

**Agenda**  
**Rio Linda / Elverta Community Water District**  
**Finance / Administrative Committee**

Visitors/Depot Center  
6730 Front Street  
Rio Linda, CA 95673

March 11, 2019  
6:30 p.m.

Public documents relating to any open session items listed on this agenda that are distributed to the Committee members less than 72 hours before the meeting are available for public inspection on the counter of the District Office at the address listed above.

The public may address the Committee concerning any item of interest. Persons who wish to comment on either agenda or non-agenda items should fill out the Comment Card and give it to the General Manager. The Committee Chair will call for comments at the appropriate time. Comments will be subject to reasonable time limits (3 minutes).

In compliance with the Americans with Disabilities Act, if you have a disability, and you need a disability related modification or accommodation to participate in this meeting, then please contact the District office at (916) 991-1000. Requests must be made as early as possible and at least one full business day before the start of the meeting.

**Call to Order**

**Public Comment**

This is an opportunity for the public to comment on non-agenda items within the subject matter jurisdiction of the Committee. Comments are limited to 3 minutes.

**Items for Discussion:**

1. Review and discuss the expenditures of the District for the month of February 2019.
2. Review and discuss the Financial Reports for the month of February 2019.
3. Discuss the proposed revisions to the District's written financial policies/procedures.
4. Discuss the next steps for pre-funding the District's retiree medical obligations.
5. Review and discuss the fees charged by the District to customers for initiating service.

**Directors' and General Manager Comments**

**Items Requested for Next Month's Committee Agenda**

- Discuss the District's commercial banking service provider.

**Adjournment**

Next Finance / Administrative Committee meeting: Monday, April 8, 2019 at 6:30 p.m.

**ADA COMPLIANCE STATEMENT**

*In compliance with the Americans with Disabilities Act, if you need special assistance or materials to participate in this meeting, please contact the District Office at 916-991-1000. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting and agenda materials.*



## **Finance /Administrative Committee Agenda Item: 1**

**Date:** March 11, 2019

**Subject:** Expenditure Summary

**Staff Contact:** Timothy R. Shaw, General Manager

### **Recommended Committee Action:**

It is recommended that the Finance / Administrative Committee approve the Expenditure Summary for the month of February 2019 and forward to the March 18, 2019 meeting of the Board.

### **Current Background and Justification:**

These expenditures were necessary and prudent for operation of the District and consistent with the policies and budget adopted by the Board of Directors. The Expenditure Summary provides the listing of expenditures which have occurred since the last regular meeting of the Board.

### **Conclusion:**

Consistent with the District policies, the Expenditure Summary is to be reviewed by the Finance/Administrative Committee and approved by the Board of Directors.

**Rio Linda Elverta Community Water District  
Expenditure Report  
February 2019**

Type	Date	Num	Name	Memo	Amount
Bill Pmt -Check	02/01/2019	EFT	WageWorks	Employee Benefits	530.10
Liability Check	02/04/2019	EFT	QuickBooks Payroll Service	For PP Ending 01/31/2019 Paydate 02/05/2019	19,853.08
Liability Check	02/05/2019	EFT	CalPERS	For PP Ending 01/31/2019 Paydate 02/05/2019	2,139.17
Liability Check	02/05/2019	EFT	CalPERS	For PP Ending 01/31/2019 Paydate 02/05/2019	1,988.73
Liability Check	02/05/2019	EFT	California State Disbursement Unit	Employee Garnishment	397.50
Liability Check	02/05/2019	EFT	Nationwide	Employee Benefits	1,280.49
Bill Pmt -Check	02/05/2019	EFT	Adept Solutions	Computer Maintenance	1,109.00
Bill Pmt -Check	02/05/2019	EFT	Comcast	Phone/Internet	416.49
Bill Pmt -Check	02/05/2019	EFT	Republic Services	Utilities	86.57
Bill Pmt -Check	02/05/2019	EFT	Voyager Fleet Commander	Transportation Fuel	1,009.92
Liability Check	02/05/2019	EFT	Internal Revenue Service	Employment Taxes	6,993.48
Liability Check	02/05/2019	EFT	Employment Development	Employment Taxes	1,427.20
Paycheck	02/05/2019	5784	Employee	For PP Ending 01/31/2019 Paydate 02/05/2019	184.70
Liability Check	02/05/2019	5785	FRANCHISE Tax Board	Employee Garnishment	443.78
Check	02/05/2019	5786	RLECWD	Umpqua Bank Monthly Debt Service Transfer	16,500.00
Bill Pmt -Check	02/05/2019	5787	ACWA/JPIA	Employee Benefits	23.50
Bill Pmt -Check	02/05/2019	5788	Buckmaster Office Solutions	Office Equipment Expense	74.27
Bill Pmt -Check	02/05/2019	5789	Cintas Corporation	Safety	41.44
Bill Pmt -Check	02/05/2019	5790	Ferguson Enterprises Inc.	Meter Maintenance	16,162.50
Bill Pmt -Check	02/05/2019	5791	OReilly Automotive	Transportation Maintenance	204.54
Bill Pmt -Check	02/05/2019	5792	Pape Machinery Exchange	Equipment Maintenance	247.65
Bill Pmt -Check	02/05/2019	5793	Quill Corporation	Office Expense	196.08
Bill Pmt -Check	02/05/2019	5794	Rio Linda Elverta Recreation & Park Dist	Meeting Expense	50.00
Bill Pmt -Check	02/05/2019	5795	Rio Linda Hardware and Building Supply	Shop Supplies	423.91
Bill Pmt -Check	02/05/2019	5796	RW Trucking	Distribution Supplies	660.98
Bill Pmt -Check	02/05/2019	5797	SMUD	Utilities	11,309.92
Bill Pmt -Check	02/05/2019	5798	Spok, Inc.	Field Communication	15.19
Bill Pmt -Check	02/05/2019	5799	State Water Resources Control Board	Permit	18,432.00
Bill Pmt -Check	02/05/2019	5800	UniFirst Corporation	Uniforms	95.14
Bill Pmt -Check	02/05/2019	5801	Vanguard Cleaning Systems	Janitorial	195.00
Bill Pmt -Check	02/05/2019	5802	WellTec, Inc.	Pumping Maintenance	2,947.91
Bill Pmt -Check	02/05/2019	5803	Wickham, Gerald	Retiree Health/Lifetime Benefit	509.40
Bill Pmt -Check	02/05/2019	EFT	WageWorks	FSA Administration Fee	71.00
Bill Pmt -Check	02/05/2018	5804	Continental Utility Solutions, Inc.	Capital Improvement-Billing System	8,611.00
Liability Check	02/19/2019	EFT	QuickBooks Payroll Service	For PP Ending 02/15/19 Pay date 02/20/19	18,655.98
Liability Check	02/20/2019	EFT	CalPERS	For PP Ending 02/15/19 Pay date 02/20/19	2,020.18
Liability Check	02/20/2019	EFT	CalPERS	For PP Ending 02/15/19 Pay date 02/20/19	1,876.56
Liability Check	02/20/2019	EFT	Internal Revenue Service	Employment Taxes	6,480.58
Liability Check	02/20/2019	EFT	Employment Development	Employment Taxes	1,306.51
Liability Check	02/20/2019	EFT	AFLAC	Employee Benefits	651.04
Liability Check	02/20/2019	EFT	Nationwide	Employee Benefits	1,248.70
Liability Check	02/20/2019	EFT	California State Disbursement Unit	Employee Garnishment	397.50
Liability Check	02/20/2019	EFT	Kaiser Permanente	Employee Benefits	342.43
Liability Check	02/20/2019	EFT	Principal	Employee Benefits	1,483.03

**Rio Linda Elverta Community Water District  
Expenditure Report  
February 2019**

Type	Date	Num	Name	Memo	Amount
Liability Check	02/20/2019	EFT	Western Health Advantage	Employee Benefits	12,350.17
Bill Pmt -Check	02/20/2019	EFT	Verizon	Field Communication	633.03
Liability Check	02/20/2019	EFT	WageWorks	Employee Benefits	138.42
Check	02/20/2019	EFT	RLECWD - Capital Improvement	Current Monthly Transfer	74,668.00
Check	02/20/2019	EFT	RLECWD - SURCHARGE ACCOUNT 1	Current Monthly Transfer	44,956.37
Check	02/20/2019	EFT	RLECWD - Operating	Transfer funds for Security Deposits paid with Credit Card	1,700.00
Check	02/20/2019	EFT	RLECWD - SURCHARGE ACCOUNT 2	Bi-Monthly Transfer	72,750.26
Bill Pmt -Check	02/20/2019	EFT	Bankcard Center 2911	Computer, Meetings, Office, Printing, Postage, Staff Training	2,016.42
Bill Pmt -Check	02/20/2019	EFT	Bankcard Center 7806	Back Flow, Staff Training	1,280.00
Paycheck	02/20/2019	5805	Employee	For PP Ending 02/15/19 Pay date 02/20/19	92.35
Liability Check	02/20/2019	5806	Teamsters Local #150	Union Dues	608.00
Check	02/20/2019	5807	Customer	Final Bill Refund	93.81
Check	02/20/2019	5808	Customer	Final Bill Refund	87.52
Bill Pmt -Check	02/20/2019	5809	Anthem Blue Cross	Retiree Insurance: Wickham Lifetime Benefit	1,067.31
Bill Pmt -Check	02/20/2019	5810	BSK Associates	Lab Fees	1,590.00
Bill Pmt -Check	02/20/2019	5811	Churchwell White	Legal	6,111.60
Bill Pmt -Check	02/20/2019	5812	CoreLogic Solutions	Metro Scan	134.75
Bill Pmt -Check	02/20/2019	5813	County of Sacramento	Permit	365.75
Bill Pmt -Check	02/20/2019	5814	DirectHit Pest Control	Pest Control	75.00
Bill Pmt -Check	02/20/2019	5815	Ferguson Enterprises	Meter Maintenance	39,544.25
Bill Pmt -Check	02/20/2019	5816	PG&E	Utilities	90.20
Bill Pmt -Check	02/20/2019	5817	Quill	Office Expense	206.17
Bill Pmt -Check	02/20/2019	5918	Sierra Chemical Company	Chemical Supplies	861.30
Bill Pmt -Check	02/20/2019	5819	The News	Publishing	117.64
Bill Pmt -Check	02/20/2019	5820	Usa No 811	Distribution	1,176.69
Bill Pmt -Check	02/20/2019	5821	WellTec, Inc.	Pump Maintenance	11,304.71
Liability Check	02/20/2019	5822	Continental Utility Solutions, Inc.	Capital Improvement: Billing Software	3,085.50
Bill Pmt -Check	02/27/2019	EFT	WageWorks	Employee Benefits	121.72
<b>Total 10000 - Bank - Operating Account</b>					<b>426,321.09</b>

**Rio Linda Elverta Community Water District  
Expenditure Report  
February 2019**

**10100 · Security Deposits**

<b>Type</b>	<b>Date</b>	<b>Num</b>	<b>Payee</b>	<b>Memo</b>	<b>Amount</b>
Transfer	02/20/2019	EFT	RLECWD - Operating Account	January 2019 Security Deposits Applied	3,130.00

**10100 · Security Deposits**

**3,130.00**

<b>Type</b>	<b>Date</b>	<b>Num</b>	<b>Payee</b>	<b>Memo</b>	<b>Amount</b>
Transfer	02/05/2019	EFT	RLECWD - Operating	Transfer see operating checks numbers 5804	8,611.00
Transfer	02/20/2019	EFT	RLECWD - Operating	Transfer see operating checks numbers 5822	3,085.50

**10455 · Capital Improvement Reserve**

**11,696.50**



## **Finance /Administrative Committee Agenda Item: 2**

**Date:** March 11, 2019

**Subject:** Financial Reports

**Staff Contact:** Timothy R. Shaw, General Manager

### **Recommended Committee Action:**

It is recommended that the Finance / Administrative Committee review the Finance Reports of the District for the month of February 2019.

### **Current Background and Justification:**

The financial reports are the District's balance sheet, profit and loss, and capital improvements year to date. This report provides the snapshot of the District's fiscal health for the period covered.

### **Conclusion:**

Consistent with District policies, these financials are to be reviewed by this committee and presented to the Board of Directors to inform them of the District's current financial situation.

**Rio Linda Elverta Community Water District**  
**Balance Sheet**  
 As of February 28, 2019

**ASSETS**

**Current Assets**

**Checking/Savings**

**100 · Cash & Cash Equivalents**

**10000 · Operating Account**

10005 · Operating Fund 387,159.82

10010 · Operating Reserve Fund 250,000.00

**Total 10000 · Operating Account 637,159.82**

**10100 · Trust/Security Deposit Account 43,692.00**

**10450 · Capital Improvement**

10455 · Capital Improvement Fee Reserve 957,322.93

10460 · Vehicle Replacement Reserve 10,000.00

10465 · Cr6 Project 11,026.90

**Total 10450 · Capital Improvement 978,349.83**

**10600 · LAIF GASB 45 16,253.79**

**Total 100 · Cash & Cash Equivalents 1,675,455.44**

**102 · Restricted Assets**

**102.1 · Restricted Capital Improvements**

10700 · ZIONS Inv/Surcharge Reserve 496,314.17

**Total 102.1 · Restricted Capital Improvements 496,314.17**

**102.2 · Restricted for Debt Service**

10300 · Surcharge 1 Account 612,260.60

10325 · Community Business Bank 83,266.61

10350 · Umpqua Bank 86,487.88

10350 · Surcharge 2 Account 562,434.24

**Total 102.2 · Restricted for Debt Service 1,344,449.33**

**Total 102 · Restricted Assets 1,840,763.50**

**Total Checking/Savings 3,516,218.94**

**Accounts Receivable 870.00**

**Other Current Assets**

12000 · Water Utility Receivable 81,376.74

12200 · Accrued Revenue 150,000.00

12250 · Accrued Interest Receivable 1,662.64

15000 · Inventory Asset 95,018.40

16000 · Prepaid Expense 49,072.79

**Total Other Current Assets 377,130.57**

**Total Current Assets 3,894,219.51**

**Fixed Assets**

17000 · General Plant Assets 712,486.63

17100 · Water System Facilites 20,717,058.49

17300 · Intangible Assets 373,043.42

17500 · Accum Depreciation & Amort -8,702,559.39

18000 · Construction in Progress 1,250,105.87

18100 · Land 496,673.45

**Total Fixed Assets 14,846,808.47**

**Other Assets**

19000 · Deferred Outflows 347,606.00

19900 · Suspense Account 0.00

**Total Other Assets 347,606.00**

**TOTAL ASSETS 19,088,633.98**

**Rio Linda Elverta Community Water District**  
**Balance Sheet**  
 As of February 28, 2019

**LIABILITIES & EQUITY**

**Liabilities**

**Current Liabilities**

Accounts Payable	12,489.14
Credit Cards	1,115.09
Other Current Liabilities	619,985.99

<b>Total Current Liabilities</b>	633,590.22
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**Long Term Liabilities**

23000 · OPEB Liability	262,349.00
23500 · Lease Buy-Back	755,052.27
25000 · Surcharge 1 Loan	4,536,774.26
25050 · Surcharge 2 Loan	9,140.82
26000 · Water Rev Refunding	2,091,606.00
27000 · Community Business Bank	342,485.52
29000 · Net Pension Liability	1,033,555.00
29500 · Deferred Inflows-Pension	33,279.00
29600 · Deferred Inflows-OPEB	8,293.00

<b>Total Long Term Liabilities</b>	9,072,534.87
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<b>Total Liabilities</b>	9,706,125.09
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**Equity**

31500 · Invested in Capital Assets, Net	7,519,910.46
32000 · Restricted for Debt Service	699,786.24
38000 · Unrestricted Equity	642,702.76
Net Income	520,109.43

<b>Total Equity</b>	9,382,508.89
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<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>19,088,633.98</b>
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**Rio Linda Elverta Community Water District**  
**Operating Profit & Loss Budget Performance**  
 February 2019

	<u>Annual Budget</u>	<u>Feb 19</u>	<u>Jul 18-Feb 19</u>	<u>% of Annual Budget</u>	<u>YTD Annual Budget Balance</u>
<b>Ordinary Income/Expense</b>					
<b>Income</b>					
<b>Total 40000 · Operating Revenue</b>	2,664,429.00	156,575.08	1,706,652.17	64.05%	957,776.83
<b>41000 · Nonoperating Revenue</b>					
<b>41110 · Investment Revenue</b>					
<b>41112 · Interest Revenue</b>	400.00	22.42	332.32	83.08%	67.68
<b>Total 41110 · Investment Revenue</b>	400.00	22.42	332.32	83.08%	67.68
<b>41120 · Property Tax</b>	70,000.00	47,905.09	50,561.64	72.23%	19,438.36
<b>Total 41000 · Nonoperating Revenue</b>	70,400.00	47,927.51	50,893.96	72.29%	19,506.04
<b>Total Income</b>	<u>2,734,829.00</u>	<u>204,502.59</u>	<u>1,757,546.13</u>	<u>64.27%</u>	<u>977,282.87</u>
<b>Gross Income</b>	2,734,829.00	204,502.59	1,757,546.13	64.27%	977,282.87
<b>Expense</b>					
<b>60000 · Operating Expenses</b>					
<b>60010 · Professional Fees</b>	165,979.00	6,111.60	94,379.30	56.86%	71,599.70
<b>60100 · Personnel Services</b>					
<b>60110 · Salaries &amp; Wages</b>	663,114.00	57,893.92	408,130.70	61.55%	254,983.30
<b>60150 · Employee Benefits &amp; Expense</b>	408,099.00	34,768.74	265,056.93	64.95%	143,042.07
<b>Total 60100 · Personnel Services</b>	1,071,213.00	92,662.66	673,187.63	62.84%	398,025.37
<b>60200 · Administration</b>	257,595.00	10,326.93	184,385.35	71.58%	73,209.65
<b>64000 · Conservation</b>	6,748.00	0.00	5,733.00	84.96%	1,015.00
<b>65000 · Field Operations</b>	423,809.00	67,385.88	289,265.79	68.25%	134,543.21
<b>Total 60000 · Operating Expenses</b>	1,925,344.00	176,487.07	1,246,951.07	64.77%	678,392.93
<b>69000 · Non-Operating Expenses</b>					
<b>69010 · Debt Service</b>					
<b>69100 · Revenue Bond</b>					
<b>69105 · Principle</b>	133,163.00	0.00	53,163.00	39.92%	80,000.00
<b>69110 · Interest</b>	65,726.00	0.00	33,260.30	50.60%	32,465.70
<b>Total 69100 · Revenue Bond</b>	198,889.00	0.00	86,423.30	43.45%	112,465.70
<b>69125 · AMI Meter Loan</b>					
<b>69130 · Principle</b>	46,818.00	0.00	46,818.03	100.00%	-0.03
<b>69135 · Interest</b>	11,696.00	0.00	11,695.89	100.00%	0.11
<b>Total 69125 · AMI Meter Loan</b>	58,514.00	0.00	58,513.92	100.00%	0.08
<b>Total 69010 · Debt Service</b>	257,403.00	0.00	144,937.22	56.31%	112,465.78
<b>69400 · Other Non-Operating Expense</b>	2,000.00	0.00	0.00	0.00%	2,000.00
<b>Total 69000 · Non-Operating Expenses</b>	259,403.00	0.00	144,937.22	55.87%	114,465.78
<b>Total Expense</b>	<u>2,184,747.00</u>	<u>176,487.07</u>	<u>1,391,888.29</u>	<u>63.71%</u>	<u>792,858.71</u>
<b>Net Ordinary Income</b>	<u>550,082.00</u>	<u>28,015.52</u>	<u>365,657.84</u>		
<b>Net Income</b>	<u><u>550,082.00</u></u>	<u><u>28,015.52</u></u>	<u><u>365,657.84</u></u>		

CAPITAL BUDGET VS ACTUAL FISCAL YEAR 2018-2019  
July 2018 through February 2019

	GENERAL		CONNECTIONS		CHROMIUM MITIGATION & NEW WELLS		VEHICLE REPLACEMENT	
	Annual Budget	YTD Actual	Annual Budget	YTD Actual	Annual Budget	YTD Actual	Annual Budget	YTD Actual
<b>BEGINNING FUND BALANCE</b>	<b>\$ 1,426,064.00</b>	<b>\$ 1,426,064.00</b>	<b>\$ 129,988.00</b>	<b>\$ 129,988.00</b>	<b>\$ (454,317.00)</b>	<b>\$ (454,317.00)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FUNDING SOURCES</b>								
Fund Transfers								
Operating Fund Transfers In	550,000.00	292,000.00	-	-	-	-	-	-
CIP Fund Intrafund Transfers	(10,000.00)	(10,000.00)	-	-	-	-	10,000.00	10,000.00
Surcharge 2 Surplus Repayment	-	-	-	-	435,752.00	-	-	-
Contributed Funding								
Capacity Fee Revenue			40,000.00	28,124.02	-	-	-	-
Contributed Facilities (Developers)	-	-	-	-	-	-	-	-
Grant Revenue	-	-	-	-	20,000.00	-	-	-
Loan Proceeds	35,212.00	-	18,055.00	-	2,468,239.00	-	30,000.00	-
Investment Revenue	350.00	456.35	-	-	-	-	-	-
Sale of Fixed Assets	-	-	-	-	-	-	-	-
<b>TOTAL FUNDS AVAILABLE FOR CIP PROJECTS</b>	<b>2,001,626.00</b>	<b>1,708,520.35</b>	<b>188,043.00</b>	<b>158,112.02</b>	<b>2,469,674.00</b>	<b>(454,317.00)</b>	<b>40,000.00</b>	<b>10,000.00</b>
<b>PROJECTS</b>								
<b>A - WATER SUPPLY</b>								
A-1 · Well 10 - Cr6 Treatment	-	-	-	-	40,000.00	-	-	-
A-2 · Well 16	-	-	-	-	2,448,239.00	2,800.00	-	-
A-3 · Well 17	28,000.00	-	-	-	-	-	-	-
A-4 · Miscellaneous Pump Replacements	40,000.00	-	-	-	-	-	-	-
<b>Total A - WATER SUPPLY</b>	<b>68,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,488,239.00</b>	<b>2,800.00</b>	<b>-</b>	<b>-</b>
<b>B - WATER DISTRIBUTION</b>								
B-1 · System Valve Replacements	30,000.00	-	-	-	-	-	-	-
B-2 · Paving Replacements	25,000.00	-	-	-	-	-	-	-
B-3 · Service Replacements	35,000.00	29,609.50	-	-	-	-	-	-
B-4 · Large Meter Replacements	5,000.00	-	-	-	-	-	-	-
<b>Total B - WATER DISTRIBUTION</b>	<b>95,000.00</b>	<b>29,609.50</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>M - GENERAL PLANT ASSETS</b>								
M-1 · Ice Machine	2,804.00	2,803.96	-	-	-	-	-	-
M-2 · Billing Software Upgrade	25,000.00	25,000.00	18,055.00	16,835.00	-	-	-	-
M-3 · Office Furniture & Equipment	10,212.00	-	-	-	-	-	-	-
M-4 · Truck	-	-	-	-	-	-	30,000.00	-
<b>Total M - GENERAL PLANT ASSETS</b>	<b>38,016.00</b>	<b>27,803.96</b>	<b>18,055.00</b>	<b>16,835.00</b>	<b>-</b>	<b>-</b>	<b>30,000.00</b>	<b>-</b>
<b>C - CONTINGENCY</b>								
C-1 · Contingency (10% of Est A,B,M, & FO)	20,101.60	-	1,805.50	-	248,823.90	-	3,000.00	-
<b>TOTAL BUDGETED PROJECT EXPENDITURES</b>	<b>221,117.60</b>	<b>57,413.46</b>	<b>19,860.50</b>	<b>16,835.00</b>	<b>2,737,062.90</b>	<b>2,800.00</b>	<b>33,000.00</b>	<b>-</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 1,780,508.40</b>	<b>\$ 1,651,106.89</b>	<b>\$ 168,182.50</b>	<b>\$ 141,277.02</b>	<b>\$ (267,388.90)</b>	<b>\$ (457,117.00)</b>	<b>\$ 7,000.00</b>	<b>\$ 10,000.00</b>



## **Finance /Administrative Committee Agenda Item: 3**

**Date:** March 11, 2019

**Subject:** Re-establish District Financial Policies

**Staff Contact:** Timothy R. Shaw, General Manager

### **Recommended Committee Action:**

The Finance / Administrative Committee should review the update to the District Finance Policies originally adopted via Resolution 2012-12, direct any changes deemed appropriate, and forward the item(s) to the March 18<sup>th</sup> Board agenda with a recommendation for Board approval.

### **Current Background and Justification:**

The Board directed the re-establishment of the District Financial Policies at the February 25<sup>th</sup> meeting. The Board recognized the Resolution 2012-12 finance policies may need updating due to potential for changing circumstance over the seven years since the policies were originally adopted. Accordingly, this item was directed back to Committee.

Staff has reviewed the policies in the context of changes since adoption and has submitted recommended updates with the Committee packets. Staff requires additional direction from Committee and further requires additional detail regarding loans that were originally depicted in the 2012 policies and loans that have occurred since the 2012 policies were adopted.

### **Conclusion:**

I recommend the committee review the recommend changes in the District Finance Policies draft, provide direction to staff as appropriate, then direct a follow up item on the April 8<sup>th</sup> Finance/Admin Committee agenda.

## **Rio Linda / Elverta Community Water District**

### **Resolution 2012-12**

#### **CREATING SEC. 3.09.140 DISTRICT INVESTMENT POLICY, 3.09.150 OPERATING AND RESERVE POLICY AND 3.09.160 WHISTLEBLOWER POLICY OF TITLE 3 FINANCE OF THE DISTRICT POLICY MANUAL**

**WHEREAS**, In the 2009-10 audit findings the District's Auditor recommended that the District create policies on District Investment, Operating and Reserve Accounts and whistleblower protection.

**WHEREAS**, The General Manager has created these policies and they have been reviewed by the District's Auditor. These policies were approved by the Board of Directors at its June 18, 2012 meeting.

**WHEREAS**, It has been determined that these policies should be included in the District's policy manual;

**NOW THEREFORE, BE IT RESOLVED**, by the Rio Linda / Elverta Community Water District Board of Directors that the provisions of Section 3.09.140 District Investment Policy, 3.09.150 Operating and Reserve Policy and 3.09.160 Whistleblower Policy of the District Policy Manual (Title 3 Finance) are hereby added as noted below:

#### **3.09.140 District Investment Policy**

##### **PURPOSE**

This statement is intended to provide policy and direction to the Finance Officer of the District for the prudent and beneficial use of all funds and monies of the District without regard to source or restrictions. Any reference to portfolio shall mean the total of District cash and securities under management by the Finance Officer. Permitted investments shall be listed in Exhibit A.

##### **AUTHORITY**

The Government Code of the State of California (Government Code), primarily section 53601 and related subsections authorizes the types of investment vehicles allowed in a California local agency's portfolio. The investment vehicles emphasize preservation of capital and are a conservative set of investments. The authority to invest (as defined in the Government Code) is delegated to the local agency's legislative body for re-delegation to its finance officer. Under no circumstances is the local agency finance officer permitted to purchase an investment that is not specifically authorized by law and within the scope of investments delegated by the local agency's governing Board.

## **BASIC POLICY AND OBJECTIVES**

The Rio Linda / Elverta Community Water District investment policy is a conservative policy guided by three principles of public fund management. In specific order of importance the three principles are:

- 1) Safety of Principal. Investments shall be undertaken in a manner which first seeks to preserve portfolio principal.
- 2) Liquidity. Investments shall be made with maturity dates that are compatible with cash flow requirements and which will permit easy and rapid conversion into cash, at all times, without a substantial loss of value.
- 3) Return on Investment. Investments shall be undertaken to produce an acceptable rate of return after first consideration for principal and liquidity.

## **FOLLOWING ARE OBJECTIVES:**

**DIVERSIFICATION** The District shall maintain a portfolio of authorized investments with diversified maturities, issuers and security types to avoid the risk inherent in over investing in any one sector. The Finance Officer shall evaluate or cause to have evaluated each potential investment, seeking quality of issuer, underlying security or collateral, potential negative effects of market volatility on the investment and shall diversify the portfolio to reduce exposure and assure adherence to the Basic Policy and Objectives paragraph of this policy.

**PRUDENT INVESTOR STANDARD** Investments will be made with the same standard of care that persons of prudence, discretion and intelligence exercise when managing their own affairs, not for speculation, but for investment with particular consideration for safety of capital as well as probable income derived.

**REPORTING REQUIREMENTS** Each month the Finance Officer shall prepare and submit a report of investment transactions to the Board of Directors. This report will be sufficiently detailed to provide information for investment evaluation.

**PERFORMANCE REVIEW** An annual appraisal of the investment portfolio shall be conducted to evaluate the effectiveness of the District's investment program. The purpose of this review, in addition to evaluation of performance, is to provide the platform for recommendations of change and improvements to the portfolio to the Board of Directors.

**GRANDFATHER CLAUSE** Any investment held by the District at the time of this policy is adopted shall not be sold to conform to any part of this policy unless its sale is judged to be prudent by the Finance Officer.

**CONFLICTS OF INTEREST** The Finance Officer shall perform his/her duties under this Investment Policy in accordance with the provisions of Section 1126 of the Government Code as well as any other state law referred to in this policy.

**EXCEPTIONS** When the Finance Officer determines that an exception to one of the numerical limits is in the best interest of the District, such exception is permitted as long as it is consistent with applicable State and Federal laws. Exceptions to this policy shall be reported to the Board of Directors within five working days along with a detailed explanation for the variance.

**CONFLICTS** In the event any provision of this Statement of Investment Policy is in conflict with any of the statutes referred to herein or any other State or Federal statute, the provisions of each statute shall govern.

**SAFEKEEPING** All securities purchased may be delivered against payment and held in safekeeping pursuant to a safekeeping agreement. All financial institutions shall be instructed to mail confirmations and safekeeping receipts directly to the Finance Officer of the District.

**EXHIBIT "A"**

**PERMITTED INVESTMENTS**

	<u>Investment Type</u>	<u>Maximum Investment</u>	<u>Maximum Maturity</u>
1)	Investment pool authorized under CA Account Statutes governed by Government Code Sections 16429.1-16429.4	\$50 million <sup>1</sup>	Liquid
2)	California Asset Management Program (CAMP)	Unlimited	Liquid Account
3)	U.S. Treasury Obligations	Unlimited	5 Years
4)	Bank Savings Account	25%	Liquid Account
5)	Federal Agencies	75%	5 Years
6)	Commercial Paper	20%	180 Days
7)	Negotiable Certificates of Deposit	20%	180 Days
8)	Re-purchase Agreements	20%	180 Days
9)	Corporate Debt	25%	5 Years

**ADDITIONAL LIMITS ON INVESTMENTS:**

- 1) No notes.
- 3) U.S. Treasury Obligations are limited to Treasury Bills, Treasury Notes, and Treasury Bonds.
- 4) Bank Savings Accounts must be collateralized at 110% of account balance.
- 5) Federal agency 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.

- 6) Must be a U.S. corporation with over \$500 million in assets. The commercial paper must be of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization. The District may purchase no more than 10 percent of the outstanding commercial paper of any single issuer. Additionally, District purchases may not exceed 10% per issuer.
- 7) Negotiable certificates of deposit must be issued by a nationally or state-chartered bank, a savings association, or a federal association (as defined by Section 5102 of the Financial Code), or a state or federal credit union, or by a state-licensed branch of a foreign bank. Purchases are limited to institutions which have long-term debt rated in the "A: category or higher, or the equivalent, by a nationally recognized rating organization.
- 8) The District will enter into repurchase agreements only with primary government securities dealers as designated by the Federal Reserve Bank of New York. Repurchase agreements shall be governed by a master repurchase agreement adopted by the Public Securities Association. All securities underlying repurchase agreements shall be delivered to the District's custodial bank, or be handled under a properly executed "tri-party" custodial arrangement. Collateral for repurchase agreements is restricted to U.S. Treasury issues or Federal Agency issues.

The underlying collateral must be at least 102% of the repurchase agreement amount. If the value of securities held as collateral slips below 102% of the value of the cash transferred, then additional cash or acceptable securities must be delivered to the third party custodian. Market value shall be recalculated each time there is a substitution of collateral. For repurchase agreements with terms to maturity of greater than three days, the value of the collateral securities shall be marked to market weekly by the custodian, and if additional collateral securities is required, then that collateral must be delivered within two business days. If a collateral deficiency is not corrected within two days, the collateral securities will be liquidated.

A perfect first security interest in the collateral securities, under the Uniform Commercial Code, shall be created for the benefit of the District. Collateral securities shall be held free and clear of any lien and shall be an independent third party acting solely as an agent for the District, and such third party shall be (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus, and undivided profits of not less than \$50 million.

- 9) Purchases are limited to corporate and depository institution debt securities issued by corporations 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. Notes eligible for investment shall be rated "A" or better by a nationally recognized rating service. District purchases may not exceed 10% per issuer.

Limits subject to change; established by State Treasurer.

### 3.09.150 Operating and Reserve Policy

#### BASIC POLICY AND OBJECTIVES

The Rio Linda / Elverta Community Water District reserve policy is a financial policy guided by sound accounting principles of public fund management. The policy establishes several reserve funds to minimize adverse annual budgetary impacts from anticipated and unanticipated District expenses.

The adequacy of the target reserve year-end balance ranges and/or annual contributions will be reviewed annually during the budgeting and rate setting process and may be revised accordingly as necessary. The following District reserve fund categories are established:

#### 1 Capital Improvement Fee Reserve

- 1.1. Purpose: To provide funds for the orderly and timely expansion of the District facilities to meet future demand and to maintain and/or improve the District's existing level of service.
- 1.2. Target Balance: AB1600 does not designate a target reserve balance. A Government Code 66000 Compliance Report identifies the proposed capital projects necessary to maintain and/or improve services and the amount needed to fund those capital projects. In accordance with Government Code 66000, the balance shall not exceed the amount specified by that law.
- 1.3. Methodology/Rational: Virtually all development that occurs within the District requires the use of District facilities, plant and equipment for public services. This fee is established to insure the adequacy and reliability of such facilities, plant and equipment as development of undeveloped land occurs.
- 1.4. Use of Funds: The funds generated by the fee will be used to acquire, replace and/or construct various capital facilities, plant and equipment for the provision of water, security and administrative services
- 1.5. Funding: Annual contributions from developer fees will depend upon new construction within the District. Additionally, interest earnings will be accrued on and added to fund balance, using the District's earnings rate on investments. The District also currently contributes \$20,000.00 per month into this fund from operating income.

#### 2. Surcharge Account

- 2.1. Purpose: This account was created to pay off the 2010 SRF Loan of \$7,499,045.00. This account will be closed after repayment of the loan 20 years from the project completion date.



- 2.2. Target Balance: The target balance increases and decreases with the construction project in progress. It will stabilize when the construction is complete and loan payment begins. Hence, there is currently no target balance.
- 2.3. Methodology/Rational: It has been determined by the State of California that the amount of \$19.00 per connection per billing period should be sufficient for the repayment of their loan.
- 2.4. Use of Funds: The funds will be used for repayment of SRF loan.
- 2.5. Funding: a fee of \$19.00 per billing cycle is charged to each active account and collected as a primary source of funds. A minimum of \$80,320 per billing cycle is deposited until the loan is paid off.

### **3. Surcharge Reserve**

- 3.1. Purpose: To establish a reserve as required by our 2011 SRF funding agreement # SRF111CX107
- 3.2. Target Balance: The target balance is \$481,917.00 which is equivalent to 2 semiannual loan payments.
- 2.3. Methodology/Rational: There is \$88,352.00 put into this reserve every billing cycle. The current balance is \$353,408.00. The reserve should be up to the required amount in the next two billing cycles
- 2.4. Use of Funds: The funds will not be used. They are to remain in this account until the loan is paid off per our loan agreement.
- 2.5. Funding: \$88,352.00 is transferred into this account every billing cycle until it reaches its required amount.

### **4. 2003 Water Revenue Refunding Bonds Reserve Fund 2032**

- 4.1. Purpose: To establish a reserve as required by our 2003 Water Revenue Refunding Bonds
- 4.2. Target Balance: The target balance is \$242,484.00 which is equivalent to 2 semiannual loan payments.
- 4.3. Methodology/Rational: This fund is already fully funded and no additional monies are being deposited.
- 4.4. Use of Funds: The funds will not be used. They are to remain in this account until the bonds are paid off per our bond agreement.
- 4.5. Funding: This fund is already fully funded and no additional monies are being deposited.

**5. 2003 Debt Service Fund**

- 5.1. Purpose: To make semiannual bond payments on the 2003 bonds in the amount of \$3,970,000.
- 5.2. Target Balance: The amount equivalent to the amount payable on the bonds semi annually. There is approximately \$240,000.00 due per year on this bond issue.
- 5.3. Methodology/Rational: The District deposits \$20,000.00 per month in to this reserve from the Operating Fund in order to have sufficient funds to pay the bond payments when due.
- 5.4. Use of Funds: These funds are used exclusively to repay the 2003 Bond debt.
- 5.5. Funding: \$20,000 per month is put into this account to build up enough money for payment of the bonds when due.

**6. Operating Fund**

- 6.1. Purpose: To ensure cash resources are available to fund daily administration, operations and maintenance of providing water, wastewater, security and drainage services.
- 6.2. Target Balance: A minimum of six months of cash to fund District expenditures.
- 6.3. Methodology/Rational: The District is required to have sufficient cash flow to meet the next six months of budgeted District expenditures (Government Code Section 53646(b)(3)). The next six months of projected cash revenues can be included as a source of cash flow to satisfy this requirement. Revenues in excess of reserve contributions and expenditures resulting from expenditure savings or timing differences are also reflected in this fund.
- 6.4. Use of Funds: These funds will be used to pay for expenditures according to budget and expenditure authority.
- 6.5. Funding: Annual contributions will vary, depending upon other reserve requirements and current year expenditure requirements. Additionally, interest earnings will be accrued on and added to fund balance, using the District's earnings rate on investments.

**7. Trust Account**

- 7.1. Purpose: To collect deposits for new customer accounts. These deposits are refunded after one year of timely payment on their account.
- 7.2. Target Balance: The balance on this account fluctuates with the number of customers that have deposits with the District.
- 7.3. Methodology/Rational: The District requires a \$100.00 deposit for each parcel that is owned by a customer. There is a method of waiving the deposit. If the customer can provide us with a letter of credit from a current or previous utility provider that shows at least one year of history with no late payments or returned checks the deposit can be

waived. If a deposit is required the deposit gets returned to their account after one year of timely payment or when they move. If there is a deposit balance after paying the final bill upon leaving the property it is refunded in the form of a check.

- 7.4. Use of Funds: These funds will be used to pay the final bill on an account if it is left unpaid when the owner moves away.
- 7.5. Funding: The District requires a \$100.00 deposit for each parcel that is owned by a customer. If the customer can provide the District with a letter of credit from a current or previous utility provider that shows at least one year of history with no late payments or returned checks the deposit can be waived.

## 8. Secured Credit Card

- 8.1 Purpose: To provide a constant amount of money for the District credit cards to draw upon.
- 8.2. Target Balance: The balance on this account is \$15,000.00.
- 8.3. Methodology/Rational: The District had no credit when the current Management went to obtain a credit card for the company. The only way a card could be secured was to have a constant balance set aside for the company credit cards to draw upon and reimburse monthly.
- 8.4. Use of Funds: These funds are used to pay credit card expenses and reimbursed monthly.
- 8.5. Funding: The District initially funded this account with the amount of \$15,000.00.

## 9. LAIF GASB 45 Funding

- 9.1 Purpose: To provide a source of income to fund post retirement benefits.
- 9.2. Target Balance: Unknown. An Actuarial study needs to be performed to determine the appropriate amount to include in this account.
- 8.3. Methodology/Rational: This will be determined when the actuarial study is done.
- 8.4. Use of Funds: These funds are to be used to fund post retirement benefits costs.
- 8.5. Funding: The income to fund this account will come from the Operating Fund.

### 3.09.160 Whistleblower Policy

#### PURPOSE

Rio Linda / Elverta Community Water District (RLECWD) requires its Directors, Managers and Employees to observe high standards of professionalism and ethical conduct in maintaining financial records. This Whistleblower Policy (the "Policy") establishes standards and procedures to ensure that complaints and concerns ("Accounting Irregularity") regarding accounting or auditing matters are reported and handled in a manner that complies with management's objectives. In addition, this policy establishes procedures for:

1. The confidential, anonymous submission by Complainants of Accounting Irregularities regarding questionable accounting or auditing matters; and,
2. The treatment of Accounting Irregularities concerning accounting, internal account controls and auditing matters received by RLECWD from Complainants.

### **NO RETALIATION**

No office, employee or other (the “Complainant”) who in good faith reports an Accounting Irregularity shall suffer harassment, retaliation or adverse employment consequences. An employee who retaliates against someone who has reported an Accounting Irregularity in good faith is subject to discipline up to and including termination of employment. This Whistleblower Policy is intended to encourage and enable Complainants to raise serious concerns with RLECWD rather than seek resolution outside RLECWD.

### **PROCEDURE FOR REPORTING VIOLATIONS**

1. It is the responsibility of all Directors, Managers and Employees to report all suspected Accounting Irregularities in accordance with this Policy. RLECWD maintains an open door policy and suggests that Complainants share their questions, concerns or complaints with someone who can address them properly. In most cases, the Complainant’s supervisor is in the best position to address an area of concern. A Complainant’s supervisor may be most knowledgeable about the issues and will appreciate being brought into the process. It is the supervisor’s responsibility to help solve the problem.
2. If the Complainant is not comfortable speaking to his/her supervisor or is not satisfied with the supervisor’s response, the Complainant is encouraged to speak with the General Manager. Supervisors and General Manager are required to report suspected Accounting Irregularities to the Board of Directors. The Board of Directors will create an Audit Committee which has specific and exclusive responsibility to investigate all reported violations. For suspected fraud or securities law violations, or when the Complainant is not satisfied or is uncomfortable with following RLECWD’s open door policy, the Complainant should contact the General Manager directly.

RLECWD General Manager  
P.O. Box 400  
Rio Linda, CA 95673  
(916) 991-1000  
(916) 991-6616 fax

### **INVESTIGATION OF COMPLAINTS**

1. The Audit Committee is responsible for investigating and resolving all reported complaints and allegations concerning Accounting Irregularities. The Audit Committee may retain independent legal counsel, accountants or other to assist in its investigation.

2. The Chair of the Audit Committee will notify the Complainant and acknowledge receipt of the reported suspected Accounting Irregularity within five business days. All reports will be promptly investigated and appropriate corrective action will be taken if warranted as a result of the investigation.
3. RLECWD shall retain records of complaints for a period of no less than seven years as a separate part of the records of the Audit Committee.

### **ACCOUNTING AND AUDITING MATTERS**

The Audit Committee is responsible for addressing all reported concerns or complaints regarding accounting practices, internal controls or auditing. The General Manager is required to immediately notify the Board of Directors of any complaint of which he/she is aware and to work with the Committee until the matter is resolved.

### **ACTING IN GOOD FAITH**

Anyone filing a complaint concerning a suspected Accounting Irregularity must be acting in good faith and have reasonable grounds for believing the information disclosed indicates an Accounting Irregularity. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

### **CONFIDENTIALITY**

Complaints or submissions concerning a suspected Accounting Irregularity may be submitted on a confidential basis by the Complainant or may be submitted anonymously. All complaints or submissions will be kept confidential to all extent possible, consistent with the need to conduct an adequate investigation.

This Policy will become effective immediately upon approval of this Resolution.

Passed and Adopted this 16<sup>th</sup> Day of July 2012 by the following vote:

Ayes: Directors Frank Caron, Hood, Johnson, Trautman

Noes: None

Absent: Courtney Caron

Abstain: None

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Gerald H. Trautman  
President, Board of Directors

Attest:

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Mary Henrici  
Secretary of the Board

**REDLINE DRAFT OF REVISED RLECWD FINANCE POLICIES**  
Originally adopted in Resolution 2012-12

**3.09.140 District Investment Policy**

**PURPOSE**

This statement is intended to provide policy and direction ~~to the Finance Officer of the District for the~~ prudent and beneficial use of all funds and monies of the District without regard to source or restrictions. Any reference to portfolio shall mean the total of District cash and securities, ~~under management by the~~

~~Finance Officer.~~ Permitted investments shall be listed in Exhibit A.

**AUTHORITY**

The Government Code of the State of California (Government Code), primarily section 53601 and related subsections authorize the types of investment vehicles allowed in a California local agency's portfolio. The investment vehicles emphasize preservation of capital and are a conservative set of investments. The authority to invest (as defined in the Government Code) is delegated to the local agency's legislative body for re-delegation to its finance officer. Under no circumstances is the local agency finance officer permitted to purchase an investment that is not specifically authorized by law and within the scope of investments delegated by the local agency's governing Board.

**BASIC POLICY AND OBJECTIVES**

The Rio Linda / Elverta Community Water District investment policy is a conservative policy guided by three principles of public fund management. In specific order of importance the three principles are:

- 1) Safety of Principal. Investments shall be undertaken in a manner which first seeks to preserve portfolio principal.
- 2) Liquidity. Investments shall be made with maturity dates that are compatible with cash flow requirements and which will permit easy and rapid conversion into cash, at all times, without a substantial loss of value.
- 3) Return on Investment. Investments shall be undertaken to produce an acceptable rate of return after first consideration for principal and liquidity.

**FOLLOWING ARE OBJECTIVES:**

**DIVERSIFICATION** The District shall maintain a portfolio of authorized investments with diversified maturities, issuers and security types to avoid the risk inherent in over investing in any one sector. The ~~Finance Officer~~District shall evaluate or cause to have evaluated each potential investment, seeking quality of issuer, underlying security or collateral, potential negative effects of market volatility on the investment and shall diversify the portfolio to reduce exposure and assure adherence to the Basic Policy and Objectives paragraph of this policy.

~~**PRUDENT INVESTOR STANDARD** Investments will be made with the same standard of care that persons of prudence, discretion and intelligence exercise when managing their own affairs, not for~~

**Commented [G1]:** Evidently, RLECWD had a "Finance Officer in 2012. We don't have one now, and you don't have anyone literally qualified to make investments for a public agency. There is nothing wrong with the objectives, but all the guidelines regarding investment vehicles and amounts should be deleted. The context included sends an inaccurate message. If we have reserves and/or long-term fee accounts (e.g. capacity fees) They should be invested in LAIF. Unless and until the District has qualified personnel to perform such responsibilities.

**Commented [G2]:** Again, this content sends the wrong message unless and until the District re-acquires a Treasurer or Finance Officer.

~~speculation, but for investment with particular consideration for safety of capital as well as probable income derived.~~

**REPORTING REQUIREMENTS** Each month ~~the Finance Officer shall prepare and submit~~ a report of investment transactions and general finance activity shall be submitted to the Board of Directors. This report will be sufficiently detailed to provide information for investment evaluation.

**PERFORMANCE REVIEW** ~~An annual~~ As needed, an appraisal of the investment portfolio shall be conducted to evaluate the effectiveness of the District's investment program. The purpose of this review, in addition to evaluation of performance, is to provide the platform for recommendations of change and improvements to the portfolio to the Board of Directors.

**GRANDFATHER CLAUSE** ~~Any investment held by the District at the time of this policy is adopted shall not be sold to conform to any part of this policy unless its sale is judged to be prudent by the Finance Officer.~~

**Commented [G3]:** This clause is unnecessary if we readopt the policies now. We have on Finance Officer and we have no investments other than LAIF.

**CONFLICTS OF INTEREST** ~~The If the District appoints a~~ Finance Officer ~~or Treasurer, regardless of such position being full-time regular employee or a contract/consultant capacity, such position~~ shall perform his/her duties under this Investment Policy in accordance with the provisions of Section 1126 and 1090 of the Government Code as well as any other state law referred to in this policy.

**EXCEPTIONS** ~~When the Finance Officer determines that an exception to one of the numerical limits is in the best interest of the District, such exception is permitted as long as it is consistent with applicable State and Federal laws. Exceptions to this policy shall be reported to the Board of Directors within five working days along with a detailed explanation for the variance.~~

~~Rio Linda / Elverta Community Water District July 16, 2012  
Resolution 2012-12~~

**CONFLICTS** In the event any provision of this Statement of Investment Policy is in conflict with any of the statutes referred to herein or any other State or Federal statute, the provisions of each statute shall govern.

**SAFEKEEPING** All securities purchased may be delivered against payment and held in safekeeping pursuant to a safekeeping agreement. All financial institutions shall be instructed to mail confirmations and safekeeping receipts directly to the Finance Officer of the District.

**EXHIBIT "A"**

#### **PERMITTED INVESTMENTS**

##### **Investment Type Maximum Investment Maximum Maturity**

1) Investment pool authorized under \$50 million<sup>1</sup> Liquid CA Account Statues governed by Government Code Sections 16429.1-16429.4 AKA Local Agency Investment Fund or LAIF.

2) California Asset Management Unlimited Liquid Account Program (CAMP)

~~3) U.S. Treasury Obligations Unlimited 5 Years California Employers Retiree Benefit Trust.~~

~~4) Bank Savings Account 25% Liquid Account~~

~~5) Federal Agencies 75% 5 Years~~

~~6) Commercial Paper 20% 180 Days~~

~~7) Negotiable Certificates of Deposit 20% 180 Days~~

~~8) Re-purchase Agreements 20% 180 Days~~

~~9) Corporate Debt 25% 5 Years~~

~~ADDITIONAL LIMITS ON INVESTMENTS:~~

~~1) No notes.~~

~~3) U.S. Treasury Obligations are limited to Treasury Bills, Treasury Notes, and Treasury Bonds.~~

~~4) Bank Savings Accounts must be collateralized at 110% of account balance.~~

~~5) Federal agency 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.~~

~~Rio Linda / Elverta Community Water District July 16, 2012~~

~~Resolution 2012-12~~

~~Must be a U.S. corporation with over \$500 million in assets. The commercial paper must be of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical rating organization. The District may purchase no more than 10 percent of the outstanding commercial paper of any single issuer. Additionally, District purchases may not exceed 10% per issuer.~~

~~7) Negotiable certificates of deposit must be issued by a nationally or state chartered bank, a savings association, or a federal association (as defined by Section 5102 of the Financial Code), or a state or federal credit union, or by a state licensed branch of a foreign bank. Purchases are limited to institutions which have long-term debt rated in the "A" category or higher, or the equivalent, by a nationally recognized rating organization.~~

~~8) The District will enter into repurchase agreements only with primary government securities dealers as designated by the Federal Reserve Bank of New York. Repurchase agreements shall be~~



governed by a master repurchase agreement adopted by the Public Securities Association. All securities underlying repurchase agreements shall be delivered to the District's custodial bank, or be handled under a properly executed "tri-party" custodial arrangement. Collateral for repurchase agreements is restricted to U.S. Treasury issues or Federal Agency issues.

The underlying collateral must be at least 102% of the repurchase agreement amount. If the value of securities held as collateral slips below 102% of the value of the cash transferred, then additional cash or acceptable securities must be delivered to the third party custodian. Market value shall be recalculated each time there is a substitution of collateral. For repurchase agreements with terms to maturity of greater than three days, the value of the collateral securities shall be marked to market weekly by the custodian, and if additional collateral securities is required, then that collateral must be delivered within two business days. If a collateral deficiency is not corrected within two days, the collateral securities will be liquidated.

A perfect first security interest in the collateral securities, under the Uniform Commercial Code, shall be created for the benefit of the District. Collateral securities shall be held free and clear of any lien and shall be an independent third party acting solely as an agent for the District, and such third party shall be (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus, and undivided profits of not less than \$50 million.

9) Purchases are limited to corporate and depository institution debt securities issued by corporations 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. Notes eligible for investment shall be rated "A" or better by a nationally recognized rating service. District purchases may not exceed 10% per issuer.

Limits subject to change; established by State Treasurer.

Rio Linda / Elverta Community Water District July 16, 2012

Resolution 2012-12

### **3.09.150 Operating and Reserve Policy**

#### **BASIC POLICY AND OBJECTIVES**

The Rio Linda / Elverta Community Water District reserve policy is a financial policy guided by sound accounting principles of public fund management. The policy establishes several reserve funds to minimize adverse annual budgetary impacts from anticipated and unanticipated District expenses. The adequacy of the target reserve year-end balance ranges and/or annual contributions will be reviewed annually during the budgeting and rate setting process and may be revised accordingly as necessary. The following District reserve fund categories are established:

### 1 ~~Capital Improvement~~Capacity Fee Reserve

- 1.1. Purpose: To provide funds for the orderly and timely expansion of the District facilities to meet future demand and to maintain and/or improve the District's existing level of service.
- 1.2. Target Balance: AB1600 does not designate a target reserve balance. A Government Code 66000 Compliance Report identifies the proposed capital projects necessary to maintain and/or improve services and the amount needed to fund those capital projects. In accordance with Government Code 66000, the balance shall not exceed the amount specified by that law.
- 1.3. Methodology/Rational: Virtually all development that occurs within the District requires the use of District facilities, plant and equipment for public services. This fee is established to insure the adequacy and reliability of such facilities, plant and equipment as development of undeveloped land occurs.
- 1.4. Use of Funds: The funds generated by the fee will be used to acquire, replace and/or construct various capital facilities, plant and equipment for the provision of water, security and administrative services.
- 1.5 Funding: Annual contributions from developer fees will depend upon new construction within the District. Additionally, interest earnings will be accrued on and added to fund balance, using the District's earnings rate on investments. ~~The District also currently contributes \$20,000.00 per month into this fund from operating income.~~

### 2. Surcharge Account

- 2.1. Purpose: This account was created to pay off the 2010 SRF Loan of \$7,499,045.00. This account will be closed after repayment of the loan 20 years from the project completion date.
- 2.2. Target Balance: The target balance increases and decreases with the construction project in progress. It will stabilize when the construction is complete and loan payment begins. Hence, there is currently no target balance.
- 2.3. Methodology/Rational: It has been determined by the State of California that the amount of \$19.00 per connection per billing period should be sufficient for the repayment of their loan.
- 2.4. Use of Funds: The funds will be used for repayment of SRF loan.
- 2.5. Funding: a fee of \$19.00 per billing cycle is charged to each active account and collected as a primary source of funds. A minimum of \$80,320 per billing cycle is deposited until the loan is paid off.

### 3. Surcharge Reserve

- 3.1. Purpose: To establish a reserve as required by our 2011 SRF funding agreement # SRF111CX107

**Commented [G4]:** The content and context of this section (e.g. AB1600 and GC 66000 references) implies this section was intended to address the Capacity Fees. Capital Improvement funding would not normally entail any sort of a reserve account. Furthermore, the District should not be making contributions, annual or otherwise in a Capacity Fee Account unless there was a parent document delineating and justifying how the existing customers need to help pay for new capacity.

**Commented [G5]:** This section exemplifies why the District needs to have these policies in the Policy Manual.

3.2. Target Balance: The target balance is \$481,917.00 which is equivalent to 2 semiannual loan payments.

2.3. Methodology/Rational: There is \$88,352.00 put into this reserve every billing cycle. The current balance is \$353,408.00. The reserve should be up to the required amount in the next two billing cycles

2.4. Use of Funds: The funds will not be used. They are to remain in this account until the loan is paid off per our loan agreement.

2.5. Funding: \$88,352.00 is transferred into this account every billing cycle until it reaches its required amount.

#### 4. 2003 Water Revenue Refunding Bonds Reserve Fund 2032

4.1. Purpose: To establish a reserve as required by our 2003 Water Revenue Refunding Bonds

4.2. Target Balance: The target balance is \$242,484.00 which is equivalent to 2 semiannual loan payments.

4.3. Methodology/Rational: This fund is already fully funded and no additional monies are being deposited.

4.4. Use of Funds: The funds will not be used. They are to remain in this account until the bonds are paid off per our bond agreement.

4.5. Funding: This fund is already fully funded and no additional monies are being deposited. Rio Linda / Elverta Community Water District July 16, 2012 Resolution 2012-12

#### 5. 2003 Debt Service Fund

5.1. Purpose: To make semi annual bond payments on the 2003 bonds in the amount of \$3,970,000.

5.2. Target Balance: The amount equivalent to the amount payable on the bonds semiannually. There is approximately \$240,000.00 due per year on this bond issue.

5.3. Methodology/Rational: The District deposits \$20,000.00 per month in to this reserve from the Operating Fund in order to have sufficient funds to pay the bond payments when due.

5.4. Use of Funds: These funds are used exclusively to repay the 2003 Bond debt.

5.5. Funding: \$20,000 per month is put into this account to build up enough money for payment of the bonds when due.

#### 6. Operating Fund

6.1. Purpose: To ensure cash resources are available to fund daily administration, operations and maintenance of providing water, wastewater, security and drainage services.

6.2. Target Balance: A minimum of six months of cash to fund District expenditures.

6.3. Methodology/Rational: The District is required to have sufficient cash flow to meet the next six months of budgeted District expenditures (Government Code Section 53646(b)(3)). The next six months of projected cash revenues can be included as a source of cash flow to satisfy this requirement.

**Commented [G6]:** This section illustrates the need to update and/or consider modifying so that the dollar amounts don't become outdated in the month following adoption of the policy.

**Commented [G7]:** The consolidation, the AMI meter loan and the Cr+6 Opus Bank loan elements need to be inserted.

**Commented [G8]:** Needs confirmation and updating. I believe this loan was consolidated into another loan.

Revenues in excess of reserve contributions and expenditures resulting from expenditure savings or timing differences are also reflected in this fund.

6.4. Use of Funds: These funds will be used to pay for expenditures according to budget and expenditure authority.

6.5. Funding: Annual contributions will vary, depending upon other reserve requirements and current year expenditure requirements. Additionally, interest earnings will be accrued on and added to fund balance, using the District's earnings rate on investments.

#### **7. Trust Account**

7.1. Purpose: To collect deposits for new customer accounts. These deposits are refunded after one year of timely payment on their account.

7.2. Target Balance: The balance on this account fluctuates with the number of customers that have deposits with the District.

7.3. Methodology/Rational: The District requires a \$100.00 deposit for each parcel that is owned by a customer. There is a method of waiving the deposit. If the customer can provide us with a letter of credit from a current or previous utility provider that shows at least one year of history with no late payments or returned checks the deposit can be Rio Linda / Elverta Community Water District July 16, 2012 waived. If a deposit is required, the deposit gets returned to their account after one year of timely payment or when they move. If there is a deposit balance after paying the final bill upon leaving the property it is refunded in the form of a check.

7.4. Use of Funds: These funds will be used to pay the final bill on an account if it is left unpaid when the owner moves away.

#### **8. Secured Credit Card**

8.1 Purpose: To provide a constant amount of money for the District credit cards to draw upon.

8.2. Target Balance: The balance on this account is \$15,000.00.

8.3. Methodology/Rational: The District had no credit when the current Management went to obtain a credit card for the company. The only way a card could be secured was to have a constant balance set aside for the company credit cards to draw upon and reimburse monthly.

8.4. Use of Funds: These funds are used to pay credit card expenses and reimbursed monthly.

~~8.5. Funding: The District initially funded this account with the amount of \$15,000.00.~~

#### **9. LAIF, OPEB or GASB 45 Funding**

9.1 Purpose: To provide a source of income to fund ~~post-retirement~~ post-retirement benefits.

~~9.2. Target Balance: Unknown. An Actuarial study needs to be performed to determine the appropriate amount to include in this account.~~

~~9.3. Methodology/Rational: This will be determined when the actuarial study is done.~~

8.4. Use of Funds: These funds are to be used to fund post retirement benefits costs, e.g. retiree medical insurance benefits obligated via applicable collective bargaining agreements.

8.5. Funding: The income to fund this account will come from the Operating Fund.

### **3.09.160 Whistleblower Policy**

#### **PURPOSE**

Rio Linda / Elverta Community Water District (RLECWD) requires its Directors, Managers and Employees to observe high standards of professionalism and ethical conduct in maintaining financial records. This Whistleblower Policy (the "Policy") establishes standards and procedures to ensure that complaints and concerns ("Accounting Irregularity") regarding accounting or auditing matters are reported and handled in a manner that complies with management's objectives. In addition, this policy establishes procedures for:

1. The confidential, anonymous submission by Complainants of Accounting Irregularities regarding questionable accounting or auditing matters; and,
2. The treatment of Accounting Irregularities concerning accounting, internal account controls and auditing matters received by RLECWD from Complainants.

#### **NO RETALIATION**

No office, employee or other (the "Complainant") who in good faith reports an Accounting Irregularity shall suffer harassment, retaliation or adverse employment consequences. An employee who retaliates against someone who has reported an Accounting Irregularity in good faith is subject to discipline up to and including termination of employment. This Whistleblower Policy is intended to encourage and enable Complainants to raise serious concerns with RLECWD rather than seek resolution outside RLECWD.

#### **PROCEDURE FOR REPORTING VIOLATIONS**

1. It is the responsibility of all Directors, Managers and Employees to report all suspected Accounting Irregularities in accordance with this Policy. RLECWD maintains an open-door policy and suggests that Complainants share their questions, concerns or complaints with someone who can address them properly. In most cases, the Complainant's supervisor is in the best position to address an area of concern. A Complainant's supervisor may be most knowledgeable about the issues and will appreciate being brought into the process. It is the supervisor's responsibility to help solve the problem. 2. If the Complainant is not comfortable speaking to his/her supervisor or is not satisfied with the supervisor's response, the Complainant is encouraged to speak with the General Manager. Supervisors and General Manager are required to report suspected Accounting Irregularities to the Board of Directors. The Board of Directors will create an Audit Committee which has specific and exclusive responsibility to investigate all reported violations. For suspected fraud or securities law violations, or when the Complainant is not satisfied or is uncomfortable with following RLECWD's open door policy, the Complainant should contact the General Manager directly.

RLECWD General Manager

P.O. Box 400

Rio Linda, CA 95673

(916) 991-1000

#### **INVESTIGATION OF COMPLAINTS**

1. The Audit Committee is responsible for investigating and resolving all reported complaints and allegations concerning Accounting Irregularities. The Audit Committee may retain independent legal counsel, accountants or other to assist in its investigation.
2. The Chair of the Audit Committee will notify the Complainant and acknowledge receipt of the reported suspected Accounting Irregularity within five business days. All reports will be promptly investigated and appropriate corrective action will be taken if warranted as a result of the investigation.
3. RLECWD shall retain records of complaints for a period of no less than seven years as a separate part of the records of the Audit Committee.

#### **ACCOUNTING AND AUDITING MATTERS**

The Audit Committee is responsible for addressing all reported concerns or complaints regarding accounting practices, internal controls or auditing. The General Manager is required to immediately notify the Board of Directors of any complaint of which he/she is aware and to work with the Committee until the matter is resolved.

#### **ACTING IN GOOD FAITH**

Anyone filing a complaint concerning a suspected Accounting Irregularity must be acting in good faith and have reasonable grounds for believing the information disclosed indicates an Accounting Irregularity. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

#### **CONFIDENTIALITY**

Complaints or submissions concerning a suspected Accounting Irregularity may be submitted on a confidential basis by the Complainant or may be submitted anonymously. All complaints or submissions will be kept confidential to all extent possible, consistent with the need to conduct an adequate investigation.

to make the semiannual payments when due. Not later than September 15, 2011 and continuing on the fifteenth day of every other month thereafter, Supplier shall deposit no less than \$88,352 into the Account, established pursuant to terms of the Fiscal Services and Deposit Account Control Agreement (**Attachment 1**) until a reserve of \$481,917 (estimated amount of two (2) semiannual payments) has been accumulated (the "Reserve Fund"). Thereafter, Supplier shall deposit no less than \$80,320 into the Account on the fifteenth day of every other month until the Loan is repaid in full, or until otherwise notified in writing by State. **The Reserve Fund shall be maintained and administered by the Fiscal Agent.**

State, result in cancellation of this Agreement under Article A-7, hereof, or declaration that Supplier is in default pursuant to Article A-27, hereof.

## SECTION 12. OPERATION AND MAINTENANCE OF PROJECT

Upon project completion and for a period of 20 years, which is the reasonably expected useful life of the Project, Supplier shall, as further consideration for the Funding, commence and continue operation of the Project; shall cause the Project to be operated in an efficient and economical manner; shall provide for the making of all repairs, renewals, and replacements necessary for the effective operation of the Project; and shall cause the Project to be maintained in as good of condition as upon its construction, ordinary and reasonable wear and depreciation excepted. Failure by Supplier to operate and maintain the Project in accordance with this provision may, at the option of State, be considered a material breach of this Agreement and may be treated as a default under Article A-27, hereof.

## SECTION 13. FISCAL SERVICES AND DEPOSIT ACCOUNT CONTROL AGREEMENT

Supplier shall enter into a fiscal services agreement with a Fiscal Agent substantially in the form of **Attachment 1** to this Agreement (the "Fiscal Services and Deposit Account Control Agreement"). A Fiscal Agent shall be retained until all amounts due to State under the terms of this Agreement have been paid in full.

Supplier shall open a separate deposit account (the "Deposit Account") with the Fiscal Agent, in which Supplier shall maintain funds, including the Reserve Fund (as defined in Article B-4, hereof), sufficient to service the Loan. Funds from the Deposit Account shall be used only for payment of principal and/or interest on the Loan, or any delinquencies thereon, until the Loan is repaid in full.

Once State approves the Fiscal Services and Deposit Account Control Agreement, Supplier shall not do any of the following without first obtaining written approval by State: amend the Fiscal Services and Deposit Account Control Agreement; close the Deposit Account; or retain a new Fiscal Agent.

State shall have no obligation to make Disbursements (as defined in Article A-6(b), hereof) until the Fiscal Agent has been engaged and the Fiscal Services and Deposit Account Control Agreement between Supplier and the Fiscal Agent has been approved by State.

## SECTION 14. PROJECT OFFICIALS AND NOTICES

State's Contract Manager shall be the Chief, Drinking Water Technical Programs Branch, Division of Drinking Water and Environmental Management, California Department of Public Health.





## **Finance /Administrative Committee**

### **Agenda Item: 4**

**Date:** March 11, 2019

**Subject:** Pre-Funding Retiree Medical Insurance Obligations

**Staff Contact:** Timothy R. Shaw, General Manager

#### **Recommended Committee Action:**

The Finance / Administrative Committee should review the documents associated with this item and forward the item(s) to the March 18<sup>th</sup> Board agenda with a recommendation for Board approval.

#### **Current Background and Justification:**

The District has already executed a contract with California Employers Retiree Benefits Trust (CERBT) for pre-funding retiree medical via an investment vehicle with a higher rate of return than the previous Local Agency Investment Fund (LAIF). The committees and board sessions leading up to the execution of the CERBT contract clearly conveyed the District's desire to transfer LAIF funds to the CERBT investment program. Now it is time to execute the change.

Drawing money from LAIF and depositing that money into CERBT requires the filling of forms and submittal of new Resolutions. The currently stipulated designated District authorized personnel for LAIF account is outdated (specifies a former GM and former Board Member).

One aspect requiring Board feedback is whether or not to completely empty the LAIF account and discontinue participation. Even though the District has acted to fund retiree medical via CERBT, I recommend the Board continue participating in LAIF for other investment needs, e.g. Capacity Fee Account.

#### **Conclusion:**

I recommend the Finance/Admin Committee forward an item onto the March 18<sup>th</sup> Board agenda to consider authorizing all documents appurtenant to transferring the vast majority of funds from the LAIF account to the CERBT account, with a recommendation for Board approval.



## Agenda Item 4

### California State Treasurer's Office Local Agency Investment Fund (LAIF)

#### Authorization for Transfer of Funds

Effective Date \_\_\_\_\_

Agency Name \_\_\_\_\_

LAIF Account # \_\_\_\_\_

Agency's LAIF Resolution # \_\_\_\_\_ or Resolution Date \_\_\_\_\_

**ONLY** the following individuals whose names appear in the table below are hereby authorized to order the deposit or withdrawal of funds in LAIF. ***This authorization REPLACES AND SUPERSEDES all prior authorizations on file with LAIF for the transfer of funds.***

Name	Title

**Two authorized signatures required.** Each of the undersigned certifies that he/she is authorized to execute this form under the agency's resolution, and that the information contained herein is true and correct.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Telephone

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Telephone

Please provide email address to receive LAIF notifications.

Name	Email

Mail completed form to: State Treasurer's Office  
Local Agency Investment Fund  
P.O. Box 942809  
Sacramento, CA 94209-0001

# SAMPLE RESOLUTION

RESOLUTION OF \_\_\_\_\_ (CITY/DISTRICT) \_\_\_\_\_

AGENCY ADDRESS \_\_\_\_\_

AGENCY PHONE NUMBER \_\_\_\_\_

**AUTHORIZING INVESTMENT OF MONIES  
IN THE LOCAL AGENCY INVESTMENT FUND**

**WHEREAS**, The Local Agency Investment Fund is established in the State Treasury under Government Code section 16429.1 et. seq. for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

**WHEREAS**, the City Council/Board of Directors hereby finds that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with Government Code section 16429.1 et. seq. for the purpose of investment as provided therein is in the best interests of the \_\_\_\_\_ (City/District) \_\_\_\_\_;

**NOW THEREFORE, BE IT RESOLVED**, that the City Council/Board of Directors hereby authorizes the deposit and withdrawal of \_\_\_\_\_ (City/District) \_\_\_\_\_ monies in the Local Agency Investment Fund in the State Treasury in accordance with Government Code section 16429.1 et. seq. for the purpose of investment as provided therein.

**BE IT FURTHER RESOLVED**, as follows:

Section 1. The following \_\_\_\_\_ (City/District) \_\_\_\_\_ officers holding the title(s) specified hereinbelow **or their successors in office** are each hereby authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund and may execute and deliver any and all documents necessary or advisable in order to effectuate the purposes of this resolution and the transactions contemplated hereby:

_____ (NAME)	_____ (NAME)	_____ (NAME)
_____ (TITLE)	_____ (TITLE)	_____ (TITLE)
_____ (SIGNATURE)	_____ (SIGNATURE)	_____ (SIGNATURE)

Section 2. This resolution shall remain in full force and effect until rescinded by City Council/Board of Directors by resolution and a copy of the resolution rescinding this resolution is filed with the State Treasurer's Office.

**PASSED AND ADOPTED**, by the City Council/Board of Directors of \_\_\_\_\_ (City/District) \_\_\_\_\_ (County) \_\_\_\_\_ of State of California on \_\_\_\_\_ (Date) \_\_\_\_\_.

**Note: Resolution must be adopted by the governing body. Please submit an original resolution or a certified copy of the resolution to LAIF. A certified copy is 1) a copy of the resolution affixed with the seal of the agency or 2) a copy of the resolution attested by the City Clerk/Board Secretary with his/her signature.**

**RESOLUTION NO. 2019-04**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE RIO LINDA/ ELVERTA COMMUNITY WATER DISTRICT AUTHORIZING INVESTMENT OF MONIES IN THE LOCAL AGENCY INVESTMENT FUND**

**WHEREAS**, The Local Agency Investment Fund is established in the State Treasury under Government Code section 16429.1 et. Seq. for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

**WHEREAS**, the Board of Directors of the Rio Linda/Elverta Community Water District hereby finds the deposit and withdrawal of money in the Local Agency Investment fund in accordance with Government Code section 16429.1 et. seq. for the purpose of investment as provided therein is in the best interests of the Rio Linda / Elverta Community Water District.

**NOW THEREFORE, BE IT RESOLVED** , that the Board of Directors of the Rio Linda/Elverta Community Water District hereby authorizes the deposit and withdrawal of Rio Linda / Elverta Community Water District monies in the Local Agency Investment Fund in the State Treasury in accordance with Government Code section 16429.1 et. seq. for the purpose of investment as provided therein.

**BE IT FURTHER RESOLVED**, as follows:

Section 1. The following Rio Linda / Elverta Community Water District officers holding the title(s) specified hereinbelow **or their successors in office** are each hereby authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund and may execute and deliver any and all documents necessary or advisable in order to effectuate the purposes of this resolution and the transactions contemplated hereby;

John Ridilla  
(Name)  
President, Board of Directors  
(Title)

Timothy R. Shaw  
(Name)  
General Manager  
(Title)

Mary Harris  
(Name)  
Director  
(Title)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Signature)

Section 2. This resolution shall remain in full force and effect until rescinded by Board of Directors by resolution and a copy of the resolution rescinding this resolution is filed with the State Treasurer's Office.

***APPROVED AND ADOPTED*** by the Board of Directors of the Rio Linda / Elverta Community Water District on this 18th day of March 2019. By the following vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

ATTEST:

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John Ridilla  
President, Board of Directors

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Timothy R. Shaw  
Secretary of the Board of Directors

DRAFT



## **Finance /Administrative Committee**

### **Agenda Item: 5**

**Date:** March 11, 2019

**Subject:** Service Application Fees (Exhibit 5 of Ordinance 2013-01)

**Staff Contact:** Timothy R. Shaw, General Manager

#### **Recommended Committee Action:**

The Finance / Administrative Committee should review the documents associated with this item and the presentation of related context provided by staff, then forward the item(s), then direct step to take the next steps toward revising the \$50 Service Application Fee.

#### **Current Background and Justification:**

This item is tangible to the previous action taken at the February 25th Board meeting, where the Board established a threshold below which the District will not initiate service termination. The previous, albeit insufficiently established/documented practice as premised on the existence of this \$50 Service Activation Fee.

Committee packet documents included with this item include 2010 California Proposition 26 summary/analysis from the Public Policy Institute. Proposition 26 was passed and codified well before the District adopted Ordinance 2013-01. In 2013, Prop 26 required the District must show that the fee “is no more than necessary to cover the reasonable cost of the governmental activity”, i.e. the fee must bare a reasonable correlation to the District’s cost for providing the service, in this case service application. I have reviewed the staff reports and materials related to the adoption of Ordinance 2013-01 and I have a concern that the \$50 was, even then, insufficiently supported.

For the sake of argument, we can conclude that \$50 did correspond (reasonably) to the District’s cost for initiating service in 2013, which was prior to the District converting to an AMI metering system, where meter readings are conveniently and readily accessible. Service start meter

readings are an essential data point in initiating service. Before AMI existed, District personnel would have needed to go to the service location to obtain the start reading. Now, the District can obtain the same information via a computer in the office.

A simple analysis of the annual revenue budgeted and received for this fee indicates we collect \$15,000 per year, which translates to 300 service. To equal the fee amount we charge, each of the 25 service starts we perform every month ( $300/\text{year} = 25/\text{month}$ ) we'd need to be exerting 2 person hours per new account ( $\$25/\text{hour} \times 2 \text{ hours} = \$50$ ). If the items were exclusively performed by one employee each month, that employee would be spending 29% of every workday on the initiation of service process.

**Conclusion:**

I recommend the Finance/Admin committee direct staff to begin an internal study of the actual, average time spent per service start evolution, then bring that report to back to a future Finance/Admin Committee to consider initiating the process to revise the \$50 Service Application Fee established in Ordinance 2013-01.

**EXHIBIT 5**

**SERVICE FEES AND CHARGES**

The water service charges identified in §4.31.210(B) of the Water System Regulations shall be modified as follows:

<u>Description of Fee or Charge</u>	<u>Code Section</u>	<u>Fee or Charge Rate</u>
Service Application – Existing Connection	§4.07.710	\$50.00 per location up to two meters when requested at the same time by the same customer; \$10.00 each additional meter.
Service Application – New Service Installation Required	§4.07.710 §4.07.015	\$100.00 per location with \$30.00 credited toward Service Application, if Service is initiated within 180 Days. Commercial, Industrial and Residential projects over Four (4) units will be charged on a Time & Material Basis.
Service Turn-off/Turn-on by District due to violation of Policy or Nonpayment during regular billing cycle	§4.07.810 §4.31.220 (C)	\$40.00
Turn-off Notice Tag	§4.31.250 §4.31.285	\$40.00
Customer Requested Temporary Turn-off/Turn-on	§4.07.840	\$40.00 (\$20.00 each), One-time Fee waiver for Installation of Gate Valve
Turn-off & Turn-on for Meter Tampering	§4.07.830	\$100.00
Removal of Meter & Reinstall due to Tampering	§4.07.830	\$200.00



Proposition 26 became law on November 2, 2010, and does not apply to fees and other charges that were in effect on that date. It does apply, however, to any subsequent changes in existing fees and charges.<sup>13</sup>

One of the most important unresolved questions under Proposition 26 is whether it includes “regulatory fees” in its definition of taxes. Regulatory fees are charges levied for the purpose of deterring certain activities (such as the discharge of pollutants or excessive groundwater pumping) or of requiring land and water users to bear the full costs of their activities, including external costs (such as loss of wetlands or harm to endangered species). Before the enactment of Proposition 26, it was well-settled California law that these types of regulatory fees were valid (i.e., did not have to be enacted as a tax) if they met two criteria: First, the fee did not “exceed the reasonable cost of providing services necessary to the activity for which the fee is charged and which are not levied for unrelated revenue purposes” (California Supreme Court, *California Farm Bureau Federation v. State Water Resources Control Board* 2011 (internal quotation marks omitted)). Second, the fee “was ‘imposed... to mitigate the actual or anticipated adverse effects of the fee payers’ operations’” (*id.*). (For more on this case, see Box 1.)

Although the courts will ultimately have to decide this question, we believe that Proposition 26 did not overturn this long-standing definition of regulatory fees. Rather, the new law had a narrower purpose—viz., to prohibit the enactment of environmental mitigation fees that are designed to raise funds to compensate victims of past environmental harm or to remediate existing environmental degradation that stems from actions and resource management decisions (e.g., water and land use) that have already taken place. These types of broader environmental mitigation fees may only be enacted as taxes. We reach this conclusion for several reasons.

First, as noted above, Proposition 26 candidly describes what it covers and does not cover, prohibiting only those fees that are (1) “couched as ‘regulatory’ but which exceed the reasonable costs of actual regulation”; (2) fees that “are simply imposed to raise revenue for a new program”; and (3) fees that “are not part of any licensing or permitting program” (Proposition 26 §1(e)). In contrast, regulatory fees are (as their name connotes) regulatory in nature—i.e., they apply prospectively to activities that are governed by permitting and licensing requirements and they are tailored to help achieve the goals of deterring potentially harmful activities and of forcing the individuals or entities who are subject to the fee to pay the full costs of their activities—including the external costs that they otherwise would impose upon other land and water users or the general public. Regulatory fees therefore do not conflict with any of the articulated purposes of Proposition 26.

Second, Proposition 26 expressly states that a fee is not a tax if it is “imposed for a specific benefit conferred or privilege granted directly to the payor” (such as the right to discharge stormwater or to pump groundwater) and “does not exceed the reasonable costs to the [government] of conferring the benefit or granting the privilege to the payor” (California Constitution article XIII A, § 3(b)(1), and *id.* art. XIII C, § 1(e)(1)). The law then explains this latter criterion in more detail, stating that a fee is not a tax if the government proves that the amount of the fee “is no more than necessary to cover the reasonable costs of the governmental activity”— e.g., protecting water quality, regulating stormwater discharges, and managing groundwater resources—and “the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity”

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<sup>13</sup> In addition, Proposition 26 states that any state tax “adopted after January 1, 2010, but prior to the effective date of this act, that was not adopted in compliance with [its] requirements... is void 12 months after the effective date of this act unless the tax is reenacted by the Legislature and signed into law by the Governor in compliance with the [new] requirements” (California Constitution article XIII A, § 3(c)).