



moulton niguel water district

**BOARD OF DIRECTORS' MEETING
MOULTON NIGUEL WATER DISTRICT
26880 Aliso Viejo Pkwy, Suite 150, Aliso Viejo**

June 11, 2020

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 THE PUBLIC TO ATTEND THIS BOARD MEETING IN PERSON. MEMBERS OF THE PUBLIC MAY LISTEN AND PROVIDE PUBLIC COMMENT TELEPHONICALLY BY CALLING THE FOLLOWING NUMBER:

**DIAL: 1-888-585-9008
ROOM ID: 340-302-809#**

1. CALL MEETING TO ORDER:

2. PLEDGE OF ALLEGIANCE:

3. 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.

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

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.

4. MINUTES OF THE MAY 14, 2020 BOARD OF DIRECTORS MEETING

5. PROFESSIONAL SERVICES AGREEMENT FOR 1050-ZONE SECONDARY FEED PUMP STATION AND TRANSMISSION MAIN

It is recommended that the Board of Directors approve the Professional Services Agreement with Stantec Consulting Services, Inc. (Stantec) in the amount of \$435,000; authorize the General Manager or Assistant General Manager to execute the agreement; and to approve amendments up to 10% of the contract value.

6. SPOILS REMOVAL SERVICE AGREEMENT

It is recommended that the Board of Directors approve the Spoils Removal Service Agreement with Goodwin Enterprises Inc., for a three-year not-to-exceed amount of \$907,200; and authorize the General Manager or Assistant General Manager to execute the agreement.

7. ANNUAL GANN APPROPRIATIONS LIMIT FOR FISCAL YEAR 2020-21 (RESOLUTION 20-__)

It is recommended that the Board of Directors approve the resolution entitled “Approving Appropriations Limit for Fiscal Year 2020-21 and Finding Compliance with Article XIII B of the Constitution of the State of California.”

8. SELECTION OF THE ANNUAL LUMP SUM PREPAYMENT OPTION FOR UNFUNDED ACCRUED LIABILITY TO CALPERS FOR FISCAL YEAR 2020-21

It is recommended that the Board of Directors elect the annual lump sum prepayment option to pay for the unfunded accrued liability to CalPERS for Fiscal Year (FY) 2020-21.

9. PURCHASING POLICY ANNUAL REVIEW

It is recommended that the Board of Directors approve the updated Purchasing Policy.

10. INVESTMENT POLICY ANNUAL REVIEW

It is recommended that the Board of Directors approve the updated Investment Policy.

11. RESERVE POLICY ANNUAL REVIEW

It is recommended that the Board of Directors approve the updated Reserve Policy.

12. DEBT MANAGEMENT POLICY ANNUAL REVIEW

It is recommended that the Board of Directors approve the updated Debt Management Policy.

13. CAPITALIZATION & SURPLUS POLICY ANNUAL REVIEW

It is recommended that the Board of Directors approve the Capitalization and Surplus Policy.

14. FEDERAL GRANTS MANAGEMENT POLICY ANNUAL REVIEW

It is recommended that the Board of Directors approve the Federal Grant Management Policy.

ADMINISTRATIVE MATTERS:

15. FISCAL YEAR 2020-21 PROPOSED BUDGET (RESOLUTION 20-__)

It is recommended that the Board of Directors approve the resolution entitled, “Approving a Budget Appropriation and Adopting the Operations and Maintenance Budget and Capital Improvement Program Budget for Fiscal Year 2020-21”.

INFORMATION ITEMS:

16. MONTHLY FINANCIAL REPORT

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

PRESIDENT'S REPORT:

BOARD REPORTS:

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

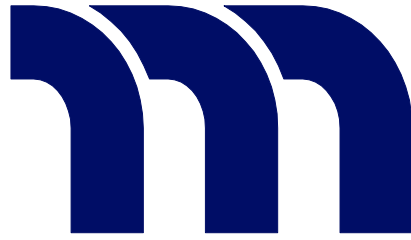
LATE ITEMS: (Appropriate Findings to be Made)

- 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

DRAFT

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

May 14, 2020

A Regular Meeting of the Board of Directors of the Moulton Niguel Water District was held telephonically at 6:00 PM on May 14, 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
Matt Brown	MNWD
Johnathan Cruz	MNWD
Todd Dmytryshyn	MNWD
Rhonda Himley	MNWD

#4.

David Larsen	MNWD
Deena Malone-Collom	MNWD
Mark Mountford	MNWD
Medha Patel	MNWD
Nancy Park	Best, Best, & Krieger
Jeff Probst	Chandler Asset Management
Jayson Schmidt	Chandler Asset Management
Skylar Kennedy	Community Roots Academy, Student
Michelle Vocolla	Community Roots Academy, Teacher
Kevin Turner	Cushman & Wakefield
Tim Strader Jr.	Starpointe Ventures
Shannon Roback	UC Irvine

1. **CALL MEETING TO ORDER:**

The meeting was called to order by President Probolsky at 6:06 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.

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:**

Jeff Ferre stated that prior to the open session agenda, the Board met in closed session for a Conference with Real Property Negotiators, under Government Code Section 54956.8 regarding the property located at 27500 La Paz Road in Laguna Niguel. There was no reportable action. However, a proposed ground lease for said property is included on the agenda for the open session and was the subject of direction given to real property negotiators in closed session. The draft lease is now available to the public on the District's website to meet the requirement that all documents distributed in open session must be also be made available to the public.

4. **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.

PRESENTATION ITEM:

5. QUARTERLY INVESTMENT REPORT - CHANDLER ASSET MANAGEMENT

Jeff Probst from Chandler Asset Management provided the Quarterly Investment Report.

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

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.

MOTION DULY MADE BY GARY KURTZ AND SECONDED BY RICHARD FIORE, ITEMS 6 THRU 10 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'.

ADMINISTRATIVE MATTERS:

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.

Matt Collings provided information on the item.

MOTION DULY MADE BY DUANE CAVE AND SECONDED BY GARY KURTZ, ITEM 11 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'.

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.

Matt Collings provided details on the item. Discussion ensued regarding the amendment.

MOTION DULY MADE BY GARY KURTZ AND SECONDED BY BILL MOORHEAD, ITEM 12 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'.

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.

Jose Solorio provided information on the item.

MOTION DULY MADE BY GARY KURTZ AND SECONDED BY RICHARD FIORE,

ITEM 13 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'.

TECHNICAL MATTERS:

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.

Todd Dmytryshyn provided details on the item. Discussion ensued regarding the operation of the generators.

MOTION DULY MADE BY DONALD FROELICH AND SECONDED BY BILL MOORHEAD, ITEM 14 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'.

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.

David Larsen provided information on the item. Discussion ensued regarding the selection of the contractor.

MOTION DULY MADE BY GARY KURTZ AND SECONDED BY BILL MOORHEAD, ITEM 12 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'.

INFORMATION ITEMS:

16. MONTHLY FINANCIAL REPORT

Trevor Agrelius presented the Monthly Financial Report.

#4.

17. FISCAL YEAR 2020-21 PROPOSED BUDGET

Matt Collings provided information on the item. Discussion ensued regarding the proposed budget.

18. PURCHASING POLICY ANNUAL REVIEW

Trevor Agrelius provided details on the item.

22. CAPITALIZATION & SURPLUS POLICY ANNUAL REVIEW

This item was taken after item #18. Trevor Agrelius provided information on the item.

23. FEDERAL GRANTS MANAGEMENT POLICY ANNUAL REVIEW

Trevor Agrelius provided details on the item.

19. INVESTMENT POLICY ANNUAL REVIEW

This item was taken next. Johnathan Cruz provided information on the item.

20. RESERVE POLICY ANNUAL REVIEW

Drew Atwater provided details on the item.

21. DEBT MANAGEMENT POLICY ANNUAL REVIEW

Drew Atwater provided information on the item.

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

Drew Atwater provided a brief introduction to the item. Shannon Roback from UC Irvine provided information on the program. The Board viewed a video presentation from students of the Community Roots Academy.

The Board also viewed a video presentation of the Plant 2A Upgrades project.

PRESIDENT'S REPORT:

No Report.

BOARD REPORTS:

Bill Moorhead provided comments on wastewater operations.

Richard Fiore stated that he attended the Varuna Webinar on May 7th.

Kelly Jennings stated that she attended the Southern California Water Coalition webinar on May 14th.

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 7:55 p.m.

Respectfully submitted,

Tim Bonita
Recording Secretary

#5.

Professional Services Agreement for 1050-Zone Secondary Feed Pump Station and Transmission Main

June 11, 2020

Page 2 of 3

pumping facility will help to ensure uninterrupted service to customers in the zone when either of the facilities need to be taken offline for maintenance or repair.

An Alternatives Analysis Report was completed in February of 2019 to establish design requirements and determine the best location for the secondary pump station. The report recommended locating the secondary pump station at the Pacific Island Drive No. 1 Reservoir site in the City of Laguna Niguel, where it will pump water from the 920-zone to the 1050-zone. The report also recommended the type of pumping system, pipe size and material, site layout and expansion requirements, associated electrical improvements, generator sizing, and CEQA considerations.

The engineering services for this professional services agreement include the preparation of construction documents in accordance with the recommendations of the Alternatives Analysis Report. The scope of work also includes the preparation of CEQA documents, permit acquisition support, bid and construction phase support.

DISCUSSION:

On April 16, 2020, staff issued a Request for Proposals (RFP) for engineering services to six qualified firms. Four proposals were received and the fee estimates are summarized below:

Firm	Fee Estimate
Stantec	\$435,000
Dudek	\$599,000
Black & Veatch	\$627,363
Tetra Tech	\$692,000

Staff performed a comprehensive review of the proposals received to determine the overall best value for the professional services required. Based on the consultants' specific project understanding and approach, overall proposal quality, project specific experience, proposed project team, and fee estimate, staff recommends that the Board approve the professional services agreement with Stantec.

Professional Services Agreement for 1050-Zone Secondary Feed Pump Station and Transmission Main
June 11, 2020
Page 3 of 3

SUMMARY OF PROJECT BUDGET:

	Project Budget*	Proposed / Approved Contract	Proposed / Authorized Contingency	Total Proposed / Authorized Amount
Project Items				
Alternatives Analysis	\$85,000	\$85,000	\$0	\$85,000
Engineering	\$480,000	\$435,000	\$43,500	\$478,500
Construction Contract	\$2,190,000	\$2,190,000	\$0	\$2,190,000
Legal, Permits, District Labor	\$25,000	\$26,500	\$0	\$26,500
Totals	\$2,780,000	\$2,736,500	\$43,500	\$2,780,000

*\$83,064.84 has been expended to date.

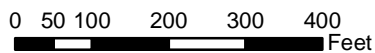
Currently Proposed Amount

Attachments:

1. Exhibit A – Location Map
2. Exhibit B – PSA for 1050-Zone Secondary Feed Pump Station and Transmission Main
3. Exhibit C – Vendor Contact List



Path: G:\GIS\Projects\Projects_Ongoing\Staff\Report\Exhibits\A\Thomas\1050ZoneSecondaryFeed.mxd



Scale = 1:3,000

Exhibit "A" Location Map
1050-Zone Secondary Feed
Pump Station and Transmission Main
Contract No. 2017.019

**PROFESSIONAL SERVICES AGREEMENT
BETWEEN
MOULTON NIGUEL WATER DISTRICT AND
STANTEC CONSULTING SERVICES, INC.
MNWD PROJECT: 1050-ZONE SECONDARY FEED PUMP STATION AND
TRANSMISSION MAIN
CONTRACT NO. 2017.019**

This Agreement (the “Agreement”) is made and entered into as of _____ (“Effective Date”) by and between the Moulton Niguel WATER DISTRICT (“MNWD”) and Stantec Consulting Services, Inc., a corporation with its principal place of business at 38 Technology Drive, Irvine, CA 92618 (“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 expert engineering consulting services in a competent and professional manner.

SECTION II – TERM

The term of this Agreement shall be from the Effective Date to **February 28, 2023**, 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 Thirty-Five Thousand Dollars (\$435,000)**

#5.

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 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 Jim Cathcart, 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: Jim Cathcart, Tama Snow, Joseph Long. 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

#5.

(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.

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:

#5.

MNWD:

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

CONSULTANT:

Stantec Consulting Services, Inc.
38 Technology Drive
Irvine, CA 92618
Attn: Jim Cathcart

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.

#5.

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:

STANTEC CONSULTING SERVICES, INC.:

By: _____

By: _____

(Authorized Representative of
Consultant)

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Dated: _____

Dated: _____

Project Understanding

Moulton Niguel Water District's (District) 1050 pressure zone is comprised of approximately 710 residential customers. Being that this is a small, hydraulically closed zone with one type of customer base, flows are highly variable diurnally and seasonally. Currently, all supply comes from a single source, the existing PID-3 pump station. To provide additional system reliability, an alternate supply source is needed. As noted in the 2019 alternatives study, this second source will be located at the existing PID-2 pump station site.

The pump station will be used strictly as a standby supply and pumps will be sized to supply a range of flows from 0 to 500 GPM to meet daily residential water demands plus provide 3,000 GPM fire flow. As originally envisioned, the pump station will include three 250-GPM pumps operating in a two plus one configuration. This site has adequate space for a new pump station, future RMS building, and new backup emergency generator.

The 920 zone will provide supply to the new PID-3 pump station from a connection at Ocean Way and a suction line running south along Pacific Island Drive. Discharge from the new pump station will head north on Pacific Island Drive and connect to the 1050 zone at Casalero Drive. Both suction and discharge lines are anticipated to be 12 inches in diameter. Based on initial calculations assuming maximum day demands plus fire flow, velocities in the pipelines will reach 10 feet per second which is the maximum allowed per the District's design criteria.

65+

Local Water
and Wastewater
Staff

1,418

Staff in California

#1

ENR Ranked Top 10
California Design Firms
by Market - Water Supply

#2

ENR Ranked Top 10
International Design Firms
by Market - Water



#5. Approach

Based on our review of the alternative analysis, site visit, and review of available record information, Stantec has developed some initial concepts that our design team would like to further vet during preliminary design. For example, if there is adequate utility clearance in Pacific Island Drive, we would recommend placing the suction and discharge piping in a common trench between Ocean Way and the pump station site. This would minimize traffic disruption and reduce construction costs and schedule.

Because the new pump station will be serving as an emergency backup to the existing PID-3 pump station, we suggest evaluating using only two duty pumps without a standby. For the fire pump, we suggest evaluating using a horizontal centrifugal pump rather than a vertical turbine to eliminate the need for a deep can and pump arrangement. To improve operating efficiencies (using smaller motors), we would suggest the fire pump be upsized to provide both fire and domestic flow. The two duty pumps would shut down if the fire pump is operating.

As a potential space saving measure, we will evaluate the feasibility of putting the new emergency generator near the existing building. This would free up more space for the new pump station and RMS building. Less site disturbance may also mean less environmental mitigation and less earthwork.

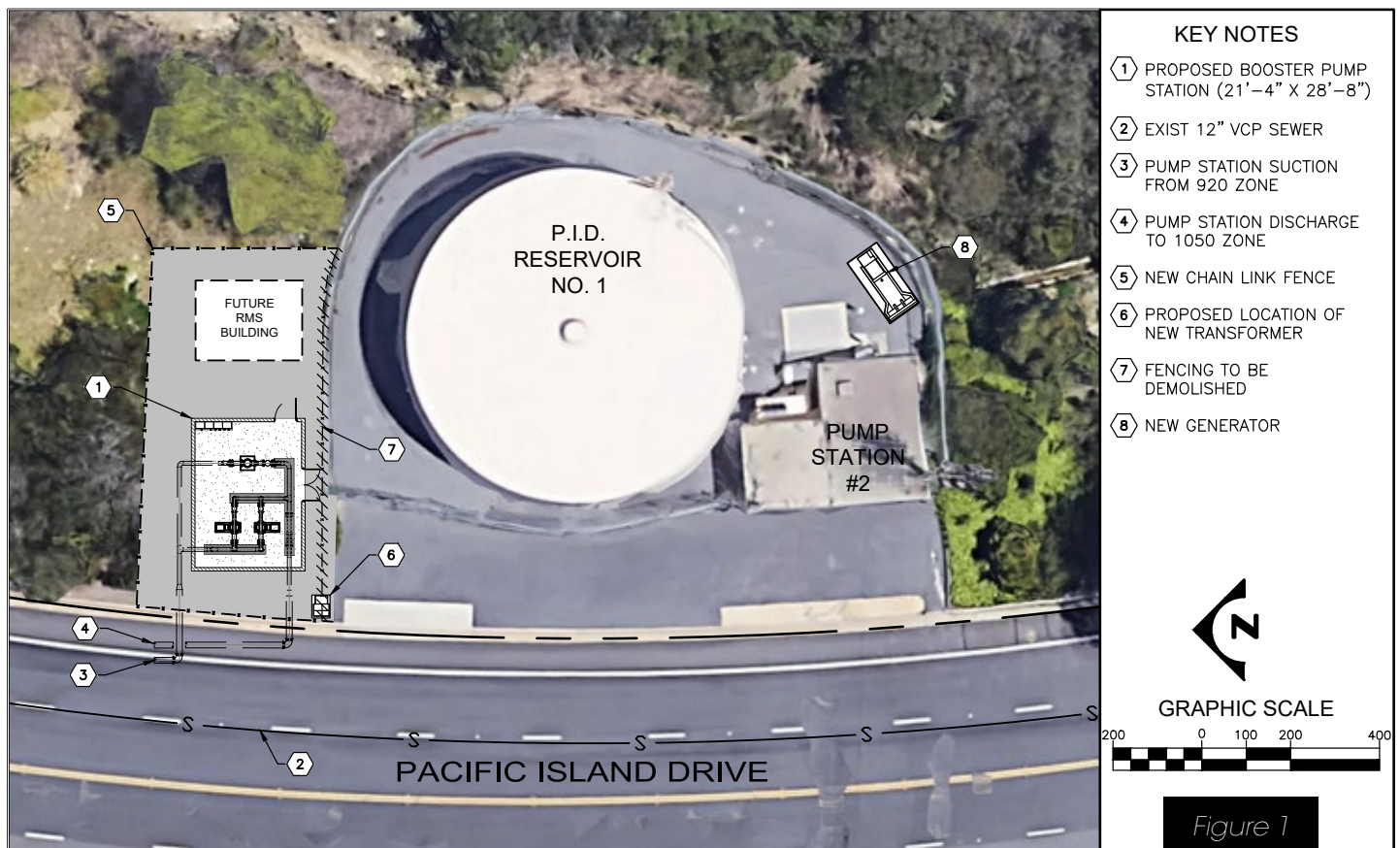
Water circulation in the 920 zone suction line and 1050 zone discharge line can be accomplished in one of two ways. The first option is to install a valve between the suction and discharge lines to flow water from the 1050 zone back to the 920 zone.

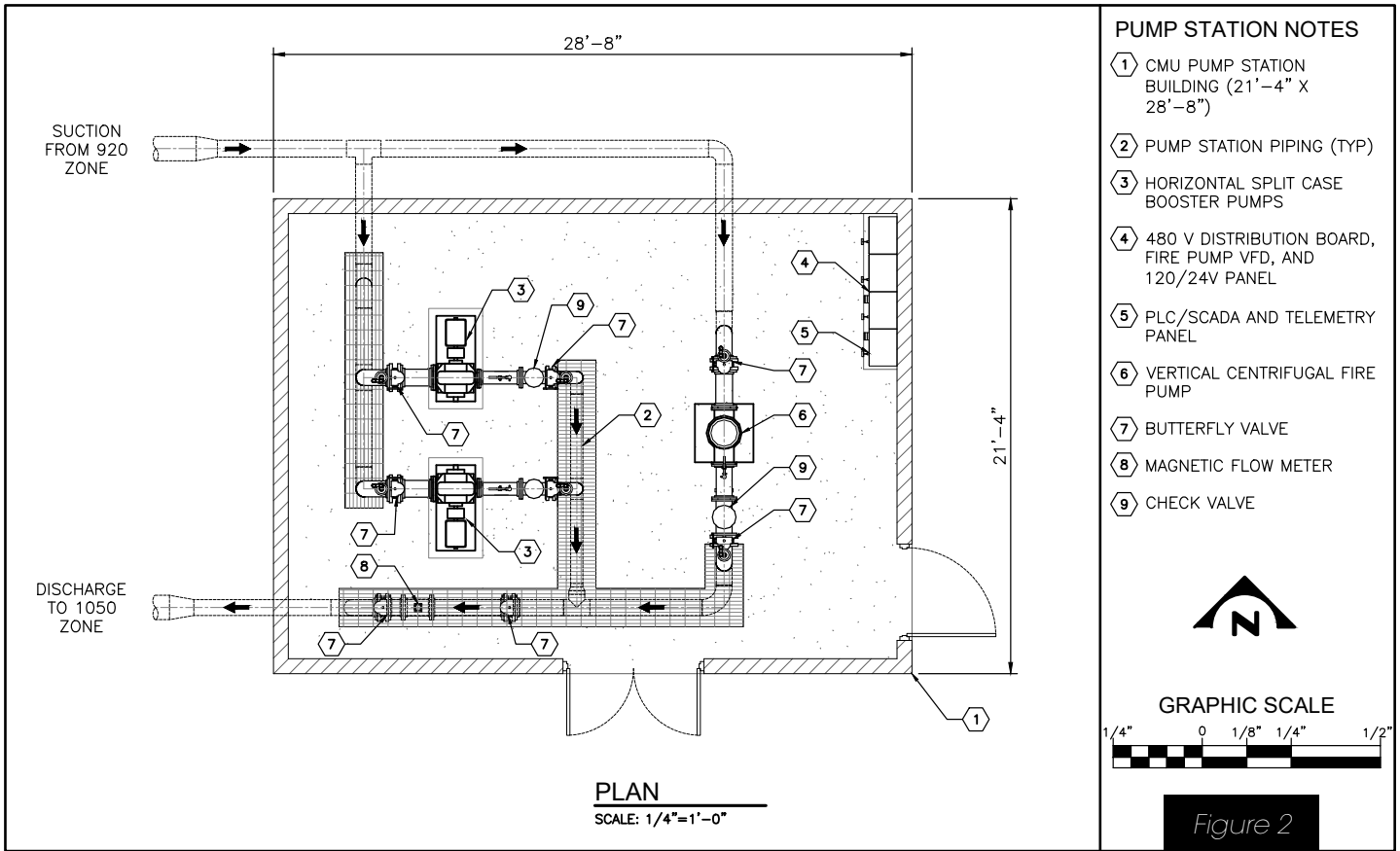
This could be a pressure reducing valve with a setting to open briefly during diurnal peak demands or could be an automated valve to open at periodic intervals. The second option is a similar concept except both the 920 and 1050 zones could discharge water into the PID1 reservoir through an automated valve that would open at set intervals or at a set water level.

The quantity of water needed to move through the lines can be easily calculated using desktop calculations or the hydraulic model. Operating set points could be based on system pressures, time of day, and or chlorine residual in the lines.

Based on our recent site visit, it may be possible to grade the site such that a retaining wall is not needed. There may also be options to optimize yard piping and improve site access to the new pump station and auxiliary facilities. **Figure 1** shows an alternate site layout that can be evaluated in preliminary design that reduces the overall site footprint. **Figure 2** shows an alternate pump station layout that provides easier access to pumps and removal of the pumps. A 3D model of this optional layout is illustrated on **Figure 3**. These and other ideas can be further explored during preliminary design.

Stantec will prepare either an IS/ND or IS/MND that complies with the CEQA Guidelines and conforms with established thresholds for determining significant effects. Given the proposed project's location in relation to Aliso Creek and large expanses of open space to the north and west there is the potential for the occurrence of special-status plants and wildlife





- PUMP STATION NOTES**
- ① CMU PUMP STATION BUILDING (21'-4" X 28'-8")
 - ② PUMP STATION PIPING (TYP)
 - ③ HORIZONTAL SPLIT CASE BOOSTER PUMPS
 - ④ 480 V DISTRIBUTION BOARD, FIRE PUMP VFD, AND 120/24V PANEL
 - ⑤ PLC/SCADA AND TELEMETRY PANEL
 - ⑥ VERTICAL CENTRIFUGAL FIRE PUMP
 - ⑦ BUTTERFLY VALVE
 - ⑧ MAGNETIC FLOW METER
 - ⑨ CHECK VALVE

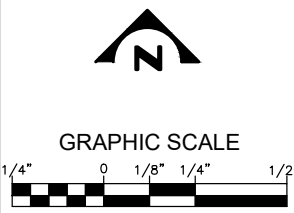


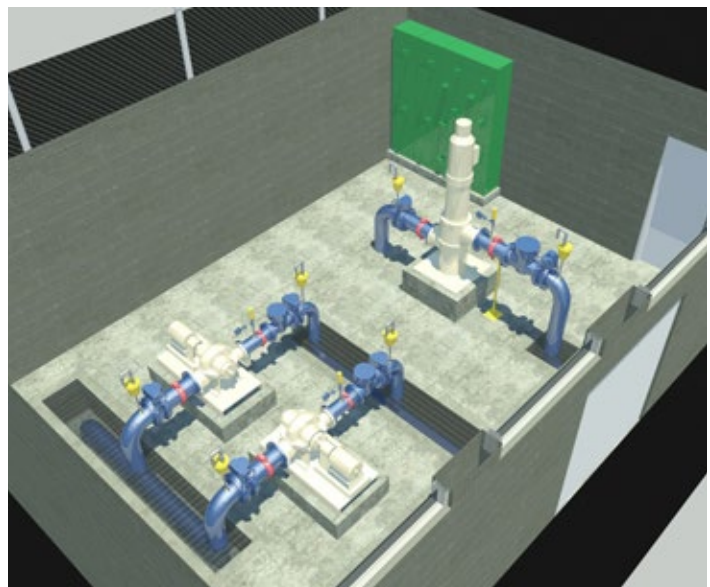
Figure 2

to occur within proposed impact areas. Therefore, biological and cultural resources surveys will be required. In addition, since the anticipated project start date is July, and outside of the regular breeding season for the coastal California Gnatcatcher, Fish and Wildlife require nine surveys at least two weeks apart. This effort will need to start immediately upon notice to proceed. The surveys will not be completed until late August or early September which means the MND cannot be circulated for public review until the survey is completed.

A cursory review of the available geologic maps and reports pertinent to the pump station site was performed and the site is underlain by sandstone and siltstone of the San Onofre Breccia (Tso) and the groundwater table in the area is expected to be relatively deep. This bedrock unit is locally well cemented and may be locally difficult to excavate. Stantec and its geotechnical subconsultant, Leighton and Associates will conduct two borings along the pipeline alignment in Pacific Coast Drive and one within the pump station site at depths of 10 feet and 25 feet respectively in order to develop the geotechnical recommendations and construction costs for the project.

Stantec will prepare traffic control sheets to accommodate vehicular traffic, bicycles, and pedestrians during the project construction phase. Traffic control plans will show traffic control measures required for the implementation of each construction phase including all traffic control devices, temporary lane delineations and construction signing, and will be based on the posted 45 mph speed limit.

Traffic control plan preparation will be in accordance with City of Laguna Niguel requirements and, the California Manual on Uniform Traffic Control Devices (CA MUTCD) and the Work Area Traffic Control Handbook (WATCH) manual, latest editions. Also, our transportation group knows the new Laguna Niguel Public Works Director/City Engineer, Jackie Scott through our work at the Cities of Irvine and Orange. We have a good working relationship with her which will enable us to move efficiently through the permitting process.



3D model of alternative pump layout

Figure 3

#5.

Scope of Work

The scope of work is based on the detailed scope presented in your RFP, our review of existing reports and data provided along with the RFP, our site visit, and preliminary investigations and input from manufacturers. **Additions or modifications to the District's scope are highlighted in blue text or strikethrough text.** We understand engineering services will include preliminary and final design; preparation of construction documents and construction cost estimates; preparation of a CEQA Mitigated Negative Declaration document; permit support; bid phase support; and construction phase services.



Task 1. Project Administration/Management

Project management will be an on-going task from initial research through construction of the facilities. It includes regular communication with District staff, the design team and subconsultants, and outside agencies. Defined project meetings will include a project kick-off meeting and site visit, project design review meetings after each submittal (as identified in Tasks 2.7 and 2.8), a control strategy workshop, coordination meeting with the City of Laguna Niguel, and one meeting each with AQMD and OCFA for the new generator. Required meetings for CEQA MND preparation and posting are included in Task 2.8. For all planned meetings, Stantec will prepare meeting agendas and minutes for each meeting. Project administration will also include preparation and maintenance of the project schedule, regular project invoicing, and regular project status updates.

Deliverables: Agendas and minutes for 10 meetings; biweekly schedule updates

Task 2. Records Search and Records Review

Stantec has reviewed the information accompanying the District's RFP including:

- As-Builts for PID2-PS & PID3-PS
- Pertinent Sectional Maps
- 1050 Zone Secondary Feed Alternatives Analysis
- Electrical Distribution Study for PID2-PS
- Example Civil Plan for 2018-19 RMS project

Additional pertinent information will be requested at the kick-off meeting and will include shop drawings, specifications, construction correspondence, inspection reports, and property title report(s).

We will conduct a Records Search to establish street centerlines, property lines, easements, and utilities for the pump station site and pipeline alignment. The records search will include:

- A. Any available recorded and unrecorded maps on file with the County or City, including assessors' maps, records of survey, tract maps and parcel maps
- B. Monument ties and benchmark data
- C. Easements
- D. Environmental constraints

Deliverables: Electronic copies of all relevant information obtained from Records Search.

Task 3. Utility Research

Working with our subconsultant, T2 Utility Engineers, Stantec will prepare a utility contact spreadsheet listing potential utilities and log information requests and when information is received. This will be incorporated into the utility base map. A utility plan will denote existing above and below ground utilities in order to determine a preferred pipeline alignment



Figure 4

and to determine on site utility arrangements. Our utility research will include the following:

- A. Submit letters to all utilities identified on USA's database
- B. Organize a USA meet and mark
- C. Pre-mark all visible facilities during site walk-through
- D. Confirm that the utilities shown on available record drawings are accurate; update as required
- E. Submit preliminary construction drawings to any other affected utility owners requesting their review to ensure their facilities are correctly shown

Deliverables: Copies of any correspondence with other utility owners; drawings to indicate any recommended potholing

Task 4. Design Survey and Base Construction Drawing

Survey will be conducted by Stantec's in-house survey crews to implement a systematic approach to accurately complete a design survey and prepare a base construction drawing. Provide a ground control survey for right-of-way, curbs and gutters, easements, surface and utilities (including appurtenances) above grade, below ground utilities, and other elements relevant to preparing comprehensive construction drawings including the following:

- A. Research survey records and horizontal/vertical datums to be used
- B. Perform control survey(s)
- C. Dip storm drain and sewer manholes along the limits of the proposed pipe runs
- D. Analyze field and record survey data
- E. Reference all survey data to appropriate datums and permanent survey monuments
- F. Provide contours at appropriate interval

Monuments will be observed to retrace the centerlines and rights-of-way of Pacific Island Drive within the project limits. The results will be incorporated into a base-map illustrating existing right of way conditions. Available agency research, prior surveys, and assessor parcel maps will be used to prepare the base-map. Survey monuments located and indicated on the survey will be existing, centerline monuments found along Pacific Island Drive. A base map of the property will be prepared that illustrates record mapping data (boundary and easements), based on a current

preliminary title report and support documents provided by the District. Boundary and easement data will be calculated from available record sources.

Current aerial topography and existing planimetrics data will be obtained for the site. The photography will be flown for use at a scale of 1" = 40', with contours compiled at 1-foot intervals. Spot elevations and existing site features identifiable from photography will also be compiled. Aerial limits will extend to cover the project site as shown on Figure 4. Horizontal and vertical control will be based on the Orange County Surveyor's Horizontal and Vertical Control Network. A color digital ortho-photo will be prepared from the photography. The ortho-photo will be a rectified image to closely match the compiled topography, providing the capability to prepare accurate, color exhibits on subsequent efforts.

Deliverables will include:

- A digital CAD file containing the resulting data
- Digital TIFF image(s) of the ortho-photography along with corresponding geo-referenced World files to allow for seamless integration of the photo into the compiled topography and other drawings.

As a supplement to the aerial effort, conventional ground survey will be used to spot verify the aerial topography and obtain additional detail in key areas including valve covers, manhole lids, manhole invert elevations, utility designation paint marks, and areas obscured by vegetation within the proposed improvements. The supplemental data will be used in conjunction with the aerial mapping to create a single topographic map that will be used as the basis for design.

Provide site survey as necessary to supplement the record-drawings and prepare the construction plans. Consultant shall provide ground control survey for surface structures and utilities (including appurtenances) above grade, below ground utilities, and other elements relevant to preparing comprehensive construction drawings for construction of the proposed facilities.

Deliverables: One electronic copy of the completed Base Construction Drawing, together with the proposed horizontal alignment of the proposed water main (a 50 percent submittal).

Construction drawings will be tied to the State Plane Coordinate System.



Task 5. Potholing

Stantec will prepare a potholing plan for locating and profiling underground utilities. The plan shall include a list and redline drawings of recommended utilities to be potholed, to be approved by the District prior to commencing. Potholing will verify the exact horizontal and vertical locations of all potential utility conflicts by our in-house survey crews. Potholing depth will determine the top and bottom of the potential utility conflicts to accurately plot elevation in profile view.

Necessary encroachment permits and traffic control plans will be prepared according to City of Laguna Niguel requirements. We will submit a pothole report to document findings. Ten potholes are have been budgeted. The following is assumed:

- T2 will notify USA a minimum of 48 hours prior to potholing.
- Stamped traffic control plans will be required.
- Traffic control will be required.
- USA paint removals will be required.
- Project is subject to prevailing wage requirements.
- Slurry backfill will be required for backfill.
- Hot patch asphalt restoration will be required.

Deliverables: List and drawings of proposed pothole locations, a pothole report consisting of pothole data sheets for each pothole including ties from existing visible features, depth, material and size of utility.

Task 6. Geotechnical Exploration

Our subconsultant, Leighton, will prepare a geotechnical exploration and testing plan for the proposed pipeline alignment, pump station, and related structures. The plan will include a list and redlined drawings of recommended geotechnical boring locations. The District will approve this list prior to commencing. The depth of the soil borings will be adequate to characterize the soils to a depth of at least four feet below the proposed water main pipelines, pump station, and related structures. Samples should be collected to adequately define the soil properties affecting the design and construction of the water main pipelines, pump station, and related structures. The geotechnical report will document findings and provide recommendations. The locations of all borings will be plotted on a map and attached to the report, survey coordinates consistent with the project survey. Complete logs of all soil profiles shall be included in the report with all thicknesses (including pavement and base thicknesses), descriptions, classifications, and properties relevant to the design and construction of the water main pipelines, pump station, and structures. The geotechnical report will also discuss the corrosion potential and recommendations for corrosion protection. The report will make recommendations relevant to the design, including dewatering, shoring, backfill, compaction, and corrosion protection.

We have assumed two borings to a depth of up to 10 feet along the pipeline alignment and one boring to a depth of 25 feet within the pump station site. We will be responsible for obtaining encroachment permits from the Cities and preparing traffic control plans for geotechnical activities. Traffic control for the geotechnical field work will be per CA MUTCD/WATCH manual.

Deliverables: List and drawings of proposed boring locations; geotechnical report

Task 7. Preliminary Design

Stantec will prepare a Preliminary Design to include the following items:

- Design criteria for the proposed pump station building
- Design criteria for all major equipment items including the pump system, fire pump, generator with sound dampening, portable generator connection, fuel storage tank, main switchboard, ATS, and load bank, etc.
- Preliminary site plan layout
- Preliminary building layout
- Recommended pipe size and material
- Recommended horizontal alignment and connection points on Base Map Drawing
- Recommended solution for water circulation for pipelines
- Assessment of power needs/availability
- Review electrical distribution system study for PID2-PS and provide input to address any reliability and code compliance issues
- Identify and incorporate all applicable code and regulatory constraints, including those identified for PID2-PS in the electrical distribution system study
- Control philosophies for the operation of the secondary feed pump station
- Research, recommend, and incorporate measures to fire harden the secondary feed pump station, generator, and transformer
- Potential CEQA mitigation requirements
- Preliminary opinion of probable construction cost
- Draft Preliminary Design Technical Memorandum (PDTM) that documents the above items
- Final PDTM that incorporates District review comments or provide explanation of comment dismissal.

Deliverables:

- Five hard copies and a searchable PDF copy of Draft PDTM for District review
- Five signed hard copies and a searchable PDF copy of Final PDTM

Task 8. CEQA Documentation

Stantec's biological and cultural resources Subject Matter Experts (SMEs) will perform biology and cultural resources surveys to support CEQA compliance. To document the existing biological resources that are present within the proposed project areas, and in adjacent areas, Stantec will conduct a habitat assessment and a single reconnaissance-level survey; the survey will be conducted within 300 feet of the proposed project areas (where accessible). The primary goals of the assessment/survey are to identify and assess habitat capable of supporting special-status wildlife species and/or to document the presence/absence of special-status wildlife species. Prior to conducting the surveys Stantec will review available information regarding biological resources in the area.

Upon completion of the assessment/survey described above, Stantec will incorporate the results into the text of the IS/MND. This will include information regarding species observed in the proposed project areas, the potential for special-status species to occur on or near the proposed project areas, a map of vegetation communities occurring within the proposed project areas, environmental concerns, and regulatory requirements. The report will include photos of the proposed project areas, descriptions of all habitats and sensitive species that are present or have the potential to occur, maps of all sensitive species locations or territories, GIS based site figures, and copies of all California Natural Diversity Database (CNDDDB) forms for sensitive species observations during the surveys.



#5.

Stantec, in conjunction with Pax Environmental, will conduct non-breeding season protocol surveys for protocol-level non-breeding coastal California gnatcatcher (*Polioptila californica californica*). Surveys will follow the USFWS's 1997 Coastal California Gnatcatcher Presence/Absence Survey Guidelines (Protocol) and conditions specified in U.S. Fish and Wildlife Recovery Permits issued under Section 10(a)(1)(A) of the Endangered Species Act to the qualified biologist(s) conducting the surveys.

As per the Protocol, the permitted biologist will conduct nine (9) surveys a minimum of two weeks apart. Each survey will take one morning to complete. During each visit, the biologist will walk the entire site between dawn and noon. Surveys cannot be conducted during periods of excessive cold, heat, wind or rain and the survey schedule may be extended if such conditions exist on a scheduled survey day. All California gnatcatcher detections will be recorded and mapped on an aerial photo of the site and on a kmz or gpx file.

Upon completion of the surveys a report will be prepared which will describe the suitable habitat for the California Gnatcatcher at the proposed project site, discuss whether the California Gnatcatcher are present or absent at the site. If present, the report will include a discussion of observations of the California Gnatcatcher, and describe territories. A map of all California Gnatcatcher observations and nests overlaid on an aerial photo and/or a USGS map of the site will be included as part of the report.

To support the cultural resources survey, Stantec will perform a cultural resources records review of prehistoric and historic archaeological sites at the South Central Coastal Information Center within a 0.25-mile area surrounding the project site. Records identified within this area will be reviewed for significance and sensitivity and discussed in the IS. No confidential archaeological site records will be reproduced in the IS.

A pedestrian survey of the project site where ground disturbing activities are proposed will be conducted by a Stantec qualified archaeologist. Results of the survey will be presented

Stantec will prepare either an Initial Study Negative Declaration (IS/ND) or Initial Study Mitigated Negative Declaration (IS/MND) that complies with the CEQA Guidelines and conforms with established thresholds for determining significant effects. Appendix G of the CEQA Guidelines will be used as the checklist for the IS/ND/MND. The IS/ND/MND will include:

- Project Description
- Environmental Setting
- Potential environmental impacts and explanations to support findings
- Mitigation measures for any significant effects
- Consistency with plans and policies
- Names of parties responsible for preparation

Stantec will prepare an IS/ND/MND that will provide a clear understanding of the potential effects of the Project. The IS/ND/MND will fully address the environment, as described by CEQA, as "the physical conditions which exist within the area which will be affected by a proposed project including land, air, water,

flora, fauna, noise, objects of historic or aesthetic significance." A detailed analysis of impacts that could occur as a result of Project implementation will be presented for each resource area. Impacts will be assessed and described, and significance of impacts will be measured against criteria that have been established by regulation, accepted standards, or other definable criteria. Information sources will be cited. The IS/ND/MND will specifically evaluate the following environmental factors:

Aesthetics
Agriculture and Forest Resources
Air Quality
Biological Resources
Cultural Resources
Energy
Geology and Soils
Greenhouse Gas Emissions
Hazards and Hazardous Materials
Hydrology and Water Quality
Land Use and Planning
Mineral Resources
Noise
Population and Housing
Public Services
Recreation
Transportation
Tribal Cultural Resources
Utilities and Service Systems
Wildfire

If mitigation is necessary to reduce the significance of potential environmental impacts to a less than significant level, Stantec will prepare a Mitigation Monitoring Plan as a component of the IS/MND.

Consultant shall prepare an Initial Study and the associated CEQA compliance report in accordance with the requirements of CEQA guidelines. Consultant shall be responsible for all publishing and filing requirements of the Initial Study and Negative Declaration.

In accordance with Assembly Bill 52 Stantec will prepare letters on behalf of the District to potentially impacted tribal entities. We recommend sending letters on District letterhead to the Native American Tribes that have expressed interest in District projects. We will note any responses to the letters and include those Tribes that have expressed interest on project stakeholder notifications. Early in the CEQA process, Consultant shall identify and notify potentially impacted tribal entities. The Consultant shall provide consultation with those entities to identify and address potential adverse impacts to tribal cultural resources pursuant to CEQA guidelines and Assembly Bill 52.

Stantec will provide three copies of the first screen check for review by the District. Upon incorporation of any comments, we will submit the document to the State Clearinghouse and circulate for the appropriate public review period. In addition to submitting to the State Clearinghouse, Stantec will submit the ND or MND to up to ten other agencies and prepare the Notice of Intent to Adopt to accompany the public review documents.

Stantec will prepare up to two newspaper notices. Once the comment period is complete, Stantec will assist the District in responding to any public review comments. We will then incorporate any comments from the public, final comments from the District, responses to public comments, and any edits to the CEQA document, as necessary, to constitute the final CEQA compliance report. Upon completion of the final document and approval by District's Board of Directors, Stantec will prepare the Notice of Determination and file with the appropriate filing fees. The District will reimburse for any fees associated with filing the CEQA documents without any markups.

Deliverables: Consultant shall submit three sets of the items identified below for each of the specified milestones.

- **Draft CEQA Documents** – Submit three copies of the draft Initial Study, Negative Declaration, and Mitigation Measures to District for review.
- **Final CEQA Documents** – Submit three copies of the final Initial Study, Negative Declaration, and Mitigation Measures for District use only.
- Any other deliverables required to successfully complete the publishing and filing requirements in accordance with current CEQA requirements. In addition to submitting to the State Clearinghouse, we assume that submittal to up to 10 other agencies will be required (e.g. County, Cities, Library, etc.)
- **Electronic files** – Submit PDF file of Initial Study and Negative Declaration. All other electronic files used in preparation of the final documents shall also be included and provided to District electronically via CD or the District's ShareFile site.

Task 9. Preparation of Contract Documents

Stantec will prepare a complete set of Contract Documents (Construction Drawings and Specifications) for construction of the proposed secondary feed pump station and corresponding infrastructure. The Contract Documents will use the District's standard format, standard forms, standard agreement, standard bonds, complete General Provisions, pertinent Special Provisions, pertinent Technical Specifications, and pertinent Standard Drawings to be provided by the District.

The design will address the recommendations of the 1050 Zone Alternatives Analysis report and the recommendations of the Preliminary Design Technical Memorandum. Stantec will prepare three design submittals described as follows.

75 Percent Submittal: Plans for this submittal will include detailed components of the facility design, including civil/site, mechanical, and electrical/instrumentation plans, sections, and details. All sections of the Contract Documents and Specifications will be included along with a preliminary engineer's opinion of probable construction cost.

Aerial rendering of proposed improvements



#5.

100 Percent Submittal: A complete set of construction drawings and specifications will be submitted. All sections of the Contract Documents and Specifications will be included along with a final engineer's opinion of probable construction cost.

The 100 percent submittal will incorporate all District comments from the 75 Percent Review or an explanation of why the comment was not incorporated. The 100 Percent submittal will be a bid ready submittal.

Final Contract Documents: After District review of the 100 percent submittal, Stantec will prepare Final Contract Documents. The Final Contract Documents will incorporate all District comments from the 100 Percent Review or an explanation of why the comment was not incorporated. The Final Contract Documents will be stamped and signed construction plans on Mylar and unbound specifications ready for District's signatures.

After obtaining District signatures, Stantec will prepare 15 sets of bound full-size construction plans and 15 sets of bound construction specifications with 11"x17" reduced construction drawings enclosed as an exhibit.

Deliverables:

- **75 Percent Submittal** – Five full size sets of construction plans and five sets of bound construction specifications with 11"x17" reduced construction drawings enclosed as an exhibit. A fully searchable PDF copy will also be required. The preliminary construction cost estimate is to be provided with this submittal.
- **100 Percent Submittal** – Five full size sets of construction plans and five sets of bound construction specifications with 11"x17" reduced construction drawings enclosed as an exhibit. A fully searchable PDF copy will also be required. The final construction cost estimate is to be provided with this submittal.
- **Final Contract Documents** – One full size set of stamped and signed reproducible construction plans (Bond) and unbound specifications for District signature. Thereafter, 15 sets of edge-bound (with binding strips) full size construction plans individually rolled ink-side-out and 15 sets of bound construction specifications printed single-sided with 11"x17" reduced construction drawings enclosed as an exhibit. For the final submittal, specifications shall be provided with colored pages as follows: Bid Forms – White, General Provisions – Blue, Special Provisions – Pink, and Technical Specifications – Green. A fully searchable PDF copy will also be required. Provide all final native files including AutoCAD files for plans (including all reference files; NAD-83, State Plane Zone 6, NAVD-88 of all sheets), Revit or other 3D model files used, MS Word files for specifications, and MS Excel file for cost estimate.

Full size Drawings/Plans will be 22"x34" such that 11"x17" prints are true half size. Also, construction drawings will be tied to the State Plane Coordinate System.

Task 10. Opinion of Probable Construction Cost

Stantec will provide an opinion of the probable construction cost (OPCC) for the complete project. Two formats will be provided: (1) full detailed cost breakdown and (2) in the format of bid items prepared for the Construction Specifications. The OPCC will be provided for both the 75 and 100 Percent Submittals. The final OPCC will be prepared in sufficient detail that a contingency is not required.

Deliverables: Preliminary and Final OPCC

Task 11. Permit Acquisition Support

Stantec will prepare required permit applications and plan check requirements for the project and submit to the required agencies on behalf of the District. [Traffic control plan preparation will be in accordance with City of Laguna Niguel requirements, the California Manual on Uniform Traffic Control Devices \(CA MUTCD\), and the Work Area Traffic Control Handbook \(WATCH\) manual, latest editions. Traffic control plan design for Pacific Island Drive will be based on the posted 45 mph speed limit.](#)

The District will pay applicable permit and plan check fees. Stantec assumes that permits will be required from SCAQMD (Permit to Operate for generator), the City of Laguna Niguel (geotechnical exploration and potholing) and a plan check will be required by OCFA. Stantec will provide acquisition support services for the following:

- A. Prepare and submit an application to SCAQMD for Permit to Operate for the new generator. Provide pertinent project information to SCAQMD for a possible Health Risk Assessment conducted by SCAQMD.
- B. Prepare and submit plans to OCFA for plan check of the diesel fuel storage tank.
- C. Coordinate with SDG&E to obtain a service plan for the new service entrance and transformer.
- D. Prepare and submit encroachment permit applications with the City of Laguna Niguel for geotechnical exploration and potholing work.
- E. Attend coordination meetings with the City (covered under Task 2.1).
- F. Provide technical support for application materials and acquisition efforts.
- G. Incorporate all permit conditions into the Contract Documents.

Deliverables: Permit applications, plan check packages, and related correspondence

Task 12. Bid Phase Support

During the bidding period, Stantec will assist with providing information and clarification of the Contract Documents to prospective bidders as requested. We will prepare two addenda during the bid process and conduct an onsite pre-bid meeting.

Deliverables: Two Addenda if required; pre-bid meeting agenda and minutes

Female Gnatcatcher



Task 13. Construction Phase Services

During the construction of the proposed improvements, the Stantec will provide the following construction phase services:

- A. Pre-Construction Meeting: Conduct a pre-construction meeting with the District and Contractor prior to beginning construction and prepare agenda and minutes.
- B. Contractor's RFI: Respond to approximately 30 Requests for Information from the Contractor and the District.
- C. Shop Drawing Reviews: Review and accept one 100 shop drawing submittals and resubmittals.
- D. Conference Calls: Participate in 20 conference calls of one hour duration during construction as requested by District staff.
- E. Site Visits: Attend four site visits of two hours each as requested by District staff.
- F. Record Drawings: At the conclusion of construction, Stantec will prepare a set of final record drawings based on District-provided single, consolidated set of red-lined as-built drawings. Record drawings will be prepared in AutoCad.

Deliverables:

- Pre-Construction meeting agenda and minutes
- RFI responses and Submittal Review Comments.
- Three full size sets of draft record drawings. Upon the District's review and approval, one full size set of mylars with original signatures and one full size set bond copy. In addition, Stantec will provide electronic files in both AutoCad (including all reference files; NAD-83, State Plane Zone 6, NAVD-88 of all sheets) and PDF.

Level of Effort

1050-Zone Secondary Feed Pump Station Transmission Main
(Project No. 2017.019)

TASK DESCRIPTION	LABOR HOURS																						
	Jim Cathcart, PE Project Manager	Tama Snow, PE Project Engineer	Technical Advisors Project Engineer	Michael Lu, PE Mechanical	Nahid Heidarbaghi, PE Civil	Craig Wilcox, SE Sr. Structural Engineer	Structural Engineer	Kevous Farahani, PE Sr. Electrical Engineer	Jay Miller, I&C Engineer	Electrical&I&C Designer	Cole Warrick Pipeline	Jonya Lofgren Regulatory Compliance	Keith Rutherford, Traffic Engineer	Richard Robison, Sr. Designer	Mauricio Gonzalez CADD	Jim Loucks Estimator	Robert Prohaska, CEQA	Sr. Scientist	Scientist	Greg Sabourn, P.E.S Survey Manager	Jim Steines Survey Analyst	Two Person Crew	Stantec Labor Hours
Task 1 Project Administration/Management	53	35	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	96
Administration	40	16																					56
Kickoff Meeting & Site Visit	4	4																					8
Design Review Meetings (3)	6	6																					12
Control Strategy Workshop	3	3																					6
Agency Meetings (3)		6																					6
CEQA Meetings (2)																							8
Task 2 Records Research and Review	0	0	0	0	4	0	0	0	0	0	8	0	0	0	0	0	0	0	8	0	4	0	24
Records Search					4						8												12
Survey Data																					4		4
Environmental																							8
Task 3 Utility Research	0	0	0	0	6	0	0	0	0	0	16	0	0	0	0	0	0	0	0	0	0	0	22
Utility Letters/USA Marking					2						8												10
Submit Drawings for Utility Review					4						8												12
Task 4 Design Survey & Base Map	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	22	24	49
Research Records/Field Prep																				1	16	4	21
Aerial Topography																				1	4	4	9
Field Elevations																							4
Supplemental Topography																			1	2	12	15	15
Task 5 Potholing	0	0	0	0	0	0	0	0	0	0	12	0	0	0	0	0	0	0	0	6	4	8	30
Pothole Plan											4												4
Field Prep and Survey											4										6	4	8
Pothole Report											4												4
Task 6 Geotechnical Exploration	0	4	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	6
Field Prep and Boring Locations											2												4
Geotechnical Report											2												2
Task 7 Preliminary Design	8	18	4	14	4	4	8	4	2	20	30	0	0	20	0	8	0	0	0	0	0	0	144
Develop Design Criteria				4			4				4												18
Preliminary Site & Building Layouts				4							4			8									18
Power Requirements				4							4												6
Review Reports & Codes						4					8												16
Fire Harden Facilities																							0
Preliminary OPCC											4					8							12
Draft PDTM	6	8	4	4			4		2	4	14		12										58
Final PDTM	2	4		2							8												16
Task 8 CEQA Documentation	0	0	0	0	0	0	0	0	0	0	0	0	0	12	0	48	56	62	0	0	0	0	178
Biological Resources Surveys															4								52
Cultural Resources Surveys																	4		10				14
AB 52 Consultation																			4				12
ND/MND Preparation															8		24	40	4				76
CEQA Support																	8	16					24
Task 9 Prepare Contract Documents	28	48	18	62	48	24	126	24	12	108	68	0	28	178	290	0	0	0	0	0	0	0	1062
75 Percent Submittal	16	20	8	40	32	12	80	4		24	40			100	140								516
100 Percent Submittal	12	20	6	16	12	10	28	16	10	60	16		20	60	128								414
Final Contract Documents	8	4	4	6	4	2	18	4	2	24	12		8	18	22								132
Task 10 Cost Opinion	0	0	0	2	2	2	0	2	0	0	2	0	0	0	0	20	0	0	0	0	0	0	30
75 & 100 Percent OPCC				2	2	2		2			2				12								22
Final OPCC															8								8
Task 11 Permit Acquisition Support	0	4	0	0	0	0	2	0	0	8	0	0	0	0	0	0	0	0	0	0	0	0	34
SCAQMD Permit to Operate												12			8								14
OCFA Plan Check							2																12
SDG&E Service Plan										8													8
Encroachment Permits (in subconsultant fees)																							0
Task 12 Bid Phase Support	4	12	0	8	0	0	8	0	0	8	12	0	0	12	0	0	0	0	0	0	0	0	64
Requests for Clarification		4		4			4			4	4												20
Two Addenda		4		4			4			4	4			12									32
On-site Pre-Bid Meeting		4		4						4	4												12
Task 13 Construction Phase Services	4	48	0	32	28	0	44	4	0	40	144	0	0	0	20	0	0	0	0	0	0	0	364
Pre-Construction Meeting	4	4									4												12
Requests for Information (30)				8	6		8	4			12												42
Shop Drawing Reviews (100)				20	20		34				38												200
Conference Calls (20)				20							20												40
Site Visits (4)				8							16												24
Record Drawings		4		4	2		2			2	12				20								46
Total Hours	97	169	22	118	92	30	188	34	14	184	294	20	28	210	322	28	56	56	70	9	30	32	2103

-38-

Anticipated List of Construction Drawings

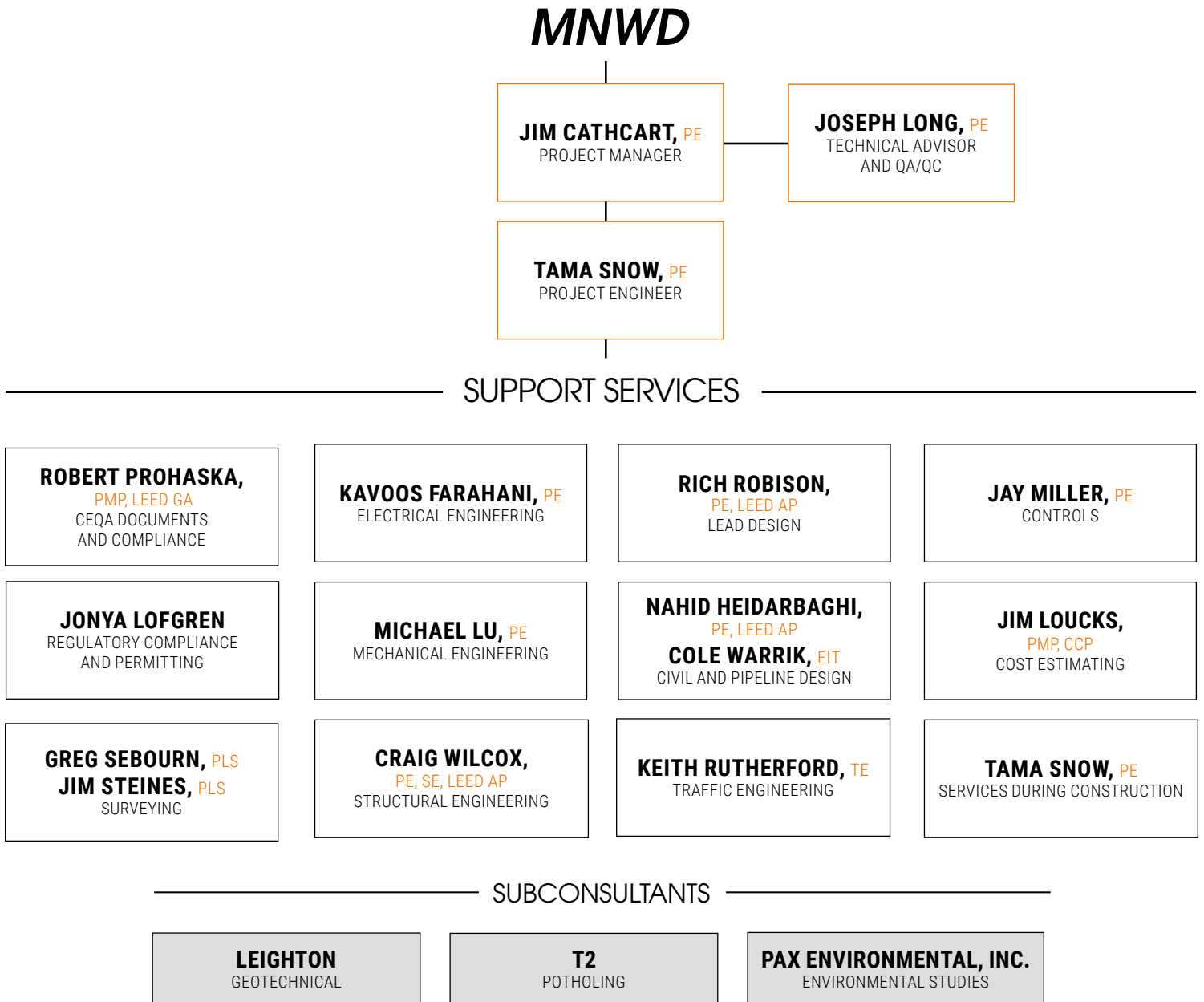
Sheet No.	Drawing No.	Sheet Title
1	G-1	Title Sheet
2	G-2	Location Map, Vicinity Map, and Drawing Index
3	G-3	General Notes, Symbols, Agency Index & Abbreviations
4	G-4	Construction Notes
5	D-1	Demolition Plan
6	C-1	Overall PID2 PS Site Plan and Horizontal Control Plan
7	C-2	PID2 PS Site Grading and Paving Plan
8	C-3	PID2 PS Yard Piping Plan
9	C-4	PID2 PS Site and Civil Details
10	C-5	Pacific Island Drive - Plan & Profile - 1
11	C-6	Pacific Island Drive - Plan & Profile - 2
12	C-7	Pacific Island Drive - Plan & Profile - 3
13	C-8	Pacific Island Drive - Plan & Profile - 4
14	C-9	Connection and Miscellaneous Details - 1
15	M-1	Mechanical Legend, Symbols, and Abbreviations
16	M-2	Booster Pump Station Plan
17	M-3	Booster Pump Station Sections
18	M-4	Generator Plan and Sections
19	M-5	Mechanical, Plumbing Plan Details
20	M-6	Mechanical Details - 1
21	M-7	Mechanical Details -2
22	A-1	Booster Pump Building Plan, Codes, and Notes
23	A-2	Booster Pump Building Roof Plan and Details
24	A-3	Booster Pump Building Exterior Elevations
25	A-4	Booster Pump Building Sections and Wall Details
26	A-5	Architectural Details
27	S-1	Structural Notes
28	S-2	Structural Design Criteria
29	S-3	Typical Details -1
30	S-4	Typical Details -2
31	S-5	Foundation Plan
32	S-6	Roof Plan
33	S-7	Structural Sections-1
34	S-8	Structural Sections-2
35	S-9	Structural Details-1
36	E-1	Electrical Symbols
37	E-2	Electrical Symbols, Abbreviations and Notes
38	E-3	Electrical Details
39	E-4	Plan Layout, Electrical Equipment Power Plan
40	E-5	Single Line, Service Entrance, MCC, ATS, Load Schedule
41	E-6	Panelboards Schedule
42	E-7	Control Schematic Wiring Diagram for Pumps

Sheet No.	Drawing No.	Sheet Title
43	E-8	Plan Layout - Duct Bank and Cable/Conduit Routing
44	E-9	Cable/Conduit Schedule and Conduit Development
45	E-10	Lighting Layout, Lighting Schedule
46	I-1	P&ID Standard Symbols and Abbreviations
47	I-2	Pump Station P&ID -1
48	I-3	Pump Station P&ID -2
49	I-4	Generator and Diesel Storage Tank P&ID
50	TC-1	Traffic Control for Pacific Island Drive Pipelines -1
51	TC-2	Traffic Control for Pacific Island Drive Pipelines -2
52	TC-3	Traffic Control for Ocean Way and Casalero Drive Connections
53	TC-4	Traffic Control Details

#5.

Organizational Chart

For a project to achieve success, it must engage the right people. Our team has the right blend of local leadership, technical expertise, experience, and availability to help ensure the successful completion of **1050-Zone Secondary Feed Pump Station and Transmission Main**. Collectively, we have worked on hundreds of similar pump station and conveyance projects. We have also worked with our subconsultants on past projects. Below is an illustration of how the team will be organized. The following page includes brief biographies about our key personnel and subconsultants. Resumes for all personnel on the organizational chart are included in Appendix B.





JIM CATHCART, PE
PROJECT MANAGER

Jim has 43 years of experience specializing in water resources supply and development in California and the Southwest. He has been responsible for design of over 25 pump station projects. He also provides design reviews for Stantec’s local pump station and pipeline projects. Most recently, he has conducted design reviews for the Peck Reservoir and Pump Station, San Diego’s Pure Water Pump Station, OCSD’s Seal Beach Preliminary Design Report, and is currently a design reviewer for LADWP’s San Fernando Groundwater treatment and conveyance design-build project. Jim also provides expert witness services on water supply issues.



TAMA SNOW, PE
PROJECT ENGINEER

Tama has over 29 years of experience in civil engineering planning, design, and construction of water, wastewater, and recycled water projects. She has worked on a multitude of projects from the conceptual phase through the construction and operation phases that included such tasks as obtaining grants and loans, hydraulic modeling, preparing feasibility studies, master plans, design plans, and specifications. She is an organized project manager accustomed to working with multiple task leads and subconsultants. Tama has worked on many similar projects and is currently serving as the Project Engineer for a similar pump station project for the Irvine Ranch Water District.



JOSEPH LONG, PE
TECHNICAL ADVISOR AND QA/QC

Joe has earned a reputation of strong technical expertise to develop project solutions that meet or exceed client expectations. With more than 27 years of experience in planning and engineering consulting, Joe’s expertise includes the planning and design of potable municipal water well, wellhead treatment systems, and conveyance pipeline facilities. Joe was the project manager and lead engineer for the design of the Orange Park Acres Well No. 1, Lake Forest Zone B to C Pump Station, and the Principal-in-Charge for the Eastwood Recycled Water Pump Station for the Irvine Ranch Water District, as well as the Morena Pump Station and Conveyance Project for the City of San Diego.

SUBCONSULTANTS



LEIGHTON CONSULTING, INC.

Role	Geotechnical
Contact Name	Djan Chandra, PE, GE Senior Principal

Leighton provides geotechnical engineering, environmental consulting, and materials testing and special inspection services for a variety of civil facilities including water infrastructures. For the last 60 years, Leighton has earned a reputation as a leader in Southern California through innovative yet practical design solutions and field support for construction projects. Leighton’s in-house geotechnical and materials testing laboratories are certified by Caltrans, AASHTO, Division of State Architects (DSA), and City of Los Angeles.



T2 UTILITY ENGINEERS

Role	Potholing
Contact Name	Matt Tomanek, Branch Manager

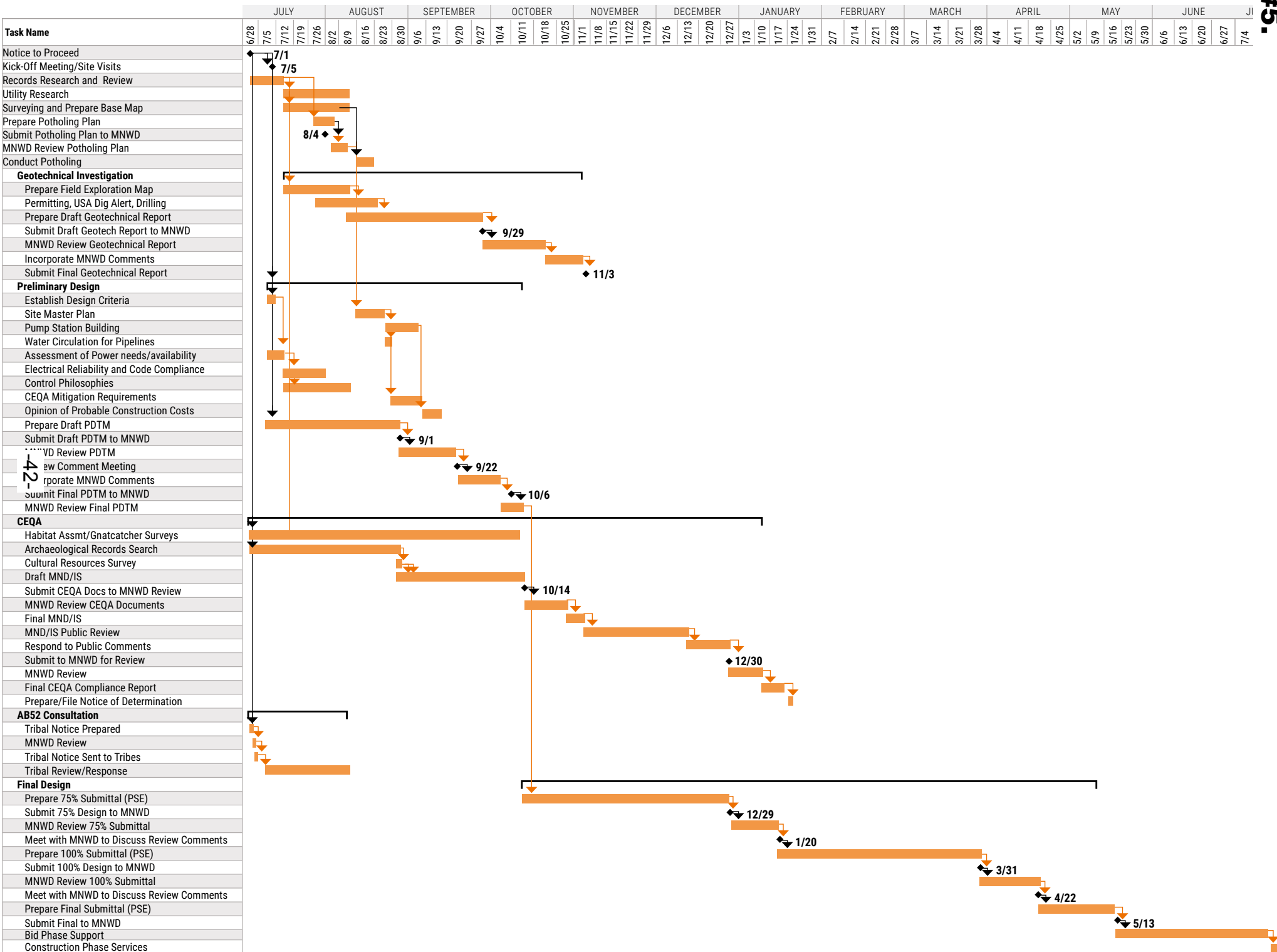
T2 provides services related to utility infrastructure throughout North America. They can handle the above and below ground utility aspects of any project, from small development jobs to large-scale, billion-dollar infrastructure projects. Their certified engineers, geophysicists, surveyors, designers, and field technicians can assess and assist with any potential utility impacts. By using geophysics and proper engineering and surveying processes, T2 can produce accurate, reliable drawings of underground infrastructure.



PAX ENVIRONMENTAL, INC.

Role	Environmental
Contact Name	Tom Ryan, Wildlife Biologist

Pax Environmental, Inc. is a certified Small Business (SB)/Disabled Veteran Business Enterprise (DVBE) environmental consulting firm based in Southern California. Their professional services include ecological restoration, conservation biology, environmental regulatory permitting, water quality analysis, natural resource planning, and multidisciplinary project management. Pax’s staff and associates comprise scientists, biologists, planners, and experienced program managers who complement Stantec’s natural resource experts.



**Exhibit B
Fee Schedule**

1050-Zone Secondary Feed Pump Station Transmission Main
(Project No. 2017.019)

TASK DESCRIPTION	LABOR HOURS																				Fee, Dollars								
	Hourly Rate	\$263	\$263	\$263	\$149	\$165	\$191	\$176	\$193	\$193	\$143	\$149	\$149	\$209	\$149	\$132	\$209	\$209	\$165	\$143	\$185	\$176	\$275	Stantec Labor Hours	Stantec Fee	Other Direct Costs	Subconsultants	Total Fee	
Task 1 Project Administration/Management	53	35	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	96	\$ 24,816	\$ 600		\$ 25,416	
Administration	40	16																						56	\$ 14,728				
Kickoff Meeting & Site Visit	4	4																						8	\$ 2,104	\$ 100			
Design Review Meetings (3)	6	6																						12	\$ 3,156	\$ 200			
Control Strategy Workshop	3	3																						6	\$ 1,578				
Agency Meetings (3)		6																						6	\$ 1,578	\$ 200			
CEQA Meetings (2)																								8	\$ 1,672	\$ 100			
Task 2 Records Research and Review	0	0	0	0	4	0	0	0	0	0	0	8	0	0	0	0	0	0	0	8	0	4	0	24	\$ 3,700	\$ 100		\$ 3,800	
Records Search					4							8												12	\$ 1,852	\$ 100			
Survey Data																							4	\$ 704					
Environmental																							8	\$ 1,144					
Task 3 Utility Research	0	0	0	0	6	0	0	0	0	0	16	0	0	0	0	0	0	0	0	0	0	0	0	22	\$ 3,374			\$ 3,374	
Utility Letters/USA Marking					2						8													10	\$ 1,522				
Submit Drawings for Utility Review					4						8													12	\$ 1,852				
Task 4 Design Survey & Base Map	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	22	24	49	\$ 11,027	\$ 3,150		\$ 14,177	
Research Records/Field Prep																							1	16	4	21	\$ 4,101		
Aerial Topography																							1	4	4	9	\$ 1,989	\$ 3,150	
Field Elevations																							4	4	4	4	\$ 1,100		
Supplemental Topography																							1	2	12	15	\$ 3,837		
Task 5 Potholing	0	0	0	0	0	0	0	0	0	0	12	0	0	0	0	0	0	0	0	0	6	4	8	30	\$ 5,802	\$ 28,497		\$ 34,299	
Pothole Plan											4													4	\$ 596				
Field Prep and Survey											4													6	4	8	22	\$ 4,610	\$ 28,497
Pothole Report											4													4	\$ 596				
Task 6 Geotechnical Exploration	0	4	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	6	\$ 1,350	\$ 100	\$ 23,100	\$ 24,550	
Field Prep and Boring Locations											2													4	\$ 824	\$ 100			
Geotechnical Report											2													2	\$ 526		\$ 23,100		
Task 7 Preliminary Design	8	18	4	14	4	4	8	4	2	20	30	0	0	20	0	8	0	0	0	0	0	0	0	144	\$ 25,948	\$ 400		\$ 26,348	
Develop Design Criteria					4		4			4	4													18	\$ 2,994				
Preliminary Site & Building Layouts					4	4								8										18	\$ 2,974				
Power Requirements																								6	\$ 1,098				
Review Reports & Codes							4			4	8													16	\$ 2,680				
Fire Harden Facilities																								0	\$ -				
Preliminary OPCC											4													12	\$ 2,268				
Draft PDTM	6	8	4	4			4		2	4	14			12										58	\$ 10,866	\$ 200			
Final PDTM	2	4	2								8													16	\$ 3,068	\$ 200			
Task 8 CEQA Documentation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	12	0	48	56	62	0	0	0	0	178	\$ 29,722	\$ 900	\$ 14,070	\$ 44,692	
Biological Resources Surveys															4		8		40					52	\$ 7,920		\$ 14,070		
Cultural Resources Surveys																	4		10					14	\$ 2,266				
AB 52 Consultation																	4		8					12	\$ 1,980				
NDMIND Preparation															8		24	40	4					76	\$ 13,244	\$ 900			
CEQA Support																	8	16						24	\$ 4,312				
Task 9 Prepare Contract Documents	28	48	18	62	48	24	126	24	12	108	68	0	28	178	290	0	0	0	0	0	0	0	0	1062	\$ 171,818	\$ 1,700		\$ 173,518	
75 Percent Submittal	16	20	8	40	32	12	80	4		24	40			100	140									516	\$ 82,728	\$ 200			
100 Percent Submittal	12	20	6	16	12	10	28	16		10	60			20	60	128								414	\$ 67,194	\$ 500			
Final Contract Documents	8	4	6	4	2	18	4	2	24	12	8			8	18	22								132	\$ 21,896	\$ 1,000			
Task 10 Cost Opinion	0	0	0	2	2	2	0	2	0	0	2	0	0	0	0	20	0	0	0	0	0	0	0	30	\$ 5,874			\$ 5,874	
75 & 100 Percent OPCC				2	2	2					2					12								22	\$ 4,202				
Final OPCC																8								8	\$ 1,672				
Task 11 Permit Acquisition Support	0	4	0	0	0	0	2	0	0	8	0	20	0	0	0	0	0	0	0	0	0	0	0	34	\$ 5,528			\$ 5,528	
SCAQMD Permit to Operate												12												14	\$ 2,314				
OCFA Plan Check							2						8											12	\$ 2,070				
SDG&E Service Plan																								8	\$ 1,144				
Encroachment Permits (in subconsultant fees)																								0	\$ -				
Task 12 Bid Phase Support	4	12	0	8	0	0	8	0	0	8	12	0	0	12	0	0	0	0	0	0	0	0	0	64	\$ 11,528	\$ 100		\$ 11,628	
Requests for Clarification				4			4			4	4													20	\$ 3,520				
Two Addenda				4			4			4	4			12										32	\$ 5,308				
On-site Pre-Bid Meeting																													



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** June 11, 2020

FROM: Todd Novacek, Director of Operations
Adrian Tasso, Superintendent of Operations

SUBJECT: Spoils Removal Service Agreement

SUMMARY:

Issue: The current spoils removal agreement expires on June 30, 2020. Staff requires authorization to enter into a new multi-year service agreement for spoils removal to be performed on an as-needed basis for FY 2020-21, 2021-22 and 2022-23.

Recommendation: It is recommended that the Board of Directors approve the Spoils Removal Service Agreement with Goodwin Enterprises Inc., for a three-year not-to-exceed amount of \$907,200; and authorize the General Manager or Assistant General Manager to execute the agreement.

Fiscal Impact: Sufficient funds are included in the FY 2020-21 Budget. Appropriate funds will be budgeted in the FY 2021-22 and 2022-23 Budget.

Reviewed by Committee: Yes, recommended for approval at Technical Committee Meeting on June 1, 2020.

Reviewed by Legal: Yes

BACKGROUND:

Spoils material is generated on an ongoing basis as part of the District’s operation and maintenance of its potable water, recycled water, and wastewater systems. Spoils generally consist of wet clay, sand, concrete, and pavement. Currently, the spoils material is stored in a 160 cubic yard concrete bin at the District’s Plant 3A yard. Upon completion of the construction at Plant 2A, the District will also have the capability of storing 231 cubic yards of spoils at that location. Once the bins are full, the material is removed for disposal to an offsite location by an approved and certified removal services vendor.

#6.

Spoils Removal Service Agreement

June 11, 2020

Page 2 of 2

Based on the level of District construction activity, the District typically requires removal services three-times a month, with some months requiring additional removals based on District activities.

DISCUSSION:

Staff issued a Request for Quotation to eight local vendors that were qualified and capable of performing the required services. A mandatory pre-submission meeting was scheduled on May 4, 2020; seven of the vendors attended. The table below summarizes the quotations received:

Summary of Quotations for Spoils Removal		
Firm	Amount Per Bin 3A (160 Cubic Yards)	Amount Per Bin 2A (231 Cubic Yards)
Goodwin Enterprises	\$7,200.00	\$10,400.00
A & Y Asphalt Contractors	\$17,600.00	\$25,410.00
All American Paving	No Response	No Response
Contera Construction	No Response	No Response
Hardy & Harper	No Response	No Response
KBM	No Response	No Response
Patriot Paving	No Response	No Response
Rose Paving	No Response	No Response

Currently, CR&R picks up the District trash at Plant 2A. Staff contacted CR&R to discuss the possibility of performing the spoils removal as well. At this time, CR&R has indicated they are not able to perform those services. However, we will continue to discuss this option with CR&R into the future. As such, staff recommends the Board authorize the General Manager to enter into a three year agreement with Goodwin Enterprises Inc., for a not-to-exceed amount of \$302,400 per year for FY 2020-21, FY 2021-22 and FY 2022-23, for a total not-to-exceed Agreement amount of \$907,200. This is based on up 42 removals per year.

Attachment: Spoils Removal Service Agreement

**SERVICES AGREEMENT
BETWEEN
MOULTON NIGUEL WATER DISTRICT AND
GOODWIN ENTERPRISES INC. FOR
SPOILS REMOVAL AND DISPOSAL
CONTRACT NO. OM19-20.088**

THIS AGREEMENT (the "Agreement") is approved and entered into as of _____(the "Effective Date"), by and between the MOULTON NIGUEL WATER DISTRICT, hereinafter called "MNWD", and Goodwin Enterprises Inc. hereinafter called "Contractor". MNWD and Contractor are sometimes referred to in this Agreement individually as a "Party" or jointly as the "Parties."

RECITALS

- A. MNWD requires spoils removal and disposal services at various facility sites owned or operated by MNWD, as further described in this Agreement and in Exhibit A, Scope of Work and its attachments attached hereto and incorporated in this Agreement (the "Services").
- B. Contractor represents that it has the necessary licenses, equipment, permits, and skills required to perform the Services pursuant to the terms and standards set forth in this Agreement.

NOW, THEREFORE, MNWD and Contractor for the consideration stated herein agree as follows:

1. SCOPE OF WORK, PERFORMANCE STANDARDS.

(a) Contractor shall perform the Services in accordance with the Scope of Work set forth in attached Exhibit A and the other terms of this Agreement in consultation with MNWD representatives, including the provision of labor, and materials (not otherwise provided by MNWD itself), for various facilities throughout MNWD's service area, from time to time during the term of this Agreement. The quantity of work to be performed and materials provided outlined in Exhibit A is only an estimate. The expected scope and amount of Services to be performed is on an as-needed basis. Contractor acknowledges and agrees MNWD does not guarantee any minimum or maximum amount of Services to be provided under this Agreement and MNWD may use other Contractors for the Services throughout the term of this Agreement, in its sole discretion. Except as otherwise specified under Exhibit A, Contractor shall provide all labor, materials, tools, equipment, supplies, utilities and transportation services required to perform the Services, subject to compliance with the Agreement requirements, and complete all Services in a thorough, professional and workmanlike manner, and in accordance with generally accepted industry standards, to the satisfaction of MNWD.

(b) The Services shall be performed in accordance with the terms of this Agreement including all attached Exhibits, the Services specifications, and the permitting, licensing or other requirements of any governmental or municipal entity within whose jurisdiction the Services are performed, including municipal storm water ordinances, which are by this reference incorporated into this Agreement. It shall be the Contractor's responsibility to ascertain and keep informed of all such existing and future requirements of other governmental entities concerning the Services

#6.

performed under this Agreement, including acquisition of necessary permits and licenses by municipalities related to Services in public right of way and payment of the fees or costs thereof.

(c) Contractor is an independent contractor and not an employee of MNWD. No permitted or required approval of MNWD representatives of costs, schedules, documents, or services of Contractor or investigations thereof, will be construed as making MNWD responsible for the manner in which Contractor performs the Services. Such approvals and investigations are intended only to give MNWD the right to satisfy itself with the quality of work performed by Contractor.

2. PUBLIC SAFETY; SAFETY REQUIREMENTS. Contractor shall be solely and completely responsible for the safety of all persons and property during performance of the Services and work. Contractor's operations for the Services shall be conducted so as to provide maximum safety to Contractor's employees, to the general public and to MNWD's representatives, and in compliance with all safety laws, rules and regulations of the State of California ("State"), federal, and local agencies. It is Contractor's responsibility to have a current safety program on file with MNWD prior to commencement of any Services under this Agreement. It is Contractor's responsibility to have a current Safety Manual that meets SB 198 requirement for injury and illness prevention.

3. COMPLIANCE WITH LAW, LICENSE.

(a) Contractor at all times during the performance of the Services shall comply with, cause its agents, employees and representatives to observe and comply with and shall remain fully informed of all local, State, and federal laws, ordinances, rules, regulations or other requirements, including any permits issued for the Services, that may in any manner affect those employed to perform any of the Services or that may in any way affect the performance of the Services. In performing the Services, Contractor shall comply with, and give all notices required pursuant to all laws, ordinances, rules, regulations and other requirements applicable to the Services. Contractor shall be liable for any violation of law, ordinance, rule, regulation or other requirement in connection with performance of the Services. Contractor shall bear all liability and costs, including fines, arising from performance of the Services that are contrary to any applicable law, ordinance, rule, regulation, or other requirement.

(b) Contractor must be registered with the Department of Industrial Relations pursuant to the requirements of Sections 1725.5 and 1771.1 of the California Labor Code. Contractor must provide its DIR Registration number to the MNWD.

4. MNWD OBSERVATION. Contractor's performance of Services is subject to observation and inspection by MNWD's representatives. The observation, if any, by the MNWD's representative of the Services shall not relieve Contractor of any of obligations under the Agreement as prescribed, or Contractor's obligations to perform the Services in accordance with all terms and provisions required by municipal permits.

5. AGREEMENT PRICE; TERM.

(a) Contractor shall perform all Services pursuant to this Agreement at the "unit prices" in the schedule of work items attached as Exhibit B, Fee Schedule, which establishes unit prices for components of the Services, including materials, listed in the schedule. There shall be no increase to the unit prices if an adjustment to the number of Contractor's staff or service hours is

needed to meet the Agreement requirements for the Services. The total compensation paid to Contractor during the term of this Agreement shall not exceed **Nine Hundred Seven Thousand Two Hundred Dollars (\$907,200)** (the "Agreement Maximum Amount"). Contractor is responsible for and shall pay all sales, consumer, use, and other taxes in connection with materials for the Services.

(b) Work will be billed by Contractor in accordance with MNWD's invoicing requirements, including sufficient detail on work items under the Agreement pricing. Contractor's invoice will account for the location of the Services performed in addition to sufficient cost details as required by MNWD. MNWD will make payment to the Contractor within thirty (30) calendar days of receipt and approval of an invoice by MNWD, provided MNWD may withhold amounts as necessary to satisfy properly filed claims for labor or material; estimated actual costs for correcting defective work; amounts claimed by MNWD as forfeiture due to offsets, and as otherwise provided for under Section 9. No certificate given or payment made under the Agreement shall be conclusive evidence of performance of the Agreement and no payment shall be an acceptance of any defective work or improper materials.

(c) Acceptance and payment by MNWD for the Services will not in any way relieve Contractor of its responsibility to perform the Services and the Agreement in strict accordance with State, federal, and local law. Neither MNWD's acceptance of, nor payment for, any Services will be construed to operate as a waiver of any rights under the Agreement, or of any cause of action arising out of the performance of the Agreement.

(d) The term of this Agreement shall be from the July 1, 2020 to **June 30, 2023**, unless earlier terminated as provided herein.

6. PUBLIC LAW REQUIREMENTS: PREVAILING WAGE.

(a) MNWD is a public agency in the State and is subject to the provisions of law relating to public contracts. It is agreed that all provisions of law applicable to public contracts are a part of this Agreement to the same extent as though set forth herein. Contractor represents and warrants that it 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 1600, 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, and will be comply with the Prevailing Wage Laws, including but not limited to the payment of prevailing wages. 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>. A copy of such prevailing wage rates shall be posted on the jobsite by Contractor. It shall be mandatory Contractor to pay not less than the specified rates to all workers employed by them in the execution of the Services.

(b) Contractor must be registered with the Department of Industrial Relations pursuant to the requirements of Sections 1725.5 and 1771.1 of the California Labor Code. Contracts/subcontracts shall not be entered into after April 1, 2015, with any contractor without proof of current registration to perform work consistent and in compliance with the requirements of Sections 1725.5 and 1771.1. Contractor acknowledges that this project is subject to compliance monitoring and enforcement by the Department of Industrial Relations. Contracts entering into with any Contractor or subcontractor, in violation of Section 1771.1(a), shall be subject to cancellation by the MNWD at the sole discretion of the MNWD consistent with Section

#6.

1771.1(e).

(c) Contractor is responsible for furnishing those records specified in Section 1776 of the Labor Code directly to the Labor Commissioner, pursuant to the procedures set forth in Section 1771.4 of the Labor Code. Contractor's DIR Registration No. is 1000022058.

(d) Contractor acknowledges that it is subject to compliance monitoring and enforcement by the Department of Industrial Relations.

(e) The Contractor shall post job site notices, pursuant to the requirements set forth in the Labor Code and related applicable regulations, including but not limited to, those provisions addressing the posting of notice relating to prevailing wage compliance.

7. AGREEMENT DOCUMENTS. The Agreement includes all of the Agreement documents as follows: this Agreement and all Exhibits and attachments to the foregoing documents.

8. NO SUBCONTRACTORS. Contractor agrees and represents that none of the Services will be subcontracted, and that Contractor will perform all Services. It is agreed and acknowledged that should Contractor fail to conform hereto or with any of the requirements of Section 4100 *et seq.* of the Public Contract Code, Contractor shall be subject to the applicable statutory penalties, and to the requirements of Labor Code Sections 1777.1 or 1777.7 relating to payment of wages to ineligible subcontractors' employees, and the corresponding return of all subcontracting payments to MNWD.

9. REMEDIES FOR DEFAULT. Without limiting any other right or remedy of MNWD, should MNWD not receive proper Services, cooperation, and response to its requests from Contractor in compliance with this Agreement and the Scope of Work, MNWD reserves the right to withhold payments due to Contractor under this Agreement until said items are completed or corrected by Contractor or, at MNWD's election, completed or corrected by others. The entire cost of any such work performed by others shall be deducted from the payments due to Contractor hereunder. Without limiting any other right or remedy of MNWD, MNWD shall have the right to offset against any amount payable to Contractor under this Agreement, any back charges provided for in the Exhibits in this Agreement, and any loss or damage caused by Contractor's lack of performance or breach of this Agreement.

10. INSURANCE

(a) In addition to the requirements set forth below, during the entire term of the Agreement, Contractor will pay for and maintain, in full force and effect, all insurance required by any governmental agency having jurisdiction to require particular insurance of Contractor in connection with or related to the Services provided under the Agreement.

(b) During the entire term of the Agreement, Contractor will pay for and maintain, in full force and effect, all insurance required by MNWD as listed in this Section. Contractor shall not commence Services under the Agreement until it has obtained all insurance required by the Agreement. Executed certificates of insurance and all required endorsements evidencing the required coverage detailed in this Section shall be provided by Contractor with the Contractor's executed copy of this Agreement, and prior to commencement of any Services.

(c) The commercial general liability and business automobile insurance will be comprehensive in form, and be for the term of this Agreement and on a 'per occurrence' basis. All policies will have a clause providing that thirty (30) calendar days written notice will be given to MNWD prior to any cancellation of such policies. All insurance will be issued and underwritten by insurance companies having at least an "A-" policyholder's rating and a financial rating not less than Class VII in accordance with the most current Best's Rating Guide - Property/Casualty, or better, or as otherwise approved by MNWD. Contractor may satisfy the limit requirements set forth below in a single policy or multiple policies, provided, however, that any such additional policies written as excess insurance will not provide any less coverage than that provided by Contractor's first or primary policy. All policies shall name Moulton Niguel Water District and each of its directors, elected officials, officers, employees and agents as additional insureds thereunder ("Additional Insureds"). All of the policies of insurance provided hereunder shall be primary insurance and not additional to or contribute with any other insurance carried or maintained by, or for the benefit of, the Additional Insureds, and the insurer shall waive all rights of subrogation and contribution it may have against the Additional Insureds; these requirements shall be set forth in endorsements to policies. In the event any of said policies of insurance are canceled, Contractor shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section 10 to MNWD.

(d) In the event MNWD consents, and Contractor subcontracts any portion of the Services under the Agreement, the Agreement between Contractor and such subcontractor shall require the subcontractor to maintain the same policies, limits and terms of insurance that Contractor is required to maintain pursuant to this Section 10, in accordance with all of the requirements of this Section 10.

(e) Contractor shall take out and maintain at all times during the Agreement the following policies of insurance, which shall comply with the other terms of Section as well as the following:

- (i) Workers Compensation Insurance and Employers 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.
- (ii) Commercial General Liability Insurance. Commercial general liability in a combined limit of not less than \$2,000,000 per occurrence, \$4,000,000 aggregate with such aggregate to apply separately to the Services. Commercial General Liability insurance coverage shall be equivalent to Insurance Services Office Form CG 00 01. Included in such insurance shall be contractual coverage sufficiently broad to insure the matters set forth in Section 11 of this Agreement, **as well as the subrogation, primary insurance/non-contribution and Additional Insureds terms and endorsements described under subsection (c) above.** This insurance shall name the Additional Insureds using ISO endorsement CG 20 10 11 85, or both CG 20 10 and CG 20 37 forms if later revisions are used.
- (iii) Business Automobile Insurance. Business automobile insurance with a

#6.

liability limits of not less than \$1,000,000 each accident for bodily injury and property damage. The policy shall include coverage for any auto, owned, non-owned, and hired vehicles, **and include the subrogation, primary insurance/non-contribution and Additional Insureds terms and endorsements described under subsection (c) above.**

(f) Nothing in the insurance requirements set forth in this Agreement is to be construed as limiting the liability of Contractor or Contractor's insurers or sureties. Contractor agrees that the provisions of this Section 10 shall not be construed as limiting in any way the extent to which Contractor may be held responsible for the payment of damages or other costs to MNWD, or any persons or property, resulting from Contractor's activities or the activities of any person or persons for which Contractor is otherwise responsible, including Contractor's subcontractors, if any.

11. INDEMNIFICATION

(a) To the fullest extent permitted by law, Contractor shall indemnify, hold harmless and defend MNWD, and each its directors, elected officials, officers, employees, members and agents from and against all claims, damages, losses and expenses, and costs including costs of defense and attorneys' fees, arising out of, in connection with, or resulting from, or alleged to have arisen out of or resulted from, the performance of the Services or work hereunder, provided that any such claim, damage, loss or expense is: (a) attributable to bodily injury, personal injury, sickness, disease, or death, or for damage to, or loss or destruction of, property including the loss of use resulting therefrom, and (b) caused or alleged to have been caused in whole or in part by any act or omission of the Contractor, any subcontractor, anyone directly or indirectly employed by any of them or anyone whose acts any of them may be liable, regardless of whether or not it is caused in part by a Party indemnified hereunder (except, to the extent of the sole negligence, active negligence or willful misconduct of such indemnified Party, in which case Contractor's indemnification obligation shall be reduced in proportion to the indemnified Party's share of liability for its sole or active negligence or willful misconduct, if any); **or** (c) due to failure, neglect or refusal of the Contractor to faithfully perform the Services or work and any of the Contractor's obligations under the Agreement. Such obligation shall not be construed to negate, abridge, or otherwise reduce any other right or obligation of indemnity which would otherwise exist as to any Party or person indemnified in this Section 11. It is expressly acknowledged by the Contractor that the foregoing obligations of Contractor include the duty to defend the indemnified Parties against any claims, proceedings and demands within the scope of the foregoing indemnity terms.

(b) In any and all claims against the indemnified Parties by any employee of the Contractor, any subcontractor, anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, the indemnification obligation shall not be limited in any way by any limitation on the amount or type of damages, compensation, or benefits payable by or for the Contractor, or any subcontractor, or other person under workers' compensation acts, disability benefit acts, or other employee acts.

(c) This indemnity obligation shall survive the termination or expiration of the Agreement and the completion of the Services and work hereunder.

12. TERMINATION. MNWD may terminate this Agreement, with or without cause, by providing written notice to the Contractor ten (10) business days in advance of the date of termination; provided, MNWD may terminate the Agreement without any advance notice in the event Contractor is in material breach of any of the terms of this Agreement, as determined by

MNWD in its discretion. Contractor may not terminate this Agreement, except for cause. Contractor's indemnity and warranty obligations shall survive the expiration or termination of this Agreement, as well as any outstanding obligations of Contractor at the time of termination. On any termination, Contractor will be entitled to the reasonable value of the Work performed for which it has not received prior compensation under this Agreement, subject to any offset from such payment representing MNWD's damages from any material breach of the terms of the Agreement by Contractor or as otherwise provided for under Section 6. In no event, will Contractor be entitled to receive compensation in excess of the compensation specified under Section 6 of this Agreement. The foregoing provisions are in addition to and not in limitation of any other rights or remedies available to MNWD.

13. RECORDS. Contractor shall preserve and retain any and all records of or related to the Services, including all records of or related to this Agreement and the Services and obligations contained herein, for a period of no less than four (4) years commencing upon final payment to Contractor under the Agreement or, if an examination, review or audit is commenced but not completed within such period, until such examination, review or audit has been completed. Additionally, pursuant to Government Code Section 8546.7, the State has the right to examine, review, audit and/or copy such records during the three (3) year period following final payment to Contractor pursuant to the Agreement. Contractor, upon request, shall make the records of the work available for the purposes described in this section at all reasonable times during the period Contractor is required to preserve and maintain such records.

14. SUCCESSORS; ASSIGNMENT. This Agreement is binding on the successors of the Parties. This Agreement may not be assigned by Contractor except upon written consent of MNWD.

15. ATTORNEYS' FEES. In the event of any declaratory or other legal or equitable action instituted between MNWD and Contractor in connection with this Agreement, the prevailing Party shall be entitled to recover from the losing Party all of its attorneys' fees, and costs and expenses.

16. THIRD-PARTY CLAIMS/MNWD NOTICE. Contractor agrees that it will process and administer any and all claims from third parties received in connection with Contractor's performance of the Services, consistent with the terms of Sections 10 and 11 of this Agreement. In accordance with Public Contract Code Section 9201, MNWD shall timely notify Contractor if MNWD receives any third-party claim relating to the Services or the Agreement. MNWD shall be entitled to recover from Contractor MNWD's reasonable costs incurred in providing such notification.

17. NOTICE. Any notice, request, demand, consent, approval or other communication required or permitted hereunder or by law shall be validly given or made only if in writing and delivered in person or to an officer or duly authorized representative of the other Party or deposited in the United States mail, duly certified or registered (return receipt requested), postage prepaid, and addressed to the Party for whom intended, as follows:

MNWD:

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

CONTRACTOR:

Goodwin Enterprises Inc.
33375 Christine Lane
Winchester, CA 92596
Attn: Donny Goodwin

#6.

Any notice to Contractor's surety (or any other person) shall be addressed to the addresses provided in the Agreement or such substitute addresses in accordance with the terms provided herein. Any Party may from time to time, by written notice to the other, designate a different address which shall be substituted for that specified above. If any notice or other document is sent by mail as aforesaid, the same shall be fully delivered and received 24 hours after mailing as provided above.

18. INTEGRATION; ATTACHMENTS. This Agreement supersedes any and all agreements between the Parties hereto which are prior in time to this Agreement. Neither MNWD nor Contractor shall be bound by any understanding, agreement, promise, representation or stipulation expressed or implied not specified herein. The Exhibits attached hereto are incorporated herein as part of this Agreement.

19. 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.

20. AMENDMENTS. No addition to or modification of any provision contained in the Agreement shall be effective unless fully set forth in a writing signed by both MNWD and Contractor.

21. GOVERNING LAW; VENUE. This Agreement shall be governed by the laws of the State of California.

22. DUE AUTHORITY OF SIGNATORIES; COUNTERPARTS. Each person signing this Agreement represents and warrants that he or she has been duly authorized by appropriate action of the Party he or she represents to execute, and thereby bind such Party to, this Agreement. This Agreement may be executed in counterparts, each of which, when executed and delivered, shall be an original and both of which together shall constitute one instrument, with the same force and effect as though all signatures appeared on a single document.

23. NO THIRD-PARTY RIGHTS. The Parties intend not to create rights in, or to grant remedies to, any third-party as a beneficiary of this Agreement or of any duty, covenant, obligation, or undertaking established herein.

24. INTERPRETATION. The provisions contained herein shall not be construed in favor of or against either Party but shall be construed as if both Parties prepared this Agreement.

SIGNATURES ON FOLLOWING PAGE

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

MOULTON NIGUEL WATER DISTRICT:

GOODWIN ENTERPRISES INC.:

By: _____

By: _____
(Authorized Representative of Contractor)

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Dated: _____

Dated: _____

Exhibit A
Scope of Work

On-call services to haul spoil materials offsite from the following locations:

The District's Operations Facility (Plant 2A), located at 26161 Gordon Road, Laguna Hills, CA 92653.

The District's 3A location, located at 26801 Camino Capistrano, Mission Viejo, CA 92691.

Services Detail:

The spoil materials are generally mixed quantities of wet clay/sand, concrete (with occasional rebar) and AC pavement; they are not contaminated and not considered hazardous or regulated. All spoil materials shall become the property of Contractor once it leaves District's locations. The spoils material bin at Districts 3A location is a concrete block structure that measures 30' X 18' X 8' (approximately 160 cubic yards) when completely full. The spoils material bin at Plant 2A is a concrete block structure that measures 25' X 25' X 10' (approximately 231 cubic yards) when completely full. At a minimum, District fills two of the bins each month. It is estimated that the spoil materials will need to be removed at least twice a month; however, the removal services are subject to the needs of District and may require additional removals or no removals in any one month.

Contractor shall provide, at its expense, the equipment and labor necessary to load and remove the spoil materials from the required District spoil bin. Contractor shall dispose of spoil materials in a legal manner, in accordance with all applicable laws and/or regulations, including State, Federal, County, municipal or other government requirements. Contractor shall retain receipts from such disposal sites when applicable. Contractor's services shall take place during regular business hours only, with no after-hours or holiday pick-ups, unless approved by District. Due to anticipated increased District activities over the course of this contract, District is requiring that each removal be completed within a two working day period.

Exhibit B
Fee Proposal

Item Number	Quantity	Unit	Description	Fee/Quote
1	1	EA	3A Yard - Load and dispose of a full bin of spoil material (Approx. 160 cu yards). Cost based on total dollar amount to empty out bin.	\$ 7,200
		Truckload	3A Yard – Number of truckloads required to empty out 160 cu yards of material	Number of Truckloads <u>9</u>
2	1	EA	2A Yard – Load and dispose of full bin of spoil material (Approx. 231 cu yards). Cost based on total dollar amount to empty out bin.	\$ 10,400
		Truckload	2A Yard – Number of truckloads required to empty out 231 cu yards of material	Number of Truckloads <u>13</u>

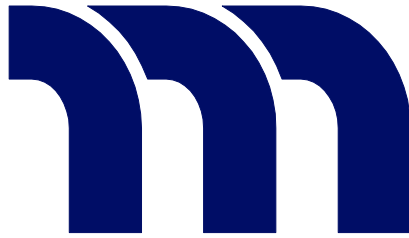
NOTE: Fees shall be based on the assumption that the District will require three (3) full bins per month, plus or minus one (1) bin.

Item No. 1 Fee/Quote, Written in Words:

Load & export 9 truck & trailer loads to dumpsite, \$7,200, approx. 24 to 25 tons per load
Approx. 18 yds per load depending on moisture content of soil.

Item No. 2 Fee/Quote, Written in Words:

Load and export 13 truck & trailer loads to dumpsite, \$10,400, approx. 24 to 25 tons per load, approx. 18 yards per load depending on moisture content of soil.



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** June 11, 2020

FROM: Trevor Agrelus, Controller

SUBJECT: Annual Gann Appropriations Limit for Fiscal Year 2020-21

SUMMARY:

Issue: Board approval is required for the Fiscal Year 2020-21 Gann Appropriations Limit.

Recommendation: It is recommended that the Board of Directors approve the resolution entitled “Approving Appropriations Limit for Fiscal Year 2020-21 and Finding Compliance with Article XIII B of the Constitution of the State of California.”

Fiscal Impact: None

Reviewed by Committee: Yes, recommended for approval at Administrative Committee Meeting on June 3, 2020.

Reviewed by Legal: Yes

BACKGROUND:

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

#7.

Annual Gann Appropriations Limit for Fiscal Year 2020-21

June 11, 2020

Page 2 of 2

DISCUSSION:

Fiscal Year 1978-79 appropriations serve as the base for this limit, with adjustments being made annually to reflect increase in population and the cost of living. Only property tax proceeds are subject to the limit. Charges for services, regulatory fees, grants, loans, donations and other non-tax proceeds are not subject to the limit. Each year the Board of Directors must adopt by Resolution the District's Appropriations Limit for the following year. For Fiscal Year 2020-21 the Appropriations Limit is calculated to be \$8,896,093.

The appropriations limit only applies to the application of property tax revenue to the District's operation and maintenance expenses. The District primarily utilizes property tax revenues to fund the capital improvement program which isn't subject to the same limitations.

Attachments:

1. Resolution entitled, "Approving its Appropriations Limit for Fiscal Year 2020-21 and Finding Compliance With Article XIII B of the Constitution of the State of California"
2. Computation of the Appropriation Limit for Fiscal Year 2020-21

RESOLUTION NO. 20-____

**RESOLUTION OF THE BOARD OF DIRECTORS OF
MOULTON NIGUEL WATER DISTRICT
APPROVING ITS APPROPRIATIONS LIMIT FOR FISCAL YEAR 2020-21 AND
FINDING COMPLIANCE WITH ARTICLE XIII B OF THE CONSTITUTION
OF THE STATE OF CALIFORNIA**

WHEREAS, the Board of Directors of the Moulton Niguel Water District (MNWD) has reviewed the financial affairs of MNWD and has reviewed the proposed Budget for the Fiscal Year 2020-21; and

WHEREAS, the Board of Directors desires to establish an Appropriations Limit for Fiscal Year 2020-21 for the purpose of complying with Article XIII B of the Constitution of the State of California. Said calculations have been posted at MNWD's offices and made available to the public at least 15 days prior to the adoption of this Resolution; and

WHEREAS, the Board of Directors desires at this time to approve its Budget for the Fiscal Year 2020-21, as well as its Appropriations Limit for said Fiscal Year 2020-21;

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

Section 1. That an Appropriations Limit of **\$8,896,093** be and the same hereby is established as the limit to which funds derived from proceeds of taxes may be appropriated during the Fiscal Year 2020-21.

Section 2. That the Budget for the Fiscal Year 2020-21 be and the same hereby is approved by this Board of Directors which Budget is on file with the Treasurer of MNWD and is by this reference incorporated herein.

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

#7.

APPROVED, SIGNED and ADOPTED this 11th day of June, 2020.

MOULTON NIGUEL WATER DISTRICT

President
MOULTON NIGUEL WATER DISTRICT
and the Board of Directors thereof

Secretary
MOULTON NIGUEL WATER DISTRICT
and the Board of Directors thereof

MOULTON NIGUEL WATER DISTRICT
Permitted Growth Rate in Appropriations for 2020-21

Appropriations Limitation adopted 2019-20 \$8,572,772

Increase In CA Per Capita Personal Income

$$\frac{3.73 + 100.00}{100} = 1.0373$$

Increase In Population
Orange County

$$\frac{.04 + 100.00}{100} = 1.0004$$

Change Ratio 1.0373 x 1.0004 1.0377

Appropriations Limitation for 2020-21 \$8,896,093



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** June 11, 2020

FROM: Gina Hillary, Director of Human Resources

SUBJECT: Selection of the Annual Lump Sum Prepayment Option for Unfunded Accrued Liability to CalPERS for Fiscal Year 2020-21

SUMMARY:

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

Recommendation: It is recommended that the Board of Directors elect the annual lump sum prepayment option to pay for the unfunded accrued liability to CalPERS for Fiscal Year (FY) 2020-21.

Fiscal Impact: Should the District exercise this option, there would be a savings of \$51,879.16 for FY 2020-21.

Reviewed by Committee: Yes, recommended for approval at Administrative Committee Meeting on June 3, 2020.

Reviewed by Legal: Yes

BACKGROUND:

CalPERS conducts an annual actuarial valuation of our retirement plan to determine required employer contributions. Beginning with FY 2015-16, CalPERS changed the billing process for collecting employer contributions. The normal cost portion of employer contributions must be paid as a percentage of payroll. The unfunded accrued liability portion may be paid as an annual lump sum pre-payment or as a monthly dollar amount. The District has paid the unfunded accrued liability portion of its contribution obligation as a lump sum prepayment since this option was made available.

#8.

Selection of the Annual Lump Sum Prepayment Option for Unfunded Accrued Liability to CalPERS for Fiscal Year 2020-21

June 11, 2020

Page 2 of 2

DISCUSSION:

The FY 2020-21 required employer contribution determined by the CalPERS actuarial valuation is \$1,507,772. CalPERS offers two options for employers to pay the unfunded accrued liability:

Option 1: Lump sum pre-payment of \$1,507,772

Option 2: Monthly payments of \$129,970.93 (total for 12 months = \$1,559,651.16)

If the District elects Option 1, the lump sum pre-payment must be received in full by CalPERS on or before July 31, 2020 and would save the District \$51,879.16. Staff is recommending the Board approve the annual lump sum prepayment option to pay for the unfunded accrued liability to CalPERS for Fiscal Year (FY) 2020-21.



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** June 11, 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 approve the updated Purchasing Policy.

Fiscal Impact: None

Reviewed by Committee: Presented at the May 14, 2020 Board Meeting for information.

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.

#9.

Purchasing Policy Annual Review

June 11, 2020

Page 2 of 2

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: Proposed Purchasing Policy (including redlines)



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

See also:

6.11.2020

Page | 1

Last Revised:

6.13.2019

#9.

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:

6.11.2020

Page | 2

Last Revised:

6.13.2019

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:

6.11.2020

Page | 3

Last Revised:

6.13.2019

#9.

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:

6.11.2020

Page | 4

Last Revised:

6.13.2019

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:

6.11.2020

Page | 5

Last Revised:

6.13.2019

#9.

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:

6.11.2020

Page | 6

Last Revised:

6.13.2019

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

See also:

6.11.2020

Page | 7

Last Revised:

6.13.2019

#9.

- 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

See also:

6.11.2020

Page | 8

Last Revised:

6.13.2019

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:

6.11.2020

Page | 9

Last Revised:

6.13.2019

#9.

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

See also:

6.11.2020

Page | 10

Last Revised:

6.13.2019

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

See also:

6.11.2020

Page | 11

Last Revised:

6.13.2019

#9.

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

See also:

6.11.2020

Page | 12

Last Revised:

6.13.2019

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

See also:

6.11.2020

Page | 13

Last Revised:

6.13.2019

#9.

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).



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

See also:

6.11.2020

Page | 14

Last Revised:

6.13.2019

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:** June 11, 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 approve the updated Investment Policy.

Fiscal Impact: None.

Reviewed by Committee: Presented at the May 14, 2020 Board Meeting for information.

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.

#10.

Investment Policy Annual Review

June 11, 2020

Page 2 of 2

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 were 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-X:
MAINTAINING DISTRICT
INVESTMENT FUNDS

See also:
INVEST POLICY

6.11.2020
Page | 1
Last Revised:
6.14.2019

A-X: MAINTAINING DISTRICT INVESTMENT FUNDS

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.

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.

1. 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

2. 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.



POLICY A-X:
**MAINTAINING DISTRICT
 INVESTMENT FUNDS**

See also:
 INVEST POLICY

6.11.2020
 Page | 2
 Last Revised:
 6.14.2019

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.

3. 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.

4. 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.



POLICY A-X:
MAINTAINING DISTRICT
INVESTMENT FUNDS

See also:
INVEST POLICY

6.11.2020
Page | 3
Last Revised:
6.14.2019

- 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.

5. District Investments Shall be Organized by Performance Objective

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.

1. 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.

2. 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 _89_ceeds the return of the ICE Bank of America



POLICY A-X: MAINTAINING DISTRICT INVESTMENT FUNDS

See also:
INVEST POLICY

6.11.2020
Page | 4
Last Revised:
6.14.2019

Merrill Lynch 0-3 Year Treasury Index.

3. 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.

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.

4. 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.

6. 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.



POLICY A-X: MAINTAINING DISTRICT INVESTMENT FUNDS

See also:
INVEST POLICY

6.11.2020
Page | 5
Last Revised:
6.14.2019

- 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 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.

7. 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



POLICY A-X: MAINTAINING DISTRICT INVESTMENT FUNDS

See also:
INVEST POLICY

6.11.2020
Page | 6
Last Revised:
6.14.2019

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.

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.

8. 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.



POLICY A-X: MAINTAINING DISTRICT INVESTMENT FUNDS

See also:
INVEST POLICY

6.11.2020
Page | 7
Last Revised:
6.14.2019

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.

9. 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 District within the State of California, provided that:

- 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



POLICY A-X: MAINTAINING DISTRICT INVESTMENT FUNDS

See also:
INVEST POLICY

6.11.2020
Page | 8
Last Revised:
6.14.2019

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.

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.



POLICY A-X: MAINTAINING DISTRICT INVESTMENT FUNDS

See also:
INVEST POLICY

6.11.2020
Page | 9
Last Revised:
6.14.2019

- 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)

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:



POLICY A-X: MAINTAINING DISTRICT INVESTMENT FUNDS

See also:
INVEST POLICY

6.11.2020
Page | 10
Last Revised:
6.14.2019

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
- 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.



POLICY A-X: MAINTAINING DISTRICT INVESTMENT FUNDS

See also:
INVEST POLICY

6.11.2020
Page | 11
Last Revised:
6.14.2019

- 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:

- 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 Investment -97- tion of this policy, provided that:



POLICY A-X: MAINTAINING DISTRICT INVESTMENT FUNDS

See also:
INVEST POLICY

6.11.2020
Page | 12
Last Revised:
6.14.2019

- 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 Government Code, Section 53601.6, investment in inverse 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.

10. 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:



POLICY A-X: MAINTAINING DISTRICT INVESTMENT FUNDS

See also:
INVEST POLICY

6.11.2020
Page | 13
Last Revised:
6.14.2019

- 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.
- The District and its investment adviser shall receive monthly statements of collateral.

11. 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).

12. 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



POLICY A-X: MAINTAINING DISTRICT INVESTMENT FUNDS

See also:
INVEST POLICY

6.11.2020
Page | 14
Last Revised:
6.14.2019

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;
 - 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.

13. 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.

14. 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.



POLICY A-X:
MAINTAINING DISTRICT
INVESTMENT FUNDS

See also:
INVEST POLICY

6.11.2020
Page | 15
Last Revised:
6.14.2019

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.



POLICY A-X: MAINTAINING DISTRICT INVESTMENT FUNDS

See also:
INVEST POLICY

6.11.2020
Page | 16
Last Revised:
6.14.2019

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 policy.



POLICY A-X: MAINTAINING DISTRICT INVESTMENT FUNDS

See also:
INVEST POLICY

6.11.2020
Page | 17
Last Revised:
6.14.2019

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 ¹⁰³⁻ credit of the issuer.



POLICY A-X: MAINTAINING DISTRICT INVESTMENT FUNDS

See also:
INVEST POLICY

6.11.2020
Page | 18
Last Revised:
6.14.2019

Delivery vs. Payment (DVP) - A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

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

Discount - The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

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

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

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

Federal Open Market Committee - A committee of the Federal Reserve Board that establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

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

Local Agency Investment Fund (LAIF) - A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

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

Make Whole Call - A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of -104- ill.



POLICY A-X: MAINTAINING DISTRICT INVESTMENT FUNDS

See also:
INVEST POLICY

6.11.2020
Page | 19
Last Revised:
6.14.2019

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.



POLICY A-X: MAINTAINING DISTRICT INVESTMENT FUNDS

See also:
INVEST POLICY

6.11.2020
Page | 20
Last Revised:
6.14.2019

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

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

Prepayment Speed - A measure of how quickly principal is repaid to investors in mortgage securities.

Prepayment Window - The time period over which principal repayments will be received on mortgage securities at a specified prepayment speed.

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

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

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

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

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

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

Structured Note - A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the 1-106 rate. Issuers of such notes lock in a reduced



POLICY A-X: MAINTAINING DISTRICT INVESTMENT FUNDS

See also:
INVEST POLICY

6.11.2020
Page | 21
Last Revised:
6.14.2019

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.

#10.

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.

#10.

Statement of Investment Policy
Moulton Niguel Water District
July 1, 2019

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,

#10.

Statement of Investment Policy
Moulton Niguel Water District
July 1, 2019

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.

#10.

Statement of Investment Policy
Moulton Niguel Water District
July 1, 2019

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.

#10.

Statement of Investment Policy
Moulton Niguel Water District
July 1, 2019

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.

#10.

Statement of Investment Policy
Moulton Niguel Water District
July 1, 2019

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:

#10.

Statement of Investment Policy
Moulton Niguel Water District
July 1, 2019

- 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.*

#10.

Statement of Investment Policy
Moulton Niguel Water District
July 1, 2019

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.*

#10.

Statement of Investment Policy
Moulton Niguel Water District
July 1, 2019

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.

#10.

Statement of Investment Policy
Moulton Niguel Water District
July 1, 2019

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.

#10.

Statement of Investment Policy
Moulton Niguel Water District
July 1, 2019

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

#10.

Statement of Investment Policy
Moulton Niguel Water District
July 1, 2019

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.

#10.

Statement of Investment Policy
Moulton Niguel Water District
July 1, 2019

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** June 11, 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 approve the updated Reserve Policy.

Fiscal Impact: None.

Reviewed by Committee: Presented at the May 14, 2020 Board Meeting for information.

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

#11.

Reserve Policy Annual Review

June 11, 2020

Page 2 of 2

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 were presented initially as an information item for Board feedback on May 14 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-X: MAINTAINING WATER DISTRICT RESERVE FUNDS

See also:

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-X: MAINTAINING WATER DISTRICT RESERVE FUNDS

See also:

6.11.2020

Page | 2

Last Revised:

6.13.2019

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-X: MAINTAINING WATER DISTRICT RESERVE FUNDS

See also:

6.11.2020

Page | 3

Last Revised:

6.13.2019

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-X: MAINTAINING WATER DISTRICT RESERVE FUNDS

See also:

6.11.2020

Page | 4

Last Revised:

6.13.2019

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).

#11.

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

#11.

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.

#12.

Debt Management Policy Annual Review

June 11, 2020

Page 2 of 2

- 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 was provided for discussion in May. Based on feedback in May, the final updated policy attached is recommended for approval by the Board of Directors.

Attachment: 2019 Debt Management Policy Redlines



POLICY A-3: MANAGING WATER DISTRICT DEBT

See also:
INVEST POLICY
~~6.13.2019~~6.11.
2020
Page | 1
Last Revised:
6.13.2019
~~6.21.2018~~

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

See also:
INVEST POLICY
~~6.13.2019~~6.11.
2020
Page | 2
Last Revised:
6.13.2019
~~6.21.2018~~

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

Formatted: Font: Calibri, 17.5 pt
Formatted: Space Before: 0.1 pt

Formatted: Condensed by 0.05 pt

Formatted: Condensed by 0.05 pt

Formatted: Condensed by 0.05 pt

Formatted: Condensed by 0.05 pt

Formatted: Condensed by 0.05 pt



POLICY A-3: MANAGING
WATER DISTRICT DEBT

See also:
INVEST POLICY
~~6.13.2019~~ 6.11.
2020
Page | 3
Last Revised:
6.13.2019
~~6.21.2018~~

FP-A-3



POLICY A-3: MANAGING WATER DISTRICT DEBT

See also:
INVEST POLICY
~~6.13.2019~~6.11.
2020
Page | 4
Last Revised:
6.13.2019
~~6.21.2018~~

...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.

Formatted: Space Before: 0 pt

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



POLICY A-3: MANAGING WATER DISTRICT DEBT

See also:
INVEST POLICY
~~6.13.2019~~6.11.
2020
Page | 5
Last Revised:
6.13.2019
~~6.21.2018~~

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.

Formatted: Space Before: 0 pt

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.

Formatted: Condensed by 0.05 pt

Formatted: Condensed by 0.05 pt

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



POLICY A-3: MANAGING
WATER DISTRICT DEBT

See also:
INVEST POLICY
~~6.13.2019~~ 6.11.
2020
Page | 6
Last Revised:
6.13.2019
~~6.21.2018~~

FP--A--5



POLICY A-3: MANAGING WATER DISTRICT DEBT

See also:
INVEST POLICY
~~6.13.2019~~6.11.
2020
Page | 7
Last Revised:
~~6.13.2019~~
~~6.21.2018~~

- 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.

Formatted: Condensed by 0.05 pt
Formatted: Condensed by 0.05 pt

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

Formatted: Condensed by 0.05 pt
Formatted: Condensed by 0.05 pt



POLICY A-3: MANAGING
WATER DISTRICT DEBT

See also:
INVEST POLICY
~~6.13.2019~~ 6.11.
2020
Page | 8
Last Revised:
6.13.2019
~~6.21.2018~~

District to achieve interest savings [↗](#)

FP-A-6



POLICY A-3: MANAGING WATER DISTRICT DEBT

See also:
INVEST POLICY
~~6.13.2019~~6.11.
2020
Page | 9
Last Revised:
6.13.2019
6.21.2018

~~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.

Formatted: Font: Arial, 10.5 pt

Formatted: Space Before: 0.45 pt

FP-A-7



POLICY A-3: MANAGING WATER DISTRICT DEBT

See also:
INVEST POLICY
~~6.13.2019~~6.11.
2020
Page | 10
Last Revised:
6.13.2019
~~6.21.2018~~

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.~~

FP-A-8



POLICY A-3: MANAGING WATER DISTRICT DEBT

See also:
INVEST POLICY
~~6.13.2019~~6.11.
2020
Page | 11
Last Revised:
6.13.2019
~~6.21.2018~~

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.

- Formatted: Font: Calibri, 12 pt
- Formatted: Space Before: 0 pt
- Formatted: Condensed by 0.05 pt
- Formatted: Condensed by 0.05 pt

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.

- Formatted: Condensed by 0.05 pt
- Formatted: Condensed by 0.05 pt
- Formatted: Condensed by 0.05 pt



POLICY A-3: MANAGING
WATER DISTRICT DEBT

See also:
INVEST POLICY
~~6.13.2019~~ 6.11.
2020
Page | 12
Last Revised:
6.13.2019
~~6.21.2018~~

FP-A-9



POLICY A-3: MANAGING WATER DISTRICT DEBT

See also:
INVEST POLICY
~~6.13.2019~~6.11.
2020
Page | 13
Last Revised:
6.13.2019
6.21.2018

Formatted: Font: Calibri, 12 pt

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.

Formatted: Condensed by 0.15 pt

Formatted: Condensed by 0.2 pt

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.

Formatted: Font: Arial, 10 pt

Formatted: Font: Arial, 10.5 pt

Formatted: Space Before: 0.45 pt



POLICY A-3: MANAGING WATER DISTRICT DEBT

See also:
INVEST POLICY

6.21.2018
Page | 10
Last Revised:
6.15.2017

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



POLICY A-3: MANAGING WATER DISTRICT DEBT

See also:
INVEST POLICY

6.21.2018
Page | 11
Last Revised:
6.15.2017

~~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.

Formatted: Condensed by 0.05 pt
Formatted: Condensed by 0.05 pt
Formatted: Condensed by 0.05 pt

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).~~

Formatted: Condensed by 0.05 pt
Formatted: Condensed by 0.05 pt
Formatted: Condensed by 0.05 pt

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.

Formatted: Condensed by 0.05 pt
Formatted: Not Expanded by / Condensed by
Formatted: Not Expanded by / Condensed by
Formatted: Not Expanded by / Condensed by

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.

Formatted: Condensed by 0.25 pt



**POLICY A-3: MANAGING
WATER DISTRICT DEBT**

See also:
INVEST POLICY

6.21.2018
Page | 12
Last Revised:
6.15.2017

FP-A-12



POLICY A-3: MANAGING WATER DISTRICT DEBT

See also:
INVEST POLICY

6.21.2018
Page | 13
Last Revised:
6.15.2017

- 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.

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.

Formatted: Not Expanded by / Condensed by

Formatted: Font: Arial, 10.5 pt

Formatted: Space Before: 0.2 pt



POLICY A-3: MANAGING
WATER DISTRICT DEBT

See also:
INVEST POLICY

6.21.2018
Page | 14
Last Revised:
6.15.2017

FP-A-13



POLICY A-3: MANAGING WATER DISTRICT DEBT

See also:
INVEST POLICY

6.21.2018
Page | 15
Last Revised:
6.15.2017

- 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.

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:

- Formatted: Condensed by 0.05 pt
- Formatted: Condensed by 0.05 pt
- Formatted: Condensed by 0.05 pt
- Formatted: Condensed by 0.05 pt
- Formatted: Condensed by 0.05 pt
- Formatted: Condensed by 0.05 pt
- Formatted: Condensed by 0.05 pt
- Formatted: Condensed by 0.05 pt



POLICY A-3: MANAGING
WATER DISTRICT DEBT

See also:
INVEST POLICY

6.21.2018
Page | 16
Last Revised:
6.15.2017

FP-A-14



POLICY A-3: MANAGING WATER DISTRICT DEBT

See also:
INVEST POLICY

6.21.2018
Page | 17
Last Revised:
6.15.2017

- 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.

Formatted: Condensed by 0.05 pt

Formatted: Condensed by 0.05 pt

Formatted: Font: Arial, 10 pt

Formatted: Font: Arial, 10.5 pt

Formatted: Space Before: 0.45 pt



POLICY A-3: MANAGING WATER DISTRICT DEBT

See also:
INVEST POLICY

6.21.2018
Page | 18
Last Revised:
6.15.2017

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~~

Formatted: Condensed by 0.25 pt

Formatted: Condensed by 0.05 pt

Formatted: Body Text, Indent: Left: 0.9", Right: 0.48"



POLICY A-3: MANAGING WATER DISTRICT DEBT

See also:
INVEST POLICY

6.21.2018
Page | 19
Last Revised:
6.15.2017

~~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.

Formatted: Condensed by 0.1 pt

Formatted: Font: Arial, 13.5 pt

Formatted: Space Before: 0.15 pt



POLICY A-3: MANAGING
WATER DISTRICT DEBT

See also:
INVEST POLICY

6.21.2018
Page | 20
Last Revised:
6.15.2017

FP-A-17



POLICY A-3: MANAGING WATER DISTRICT DEBT

See also:
[INVEST POLICY](#)

[6.11.2020](#)
P a g e | 21
Last Revised:
[6.13.2019](#)

Formatted: Normal, Line spacing: Multiple 0.06 li

Formatted: Font: 10 pt

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.

Formatted: Condensed by 0.05 pt

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.

Formatted: Right

FP-A-21

#12.



POLICY A-3: MANAGING
WATER DISTRICT DEBT

See also:
INVEST POLICY

6.11.2020
P a g e | 22
Last Revised:
6.13.2019

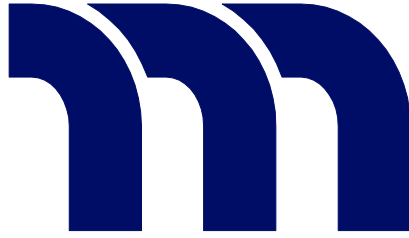
Formatted: Normal, Line spacing: Multiple 0.06 li

Formatted: Font: 10 pt

FP-A-18

FP-A-22

Formatted: Right



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** June 11, 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 approve the Capitalization & Surplus Policy.

Fiscal Impact: None

Reviewed by Committee: Presented at the May 14, 2020 Board Meeting for information.

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.

#13.

Capitalization & Surplus Policy Annual Review

June 11, 2020

Page 2 of 2

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: Proposed 2020 Capitalization & Surplus Policy

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

•

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:



POLICY A-4: CAPITALIZATION & SURPLUS

See also:

6.11.2020

Page | 2

Last Revised:

6.13.2019

- | | |
|--------------------------------|----------------|
| • 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.

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):

POLICY A-4: CAPITALIZATION & SURPLUS

See also:

6.11.2020

Page | 4

Last Revised:

6.13.2019

- 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:

6.11.2020

Page | 6

Last Revised:

6.13.2019

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:

#13.

6.11.2020

Page | 7

Last Revised:

6.13.2019

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:** June 11, 2020
FROM: Trevor Agrelus, Controller
SUBJECT: Federal Grant 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 approve the Federal Grant Management Policy.

Fiscal Impact: None

Reviewed by Committee: Presented at the May 14, 2020 Board Meeting for information.

Reviewed by Legal: Yes

BACKGROUND:

The District's current Federal Grant 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 Grant 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.

#14.

Federal Grant Management Policy Annual Review

June 11, 2020

Page 2 of 2

District staff is not recommending any changes to the existing Federal Grant Management Policy.

The main components of the Federal Grant 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: Proposed Federal Grant Management Policy



POLICY A-6: FEDERAL GRANT MANAGEMENT

See also:

6.11.2020

Page | 1

Last Revised:

6.13.2019

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.



POLICY A-6: FEDERAL GRANT MANAGEMENT

See also:

6.11.2020

Page | 2

Last Revised:

6.13.2019

- 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.



POLICY A-6: FEDERAL GRANT MANAGEMENT

See also:

6.11.2020

Page | 3

Last Revised:

6.13.2019

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*



POLICY A-6: FEDERAL GRANT MANAGEMENT

See also:

6.11.2020

Page | 4

Last Revised:

6.13.2019

- 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)*



POLICY A-6: FEDERAL GRANT MANAGEMENT

See also:

6.11.2020
Page | 5
Last Revised:
6.13.2019

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



POLICY A-6: FEDERAL GRANT MANAGEMENT

See also:

6.11.2020
Page | 6
Last Revised:
6.13.2019

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:

Table with 2 columns: Procurement Method and Purpose. Rows include Micro-purchases, Small purchases, Sealed bids, Competitive proposals, and Noncompetitive proposals.



POLICY A-6: FEDERAL GRANT MANAGEMENT

See also:

6.11.2020

Page | 7

Last Revised:

6.13.2019

- 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*



POLICY A-6: FEDERAL GRANT MANAGEMENT

See also:

6.11.2020

Page | 8

Last Revised:

6.13.2019

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:



POLICY A-6: FEDERAL GRANT MANAGEMENT

See also:

6.11.2020

Page | 9

Last Revised:

6.13.2019

- 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.



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** June 11, 2020
FROM: Drew Atwater, Director of Finance & Water Resources
Johnathan Cruz, Financial Planning Manager
SUBJECT: Fiscal Year 2020-21 Proposed Budget

SUMMARY:

Issue: The current Operations and Maintenance Budget and the annual Capital Improvement Program for Fiscal Year 2020-21 has been developed based on projected resource requirements and proposed for Board consideration.

Recommendation: It is recommended that the Board of Directors approve the resolution entitled, “Approving a Budget Appropriation and Adopting the Operations and Maintenance Budget and Capital Improvement Program Budget for Fiscal Year 2020-21”.

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

Reviewed by Committee: Presented at the Technical, Administrative and Board Meetings.

Reviewed by Legal: Yes

BACKGROUND:

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

#15.

Fiscal Year 2020-21 Proposed Budget

June 11, 2020

Page 2 of 3

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

DISCUSSION:

Each year, the budget process begins with a joint strategic planning session between the Board and staff to identify priority initiatives for the upcoming fiscal year. The proposed fiscal year budgets are then developed by staff based on the outputs of the strategic planning session. The proposed budget document identifies both the workplan for projects within the initiatives as well as the personnel and financial resources necessary to implement the Board's strategic initiatives and long-term policy objectives while continuing to enhance existing service levels.

The proposed budget for Fiscal Year 2020-21 was developed this year with a clear recognition of the financial uncertainties and potential challenges facing the communities and customers the District serves. The District's Board of Directors has already taken actions to support customers during these challenging times. In light of those concerns, the proposed budget is a reduction from the previous fiscal year budget and the forecasted budget identified in the Long-Range Financial Plan. The proposed Fiscal Year 2020-21 budget is \$144.3 Million to support operation and maintenance expenses, bond payments, and the capital improvement program. This represents a \$4.4 Million decrease from the Fiscal Year 2019-20 budget and a \$13.4 Million decrease from the Long-Range Financial Plan forecast. District staff will continue to monitor the financial impacts of the COVID-19 pandemic and develop financial recommendations accordingly while ensuring appropriate investment in the District's infrastructure and quality service to its customers.

On April 23, 2020, the Board participated in a budget workshop to review the details of the proposed budget and provide input throughout the 6-month process. The draft budget document provides a summary of the Fiscal Year 2018-19 actuals in comparison to the Fiscal Year 2018-19 Budget, the current Fiscal Year 2019-20 adopted Budget, the forecast of the Fiscal Year 2020-21 expenses consistent with the 10-year cashflow model and the proposed Fiscal Year 2020-21 budget. The budget document also includes narrative and graphics to provide additional context to the proposed budget and incorporates changes generated during the budget workshop. The public meetings to discuss the FY 2020-21 budget and its development are listed below:

Budget Process	Date
FY 2020-21 Budget Development Plan Review with Board of Directors	January 9, 2020
FY 2020-21 MWDOC Budget & Rates Review	February 27 2020
FY 2020-21 MWD Budget & Rates Review	March 26, 2020
Board of Directors FY 2020-21 Budget Workshop	April 23, 2020
FY 2020-21 Proposed Budget	May 4, 2020
FY 2020-21 Proposed Budget Review	May 6, 2020
FY 2020-21 Proposed Budget Review	May 14, 2020

Fiscal Year 2020-21 Proposed Budget

June 11, 2020

Page 3 of 3

FY 2020-21 Proposed Budget Review	June 1, 2020
FY 2020-21 Proposed Budget Review	June 3, 2020
FY 2020-21 Budget Adoption	June 11, 2020

The Budget document has been posted on the District website for public review and is not attached to this report.

Attachment: Resolution entitled, “Approving a Budget Appropriation and Adopting the Operations and Maintenance Budget and Capital Improvement Program Budget for Fiscal Year 2020-21.”

RESOLUTION NO. 20-__

**RESOLUTION OF THE BOARD OF DIRECTORS OF
MOULTON NIGUEL WATER DISTRICT
APPROVING A BUDGET APPROPRIATION AND ADOPTING THE OPERATIONS
AND MAINTENANCE BUDGET AND CAPITAL IMPROVEMENT PROGRAM
BUDGET FOR FISCAL YEAR 2020-21**

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

WHEREAS, the Capital Improvement Program (“CIP”) outlines the expenditure plan for future capital projects for the next decade and provides a CIP Budget for the upcoming Fiscal Year. CIP projects are funded from five sources: General (“G”) Fund 1, Water Efficiency (“WE”) Fund 6, Replacement and Refurbishment (“R&R”) Fund 7, Water Supply Reliability (“WSR”) Fund 12, and Planning and Construction (“P&C”) Fund 14. All of the funds described herein and as further set forth in the budget adopted by this Resolution shall be referred to herein as “Funds;” and

WHEREAS, the Board held multiple public meetings to review and discuss the proposed Fiscal Year 2020-21 Operations and Maintenance Budget and Capital Improvement Budget. In addition, a public meeting of the Board was duly noticed and conducted under the Brown Act on June 11, 2020 during which this Resolution and the budget were considered; and

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

SECTION 1. A certain document now on file in the Finance Division of the Moulton Niguel Water District entitled, “Moulton Niguel Water District FY 2020-21 Budget,” is hereby made part of this Resolution.

SECTION 2. Said Operations and Maintenance Budget and Capital Improvement Budget is hereby adopted for the Fiscal Year beginning July 1, 2020, and ending June 30, 2021, and consists of the estimated and anticipated expenditures and revenues for the Fiscal Year for all Funds.

SECTION 3. Except as provided for in SECTION 4, the appropriations for each Fund may only be increased or decreased by the Board during the Fiscal Year by passage of a resolution amending the Budget.

#15.

SECTION 4. The following controls are hereby placed on the use and transfers of budgeted Funds:

- A. No expenditure of Funds shall be authorized unless sufficient amounts have been appropriated by the Board or General Manager as described herein. The General Manager may authorize all transfers of amounts from category to category within the same Fund. The General Manager may delegate authority to Director level staff, the Assistant General Manager and/or Controller to transfer amounts between categories as necessary.

- B. The General Manager may authorize the transfer and expenditure of amounts between the Funds only to the extent of the specific Funds and maximum amounts set forth below. Said transfers may be made at one or more times during the Fiscal Year so long as the total amounts do not exceed the maximum amounts for the specific Funds set forth below. The General Manager may delegate authority to Director level staff, the Assistant General Manager and/or Controller to transfer amounts between categories as necessary.
 - 1. The maximum amount which may be transferred by the General Manager from Fund 1 to Funds 7, 12, and/or 14 shall be \$49,448,603.
 - 2. The maximum amount which may be transferred by the General Manager between and among Funds 7, 12, and 14 shall be \$49,448,603.
 - 3. The maximum amount which may be transferred by the General Manager from the Capacity Fee Fund 15 to Fund 7 shall be \$268,741 to be spent on the identified projects in Table 1.

Table 1.

Description	FY 2020-21 Budget
IRWD BAKER WATER TREATMENT PLANT CAPITAL PROJECTS	\$150,000
SCWD/JRWSS CAPITAL PROJECTS	\$1,157,394
PLANT 3A LIQUID PROCESS IMPROVEMENTS - GROUP A	\$270,000
SOCWA CAPITAL PC 17	\$3,023,111
Total	\$4,600,505

- 4. The maximum amount which may be transferred by the General Manager from Fund 1 to Funds 12, 71, and 73 shall be \$8,150,081 to be spent on debt service payments.

5. The maximum amount which may be transferred by the General Manager from Fund 70 to Funds 1 shall be \$600,000.
6. The maximum amount which may be transferred by the General Manager from Fund 1 to Fund 4 shall be \$15,642 to be spent on insurance deductibles and claims.
7. The maximum amount which may be transferred by the General Manager from Fund 1 to Fund 52 shall be \$511,369 to align Fund 52 (Rate Stabilization Reserve) with its designated target per the District's Reserve Policy.

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

SECTION 5. All appropriations for the Capital Improvement Projects remaining unexpended on June 30, 2020, are hereby appropriated for such Capital Projects for the 2020-21 Fiscal Year.

SECTION 6. All appropriations and outstanding encumbrances for non-Capital Projects as of June 30, 2020, expire as of said date.

SECTION 7. The Board of Directors does hereby approve and adopt the General Manager, General Unit, Supervisory Unit and Exempt Employees' Job Classification Salary Schedules effective June 20, 2020, for Fiscal Year 2020-2021.

SECTION 8. If any section, subsection, clause or phrase in this Resolution is for any reason held invalid, the validity of the remainder of this Resolution shall not be affected thereby. The Board hereby declares that it would have passed this Resolution and each section, subsection, sentence, clause, or phrase thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases or the application thereof be held invalid.

SECTION 9. The Recitals set forth above are incorporated herein and made an operative part of this Resolution.

#15.

APPROVED, SIGNED and ADOPTED this 11th day of June, 2020.

MOULTON NIGUEL WATER DISTRICT

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

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

MOULTON NIGUEL WATER DISTRICT
Summary of Financial Results
June 11, 2020

Year to date unaudited results of operations as of April 30, 2020, are summarized below.

Total operating revenues were \$54.0 million for the month ended, which came in at 80% of the budget. Total operating expenses ended at \$57.4 million, which amounted to 72% of the approved budget. Total net Income for the month ended was \$13.3 million. The positive net income is not unusual at this time of year as the District has received the majority of the property tax allotments from the County. In all, the District received \$28.9 million in property tax revenues this year, exceeding the budgeted amount of \$28.6 million.

The District has recorded an unrealized gain on investments held of \$3.6 million. The District continues to work with Chandler investments to determine how best to manage the portfolio.

The District currently has \$3.3 million available in the Water Efficiency Fund for new projects, rebate applications or additional programs. The remaining balance considers \$1.5 million in approved water efficiency program commitments, the fiscal year spending on capital projects of \$4.1 million, and the additional expected grant reimbursements for the Smart Meter project. Thus far this year, the District has received \$1.1 million in grants from the Bureau of Reclamation for Phases II and III.

The District's total unrestricted cash and investments balance at April 30, 2020, was \$150.3 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 \$38.9 million as the District continues to execute the capital program. The District has spent \$42.6 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 \$14.1 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 April 30, 2020, the District held \$101.8 million in reserves. Additionally, there is \$28.8 million available in the funds designated for capital projects.

#16.

Moulton Niguel Water District
All Funds - Budget Comparison Report
Year To Date Totals April 30, 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	\$ 24,193,800	\$ 23,565,317	\$ 31,512,227	\$ 7,318,427	77%
Recycled Water Sales	4,007,122	4,284,969	6,438,316	2,431,194	62%
Sewer Sales	22,123,565	21,095,892	24,065,352	1,941,787	92%
Water Efficiency	3,363,958	3,602,555	4,764,604	1,400,646	71%
Other Operating Income	325,189	401,805	911,436	586,247	36%
A Total Operating Revenue	54,013,633	52,950,538	67,691,935	13,678,303	80%
<u>Operating Expenses</u>					
Salaries ¹	11,510,529	10,848,136	14,413,800	2,903,271	80%
PERs Employer Contributions ¹	2,098,987	1,845,863	2,547,924	448,937	82%
Defined Contribution 401A ¹	205,381	192,320	265,601	60,220	77%
Educational Courses	37,566	28,138	85,934	48,368	44%
Travel & Meetings	263,583	208,141	387,140	123,557	68%
Recruitment & Employee Relations	8,150	21,722	93,813	85,663	9%
General Services	323,358	323,842	490,292	166,934	66%
Annual Audit	27,672	23,468	62,500	34,828	44%
Member Agencies O&M	233,944	307,334	541,714	307,770	43%
Dues & Memberships	203,410	188,124	253,082	49,671	80%
Consulting Services	2,007,858	1,942,537	3,538,300	1,530,442	57%
Equipment Rental	51,453	41,069	66,500	15,047	77%
District Fuel	226,301	222,335	315,000	88,699	72%
Insurance - District	435,673	285,121	532,850	97,177	82%
Insurance - Personnel	389,271	316,568	469,692	80,421	83%
Insurance - Benefits ¹	3,363,587	3,205,334	3,799,415	435,828	89%
Legal Services - Personnel	14,272	19,023	50,000	35,728	29%
Legal Services - General	192,344	1,538,967	770,000	577,656	25%
District Office Supplies	700,431	603,714	840,305	139,874	83%
District Operating Supplies	1,155,919	482,417	1,295,269	139,350	89%
Repairs & Maintenance - Equipment	942,673	632,229	1,074,550	131,877	88%
Repairs & Maintenance - Facilities	2,519,248	3,942,637	3,950,249	1,431,001	64%
Safety Program & Compliance Requirements	298,810	376,884	366,898	68,088	81%
Wastewater Treatment	6,260,467	7,001,859	9,471,915	3,211,448	66%
Special Outside Assessments ²	139,508	140,974	133,600	(5,908)	104%
Utilities	2,089,614	1,678,138	2,992,102	902,488	70%
Water Purchases	20,765,427	20,789,898	28,747,811	7,982,384	72%
Meter / Vault Purchases	-	109,042	-	-	-
Water Efficiency	919,722	829,029	1,883,000	963,278	49%
B Total Operating Expenses	57,385,159	58,247,655	79,439,255	22,054,096	72%
A-B Operating Income (Loss)	(3,371,526)	(5,297,117)	(11,747,320)	(8,375,793)	29%
<u>Non-Operating Revenues (Expenses)</u>					
Property Tax Revenue	28,854,024	28,027,365	28,599,883	(254,141)	101%
Investment Income ³	5,744,192	4,057,437	2,108,233	(3,635,959)	272%
Property Lease Income	1,572,801	1,469,494	1,800,265	227,465	87%
Interest Expense	(3,566,634)	(3,735,868)	(3,027,210)	539,424	118%
Misc. Non-Operating Income (Expense) ⁴	1,840,016	2,563,467	933,435	(906,581)	197%
Capacity and Demand Offset Fees	184,146	132,901	420,339	236,193	44%
C Total Non-Operating Revenue (Expenses)	34,628,545	32,514,796	30,414,606	(4,213,939)	114%
A-B+C Change in All Funds	\$ 31,257,019	\$ 27,217,679	\$ 18,667,286	\$ (12,589,732)	
<u>Other Non Cash Expenses</u>					
Depreciation	17,963,545	16,280,178	-	(17,963,545)	n/a
D Total Change in Net Position	\$ 13,293,474	\$ 10,937,501	\$ 18,667,286	\$ 5,373,813	

Note: Totals may not sum due to rounding.

1. The District has capitalized \$1,544,123 in salaries and benefits year-to-date related to time spent on capital projects.
2. The property tax admin fee for FY 19-20 was paid to the County.
3. Investment income is comprised of realized income of \$2,157,109 and unrealized income of \$3,587,083.
4. The District has received \$1.1M in grants related to the Smart Meter projects.

Moulton Niguel Water District
All Funds - Budget Comparison Report
Year To Date Totals April 30, 2020
Legal Services - General

Firm	Water Use		Capital ²	Total
	General ¹	Efficiency ¹		
Alvarado Smith APC	\$ 34,904	\$ -	\$ -	\$ 34,904
Best Best & Krieger LLP	145,309	12,131	39,649	197,089
Total	180,213	12,131	39,649	231,993
Budget Amount	750,000	20,000	-	770,000
Budget Balance	\$ 569,787	\$ 7,869	n/a	\$ 577,656

Note: Totals may not sum due to rounding.

1. Legal Services - General on the previous page is made up of the General balance of \$180,213 and the \$12,131 Water Use Efficiency balance, for a total of \$192,344.
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 April 30, 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	\$ 24,193,800	\$ 7,318,427	77%
Recycled Water Sales	6,438,316	4,007,122	2,431,194	62%
Sewer Sales	24,065,352	22,123,565	1,941,787	92%
Other Operating Income	911,436	325,189	586,247	36%
A Total Operating Revenue	62,927,331	50,649,675	12,277,656	80%
<u>Operating Expenses</u>				
Salaries	13,073,384	10,559,883	2,513,501	81%
PERs Employer Contributions	2,374,048	1,950,451	423,597	82%
Defined Contribution 401A	240,739	189,378	51,362	79%
Educational Courses	79,934	28,388	51,546	36%
Travel & Meetings	347,140	240,378	106,762	69%
Recruitment & Employee Relations	93,813	8,150	85,663	9%
General Services	490,292	323,358	166,934	66%
Annual Audit	62,500	27,672	34,828	44%
Member Agencies O&M	541,714	233,944	307,770	43%
Dues & Memberships	189,857	117,650	72,206	62%
Consulting Services	1,603,300	1,405,948	197,352	88%
Equipment Rental	66,500	51,453	15,047	77%
District Fuel	315,000	226,301	88,699	72%
Insurance - District	532,850	435,673	97,177	82%
Insurance - Personnel	439,306	368,052	71,254	84%
Insurance - Benefits	3,267,475	3,125,118	142,357	96%
Legal Services - Personnel	50,000	14,272	35,728	29%
Legal Services - General	750,000	180,213	569,787	24%
District Office Supplies	493,680	542,475	(48,795)	110%
District Operating Supplies	1,294,654	1,227,969	66,685	95%
Repairs & Maintenance - Equipment	969,300	910,479	58,821	94%
Repairs & Maintenance - Facilities	3,950,249	2,442,404	1,507,845	62%
Safety Program & Compliance Requirements	364,548	297,876	66,672	82%
Wastewater Treatment	9,471,915	6,260,467	3,211,448	66%
Special Outside Assessments	33,600	139,508	(105,908)	415%
Utilities	2,992,102	2,089,614	902,488	70%
Water Purchases	28,997,811	20,765,427	8,232,384	72%
B Total Operating Expenses	73,085,710	54,162,502	18,923,209	74%
A-B Operating Income (Loss)	(10,158,379)	(3,512,827)	(6,645,553)	35%
<u>Non-Operating Revenues (Expenses)</u>				
Property Tax Revenue	28,599,883	28,854,024	(254,141)	101%
Investment Income	2,076,671	3,665,365	(1,588,694)	177%
Property Lease Income	1,800,265	1,572,801	227,464	87%
Misc. Non-Operating Income (Expense)	250,812	160,311	90,501	n/a
C Total Non-Operating Revenue (Expenses)	32,727,631	34,252,501	(1,524,870)	105%
A-B+C Change in General Fund	\$ 22,569,252	\$ 30,739,674	\$ (8,170,422)	111%
<u>Other Non Cash Expenses</u>				
Depreciation	-	17,963,545	(17,963,545)	n/a
D Total Change in Net Position	\$ 22,569,252	\$ 12,776,129	\$ 9,793,123	

Note: Totals may not sum due to rounding.

Moulton Niguel Water District
 Water Efficiency Fund - Budget Comparison Report
 Year To Date Totals April 30, 2020

	1	2	=1-2	=2/1	
Description	Approved Budget	Fiscal Year to Date Actuals	Budget Balance	% of Actuals to Budget	
WATER EFFICIENCY FUND					
<u>Projected Operating Revenue</u>					
Water Efficiency	\$ 4,764,604	\$ 3,363,958	\$ 1,400,646	71%	
A	Projected Total Operating Revenue	4,764,604	3,363,958	71%	
<u>Projected Operating Expenses</u>					
Labor	2,101,479	1,380,795	720,684	66%	
Educational Courses	6,000	9,178	(3,178)	153%	
Travel & Meetings	40,000	23,204	16,796	58%	
Dues & Memberships ¹	63,225	85,760	(22,535)	136%	
Consulting Services	1,935,000	601,910	1,333,090	31%	
Legal Services	20,000	12,131	7,869	61%	
Conservation supplies	347,240	162,749	184,491	47%	
Repairs and Maintenance - Equipment	105,250	32,194	73,056	31%	
Safety Program & Compliance Requirements	-	934	(934)	n/a	
Water Efficiency	1,883,000	919,722	963,278	49%	
B	Projected Total Operating Expenses	6,501,194	3,228,579	50%	
A-B	Projected Operating Income (Loss)	(1,736,590)	135,379	(1,871,969)	-8%
<u>Projected Non-Operating Revenue</u>					
Demand offset fees	36,000	91,280	(55,280)	254%	
Grants received ²	-	1,135,934	(1,135,934)	n/a	
Investment Income	31,562	136,026	(104,464)	431%	
C	Projected Total Non-Operating Revenue	67,562	1,363,240	(1,295,678)	2018%
A-B+C	Projected Change in Water Efficiency Fund	\$ (1,669,028)	\$ 1,498,619	\$ (3,167,646)	

Note: Totals may not sum due to rounding.

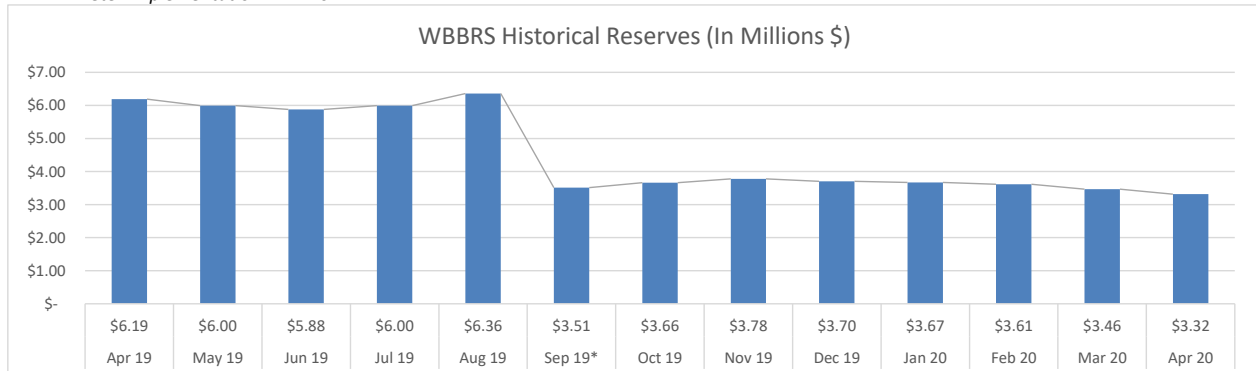
¹ The District participated in the water research foundation this year.

² The District received \$1.1M 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)	1,498,619	(3,167,646)
Project Commitments		\$ (1,242,486)	
Capital Spending	(4,742,500)	(4,107,321)	
Fund Net Position, Year To Date Totals April 30, 2020	\$ 754,994	\$ 3,315,334	

3. In addition to realized expenditures, there is approximately \$1,242,486 in project commitments, and \$4,107,321 in capital spending, reducing the available WBBRS reserve balance to \$3,315,334. 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)	
	April 30, 2020	June 30, 2019
CURRENT ASSETS:		
Cash and investments ¹	\$ 62,243,915	\$ 17,470,320
Accounts receivables:		
Water and sanitation charges	3,903,614	3,761,531
Property taxes	-	309,158
Other accounts receivable	596,423	1,851,349
Interest receivable	554,894	802,315
Inventory	1,439,991	1,054,341
Prepaid expenses	994,057	750,393
TOTAL CURRENT ASSETS	69,732,894	25,999,407
NONCURRENT ASSETS:		
Investments ¹	88,090,639	100,897,457
Restricted cash and investments with fiscal agent	18,806,849	5,888,857
Retrofit loans receivable	479,150	490,468
Capital assets, net of accumulated depreciation	367,146,843	381,319,918
Capital assets not being depreciated:		
Land	1,091,910	1,091,910
Construction in progress ¹	52,383,542	13,508,163
TOTAL NONCURRENT ASSETS	527,998,933	503,196,773
TOTAL ASSETS	597,731,827	529,196,180
DEFERRED OUTFLOW OF RESOURCES:		
Deferred Charges on Refunding	334,031	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	5,935,873	6,017,343
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES \$	603,667,700	\$ 535,213,523

1. Total cash and investments has changed \$44,884,769 during this fiscal year. The District issued \$64,570,000 of 2019 Certificates of Participation in November 2019. Additionally, \$42,623,823 has been spent on capital projects and \$12,014,951 has been spent on debt service.

MOULTON NIGUEL WATER DISTRICT
STATEMENT OF NET POSITION

	(Unaudited)	
	April 30, 2020	June 30, 2019
CURRENT LIABILITIES:		
Accounts payable	\$ 7,152,275	\$ 11,487,184
Interest payable	846,717	1,069,054
Compensated absences	1,035,623	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	11,934,615	18,069,016
LONG-TERM LIABILITIES		
Compensated absences	345,208	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	141,112,777	83,192,466
Bond Discount/Premium	14,490,868	11,116,102
TOTAL LIABILITIES	167,538,260	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	298,784,895	319,601,072
Restricted for capital projects	280,098	375,294
Unrestricted	135,865,889	101,661,014
TOTAL NET POSITION	434,930,881	421,637,380
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	\$ 603,667,700	\$ 535,213,523

Note: Totals may not sum due to rounding.

1. Total cash and investments has changed \$44,884,769 during this fiscal year. The District issued \$64,570,000 of 2019 Certificates of Participation in November 2019. Additionally, \$42,623,823 has been spent on capital projects and \$12,014,951 has been spent on debt service.

#16.

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

(Unaudited)

April 30, 2020

June 30, 2019

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

MOULTON NIGUEL WATER DISTRICT
RESTRICTED CASH AND INVESTMENTS WITH FISCAL AGENT
As of April 30, 2020

	Reserve Requirement	(Unaudited) Balance 4/30/2020	Over (Under) Requirement	Balance 6/30/2019	Outstanding Debt Balance 4/30/2020
Restricted Cash and Investments:					
2015 Refunding Bonds Reserve	\$ 1,226,500	\$ 1,361,479	\$ 134,979	\$ 1,305,081	\$ 8,565,000
2019 Revenue Bonds	-	3,385,933	3,385,933	4,583,776	48,605,000
2019 Certificates of Participation	-	14,059,437 ¹	14,059,437	-	64,570,000
Total Restricted Trust Accounts	\$ 1,226,500	\$ 18,806,849	\$ 17,580,349	\$ 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 for FY 19/20.

MOULTON NIGUEL WATER DISTRICT
NET POSITION
As of April 30, 2020

	Reserve Target	(Unaudited)		Balance 6/30/2019
		Balance 4/30/2020	Net Change	
Adopted Reserve Targets ¹				
Designated for Self Insurance Reserve	\$ 250,000	\$ 241,088	\$ (336)	\$ 241,424
Designated for Rate Stabilization	14,299,942	14,938,246	111,466	14,826,780
Designated for Emergency Reserves	35,300,000	35,300,000	-	35,300,000
Designated for Operating Reserves ²	19,859,814	51,361,948	27,160,167	24,201,781
Total Adopted Reserve Targets	\$ 69,709,755	\$ 101,841,282	\$ 27,271,297	\$ 74,569,985
	FY Capital Budget ⁴			
Designated for Capital Projects ³				
Designated for Replacement and Refurbishment	\$ 43,624,388	19,332,473	\$ 16,306,709	\$ 3,025,764
Designated for Water Supply Reliability	-	58	(346,435)	346,493
Designated for Planning and Construction	21,413,204	9,489,421	(7,062,783)	16,552,204
Total Designated for Capital Projects	\$ 65,037,592	\$ 28,821,951	\$ 8,897,490	\$ 19,924,461
Other amounts				
Designated for Water Efficiency (WBBRS) ⁵		\$ 5,202,655	\$ (1,963,867)	\$ 7,166,522
Restricted for Capital Facilities (Projects)		280,098	(95,196)	375,294
Net Investment in Capital Assets ⁶		298,784,895	(20,816,177)	319,601,072
Total Other amounts		\$ 304,267,647	\$ (22,875,241)	\$ 327,142,888
Total Net Position		\$ 434,930,881	\$ 13,293,547	\$ 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 \$64,952,685.

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 \$1,242,486 in project commitments, and \$4,107,321 in capital spending, reducing the available WBBRS reserve balance to \$3,315,334. 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	\$ 420,622,295
Less capital related debt	(122,171,431)
Add deferred charges related to debt	334,031
Total Net Investment in Capital Assets	\$ 298,784,895

**MOULTON NIGUEL WATER DISTRICT
SUMMARY OF DISBURSEMENTS
FOR THE MONTH OF MAY**

Summary of Disbursements in May:

General Fund Disbursements		7,059,552
 <u>Other Fund Disbursements:</u>		
Water Efficiency Fund	268,128	
Replacement & Refurbishment Fund	2,827,262	
Planning & Construction Fund	1,386,920	4,482,310
Total Disbursements for all Funds		11,541,862

Detail of Major Expenditures in May:

1. South Orange County Wastewater Authority (SOCWA)			
FY 19/20 Q4 Deposits			2,996,591
2. Municipal Water District of Orange County (MWDOC)			
March Water Purchases 1503.6 AF	1,385,285		
FY 18/19 O&M East Orange County Feeder No.2	212,933		
March Readiness to Serve	113,051		
March Turf Removal, Smart Timer Rebates, and Rotating Nozzles	43,899		
March Capacity Charge	28,851		
February Turf Removal, Smart Timer Rebates, and Rotating Nozzles	21,651		
March SCP and SAC Operation Treated Surcharges	7,751		
March WaterSmart Residential Rebate Programs	3,800		
WEEA Community Partner Sponsor	2,500		1,819,721
3. Layton Construction Company			
CMAR Construction Phase Services, progress payment #12			1,329,266
4. Vadnais Trenchless Services, Inc.			
C #2017009 and C#2017014 Potable and Recycle Water Pipeline Replacement, progress payments #7 & #8			1,047,269
5. Iflow Energy Solutions, Inc.			
Meters Inventory			267,720
6. Ferreira Construction Co. Inc.			
Emergency Repair at multiple Locations			183,537
7. Hazen & Sawyer			
C #2019302 Plant 3A Solid Handling Facilities Improvement			111,740

