



MEETING NOTICE

A REGULAR MEETING OF THE FINANCE COMMITTEE of the CENTRAL COAST WATER AUTHORITY

will be held at 8:45 a.m., on Thursday, April 25, 2019
at 255 Industrial Way, Buellton, California

THE FOLLOWING ITEMS WILL BE DISCUSSED AT THE MEETING OF THE COMMITTEE AND A VOTE MAY BE TAKEN FOR THE PURPOSE OF RECOMMENDING ACTION BY THE BOARD OF DIRECTORS.

Eric Friedman
Chairman

Ed Andrisek
Vice Chairman

Ray A. Stokes
Executive Director

Brownstein Hyatt
Farber Schreck
General Counsel

Member Agencies

City of Buellton

Carpinteria Valley
Water District

City of Guadalupe

City of Santa Barbara

City of Santa Maria

Goleta Water District

Montecito Water District

Santa Ynez River Water
Conservation District,
Improvement District #1

Associate Member

La Cumbre Mutual
Water Company

- I. **Call to Order and Roll Call**
- II. **Public Comment – (Any member of the public may address the Committee relating to any matter within the Committee’s jurisdiction. Individual Speakers may be limited to five minutes; all speakers to a total of fifteen minutes.)**
- III. * **Minutes of the October 25, 2018 Meeting of the Finance Committee and Special Meeting of the Board of Directors**
- IV. * **FY 2018/19 Third Quarter Investment Report**
- V. * **Annual Review of the CCWA Investment Policy**
- VI. **Reports from Committee Members for Information Only**
- VII. **Items for Next Regular Meeting Agenda**
 - A. **FY 2018/19 Fourth Quarter Investment Report**
- VIII. **Date of Next Regular Meeting: July 25, 2019**
- IX. **Adjournment**

255 Industrial Way
Buellton, CA 93427-9565
(805) 688-2292
FAX: (805) 686-4700

* Indicates attachment of document to agenda packet.




#45737_1

**MINUTES OF THE
CENTRAL COAST WATER AUTHORITY
MEETING OF THE FINANCE COMMITTEE
AND SPECIAL MEETING OF THE BOARD OF DIRECTORS**

October 25, 2018

I. Call to Order and Roll Call

Director Hanson called the October 25, 2018, Central Coast Water Authority meeting of the Finance Committee and Special Meeting of the Board of Directors held at 255 Industrial Way, Buellton, California, to order at 8:45 a.m. Attachment No. 1 is a list of those in attendance.

Finance Committee members present were:

Jack Boysen	City of Santa Maria
Lauren Hanson	Goleta Water District

II. Public Comment

There was no public comment.

III. Minutes of the September 27, 2018 Finance Committee and Special Board of Directors Meeting

Upon a motion by Director Boysen, seconded by Director Hanson and carried with all in favor the minutes of the September 27, 2018 Finance Committee and Special Board of Directors Meeting were approved.

IV. FY 2018/19 First Quarter Investment Report

Ray Stokes, CCWA Executive Director, stated that as of September 30, 2018 the investment portfolio totaled \$59.6 million and had an effective rate of return of 2.04%. Mr. Stokes noted this is the first time the rate of return has been over 2% in quite a while. The investments were comprised of the State of California Local Agency Investment Fund (LAIF), (\$22.1 million), and Montecito Bank & Trust money market accounts (\$4.6 million) and U.S. Treasury Notes held in a Charles Schwab Brokerage Account (\$23.3 million) and funds held by the CCWA revenue bond trustee for the October 1, 2018 bond principal and interest payment (\$9.6 million).

All investments during the quarter complied with the CCWA investment policy provisions, and current pro forma projections indicate that the Authority will have sufficient cash with which to operate for the next six months, provided all participants pay the supplemental assessment as billed.

Director Boysen asked if the State fund that mirrors LAIF has been investigated, and Mr. Stokes responded that Montecito Bank and Trust has rates slightly above LAIF that meets the investment portfolio needs of CCWA.

Upon a motion by Director Boysen, seconded by Director Hanson and carried with all in favor and none opposed, the Finance Committee recommended Board approval of the FY 2018/19 First Quarter investment report.

V. Reports from Committee Members for Information Only

There were no reports from Committee Members.

VI. Items for Next Regular Meeting Agenda

A. FY 2018/19 Second Quarter Investment Report

VII. Date of Next Regular Meeting: January 24, 2019

VIII. Adjournment

The meeting adjourned at 8:52 a.m.

Respectfully submitted,

Elizabeth Watkins
Secretary to the Board

/lfw

CENTRAL COAST WATER AUTHORITY

Meeting: Finance Committee and Special Meeting of the Board of Directors

Date: October 25, 2018

NAME	ORGANIZATION	TELEPHONE
Lauren Hanson	AWI	
Shirley Johnson	CVWD	881 8011
Jack Boyce	SMCC	925-0951
SHAD SPRINGER	CITY OF SANTA MARIA	(805) 925-0951
Shannon Sweeney	CSM	'1
CHRIS DATHLSTROM	SYRWOOD, BOI	(805) 688-6015

Placing your name on this list is voluntary and is not required to attend this meeting.



CENTRAL COAST WATER AUTHORITY

MEMORANDUM

April 16, 2019

TO: CCWA Finance Committee

FROM: Ray A. Stokes
Executive Director

SUBJECT: FY 2018/19 Third Quarter Investment Report

SUMMARY

Attached is the third quarter FY 2018/19 investment report covering the three-month period of January to March 2019. In accordance with the CCWA Statement of Investment Policy, the quarterly report includes a statement of compliance of the portfolio with the investment policy and confirmation of the Authority's ability to meet expenditure requirements for the next six months.

DISCUSSION

As of March 31, 2019 the investment portfolio totaled \$32.5 million and had an effective rate of return of 2.38% on an average daily balance for the month of March 2019 of about \$34.4 million. The investments were comprised of the State of California Local Agency Investment Fund (LAIF), (\$11.4 million), and Montecito Bank & Trust money market accounts (\$10.4 million), U.S. Treasury Notes held in a Charles Schwab Brokerage Account (\$10 million), and funds held by the CCWA revenue bond trustee for the April 1, 2019 bond interest payment (\$ 0.7 million)

All investments during the quarter complied with the CCWA investment policy provisions.

CASH MANAGEMENT PRO FORMA PROJECTIONS

Current pro forma projections indicate that the Authority will have sufficient cash with which to operate for the next six months.

RECOMMENDATION

That the Finance Committee recommends Board approval of the third quarter FY 2018/19 investment report.

RAS
Attachments



**Investment Portfolio
Portfolio Management
Portfolio Summary
March 31, 2019**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
CCWA-LAIF	11,350,095.32	11,350,095.32	11,350,095.32	34.95	1	1	2.403	2.436
Pool-Money Market Accounts	10,421,331.82	10,421,331.82	10,421,331.82	32.09	1	1	2.357	2.390
Bond Trustee-Money Market Accounts	720,159.23	720,159.23	720,159.23	2.22	1	1	0.001	0.001
Treasury Securities	10,000,000.00	9,977,812.40	9,982,715.59	30.74	467	124	2.293	2.325
Investments	32,491,586.37	32,469,398.77	32,474,301.96	100.00%	144	39	2.301	2.333

Total Earnings **March 31** **Month Ending** **Fiscal Year To Date**
 Current Year 69,425.04 876,222.04

Average Daily Balance 34,359,028.62

Effective Rate of Return 2.38%

Ray A. Shubert
 Ray A. Shubert, Executive Director/Treasurer 4/17/2019

**Investment Portfolio
Portfolio Management
Portfolio Details - Investments
March 31, 2019**


CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
CCWA-LAIF												
90-42-006	10001	State of CA LAIF	11,350,095.32		11,350,095.32	11,350,095.32	2.436	AAA		2.436	1	
		Subtotal and Average	11,350,095.32		11,350,095.32	11,350,095.32				2.436	1	
Pool-Money Market Accounts												
SYS10023	10023	Montecito Bank & Trust			47.19	47.19	0.150			0.150	1	
SYS10041	10041	Montecito Bank & Trust			10,421,284.63	10,421,284.63	2.390			2.390	1	
SYS10024	10024	Rabobank			0.00	0.00	0.330			0.330	1	
SYS10056	10056	Charles Schwab			0.00	0.00	1.660			1.660	1	
SYS10057	10057	Charles Schwab			0.00	0.00	0.330			0.330	1	
22005532	10004	Wells Fargo Money Market Accou			0.00	0.00	0.215			0.215	1	
		Subtotal and Average	12,619,751.24		10,421,331.82	10,421,331.82				2.390	1	
Bond Trustee-Money Market Accounts												
SYS10010	10010	Bank of New York-Bond Trustee			720,159.23	720,159.23	0.001			0.001	1	
SYS10013	10013	Bank of New York-Bond Trustee			0.00	0.00	0.001			0.001	1	
		Subtotal and Average	92,923.77		720,159.23	720,159.23				0.001	1	
Treasury Securities												
912828Q52	10051	U.S. Treasury		04/23/2018	2,000,000.00	1,998,437.40	1,998,967.52	0.875		2.243	14	04/15/2019
912828XV7	10052	U.S. Treasury		04/23/2018	2,000,000.00	1,993,750.00	1,994,966.08	1.250		2.288	90	06/30/2019
912828LJ7	10053	U.S. Treasury		04/23/2018	2,000,000.00	2,008,125.00	2,009,382.83	3.625		2.340	136	08/15/2019
912828F39	10054	U.S. Treasury		04/23/2018	2,000,000.00	1,993,125.00	1,993,906.25	1.750		2.375	182	09/30/2019
912828T59	10055	U.S. Treasury		04/23/2018	2,000,000.00	1,984,375.00	1,985,492.91	1.000		2.377	197	10/15/2019
		Subtotal and Average	10,296,258.29		10,000,000.00	9,977,812.40				2.325	124	
		Total and Average	34,359,028.62		32,491,586.37	32,474,301.96				2.333	39	



CENTRAL COAST WATER AUTHORITY

MEMORANDUM

April 25, 2019

TO: CCWA Finance Committee
FROM: Ray A. Stokes
Executive Director 
SUBJECT: Annual Review of the CCWA Investment Policy

SUMMARY

Section XV of the CCWA Investment Policy states the "...investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return, and its relevance to current law and financial and economic trends."

This memo is intended to provide the Finance Committee an opportunity to review the attached CCWA Investment Policy and consider changes to the policy as appropriate.

DISCUSSION

The CCWA Investment Policy is prepared in conformance with Government Code Section 53630-53686 which addresses investment of surplus funds by local government agencies. There have been no significant changes in Government Code Section 53630-53686 since the last review of the CCWA Investment Policy which require an amendment to the policy.

RAS

Attachment

CENTRAL COAST WATER AUTHORITY
STATEMENT OF INVESTMENT POLICY

I. PURPOSE:

This statement is intended to provide guidelines for the prudent investment of the Authority's cash balances, and outline the policies for maximizing the efficiency of the Authority's cash management system. The ultimate goal is to enhance the economic status of the Authority while protecting its assets.

II. SCOPE

It is intended that this policy cover all funds and investment activities under the direct authority of the Authority Board of Directors.

III. OBJECTIVES

- A. Safety. Safety of principal is the foremost objective of the Authority. Each investment transaction shall seek to first ensure that capital losses are avoided, whether they be from securities defaults or erosion of market value.

- B. Liquidity. An adequate percentage of the portfolio should be maintained in liquid short-term securities which can be converted to cash if necessary to meet cash requirements.

- C. Yield. Yield shall become a consideration only after the basic requirements of safety and liquidity have been met.

- D. Market-Average Rate of Return. The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the Authority's risk constraints, the cash flow characteristics of the portfolio, and State and local laws, ordinances or resolutions that restrict investments.
- E. Diversification. The investment portfolio will be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions.
- F. Prudence. The standard of prudence to be used by investment officials shall be the "Prudent Investor Standard" per Government Code section 53600.3 which states: "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". This "Prudent Investor Standard" shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectation are reported in a timely fashion, and appropriate action is taken to control adverse developments.
- G. Public Trust. All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio it must be recognized that occasional measured losses are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented.

IV. DELEGATION OF AUTHORITY:

- A. Investment Officer. Management responsibility for the investment program is hereby delegated to the Treasurer, who shall establish written procedures for the operation of the investment program, consistent with this policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.
- B. Investment Oversight Committee. The Authority Finance Committee shall serve as the Investment Oversight Committee. The purpose of the Committee is to: (1) review the investment practices used by the Investment Officer for compliance with the investment policy and written procedures, (2) analysis of the quarterly Treasurer's report for adherence to established guidelines, and (3) advise Authority Board of Directors of any deviations from guidelines or any practices which are deemed to be imprudent for a public agency.

V. INTERNAL CONTROLS:

The Investment Officer shall establish a system of internal controls which shall be documented in writing. The internal controls shall be reviewed with the independent auditor. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent action by employees and officers of the Authority.

VI. REPORTING:

The Investment Officer shall submit quarterly to the Board an investment report that summarizes all securities. For those securities with a maturity of more than 12 months, the type of investment, institution, date of maturity, investment amount, market value, and yield will also be provided. The Investment Officer shall also provide, on a quarterly basis, a statement of compliance of the portfolio with the Statement of Investment Policy and a statement of the Authority's ability to meet the expenditure requirements for the next six months.

VII. APPROVED INSTRUMENTS:

The Authority shall be governed by the California Government Code, Sections 53600 et seq. Where this policy specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. Within the context of these limitations, the following investments are authorized, provided, however, that where there is no limitation on the term of the investment, no investment shall be made in any security which, at the time of the investment, has a term remaining to maturity in excess of 5 years, unless specifically exempted in Section X of this Investment Policy or the Board has granted express authority to make that investment no less than 3 months prior to the investment:

- (a) United States notes, bonds, bills, or certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.
- (b) Obligations issued by government sponsored corporations such as the Federal Farm Credit Bank System (FFCB), the Federal Home Loan Bank Board (FHLB), and the Federal National Mortgage Association (FNMA).

- (c) Commercial paper of prime quality of the highest ranking or of the highest letter and numerical rating as provided by Moody's Investors Service, Inc. or Standard and Poor's Corporation. Eligible paper is further limited to issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars and have a rating of A-1+ by Standard & Poor's Corporation and P-1 by Moody's Investors Service and which matures not more than 270 days after the date of purchase. Purchases of commercial paper may not exceed 25 percent of the Authority's surplus money invested.

Commercial paper investments with one company may not exceed one-third (33 1/3%) of total commercial paper investments.

- (d) Time deposits. The Authority may invest in non-negotiable Certificates of Deposit at commercial banks and savings and loan associations that are collateralized in accordance with the California Government Code.
- (e) Local Agency Investment Fund. The Authority may invest in the Local Agency Investment Fund (LAIF) established by the State Treasurer up to the maximum permitted by State law.
- (f) Money market funds rated "AAAm" or AAAM-G" or better by Standard & Poor's Corporation.
- (g) Collateralized money market accounts. The Authority may invest in money market accounts at commercial banks and savings and loan associations that are collateralized in accordance with the California Government Code.

VIII. DEPOSITORIES:

The Treasurer will establish selection criteria in conformance with Government Code Sections 53630.5, 53635.8, and 53638 for pre-approval of institutions with which to do business. To qualify for selection an institution must be a California branch office of a foreign, state, or national bank that is authorized under the law of its domicile and federal law. Pre-approved institutions will carry sufficient insurance from the Federal Deposit Insurance Corporation or the National Credit Union Administration insurance, and maintain policies as indicated in Government Code Section 53635.8 regarding insurance and capitalization of deposits. A written list of approved institutions will be maintained by the Investment Officer.

IX. BROKER/DEALERS:

To provide for the optimum yield in the investment of the Authority's funds, the Authority's investment procedures shall be designed to encourage competitive bidding on transactions from approved brokers/dealers. In order to be approved by the Authority, the dealer must be a primary dealer reporting to the New York Federal Reserve, unless a comprehensive credit and capitalization analysis reveals that the firm is adequately financed to conduct public business; the dealer must be experienced in institutional trading practices and familiar with the California Government Code as related to investments; and other criteria as may be established in the investment procedures.

X. MATURITY RESTRICTIONS:

In addition to the 5 year limitation on investments specified in this policy, the average maturity of the Authority's combined portfolio shall not exceed 2 years without prior approval of the Board (for a specified period). Reserve Fund investments are exempt from this restriction; however, reserve fund investment maturities shall be limited to or prior to final maturity of the Authority's Bond Financing.

XI. RISK TOLERANCE

The Authority recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk. The Investment Officer is expected to display prudence in the selection of securities as a way to minimize default risk. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. The Investment Officer shall periodically establish guidelines and strategies to control risks of default, market price changes, and illiquidity. In addition to these general policy considerations, the following specific policies will be strictly observed.

XII. SAFEKEEPING AND CUSTODY:

To protect against potential fraud and embezzlement, the assets of the Authority shall be secured through third-party custody and safekeeping procedures. The Investment Officer shall be bonded to protect the public against possible embezzlement and malfeasance. Safekeeping procedures shall be reviewed annually by the independent auditor and any irregularities noted should be reported promptly to the Treasurer and the Board.

XIII. PERFORMANCE EVALUATION AND OPERATIONS AUDIT:

The quarterly investment reports submitted to the Board shall contain sufficient information to permit an independent organization to evaluate the performance of the investment program.

XIV. ETHICS:

All persons authorized to place or approve investments shall report annually on Form 700 of the Fair Political Practices Commission all required economic interests for that year.

XV. UPDATE OF POLICY:

This investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return, and its relevance to current law and financial and economic trends.

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