and Management	400				
2.4 Bi-weekly Jobsite Meetings	100				
2.5 Partial Payment Requests	50	44			
2.6 Document Control		400			
2.7 Construction Inspection and Specialty Inspection		1200			
2.8 Wet Well Condition Assessment (Attached Scope)					\$ 26,206.00
2.8 Startup and Commissioning	80	82	100	140	
2.9 Maintenance of As-Built Drawings		100			
2.10 Project Closeout	80	80			
Total Hours	758	1906	100	140	2904
	\$ 147,810.00	\$ 276,370.00	\$ 17,500.00	\$ 24,500.00	\$ 466,180.00
Total Proposed Costs					\$ 492,386.00

Resource Allocation Estimate

PROPOSAL NO: 20-0088

CLIENT: Butier Engineering, Inc.

OWNER: Moulton Niguel Water District

JOB TITLE: Regional Lift Station Wet Well Concrete Assessment

Date

Apr-20-2020

Task	Description	Principal-in-Charge	Senior Project Manager	Coatings & Condition Assessment Lead	Project Engineer	Engineering Assistant	Project Administrator	Total Labor Hours	Sub-Total Labor Costs
1	Project Management		6				8	14	\$2,266
2	Review Background Docs and Contractor-prepared Site-Specific Health & Safety Plan		4		4			8	\$1,832
3	Concrete Wet Well Condition Assessment		14		24			37	\$8,219
4	OPTIONAL Concrete Core Sampling and Analysis				4			4	\$796
5	Wet Well Condition Assessment Report	2	3	2	30	4		41	\$8,355
Subtotal		2	27	2	62	4	8	104	
Hourly		\$297	\$259	\$239	\$199	\$134	\$89		
Total Direct Labor		\$594	\$6,889	\$478	\$12,258	\$536	\$712		\$21,468
Other Direct Costs			<u>Unit Cost</u>	<u>Units</u>	<u># Units</u>	<u>Cost</u>			
Mileage			\$0.58 per mile		120	\$70			
Hotel			\$170 per night		1	\$170			
Per Diem			\$66 per day		2	\$132			
Surface Penetrating Radar			\$275 per day		1	\$275			
Pole Camera			\$100 per day		0	\$0			
CSE Truck & Equip			\$130 per day		1	\$130			
4-Gas Confined Space Meter			\$50 per day		1	\$50			
Subcontractor - CSE Support and Concrete Cores			110% cost + 10%		5600	\$6,160			
Subconsultant - Concrete Cores Lab Analysis (Voss Laboratories)			110% cost + 10%		4000	\$4,400			
Subtotal Other Direct Costs									\$11,387
GRAND TOTAL ESTIMATED COST									\$32,854

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MOULTON NIGUEL WATER DISTRICT
Summary of Financial Results
May 14, 2020

Year to date unaudited results of operations as of March 31, 2020, are summarized below.

Total operating revenues were \$49.3 million for the month ended, which came in at 73% of the budget. Total operating expenses ended at \$52.6 million, which amounted to 66% of the approved budget. Total net Income for the month ended was \$3.9 million.

The District has recorded an unrealized gain on investments held of \$2.9 million. Interest rates have declined, so the securities held by the District that pay a higher interest rate than the market have become more valuable. The District continues to work with Chandler investments to determine how best to manage the portfolio.

The District currently has \$3.5 million available in the Water Efficiency Fund for new projects, rebate applications or additional programs. The remaining balance considers \$1.4 million in approved water efficiency program commitments, the fiscal year spending on capital projects, and the additional expected grant reimbursements for the Smart Meter project. Thus far this year, the District has received \$0.5 million in grants from the Bureau of Reclamation for Phases II and III.

The District's total unrestricted cash and investments balance at March 31, 2020, was \$146.6 million. Thus far, the District has drawn down \$54.7 million of the \$68.7 million proceeds from the 2019 Certificates of Participation, or 80% of the original issuance.

The District's construction in progress balance has increased by \$35.6 million as the District continues to execute the capital program. The District has spent \$38.2 million on capital projects this fiscal year.

The District holds \$18.8 million invested in three different trustee accounts. The 2015 Revenue Refunding Bonds reserve is currently being met and has a balance of \$1.4 million. The \$3.4 million deposited in the 2019 Revenue Refunding Bonds accounts will be used to pay future debt service payments. The 2019 Certificates of Participation balance of \$14.0 million will be released to the District as the capital program is executed. Each of these accounts held with the Trustee are being actively managed by Chandler Investments.

Based on the approved FY 19/20 Budget, the Board has established a target reserve level of \$69.7 million, and as of March 31, 2020, the District held \$91.5 million in reserves. Additionally, there is \$32.8 million available in the funds designated for capital projects.

Moulton Niguel Water District
All Funds - Budget Comparison Report
Year To Date Totals March 31, 2020

	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	\$ 22,112,272	\$ 21,555,420	\$ 31,512,227	\$ 9,399,955	70%
Recycled Water Sales	3,797,161	3,884,806	6,438,316	2,641,155	59%
Sewer Sales	19,834,890	18,913,598	24,065,352	4,230,462	82%
Water Efficiency	3,247,381	3,486,843	4,764,604	1,517,224	68%
Other Operating Income	260,884	310,415	911,436	650,552	29%
A Total Operating Revenue	49,252,588	48,151,083	67,691,935	18,439,347	73%
<u>Operating Expenses</u>					
Salaries ¹	10,396,510	9,702,991	14,413,800	4,017,290	72%
PERs Employer Contributions ¹	1,888,399	1,656,112	2,547,924	659,525	74%
Defined Contribution 401A ¹	185,603	172,292	265,601	79,998	70%
Educational Courses	36,704	25,917	85,934	49,230	43%
Travel & Meetings	263,262	202,602	387,140	123,878	68%
Recruitment & Employee Relations	7,205	19,590	93,813	86,608	8%
General Services	270,054	277,219	490,292	220,238	55%
Annual Audit	25,073	23,468	62,500	37,427	40%
Member Agencies O&M	233,944	307,334	541,714	307,770	43%
Dues & Memberships	196,414	165,901	253,082	56,668	78%
Consulting Services	1,807,603	1,498,471	3,238,300	1,430,697	56%
Equipment Rental	44,299	37,124	66,500	22,201	67%
District Fuel	211,687	195,855	315,000	103,313	67%
Insurance - District	386,899	246,927	532,850	145,951	73%
Insurance - Personnel	352,865	284,453	469,692	116,827	75%
Insurance - Benefits ¹	2,873,780	2,864,513	3,799,415	925,635	76%
Legal Services - Personnel	13,721	18,616	50,000	36,279	27%
Legal Services - General	161,151	1,415,409	770,000	608,849	21%
District Office Supplies	611,789	494,997	840,305	228,516	73%
District Operating Supplies	1,035,409	363,921	1,295,269	259,860	80%
Repairs & Maintenance - Equipment	889,055	565,268	1,074,550	185,495	83%
Repairs & Maintenance - Facilities	2,336,526	3,529,241	3,950,249	1,613,723	59%
Safety Program & Compliance Requirements	289,187	346,797	366,898	77,711	79%
Wastewater Treatment	6,260,467	7,001,859	9,471,915	3,211,448	66%
Special Outside Assessments	27,290	27,412	33,600	6,310	81%
Utilities	1,911,190	1,484,763	2,992,102	1,080,912	64%
Water Purchases	19,002,456	18,491,170	28,997,811	9,995,355	66%
Meter / Vault Purchases	-	107,446	-	-	-
Water Efficiency	869,958	780,460	1,883,000	1,013,042	46%
B Total Operating Expenses	52,588,499	52,410,957	79,289,255	26,700,756	66%
A-B Operating Income (Loss)	(3,335,911)	(4,259,874)	(11,597,320)	(8,261,409)	29%
<u>Non-Operating Revenues (Expenses)</u>					
Property Tax Revenue	19,106,642	18,376,180	28,599,883	9,493,240	67%
Investment Income ²	4,807,904	3,860,101	2,108,233	(2,699,671)	228%
Property Lease Income	1,431,011	1,323,889	1,800,265	369,254	79%
Interest Expense	(3,146,606)	(3,477,538)	(3,027,210)	119,396	104%
Misc. Non-Operating Income (Expense)	987,343	2,099,825	933,435	(53,908)	106%
Capacity and Demand Offset Fees	139,927	132,901	420,339	280,412	33%
C Total Non-Operating Revenue (Expenses)	23,326,221	22,315,358	30,414,606	7,088,385	77%
A-B+C Change in All Funds	\$ 19,990,311	\$ 18,055,484	\$ 18,817,286	\$ (1,173,024)	
<u>Other Non Cash Expenses</u>					
Depreciation	16,100,034	14,655,705	-	(16,100,034)	n/a
D Total Change in Net Position	\$ 3,890,277	\$ 3,399,779	\$ 18,817,286	\$ 14,927,009	

Note: Totals may not sum due to rounding.

1. The District has capitalized \$1,490,878 in salaries and benefits year-to-to date related to time spent on capital projects.

2. Investment income is comprised of realized income of \$1,886,881 and unrealized income of \$2,921,023.

**Moulton Niguel Water District
All Funds - Budget Comparison Report
Year To Date Totals March 31, 2020
Legal Services - General**

Firm	Water Use		Capital ²	Total
	General ¹	Efficiency ¹		
Alvarado Smith APC	\$ 33,691	\$ -	\$ -	\$ 33,691
Best Best & Krieger LLP	117,052	10,408	38,271	165,731
Total	150,743	10,408	38,271	199,422
Budget Amount	750,000	20,000	-	770,000
Budget Balance	\$ 599,257	\$ 9,592	n/a	\$ 608,849

Note: Totals may not sum due to rounding.

1. Legal Services - General on the previous page is made up of the General balance of \$150,743 and the \$10,408 Water Use Efficiency balance, for a total of \$161,151.
2. Capital legal services represent legal services rendered during construction and are capitalized by the District as part of the project. Each project has a separate budget for legal expenses and those individual budgets are not included as part of this schedule.

Consulting Services - Grant Administration

Firm	YTD	Overall
Nossaman LLP	\$ 13,750	\$ 85,250
West Yost Associates ³	26,711	166,620
Grants Received ⁴	(2,000,000)	(2,000,000)
Totals	\$ (1,959,539)	\$ (1,748,130)

3. West Yost compiled the AMI WaterSmart final closeout documents for Phase I and II and prepared documents for additional grant applications, including the AMI Phase II and III projects, and two additional Cal OES grant applications.

4. The District has received two grants from the US Bureau of Reclamation since the start of the grant administration program, totalling \$1.8 million. Additionally, the District has received a \$0.2 million grant from Metropolitan Water District of Southern California.

Moulton Niguel Water District
General Fund - Budget Comparison Report
Year To Date Totals March 31, 2020

	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	\$ 31,512,227	\$ 22,112,272	\$ 9,399,955	70%
Recycled Water Sales	6,438,316	3,797,161	2,641,155	59%
Sewer Sales	24,065,352	19,834,890	4,230,462	82%
Other Operating Income	911,436	260,884	650,552	29%
A Total Operating Revenue	62,927,331	46,005,207	16,922,124	73%
<u>Operating Expenses</u>				
Salaries	13,073,384	9,552,988	3,520,395	73%
PERs Employer Contributions	2,374,048	1,755,648	618,400	74%
Defined Contribution 401A	240,739	171,347	69,392	71%
Educational Courses	79,934	27,606	52,328	35%
Travel & Meetings	347,140	234,694	112,446	68%
Recruitment & Employee Relations	93,813	7,205	86,608	8%
General Services	490,292	270,054	220,238	55%
Annual Audit	62,500	25,073	37,427	40%
Member Agencies O&M	541,714	233,944	307,770	43%
Dues & Memberships	189,857	110,654	79,203	58%
Consulting Services	1,453,300	1,257,523	195,777	87%
Equipment Rental	66,500	44,299	22,201	67%
District Fuel	315,000	211,687	103,313	67%
Insurance - District	532,850	386,899	145,951	73%
Insurance - Personnel	439,306	334,168	105,138	76%
Insurance - Benefits	3,267,475	2,657,975	609,500	81%
Legal Services - Personnel	50,000	13,721	36,279	27%
Legal Services - General	750,000	150,743	599,257	20%
District Office Supplies	493,680	474,875	18,805	96%
District Operating Supplies	1,294,654	1,107,684	186,970	86%
Repairs & Maintenance - Equipment	969,300	861,040	108,260	89%
Repairs & Maintenance - Facilities	3,950,249	2,259,682	1,690,567	57%
Safety Program & Compliance Requirements	364,548	288,497	76,051	79%
Wastewater Treatment	9,471,915	6,260,467	3,211,448	66%
Special Outside Assessments	33,600	27,290	6,310	81%
Utilities	2,992,102	1,911,190	1,080,912	64%
Water Purchases	28,997,811	19,002,456	9,995,355	66%
B Total Operating Expenses	72,935,710	49,639,409	23,296,302	68%
A-B Operating Income (Loss)	(10,008,379)	(3,634,201)	(6,374,178)	36%
<u>Non-Operating Revenues (Expenses)</u>				
Property Tax Revenue	28,599,883	19,106,642	9,493,241	67%
Investment Income	2,076,671	2,898,709	(822,038)	140%
Property Lease Income	1,800,265	1,431,011	369,254	79%
Misc. Non-Operating Income (Expense)	250,812	146,926	103,886	n/a
C Total Non-Operating Revenue (Expenses)	32,727,631	23,583,289	9,144,342	72%
A-B+C Change in General Fund	\$ 22,719,252	\$ 19,949,087	\$ 2,770,164	77%
<u>Other Non Cash Expenses</u>				
Depreciation	-	16,100,034	(16,100,034)	n/a
D Total Change in Net Position	\$ 22,719,252	\$ 3,849,054	\$ 18,870,198	

Note: Totals may not sum due to rounding.

Moulton Niguel Water District
 Water Efficiency Fund - Budget Comparison Report
 Year To Date Totals March 31, 2020

	1	2	=1-2	=2/1
Description	Approved Budget	Fiscal Year to Date Actuals	Budget Balance	% of Actuals to Budget
WATER EFFICIENCY FUND				
Projected Operating Revenue				
Water Efficiency	\$ 4,764,604	\$ 3,247,381	\$ 1,517,224	68%
A	4,764,604	3,247,381	1,517,224	68%
Projected Operating Expenses				
Labor	2,101,479	1,229,889	871,590	59%
Educational Courses	6,000	9,098	(3,098)	152%
Travel & Meetings	40,000	28,568	11,432	71%
Dues & Memberships ¹	63,225	85,760	(22,535)	136%
Consulting Services	1,935,000	550,080	1,384,920	28%
Legal Services	20,000	10,408	9,592	52%
Conservation supplies	347,240	141,483	205,757	41%
Repairs and Maintenance - Equipment	105,250	28,015	77,235	27%
Safety Program & Compliance Requirements	-	690	(690)	n/a
Water Efficiency	1,883,000	869,958	1,013,042	46%
B	6,501,194	2,953,948	3,547,246	45%
A-B	(1,736,590)	293,433	(2,030,022)	-17%
Projected Non-Operating Revenue				
Demand offset fees	36,000	56,673	(20,673)	157%
Grants received ²	-	548,555	(548,555)	n/a
Investment Income	31,562	98,683	(67,121)	313%
C	67,562	703,911	(636,349)	1042%
A-B+C	\$ (1,669,028)	\$ 997,344	\$ (2,666,372)	

Note: Totals may not sum due to rounding.

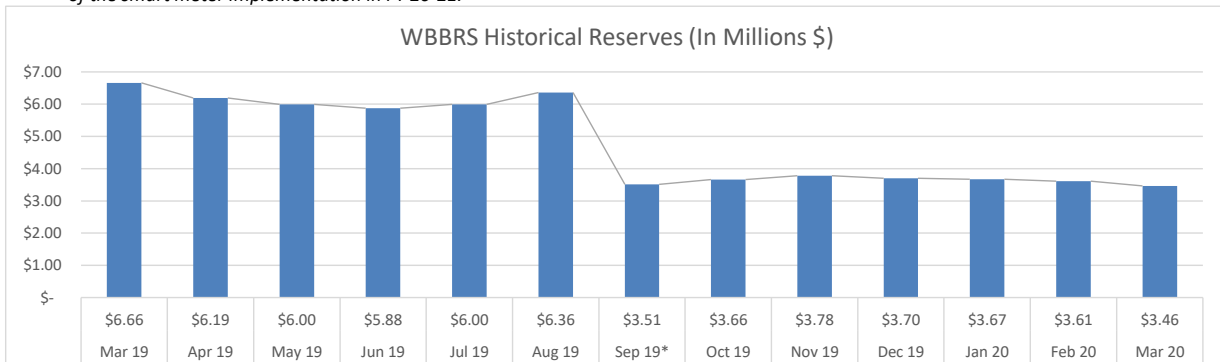
¹ The District participated in the water research foundation this year.

² The District received \$550k in grants related to the Smart Meter projects.

Water Efficiency Available Net Position ³

Description	Approved Budget	Fiscal Year to Date Actuals	Budget Balance
Fund Net Position, Beginning of Year	\$ 7,166,522	\$ 7,166,522	\$ 7,166,522
Projected Change in Water Efficiency Fund	(1,669,028)	997,344	(2,666,372)
Project Commitments		\$ (1,360,316)	
Capital Spending	(4,742,500)	(3,339,545)	
Fund Net Position, Year To Date Totals March 31, 2020	\$ 754,994	\$ 3,464,005	

3. In addition to realized expenditures, there is approximately \$1,360,316 in project commitments, and \$3,339,545 in capital spending, reducing the available WBBRS reserve balance to \$3,464,005. Additionally, the District anticipates spending another \$4.1 million on Phase III of the smart meter implementation in FY 20-21.



*Note: The District awarded two contracts for the implementation of the Smart Meter project totaling \$5.9 million.

#16.

**MOULTON NIGUEL WATER DISTRICT
STATEMENT OF NET POSITION**

	(Unaudited)	
	March 31, 2020	June 30, 2019
CURRENT ASSETS:		
Cash and investments ¹	\$ 57,579,434	\$ 17,470,320
Accounts receivables:		
Water and sanitation charges	3,061,404	3,761,531
Property taxes	-	309,158
Other accounts receivable	523,008	1,851,349
Interest receivable	549,206	802,315
Inventory	1,435,963	1,054,341
Prepaid expenses	1,650,614	750,393
TOTAL CURRENT ASSETS	64,799,629	25,999,407
NONCURRENT ASSETS:		
Investments ¹	89,034,721	100,897,457
Restricted cash and investments with fiscal agent	18,791,357	5,888,857
Retrofit loans receivable	479,560	490,468
Capital assets, net of accumulated depreciation	367,840,536	381,319,918
Capital assets not being depreciated:		
Land	1,091,910	1,091,910
Construction in progress ¹	49,102,078	13,508,163
TOTAL NONCURRENT ASSETS	526,340,162	503,196,773
TOTAL ASSETS	591,139,791	529,196,180
DEFERRED OUTFLOW OF RESOURCES:		
Deferred Charges on Refunding	342,178	415,501
Deferred Items related to Pension	5,122,331	5,122,331
Deferred Items related to OPEB	479,511	479,511
TOTAL DEFERRED OUTFLOW OF RESOURCES	5,944,020	6,017,343
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES \$	597,083,811	\$ 535,213,523

1. Total cash and investments has changed \$41,148,878 during this fiscal year. The District issued \$64,570,000 of 2019 Certificates of Participation in November 2019. Additionally, \$38,172,524 has been spent on capital projects and \$11,594,924 has been spent on debt service.

**MOULTON NIGUEL WATER DISTRICT
STATEMENT OF NET POSITION**

	(Unaudited)	
	March 31, 2020	June 30, 2019
CURRENT LIABILITIES:		
Accounts payable	\$ 10,452,888	\$ 11,487,184
Interest payable	426,689	1,069,054
Compensated absences	933,708	869,518
Current portion of long-term debt:		
Bonds payable	1,990,000	3,360,000
Loans Payable ²	-	1,283,260
Certificates of participation	910,000	-
TOTAL CURRENT LIABILITIES	14,713,285	18,069,016
LONG-TERM LIABILITIES		
Compensated absences	311,236	289,839
Long-term debt:		
Bonds payable	55,180,000	57,170,000
Loans payable ²	-	3,805,058
Certificates of participation ¹	63,660,000	-
Net Pension Liability	20,386,747	20,386,747
Net OPEB Liability	1,540,822	1,540,822
TOTAL LONG-TERM LIABILITIES	141,078,805	83,192,466
Bond Discount/Premium	14,565,479	11,116,102
TOTAL LIABILITIES	170,357,568	112,377,584
DEFERRED INFLOW OF RESOURCES:		
Deferred Items related to Pension	1,184,247	1,184,247
Deferred items related to OPEB	14,312	14,312
TOTAL DEFERRED INFLOW OF RESOURCES	1,198,559	1,198,559
NET POSITION:		
Net investment in capital assets	296,117,465	319,601,072
Restricted for capital projects	268,741	375,294
Unrestricted	129,141,478	101,661,014
TOTAL NET POSITION	425,527,684	421,637,380
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	\$ 597,083,811	\$ 535,213,523

Note: Totals may not sum due to rounding.

1. Total cash and investments has changed \$41,148,878 during this fiscal year. The District issued \$64,570,000 of 2019 Certificates of Participation in November 2019. Additionally, \$38,172,524 has been spent on capital projects and \$11,594,924 has been spent on debt service.

2. The District paid off \$4.1 million in outstanding loans in September 2019, releasing \$4.5 million in restricted cash reserves.

#16.

MOULTON NIGUEL WATER DISTRICT RESTRICTED CASH AND INVESTMENTS WITH FISCAL AGENT As of March 31, 2020

	Reserve Requirement	(Unaudited) Balance 3/31/2020	Over (Under) Requirement	Balance 6/30/2019	Outstanding Debt Balance 3/31/2020
Restricted Cash and Investments:					
2015 Refunding Bonds Reserve	\$ 1,226,500	\$ 1,357,694	\$ 131,194	\$ 1,305,081	\$ 8,565,000
2019 Revenue Bonds	-	3,387,422	3,387,422	4,583,776	48,605,000
2019 Certificates of Participation	-	14,046,242 ¹	14,046,242	-	64,570,000
Total Restricted Trust Accounts	\$ 1,226,500	\$ 18,791,357	\$ 17,564,857	\$ 5,888,857	\$ 121,740,000

Note: Totals may not sum due to rounding.

¹ Money available to fund capital projects. Will be drawn down as capital projects are executed.

FY	Remaining Payoff Schedule		
	Principal	Interest	Totals
2019*	\$ -	\$ -	\$ -
2020	2,900,000	4,967,831	7,867,831
2022	3,465,000	4,643,706	8,108,706
2023	3,640,000	4,466,081	8,106,081
2024	3,460,000	4,288,581	7,748,581
2025	3,630,000	4,111,331	7,741,331
2026	3,815,000	3,925,206	7,740,206
2027	4,005,000	3,728,806	7,733,806
2028	4,210,000	3,524,331	7,734,331
2029	4,415,000	3,308,706	7,723,706
2030	4,640,000	3,082,331	7,722,331
2031	4,865,000	2,854,581	7,719,581
2032	5,090,000	2,646,406	7,736,406
2033	5,280,000	2,448,097	7,728,097
2034	5,485,000	2,238,513	7,723,513
2035	5,705,000	2,010,088	7,715,088
2036	5,945,000	1,768,925	7,713,925
2037	6,185,000	1,522,738	7,707,738
2038	6,440,000	1,265,613	7,705,613
2039	6,700,000	995,594	7,695,594
2040	2,490,000	819,600	3,309,600
2041	2,565,000	743,775	3,308,775
2042	2,645,000	665,625	3,310,625
2043	2,725,000	585,075	3,310,075
2044	2,805,000	502,125	3,307,125
2045	2,890,000	416,700	3,306,700
2046	2,975,000	328,725	3,303,725
2047	3,065,000	238,125	3,303,125
2048	3,155,000	144,825	3,299,825
2049	3,250,000	48,750	3,298,750
	\$ 121,740,000	\$ 67,103,621	\$ 188,843,621

*Note: All scheduled debt service payments for FY 19-20 have been made through March 31, 2020.

MOULTON NIGUEL WATER DISTRICT
NET POSITION
As of March 31, 2020

	<u>Reserve Target</u>	(Unaudited)		<u>Balance</u> 6/30/2019
		<u>Balance</u> 3/31/2020	<u>Net Change</u>	
Adopted Reserve Targets ¹				
Designated for Self Insurance Reserve	\$ 250,000	\$ 239,858	\$ (1,566)	\$ 241,424
Designated for Rate Stabilization	14,299,942	14,860,758	33,978	14,826,780
Designated for Emergency Reserves	35,300,000	35,300,000	-	35,300,000
Designated for Operating Reserves ²	19,859,814	41,105,329	16,903,548	24,201,781
Total Adopted Reserve Targets	\$ 69,709,755	\$ 91,505,945	\$ 16,935,960	\$ 74,569,985
	FY Capital			
	Budget ⁴			
Designated for Capital Projects ³				
Designated for Replacement and Refurbishment	\$ 43,624,388	22,008,334	\$ 18,982,570	\$ 3,025,764
Designated for Water Supply Reliability	-	-	(346,493)	346,493
Designated for Planning and Construction	21,413,204	10,802,878	(5,749,326)	16,552,204
Total Designated for Capital Projects	\$ 65,037,592	\$ 32,811,212	\$ 12,886,751	\$ 19,924,461
Other amounts				
Designated for Water Efficiency (WBBRS) ⁵		\$ 4,824,321	\$ (2,342,201)	\$ 7,166,522
Restricted for Capital Facilities (Projects)		268,741	(106,553)	375,294
Net Investment in Capital Assets ⁶		296,117,465	(23,483,607)	319,601,072
Total Other amounts		\$ 301,210,527	\$ (25,932,361)	\$ 327,142,888
Total Net Position		\$ 425,527,684	\$ 3,890,350	\$ 421,637,334

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 \$57,905,634.

3. Balances in the Capital Project Funds represent available and designated cash to fund identified CIP projects.

4. FY Budget also includes capital expenses of \$1,949,601 and \$4,742,500 in Funds 1 and 6, respectively, bringing the total CIP budget to \$71,729,693.

5. In addition to realized expenditures, there is approximately \$1,360,316 in project commitments, and \$3,339,545 in capital spending, reducing the available WBBRS reserve balance to \$3,464,005. Additionally, the District anticipates spending another \$4.1 million on the Smart Meter implementation in FY 20-21.

6. Net Investment in Capital Assets calculated as follows:

Total capital assets	\$ 418,034,524
Less capital related debt	(122,259,237)
Add deferred charges related to debt	342,178
Total Net Investment in Capital Assets	\$ 296,117,465

#16.

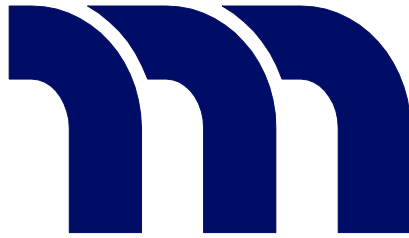
MOULTON NIGUEL WATER DISTRICT SUMMARY OF DISBURSEMENTS FOR THE MONTH OF APRIL

Summary of Disbursements in April:

General Fund Disbursements		\$ 4,713,716
<u>Other Fund Disbursements:</u>		
Self Insurance Fund	20	
Water Efficiency Fund	1,462,817	
Replacement & Refurbishment Fund	1,798,827	
Planning & Construction Fund	3,642,169	6,903,832
Total Disbursements for all Funds		11,617,548

Detail of Major Expenditures in April:

1. Layton Construction Company		
CMAR Construction Phase Services, progress payments #10 & #11		3,445,592
2. Municipal Water District of Orange County (MWDOC)		
February Water Purchases 1650 AF	1,544,073	
February Readiness to Serve	113,051	
February Capacity Charge	28,851	
February SCP and SAC Operation Treated Surcharges	7,202	1,693,177
3. Aqua-Metric Sales, Co.		
6,168 MXU Single Ports for AMI project		1,243,106
4. Gateway Pacific Contractors, Inc.		
C #2017003 Reservoir Management Systems Replacement, progress payments #10 & #11		468,162
5. Ferreira Construction Co. Inc.		
C #2017006 Valve Replacement, progress payments #10 & #11	213,942	
C #2010001 860-Zone Niguel Road Intertie, progress payment #2	159,116	373,058
6. Trautwein Construction, Inc.		
C #2016007 54-Inch Intertie Pipeline Improvements, progress payment #7		173,912
7. Hazen & Sawyer		
C #2019302 Plant 3A Solid Handling Facilities Improvement		155,019



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** May 14, 2020

FROM: Trevor Agrelus, Controller

SUBJECT: Purchasing Policy Annual Review

SUMMARY:

Issue: Moulton Niguel Water District annually reviews financial policies consistent with best practice.

Recommendation: It is recommended that the Board of Directors discuss the proposed Purchasing Policy and provide comments to incorporate for adoption in June.

Fiscal Impact: None

Reviewed by Committee: No review by committee.

Reviewed by Legal: Yes

BACKGROUND:

The District’s current Purchasing policy was last updated in June of 2019. The District conducts an annual review of its financial policies to provide timely updates as government code changes occur and align with best practices which are viewed favorably from a bond rating perspective.

DISCUSSION:

Staff reviewed the prior Purchasing policy and worked with the District’s financial consultants to update this policy. Additionally, all proposed changes were discussed with the District’s General Counsel at Best Best and Krieger.

There is only one substantive change being suggested this year, which is to add the Senior Water Resources Planner position to Table 2 of the policy.

#18.

Purchasing Policy Annual Review

May 14, 2020

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The Purchasing Policy is a set of standards established by the Board of Directors that directs how District funds are spent. All purchases of services or materials and Public Works projects paid for by the District must adhere to the authority level and dollar limits set in this Policy.

Attachment: 2019 Draft Purchasing Policy (Redline)



POLICY A-5: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

See also:

5.14.2020

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Last Revised:

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#18.

POLICY A-5: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

This policy applies to the purchase of services and materials, equipment, supplies (referred to collectively as “materials”), and Public Works projects for the Moulton Niguel Water District (“District”) as required by California State law (Code Sections 54201, 54202 and 54204) and the Office of Management and Budget Uniform Grants Guidance Title 2, Subtitle A, Chapter II, Part 200, Subpart D (UGG 2 CFR 200).

All purchases of services or materials and Public Works projects paid for by the District must adhere to the authority level and dollar limits set in this Policy.

1. Delegation of Purchasing Authority

The Board has authorized the General Manager, or assigned representatives, to perform essential duties for District operations, including purchase authority.

The General Manager may delegate purchasing authority to others who may use purchasing cards, purchase orders, check requests, or other written authorization.

Board-established purchasing limits and contract signatory authority are listed in Table 2. These limits apply on a per-purchase/per-contract basis, not on an aggregated basis, for unrelated activities.

Purchases and Contract awards must be authorized by the appropriate authority in Table 2.

If an authorized signatory (other than the General Manager) for a given request is absent, the next highest authority in Table 2 may provide the purchase authority.

2. Unauthorized Purchasing is Prohibited and Subject to Penalties

Anyone making purchases outside this Policy and without General Manager or Board authorization, will be subject to disciplinary action and/or termination as outlined in the District Personnel and Salary Policy.



POLICY A-5: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

See also:

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3. Division of Contracts

The District prohibits separating or dividing Contracts, reducing its cost below a specified sum to avoid the requirements of this or any related policy. But Contracts may be divided to meet unique scheduling needs of a project or to meet necessary time frames. Also, no Contract shall include language to limit competitive bidding or solicitation to any one specific vendor, brand, product, thing, or service, except for the exempt items listed in this policy. (See Item #14)

4. Purchase Amounts Include Taxes and Shipping

Purchase amounts include taxes and the cost of shipping, freight fees, and any other charges billed by the supplier or contractor within the authorized limits in this Policy.

5. Online Purchases and Utilization of Electronic Signatures

The District may use electronic commerce whenever reasonable or cost-effective. The District may accept electronic signatures and records for District procurement.

6. Requisitions for Purchasing Materials and Services

District staff who 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. The Purchasing Department will generate a Purchase Order (PO) from the Requisition.

7. Check Requests

A check request can be used for certain limited materials or services without a PO. Check requests may be used to request payment for Non-Discretionary Purchases, such as services rendered, subscriptions, membership dues, workshop/seminar/conference registrations, and use of facilities. Check requests are subject to the authorization limits established in Table 2.



POLICY A-5: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

See also:

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8. Purchasing Cards

Authorized District staff may be assigned Cal Cards to make miscellaneous purchases within the limits of Table 2. Cal Card purchases are subject to the terms and conditions of the District Cardholder Acceptance Agreement.

Services may not be purchased with Cal Cards due to lack of insurance and indemnification language associated with these purchases. District staff using Cal Cards are subject to the terms of this Policy and all related Cal Card usage terms or amendments. A Cal Card should not be used if a Purchase Order or other procurement method would be appropriate.

9. Blanket Purchase Orders

A Blanket Purchase Order is issued to cover all amounts expected to be paid to the supplier/contractor/Consultant for the fiscal year or through a Contract term. Blanket Purchase Orders expire at the end of the fiscal year or as soon as a Contract ends, whichever comes first.

For Blanket Purchase Orders exceeding \$75,000, the District will utilize work order forms to initiate work with the supplier/contractor/Consultant. The work order forms will indicate the estimated cost for the work order, and must be signed by a Staff Director or Staff Officer prior to initiating the work with the supplier/contractor/Consultant. If the Director or Officer for a given work order is absent, the next highest authority in Table 2 may provide the authorization.

10. References and Financial Responsibility Before Awarding Contracts

Before awarding any Contract, the District will verify the references and financial responsibility of the contracting parties. After award, all Contracts shall be executed on behalf of the District by the appropriate authorized signatory indicated in Table 2.

No Contract will be awarded if funds are not available to make payment upon delivery or completion, or by payment schedule, unless authorized and approved by the Board or General Manager.



POLICY A-5: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

See also:

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11. Contracts are Required for Any Services and Public Works Projects over \$5,000

Contracts for Non-Professional Services, Professional Services and Public Works shall be executed when the cost exceeds \$5,000 (except for an Emergency as defined in this policy).

12. Authorization of Multi-Year Contracts in the District's Best Interest

Multiple Year Contracts are allowed when they are in the best interest of the District as determined by the General Manager.

The dollar value of a Multiple Year Contract shall be the total contract value, including optional renewal periods. Once initially approved, any contract renewals may be authorized by the General Manager, regardless of dollar amount, if the pre-priced option is consistent with the terms of the initial Contract.

13. Non-Discretionary Purchases

Non-Discretionary Purchases do not require Board approval for payment, including those over the General Manager limit of \$75,000. Initial software license agreements and cloud-based services are subject to the purchase limits in Table 2. Purchase Orders are not required for Non-Discretionary Purchases.

14. Emergency Services Above \$75,000

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 pursuant to Board policy. 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.

15. District Warehouse Inventory

Purchase requests to replenish the District's warehouse inventory within established inventory re-order levels require no prior authorization or signatory approval under Table 2.



POLICY A-5: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

See also:

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Last Revised:

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#18.

16. Non-Professional Services and Materials Procurement

The District requires a competitive bid or selection process for purchasing non-professional services and materials, and for Public Works projects.

For non-professional services and materials estimated to cost \$10,000 or less, District staff may request a proposal from one qualified Consultant or Vendor.

District staff will request a minimum of three bids or proposals for non-professional services and materials when the contract amount is expected to cost between \$10,001 and \$75,000.

For a non-professional services and materials contract expected to cost more than \$75,000, the District will initiate an RFP or RFQ.

- All quotes, bids and proposals must be in writing. Email is acceptable.
- RFP, RFQ, and Invitation to Bid submissions must comply with all terms of the solicitation, or any related laws. Submissions that fail to comply may be disqualified.

17. Exceptions to Competitive Solicitations

- 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
- Purchases made after a reasonable attempt to obtain competitive bids and:
 - No additional suppliers/providers/contractors/Consultants can be located.
 - The District receives no response from suppliers/providers/contractors/Consultants to a competitive bid.
 - No other satisfactory bids/proposals are received.

Except for purchases greater than \$75,000 and requiring Board authorization, the General Manager or Assistant General Manager may decide whether a purchase meets the criteria above to be exempt from competitive solicitation.



POLICY A-5: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

See also:

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18. Public Works Contracts

Contracts for Public Works projects shall comply with all requirements for Public Works contracts under State law, including rules for:

- Listing subcontractors.
- Posting payment bonds equal to no less than 100 percent of the total contract amount (for all Public Works contracts over \$25,000).
- Paying prevailing wages (for all contracts for Public Works exceeding \$1,000), or as otherwise required by law.

Unless the General Manager and legal counsel approve a waiver, the District requires performance bonds for all Public Works Contracts equal to no less than 100 percent of the total contract amount. Public Works Contracts let by an Invitation to Bid will be awarded to the lowest responsive, responsible bidder as allowed by State law and the District's standard Public Works contract documents.

19. Professional Services Procurement

Professional Services Contracts must meet the terms of California Government Code §4525 et seq., and §53060, based on proof of competence and qualifications for the types of services to be performed at fair and reasonable prices, as determined by the District.

For Professional Services estimated to cost \$25,000 or less, District staff may request a proposal from one qualified Consultant.

District staff will request three proposals for Professional Services when the contract amount is expected to cost between \$25,001 and \$75,000.

For a Professional Services Contract expected to cost more than \$75,000, the District will initiate an RFP.

The following criteria shall apply as exceptions to the competitive solicitation requirements as indicated for Professional Services where such requirements would otherwise apply:

- In the case of sole or single source procurements of Professional Services, only one proposal from a qualified firm is required.



POLICY A-5: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

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#18.

- For Professional Services in which it is infeasible to comply with the selection process because of the unique, exploratory or experimental nature of the project, District staff may request a proposal from one qualified Consultant.

20. Nonresponsive or Unqualified Bid or Response

In response to any Invitation to Bid, RFQ, or RFP, the District may reject any unqualified bid or other response that is 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 District's best interest, and in accordance with law.

Rejection of all bids or responses or cancellation of competitive solicitations, including determinations to re-bid, or re-solicit is subject to the same authority level required to award a Contract in Table 2, and as required by law.

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.

21. Change Orders for Goods and Services

The District may issue Change Orders, as required by changes in the specifications or conditions of a project, services performed, or materials issued.

Change orders or amendments that extend the expiration date of the original or Board approved contract by no more than 12 months, but do not affect the total contract price can be approved subject to the contract signing authority indicated in Table 2.

The Purchasing department may issue Change Orders up to 10 percent over the original PO without further approvals if the original purchase amount was \$10,000 or less. For any Change Order request over the original PO by more than 10 percent or the \$1,000



POLICY A-5: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

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limit, the requesting department will complete a revised Purchase Order Requisition (approved at the levels in Table 2.)

- For Contracts and Amendments up to \$75,000:
 - Change Orders can be approved by the total appropriate authorization levels as outlined in Table 2 up to a total Contract amount of \$75,000 without Board approval.
 - Board approval is required for a Change Order if the proposed Change Order would cause the total Contract amount to exceed \$75,000.
- For Contracts and Amendments over \$75,000:
 - Board approval is required for Change Order requests which increase the contract amount, unless sufficient contract contingency was previously approved by the Board.

A Change Order above the Change Order limits set forth in this policy may be authorized by the General Manager or Assistant General Manager prior to Board approval if:

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

The Board shall be notified by the General Manager of any Change Order above the General Manager's authorized limit at the next Board meeting.

22. Personal Financial Interest in District Contract

Board members and District staff, spouses, or dependent children shall not be financially interested in any contract made by them in their official capacity. (Government Code Section 1090).

Board Members and District staff, spouses, or dependent children shall not participate in any way to influence a governmental decision in which they have a financial interest. (Government Code Section 87100).



POLICY A-5: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

See also:

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#18.

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

Confidential or proprietary information must be handled with due care and proper consideration of ethical and legal ramifications and governmental regulations. Purchasing activities must be performed in accordance with all applicable laws and this policy. Employees/individuals who violate the standards set forth in this Section are subject to disciplinary action consistent with District Personnel and Salary Policy.

23. This District Makes Purchases as a California Water District

As a California Water District, the District is not required by State law to competitively bid any purchases, unless otherwise stated in this policy.

The District may:

- Enter into non-bid contracts for Public Works.
- Purchase materials, services and supplies.
- Contract for design-build work.
- Job-order contracting.
- Enter into Cooperative Purchasing contracts to plan, build, and maintain Public Works.
- Undertake any other form of contract found to be in the District's lawful best interest.

24. Maintenance of this Policy

The General Manager and assigned representatives, working with the District's legal counsel, will maintain and propose revisions to this policy as needed. All changes to this policy shall require the approval of the Board of Directors. In all cases, the District shall implement this policy in a manner that is consistent with Federal, State or local regulations.



POLICY A-5: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

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TABLE 1: Definitions

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 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.

Blanket Purchase Orders - Used for payment to the same supplier/contractor/Consultant multiple times, or for ongoing monthly purchases/expenses.

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.



POLICY A-5: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

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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 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, and for the purposes of this policy, shall also include expenses previously approved by the Board, which would require significant advanced planning to change service providers, such as software license agreement renewal/ cloud based services renewal, insurance providers, and healthcare providers.

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. (California Government 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.



POLICY A-5: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

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Public Works – As defined by California Public Contract 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 and Home Depot 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 Enterprise Resource Planning 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.



POLICY A-5: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

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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.

Work Order – Request and approval for services or performances of specific tasks to be completed, and placed against a pre-established contract. Vendors may also use the terms “task order” and “statement of work”. For District purposes, these items will be treated as “work orders”. (These typically apply to on call or as needed contracts or Blanket Purchase Orders).



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TABLE 2: Procurement Limits and Contract Signature Authority

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, Government Affairs Officer, Information Systems Officer</i>	up to \$25,000	up to \$25,000
<i>Board Secretary, Staff Assistant Directors</i>	up to \$20,000	None
<i>Superintendents, Managers, Controller, Principal Engineers, Coordinators, <u>Sr. Water Resources Planner</u></i>	up to \$10,000	None
<i>Supervisors, Purchasing Agent, Administrative Personnel, Sr. Water Efficiency Specialist, Sr. Wastewater Treatment Plant Operators</i>	up to \$5,000	None



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** May 14, 2020
FROM: Drew Atwater, Director of Finance & Water Resources
Johnathan Cruz, Financial Planning Manager
SUBJECT: Investment Policy Annual Review

SUMMARY:

Issue: The Moulton Niguel Water District’s (District) investment policy is annually reviewed and presented for Board consideration.

Recommendation: It is recommended that the Board of Directors discuss the proposed Investment Policy and provide comments to incorporate for adoption in June.

Fiscal Impact: None.

Reviewed by Committee: No review by committee.

Reviewed by Legal: Yes

BACKGROUND:

The District’s current investment policy was last updated in June of 2019. 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 conducts an annual review of its financial policies to provide timely updates as government code changes occur and align with best practices which are viewed favorably from a bond rating perspective.

#19.

Investment Policy Annual Review

May 14, 2020

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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 review the policy and ensure its consistency with current financial operating conditions and government code. The most significant change is in the format to align with the District's standard for policies. Other changes are to remove redundancy and streamline the policy. However, there are no changes to the permitted types of investment securities allowed. The changes are presented initially as an information item for Board feedback and proposed for adoption at the June 11, 2020 Board Meeting along with the District's Annual Budget for FY 2020-21.

Attachment:

1. Proposed 2020 Investment Policy
2. Current 2019 Investment Policy



POLICY A-4: Maintaining District Investment Funds

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This Policy may be amended by the Board as it deems appropriate from time to time in the prudent management of the funds of the District.

1. Policy Statement

This policy documents Moulton Niguel Water District’s delegation and guidelines for the investment of public funds. The District’s cash management system is designed to monitor and accurately forecast expenditures and revenues, thus enabling the District to invest funds to the fullest extent possible

This Investment Policy is intended to comply with California Government Code Sections 53600 et seq. and shall govern all investment activity undertaken by the District.

2. Purpose of Policy

The purpose of this Investment Policy is to:

- Establish the objectives, policies, and guidelines for the investment of District funds
- Establish how invested funds will be managed
- Establish a basis for evaluating investment results
- Identify principal agents and delegation of authority

3. The Board May Delegate Investment Authority and Management

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.

The Moulton Niguel Water District may hire external investment advisers registered under the Investment Advisers Act of 1940 to help manage the District’s investment portfolio in keeping with the District’s objectives. External investment advisers may buy and sell securities that comply with this policy.

This policy covers all funds and investment activities under the direct authority of the District, as set forth in the State Government Code, Sections 53600 et seq., with the following exceptions:

1. Proceeds of debt issuance shall be invested in accordance with the District’s general investment philosophy as set forth in this policy; however, such proceeds are to be invested pursuant to the permitted investment provisions



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of their specific bond indentures.

2. Any other funds specifically exempted by the District.

4. District Fiduciaries Shall Follow Prudent Investor Standards

California Government Code, Section 53600.3 stipulates that all persons authorized to make investment decisions on behalf of the District are trustees and are thereby fiduciaries subject to the Prudent Investor Standard.

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.

The District's Board of Directors will assign a Treasurer, Director of Finance & Water Resources, or Manager of Financial Planning or investment advisers to invest District funds. The Administration Committee of the Board of Directors will oversee the investments.

If a security's credit or market risk changes unexpectedly, the Treasurer, or his or her designee, will report the change to the governing body in a timely fashion and appropriate action should be taken to control adverse developments.

5. District Investment Program Criteria Shall be Followed in Priority Order:

1. **SAFETY** The District will seek investments in a manner that seeks to ensure the preservation of capital in the overall portfolio. To accomplish this, the District will diversify its portfolio by investing funds among a variety of securities with independent returns.
2. **LIQUIDITY** The portfolio will remain sufficiently liquid to meet all reasonably anticipated operating requirements.
3. **RETURN ON INVESTMENTS** The portfolio will be designed to obtain a market rate of return throughout budgetary and economic cycles, recognizing investment risk limits for safety and liquidity requirements.

6. District Investments Shall be Organized by Performance Objective



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The District's investments are allocated across four fund types, described below. The District shall inform the investment adviser from time to time of amounts to be allocated to each of the four categories.

Liquid Fund

Funds for current operating expenses and capital requirements. This fund shall preserve principal, provide liquidity for operating and maintenance expenses, debt service payments, and capital needs, and earn a total rate of return commensurate with the first two goals.

The Liquid Fund's investment performance shall earn a return over a market cycle that equals or exceeds the return on 90-day Treasury Bills.

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.

The District's Treasurer, Director of Finance & Water Resources, or Manager of Financial Planning shall regularly update the investment adviser on the District's specific short-term liquidity requirements.

The Liquid Fund shall maintain a minimum fund balance that provides sufficient cash reserves to pay current operating expenses.

Limited Maturity Fund

Funds needed to meet expenses anticipated over the next one to five years. This fund shall preserve principle, provide liquidity for operations and maintenance, debt service payments, and capital needs within the next five years, and earn a total rate of return in line with the first two goals.

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

Operating Reserve Fund

This fund shall preserve principal and provide long-term growth by earning the rate of return available from the longer-term investments permitted under the California Government Code.

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 ICE Bank of America Merrill Lynch 1-10 Year US Treasury and Agency Index.



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

No more than 40 percent of the Operating Reserve Fund may be invested in securities that mature in more than five years.

Debt Service Restricted Reserve Funds

Funds required per bond trust indentures of the District's debt portfolio. This fund will preserve principal, provide capital for debt service payments in case of default, and earn a total rate of return in line with the first two goals.

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

7. The District Will Only Work with Qualified Financial Institutions

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

As stated in Section 53601.5, the District may transact business investments with:

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

The District has sole discretion to select the financial institutions and broker/dealers for investment transactions, except where the District utilizes an external investment adviser in which case the District may rely on the adviser for selection.

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.

Selection of broker/dealers used by an external investment adviser retained by the District will be at the sole discretion of the District. Where possible, transactions with



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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.

8. District Mitigates Credit Risk and Market Risk in the Portfolio

Mitigating Credit Risk

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:

- The diversification requirements included in the “Authorized Investments” section of this policy are designed to mitigate credit risk in the portfolio.
- No more than 5 percent of the total portfolio may be invested in securities of any single issuer, except where the issuer is the US Government, its Agencies and 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.
- The District may sell a security before it matures and record a capital gain or loss to manage the quality, liquidity or yield of the portfolio in response to market conditions or District’s risk preferences.
- If District securities are downgraded by a nationally recognized statistical rating organization (NRSRO) to a level below the quality required by this investment policy, the District will decide whether to sell or retain the securities.
 - If a security is downgraded, the CFO will decide whether to sell or hold the security based on its current maturity, the economic outlook for the issuer, and other relevant factors.
 - 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.

Mitigating Market Risk

Market risk is the risk that the portfolio value will vary due to changes in the general level of interest rates. The District recognizes that, over time, longer-term portfolios may achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The District will mitigate market risk by providing enough liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.



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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 limit its exposure to market risk:

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

9. District Investments Shall Comply with State Laws

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.

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 (except credit quality). At the time of the investment’s maturity or liquidation, such funds shall be reinvested only as provided in the current policy.

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.

10. Authorized Investments

All investments shall be made as "delivery vs. payment" transactions.

The authorized investments are as listed below:

Municipal Securities

Municipal Securities include obligations of the District, the State of California, any of the other 49 states, and any local Dist_220_ thin the State of California, provided that:



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- The securities are rated in a rating category of “A” or higher by at least one nationally recognized statistical rating organization (“NRSRO”).
- No more than 5% of the portfolio may be invested in any single issuer.
- No more than 30% of the portfolio may be in Municipal Securities.
- 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.

U.S. TREASURIES

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:

- 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.

Federal Agencies

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 Agency or Government-Sponsored Enterprises (GSEs), provided that:

- No more than 25% of the portfolio may be invested in any single Agency/GSE issuer.
- 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.

Banker’s Acceptances

Banker’s Acceptances provided that:

- 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.
- No more than 40% of the portfolio may be invested in Banker’s Acceptances.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed 180 days.



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Commercial Paper

Commercial Paper provided that:

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

NEGOTIABLE CERTIFICATES OF DEPOSIT (NCDS)

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:

- The amount of the NCD insured up to the FDIC limit does not require any credit ratings.
- 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.
- No more than 30% of the total portfolio may be invested in NCDs.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

FEDERALLY INSURED TIME DEPOSITS (Non-Negotiable Certificates of Deposit)

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

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

COLLATERALIZED TIME DEPOSITS (Non-Negotiable Certificates of Deposit)



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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:

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

COLLATERALIZED BANK DEPOSITS

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

REPURCHASE AGREEMENTS

REPURCHASE AGREEMENTS collateralized with securities authorized under California Government Code 53651, 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:

- Securities used as collateral for Repurchase Agreements will be delivered to an acceptable third-party custodian.
- 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).
- The maximum maturity does not exceed one (1) year.

STATE OF CALIFORNIA LOCAL DISTRICT INVESTMENT FUND (LAIF)

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

The District may invest up to the maximum amount permitted by LAIF.

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.

LOCAL GOVERNMENT INVESTMENT POOLS

The District may invest up to the maximum amount permitted by the following respective Local Government Investment Pools:

- CALTRUST



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- California Asset Management Program (CAMP)

Local Government Investment Pool investments in securities 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.

CORPORATE MEDIUM TERM NOTES (MTNS)

CORPORATE MEDIUM TERM NOTES (MTNS), provided that:

- 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.
- The securities are rated in a rating category of "A" or higher by at least one NRSRO.
- No more than 30% of the total portfolio may be invested in MTNs.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

Mutual Funds

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:

- Attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
- 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.
- No more than 10% of the total portfolio may be invested in shares of any one mutual fund.
- No more than 20% of the total portfolio may be invested in a combination of Mutual Funds and Money Market Mutual Funds.

MONEY MARKET MUTUAL FUNDS

MONEY MARKET MUTUAL FUNDS that are registered with the Securities and Exchange Commission under the (link) Investment Company Act of 1940, provided that such Funds meet either of the following criteria:



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- Have attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
- 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.
- No more than 20% of the total portfolio may be invested in a combination of Mutual Funds and Money Market Mutual Funds.

SUPRANATIONALS

SUPRANATIONALS, provided that:

- 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.
- The securities are rated in a rating category of "AA" or higher by a NRSRO.
- No more than 30% of the total portfolio may be invested in these securities.
- No more than 10% of the portfolio may be invested in any single issuer.
- The maximum stated maturity does not exceed five (5) years.

ASSET-BACKED, MORTGAGE-BACKED, MORTGAGE PASS-THROUGH SECURITIES, AND COLLATERALIZED MORTGAGE OBLIGATIONS

ASSET-BACKED, MORTGAGE-BACKED, MORTGAGE PASS-THROUGH SECURITIES, AND COLLATERALIZED MORTGAGE OBLIGATIONS from issuers not defined in the US Treasury and Federal Agency sections of the Authorized Investments section of this policy, provided that:

- The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.
-
- No more than 20% of the total portfolio may be invested in these securities.
- No more than 5% of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer.
- The maximum legal final maturity does not exceed five (5) years.

Prohibited Investment Vehicles and Practices

- Any investments not specifically described herein are prohibited, including, but not limited to futures and options.
- In accordance with Governme₋₂₂₅₋e, Section 53601.6, investment in inverse



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- floaters, range notes, or mortgage derived interest-only strips is prohibited.
- Investment in any security that could result in a zero-interest accrual if held to maturity is prohibited.
 - Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
 - Purchasing or selling securities on margin is prohibited.
 - The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.
 - The purchase of foreign currency denominated securities is prohibited.

11. The District Requires Collateralization for Specific Securities

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 percent of the face value of the CD if the securities are classified as mortgages and 110 percent of the face value of the CD for all other classes of security.

COLLATERALIZATION OF BANK DEPOSITS

This is the process by which a bank or financial institution pledges securities, or other deposits to secure 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.

REPURCHASE AGREEMENTS

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

- 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.
- 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.



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- The District and its investment adviser shall receive monthly statements of collateral.

12. Custodian Keeps District's Investments in Safekeeping

Investment securities and cash shall be held in a bank custody account in the District's name.

All investments shall be made as "delivery vs. payment" transactions.

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.

The custodian will report monthly to the District, listing all securities held in safekeeping with current market data and other information.

All investment transactions require a safekeeping receipt or acknowledgment of the trade, except for depository accounts and securities purchases made with:

- Local government investment pools.
- Time certificates of deposits.
- Money market mutual funds (since purchased securities are not deliverable).

13. Reporting

QUARTERLY REPORTS

The Treasurer will submit a quarterly investment report to the Governing Body which provides full disclosure of the District's investment activities within 30 days after the end of the quarter. These reports will disclose, at a minimum, the following information about the District's portfolio:

- An asset listing showing par value, cost and independent third-party fair market value of each security as of the date of the report, the source of the valuation, type of investment, issuer, maturity date and interest rate.
- Transactions for the period.
- A description of the funds, investments and programs (including lending programs) managed by contracted parties (i.e. LAIF; investment pools, outside money managers and securities lending agents)
- A one-page summary report that shows:
 - Average maturity of the portfolio and modified duration of the portfolio;
 - Maturity distribution of the portfolio;



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- Percentage of the portfolio represented by each investment category;
- Average portfolio credit quality; and,
- Time-weighted total rate of return for the portfolio for the prior one month, three months, twelve months and since inception compared to the District's market benchmark returns for the same periods;
- A statement of compliance with investment policy, including a schedule of any transactions or holdings which do not comply with this policy or with the California Government Code, including a justification for their presence in the portfolio and a timetable for resolution.
- A statement that the District has adequate funds to meet its cash flow requirements for the next six months.

14. Fiduciaries Shall Report to the Board Regularly

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

The investment adviser and broker shall promptly confirm all transactions and fund movements to the District. The investment adviser shall also make sure the broker provides duplicate confirmation to the District.

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

15. Changes to This Policy Must Be Approved by the Board

The Board of Directors may change this Investment Policy from time to time. Changes must be approved by the Board of Directors and sent in writing to the Treasurer or Director of Finance & Water Resources and other responsible employees, third parties and investment advisers.

The investment adviser must inform the District of any changes to the California Government Code that affect the investment of District funds. Such changes shall be considered promptly by the Board of Directors.

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



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APPENDIX A: Definitions

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



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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.

COMMERICAL 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.



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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, a make whole call provision, the issuer



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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



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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



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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
STATEMENT OF INVESTMENT POLICY

Effective: July 1, 2019

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
July 1, 2019

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.

C. This policy covers all funds and investment activities under the direct authority of the District, as set forth in the State Government Code, Sections 53600 et seq., with the following exceptions:

1. Proceeds of debt issuance shall be invested in accordance with the District's general investment philosophy as set forth in this policy; however, such proceeds are to be invested pursuant to the permitted investment provisions of their specific bond indentures.
2. Any other funds specifically exempted by the District.

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 three 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."

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

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,

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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 ICE 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 ICE 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.

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Moulton Niguel Water District
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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.

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 from issuers not defined in sections 2 and 3 of the Authorized Investments section of this policy, provided that:

- a) *The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.*
- b) *No more than 20% of the total portfolio may be invested in these securities.*
- c) *No more than 5% of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer.*
- d) *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.

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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:** May 14, 2020
FROM: Drew Atwater, Director of Finance & Water Resources
Johnathan Cruz, Financial Planning Manager
SUBJECT: Reserve Policy Annual Review

SUMMARY:

Issue: Moulton Niguel Water District annually reviews financial policies consistent with best practice.

Recommendation: It is recommended that the Board of Directors discuss the proposed Reserve Policy and provide comments to incorporate for adoption in June.

Fiscal Impact: None.

Reviewed by Committee: No review by committee.

Reviewed by Legal: Yes

BACKGROUND:

The District's current reserve policy was last updated in June of 2017 and reviewed in June of 2019. The District's Reserve Policy identifies the reserve levels of the District as well as the financial funds that reserves are held in. District staff will review and recommend updates to the Reserve Policy periodically to ensure that it is consistent with state law, and industry standards. The District conducts an annual review of its financial policies to provide timely updates as government code changes occur and align with best practices which are viewed favorably from a bond rating perspective.

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

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Reserve Policy Annual Review

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to review the policy and ensure its consistency with current financial operating conditions and government code. Staff is not proposing any content changes but is proposing to align the formatting of the Reserve Policy consistent with other policies. Due to the substantial formatting edits, a redline is not provided but a copy of the 2019 policy and proposed 2020 policy are provided. None of the changes will adjust reserve levels, the replenishment of reserves or the fund that reserves are held in. The changes are presented initially as an information item for Board feedback and proposed for adoption at the June 11, 2020 Board Meeting along with the District's Annual Budget for FY 2020-21.

Attachments:

1. Proposed 2020 Reserve Policy
2. 2019 Current Reserve Policy



POLICY A-6: Maintaining Water District Reserve Funds

See also:
RESERVE POLICY

6.11.2020

Page | 1 Last

Revised:

6.13.2019

District Reserve Funds Shall Satisfy Industry Standards and Best Practices

The District will maintain a General Operating Reserve (Fund 1) to fund daily operating expenses and support the District’s cash flow.

The target balance of the General Operating Reserve will equal three months of operating expenses consistent with industry best practices for agencies with monthly rate revenue. Funding for the General Operating Reserve shall be identified at the start of each fiscal year and maintained within Fund 1.

The District will maintain a Self-Insurance Reserve (Fund 4) to fund property and liability insurance deductibles, losses exceeding insurance limits, and unemployment benefit payments in case a claim is made.

The target amount of the Self-Insurance Reserve will equal five times the current JPIA property insurance deductible (currently up to \$50,000). The District shall fund and maintain the Self-Insurance Reserve at the start of each fiscal year through budget transfers to the Self-Insurance Fund (Fund 4).

The District will fund a Rate Stabilization Reserve (Fund 52) to provide for revenue losses, significant increases in water purchase costs, and other extraordinary financial impacts to revenues and expenses. The target balance of the Rate Stabilization Reserve will be set equal to fifty percent of the District’s budgeted 1 percent ad valorem property tax revenue. The District shall maintain the Rate Stabilization Reserve in the Rate Stabilization Fund.

Capital Reserves Will Fund Projects

The Replacement and Refurbishment (R&R) Reserve, the Emergency Reserve, the Water Supply Reliability Reserve, the Planning and Construction Reserve, and the Capital Facilities Restricted Reserve will make up the District’s Capital Reserves. Key objectives for accumulating these Reserves are to fund projects identified in the Long-Range Financial Plan and the Ten-Year Capital Improvement Plan, to reduce the volatility of water and sewer rate increases and to quickly repair critical assets in the event of a natural disaster or facility failure.



POLICY A-6: Maintaining Water District Reserve Funds

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The Replacement and Refurbishment (R&R) Reserve fund (Fund 7) will fund ongoing costs for the replacement and refurbishment of existing assets in conjunction with the District's Capital Improvement Plan. All amounts will be maintained in a separate R&R Fund. Funding for the R&R Reserve will be from new debt issuances or fund transfers as part of the budget process.

The Emergency Reserve (Fund 1) will provide funds to enable the District to quickly repair critical assets in the event of a natural disaster or facility failure. The target balance of the Emergency Reserve will equal 2 percent of the replacement costs of the District's assets, as outlined in current guidelines from the Federal Emergency Management Agency (FEMA).

The Water Supply Reliability Reserve (Fund 12) will fund the development of new water or recycled water supplies as identified in the District Capital Improvement Plan. All amounts will be maintained in a separate Water Supply Reliability Fund. Funding for the Water Supply Reliability Reserve will be from new debt issuances or fund transfers as part of the budget process.

The Planning and Construction Reserve (Fund 14) will fund the development of new capital facilities that do not result in new water or recycled water supplies as identified in the District Capital Improvement Plan. All amounts will be maintained in a separate Planning and Construction Fund. Funding for the Planning and Construction Reserve will be from new debt issuances or fund transfers as part of the budget process.

The Capital Facilities Restricted Reserve (Fund 15) will fund the development of new district-wide capital facilities or replacement or refurbishment. All amounts will be maintained in a separate Capital Facilities Restricted Reserve Fund and transferred to Funds 7, 12, or 14 as part of the annual budget process. Funding for the Capital Facilities Restricted Reserve will be from capacity fees charged to new developments to buy into existing assets.

District Debt Service Reserves Will Be Held in Trust

The District will fund Debt Service Reserves, which are held in trust with a third party trustee as provided for in bond covenants. Increases and decreases to these reserves will be consistent with bond covenants. The District's accounting records show these amounts in various debt funds.



POLICY A-6: Maintaining Water District Reserve Funds

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District May Use Certain Reserves for Cash Flow Requirements

General Operating, and Self-Insurance Reserves may be used any time to meet cash flow requirements of District operations. Authority to use the funds will be consistent with the District's Purchasing Policy.

The Rate Stabilization Reserve can be used at any time to meet cash flow requirements of District operations. The use of the Rate Stabilization Reserve will require Board authorization.

The Board of Directors will authorize the use of the Replacement and Refurbishment, Planning and Construction, and Water Supply Reliability Reserves during the budget process.

Funds from the Capital Facilities Restricted Reserve are transferred to the R&R, Planning and Construction, and/or Water Supply Reliability Reserves as part of the budget process. The Emergency Reserve may also be used for unplanned (unbudgeted) capital replacement and emergency expenses in case of natural disasters or facility failures. When appropriate, the Board may adopt Reimbursement Resolutions as needed to advance reserves before seeking outside funds. Authorization for the use of Capital Improvement Reserves for unplanned capital replacement will be consistent with the District's Purchasing Policy.

Funds Must Be Replenished As Soon As Possible

General Reserves are replenished from the District's revenues with the General Operating and Self-Insurance Reserves taking precedence to the Rate Stabilization Reserve. General Operating and Self Insurance Reserves will be replenished by the end of each fiscal year. The Rate Stabilization Reserve will be replenished as soon as possible with replenishment to commence within 12 months of any Rate Stabilization Reserve draw.

The R&R, Planning and Construction, and Water Supply Reliability Reserves are replenished at year end as part of the budget process via transfers or through debt issuances. The Emergency Reserve is replenished from the District's revenue as soon as possible after an emergency outside the budgeting process. The Capital Facilities Restricted Reserve is funded by developer's capacity fees throughout the



POLICY A-6: Maintaining Water District Reserve Funds

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year and transferred to the R&R, Planning and Construction, and Water Supply Reliability Reserves as part of the budget process. The District's General Manager or Director of Finance/Treasurer will do a full review (what does "full" include?) of the District's Long Range Financial Plan and cash flow models to determine if corrective actions are needed to replenish the funds in the event of a draw on the Emergency Reserve.

Reserve Analyses are Required for Review by the Board

The General Manager or Director of Finance/Treasurer will submit a reserve analysis to the Board of Directors when:

- The Board of Directors' consider the annual budget.
- The Board of Directors' consider a water and sewer rate increase.
- A major change in conditions threatens the reserve levels.

If analysis indicates projected or actual individual reserve levels would fall 10 percent or more below the target levels outlined in this Policy, at least one of the following actions shall be included with the analysis:

- An explanation of why the reserve levels are not at the targeted level.
- A list of actions needed to bring reserve levels within the target levels prescribed.

The district will also use the internal Long-Range Financial Plan and 10-year and monthly cash flow models to determine forecasted reserve target shortfalls and report on needed corrective actions.

**MOULTON NIGUEL WATER DISTRICT
RESERVE POLICY**

PURPOSE

This policy outlines the funding, utilization, and replenishment of the District's reserves consistent with the financial controls established as part of its annual budget process. Additionally, this policy establishes the target reserve balances necessary for maintaining the District's credit worthiness and for adequately providing for:

- Funding infrastructure replacement and refurbishment
- Economic uncertainties, extraordinary costs, and other financial impacts
- Loss of significant revenue sources such as property tax receipts or connection fees
- Local disasters or catastrophic events
- Losses not covered by insurance
- Future debt or capital obligations
- Cash flow requirements

POLICY

A. GENERAL RESERVES

1. General Operating Reserve (Fund 1)

The District will maintain a General Operating Reserve in order to provide sufficient liquidity for funding the day-to-day operating expenses and supporting the District's cash flow needs during normal operations. There is often a delay between the receipt of revenues and the payment of expenses and the establishment of a reserve to mitigate or eliminate the risk of monthly negative cash positions represents prudent financial planning. The target balance of the General Operating Reserve will equal three months of operating expenses consistent with best practices in the industry for agencies with monthly rate revenue. Sufficient funding for the General Operating Reserve shall be identified at the beginning of each fiscal year and maintained within Fund 1.

2. Self-Insurance Reserve (Fund 4)

The District will maintain a Self-Insurance Reserve in order to fund property and liability insurance deductibles, losses exceeding insurance limits, and unemployment benefit payments in the event that a claim is made. The target amount of the Self-Insurance Reserve will equal five times the current JPIA property insurance deductible (current deductible is up to \$50,000). Sufficient funding for the Self-Insurance Reserve shall be provided at the beginning of each fiscal year via budget transfers and maintained in the Self-Insurance Fund (Fund 4).

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3. **Rate Stabilization Reserve (Fund 1)**

Since one of the biggest risks and impacts on rates would be a loss of property tax revenues and due to the timing in the receipt of property tax, to avoid large fluctuations in customer water and sewer rates, the District will fund a Rate Stabilization Reserve to provide for losses of revenue, significant increases in water purchase costs, and other extraordinary financial impacts to revenues and expenses. The target balance of the Rate Stabilization Reserve will be set equal to fifty percent of the District's budgeted 1% ad valorem property tax revenue. The Rate Stabilization Reserve will be maintained in the Rate Stabilization Fund.

B. **CAPITAL IMPROVEMENT RESERVES**

The Replacement and Refurbishment (R&R) Reserve, the Emergency Reserve, the Water Supply Reliability Reserve, the Planning and Construction Reserve, and the Capital Facilities Restricted Reserve will constitute the District's Capital Reserves. Key objectives for accumulating these Reserves are to fund projects identified in the Long Range Financial Plan and the Ten-Year Capital Improvement Plan, to reduce the volatility of water and sewer rate increases and to quickly repair critical assets in the event of a natural disaster or facility failure.

1. **Replacement and Refurbishment (R&R) Reserve (Fund 7)**

The R&R Reserve will fund the ongoing costs related to the replacement and refurbishment of existing assets in conjunction with the District's Capital Improvement Plan. All amounts will be maintained in a separate R&R Fund. Funding for the R&R Reserve will be from new debt issuances or fund transfers as part of the budget process.

2. **Emergency Reserve (Fund 1)**

The Emergency Reserve will provide funds to enable the District to quickly repair critical assets in the event of a natural disaster or facility failure. The target balance of the Emergency Reserve will equal 2% of the replacement costs of the District's assets, as outlined in current guidelines from the Federal Emergency Management Agency (FEMA).

3. **Water Supply Reliability Reserve (Fund 12)**

The Water Supply Reliability Reserve will fund the development of new water or recycled water supplies as identified in the District Capital Improvement Plan. All amounts will be maintained in a separate Water Supply Reliability Fund. Funding for the Water Supply Reliability Reserve will be from new debt issuances or fund transfers as part of the budget process.

4. **Planning and Construction Reserve (Fund 14)**

The Planning and Construction Reserve will fund the development of new capital facilities that do not result in new water or recycled water supplies as identified in the District Capital Improvement Plan. All amounts will be maintained in a separate Planning and Construction Fund. Funding for the Planning and Construction Reserve will be from new debt issuances or fund transfers as part of the budget process.

5. **Capital Facilities Restricted Reserve (Fund 15)**

The Capital Facilities Restricted Reserve will fund the development of new district-wide capital facilities or replacement or refurbishment. All amounts will be maintained in a separate Capital Facilities Restricted Reserve Fund and transferred to Funds 7, 12, or 14 as part of the annual budget process. Funding for the Capital Facilities Restricted Reserve will be from capacity fees charged to new developments to buy into existing assets.

C. **DEBT SERVICE RESERVE**

1. **Debt Service Reserve**

The District will fund Debt Service Reserves, which are held in trust with a third party trustee as provided for in bond covenants. Increases and decreases to these reserves will be consistent with bond covenants. The District's accounting records show these amounts in various debt funds.

D. **PROCEDURE FOR USING RESERVE FUNDS**

1. **General Operating and Self-Insurance**

General Operating, and Self-Insurance Reserves can be used at any time to meet cash flow requirements of District operations. Authority to use the funds will be consistent with the District's Purchasing Policy.

2. **Rate Stabilization Reserve**

The Rate Stabilization Reserve can be used at any time to meet cash flow requirements of District operations. The use of the Rate Stabilization Reserve will require Board authorization.

3. **Capital Improvement Reserves**

The Board of Directors will authorize the use of the Replacement and Refurbishment, Planning and Construction, and Water Supply Reliability Reserves during the budget process. Funds from the Capital Facilities Restricted Reserve are transferred to the R&R, Planning and Construction, and/or Water Supply Reliability Reserves as part of the budget process. The Emergency Reserve is also available for unplanned (unbudgeted) capital replacement and emergency expenditures in the event of a natural disaster or facility failure. When appropriate, the Board may adopt Reimbursement Resolutions as necessary to advance reserves prior to obtaining external capital financing. Authorization for the

use of Capital Improvement Reserves for unplanned capital replacement will be consistent with the District's Purchasing Policy.

E. PROCEDURE FOR REPLENISHING RESERVE FUNDS**1. General Operating, Self-Insurance, and Rate Stabilization Reserves**

General Reserves are replenished from the District's revenues with the General Operating and Self-Insurance Reserves taking precedence to the Rate Stabilization Reserve. General Operating and Self Insurance Reserves will be replenished by the end of each fiscal year. The Rate Stabilization Reserve will be replenished as soon as possible with replenishment to commence within 12 months of any Rate Stabilization Reserve draw to bringing the reserve in line with targets.

2. Capital Improvement Reserves

The R&R, Planning and Construction, and Water Supply Reliability Reserves are replenished at year end as part of the budget process via transfers or through debt issuances. The Emergency Reserve is replenished from the District's revenue as quickly as possible after an emergency outside of the budgeting process. The Capital Facilities Restricted Reserve is funded by developer's capacity fees throughout the year and transferred to the R&R, Planning and Construction, and Water Supply Reliability Reserves as part of the budget process. The District's General Manager or Director of Finance/Treasurer will do a full review of the District's Long Range Financial Plan and cash flow models to determine if corrective actions are needed to replenish the funds in the event of a draw on the Emergency Reserve.

F. PROCEDURE FOR MONITORING RESERVE LEVELS

The General Manager or Director of Finance/Treasurer will submit a reserve analysis to the Board of Directors upon the occurrence of the following events:

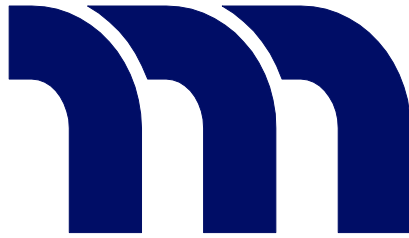
- Board of Directors' consideration of the annual budget;
- Board of Directors' consideration of a water and sewer rate increase; and
- When a major change in conditions threatens the reserve levels established within this Policy.

If the analysis indicates projected or actual individual reserve levels would fall 10% or more below the target levels outlined in this Policy, at least one of the following actions shall be included with the analysis:

- An explanation of why the reserve levels are not at the targeted level; and/ or

- Actions needed to bring reserve levels within the target levels prescribed.

In addition, the district will utilize the internal Long Range Financial Plan and 10 year and monthly cash flow models to determine forecasted reserve target shortfalls and report on needed corrective actions.



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** May 14, 2020

FROM: Drew Atwater, Director of Finance & Water Resources
Johnathan Cruz, Financial Planning Manager

SUBJECT: Debt Management Policy Annual Review

SUMMARY:

Issue: Moulton Niguel Water District annually reviews financial policies consistent with best practice.

Recommendation: It is recommended that the Board of Directors discuss the proposed Debt Management Policy and provide comments to incorporate for adoption in June.

Fiscal Impact: None.

Reviewed by Committee: No review by committee.

Reviewed by Legal: Yes

BACKGROUND:

SB 1029 was chaptered September 12, 2016 and was a 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 Annual Review

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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 been proactively to adopt a Debt Management policy and has included the Debt Management Policy as part of the annual review as updates are needed.

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 adopted policy provides general direction to staff and codifies current internal controls and is consistent with current requirements. The policy does not authorize staff to issue debt or obligate the District to issue new debt. The changes proposed are mainly focused on updating referenced staff titles, adding the new WIFIA loan to the policy, and updated Board of Director's Committee references. The proposed policy is for discussion in May. Based on feedback in May, the final updated policy will be brought to the Board for adoption in June.

Attachment: 2019 Debt Management Policy Redlines



POLICY A-3: MANAGING WATER DISTRICT DEBT

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POLICY A-3: MANAGING WATER DISTRICT DEBT

This Policy may be amended by the Board as it deems appropriate from time to time in the prudent management of the debt of the District.

1. Policy Statement

This policy documents Moulton Niguel Water District’s 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 ~~therefore.~~ Therefore, all District debt must be approved by the Board of Directors.

To achieve the highest practical credit ratings and endorse prudent financial management, the District is committed to systematic capital planning and long-term financial planning. Evidence of this commitment to long term 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.

This Debt Policy ~~is intended to comply~~ complies with Government Code Section 8855(i), effective on January 1, 2017, and shall govern all debt undertaken by the District.



POLICY A-3: MANAGING WATER DISTRICT DEBT

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2. Purpose of Policy

The purpose of this debt management policy is 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

3. 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, pre-design, design, ~~acquisition of land and/or easement~~ acquisition, ~~easements~~, 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~~ Finance & Water Resources 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~~ Finance & Water Resources and Financial Planning Manager and District Financial Advisor, as appropriate, shall analyze any debt financing proposal to

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...determine its benefit to the District and if it complies with the District’s long-term financial planning objectives, ~~such as~~including maintaining or improving credit ratings.

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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. The weighted average maturity of the debt (or the portion of the debt allocated to ~~the~~ project or projects) will not exceed the average useful life of the project(s) to be financed by more than 20%. The final maturity of bonds or state or federal loan debt shall be limited to ~~30~~35 years after the date of issuance.

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.

4. District Policies Provide Guidance for Debt Management

General. The District’s Debt Management Policy, Reserve Policy and Investment Policy ~~are all part of~~guide 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 when:

- Projected existing revenues pay for the proposed debt service, and
- As necessary, other revenues have been identified to pay for the proposed debt, and
- Bond covenants will be ~~maintained~~achieved.

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 average useful life of the project to be financed by



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more than 20 percent and where feasible, should be shorter than the projected economic life. The standard term of long-term borrowing is typically 20-30 years.

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The District may issue bonds ~~on~~bearing a fixed or variable interest rate ~~basis~~. 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 percent of outstanding debt.

The proceeds of the bond sales will be invested until used for the intended project(s) to ~~maximize~~ensure effective use of the public funds. The investments will be made to obtain a return, while maintaining 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~~Finance & Water Resources and Financial Planning Manager will oversee the investment of bond proceeds, while complying with arbitrage and tax provisions.

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Bond proceeds will be deposited and recorded in separate accounts. The District's trustee will administer the disbursement of bond proceeds pursuant to the applicable Indenture of Trust or similar document. Requisition for the disbursement of ~~bonds'~~bond funds will 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~~issuing 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 any of the following objectives:

- Reduce future interest costs; ~~Restructure or 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 ~~of the bonds to be refunded~~) must meet a minimum net present value savings target of ~~at least~~ 3 percent of refunded bonds



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

5. District Will Maintain Acceptable Debt Service Coverage

The District will not finance debt unless the proposed obligation, when combined with all existing debts, results in acceptable debt service coverage ratios. To help determine the affordability of proposed revenue bonds, the District will compare projected annual net revenues after payment of operating and maintenance (O&M expense) to estimated annual debt service and estimated to estimate the resulting debt service coverage ratio (DCR). DCR is the amount of cash flow available to meet annual interest and principal payment on debt.

To keep its high-quality credit rating, the District will maintain a DCR at or above 1.75.

6. Financial Managers Will Pursue Positive Credit Rating on Debt Issuance

The General Manager, Director of Planning Finance & Water Resources and Financial Planning Manager, with the District's Financial Advisor if as 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.

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7. Managers and Financial Advisors Will Structure District Debt

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 Finance & Water Resources 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

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District to achieve interest savings ~~in~~

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~~the~~inthe future through refunding of the bonds. Because the cost of call options can vary widely, depending on market conditions, an evaluation of factors, 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 (3-7 years) may also be used.

8. Types of Debt

The District may use revenue bonds, Certificates of Participation (COPs), variable rate bonds, state revolving fund (SRF) loans, federal loans, ~~(including loans through the Water Infrastructure Finance and Innovation Act (WIFIA) program)~~, bank loans, notes, commercial paper, direct placements, capital leases, lease-purchase financing, and on bill financing. The District may from time to time find that other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Policy. ~~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~~A description of 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.

9. Board May Consider Credit Enhancement to Establish or Improve Credit Rating

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.

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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 or Financial Planning Manager determine a debt service reserve fund is advantageous, the debt reserves will be maintained in keeping with the District's Reserve Policy.

~~Generally, interest shall~~Interest may 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. 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. Under all circumstances, interest may not be capitalized for any period longer than that permitted under Federal tax law to the extent such interest relates to tax exempt debt for Federal tax law purposes.

10. District Will Maintain Highest Possible 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.

Each proposal for additional debt will be analyzed for its impact upon the District's ~~debt~~credit rating on outstanding debt.

11. Any Major Credit Rating Agencies May be Used

The District may seek credit ratings from any of the major credit rating agencies - Standard & Poor's, Moody's Investors Service, and Fitch Investors Service, as appropriate. The District will also 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 with a new debt issuance when 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.~~



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The General Manager, Director of Planning Finance & Water Resources, and Financial Planning Manager, working with the District’s financial advisor, shall determine 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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12. The Best Method of Sale Will be Used to Sell Municipal Bonds

The District will select the method of sale that best fits the type of bonds being sold, market conditions, and the desire to structure bond maturities to improve the performance of the debt portfolio. Three primary methods exist for the sale of municipal ~~bonds~~debt:

- **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. Due to this policy, the General Manager or Treasurer may sign the bid form on behalf of the District to fix the interest rates on bonds sold on a competitive basis.
- **Negotiated sale.** The General Manager, Director of Planning Finance & Water Resources and Financial Planning Manager will select the underwriter, or team of underwriters, of its securities before 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. Before the sale, the General Manager, 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. With this policy, the General Manager or Treasurer may sign the bond purchase agreement on behalf of the District to fix the interest rates on bonds sold on a negotiated basis.
- **Private placement.** The District may elect to issue debt on a private placement ~~bases. Such method shall~~basis. A private placement would be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, ~~or~~ if it is determined that access to the public market is unavailable and timing considerations require that financing be completed before access to the public market is available.

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13. Financial Planning Manager Will Make Debt Financing Recommendations to the Board

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, and must approve all debt issuances.

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The District is committed to long-term capital planning. The District intends to issue debt for the purposes stated in this Policy and to implement policy decisions incorporated in the District's capital budget and the capital improvement plan.

The District shall strive to fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of available operating revenues. The District shall seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear.

~~The District shall integrate its debt issuances with the goals of its capital improvement program by timing the issuance of debt to ensure that projects are available when needed in furtherance of the District's public purposes.~~

The District shall seek to avoid the use of debt to fund infrastructure and facilities improvements in circumstances when the sole purpose of such debt financing is to reduce annual budgetary expenditures.

The District shall seek to issue debt in a timely manner to avoid having to make unplanned expenditures for capital improvements or equipment from its general fund.

~~All proposed debt financings shall be approved by the Board.~~

Debt is to be issued by 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.

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14. Policy Goals Related to Planning Goals and Objectives

The District is committed to long-term financial planning, maintaining appropriate reserves levels and employing prudent practices in governance, management and budget administration. The District intends to issue debt for the purposes stated in this Policy and to implement policy decisions incorporated in the ~~Issuer's~~District's annual operations budget.

It is a policy goal of the District to protect taxpayers, ratepayers and constituents by utilizing conservative financing methods and techniques so as to obtain the highest practical credit ratings (if applicable) and the lowest practical borrowing costs.

The District will comply with applicable state and federal law as it pertains to the maximum term of debt and the procedures for levying and imposing any related taxes, assessments, rates and charges.

When refinancing debt, it shall be the ~~policy~~ goal of the District to realize, whenever possible, and subject to any overriding non-financial policy considerations, (i) minimum net present value debt service savings equal to or greater than 3.0% of the refunded principal amount, and (ii) present value debt service savings equal to or greater than 100% of any escrow fund negative arbitrage.

15. Internal Control Procedures

When issuing debt, in addition to complying with the terms of this Policy, the District shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds.

The District will periodically review the requirements of and will remain in compliance with the following:

- any continuing disclosure undertakings under SEC Rule 15c2-12,
- any federal tax compliance requirements, including without limitation arbitrage and rebate compliance, related to any prior bond issues, and;
- its investment policies as they relate to the investment of bond proceeds.

It is the policy of the District to ensure that proceeds of debt are spent only on lawful and intended uses. Whenever reasonably possible, proceeds of debt will be held by a



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~~third~~third-party trustee and the Issuer will submit written requisitions for such proceeds. ~~The District~~The District's General Manager or Treasurer will submit a requisition for reimbursement only after obtaining the signature of the Controller or Director of Planning Finance & Water Resources approving expenditures. In those cases where it is not reasonably possible for the proceeds of debt to be held by a third-party trustee, the Controller shall retain records of all expenditures of proceeds through the final payment date for the debt.

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16. ~~The District Will Retain External~~ Bond and Disclosure 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 Finance & Water Resources, and Financial Planning Manager shall make recommendations for approval by the Board on the retention of bond and disclosure counsel. ~~(which may be the same firm).~~

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Bond counsel will prepare the necessary authorizing resolutions, agreements and other documents necessary to execute the financing, while disclosure counsel is responsible for preparing the preliminary and final official statement (or other disclosure documents) and assisting the District with ongoing disclosure responsibilities. 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.

17. Financial Advisors ~~May Help Execute Bond and Debt Transactions~~

The District will select an independent registered municipal advisor or advisors (financial advisors) to help execute all ~~bond and~~ debt transactions. To avoid any conflict of interest, financial ~~advisors cannot~~ advisor firms shall not also underwrite ~~District~~ serve as underwriters of bonds. Financial advisors shall be selected through a competitive process after a review of proposals by the staff and approved by the Board.

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The financial advisor will:

- Advise the District on refunding opportunities for current outstanding debt.
- Evaluate the merits of competitive, negotiated or private placement of new debt.
- Determine the most appropriate structure to ensure effective pricing that meets the District's near-term and long-term cash flow needs.

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- Assist the District in the development of financial plans and policies.

The 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 financial advisor will help the District develop and distribute bid specifications for: desired services, trustee and paying agents, printing, remarketing and credit liquidity service providers, and assist the District in its review process. The District also expects its financial advisor to provide objective advice and analysis, maintain confidentiality of the District’s financial plans, and be free from any conflict of interest.

18. ~~District May Hire~~ 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 select or qualify firms on that basis, and recommend the firm or firms to function as the District’s underwriter. The Board will approve the underwriter(s) to be used for each transaction or a series of transactions. The District is not bound by any underwriting agreement, oral or written, to which it was not a party.

19. The District Will Comply With Federal Arbitrage and Rebate Regulations

The Financial Planning Manager and Controller will take all ~~permitted~~necessary steps to minimize any rebate liability through proactive management in the structure and oversight of ~~its individual~~the District’s debt ~~issues~~. All District tax-exempt issues, including lease purchase agreements, are subject to arbitrage compliance regulations.

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The Controller and Financial Planning Manager ~~must~~will:

- Monitor 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.

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- Monitor 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.
- Contract with 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.

The District will include any arbitrage rebate liability in its annual Comprehensive Annual Financial Report (CAFR).

20. Continuing ~~Disclosures are Required by Law~~ Disclosure

The District will meet ~~secondary~~ continuing disclosure requirements in a timely and comprehensive manner, as ~~described~~ required by the Securities Exchange Commission (SEC) Rule 15c2-12 and consistent with the District's Disclosure Procedures Policy. The Financial Planning Manager shall provide 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 annually provide financial information and operating data within 9 months of the end of its fiscal year, along with notice of certain ~~enumerated~~ material events, ~~with respect to~~ required under Rule 15c2-12. In addition, ~~the bonds~~ District may provide voluntary disclosures if ~~material, as defined~~ such disclosure would be in the District's ~~bond covenants and as~~ required by the SEC interest.

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~~ is posted on EMMA.

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21. ~~District Must Verify~~ 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:



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- 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, including maintaining debt service coverage ratios as required

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.

22. ~~Finance and Information Technology Board Will Review~~ Updates to this Policy

On an as needed based, the General Manager will update and revise this Policy, which shall be reviewed ~~at the Finance and Information Technology Board meeting~~ and adopted by the Board.

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APPENDIX A: ~~Definitions of~~ Types of Debt and Uses

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.

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~~

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~~District~~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~~recommend 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, Director of Finance & Water Resources, and Financial Planning Manager, in consultation with the District's Financial Advisor.
- 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.

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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.

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WIFIA Loans – The Environmental Protection Agency (EPA) administers loans under the Water Infrastructure Finance and Innovation Act (WIFIA) to provide low cost financing for water projects. The loans are provided on a competitive basis, and borrowers must submit applications to EPA as EPA makes funds available. The loans are based on treasury rates, and may have terms of up to 35 years from substantial completion of the project. WIFIA loans may fund up to 49% of eligible project costs.

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.

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moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** May 14, 2020
FROM: Trevor Agrelus, Controller
SUBJECT: Capitalization & Surplus Policy Annual Review

SUMMARY:

Issue: Moulton Niguel Water District annually reviews financial policies consistent with best practice.

Recommendation: It is recommended that the Board of Directors discuss the proposed Capitalization & Surplus Policy and provide comments to incorporate for adoption in June.

Fiscal Impact: None

Reviewed by Committee: No review by committee.

Reviewed by Legal: Yes

BACKGROUND:

The District's current Capitalization & Surplus policy was last updated in June 2019. The District conducts an annual review of its financial policies to provide timely updates as government code changes occur and align with best practices which are viewed favorably from a bond rating perspective.

DISCUSSION:

Staff reviewed the prior Capitalization & Surplus policy as well as Government Finance Officer Association (GFOA) best practices and worked with the District's financial consultants in evaluating changes to this policy.

#22.

Capitalization & Surplus Policy Annual Review

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District staff is not recommending any changes to the existing Capitalization & Surplus Policy.

The main components of the Capitalization & Surplus Policy are as follows:

- Capitalization threshold for expenditures is a minimum of \$3,000 and an original useful life of five years
- Repairs and maintenance costs are not capitalized
- Costs for regulated assets are deferred and recovered in future years
- General Manager will dispose of real property after receiving authorization from the Board
- Surplus materials other than scrap must be approved by Assistant General Manager

Attachment: 2019 Current Capitalization & Surplus Policy



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POLICY A-4: CAPITALIZATION, REGULATED ASSETS & SURPLUS

This policy is intended to specify what types of costs will be capitalized by the Moulton Niguel Water District (District), how to properly account for capital assets, and to comply with the requirements of Governmental Accounting Standard Board (GASB) Statement Numbers 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and IRS code. This Statement requires the reporting of District capital assets and depreciation and regulatory assets and amortization, in the annual audited financial statements.

1. Capital Asset Threshold

The District maintains a schedule of individual capital assets that meet the capitalization threshold within its financial reporting operating system. Items with an original value of less than \$3,000, or with an estimated useful life of less than five years, are recorded as operating expenditures.

This financial reporting system should include:

- Capital asset description
- Location
- Physical dimensions, if possible
- Original value
- Date placed in service
- Original useful life
- Accumulated Depreciation
- Book Value
- Impairments, if any

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2. Depreciation of Capital Assets Using Straight-Line Method

Depreciation will be calculated using the straight-line method with no salvage value for all depreciable capital assets. The following estimated useful lives will be used by asset type:



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| • Water and wastewater systems | 10 to 75 years |
| • Capacity rights | 10 to 99 years |
| • Buildings | 20 to 50 years |
| • Automobiles and equipment | 5 to 15 years |

The Engineering Department will provide the Accounting Department with the description and type of asset the expenditures qualify for, and the Accounting Department will record the asset in the financial reporting system.

3. Capital Assets Are Reported at Historical Value

The District will report purchased or District-constructed capital assets at their historical cost for financial reporting in audited financial statements. The total cost of each capital asset is the cash outlay (or its equivalent) required to purchase or construct the asset and put it in service.

These costs will include (when applicable):

- contract price
- freight
- sales tax
- licensing fees
- handling and assembling
- installation and testing
- fully burdened direct labor and materials

Any cost specifically for a planned capital project (or asset acquisition), including public information costs and costs incurred to get project financing will be capitalized. Contributed capital assets will be recorded at their estimated fair market value at the date the asset was contributed to the District. The Accounting Department will determine if the estimated fair market value is appropriate.

4. Repairs and Maintenance Are Classified As Operating Expenses

Any outlay that only returns a capital asset to its existing condition before the repair or maintenance, regardless of amount, will be classified as an operating expense.



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5. Regulated Asset Threshold

Regulated assets are created by the Board of Directors by deferring certain expenses that are recoverable by future rate charges in accordance with the District's rate ordinance. The District maintains a schedule of individual regulated assets that meet the criteria to qualify as regulatory assets within its financial reporting operating system. The criteria are as follows:

- The District's Board of Directors establish the rates
- The regulated rates are designed to recover the specific regulated activity's costs of providing the regulated service
- The rates must be set at levels that will at least recover the costs over the life of the asset and the associated rates can be charged to and collected from customers.
- Future revenues will be provided to permit recovery of the actual regulated cost rather than expected levels of similar service.

6. Amortization of Regulated Assets

Regulated assets are amortized over the period in which future rate charges will recover actual costs incurred for regulated services. Amortization will be calculated using a straight-line method to match the associated revenues and expenses. The following estimated useful lives will be used by asset type:

- Potable regulated assets 15 to 25 years
- Wastewater regulated assets 15 to 25 years

The Engineering and Operations Departments will provide the Accounting Department with the description and type of asset the expenditures qualify for, and the Accounting Department will record the asset in the financial reporting system.

7. Regulated Assets Are Reported at Historical Value

The District will report purchased or District-constructed regulated assets at their historical cost for financial reporting in audited financial statements. The total cost of each regulated asset is the cash outlay (or its equivalent) required to purchase or construct the asset and put it in service.

These costs will include (when applicable):

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- contract price
- freight
- sales tax
- licensing fees
- handling and assembling
- installation and testing
- fully burdened direct labor and materials

Any cost specifically for a planned capital project (or asset acquisition), including public information costs and costs incurred to get project financing will be capitalized.

8. Purchasing Department Maintains Inventory

The Purchasing department safeguards and maintains inventory items. Inventory will be recorded within the District's financial reporting operating system, and the Purchasing department will count the physical inventory regularly. Access to the warehouse will be restricted to those required to perform the duties of their job. The District will measure the value of all inventory items using the perpetual method of accounting, where inventory reflects actual quantities on hand, including new arrivals and items used in operations.

This financial reporting system should include:

- Item description
- Location
- Physical dimensions
- Usage statistics
- Original value
- Quantity on hand

9. The District Will Sell or Dispose of Surplus Property

Sections 35604 and 65400 of the Water Code (California Water District Act) authorizes the District to dispose of surplus property. The District will sell or dispose of surplus property with the intent to gain the greatest return. Sales will occur in the public market, by public auction, internet sales, consignment, or other public bidding. Property with no net value will be recycled, if practical, or discarded in keeping with environmental and hazardous waste disposal laws.

10. General Manager and Board Decide Whether to Dispose of Real Property

The General Manager will review the District's real property and decide whether it is surplus. Before disposing of any real property, the General Manager will:

- Determine if an appraisal is necessary, and obtain one independent appraisal if determined necessary
- Obtain authorization from the Board to dispose of real property.
- Solicit offers to purchase or lease the real property at fair market value as determined by the appraisal (or opinion of value), from certain public agencies in accordance with Chapter 5 (commencing with Section 54220) of Part 1, Division 2, Title 5 of the Government Code, or successor provisions.

If no acceptable offer is made within the required 60-day (or other) negotiation period, the General Manager may lease or sell the real property as prescribed by the Board.

11. District Recycles Surplus Scrap Material

Scrap material will be collected in a designated location on district property, and the General Manager or designee will regularly review the surplus property to determine it has been accurately designated as scrap material or surplus.

The Purchasing department will recycle scrap material as appropriate. Recycling vendors will be reviewed periodically to consider rates, quality of service provided, fees and other applicable factors.

12. All Other Surplus Property Sales Require Approval

All other surplus property, other than real property and scrap material requires approval of surplus status prior to sale. An "Approval of Surplus Property" form must be completed by staff and approved by a supervisor. Prior to disposal of the approved surplus property, the Assistant General Manager must approve the disposal. The Purchasing department will maintain a list of all approved surplus property. The list of surplus property approved for disposal will be used to sell the items in the public market, by public auction, internet sales, consignment, or other public bidding methods.



POLICY A-4: CAPITALIZATION & SURPLUS

See also:

6.13.2019

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13. District Follows California Law When Disposing of Property

The District will comply with the California Environmental Quality Act and all applicable laws for disposing of property.

14. Staff and Families Are Not Eligible to Acquire District Property

Board members, District staff, spouses and dependent children may not bid for, purchase, or otherwise have interests in surplus property of the District, directly with the District, or represent any potential bidder or purchaser, under any terms and conditions.

15. Accounting Will Record All Funds Received From Disposal of Surplus Property

All revenues collected from the disposal of surplus property shall be reported to and deposited by the Accounting department. All revenues will be recorded in a manner consistent with District procedures and standard accounting practices.



POLICY A-4: CAPITALIZATION & SURPLUS

See also:

#22.

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TABLE 1: Definitions

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

Capital Asset – The Government Finance Officers Association (“GFOA”) defines capital assets as “assets that are used in operations and that have initial lives extending beyond a single reporting period.” Capital assets may be intangible (capacity rights) or tangible (buildings, equipment). To be considered a capital asset, a District expenditure must cost at least \$3,000 and have a useful life of at least five years.

Inventory - an asset that is intended to be used in the ordinary course of business with a cost of less than \$3,000 per item or does not have an initial life extending beyond five years.

Salvage value - the estimated market value once the property has been deemed surplus. The salvage value will be determined by the purchasing department through market comparison.

Scrap material - the value of which consists only of intrinsic material content and which has no commercial value for its original purpose as fabricated.

Surplus property – property that is excess of the current or planned future needs of the District or no longer has an economic use by the District, including property that which has become worn, broken, deteriorated or obsolete to a point where it is uneconomical for use by the District



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** May 14, 2020
FROM: Trevor Agrelus, Controller
SUBJECT: Federal Grants Management Policy Annual Review

SUMMARY:

Issue: Moulton Niguel Water District annually reviews financial policies consistent with best practice.

Recommendation: It is recommended that the Board of Directors discuss the proposed Federal Grants Management Policy and provide comments to incorporate for adoption in June.

Fiscal Impact: None

Reviewed by Committee: No review by committee.

Reviewed by Legal: Yes

BACKGROUND:

The District's current Federal Grants Management Policy was adopted by the Board in June 2019. The District conducts an annual review of its financial policies to provide timely updates as government code changes occur and align with best practices which are viewed favorably from a bond rating perspective.

DISCUSSION:

Staff reviewed the prior Federal Grants Management policy as well as Government Finance Officer Association (GFOA) best practices and worked with the District's financial consultants in evaluating changes to this policy.

#23.

Federal Grants Management Policy Annual Review

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District staff is not recommending any changes to the existing Federal Grants Management Policy.

The main components of the Federal Grants Management Policy are as follows:

- Sections 2 and 3– Cash management – The Office of Management and Budget (OMB) wants to ensure non-federal agencies have proper controls in place to prevent and detect fraud that involves federal funds.
- Section 4 – Allowability of Costs – The Uniform Guidance requires agencies to have procedures in place to determine if costs are allowable per the terms of the grant agreement and the non-federal agencies adopted procurement policy.
- Sections 15 and 16 – Procurement and Open Competition –The OMB requires non-federal agencies to adopt a policy specifically using terminology such as micro-purchases, small purchases, sealed bids, competitive proposals, and noncompetitive proposals, and associate dollar amounts to those terms.
 - The District's current adopted procurement limits established in Table 2 of the Purchasing Policy are used, although federal guidelines are much more lenient in some cases.

Attachment: 2019 Draft Federal Grants Management Policy



POLICY A-6: Federal Grant Management

See also:

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POLICY A-6: FEDERAL GRANT MANAGEMENT

This policy applies to management and fiscal accountability of federal grants for the Moulton Niguel Water District (District). This policy is intended to supplement, not supplant the District's employee/organizational policies and procedures.

As a recipient of federal grants, the District will adhere to the regulations contained at 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, in addition to other applicable federal statutes, guidelines and directives.

1. Primary Point of Contact

A designated project manager shall serve as the primary contact between the District and the federal funding agency and any external consultants.

2. Cash Management - *Legal requirement: 2 CFR 200.305*

Requests for reimbursement of expenses or advance payments must be consistent and fully compliant with the terms of the grant. The District must also comply with Federal regulations.

- a. The District will maintain effective internal controls for federal grant funds.
- b. The District must protect federal grant cash and other assets and must assure that grant monies are only used for authorized purposes.
- c. The District will maintain adequate records which identify the source and application of funds for federally-funded activities. These records must include source documents of Federal awards, authorizations, obligations, unobligated balances, revenue and expenses.
- d. Office of Management and Budget (OMB) cost principles, program regulations, and terms of the grant agreement will determine if the cost is allowable, allocable and reasonable to the award.
- e. Federal expenditures will be compared with budgeted amounts for each grant.

3. Procedures for Cash Management- *Legal requirement: 2 CFR 200.305*

The project manager will approve allowable grant expenditures in accordance with Table 2 of the District's Purchasing Policy. The District pays for the approved expenditures through the District's normal accounting processes.



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- a. The Controller initiates reimbursement requests per the stipulations of the grant award after review of federal expenditure activity.
 - b. Reimbursement is made via ACH wire directly into the District's bank account.
 - c. The cash receipt is entered into the financial system.
 - d. A copy of the ACH confirmation will be maintained with the cash receipt. The cash receipt is reviewed and approved in the financial system. Cash receipts are recorded in the "Grant funding" object account within the same fund used for the project business unit.
 - e. If the District receives an advance, per Federal requirement, any interest earned more than \$500 will be returned to the awarding agency.
- 4. Allowability of Costs** - *Legal requirement: 2 CFR 200.302(b)(7), 2 CFR 200.309, and 2 CFR 200.403 - 2 CFR 200.405*

Except where otherwise authorized by statute, costs must meet the following general criteria to be allowable under Federal awards:

- a. Must be necessary and reasonable for the performance of the Federal award or sponsored agreement and does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.
- b. Must be allocable to a project if it is considered a direct cost of that project.
- c. Must be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the District.
- d. Consistently treated when used in like circumstances and adequately documented.
- e. Must be allowed by the District's approved policy and procedures and conform to any limitations or exclusions set forth by §200.403 principles or identified in the award.
- f. Determined in accordance with Generally Accepted Accounting Principles (GAAP).
- g. Has not been included or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or prior period.

In the event a special or unusual cost arises, the project manager should attempt to receive prior written approval from the Federal awarding agency to avoid any unreasonableness or non-allocability. If prior approval is not obtained, it does not mean those costs will not be allowed.



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Direct costs can be identified specifically with a Federal award or other program or activity or can be charged directly to the account assigned to that program or activity. Direct costs include salaries, wages, and proportional fringe benefits of staff directly engaged in the program and only if they are included in the grant agreement. Direct costs also include the cost of equipment, materials, supplies, and services, consultant fees subcontracts, or other allowable costs per the terms of the agreement.

A direct cost can benefit more than one program or function and can be allocated to the benefiting programs or functions on a reasonable or equitable basis.

Any expenditure that is not allowed to be charged to the award by the agreement, federal agency regulations, or the Uniform Guidance for Federal Awards shall not be charged to the award.

5. **Cost Share/Matching Funds** - *Legal requirement: 2 CFR 200.306*

All cost sharing/matching expenses shall be documented in the same manner as regular program expenses. Contributions must meet all the following criteria to be included as matching funds:

- a. Verifiable from the contributor's records;
- b. Not included as contributions for any other federal grant project or program;
- c. Necessary and reasonable to complete project or program objectives;
- d. Allowable under the applicable Federal Cost Principles;
- e. Not paid by the federal government under another award;
- f. Provided for in the approved budget when required by the federal awarding agency;

6. **Program and Budget Revisions** - *Legal requirement: 2 CFR 200.308*

The project manager is responsible for obtaining written approvals for program or budget revisions.

7. **Lobbying** - *Legal requirement: 2 CFR 200.450*

Federal grant funds will not be used for lobbying activities or other influencing activities associated with obtaining grants, contracts, or agreements.

8. **Reporting** - *Legal requirement: 2 CFR 200.327, 2 CFR 200.328 and 2 CFR 200.329*



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- a. Grant expenditures are coded by the project manager to the project business unit, separating Federal grant expenditures from other expenditures.
- b. The Controller reviews the financial statements and general ledger activity for accuracy, completeness, proper coding, and general adherence to award terms and conditions.
- c. The project manager submits financial status reports to awarding agency, if required.
- d. The Controller presents monthly financial status reports to the District Administrative Committee.
- e. The Controller maintains the Schedule of Federal Expenditures of Awards.

9. Monitoring Grant Program - *Legal requirement: 2 CFR 200.328 and 2 CFR 200.331*

The District will monitor the activities and progress of its federal grants and any problems, delays or adverse conditions that will materially impact the ability to meet a grant's objectives will be reported to the federal funding agency by the project manager. This will include making sure activities follow laws, regulations and the provisions of the grant agreements; and that performance goals are achieved.

10. Timesheets - *Legal requirement: 2 CFR 200.430(i) and 2 CFR 200.306*

All District employees that work on projects funded through federal grants, are responsible for completing their timesheets on a bi-weekly basis. Employees must record all time spent on grant and non-grant activities. Grant activities will be monitored by a unique identifier in the time sheets, and the actual cost of those hours will be allocated to the project business unit.

The payroll department will maintain a file with all timesheets, and the project manager will maintain a file that documents hours charged to the project.

11. Contract Administration and Payment - *Legal requirement: 2 CFR 200.318(b)*

The project manager and Contracts Analyst shall be responsible for monitoring administration of the contract and shall ensure the fulfillment of all written requirements. Disbursement of federal funds will follow the same accounts payable process as nonfederal payments.

12. Standards of Conduct - *Legal requirement: 2 CFR 200.318(c)(1) and 2 CFR 200.318(c)(2)*



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District employees and members of the Board of Directors must comply with the District’s conflict of interest policy. The Board Secretary shall maintain conflict of interest statements for all employees and Board members.

13. Procurement Records and Files - *Legal requirement: 2 CFR 200.318(i)*

The District will retain historical records of federal procurements in accordance with the District’s records retention policy.

14. Suspension/Debarment - *Legal requirement: 2 CFR 200.213*

No procurement will be made using a contractor that has been suspended or debarred from receiving federal funds. Prior to awarding any contract, District staff will search the federal *Excluded Parties List System* (www.sam.gov) to determine that the contractor is not suspended or debarred. Documentation of this search will be maintained in the grant procurement file.

15. Open and Free Competition - *Legal requirement: 2 CFR 200.319*

Proposal selection shall be based on responsiveness to the solicitation, price, quality, deadlines of delivery, warranties, accountability and fulfillment of the service and other relevant factors.

To ensure full and open competition, the District will abide by the following guidelines:

Procurement Amount	Action
Greater than \$75,000	Formal solicitations shall be conducted, and a cost/price analysis shall be conducted
\$10,001 - \$75,000	Cost/price analysis shall be conducted
\$1 - \$10,000	Formal solicitations or cost/price analysis are not required

The District reserves the right to award purchase orders, consultant agreements or project contracts on a sole source/noncompetitive basis when one or more of the following circumstances apply: (1) the item or service is available only from a single source that has predominate capability; (2) there is a public emergency that will not permit a delay from competitive solicitations; (3) The District received prior approval from the awarding agency; or (4) competition is determined to be inadequate after



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solicitation from a number of sources. A written justification will be prepared and kept on file for any noncompetitive procurement.

16. Procurement Procedures - *Legal requirement: 2 CFR 200.320*

A. **Methods of Procurement.** One of the following procurement methods must be used:

Procurement Method	Purpose
Micro-purchases	For supplies or services when the aggregate dollar amount does not exceed \$10,000 Solicitation of price quotations is not required.
Small purchases	For supplies, services or other property that do not exceed \$75,000. A cost/price analysis must be conducted. A minimum of three written price quotes shall be obtained.
Sealed bids	The preferred procurement method for construction projects. Formal advertising required. A minimum of three responsible bidders must be considered. Public works contracts will be awarded to the lowest responsive bidder.
Competitive proposals	For supplies and services of more than \$75,000 when the use of sealed bids is not appropriate. Requests for proposals must be formally advertised and solicited from a minimum of three qualified sources. Formal solicitations shall be conducted.
Noncompetitive proposals	Authorized only by the General Manager.



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- B. Procurement Authority for Operating Expenses.** The individuals with purchasing authority and the ability to sign contracts is listed in Table 2 of the Purchasing Policy.

RFPs must be publicized and identify all evaluation factors and their relative importance. All proposals will be reviewed by the project manager and the contracts department using similar evaluation criteria for nonfederal awards.

17. Use of Small Businesses, Minority-owned Firms and Women's Business Enterprises - *Legal requirement: 2 CFR 200.321*

The District will make positive efforts to utilize small businesses, minority-owned firms, women's business enterprises, wherever fully practicable. To further this goal, the District will:

- a. Place qualified small and minority businesses and women's business enterprises on solicitation lists to encourage and facilitate their participation;
- b. Solicit small and minority businesses and women's business enterprises when they are identified as potential sources;
- c. When feasible, divide larger projects into smaller components to permit maximum participation by small and minority businesses and women's business enterprises;
- d. Establish delivery schedules, when permissible, that encourages participation by small and minority businesses and women's business enterprises;
- e. Use the services of organizations such as local Chambers of Commerce, the Small Business Administration and the Minority Business Development Agency of the Department of Commerce;
- f. Require prime contractors to take the same affirmative steps if subcontracts are awarded.

18. Cost or Price Analysis - Legal requirement: 2 CFR 200.323

A cost or price analysis shall be conducted for every procurement action **greater than \$10,000**. The cost or price analysis shall be performed **prior to** receiving bids or proposals. A cost analysis shall consist of a review and evaluation of each element of cost to determine reasonableness, allocability and allowability. A price analysis shall consist of comparing price quotations, market prices and similar information.

19. Required Contract Provisions - Legal requirement: 2 CFR 200.326



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The District shall include all provisions required by the Federal funding agency and applicable provisions found in *Appendix II of the Uniform Guidance (2 CFR Part 200)*.

20. Equipment Records - *Legal requirement: 2 CFR 200.313(d)(1)*

- A. For all equipment purchased with federal grant funds, the District will maintain accurate information about the equipment including the following:
 - i. A description and serial number or other identification number;
 - ii. Source of funding, including the Federal Award Information Number (FAIN);
 - iii. Whether title vests in the recipient or the federal government;
 - iv. Acquisition or received date and cost;
 - v. Percentage of federal participation in the cost;
 - vi. Location use, condition, and the date the information was reported;
 - vii. Ultimate disposition data, including date of disposal and sales price.

- B. Equipment owned by the federal government shall be identified as such.

21. Inventory - *Legal requirement: 2 CFR 200.313(d)(2)*

The District will conduct a physical inventory at least once each year. Any differences between quantities between the inspection and the accounting records shall be investigated. The District will verify the existence, current utilization and continued need for the equipment.

22. Disposition of Equipment - *Legal requirement: 2 CFR 200.311(c) 2 CFR 200.313(d)(5) and 2 CFR 200.313(e)*

When equipment purchased with federal funds is no longer needed for the original project or program, District staff will consult the grant's terms and conditions, and the federal program officer for disposition instructions.

23. Financial and Program Records - *Legal requirement: 2 CFR 200.333*

All records will be retained in accordance with the District's records retention policy and retained for at least three years. The only exceptions are the following:



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- a. Litigation, claims, or audits - records shall be retained until all litigation, claims or audit findings involving the records have been resolved;
- b. If the District is notified by the granting agency that records must be retained beyond the three-year period;
- c. Records for disposition of equipment shall be retained for three years after disposition;

24. Access to Records - *Legal requirement: 2 CFR 200.336*

The District will grant personnel from the federal awarding agency, Inspectors General, the Comptroller General of the United States and the pass-through entity, or any of their authorized representatives, access to any documents, papers, or other records which are pertinent to the federal grant. District staff will be available to answer questions related to such documents.

25. Safeguarding Sensitive Information - *Legal requirement: 2 CFR 200.303(e)*

The District will take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or District considers sensitive consistent with laws regarding privacy and obligations of confidentiality.

