



AGENDA

WORKSHOP OF THE BOARD OF DIRECTORS

**WEDNESDAY, DECEMBER 6, 2017
10:00 A.M.**

**INLAND EMPIRE UTILITIES AGENCY*
AGENCY HEADQUARTERS
BOARD ROOM
6075 KIMBALL AVENUE
CHINO, CALIFORNIA 91708**

CALL TO ORDER OF THE INLAND EMPIRE UTILITIES AGENCY BOARD OF DIRECTORS MEETING/WORKSHOP MEETING

FLAG SALUTE

PUBLIC COMMENT

Members of the public may address the Board on any item that is within the jurisdiction of the Board; however, no action may be taken on any item not appearing on the agenda unless the action is otherwise authorized by Subdivision (b) of Section 54954.2 of the Government Code. Those persons wishing to address the Board on any matter, whether or not it appears on the agenda, are requested to complete and submit to the Board Secretary a "Request to Speak" form which is available on the table in the Board Room. Comments will be limited to three minutes per speaker. Thank you.

ADDITIONS TO THE AGENDA

In accordance with Section 54954.2 of the Government Code (Brown Act), additions to the agenda require two-thirds vote of the legislative body, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the local agency subsequent to the agenda being posted.

1. **WORKSHOP**
 - A. **INVESTMENT ADVISORY AND MANAGEMENT SERVICES WORKSHOP (WRITTEN AND POWERPOINT)**
 - B. **SAP WORKSHOP (POWERPOINT)**
 - C. **PROPOSED IEUA ADMINISTRATIVE HANDBOOK (WRITTEN)**
 - D. **DRAFT RESOLUTION ESTABLISHING A POLICY FOR ROTATION OF BOARD OFFICERS (WRITTEN)**
2. **CLOSED SESSION**
 - A. **PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a) – CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION**
Mwembu vs. IEUA, Case No. CIVDS 1415762
3. **ADJOURN**

*A Municipal Water District

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Board Secretary (909) 993-1736, 48 hours prior to the scheduled meeting so that the Agency can make reasonable arrangements.

Declaration of Posting

Proofed by: jh

I, April Woodruff, Board Secretary of the Inland Empire Utilities Agency*, A Municipal Water District, hereby certify that a copy of this agenda has been posted by 5:30 p.m. at the Agency's main office, 6075 Kimball Avenue, Building A, Chino, CA on Thursday, November 30, 2017.



April Woodruff

WORKSHOP


1A

Date: December 6, 2017

To: The Honorable Board of Directors

From: Halla Razak, General Manager

Committee:

Executive Contact:  Christina Valencia, Executive Manager of Finance & Administration/AGM

Subject: Investment Advisory and Management Services Workshop

Executive Summary:

The Agency's investment portfolio has historically been managed in-house by the Finance & Accounting Department under the direction of the Executive Manager of Finance & Administration/Assistant General Manager. Unlike some local governments, the Agency does not have a dedicated resource, such as a Chief Investment Officer, to manage its investment portfolio. As a result, the Agency's investment strategy has been to "buy and hold" investments until maturity. A more active investment strategy requires dedicated resources with market expertise, including access to more sophisticated market and credit analysis tools, to effectively and prudently manage the portfolio. Another option is the engagement of an investment advisor. Staff's initial evaluation determined utilization of a qualified investment advisor would benefit the Agency by providing a better structured, more diversified and actively managed portfolio. A Request for Proposal was released in September for investment advisory and management services. Three proposals were received: Chandler Asset Management, PFM Asset Management LLC (PFM) and High Mark Capital Management. The evaluation team identified PFM as the most qualified based on their resources, expertise and public sector focus. This was presented to the Finance and Administration Committee on November 8, 2017.

Staff's Recommendation:

The draft three-year contract, with one two-year options to extend, to PFM for investment advisory and management services is being presented at the workshop for comments from the Board.

Budget Impact *Budgeted* (Y/N): Y *Amendment* (Y/N): N *Amount for Requested Approval:*

Account/Project Name:

Professional Services budgeted in the Administrative Services Fund.

Fiscal Impact (explain if not budgeted):

The estimated higher investment returns from a better structured and more diversified portfolio are projected to offset fees paid to PFM to actively manage the Agency's investment portfolio.

Prior Board Action:

None

Environmental Determination:

Not Applicable

Business Goal:

The Investment Advisory and Management Services workshop is consistent with the Agency's Business Goal of Fiscal Responsibility in optimizing the Agency's investment of surplus funds in accordance with the Agency's Investment Policy.

Attachments:

- Attachment 1 - Background
- Attachment 2 - PowerPoint
- Attachment 3 - Draft Contract Number 4600002440
- Attachment 4 - Agency Investment Policy
- Attachment 5 - Agency Reserve Policy
- Attachment 6 - PFM Presentation Part 1
- Attachment 7 - PFM Presentation Part 2
- Attachment 8 - Resumes of PFM Key Professionals

Attachment 1

Background

Background

Subject: Investment Advisory and Management Services Workshop

The Agency's investment portfolio is comprised of all cash and reserve balances from all Agency funds (surplus monies), except monies held in restricted accounts, such as deferred compensation, debt service, and Capital Reimbursement Accounts (CCRA) held by member agencies. Authority to manage the investment program is delegated to the Executive Manager of Finance and Administration/Assistant General Manager by the Board of Directors pursuant to the Agency's Investment Policy (Investment Policy). The Investment Policy is presented regularly to the Board, and the last adoption was in April 2017.

Following the Orange County bankruptcy in 1994, the state of California enacted legislation to limit the risk of deposits and investment of public funds. The California Government Code (CGC) § 53600.6 and 53630.1 define permitted investments in which local agencies can invest surplus monies. To further minimize risk, the CGC establishes a percentage limitation for categories of permitted investments and limits the term remaining to maturity to a maximum of five years (unless specifically authorized by the legislative body) at the time of purchase. For example, the CGC prohibits investment in foreign sovereign fixed income instruments, and limits the duration of repurchase agreements to one year.

The Agency's Investment Policy takes a more conservative approach by excluding certain permitted investments and establishing lower limits from those defined in the CGC. One example are corporate bonds which have a limit of 30 percent under the CGC, but the Agency's Investment Policy limits to 10 percent of the portfolio to reduce exposure to market and credit risk. Consistent with the CGC, the Agency's Investment Policy primary objectives, in order of priority, are:

- 1) *Safety* – ensure the preservation of capital in the overall portfolio,
- 2) *Liquidity* – meet all operating requirements which might be reasonably anticipated, and
- 3) *Yield* – earning a fair return relative to the risk being assumed.

The Agency's investment portfolio has historically been managed in-house by the Finance & Accounting Department under the direction of the Executive Manager of Finance & Administration/Assistant General Manager. Unlike some local governments, the Agency does not have a dedicated resource, such as a Chief Investment Officer, to manage its investment portfolio. Investment transactions are executed by the Agency's financial analysts who are also responsible for, among other tasks: monitoring daily bank activity, updating cash flow movement and forecast, budget preparation, budget control, review budget transfer and budget amendment requests, credit quality reviews of potential vendors/contractors, and preparation of multiple reports for the Board, member agencies and management. As a result, the Agency's investment strategy has been to "buy and hold" investments until maturity. A more active investment strategy requires dedicated resources with market expertise, including access to more sophisticated market and credit analysis tools, to effectively and prudently manage the portfolio. Another option is the engagement of an investment advisor. This option was already being evaluated by staff when the Board of Directors suggested evaluation of the current investment strategy and assess the benefits of outsourcing management of the portfolio to a professional investment advisor.

Preliminary Evaluation

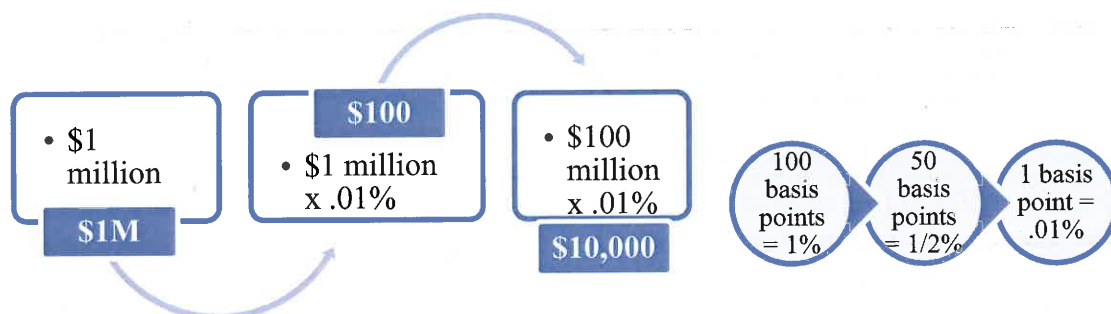
Staff's initial evaluation determined utilization of a qualified investment advisor would benefit the Agency by providing a better structured, more diversified and actively managed portfolio. The Agency's investment allocation in highly liquid assets has increased over the last two years. These investments include pooled investments comprised of the California Local Agencies Investment Fund (LAIF), CalTrust and California Asset Management Program (CAMP). As of September 30, 2017, about 60% or \$76 million of the Agency's total portfolio of \$127 million was held in liquid assets; well above the Agency's cash requirements which range between \$35 million to \$50 million.

An investment advisor can help better structure, further diversify and improve the overall yield of the Agency's portfolio as demonstrated in the following comparison. Assuming a portfolio of \$100 million, investment in 1-3 year Treasuries or 1-5 year Treasuries would have generated additional earnings over the last five years of \$1.1 million and \$2.3 million respectively, compared to LAIF as shown on Table 1.

Table 1: Additional Earnings Over Past 5 Years

Local Agency Investment Fund (LAIF) Index	Past 5 Year* Annualized Total Return	Growth of \$100 Million	Additional Earnings Over LAIF
LAIF	0.35%	\$101.7 M	
1-3 Year Treasury	0.57%	\$102.8 M	\$1.1 M
1-5 Year Treasury	0.80%	\$104.0 M	\$2.3 M

Index	Annual Total Return	Growth of \$100 Million	Additional Earnings Over LAIF
LAIF	0.35%	\$101.7 M	
3 Year Treasury	1.47%	\$107.3 M	\$5.6 M
5 Year Treasury	1.93%	\$109.6 M	\$7.9 M



Additionally, staff determined the use of an investment advisory firm will also provide the Agency:

- A team of experts in specialized disciplines with added sophisticated tools and resources,
- Day-to-day monitoring of market conditions and credit worthiness of investments,
- Ability to capitalize on current market conditions to optimize investment opportunities,
- Active management of the Agency's investment portfolio,
- Compliance with the Agency's Investment Policy and state regulations, and
- Discounts from increased competitive prices and economies of scale gained from managing several billions of dollars of governmental assets.

Request for Proposal

Based on these findings, a Request for Proposal (RFP) for investment advisory and management services was posted on Planet Bids on September 25, 2017. The primary objective of the RFP was to select the firm most qualified to manage the Agency's investment portfolio in accordance with the laws of the State of California, the Agency's Investment Policy, and other investment policies and procedures established by the Agency. On October 16, 2017, the Agency received three proposals from:

- Chandler Asset Management
- PFM Asset Management LLC
- High Mark Capital Management

The three proposals were reviewed by an evaluation team comprised of key members of the Finance and Accounting Department and the Executive Manager of Finance & Administration/ Assistant General Manager. Each proposal was evaluated based on the firm's ability to deliver the primary investment advisory and management scope of services as identified in the RFP: the firm's financial strength, public sector experience in California, technical competence, resources and qualifications of the firm, and individuals to provide the services; the investment philosophy and strategy and demonstrated investment performance; and overall proposed fees and the value they represent for the services to be provided.

PFM Most Qualified

The evaluation team identified PFM Asset Management LLC's (PFM) proposal as the most qualified to provide the investment advisory and management services for the Agency's investment portfolio. Some of PFM's strengths include:

- *Public Sector Focus.* Manage over \$77 billion in assets primarily for public sector entities.
- *California Presence.* Have been providing investment advisory services to California local government since 1989. A list PFM's clients in California is provided in Table 5.
- *Resources and Expertise.* Local offices and more than 200 investment professionals nationwide actively monitoring market conditions, conducting in-depth financial analysis of issuers, processing internal credit reviews, and have an established Credit Committee, and Compliance Department.
- *Extensive Training Program.* Year-round trainings available to clients on all aspects of finance, investment, governance, debt issuance, pension, compliance, and other economic related topics. PFM University courses are made available to clients at no cost.

- *Other Specialized Services.*
 - Trust Management & Administration - prefunding pension or other-post employment benefit (OPEB).
 - Treasury Consulting - determining the best banking service provider for cash management needs.
 - Arbitrage Rebate Compliance Practice - focusing exclusively on the challenges of arbitrage rebate and post debt-issuance compliance.
 - Payment Solution - providing tool to receive rebates for purchases.
 - Procurement Card - purchasing cards for small purchases as designated by the client.

The fee proposal from PFM is based on the size of assets under management as summarized in Table 2:

Table 2: Proposal Annual Fees

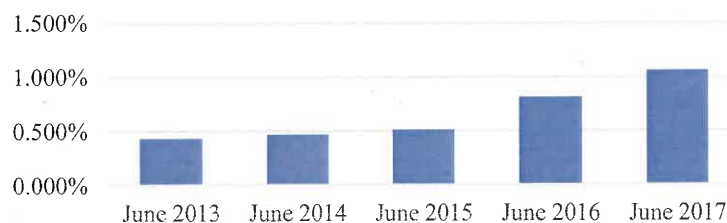
Assets Under Management	Annual Fee
First \$25 million	10 basis points (0.10%)
Next \$25 million	8 basis points (0.08%)
Next \$50 million	7 basis points (0.07%)
Over \$100 million	6 basis points (0.06%)

The Agency's Investment Policy Section 5.0 authorizes the General Manager to engage the services of one or more external investment advisors to assist in the management of the Agency's investment portfolio in a manner consistent with the policy and the Agency's investment objectives.

Yield Analysis

The yield of the Agency's portfolio for the periods ending June has ranged between 0.43% to 1.06% over the last 5 fiscal years, as shown in Figure 1.

Figure 1: Agency Yield



Higher yield equal higher earnings. Engagement of an investment advisor can help the Agency enhance yield by introducing more diversification and extending the portfolio's duration.

As shown on Table 3, yield of the PFM 1-3 year Composite and 1-5 year Composite outperformed the Agency's yield over the last 3 years (the only exception was the 3-year average of the PFM 1-3 Composite).

Table 3: Agency and PFM Yield Comparison

	Quarter Ending June 2017	1 Year Average	3 Year Average
Agency Portfolio	1.14%	0.92%	0.73%
PFM 1-3 Year Composite	1.49%	1.30%	0.70%
PFM 1-5 Year Composite	1.64%	1.49%	1.04%

*PFM Composite Yield data is Yield to Maturity at Market as of 6/30/17
Source: PFM and Agency Yield Comparison slide presentation 11/15/17*

Based on quarter ending June 2017, an investment of \$10 million in PFM's 1-3 year composite with a yield of 1.49% compared to the Agency's yield of 1.14% would have resulted in additional returns of \$35,000. Additional returns would have been higher at \$50,000 for the PFM's 1-5 year composite with a yield of 1.64%. Estimated higher earnings are projected to offset fees paid to an investment advisor to actively manage the Agency's investment portfolio.

In addition to anticipated higher earnings, significant distinctions between brokers and dealers currently used by the Agency and an investment advisor are highlighted in Table 4.

The major difference is the investment advisors have fiduciary responsibility to safeguard the Agency's assets while brokers/dealers do not have a fiduciary responsibility. As a "fiduciary" to the Agency, an investment advisor has a fundamental obligation to act in the Agency's best interests: a duty of undivided loyalty and utmost good faith. Another difference is more transparency in compensation. Fees paid to brokers/dealers are on a transactional basis and are netted out from the final return of the investments purchased by the Agency. Fees paid to an investment advisor are based on assets under management.

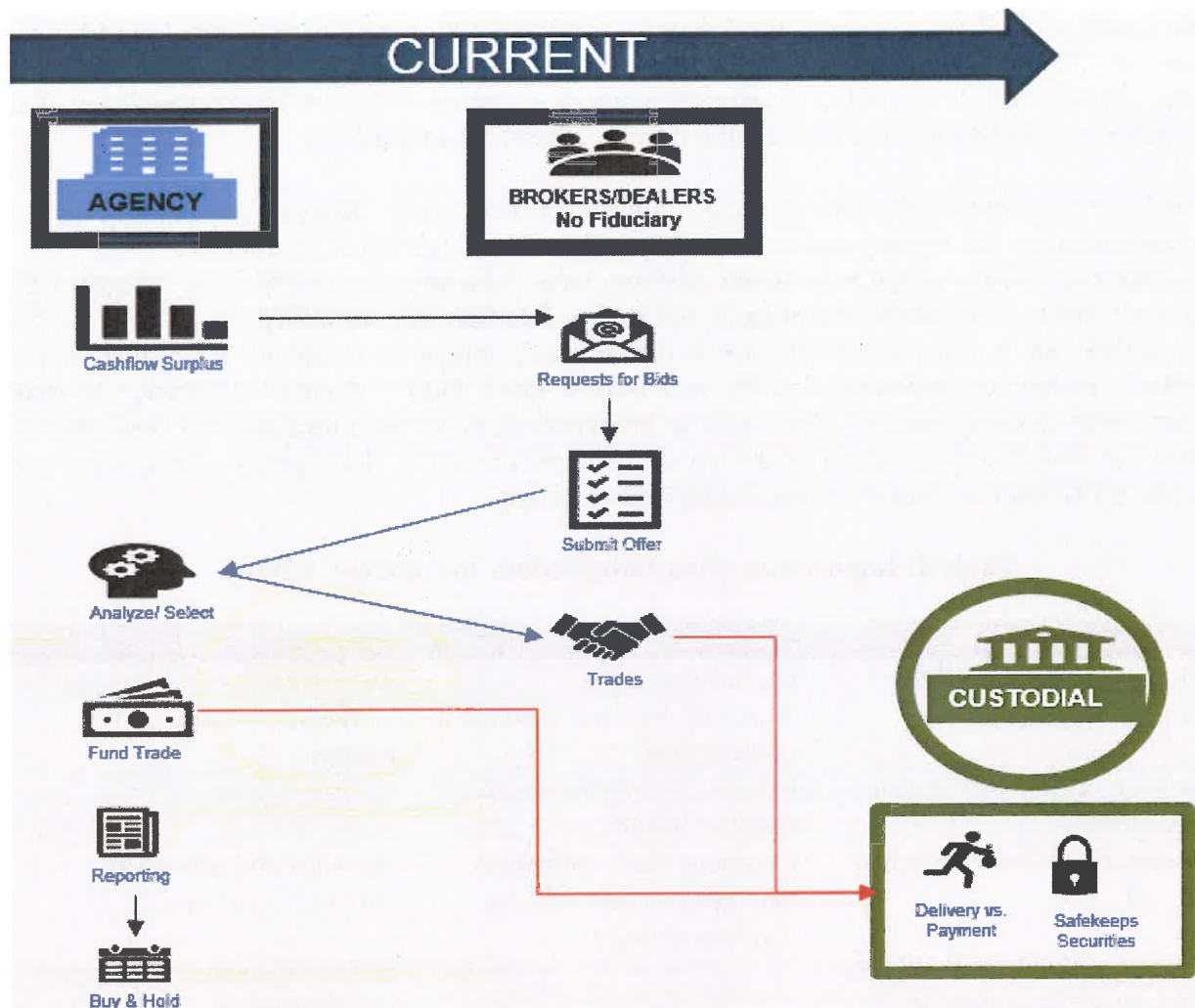
Table 4: Importance of an Independent Investment Advisor

Investment Advisor	Broker	Dealers
Fiduciary Responsibility	Not a fiduciary	Not a fiduciary
Fees are fully disclosed	Does not maintain a portfolio of securities	"Takes a position" in the market
Owens no portfolio or inventory of securities	Buys securities from seller to resell to buyers	Owens securities
Competitively bids every buy and sell	Compensation: Difference between buy and sell, can earn commission	Buys for and sells from "house" inventory
Compensation: Fees based on assets under management		Buys at the bid price; sells at the offer price
		Compensation: Difference between buy and sell; can earn commission

Changes to Current Process

Currently (shown under Figure 2), a solicitation to bid is sent to authorized brokers/dealers (brokers/dealers are evaluated and updated as part of the Investment Policy annual update). Staff evaluates the bids received and notifies the broker/dealer of the selected investment. The broker/dealer confirms the purchase and on the settlement date forwards the trade ticket to the Agency's third-party custodian (US Bank). The Agency remits payment directly to US Bank. US Bank utilizes the delivery versus payment (DvP) process under which delivery of all documents necessary to give effect to a transfer of securities in exchange for the receipt of the stipulated payment amount occurs simultaneously. As the Agency's custodian, US Bank holds the Agency's investments until maturity or are called by the issuer. Fees paid to brokers/dealers are included in the purchase price and netted out from the final return of the investments purchased by the Agency.

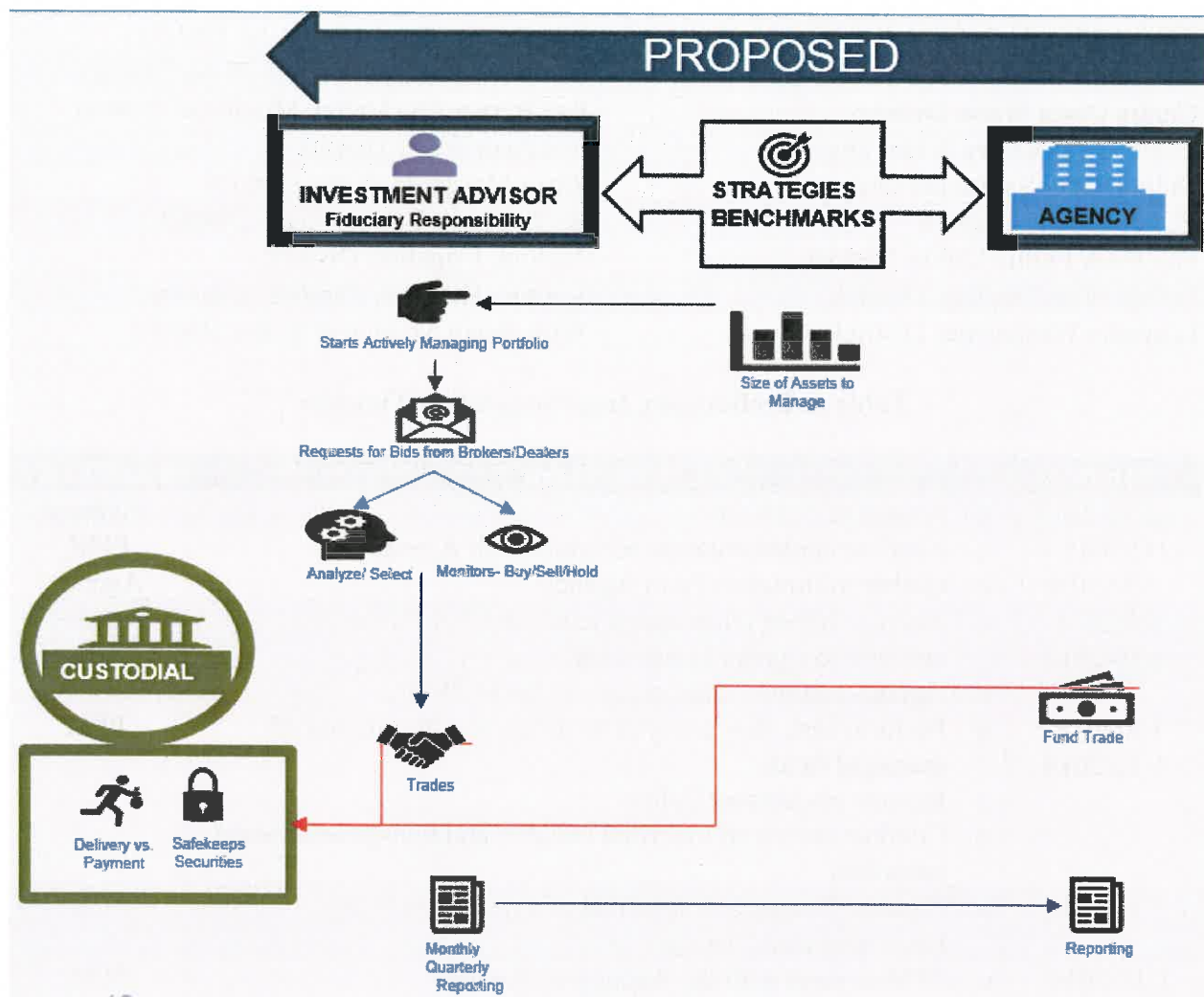
Figure 2: Current Investment Process



Engagement of a financial advisor will shift the solicitation and purchase of investments from Agency staff to the financial advisor (Shown under Figure 3). The same DvP process currently in place will be used to settle investments purchased/sold by the investment advisor for the Agency's portfolio. The Agency's investments will continue to be held by US Bank. If approved, PFM will

work closely with the Agency to develop an investment strategy and benchmark consistent with the Agency's Investment Policy and cashflow projections. A key part of this process is identifying the permitted investments and allocation limits based on the Agency's risk tolerance. Based on this investment strategy and benchmark, the Agency will determine the amount of funds to be managed by PFM. Along with the monthly reports to be included in the periodic Financial Affairs presented to the Finance & Administration Committee, the investment advisors will present quarterly updates that may result in adjustments to the investment strategy, benchmark and the amount of managed funds to align with changes in market conditions, risk tolerance and overall Agency objectives. A preliminary implementation timeline is provided on Table 6.

Figure 3: Proposed Investment Process



Recommendation

The draft contract to PFM for investment advisory and management services is being presented for comments from the Board. A proposal to award a contract to PFM was presented to the Finance and Administration Committee (Finance Committee) on November 8, 2017. The Finance Committee requested staff to provide additional information to justify engaging the services of an investment advisor to manage the Agency's portfolio and how the current process will change.

The estimated higher earnings from a better structured and more diversified portfolio are projected to offset fees paid to PFM to actively manage the Agency's investment portfolio. PFM will proactively manage the Agency's portfolio while providing enough flexibility to meet the Agency's performance objectives.

Table 5: PFM Asset Management Client List

Client List	
Alameda County Water District	Merced Irrigation District
Antelope Valley East Kern Water Agency	Modesto Irrigation District
City of San Bernardino Municipal Water Dept.	Padre Dam Municipal Water District
City of Vista	Sacramento Suburban Water District
Coachella Valley Water District	San Bernardino Municipal Water District
Contra Costa Water District	San Bernardino Valley Municipal District
Cucamonga Valley Water District	San Juan Water District
Delta Diablo Sanitation District	Santa Margarita Water District
El Toro Water District	South Tahoe Public Utility District
Fallbrook Public Utility District	Turlock Irrigation District
Goleta West Sanitary District	Ventura Regional Sanitation District
Leucedia Wastewater District	West Basin Municipal Water District

Table 6: Preliminary Implementation Timeline

Date	Task/Event	Lead Party
12/20/2017	○ Award of Contract	Agency
1/2/2018 – 1/5/2018	○ Finalize implementation schedule with Agency ○ Gather information from Agency	PFM, Agency
1/4/2018- 1/10/2018	○ Agency delivers instruction letter and PFM's list of authorized signers to custodian ○ Agency returns online access forms to PFM	Agency
1/8/2018- 1/12/2018	○ Perform cash flow analysis to determine the amount of managed funds ○ Review Investment Policy ○ Conduct review of inherited callable and non-governmental securities	PFM
1/10/2018	○ Finance Committee Approval of Investment Policy Recommended Changes	
1/15/2018- 1/19/2018	○ PFM to meet with the Agency to discuss: ○ Results of cash flow analysis ○ Investment Policy recommendations ○ Communication preferences ○ Objectives for the portfolio ○ Risk tolerance ○ Investment strategy and performance benchmark	PFM, Agency
1/17/2018	○ Board Approval of Investment Policy Recommended Changes	

1/17/2018- 2/2/2018	<ul style="list-style-type: none"> ○ Provide Agency with template of instruction letter for custodian and PFM's list of authorized signers ○ Provide Agency with form for online access 	PFM, Agency
1/17/2018- 2/2/2018	<ul style="list-style-type: none"> ○ Finalize and sign contract 	
2/14/2018	<ul style="list-style-type: none"> ○ Notice to Proceed 	
2/2/2018- 2/16/2018	<ul style="list-style-type: none"> ○ Set up Agency's existing investments in PFM accounting system ○ Input compliance rules based on Agency's Investment Policy in Bloomberg AIM compliance system ○ Review of rules in Bloomberg AIM Compliance Department 	PFM
2/16/2018	<ul style="list-style-type: none"> ○ Account approved for trading 	PFM
2/20/2018	<ul style="list-style-type: none"> ○ PFM begins managing the portfolio 	PFM
3/6/2018	<ul style="list-style-type: none"> ○ First monthly statement to be released to the Agency ○ Meet to review the portfolio statement and the Agency's accounting needs 	PFM
April 2018	<ul style="list-style-type: none"> ○ Interim quarterly performance update (performance is provided after first full quarter of management) 	PFM
July 2018	<ul style="list-style-type: none"> ○ Expected delivery of first full performance report and meeting with the Agency 	PFM
Ongoing	<ul style="list-style-type: none"> ○ Daily review of portfolio and market for investment opportunities consistent with approved investment strategy ○ Formulation of investment recommendations ○ Execution through competitive process of investment purchases and sales ○ Confirmation of trade settlement with brokers and custodian ○ Notification of executed trades to Agency through email ○ Communication of investment strategy and market outlook to Agency ○ Assistance as needed with accounting for investments ○ Monthly portfolio statements ○ Monthly market update ○ Quarterly performance reporting ○ Regular meetings with Agency staff ○ Annual Investment Policy review ○ Update to cash flow analysis ○ Serve as general resource ○ Oversight ○ Feedback 	PFM

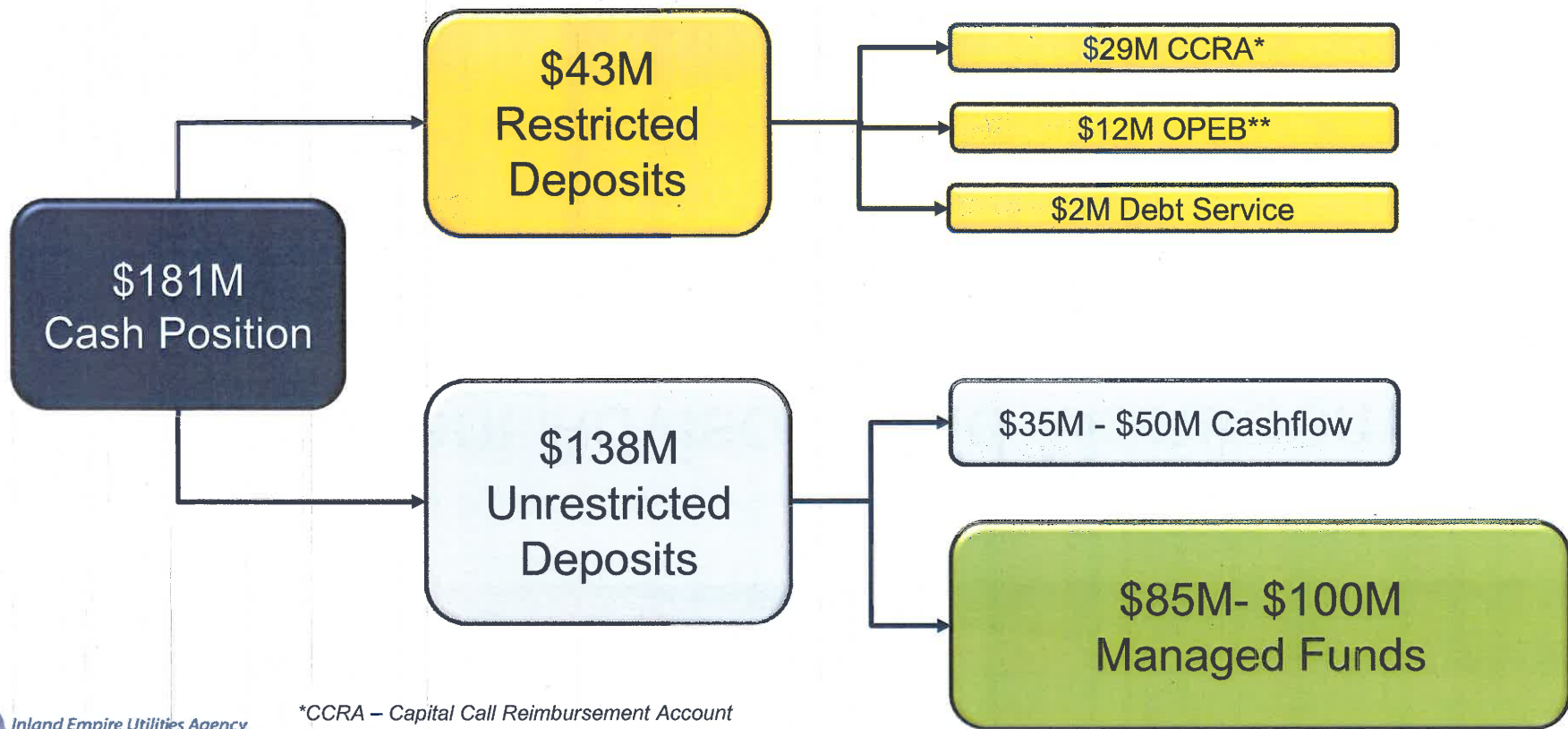
Attachment 2

Powerpoint

Investment Advisory and Management Services Workshop



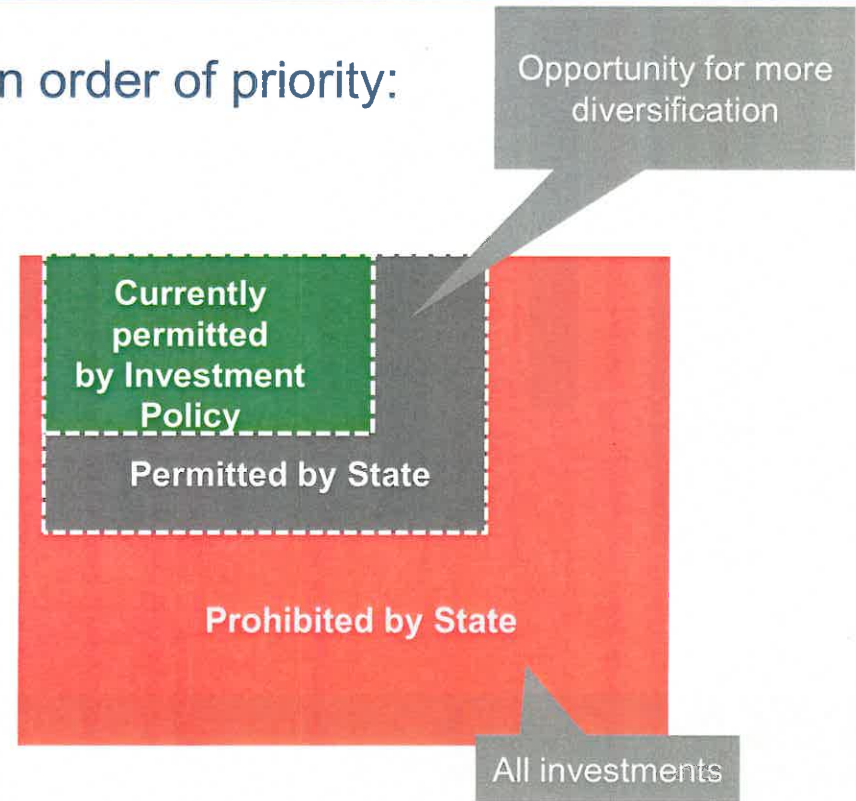
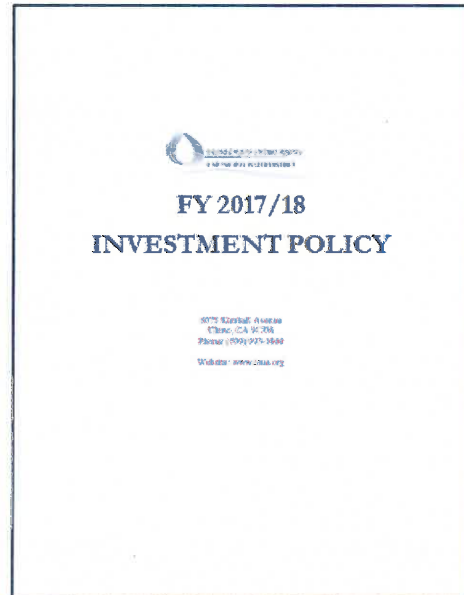
IEUA's Portfolio Composition As of June 30, 2017



Investment Policy

Key Policy objectives consistent with CGC in order of priority:

1. Safety
2. Liquidity
3. Yield



Yield Comparison



Importance of an Independent Investment Advisor

Investment Advisor

- Fiduciary responsibility
- Fees are fully disclosed
- Owns no portfolio or inventory of securities
- Competitively bids every buy and sell
- Compensation: Fees based on assets under management

Broker

- Not a fiduciary
- Does not maintain a portfolio of securities
- Buys securities from seller to resell to buyers
- Compensation: Difference between buy and sell, can earn commission

Dealer

- Not a fiduciary
- “Takes position” in the market and owns securities
- Buys for and sells from house inventory
- Compensation: Difference between buy and sell, can earn commission

Most Qualified Proposal

RFP Selection Result – PFM Asset Management

- Public Sector Focus
- Resources and Expertise
- Financial Strength
- Extensive Training Program
- Other Specialized Services

PFM Team

Engagement Manager:
Sarah Meacham, Managing Director



Relationship Manager:
Richard D. Babbe, Senior Managing Consultant



Proposed Timeline

December 2017

- Contract award

January 2018

- Strategy and benchmark development
- Investment Policy review
- Approve revised Investment Policy, if needed

February 2018

- PFM begins managing investment portfolio

Ongoing

- Cash flow analysis
- Monthly reporting
- Quarterly presentations to Finance Committee

Recommendation

A draft Contract No. 4600002440 to PFM Asset Management LLC for an initial 3-year period with two, 1-year options to extend, for investment advisory and management services is being presented for comments from the Board

- Finance and Administration Committee
- Board Meeting

Attachment 3

Contract



CONTRACT NUMBER: 4600002440

FOR PROFESSIONAL SERVICES

INVESTMENT ADVISORY AND MANAGEMENT SERVICES

THIS CONTRACT NUMBER 4600002440 (the "Contract"), is made and entered into this _____ day of _____, 2017, by and between the Inland Empire Utilities Agency, a Municipal Water District, organized and existing in the County of San Bernardino under and by virtue of the laws of the State of California (hereinafter referred to as "Client" or "IEUA"), and PFM Asset Management, LLC, a Delaware limited liability company with an office located in Los Angeles, California (hereinafter referred to as "Advisor") for professional services related to providing investment advisory and management services for IEUA investment portfolio.

WITNESSETH

WHEREAS, the Client has funds available for investment purposes (the "Initial Funds") for which it intends to conduct an investment program; and

WHEREAS, the Client desires to avail itself of the experience, sources of information, advice, assistance and resources available to the Advisor; to have the Advisor undertake certain duties and responsibilities; and to perform certain services as investment advisor on behalf of the Client, as provided herein; and

WHEREAS, the Advisor is willing to provide such services on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual promises and obligations set forth herein, the parties agree as follows:

1. **CLIENT PROJECT MANAGER ASSIGNMENT:** All technical direction related to this Contract shall come from the designated Project Manager. Details of the Client's assignment are listed below.

Project Manager: Christina Valencia, CFO/AGM

Address: 6075 Kimball Ave

Chino, California 91708
Telephone: (909) 993-1673
Facsimile: (909) 993-1985
Email: cvalencia@ieua.org

2. ADVISOR ASSIGNMENT: Special inquiries related to this Contract and the effects of this Contract shall be referred to the following:

Advisor: Sarah Meacham, Managing Director

Address: 601 South Figueroa Street Suite 4500
Los Angeles, California 90017

Telephone: (213) 489-4075

Facsimile: (213) 489-4085

Email: meachams@pfm.com

3. ORDER OF PRECEDENCE: The documents referenced below represent the Contract Documents. Where any conflicts exist between the General Terms and Conditions the governing order of precedence shall be as follows:

1. Amendments to Contract Number 4600002440
2. Contract Number 4600002440 General Terms and Conditions.
3. Client's Request for Proposal Number RFP-SM-17-041
4. Advisor's Proposals dated October 16, 2017

4. SCOPE OF WORK AND SERVICES: Advisor services and responsibilities shall include and be in accordance with Advisor's Proposal, dated October 16, 2017, which is attached hereto as **Exhibit A**, incorporated herein by reference and made a part hereof, and includes the following:

- A. The Client hereby engages the Advisor to serve as investment advisor under the terms of this Contract with respect to the Initial Funds and such other funds as the Client may from time to time assign by written notice to the Advisor (collectively the "Managed Funds"), and the Advisor accepts such engagement. In connection therewith, the Advisor will provide investment research and supervision of the Managed Funds investments and conduct a continuous program of investment, evaluation and, when appropriate, sale and reinvestment of the Managed Funds assets. The Advisor shall continuously monitor investment opportunities and evaluate investments of the Managed Funds. The Advisor shall furnish the Client with statistical information and reports with respect to investments of the Managed Funds. The Advisor shall place all orders for the purchase, sale, loan or exchange of portfolio securities for the Client's account with brokers or dealers recommended by the Advisor and/or the Client, and to that end the Advisor is authorized as agent of the Client to give instructions to the custodian designated by the Client (the "Custodian") as to deliveries of

securities and payments of cash for the account of the Client. In connection with the selection of such brokers and dealers and the placing of such orders, the Advisor is directed to seek for the Client the most favorable execution and price, the determination of which may take into account, subject to any applicable laws, rules and regulations, whether statistical, research and other information or services have been or will be furnished to the Advisor by such brokers and dealers. The Custodian shall have custody of cash, securities and other assets of the Client. The Advisor shall not take possession of or act as custodian for the cash, securities or other assets of the Client and shall have no responsibility in connection therewith. Authorized investments shall include only those investments which are currently authorized by the Client's Investment Policy pursuant to state investment statutes and applicable covenants and as supplemented by such other written instructions as may from time to time be provided by the Client to the Advisor. The Advisor shall be entitled to rely upon the Client's written advice with respect to anticipated drawdowns of Managed Funds. The Advisor will observe the instructions of the Client with respect to broker/dealers who are approved to execute transactions involving the Managed Funds and in the absence of such instructions will engage broker/dealers which the Advisor reasonably believes to be reputable, qualified and financially sound.

B. NOTE: Advisor shall advise Client within two (2) weeks of any changes to the written Scope of Work/Schedule based upon discussions from any meetings. Any changes must be made in writing by an Amendment to the Contract. Work initiated without written approval, shall be at Advisor's own risk, and shall not be reimbursed by the Client.

C. Method of Inspection:

1. Work performed under this Contract may be required to undergo monthly, weekly, or daily inspections.
2. The Project Manager shall be responsible for performance of the inspections.
3. If Advisor fails an inspection, the Project Manager shall be responsible for providing a written notice to the Advisor explaining the error and a determination of the urgency for the correction of the error (herein referred to as a "Cure Notice").

D. Cure Procedure:

1. For a Cure Notice deemed by the Client to be **urgent**, Advisor shall correct any error of the Work within three (03) calendar days after Advisor's receipt of a Cure Notice, as directed by the Project Manager.

2. For a Cure Notice deemed by the Client to be **important**, Advisor shall correct any error of the Work within ten (10) calendar days after Advisor's receipt of a Cure Notice, as directed by the Project Manager.
 3. If the Project Manager rejects all, or any part of, the Work as unacceptable and contract to correct such Work cannot be reached without modification to the Contract, Advisor shall notify the Project Manager, in writing, detailing the dispute and the reason(s) for the Advisor's position. Any dispute that cannot be resolved between the Project Manager and Advisor shall be resolved in accordance with the provisions of this Contract.
- E. The Client may, at any time, make changes to this Contract's Scope of Work; including additions, reductions and other alterations to any or all of the work. However, such changes shall only be made via written amendment to this Contract. The Contract Price and Work Schedule shall be equitably adjusted, if required, to account for such changes and shall be set forth within the Contract Amendment.
5. TERM: The term of this Contract shall extend from January 10, 2018, and terminate January 10, 2021 with an option to renew for two (2) one-year options, unless agreed to by both parties, reduced to writing, and amended to this contract.

The Client may terminate this Contract in the event of any material breach of the terms by the Advisor such as but not limited to, suspension or termination as a registered advisor, violation of any state or federal securities law or regulation, purchase of investment securities not authorized by IEUA investment policy, or at any time after one year upon thirty (30) days' written notice to the Client upon notice to the Client by certified mail, return receipt requested.

The Advisor may terminate this Contract immediately upon any material breach of the Contract such as but not limited to non-payment, failure to deliver funds for the purchase of investment securities, or at any time, on not less than thirty (30) days upon notice to the Advisor by certified mail, return receipt requested.

Client shall have the sole option to cure any material breach within the thirty (30) days' notice window prior to termination of this Contract. If Client cures the material breach, this Contract shall not be terminated due to the cured material breach.

6. COMPENSATION:

- a) For services provided by the Advisor pursuant to this Agreement, the Client shall pay the Advisor an annual fee, in monthly installments, based on the daily net assets under management according to the schedule below:

(Balance of Page Intentionally Left Blank)

<u>Average Assets Under Management</u>	<u>Fees</u>
Initial \$25 million	10 basis points (0.10%)
Next \$25 million	8 basis points (0.08%)
Next \$50 million	7 basis points (0.07%)
Above \$100 million	6 basis points (0.06%)

“Daily net assets” is defined to include the amortized value of securities, accrued interest and cash or any money market fund balance.

The minimum annual fee is \$10,000, to be applied in equal monthly installments.

- b) The Advisor will bill the Client monthly for service performed under this Agreement, said bill to include a statement indicating the basis upon which the fee was calculated. The Client shall pay to the Advisor the amount payable pursuant to this Contract within thirty (30) days following the month during which the Advisor’s statement was rendered.
- c) Additionally, to qualify for payment, the Advisor shall prominently display, on the first page of the invoice, both:

1. The Contract Number – 4600002440
2. If Advisor submits invoice by email, such invoice shall be submitted as follows:

APGroup@ieua.org
 Scan the invoice as a PDF file.
 Attach the scanned file to an email.

If Advisor submits invoice by mail, such invoice shall be submitted as follows:

Inland Empire Utilities Agency
 Re: Contract Number: 4600002440
 P.O. Box 9020
 Chino Hills, CA 91709

- d) Concurrent with the submittal of the original invoice to the Client’s Accounts Payable Department, the Advisor shall forward (mail, fax, or email) a copy of said invoice to the designated Project Manager, identified in Section 1, on Page 1 of this Contract.

- e) No Additional Compensation: Nothing Set forth in this Contract shall be interpreted to require payment by Client to Advisor of any compensation specifically for the assignments and assurances required by the Contract, other than the payment of expenses as may be actually incurred by Advisor in complying with this Contract, as approved by the Project Manager.
- f) Assets invested by the Advisor under the terms of this Contract may from time to time be invested in (i) a money market mutual fund managed by the Advisor or (ii) a local government investment pool managed by the Advisor (either, a "Pool), or in individual securities. Average daily net assets subject to the fees described in this section shall not take into account any funds invested in the Pool. Expenses of the Pool, including compensation for the Advisor and the Pool custodian, are described in the relevant prospectus or information statement and are paid from the Pool.
- g) If and to the extent that the Client shall request the Advisor to render services other than those to be rendered by the Advisor hereunder, such additional services shall be compensated separately on terms to be agreed upon between the Advisor and the Client.

7. EXPENSES:

- a) The Advisor shall furnish at its own expense all necessary administrative services, office space, equipment, clerical personnel, telephone and other communication facilities, investment advisory facilities, and executive and supervisory personnel for managing the Managed Funds.
- b) Except as expressly provided otherwise herein, the Client shall pay all of its own expenses including, without limitation, taxes, commissions, fees, and expenses of the Client's independent auditors and legal counsel, if any, brokerage and other expenses connected with the execution of portfolio security transactions, insurance premiums, and fees and expenses of the Custodian.

8. REGISTERED DUTY OF CARE: The Advisor hereby represents it is a registered investment advisor under the Investment Advisers Act of 1940, as amended. The Advisor shall immediately notify the Client if at any time during the term of this Contract it is not so registered or if its registration is suspended. The Advisor agrees to perform its duties and responsibilities under this Contract with reasonable care and in accordance with any applicable federal, state, and local laws associated with Advisor's relationship to the Client, including, but not limited to, Advisor's fiduciary duties and other responsibilities owed to Client according to California Government Code §53600 et seq. The federal securities laws impose liabilities under certain circumstances on persons who act in good faith. Nothing herein shall in any way constitute a waiver or limitation of any rights which the Client may have under any federal securities laws. The Client hereby authorizes the Advisor to sign I.R.S. Form W-9 on behalf of the Client and to deliver such form to broker-dealers or others from

time to time as required in connection with securities transactions pursuant to this Agreement.

9. **ADVISOR'S OTHER CLIENTS:** The Client understands that the Advisor performs investment advisory services for various other clients which may include investment companies, commingled trust funds and/or individual portfolios. The Client agrees that the Advisor, in the exercise of its professional judgment, may give advice or take action with respect to any of its other clients which may differ from advice given or the timing or nature of action taken with respect to the Managed Funds. The Advisor shall not have any obligation to purchase, sell or exchange any security for the Managed Funds solely by reason of the fact that the Advisor, its principals, affiliates, or employees may purchase, sell or exchange such security for the account of any other client or for itself or its own accounts.
10. **INSURANCE:** During the term of this Contract, the Advisor shall maintain at Advisor's sole expense, the following insurance.
- A. **Minimum Scope of Insurance:** Coverage shall be at least as broad as:
1. **Commercial General Liability ("CGL"):** Insurance Services Office ("ISO") Form CG 00 01 covering CGL on an "occurrence" basis, including products and completed operations, property damage, bodily injury and personal & advertising injury with limits no less than \$1,000,000 per occurrence. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location (ISO CG 25 03 or 25 04) or the general aggregate limit shall be twice the required occurrence limit.
 2. **Automobile Liability:** ISO Form Number CA 00 01 covering any auto (Code 1), or if Advisor has no owned autos, covering hired, (Code 8) and non-owned autos (Code 9), with limit no less than \$1,000,000 per accident for bodily injury and property damage.
 3. **Workers' Compensation and Employers Liability:** Workers' compensation limits as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limit of no less than \$1,000,000 per accident for bodily injury or disease.
 4. **Professional Liability (Errors and Omissions):** Insurance appropriate to the Advisor's profession, with limit no less than \$1,000,000 per occurrence or claim, \$2,000,000 aggregate.
- B. **Deductibles and Self-Insured Retention:** Any deductibles or self-insured retention must be declared to and approved by the Client. At the option of the Client, either: the insurer shall reduce or eliminate such deductibles or self-insured retention as respects the Client, its officers, officials, employees and

volunteers; or the Advisor shall procure a bond guaranteeing payment of losses and related investigations, claims administration and defense expenses.

C. Other Insurance Provisions: The insurance policies are to contain, or be endorsed to contain, the following provisions:

1. Commercial General Liability and Automobile Liability Coverage

- a. Additional Insured Status: The Client, its officers, officials, employees, and volunteers are to be covered as additional insureds on the CGL policy with respect to liability arising out of work or operations performed by or on behalf of the Advisor including materials, parts or equipment furnished in connection with such work or operations. General liability coverage can be provided in the form of an endorsement to the Advisor's insurance (at least as broad as ISO Form CG 20 10 11 85 or by either CG 20 10, CG 20 26, CG 20 33, or CG 20 38; and CG 20 37 forms if later revisions used).
- b. Primary Coverage: The Advisor's insurance coverage shall be primary insurance coverage at least as broad as ISO CG 20 01 04 13 as respects the Client, its officer, officials, employees and volunteers. Any insurance or self-insurance maintained by the Client, its officers, officials, employees, volunteers, property owners or engineers under contract with the Client shall be excess of the Advisor's insurance and shall not contribute with it.
- c. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the Client, its officers, officials, employees or volunteers.
- d. The Advisor's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
- e. The Advisor may satisfy the limit requirements in a single policy or multiple policies. Any such additional policies written as excess insurance shall not provide any less coverage than that provided by the first or primary policy.

2. Workers' Compensation and Employers Liability Coverage

The insurer hereby grants to Client a waiver of any right to subrogation which any insurer of said Advisor may acquire against the Client by virtue of the payment of any loss under such insurance. Advisor

agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the Client has received a waiver of subrogation endorsement from the insurer.

3. All Coverages

Each insurance policy required by this contract shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to the Client.

D. Acceptability of Insurers: All insurance is to be placed with insurers with a current A.M. Best's rating of no less than A minus: VII, and who are admitted insurers in the State of California.

E. Verification of Coverage: Advisor shall provide the Client with original certificates and amendatory endorsements or copies of the applicable policy language effecting coverage required by this clause. All certificates and endorsements are to be received and approved by the Client before work commences. However, failure to obtain the required documents prior to the work beginning shall not waive the Advisor's obligation to provide them. The Client reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time.

F. Submittal of Certificates: Advisor shall submit all required certificates and endorsements to the following:

Inland Empire Utilities Agency
Attn: Angela Witte
P.O. Box 9020
Chino Hills, California 91709

11. LEGAL RELATIONS AND RESPONSIBILITIES

A. Professional Responsibility: The Advisor shall be responsible, to the level of competency presently maintained by other practicing professionals performing the same or similar type of work.

B. Status of Advisor: The Advisor is retained as an independent Advisor only, for the sole purpose of providing the services described herein, and is not an employee of the Client.

C. Observing Laws and Ordinances: The Advisor shall keep itself fully informed of all relevant existing state and federal laws and all relevant county and city

ordinances and regulations which pertain to structural engineering services or tasks performed under this Contract, and of all such orders and decrees of bodies or tribunals having any jurisdiction or authority over the same. The Advisor shall at all times observe and comply with all such existing laws, ordinances, regulations, orders and decrees, and shall to the extent of Advisor's negligence, protect and indemnify, as required herein, the Client, its officers, employees and agents against any claim or liability arising from or based on the violation of any such law, ordinance, regulation, order or decree, whether by the Advisor or its employees.

- D. Subcontract Services: Any subcontracts for the performance of any services under this Contract shall be subject to the written approval of the Project Manager.
- E. Travel and Subsistence Pay: The Advisor shall make payment to each worker for travel and subsistence payments which are needed to complete the work and/or service, as such travel and subsistence payments are defined in an applicable collective bargaining contract with the worker.
- F. Liens: Advisor shall pay all sums of money that become due from any labor, services, materials or equipment provided to Advisor on account of said services to be rendered or said materials to be provided under this Contract and that may be secured by any lien against the Client. Advisor shall fully discharge each such lien at the time performance of the obligation secured matures and becomes due.
- G. Indemnification: Advisor shall indemnify the Client, its directors, employees and assigns, and shall defend and hold them harmless from all liabilities, demands, actions, claims, losses and expenses, including reasonable attorneys' fees, which arise out of or are related to the negligence, recklessness or willful misconduct of the Advisor, its directors, employees, agents and assigns, in the performance of work under this contract.
- H. Conflict of Interest: No official of the Client who is authorized in such capacity and on behalf of the Client to negotiate, make, accept or approve, or to take part in negotiating, making, accepting or approving this Contract, or any subcontract relating to services or tasks to be performed pursuant to this Contract, shall become directly or indirectly personally interested in this Contract.
- I. Equal Opportunity and Unlawful Discrimination: During the performance of this Contract, the Advisor shall not unlawfully discriminate against any employee or employment applicant because of race, color, religion, sex, age, marital status, ancestry, physical or mental disability, sexual orientation, veteran status or national origin. The Client is committed to creating and maintaining an environment free from harassment and discrimination

J. Non-Conforming Work and Warranty: Consistent with the standard of skill and care set forth in Section 11.A, Professional Responsibility, Advisor represents and warrants that the Work and Documentation shall be adequate to serve the purposes described in the Contract. If the Project Manager rejects all or any part of the Work or Documentation as unacceptable, and contract to correct such Work or Documentation cannot be reached without modification to the Contract, Advisor shall notify the Project Manager, in writing, detailing the dispute and reason for Advisor's position. Any dispute that cannot be resolved between the Project Manager and the Advisor, shall be resolved in accordance with the Dispute Section of this Contract.

K. Disputes:

1. All disputes arising out of or in relation to this Contract shall be determined in accordance with this section. The Advisor shall pursue the work to completion in accordance with the instruction of the Client's Project Manager notwithstanding the existence of dispute. By entering into this Contract, both parties are obligated, and hereby agree, to submit all disputes arising under or relating to the Contract, which remain unresolved after the exhaustion of the procedures provided herein, to independent arbitration. Except as otherwise provided herein, arbitration shall be conducted under California Code of Civil Procedure Sections 1280, et. seq, or their successor.
2. Any and all disputes prior to the work starting shall be subject to resolution by the Project Manager and the Advisor shall comply, pursuant to the Project Manager instructions. If the Advisor is not satisfied with any such resolution by the Project Manager, they may file a written protest with the Project Manager within seven (7) calendar days after receiving written notice of the Client's decision. Failure by Advisor to file a written protest within seven (7) calendar days shall constitute waiver of protest, and acceptance of the Project Manager's resolution. The Project Manager shall submit the Advisor's written protests to the Client's General Manager ("General Manager"), together with a copy of the Project Manager's written decision, for his or her consideration within seven (7) calendar days after receipt of said protest(s). The General Manager shall make his or her determination with respect to each protest filed with the Project Manager within ten (10) calendar days after receipt of said protest(s). If Advisor is not satisfied with any such resolution by the General Manager, they may file a written request for arbitration with the Project Manager within seven (7) calendar days after receiving written notice of the General Manager's decision.

3. In the event of arbitration, the parties to this Contract agree that there shall be a single neutral Arbitrator who shall be selected in the following manner:
 - a. The Demand for Arbitration shall include a list of five names of persons acceptable to the Advisor to be appointed as Arbitrator. The Client shall determine if any of the names submitted by Advisor are acceptable and, if so, such person shall be designated as Arbitrator.
 - b. In the event that none of the names submitted by Advisor are acceptable to Client, or if for any reason the Arbitrator selected in Step (a) is unable to serve, the Client shall submit to Advisor a list of five names of persons acceptable to Client for appointment as Arbitrator. The Advisor shall, in turn, have seven (7) calendar days in which to determine if one such person is acceptable.
 - c. If after Steps (a) and (b), the parties are unable to mutually agree upon a neutral Arbitrator, the matter of selection of an Arbitrator shall be submitted to the San Bernardino County Superior Court pursuant to Code of Civil Procedure Section 1281.6, or its successor. The costs of arbitration, including but not limited to reasonable attorneys' fees, shall be recoverable by the party prevailing in the arbitration. If this arbitration is appealed to a court pursuant to the procedure under California Code of Civil Procedure Section 1294, et. seq., or their successor, the costs of arbitration shall also include court costs associated with such appeals, including but not limited to reasonable attorneys' fees which shall be recoverable by the prevailing party.
4. Association in Mediation/Arbitration: The Client may join the Advisor in mediation or arbitration commenced by an Advisor on the Project pursuant to Public Contracts Code Sections 20104 et seq. Such association shall be initiated by written notice from the Client's representative to the Advisor.

12. **OWNERSHIP OF MATERIALS AND DOCUMENTS/CONFIDENTIALITY:** The Client retains ownership of any and all partial or complete reports, drawings, plans, notes, computations, lists, and/or other materials, documents, information, or data prepared by the Advisor and/or the Advisor's subcontractor(s) pertaining to this Contract. Said materials and documents are confidential and shall be available to the Client from the moment of their preparation, and the Advisor shall deliver same to the Client whenever requested to do so by the Project Manager and/or Client. The Advisor agrees that same shall not be made available to any individual or organization, private or public, without the prior written consent of the Client.

Said materials and documents shall not be changed or used for purposes other than those set forth in the Contract without the prior written approval of Advisor. If Client reuses the materials and documents without Advisor's prior written consent, changes or uses the materials and documents other than as intended under this Contract, Client shall do so at its sole risk and discretion, and Advisor shall not be liable for any claims and/or damages resulting from use or connected with the release of or any third party's use of the reused materials or documents.

13. TITLE AND RISK OF LOSS:

- A. Documentation: Title to the Documentation shall pass, subject to payment therefore, to Client when prepared; however, a copy may be retained by Advisor for its records and internal use. Advisor shall retain such Documentation in a controlled access file, and shall not reveal, display or disclose the contents of the Documentation to others without the prior written authorization of Client or for the performance of Work related to the project.
- B. Material: Title to all Material, field or research equipment, subject to payment therefore, and laboratory models, procured or fabricated under the Contract shall pass to Client when procured or fabricated, and such title shall be free and clear of any and all encumbrances. Advisor shall have risk of loss of any Material or Client-owned equipment of which it has custody.
- C. Disposition: Advisor shall dispose of items to which Client has title as directed in writing by the Contract Administrator and/or Client.

14. PROPRIETARY RIGHTS:

- A. Rights and Ownership: Client's rights to inventions, discoveries, trade secrets, patents, copyrights, and other intellectual property, including the Information and Documentation, and revisions thereto (hereinafter collectively referred to as "Proprietary Rights"), used or developed by Advisor in the performance of the Work, shall be governed by the following provisions:
 - 1. Proprietary Rights conceived, developed, or reduced to practice by Advisor in the performance of the Work shall be the property of Client, and Advisor shall cooperate with all appropriate requests to assign and transfer same to Client.
 - 2. If Proprietary Rights conceived, developed, or reduced to practice by Advisor prior to the performance of the Work are used in and become integral with the Work, or are necessary for Client to have complete control of the Work, Advisor shall grant to Client a non-exclusive, irrevocable, royalty-free license, as may be required by Client for the complete control of the Work, including the right to reproduce, correct, repair, replace, maintain, translate, publish, use, modify, copy or

dispose of any or all of the Work and grant sublicenses to others with respect to the Work.

3. If the Work includes the Proprietary Rights of others, Advisor shall procure, at no additional cost to Client, all necessary licenses regarding such Proprietary Rights so as to allow Client the complete control of the Work, including the right to reproduce, correct, repair, replace, maintain, translate, publish, use, modify, copy or dispose of any or all of the Work and grant sublicenses to others with respect to the Work. All such licenses shall be in writing and shall be irrevocable and royalty-free to Client.

15. **INFRINGEMENT:** Advisor represents and warrants that the Work and Documentation shall be free of any claim of trade secret, trade mark, trade name, copyright, or patent infringement or other violations of any Proprietary Rights of any person.

Advisor shall defend, indemnify and hold harmless, Client, its officers, directors, agents, employees, successors, assigns, servants, and volunteers free and harmless from any and all liability, damages, losses, claims, demands, actions, causes of action, and costs including reasonable attorney's fees and expenses to the extent of Advisor's negligence for any claim that use of the Work or Documentation infringes upon any trade secret, trade mark, trade name, copyright, patent, or other Proprietary Rights.

Advisor shall, at its expense and at Client's option, refund any amount paid by Client under the Contract, or exert its best efforts to procure for Client the right to use the Work and Documentation, to replace or modify the Work and Documentation as approved by Client so as to obviate any such claim of infringement, or to put up a satisfactory bond to permit Client's continued use of the Work and Documentation.

16. **NOTICES:** Any notice may be served upon either party by delivering it in person, or by depositing it in a United States Mail deposit box with the postage thereon fully prepaid, and addressed to the party at the address set forth below:

Client: Christina Valencia
Executive Manager of Finance and
Administration/Assistant General Manager
Inland Empire Utilities Agency
P.O Box 9020
Chino Hills, California 91709

Advisor: Sarah Meacham
Managing Director
PFM Asset Management LLC.
601 South Figueroa Street Suite 4500
Los Angeles, California 90017

Any notice given pursuant to this section shall be deemed effective in the case of personal delivery, upon receipt thereof, or, in the case of mailing, at the moment of deposit in the course of transmission with the United States Postal Service.

17. **MODIFICATION:** This Contract shall not be changed, modified, terminated or discharged in whole or in part, except by an instrument in writing signed by both parties hereto, or their perspective successors or assigns.
18. **SUCCESSORS AND ASSIGNS:** All of the terms, conditions and provisions of this Contract shall take effect to the benefit of and be binding upon the Client, the Advisor, and their respective successors and assigns. No assignment of the duties or benefits of the Advisor under this Contract may be assigned, transferred or otherwise disposed of without the prior written consent of the Client; and any such purported or attempted assignment, transfer or disposal without the prior written consent of the Client shall be null, void and of no legal effect whatsoever.
19. **PUBLIC RECORDS POLICY:** Information made available to the Client may be subject to the California Public Records Act (Government Code Section 6250 et seq.) The Client's use and disclosure of its records are governed by this Act. The Client shall use its best efforts to notify Advisor of any requests for disclosure of any documents pertaining to Advisor. In the event of litigation concerning disclosure of information Advisor considers exempt from disclosure; (e.g., Trade Secret, Confidential, or Proprietary) Client shall act as a stakeholder only, holding the information until otherwise ordered by a court or other legal process. If Client is required to defend an action arising out of a Public Records Act request for any of the information Advisor has marked "Confidential," "Proprietary," or "Trade Secret," Advisor shall defend and indemnify Client from all liability, damages, costs, and expenses, including attorneys' fees, in any action or proceeding arising under the Public Records Act.
20. **RIGHT TO AUDIT:** The Client reserves the right to review and/or audit all Advisors' records related to the Work. The option to review and/or audit may be exercised during the term of the Contract, upon termination, upon completion of the Contract, or at any time thereafter up to twelve (12) months after final payment has been made to Advisor. The Advisor shall make all records and related documentation available within three (3) working days after said records are requested by the Client.
21. **INTEGRATION:** The Contract Documents represent the entire Contract made and entered into by and between the Client and the Advisor as to those matters contained in this contract. No prior oral or written understanding shall be of any force or effect with respect to those matters covered by the Contract Documents. This Contract may not be modified, altered or amended except by written mutual contract by the Client and the Advisor.
22. **GOVERNING LAW:** This Contract is to be governed by and constructed in accordance with the laws of the State of California, in the County of San Bernardino.

23. TERMINATION FOR CONVENIENCE: The Client reserves and has the right to immediately suspend, cancel or terminate this Contract at any time upon written notice to the Advisor. In the event of such termination, the Client shall pay Advisor for all authorized and Advisor-invoiced services up to the date of such termination, as approved by the Project Manager.
24. FORCE MAJEURE: Neither party shall have no liability for any losses arising out of the delays in performing or inability to perform the services which it renders under this Contract which result from events beyond its control, including interruption of the business activities of the Advisor or other financial institutions due to acts of God, acts of governmental authority, acts of war, terrorism, civil insurrection, riots, labor difficulties, or any action or inaction of any carrier or utility, or mechanical or other malfunction.
25. DISCIPLINARY ACTIONS: The Advisor shall promptly give notice to the Client if the Advisor shall have been found to have violated any state or federal securities law or regulation in any final and unappealable judgment in any criminal action or civil suit in any state or federal court or in any disciplinary proceeding before the Securities and Exchange Commission ("SEC") or any other agency or department of the United States, any registered securities exchange, the Financial Industry Regulatory Authority, or any regulatory authority of any State based upon the performance of services as an investment advisor.
26. INDEPENDENT CONTRACTOR: The Advisor, its employees, officers and representatives shall not be deemed to be employees, agents (except as to the purchase or sale of securities described in Section 1), partners, servants, and/or joint ventures of the Client by virtue of this Contract any actions or services rendered under this Agreement.
27. BOOKS: The Advisor shall maintain records of all transactions in the Managed Funds. The Advisor shall provide the Client with a monthly statement showing deposits, withdrawals, purchases and sales (or maturities) of investments, earnings received, and the value of assets held on the last business day of the month. The statement shall be in the format and manner that is mutually agreed upon by the Advisor and the Client.
28. THE ADVISOR'S BROCHURE AND BROCHURE SUPPLEMENT: The Advisor warrants that it has delivered to the Client prior to the execution of this Contract the Advisor's current SEC Form ADV, Part 2A (brochure) and Part 2B (brochure supplement). The Client acknowledges receipt of such brochure and brochure supplement prior to the execution of this Agreement.
29. APPLICABLE LAW: This Contract shall be construed, enforced, and administered according to the laws of the State of California.

- 30. NOTICE TO PROCEED: No services shall be performed or provided under this Contract unless and until this document has been properly signed by all responsible parties and a Notice to Proceed order has been issued to the Advisor.
- 31. AUTHORITY TO EXECUTE CONTRACT: The Signatories, below, each represents, warrants, and covenants that they have the full authority and right to enter into this Contract on behalf of the separate entities shown below.
- 32. DELIVERY OF DOCUMENTS: The Parties to this Contract and the individuals named to facilitate the realization of its intent, with the execution of the Contract, authorize the delivery of documents via facsimile, via email, and via portable document format (PDF) and covenant contract to be bound by such electronic versions.

The parties hereto have caused the Contract to be entered as of the day and year written above.

INLAND EMPIRE UTILITIES AGENCY:
**A MUNICIPAL WATER DISTRICT*

PFM Asset Management LLC.:

Halla Razak
General Manager

(Date)

Sarah Meacham
Managing Director

(Date)

Attachment 4

Investment Policy



FY 2017/18

INVESTMENT POLICY

6075 Kimball Avenue
Chino, CA 91708
Phone: (909) 993-1600

Website: www.ieua.org

INLAND EMPIRE UTILITIES AGENCY

FY 2017/18 INVESTMENT POLICY

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INLAND EMPIRE UTILITIES AGENCY

FY 2017/18 INVESTMENT POLICY

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INLAND EMPIRE UTILITIES AGENCY INVESTMENT POLICY

1.0 POLICY

WHEREAS; The Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern (California Government Code (CGC) § 53600.6 and 53630.1 (CGC §53600.6 and §53630.1);

WHEREAS; the legislative body of a local agency may invest surplus monies, not required for the immediate necessities of the local agency, in accordance with the provisions of CGC §5922 and CGC §53601 et seq.; and

WHEREAS; the Chief Financial Officer/Assistant General Manager (CFO/AGM) or the General Manager (GM) of the Inland Empire Utilities Agency (IEUA) shall annually, or whenever there are recommended changes, whichever occurs first, prepare and submit a statement of investment policy and such policy, and any changes thereto, shall be considered by the legislative body at a public meeting (CGC §53646[a]).

NOW, THEREFORE, BE IT RESOLVED that the policy of IEUA is to invest funds in a manner which will provide: (i) the maximum security; (ii) the funds necessary to meet the daily cash flow demands of the IEUA; and (iii) the highest investment return while conforming to all statutes governing the investment of IEUA funds within the constraints of this Investment Policy.

2.0 SCOPE

This Investment Policy applies to all surplus monies of IEUA, as defined below.

Surplus Monies are defined, for the purpose of this Investment Policy, as all funds of the IEUA except:

- Monies held in Deferred Compensation Accounts
- Monies held in Capital Capacity Reimbursement Accounts

Pooling of funds

Except for cash in certain restricted and special funds, IEUA will consolidate cash and reserve balances from all funds to maximize investments earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

3.0 PRUDENCE

The standard of prudence to be used by designated investment signatories shall be the "prudent investor" standard (CGC §53600.3) and shall be applied in the context of managing an overall portfolio. Investments shall be made with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of IEUA, 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. Designated investment signatories, acting in accordance with written procedures, this investment policy, and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.0 OBJECTIVES

As specified in CGC §53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds; the primary objectives, in priority order, of the investment activities shall be:

- A. *Safety*: Safety of principal is the foremost objective of the investment program. Investments made by IEUA shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required to prevent any potential loss on any individual security or depository from exceeding the income generated from the remainder of the portfolio.
- B. *Liquidity*: The investment portfolio will remain sufficiently liquid to enable IEUA to meet all operating requirements which might be reasonably anticipated.
- C. *Return on Investments (Yield)*: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:
 - 1. A security with declining credit may be sold to minimize loss of principal.
 - 2. A security swap would improve quality, yield, or target duration in the portfolio.
 - 3. Liquidity needs of the portfolio that requires the security to be sold.

5.0 DELEGATION OF AUTHORITY

Authority to manage the investment program is derived from CGC §53600, et seq. Management's responsibility for the investment program is hereby delegated for a one-year period by the legislative body, to the Chief Financial Officer/Assistant General Manager (CFO/AGM) or the General Manager (GM) who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked by the Board of Directors. The CFO/AGM or the GM shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include reference to: safekeeping, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. Such procedures shall include explicit delegation of authority to persons/positions responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this investment policy and the procedures established by the CFO/AGM or the GM and Administration. The CFO/AGM or GM shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinates.

The GM and/or CFO/AGM may engage the services of one or more external investment advisor to assist in the management of the Agency's investment portfolio in a manner consistent with this policy and the Agency's investment objectives. Such external advisors may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such investment advisors must be registered under the Investment Advisers Act of 1940.

6.0 ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the placement of investments shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

7.0 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The CFO/AGM or the GM shall maintain a list of approved and authorized financial institutions and brokers/dealers, selected on the basis of credit-worthiness, financial strength, experience, and capitalization.

In selecting the *financial institutions* for the deposit or investment of IEUA funds, the CFO/AGM or the GM's consideration shall include the depository's latest equity/asset ratio data and continue to monitor the financial institutions' credit characteristics and financial history throughout the period during which IEUA funds are deposited or invested.

The minimum qualifications for Agency approved depository/financial institutions include: (i) that they must be at least three (3) years old; have total assets in excess of ten (\$10) billion dollars; a core capital/asset ratio of 5 percent or better; or (ii) have total assets in excess of five hundred million dollars (\$500,000,000); and a core capital/asset ratio of 6 percent or better.

For the services of *banks, savings banks, and savings and loan associations*, depository agreements shall be prepared by the CFO/AGM or the GM and authorized representatives of the respective financial institutions for consideration and execution by the Board of Directors.

For *broker/dealer* services utilized to invest in government securities and other investments, the CFO/AGM or the GM is designated to select only brokers/dealers who are licensed and in good standing with the California Department of Securities (CDS), the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), or other applicable self-regulatory organizations. A periodic review of authorized brokers/dealers is essential to serve the IEUA's investment needs.

In order to improve quality services, expertise, and credit worthiness, the CFO/AGM or the GM may, on a selective basis, revise the approved list of brokers/dealers to update qualified brokers/dealers under the requirements of this Investment Policy.

The CFO/AGM or the GM shall maintain a list of approved brokers/dealers and submit the list to the Board of Directors as part of the periodic Investment Policy review process, or more frequently as requested by the Board.

Financial institutions/depositories, brokers/dealers and external investment managers, who do investment-related business with IEUA shall sign a Certificate of Understanding (see Attachment "A"). The Certification of Understanding states that the entity:

- A. Has read and is familiar with the IEUA's Investment Policy as well as applicable Federal and State law;
- B. Agrees to notify IEUA in writing of any potential conflicts of interest;
- C. Meets the requirements as outlined in this Policy;
- D. Agrees to make every reasonable effort to protect the assets of IEUA from loss.

Annually, banks, savings bank, savings and loans associations, and authorized brokers/dealers will be requested to update information about their financial institutions. The required information will be supplied by responses to the attached questionnaires (see Attachment "B" for broker/dealers and Attachment "C" for banks and savings and loans), and provide IEUA with copies of published financial statements.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS

IEUA's investments are governed by Government Code. Within the investments permitted by the Government Code, IEUA seeks to further restrict eligible investments to the investments listed below. In the event an apparent discrepancy is found between this Investment policy and the Government Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the date an investment is purchased. Credit ratings, as shown, specify the minimum credit rating category required at the point of purchase

- A. United States Treasury 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. 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.
- C. U.S. Instrumentalities (Supranational). United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Purchases are limited to securities that are rated in a rating category of “AA” or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO). A maximum of ten percent of the portfolio may be invested in United States Instrumentalities.
- D. State Municipal Securities – Registered treasury notes or bonds issued by any of the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by a state or by a department, board, agency, or authority of any of the 50 states. Securities eligible for investment under this paragraph shall be rated in a rating category of “A” or its equivalent or better by a NRSRO. Short-term municipal securities eligible for investment shall be rated at or above the following credit agencies investment grade ratings; Sp-1 by Standard & Poor’s, F-1 by Fitch, and MIG-1 by Moody’s. These ratings for short term municipal securities signify the issuer’s strong capacity to pay principal and interest. Not more than 10 percent of IEUA’s funds shall be invested in state and local municipal securities.
- E. California Local Agency Municipal Securities – Bonds, notes, warrants or other evidence of indebtedness of a local agency or municipality located within the State of California, including debt securities issued by the IEUA. Securities eligible for investment under this paragraph shall be rated in a rating category of “A” or its equivalent or better by a NRSRO.
- F. Bank deposits, including demand deposit accounts, savings account, and market rate accounts, time deposits, and certificates of deposit in financial institutions located in California. Bank deposits are required to be collateralized as specified under Government Code § 53630 et. seq. Agreements allowing for the waiver of the collateral requirement for that amount of deposit covered by the Federal Deposit Insurance Corporation may be implemented provided the remainder of the deposit is secured by collateral as required by the Government Code.

- G.** Negotiable Certificates of Deposit. Negotiable certificates of deposit (NCDs) issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. A minimum Industry Standard Definition (IDC) rating of 165 (Excellent) is required. All purchases shall not exceed the FDIC Insured Limit. The current FDIC Negotiable CD insured limit is \$250,000 (principal and interest). A maximum of 30 percent of the portfolio may be invested in this category Negotiable Certificates of Deposit. The maximum investment maturity will be restricted to five years.
- H.** Placement Service Deposits (PSD). Funds may be placed with a private sector entity that assists in the placement of deposit with eligible financial institutions located in the United States (CGC § 53601.8). The full amount of the principal and the interest that may be accrued during the maximum term of each PSD shall at all times be insured by federal deposit insurance. The maximum portfolio exposure to Placement Service Deposits is limited to 30 percent. The maximum investment maturity will be restricted to five years.
- I.** Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):

(1) The entity meets the following criteria:

- (a) Is organized and operating in the United States as a general corporation;
- (b) Has total assets in excess of five hundred million dollars (\$500,000,000);
- (c) Has debt other than commercial paper, if any, that is rated in rating category of "A" or its equivalent or better by a NRSRO.

(2) The entity meets the following criteria:

- (a) Is organized within the United States as a special purpose corporation, trust, or limited liability company;
- (b) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond;
- (c) Has commercial paper that is rated in a rating category of "A-1" or better, or the equivalent, by a NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city county, may invest no more than 25 percent of their moneys in eligible commercial paper. Local agencies, other than counties or a

city and county may purchase no more than 10 percent of the outstanding commercial paper of any single issuer.

- J. Local Agency Investment Fund (LAIF) investment pool is a voluntary program created by statute as an investment alternative for California's local governments and special districts and is under the administration of the State Governor of California. All securities purchased by LAIF are under the authority of Government Code § 16429 and 16480.4. As part of the Pooled Money Investment Account (PMIA), LAIF has oversight by the Pooled Money Investment Board (PMIB), and an in-house Investment Committee. LAIF also has oversight by the Local Agency Investment Advisory Board and is audited by the Bureau of State Audits on an annual basis.

Investment in California LAIF cannot exceed the maximum deposit per agency limit as set by the Local Agency Investment Fund.

- K. Local Government Investment Pools (LGIP). Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code § 6509.7. To be eligible for purchase, the pool must meet the requirements of CGC § 53601(p).

Whenever the IEUA has any funds invested in a LGIP, the CFO/AGM or the GM shall maintain on file a copy of the pools' current information statement to be reviewed on a periodic basis. Investment in LGIPs cannot exceed the maximum deposit limit as set by each LGIP.

- L. Money Market Funds - Investing solely in U.S. treasury securities and U.S. Government Agency securities, and repurchase agreements relating to the above obligations. To be eligible, these Money Market Funds must have met either of the following criteria: (A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs. (B) Retained an investment advisor with not less than five years' experience and registered or exempt from registration with the SEC, with assets under management in excess of five hundred million dollars (\$500,000,000). No more than 20 percent of the portfolio may be invested in Money Market Funds and with no more than 10 percent invested in any one money market mutual fund.

- M. Repurchase Agreements - IEUA may invest in repurchase agreements with banks and dealers with which IEUA has entered into a master repurchase agreement which specifies terms and conditions of repurchase agreements.

- 1) Transactions shall be limited to the primary dealers and banking institutions rated in a rating category of "A" or its equivalent or better by a NRSRO, or with a financially stable banking institution which the Agency has substantial banking relationship. The maturity of repurchase agreements shall not exceed 90 days. The market value of securities used as collateral for repurchase agreements shall be monitored daily by the CFO/AGM or GM and will not be allowed to fall below 102 percent of the value of the repurchase agreement plus the value of collateral in excess of the value of the repurchase agreement.

In order to conform with the Federal Bankruptcy Code which provides for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be securities that are direct obligations of, or that are fully guaranteed as to principal and interest by the United States or any agency of the United States.

- 2) Not more than 40 percent of the portfolio may be invested in repurchase agreements and a security interest satisfactory to IEUA shall always be maintained in the securities subject to a repurchase agreement.

N. Medium Term Notes (MTN): MTNs defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, 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. Purchases in this category shall not exceed 10 percent of the portfolio and must be rated in a rating category of “A” or its equivalent, or better by a NRSRO.

Ineligible Investments: Investments not described herein, including but not limited to, reverse repurchase agreements and common stocks are prohibited from use in this portfolio. This Investment Policy further specifically disallows investments in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual if held to maturity.

9.0 AUTHORIZED INVESTMENTS FOR BOND FUNDS

Bond funds shall be invested in the securities permitted pursuant to Board approved bond documents. If the bond documents are silent as to the permitted investments, bond funds will be invested in the securities permitted by this policy. Notwithstanding the other provisions of this Investment Policy, the dollar portfolio, percentage, and term limitations listed elsewhere in the Investment Policy do not apply to bond funds. In addition to the securities listed in Section 8.0 above, bond funds may be invested in a structured investment product if approved by the CFO/AGM or GM.

10.0 SAFEKEEPING AND CUSTODY

As required by CGC §53601 all security transactions entered into by IEUA shall be conducted on Deliver versus Payment basis. Delivery versus Payment or DVP basis means all securities purchased or acquired shall be delivered to IEUA by book entry, physical delivery, or third party custodial agreement. Investments in the state pool, local government investment pools, or money market funds are undeliverable, and therefore, not subject to the delivery or third party safe keeping requirements.

11.0 DIVERSIFICATION

The Board of Directors recognize 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 minimize these risks. Investment signatories are expected to display prudence in the selection and/or approval of securities, as a way to minimize the risks present in the investment portfolio. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. Further, financial institutions which hold funds, deposited as investments, shall be subject to an investment limitation.

The Board of Directors acknowledges that from time to time certain situations may arise during which strict adherence to an inflexible investment policy may be overly restrictive. On a case by case basis, the Board of Directors may consider any pertinent information of such situations and may, by minute action, modify or waive, within the constraints of CGC

§53601 et seq., any of the provisions and/or restrictions of this Investment Policy.

The CFO/AGM or the GM shall periodically establish diversification guidelines, within the context of this policy, and strategies to control any risks of default, market price changes, and illiquidity.

12.0 TRADING OF SECURITIES

A trade is the movement from one security to another and may be done for a variety of reasons, such as to increase yield, lengthen or shorten maturities, to take a profit, or to increase investment quality. The purchase and sale transaction and the sale transaction must each be recorded separately and any losses or gains on the sale must be recorded.

The CFO/AGM or the GM may obtain competitive bids from at least two brokers or financial institutions on all purchases based on investment analysis recommended by staff in reference to the investment policy guidelines. Competitive bids can be also obtained by other communication channels when necessary.

13.0 MAXIMUM MATURITIES

Where no maturity limit is stated for an investment under Section 8.0, no investment shall be made in any security that at the time of the investment, has a term remaining to maturity in excess of five years unless the Board of Directors has granted express authority to make that investment either specifically or as part of a previous investment program no less than three (3) months prior to the investment. Any investment currently held at the time the investment policy is adopted which does not meet the new policy guidelines will be held until maturity, and shall be exempt from the current policy. At the time of the investment's maturity or liquidation such funds shall be reinvested only as provided in the most current policy.

14.0 PORTFOLIO DURATION LIMITATION

The weighted average duration of the entire portfolio shall not exceed three (3) years.

15.0 MONITORING CREDIT RATINGS

The CFO/AGM or the GM shall monitor the ratings of all investments in their portfolios on a continuous basis and report all credit downgrades of portfolio securities to the Board of Directors in writing within 24 hours of knowledge of the event. If an existing investment's rating drops below the minimum allowed for new investments made pursuant to this policy, the CFO/AGM or the GM shall also make a written recommendation to the Board as to whether this security should be held or sold prior to maturity.

16.0 REPORTING

The CFO/AGM or the GM shall submit to each member of the Board of Directors a monthly investment report. This report will include the elements of the quarterly report as recommended by CGC §53646, to include:

- a. Type of investment
- b. Name of institution
- c. Date of maturity
- d. Amount of deposit or cost of the security and the par value
- e. Current market value of all securities
- f. Rate of interest/earnings (yield)
- g. A monthly list of transactions

CGC §53646(b)(2),(3) recommends that the investment report must include a statement that (i) all investment actions executed since the last investment report have been made in full compliance with the Investment Policy or a Board of Directors' minute action (waiver) and, that (ii) IEUA will meet its expenditure obligations for the next six months. The CFO/AGM or the GM shall maintain a complete and timely record of all investment transactions in support of the above statement.

17.0 INTERNAL CONTROLS

The CFO/AGM or the GM is responsible for establishing and maintaining a control structure designed to ensure that the assets of the IEUA are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation and benefits require estimates and judgments by management.

An annual independent review, or as needed to address recommended changes, by an external auditor to assure compliance with policies and procedures will be performed as part of the

IEUA's annual audit.

18.0 PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. In order to determine whether market yields are being achieved, the CFO/AGM or the GM shall identify comparable benchmarks to the portfolio investment duration, (e.g. 90-day US Treasury Bill, 6-month US Treasury Bill, average LAIF yield rate). This comparative analysis is included in investment report presented to the Board of Directors on a monthly basis.

19.0 POLICY REVIEW

This investment policy shall be reviewed regularly 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. The Board shall be responsible for maintaining guidance over this investment policy to ensure that IEUA can adapt readily to changing market conditions, and approve any modification to the investment policy prior to implementation.

20.0 STATE LAW

The legislated authority of the IEUA's investments is covered in Section 53601, 53607, 53635, 53638, 53646, 53652, and 53653 of the Government Code. It is the policy of the IEUA to comply with the State laws governing its investments.

21.0 INVESTMENT POLICY ADOPTION

The Investment Policy shall be adopted by resolution of the Board of Directors of IEUA*. Moreover, the Policy shall be reviewed whenever there are recommended changes or annually, whichever occurs first, and modifications must be approved by the Board of Directors.

ADOPTED AND APPROVED:

Name: Steven J. Elie
Title: President, Board of Directors
Date: April 19, 2017

** A Municipal Water District*

APPENDIX 1: GLOSSARY OF CASH MANAGEMENT TERMS

ASK PRICE:

The price at which securities are offered for sale; also known as offering price.

BASIS POINT:

One hundredth of one percent (i.e. 0.01 percent).

BOND PROCEEDS:

The money paid to the issuer by the purchaser or underwriter of a new issue of municipal securities. These moneys are used to finance the project or purpose for which the securities were issued and to pay certain costs of issuance as may be provided in the bond contract.

BOOK VALUE:

The value at which a debt security is shown on the holder's balance sheet. Book value is often acquisition cost plus/minus amortization and accretion, which may differ significantly from the security's current value in the market.

BROKER:

A broker acts as an intermediary between a buyer and seller for a commission and does not trade for his/her own risk and account or inventory.

CALLABLE BOND:

A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

CALTRUST:

A Joint Powers Agency Authority created by local public agencies to provide a convenient method for local public agencies to pool their assets for investment purposes. CalTRUST is governed by a Board of Trustees made up of experienced local agency treasurers and investment officers. The Board sets overall policies for the program and selects and supervises the activities of the investment manager and other agents.

CERTIFICATE OF DEPOSIT (CD):

A time deposit with a specific maturity evidenced by a certificate.

CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM (CDARS):

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

COLLATERAL:

Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMMERCIAL PAPER:

A short-term, unsecured, promissory note with a fixed maturity of no more than 270 days. By statute, these issues are exempt from registration with the U.S. Securities and Exchange Commission.

CREDIT RISK:

The risk to an investor that an issuer will default in the payment of interest and/or principal on a security and a loss will result.

CUSTODIAN:

A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER:

A dealer, as opposed to a broker, acts as a principal in all transaction, buying and selling for his own risk and account or inventory.

DELIVERY OF SECURITIES:

There are two methods of delivery of securities; *Delivery versus Payment* and *Delivery versus Receipt*. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of signed receipt for the securities.

DIVERSIFICATION:

Dividing investment funds among a variety of securities offering independent returns.

DURATION:

A measure of the timing of the cash flows to be received from a given-fixed income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

FACE VALUE:

The principal amount owed on a debt instrument. It is the amount on which interest is computed and represents the amount that the issuer promises to pay at maturity.

FAIR VALUE:

The amount at which a security could be exchanged between willing parties, other than in a forced or liquidation sale. If a market price is available, the fair value is equal to the market value.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):

A federal agency that insures bank deposits.

FEDERAL FARM CREDIT BANK (FFCB):

Government-sponsored institution that consolidates the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks and the Banks for Cooperatives. Its securities do not carry direct U.S. Government guarantees.

FEDERAL FUNDS RATE:

The rate of interest at which Federal funds are traded. This rate is considered to be the most sensitive indicator of the direction of interest rates, as it is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB):

The institutions that regulate and lend to savings and loan associations. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Bank vis-à-vis member

commercial banks. Although the banks operate under federal charter with government supervision, the securities are not guaranteed by the U.S. Government.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC or Freddie Mac):

Established in 1970 to help maintain the availability of mortgage credit for residential housing. FHLMC finances these operations by marketing guaranteed mortgage certificates and mortgage participation certificates. Its discount notes and bonds do not carry direct U.S. Government guarantees.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae):

FNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a Federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. FNMA is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA securities do not carry direct U.S. Government guarantees.

FEDERAL RESERVE SYSTEM:

The central bank of the U.S. which consists of seven member Board of Governors, 12 regional banks, and about 5,700 commercial banks that are members.

FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA):

The Financial Industry Regulatory Authority (FINRA) is the largest independent regulator for all securities firms doing business in the United States. All told, FINRA oversees nearly 4,750 brokerage firms, about 167,000 branch offices and approximately 634,000 registered securities representatives.

INTEREST ONLY STRIPS:

The interest portion of a Treasury note or bond that has been stripped of its principal component through the commercial book-entry system.

INTEREST RATE RISK:

The risk of gain or loss in market values of securities due to changes in interest-rate levels.

For example, rising interest rates will cause the market value of portfolio securities to decline.

INVERSE FLOATER:

Fixed income instrument whose coupon or interest rate is periodically reset according to a short term rate index such as LIBOR, or prime rate. Unlike the traditional floating rate instrument, however, the inverse floater's rate is set equal to a fixed rate minus the short-term rate index.

INVESTMENT POLICY:

A clear and concise statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

INVESTMENT PORTFOLIO:

A collection of securities held by a bank, individual, institution, or government agency for investment purposes.

LIQUIDITY:

An asset that can be converted easily and rapidly into cash with minimum risk on principal.

LOCAL AGENCY INVESTMENT FUND (LAIF):

An investment pool managed by the California State Treasurer. Local government units, with consent of the governing body of that agency, may voluntarily deposit surplus funds for the purpose of investment. Interest earned is distributed by the State Controller to the participating governmental agencies on a quarterly basis.

MARKET TO MARKET:

Current market price of a security.

MARKET RISK:

Systematic risk of a security that is common to all securities of the same general class (stocks, bonds, notes, money market instruments) and cannot be eliminated by diversification (which may be used to eliminate non-systematic risk).

MARKET VALUE:

The price at which a security is currently being sold in the market. See FAIR VALUE.

MASTER REPURCHASE AGREEMENT:

A written contract covering all future transactions between the parties to repurchase agreements and reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY:

The date that the principal or stated value of a debt instrument becomes due and payable.

MEDIUM-TERM NOTES (MTNs):

Corporate notes, having any or all of the features of corporate bonds and ranging in maturity from nine months out to thirty years. The difference between corporate bonds and MTNs is that corporate bonds are underwritten.

MODIFIERS:

Credit rating agencies use modifiers to denote major rating categories. Moody's append modifiers 1, 2, and 3 to each generic rating. The modifier 1 indicates that the obligation ranks in the higher end; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Standard & Poor's append modifiers with (+) or minus (-) sign to show relative standing within the major rating categories.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO):

A rating organization designated by the SEC as being nationally recognized, such as Moody's Investor Service, Inc. (Moody's), Standard & Poor's (S&P), and Fitch Ratings (Fitch).

NEGOTIABLE CERTIFICATES OF DEPOSIT:

Time deposits issued by Federal Deposit Insurance Corporation (FDIC) insured banks and are underwritten by the Financial Industry

Regulatory Authority (FINRA) registered Broker/Dealers. Also known as “DTC Eligible CDs” or “Brokered Deposits”, this type of deposit is offered to investors by issuing institutions looking to raise liquidity and funding through the wholesale and institutional markets.

OPEN MARKET OPERATIONS:

Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the Federal Open Market Committee, (FOMC), in order to influence the volume of money and credit in the economy. Purchases inject reserves into the banking system and stimulate growth of money and credit. Sales have the opposite effect. Open market operations are the Federal Reserve’s most important and most flexible monetary policy tool.

PAR VALUE:

The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in increments of \$1,000 per bond.

PORTFOLIO:

The collection of securities held by an individual or institution.

PRIMARY DEALER:

A group of government securities dealers who submit daily reports of market activity and Positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker/dealers, banks and a few unregulated firms.

PRINCIPAL:

The face or par value of a debt instrument or the amount of capital invested in a given security.

PRUDENT PERSON RULE:

An investment standard: The way a prudent person of discretion and intelligence would be expected to manage the investment program in seeking a reasonable income and preservation of capital.

RANGE BONDS:

Bonds that accrue interest during a particular Interest Period at a fixed or variable rate if a specified index is within a specified range during a designated period of time or at a particular point in time. A Range Bond may not bear interest if the specified index is outside the specified range.

RATE OF RETURN:

- 1) The yield which can be attained on a security based on its purchase price or its current market price.
- 2) Income earned on an investment, expressed as a percentage of the cost of the investment.

REPURCHASE AGREEMENT (RP OR REPO):

A holder of securities (e.g. investment dealer) sells these securities to an investor (e.g. the Agency) with an agreement to repurchase them at a fixed date. The security “buyer” (e.g. the Agency) in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structured to compensate the “buyer” for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is increasing bank reserves.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO):

A counter party (e.g. investment dealer) buys the securities from the holder of securities (e.g. the Agency) with an agreement to sell them back at a fixed date. The counter party in effect lends the seller (e.g. the Agency) money for the period of the agreement with terms of the agreement structured to compensate buyer.

SAFEKEEPING:

A service banks offer to clients for a fee, where physical securities are held in the bank's vault for protection and book-entry securities are on record with the Federal Reserve Bank or Depository Trust Company in the bank's name for the benefit of the client. As agent for the client, the safekeeping bank settles securities transactions, collects coupon payments, and redeems securities at maturity or, if called, on the call date.

SECURITIES:

Investment instruments such as notes, bonds, stocks, money market instruments and other instruments of indebtedness of equity.

SECURITIES AND EXCHANGE COMMISSION (SEC):

Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SECONDARY MARKET:

A market for the repurchase and resale of outstanding issues following the initial distribution.

SPREAD:

The difference between two figures or percentages. It may be the difference between the bid (price at which a prospective buyer offers to pay) and asked (price at which an owner offers to sell) prices of a quote, or between the amount paid when bought and the amount received when sold.

SUPRANATIONALS:

International organizations whereby member states transcend national boundaries or interests to share in the decision making process and vote on issues pertaining to the wider grouping.

SWAP:

An agreement between two parties (known as counterparties) where one stream of future interest payments is exchanged for another based on a specified principal amount.

TREASURY BILLS:

A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills

are issued to mature in three months, Six months, or one year.

TREASURY BONDS:

Long-term U. S. Treasury securities.

TREASURY NOTES:

Intermediate-term coupon-bearing U.S. Treasury securities having initial maturities from one year to ten years.

UNDERWRITER:

A dealer that purchased a new issue of municipal securities for resale.

U.S. TREASURY OBLIGATIONS:

Debt obligations of the U.S. Government sold by the Treasury Department in the forms of bills, notes, and bonds. Bills are short-term obligations that mature in one year or less and are sold at a discount. Notes are obligations that mature between one year and ten years. Bonds are long-term obligations that generally mature in ten years or more.

WEIGHTED AVERAGE MATURITY (WAM):

The average maturity of all the securities that comprise a portfolio, typically expressed in days of years.

YIELD:

The annual rate of return on an investment expressed as a percentage of the investment. Income yield is obtained by dividing the current dollar income by the current market price for the security.

YIELD CURVE:

Yield calculations of various maturities of instruments of the same quality at a given time to observe spread differences.

ZERO-INTEREST BOND

A bond on which interest is not payable until maturity (or early redemption), but compounds Periodically to accumulate to a state maturity amount. Zero-interest bonds are typically issued at a discount and repaid at par upon maturity.

CERTIFICATION OF UNDERSTANDING

I hereby certify that I have personally read Inland Empire Utilities Agency's (IEUA) Investment Policy and the California Government Code pertaining to the investments of the IEUA.

I will disclose to the IEUA any potential risks or conflicts with the Investment Policy that might arise out of business transactions between my firm and the IEUA.

I will undertake reasonable efforts to prevent imprudent transactions involving funds of the IEUA and will endeavor to keep familiar with the IEUA's investment objectives and constraints, as they exist from time to time.

I will only offer investments for the IEUA's consideration that are in conformity to the IEUA's Investment Policy.

I attest to the accuracy of the responses to the IEUA's questionnaire.

NOTE: Completion of the attached questionnaire is only part of Inland Empire Utilities Agency's certification process and DOES NOT guarantee that our financial institution will be guaranteed any portion of the investment business with Inland Empire Utilities Agency.

FIRM NAME _____

PRINTED NAME: _____

SIGNATURE: _____

DATE _____

**INLAND EMPIRE UTILITIES AGENCY
OFFICE OF THE CHIEF FINANCIAL OFFICER/AGM OR GENERAL MANAGER
BROKERS/DEALERS QUESTIONNAIRE AND CERTIFICATION**

Please fill out form and return to Inland Empire Utilities Agency

1. Name of Firm _____

2. Address _____

(Local)
(National Headquarters)

3. Telephone No. _____

4. Primary Representatives:

Name _____	Manager/Partner-In-Charge: Name _____
Telephone _____	Telephone _____
Years in institutional sales _____	Years in institutional sales _____
Years with firm _____	Years with firm _____

5. Are you a Primary Dealer in U.S. Government Securities? Yes No

6. Are you a Regional Dealer in U.S. Government Securities? Yes No

7. Are you a Broker instead of a Dealer?
i.e., You DO NOT own positions of Securities? Yes No

8. What is the net capitalization of your firm? _____

9. What is the date of your fiscal year-end? _____

10. Is your firm owned by a holding company? If so, what is its name and net capitalization?

11. Please provide your wiring and delivery instructions. _____

12. Which of the following instruments are offered regularly by your local desk?

<input type="checkbox"/> T- Bills	<input type="checkbox"/> Treasury Notes/Bonds	<input type="checkbox"/> Discount Notes	<input type="checkbox"/> NCD's
<input type="checkbox"/> Agencies (specify) _____			

**INLAND EMPIRE UTILITIES AGENCY
OFFICE OF THE CHIEF FINANCIAL OFFICER/AGM OR GENERAL MANAGER
BROKERS/DEALERS QUESTIONNAIRE AND CERTIFICATION**

Please fill out form and return to Inland Empire Utilities Agency

1. Name of Firm _____

2. Address _____

(Local)
(National Headquarters)

3. Telephone No. _____

4. Primary Representatives:

Name _____ Telephone _____ Years in institutional sales _____ Years with firm _____	Manager/Partner-In-Charge: Name _____ Telephone _____ Years in institutional sales _____ Years with firm _____
--	--

5. Are you a Primary Dealer in U.S. Government Securities? Yes No

6. Are you a Regional Dealer in U.S. Government Securities? Yes No

7. Are you a Broker instead of a Dealer?
 i.e., You DO NOT own positions of Securities? Yes No

8. What is the net capitalization of your firm? _____

9. What is the date of your fiscal year-end? _____

10. Is your firm owned by a holding company? If so, what is its name and net capitalization?

11. Please provide your wiring and delivery instructions. _____

12. Which of the following instruments are offered regularly by your local desk?
 T- Bills Treasury Notes/Bonds Discount Notes NCD's
 Agencies (specify) _____

13. Which of the above does your firm specialize in marketing?

14. Please identify your most directly comparable Local Agency Clients in our geographical area:

Entity	Contact Person	Telephone	Client Since
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

15. What reports, transactions, confirmations and paper trail would we receive?

16. Please include samples of research reports or market information that your firm regularly provides to local agency clients.

17. What precautions are taken by your Firm to protect the interest of the public when dealing with government agencies as investors? _____

18. Have you or your Firm been censored or punished by a regulatory State or Federal agency for improper or fraudulent activities, related to the sale of securities? Yes No

19. If yes, explain. _____

20. Attach certified documentation of your capital adequacy and financial solvency. In addition, an audited financial statement must be provided within 120 days of your fiscal year-end. (Copy of a Published Financial Statement)

21. Attach proof of Financial Industry Regulatory Authority (FINRA) certification.

22. Attach proof of California Department of Securities Registration.

23. Attach proof of Securities and Exchange Commission registration.

24. Attach proof of adequate insurance coverage.

25. Are you listed under GFOA Yield Advantage? Yes No

12. Has there been a period during the past five years when time deposits of the Bank/Savings and Loan have not been fully collateralized? If yes, explain

13. What is the education level of the primary contact(s)? _____
14. How many years of related experience does the primary contact(s) have?

15. What other banking services would you be interested in providing Inland Empire Utilities Agency? _____
16. What transaction documents and reports would we receive? _____

17. What information would you provide to our Chief Financial Officer/AGM or General Manager? _____
18. Describe the precautions taken by your Bank/Savings and Loan to protect the interest of the public when dealing with government agencies as depositors of investors.

19. Please provide your Contract of Deposit of Monies pre-signed and sealed by your institution, as well as any signature cards that you may require.
20. Please provide your wiring instructions. _____

21. Please provide your Bank/Savings and Loan most current audited financial statements. (Copy of Published Financial Statement).
22. Please attach biographical information for your representative.

**INLAND EMPIRE UTILITIES AGENCY
OFFICE OF THE CHIEF FINANCIAL OFFICER/AGM OR GENERAL MANAGER**

Authorized Brokers/Dealers

The following brokers/dealers are authorized to provide investment services to the IEUA, in accordance with the IEUA's Investment Policy:

1. BOK Financial Asset Management, Inc.
2. Higgins Capital Management
3. Ladenburg Thalmann & Co., Inc.
4. Multi-Bank Securities, Inc.
5. Oppenheimer & Co. Inc.
6. UBS Financial Services Inc.
7. Wedbush Morgan Securities, Inc.

Attachment 5

Reserve Policy

INLAND EMPIRE UTILITIES AGENCY
RESERVE POLICY
May 2016

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INLAND EMPIRE UTILITIES AGENCY
RESERVE POLICY
May 2016

Policy Statement

The Inland Empire Utilities Agency (Agency or IEUA) has historically maintained fund reserves to ensure sufficient funding is available to meet its operating, capital and debt service obligations, comply with legally mandated requirements, and have the ability to respond to unforeseen events. As a regional provider of essential public services and with an extensive investment in public infrastructure, operating facilities, other related assets; the Agency must establish and maintain a prudent level of reserves to meet its commitment to deliver reliable and high quality essential services to its customers. In addition, by maintaining prudent reserves the Agency has the necessary financial flexibility to effectively respond to economic, environmental and regulatory changes, protect its customers against reducing service levels or raising rates and fees because of temporary revenue shortfalls or unforeseen one-time expenditures, and support the Agency's Business Goals.

Purpose of Policy

The policy directives outlined in this document are intended to ensure fund reserves support the Agency's Business Goals adopted by the Board in October 2013, in particular its commitment to *"preserve fund reserves that sustain the Agency's long term fiscal health, high quality credit rating and ensure its ability to effectively address economic variability"*.

The Agency is committed to ensure its customers benefit from reliable, sustainable and high quality water supplies and cost-effective wastewater collection, treatment, and reuse services. Given the direct impact these essential services have to public health and the overall quality of life, very few options exist, if any, for service reduction levels in the event of revenue shortfalls or other funding deficiencies. In recognition of these realities, and consistent with best practices, the Agency has prudently established reserves to ensure delivery of these essential services.

The IEUA Board of Directors (Board) may designate specific reserves and set minimum and target balances to support the various funds (programs) that account for its water, wastewater treatment, recycled water and other activities. Establishing and maintaining adequate reserves for the various programs minimizes the risk of significant fluctuation in rates and charges due to changes, such as a shortfall in revenues or unanticipated expenses.

As an issuer of revenue bonds and recipient of low interest loans, the Agency is committed to its contractual obligation to pay debt service and other financial obligations as imposed by bond covenants and loan agreements. In addition, adequate reserves directly affect the Agency's credit rating and access to more favorable interest rate debt markets resulting in lower borrowing costs. Sustainment of high quality credit rating will ensure the Agency's ability to finance construction, expansion, and improvement of facilities and infrastructure to meet higher service demands from future growth. The Agency is committed to improving its long term credit to AAA and maintaining a debt coverage ratio that supports such rating. (Business Goal: Fiscal Responsibility).

INLAND EMPIRE UTILITIES AGENCY
RESERVE POLICY
May 2016

Roles and Responsibilities

The Reserve Policy shall be adopted by the Board of Directors and reviewed annually during the budget review process to ensure appropriate use of reserve funds and modification of targeted reserve balances for the various funds (programs). The Agency's Chief Financial Officer/Assistant General Manager (CFO/AGM) shall serve as the designated administrator of the Reserve Policy and shall be responsible for the day-to-day implementation and management.

Types of Reserves

Reserve balances shall be maintained in amounts sufficient to meet appropriate reserve targets, as established by the Board, in cash and/or cash equivalents, and permitted investments as prescribed in the Agency's Investment Policy. The Agency classifies reserves into three major categories as follows:

- **Restricted reserves** – Funds maintained based on externally-imposed restrictions from federal and state regulatory requirements, or legal restrictions imposed by third parties, (example, bondholders) through bond indentures or other contractual agreements (example: Regional Sewage Service Contract).
- **Designated reserves** – Board imposed restrictions on funds for Agency specific purposes such as mitigating risk from the Agency's self-insurance programs and financing replacement and rehabilitation (R&R) of Agency assets. These funds are not legally restricted. In the event of emergency, the Board has the discretion to reassign the spending from the reserve.
- **Unrestricted reserves** – The internal policy of the Agency requires maintenance of adequate undesignated (unrestricted) reserves to finance requirements such as investment in capital and operational efficiencies, payment of unfunded accrued liabilities for retirement benefits, and refunding of high interest debt obligations. Funds in these reserves are available for spending with no legal, regulatory, or Board imposed restrictions.

For each of the reserves, the Agency has identified a purpose, appropriate target levels, funding sources, conditions under which they are to be used and replenished, and review dates for determining continued need. Any reserves in excess of the cumulative target amounts will be considered undesignated funds which can be used for any lawful purpose at the discretion of the Board of Directors.

INLAND EMPIRE UTILITIES AGENCY
RESERVE POLICY
May 2016

RESERVED (RESTRICTED) FUND BALANCES

Operating Contingency Reserve

Purpose: The Agency is committed to providing wastewater collection, treatment, disposal, optimizing beneficial use of recycled water and biosolids, and regional conservation and water use programs. The Agency strives to provide and maintain a rate structure that is affordable, stable and fully covers the fund (program) cost of service. However, unforeseen shortfalls in revenues or increases or operating costs require that the Agency periodically adjust rates and charges to achieve full cost of service recovery. This reserve is intended to minimize rate fluctuations as a result of unfavorable economic conditions or other factors beyond the control of the Agency that may result in reduced revenues or increased costs.

The Agency shall maintain an operating contingency reserve equal to a minimum of four (4) months, as mandated by legal requirements, and a target of six (6) months of total operating expenses as identified in the adopted budget for the current fiscal year. This level of reserve will provide customers and outside parties assurance that the Agency can operate for at least four months despite a significant shortfall in revenues or unplanned increase in expenses. The target level minimizes the risk of significant rate fluctuations as a result of unforeseen events.

Usage Requirements: This reserve can only be drawn upon if the Agency's operating revenues are not sufficient to pay operating expenses. Draws from these reserves shall be replenished within twelve months after use.

Target Level: The target level for Operating Contingency Reserve levels shall be maintained at a minimum of four (4) months, as mandated by legal requirements, and a target of six (6) months of the fund (program) adopted operating expenses for the current fiscal year.

Funding Source: Operating Contingency Reserve will be funded from net system revenues, (total operating revenues less total operating expenses).

Review Timeline: Fund balances and target level will be reviewed by staff and the Board as part of the preparation and approval of the Agency's operations and maintenance (O&M) and capital budget.

Debt Service Reserves

Purpose: As required by bond covenants and loan agreements, debt service reserves are maintained to support payment of principal and interest on outstanding obligations.

Usage Requirements: Debt service reserves will only be used to pay debt service costs when pledged net revenues (as defined in the relevant debt instruments) are insufficient to meet the principal and interest payments.

INLAND EMPIRE UTILITIES AGENCY
RESERVE POLICY
May 2016

Target Level: The target is equal to the highest annual debt service cost in the ensuing five (5) years. The minimum target will be funded to meet reserve requirements.

Funding Source: Includes one or combination of system revenues, property tax receipts, and/or restricted debt service accounts established as part of the original debt issuance.

Review Timeline: Fund balances and target level will be reviewed by staff and the Board as part of the preparation and approval of the Agency's O&M and capital budget.

Water Connection Reserves

Purpose: Water Connection reserves are restricted accounts established by the Agency to hold new water connection fees collected in the Agency's service area, in accordance with the ordinance on Water Connection Fees, Class of Water Service and Regulating the Sale and Delivery of Water within the Inland Empire Utilities Agency Service Area Water Ordinance (Water Ordinance).

Usage Requirements: Pursuant to the Water Ordinance, funds in this reserve are restricted to support capital acquisition, construction, equipment and process improvement costs, and related financing for the Agency's water and recycled water systems. The Agency collects the water connection fees and finances capital projects, as needed in the Water Resources (WW) Fund and Recycled Water (WC) Fund, to support the planned Capital Improvement Plan (CIP).

Target Balance: No set target is defined. Water Connection reserve balance will depend on the level of new development and the Agency's funding requirements to support the planned CIP in the WW and WC funds.

Funding Source: New water connections fees collected by the Agency for connection to the Agency's recycled water and water systems.

Review Timeline: Fund balances and target level will be reviewed by staff and the Board as part of the preparation and approval of the Agency's O&M and capital budget.

DESIGNATED FUND BALANCES

Capital Construction Reserves

Purpose: Capital construction reserve funds are used to finance capital investments such as construction, improvement or expansion of facilities and infrastructure, as well as acquisition of major equipment and technology. The services provided by the Agency are critical to the health and welfare of the citizens within the Agency's service area. The Agency is committed to ensure that systems are managed and constructed so that 90% of capacity is never exceeded (Business Goal; Wastewater Management Capacity). The reserve will include the Capital Capacity

INLAND EMPIRE UTILITIES AGENCY
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May 2016

Reimbursement Accounts (CCRA) which was established by each of the Agency's "contracting member agencies" to hold new EDU connections fees collected in their respective service area, in accordance with the Regional Sewage Service Contract (Regional Contract).

Usage Requirements: Accessed, as needed, to fund capital investments based on the Agency's TYCIP and other long term planning documents including but not limited to: the Asset Management Plan, Integrated Resources Plan, Recycled Water Plan, Wastewater Facilities Master Plan, and Energy Plan.

Pursuant to the Regional Contract, CCRA funds, included in this reserve, are restricted to support capital acquisition, construction, equipment and process improvement costs, and related financing for the Agency's regional wastewater system. The Agency draws, or "calls", CCRA funds from member agencies as needed to support capital expenditures in the Regional Wastewater Capital Improvement (RC) fund, if and when, capital construction reserves held by the Agency are not sufficient.

Target Balance: The maximum target level will be reviewed annually and each program fund can apply one of the following options to calculate the target reserve in reference to the program fund's CIP costs and funding support (e.g. bond or loan proceeds):

- a) Maximum target level is equal to ten year average of CIP times three (3) fiscal year, or
- b) Maximum target level is equal to ten year average of pay-go times three (3) fiscal years, as identified in the TYCIP. Pay-go for capital construction is CIP costs net of bond or loan proceeds.

The minimum target level is equal to ten year average of CIP costs.

Funding Source: Combination of system revenues generated from rates and user charges, property tax receipts, debt proceeds issued to finance specific capital investments, and new EDU connections fees collected by each contracting member agency for connection to the Agency's regional wastewater system.

Review Timeline: Fund balances and target level will be reviewed by staff and the Board as part of the preparation and approval of the Agency's O&M and capital budget.

Replacement and Rehabilitation (R&R) Reserves

Purpose: Maintaining assets in an operating condition to meet the Agency's level of service commitment to provide reliable and high quality services requires timely and adequate investment in replacement and rehabilitation (R&R) of Agency assets. R&R is defined as an expense which will extend, as opposed to maintain, an asset's useful life. The basis for R&R requirements will be end of useful life and condition assessments conducted by Engineering,

INLAND EMPIRE UTILITIES AGENCY
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May 2016

Maintenance and Operations and reported in Asset Management Report updated every 3 to 5 years. The Agency's ultimate goal is finance planned R&R requirements with user rates and charges. This goal is consistent with the Regional Sewage Service Contract which requires the volumetric EDU rate to fully support operating, administration and R&R costs for the regional wastewater program.

Usage Requirements: As needed to finance unplanned R&R requirements, including R&R requirements identified in the Agency's asset management report but scheduled in subsequent fiscal years.

Target Balance: The maximum target level will be reviewed annually and can apply one of the following options to calculate the target reserve in reference to the program fund's R&R costs and funding support (e.g. bond or loan proceeds):

- a) Maximum target level is equal to ten year average of R&R costs times three (3) fiscal year, or
- b) Maximum target level is equal to ten year average of R&R pay-go times three (3) fiscal years, as identified in the TYCIP. Pay-go is R&R costs net of bond or loan proceeds.

The minimum target will be the total ten year average R&R costs.

Funding Source: System revenues generated from rates and user charges, net of operating costs and debt service costs.

Review Timeline: Fund balances and target level will be reviewed by staff and the Board as part of the preparation and approval of the Agency's O&M and capital budget.

Self-Insurance Program Reserve

Purpose: An exposure/liability reserve shall be maintained for costs not covered by the Agency's insurance policies, such as claim costs within the Agency's deductibles, self-insurance retentions, and/or costs associated with disasters, and other events that are not reimbursable from insurance. The reserve shall also provide funding to mitigate various catastrophic and other events that may or may not be covered by insurance. These events may include, but are not limited to; legal settlements, terrorist attacks, natural disasters, such as earthquakes, and severe weather storms.

Additionally, the Agency has elected to self-insure for potential workers' compensation claims. With a workforce of nearly 300, the Agency's exposure to work-related injuries increases.

Usage Requirements: Accessed as needed for non-recoverable expenses associated with claims against the Agency. In the event of a claim in excess of policy limitations and available operating funds, the reserve will be used to satisfy that claim. In the event of a workers'

INLAND EMPIRE UTILITIES AGENCY
RESERVE POLICY
May 2016

compensation claim(s) in excess of policy limitations and available operating funds, the reserve will be used to satisfy the claim and/or to pay legal expenses defending the claim

Target Level: The target level will be set at \$6 million, including \$1,000,000 maximum exposure per occurrence for workers compensation claim.

Funding Source: Property tax receipts allocated to the Administrative Services (GG) fund and inter-fund transfers from other funds, as needed.

Review Date: Fund balance to be analyzed by Risk Management every two years to determine an appropriate funding level.

Water Resources Capital Reserve

Purpose: This reserve will support investment in regional water resources projects and supplemental water purchases for purposes of increasing water use efficiency, water quality, water reliability and water sustainability in the Chino Basin (Business Goal: Water Reliability). Projects include but is not limited to; regional water storage, related infrastructure and investments.

Usage Requirements: Finance regional water resource management projects identified in the Agency's long term planning documents, such as; Integrated Resources Plan (IRP), Urban Water Management Plan (UWMP), and Water Use Efficiency Business Plan (WUEBP)

Target Level: A minimum target level of \$10 million and a target level of \$30 million.

Funding Source: Combination of water connection fees, property tax receipts, net proceeds from the sale of supplemental water, and inter-fund loans, as needed.

Review Timeline: Fund balances and target level will be reviewed by staff and the Board as part of the preparation and approval of the Agency's O&M and capital budget.

Sinking Fund Reserve

Purpose: Sinking fund reserves are the systematic accumulation of funds set aside for a specified time frame for the specific purpose of funding major capital projects that cannot be funded by rates/fees or issuance of new debt. These funds are restricted to support the anticipated costs related to the planned rehabilitation of Regional Plant No. 1, future decommissioning of Regional Plant No. 2, or prepayment of debt. Reserves can be used for the design, capital acquisition, construction, equipment and process improvement costs and debt defeasance.

Usage Requirements: This reserve can only be drawn upon for the designated purpose for which it was established, unless otherwise approved by the Board of Directors.

**INLAND EMPIRE UTILITIES AGENCY
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May 2016**

Target Level: The maximum target balance in the Sinking Fund Reserves shall be determined based on the designated capital needs as approved by Agency's Board of Directors.

Funding Source: Sinking Fund Reserve will be funded by property tax receipts and if needed, rates and charges.

Review Timeline: Fund balances and target level will be reviewed by staff and the Board as part of the preparation and approval of the Agency's operations and maintenance (O&M) and capital budget.

UNDESIGNATED FUND BALANCES

Employee Retirement Benefit Reserve

Purpose: The Agency provides postemployment pension and medical benefits to eligible employees who retire from the Agency. For pension benefits, the Agency contributes to a defined benefit pension plan under the California Pension Employees' Retirement System (CalPERS). CalPERS is also the provider of retiree medical coverage benefits, which is referred to as other post-employment benefits (OPEB).

Like most public Agencies, the Agency is facing growing unfunded accrued liabilities (UALs) for postretirement benefits. A key objective of the Agency is to develop a funding strategy to fully fund UALs over an appropriate period of time in order to safeguard retiree benefits and the Agency's financial health.

Usage Requirements: To mitigate the impact of annual increase of the annual contribution amounts in excess of the budgeted amount

Target Level: This minimum target amount will be set at \$6 million and increased annually up to the target level. The target level will be adjusted based on the total Annual Required Contribution (ARC) amount budgeted in the subsequent fiscal year.

Funding Source: Combination of property tax receipts and indirect allocation of employment costs across all Agency funds (programs) from the Administrative Services (GG) fund.

Review Timeline: Reserves will be adjusted in conjunction with the annual actuarial valuation updates for pension and biennially for OPEB

Attachment 6
PFM Presentation –
Part 1



Inland Empire Utilities Agency

Investment Management Kickoff Discussion

Sarah Meacham, Managing Director

Richard Babbe, Senior Managing Consultant

December 6, 2017

PFM Asset
Management LLC

601 South Figueroa
Suite 4500
Los Angeles, CA 90017

(213) 489-4075
pfm.com



PFM Asset Management LLC

- ◆ 35 years of public sector experience
- ◆ Significant resources and economies of scale
 - **\$79 billion discretionary assets under management**
 - **\$17 billion for California public agencies**
- ◆ Strong track record of success
 - Safety
 - Strong investment performance relative to benchmarks
 - Servicing client needs

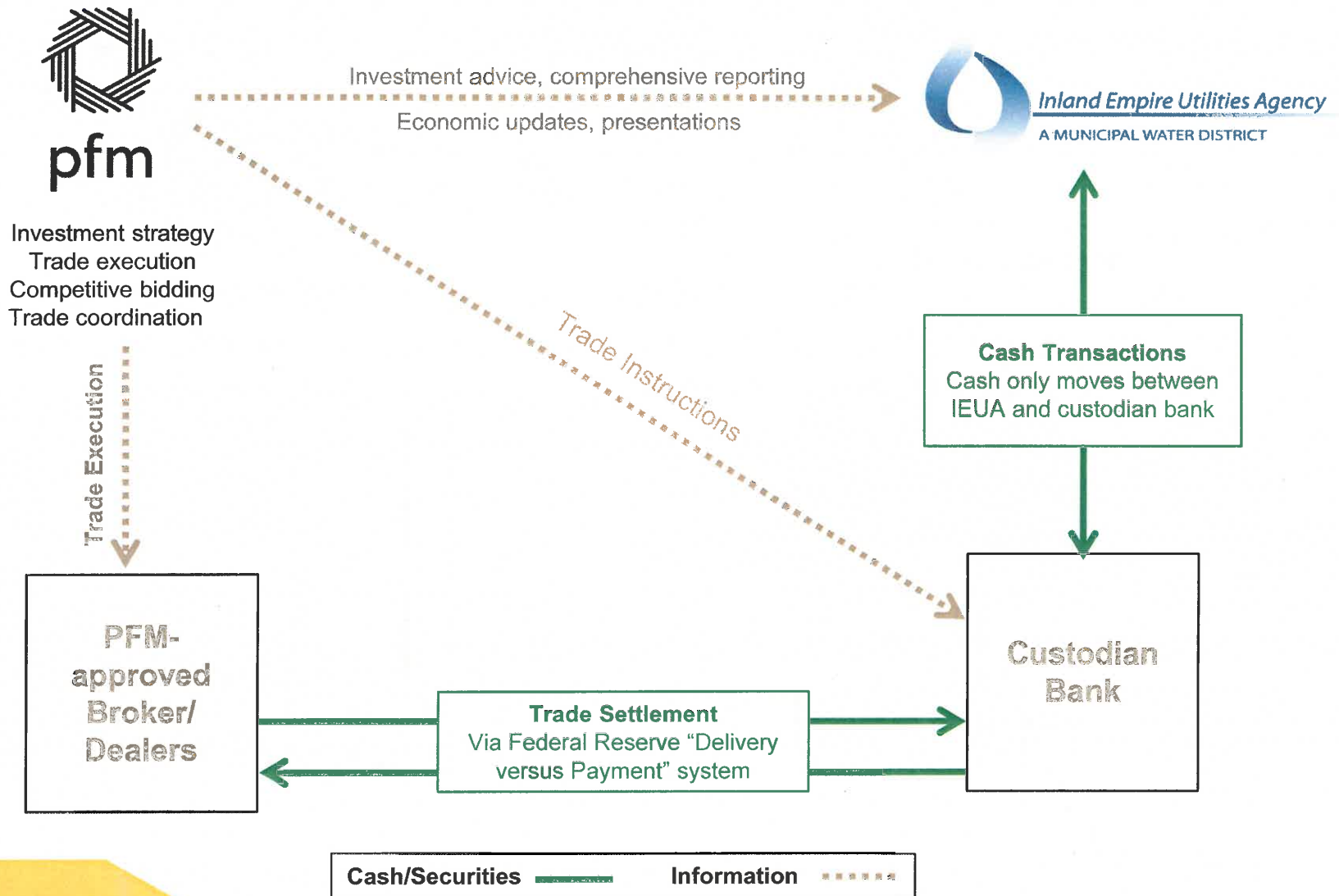
All data is as of September 30, 2017 unless otherwise noted. Clients shown were selected based on similarity to IEUA and/or other non-performance based criteria. This list is provided for informational purposes only and does not represent an endorsement of PFM Asset Management LLC or its services. It is not known whether these clients approve or disapprove of the services of PFM's asset management business. A full client list is available upon request.

Representative California Public Agency Clients

- Coachella Valley Water District
- Contra Costa Water District
- Cucamonga Valley Water District
- Merced Irrigation District
- Modesto Irrigation District
- San Bernardino Valley MWD
- San Bernardino MWD
- Turlock Irrigation District
- Padre Dam MWD
- San Bernardino County
- City of Arcadia
- City of Lake Elsinore
- City of Rancho Mirage
- City of Vista
- California Earthquake Authority
- Golden Gate Bridge
- San Bernardino County Trans. Auth.



Trade Execution Process

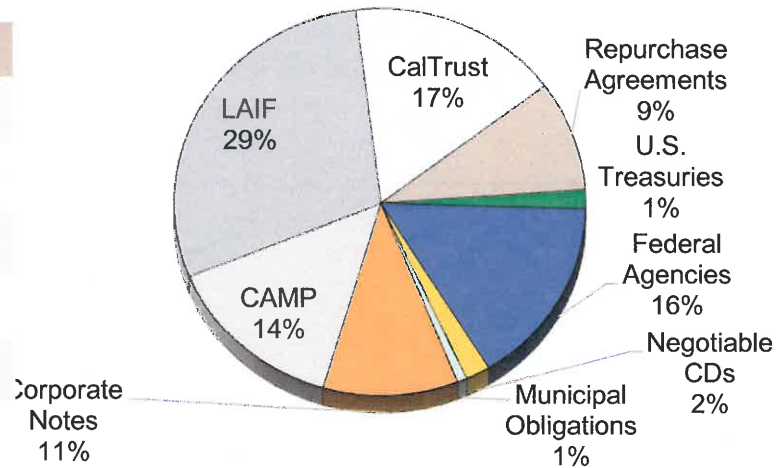




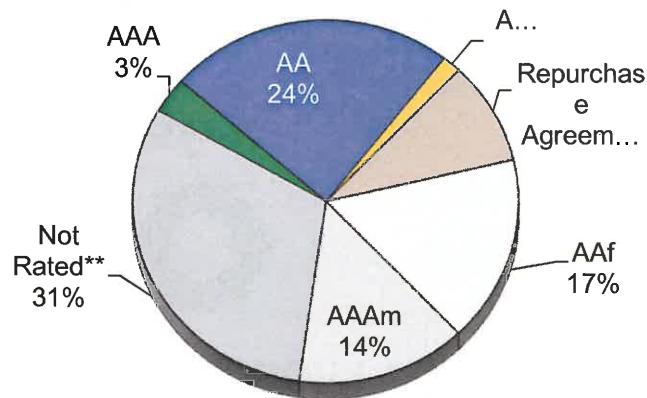
Review of the Agency's Portfolio

Portfolio Statistics	
Par Amount Invested	\$127,542,897
Duration	0.41 years
Average Maturity	0.43 Years
Average Market Yield	1.14%
Average Credit Quality	AA+

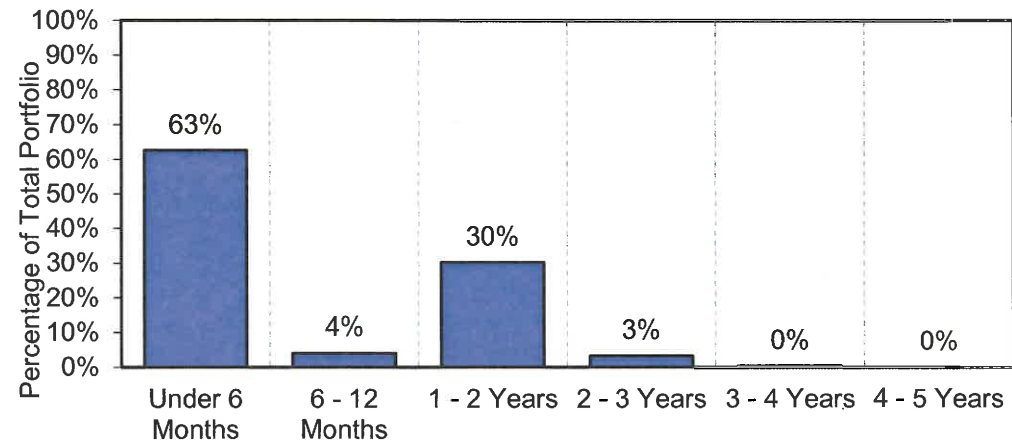
Portfolio Composition



Credit Quality Distribution *



Maturity Distribution



Source: Bloomberg, portfolio data as of 9/30/17.

*Ratings by S&P

**Not rated securities include FDIC-insured CDs and LAIF.



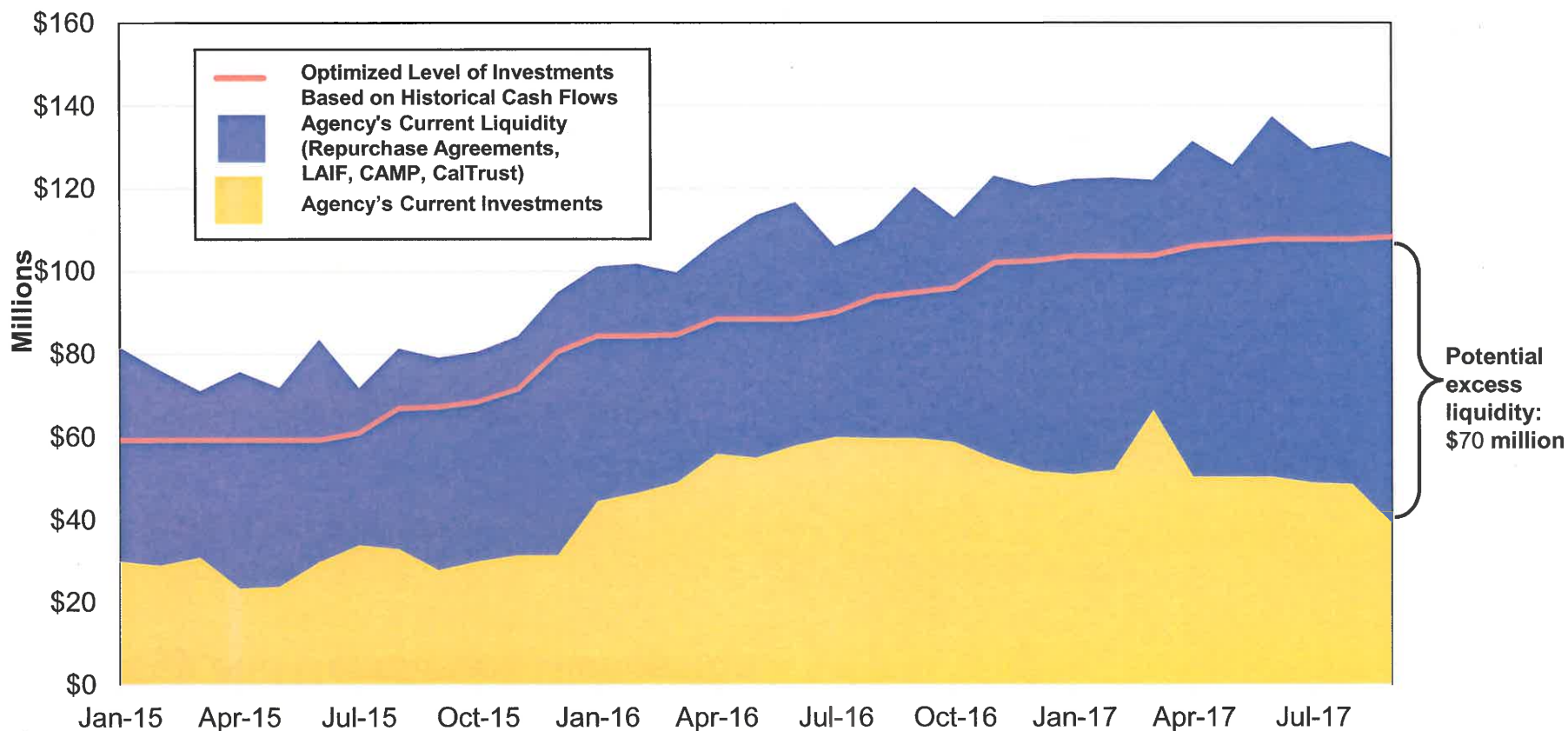
Strategy and Benchmark Discussion

1. Reduce excess liquidity
2. Utilize full range of permitted sectors
3. Capitalize on current market opportunities
4. Establish a long-term strategy and related benchmark



#1 Reduce Excess Liquidity: Cash Flow Analysis

- Based on historical cash flows, we estimate that the Agency's allocation to its longer-term investment portfolio could prudently be increased by \$60-70 million to capitalize on higher interest rates.
- Cash flow analysis suggests an optimized core portfolio size of approximately \$108 million.



Suggested split based on monthly historical balances from 1/31/15 through 9/30/17. Assumes a 15% liquidity cushion.



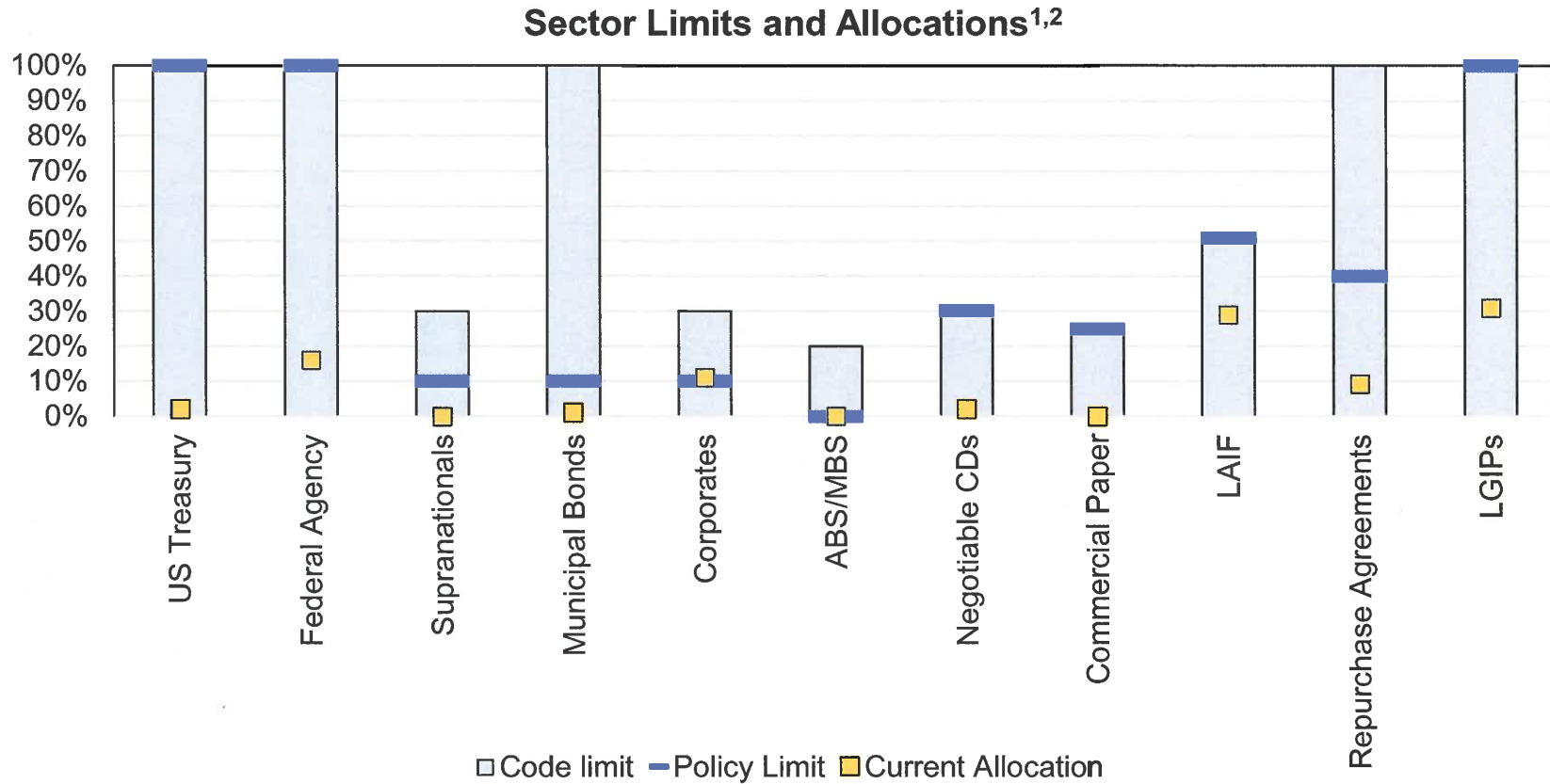
#2 Utilize Full Range of Permitted Sectors

		Overnight	180 Days	270 Days	1 Year	5 Years	Beyond 5 Years	
"Conventional" Fixed-Income	U.S. Treasuries	Permitted					Requires Approval	
	Federal Agencies	Permitted					Requires Approval	
	Municipal Securities	Permitted					Requires Approval	
	Negotiable Certificates of Deposit	Permitted					Requires Approval	
	Commercial Paper	Permitted			Prohibited			
	Bankers' Acceptances	Permitted		Prohibited				
	Medium-Term Corporate Notes ("A" or Better)	Permitted					Prohibited	
	Asset-Backed Securities (ABS)	Permitted					Prohibited	
	Supranationals ("AA" or Better)	Permitted					Prohibited	
	Repurchase Agreements	Permitted				Prohibited		
	Money Market Funds/Bond Mutual Funds	Permitted		Prohibited				
	Local Government Investment Pools	Permitted		Prohibited				
Broader Fixed-Income	Foreign Sovereign						Prohibited	
	Fixed-Income ETFs						Prohibited	
	High-Yield Bonds						Prohibited	
	Private Placements						Prohibited	
	Convertibles						Prohibited	
	Non-U.S. Dollar Investment Grade						Prohibited	
	Emerging Markets Debt						Prohibited	
	Bank Loans						Prohibited	
Equities	Domestic Equities (Large Cap, Mid-Cap, Small Cap)						Prohibited	
	International Equities (Large Cap, Mid-Cap, Small Cap)						Prohibited	
	Emerging Markets						Prohibited	
	Preferred Stock						Prohibited	
	Equity Mutual Funds and ETFs						Prohibited	
Alternatives	Commodities						Prohibited	
	Real Estate						Prohibited	
	Hedge Funds						Prohibited	
	Private Equity						Prohibited	
	Venture Capital						Prohibited	
	Tangible Assets						Prohibited	
	Complex Derivatives, Futures and Options						Prohibited	

Source: California Government Code Section 53601



#2 Utilize Full Range of Permitted Sectors



Source: Agency Investment Policy for Fiscal Years 2017-18 and 2018-19. Agency's September 2017 Investment Report. California Government Code Section 53601. Policy limit for LAIF based on maximum \$65 million permitted by State Treasurer as a percentage of Agency's total portfolio value.

1. LGIP refers to the CalTrust and CAMP investment.

2. Repurchase agreements refer to the Agency's sweep account.



#2 Utilize Full Range of Permitted Sectors

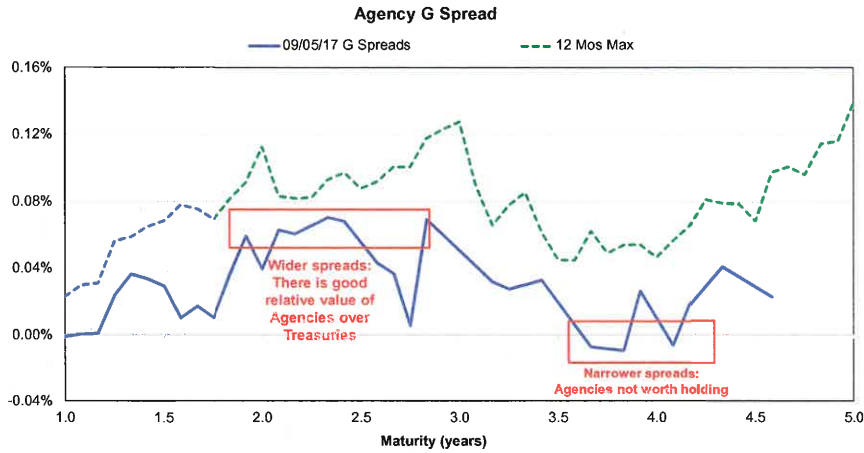
Potential Incremental Annual Earnings

	Yield	Estimated Additional Annual Earnings over Comparable U.S. Treasuries per \$10 Million Invested
1–5 Years U.S. Treasury Index	1.61%	-
0–5 Years Asset-Backed Securities Index	1.80%	\$19,000
1–5 Years AAA-A Corporate Index	2.16%	\$55,000
0–5 Years Mortgage-Backed Securities Index	2.38%	\$77,000
2-Year U.S. Treasury Index	1.47%	-
2-Year Negotiable Certificate of Deposit	1.83%	\$36,000
9-Month U.S. Treasury	1.23%	-
9-Month Commercial Paper	1.55%	\$32,000

Source: Bloomberg as of 9/30/17.

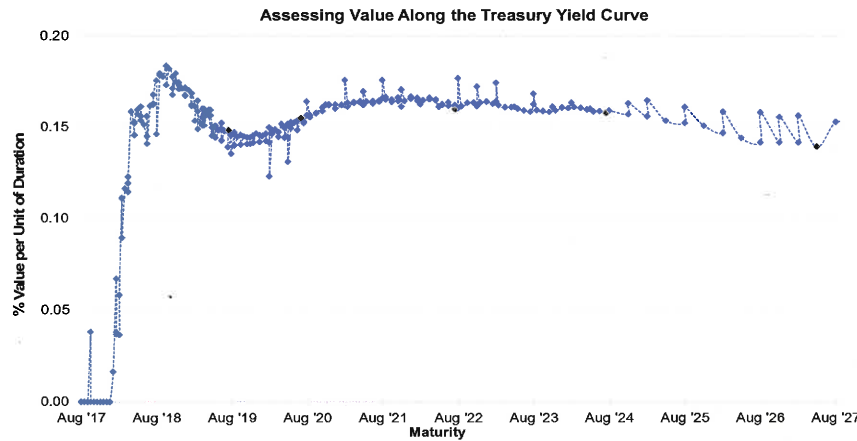


#3 Capitalize on Current Market Opportunities



Yield Environment as of September 30, 2017

Maturity	Treasury	Federal Agency	AA Corporate	A Corporate	AAA Taxable Municipal
1-Year	1.29%	1.32%	1.51%	1.65%	1.51%
2-Year	1.49%	1.60%	1.75%	1.91%	1.72%
3-Year	1.62%	1.70%	1.96%	2.14%	1.89%
4-Year	1.75%	1.89%	2.10%	2.26%	2.03%
5-Year	1.94%	1.93%	2.33%	2.50%	2.24%
10-Year	2.33%	2.49%	3.06%	3.22%	3.05%



Source: Bloomberg, MarketAxess, and PFM Asset Management LLC As of 9/05/17. G-Spread is the difference in yield compared to a Treasury note of comparable maturity.



#4 Strategy and Benchmark: Benefit of Proposed Investment Strategy

- The table below compares the average return yield on IEUA's portfolio with the average yield on PFM's 1-3 and 1-5 Year Composites for the third quarter and the past 1 and 3 year periods.
- For each \$10 million invested in the 1-5 Year Composite over the past year, the portfolio could have generated \$72,000 in additional earnings. On a net basis after fees, the earnings could have been \$64,000 higher.

Historical Yield Comparison for Periods Ending September 30, 2017

	3Q17	1 Year	3 Year
IEUA's Portfolio	1.14%	0.92%	0.73%
PFM 1–3 Year Composite	1.57%	1.45%	1.05%
PFM 1–5 Year Composite	1.71%	1.64%	1.28%

Source: IEUA yield provided by the Agency. PFM Composite Yield data is Yield to Maturity at Market as of 9/30/17. PFM 1-3 and 1-5 Composites can be found as attachments to the presentation. A full list of composite descriptions can be available upon request. The firm's policies for valuing portfolios, calculating performance, and preparing compliance presentations are also available upon request. Past performance does not guarantee future performance. Earnings calculations are hypothetical and based on each \$10 million invested.



#4 Strategy and Benchmark: Benchmark Options

Comparison of Benchmark Options 10 Years Ended September 30, 2017

	Duration	Current Yield	Annualized Total Return	Cumulative Value of \$10 Million	Incremental Earnings over the 1-Year UTST Index
1-Year U.S Treasury Index	0.91	1.36%	1.05%	\$11,105,000	-
0-3 Year U.S Treasury Index	1.38	1.40%	1.39%	\$11,479,000	\$374,000
1-3 Year U.S Treasury Index	1.82	1.48%	1.70%	\$11,839,000	\$734,000
0-5 Year U.S Treasury Index	2.15	1.53%	1.99%	\$12,178,000	\$1,073,000
1-5 Year U.S Treasury Index	2.62	1.61%	2.36%	\$12,633,000	\$1,528,000

Source: Bloomberg.



#4 Strategy and Benchmark: Recommended Investment Strategy

- Continue to invest funds needed for liquidity in pooled investments.
- Designate a “core” portfolio of \$100–108 million.
- Invest in securities with maturities up to five years.
- Diversify portfolio utilizing the full-range of investment options permitted by Code: U.S. Treasuries, Federal Agencies, supnationals, credit (commercial paper, corporates, negotiable certificates of deposit, asset-backed), and municipal securities.
- Actively manage portfolio duration and sector weightings to capture best relative value.
- Measure portfolio total return against the 1-5 year U.S. Treasury Index.



Disclosures

This material is based on information obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management LLC cannot guarantee its accuracy, completeness, or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some but not all of which are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this presentation is not an offer to purchase or sell any securities.

Attachment 7
PFM Presentation –
Part 2



Inland Empire Utilities Agency

Investment Management Kickoff Discussion

Sarah Meacham, Managing Director

Richard Babbe, Senior Managing Consultant

December 6, 2017

PFM Asset
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PFM Fixed Income Composites



PFM 1-3 Year Fixed Income Composite As of September 30, 2017

Year	Composite Return (Gross of Fees)	BofA Merrill Lynch 1-3 Year Treasury Index Return	Composite Dispersion	Number of Accounts	Composite Assets (Millions)	Percentage of Firm Assets	Total Firm Assets (Millions)
2017 YTD	0.98%	0.67%	n/a	163	\$11,060	13.8%	\$79,894
2016	1.18%	0.89%	0.11%	155	\$9,920	13.7%	\$72,397
2015	0.69%	0.54%	0.13%	145	\$9,492	14.9%	\$63,625
2014	0.72%	0.62%	0.14%	127	\$8,704	15.9%	\$54,889
2013	0.41%	0.36%	0.11%	119	\$8,044	15.6%	\$51,650
2012	1.00%	0.43%	0.23%	113	\$7,204	14.7%	\$49,093
2011	1.57%	1.55%	0.29%	114	\$7,083	16.1%	\$43,933
2010	2.31%	2.35%	0.27%	98	\$6,027	14.1%	\$42,686
2009	2.05%	0.78%	0.42%	80	\$5,115	13.0%	\$39,273
2008	7.07%	6.61%	0.28%	78	\$5,246	14.2%	\$37,052
2007	6.85%	7.32%	0.18%	71	\$4,399	13.1%	\$33,568

Periods Ended 09/30/17	Cumulative Annualized Return		Ex-Post Standard Deviation of Returns	
	Composite (Gross of Fees)	BofA Merrill Lynch 1-3 Year Treasury Index	Composite (Gross of Fees)	BofA Merrill Lynch 1-3 Year Treasury Index
1 Year	0.68%	0.24%	0.58%	0.60%
2 Year	0.93%	0.56%	0.70%	0.79%
3 Year	1.01%	0.76%	0.67%	0.77%
4 Year	0.91%	0.69%	0.62%	0.69%
5 Year	0.82%	0.63%	0.58%	0.64%
6 Year	0.87%	0.62%	0.55%	0.60%
7 Year	0.92%	0.70%	0.57%	0.63%
8 Year	1.12%	0.93%	0.66%	0.78%
9 Year	1.62%	1.21%	0.97%	0.92%
10 Year	2.00%	1.70%	1.16%	1.24%

3-Year Periods Ending	3-Year Cumulative Return		3-Year Ex-Post Standard Deviation	
	Composite (Gross of Fees)	BofA Merrill Lynch 1-3 Year Treasury Index	Composite (Gross of Fees)	BofA Merrill Lynch 1-3 Year Treasury Index
2016	0.86%	0.68%	0.68%	0.76%
2015	0.60%	0.51%	0.52%	0.57%
2014	0.71%	0.47%	0.43%	0.44%
2013	0.99%	0.78%	0.46%	0.51%
2012	1.62%	1.44%	0.64%	0.74%
2011	1.98%	1.56%	0.83%	1.04%
2010	3.78%	3.22%	1.70%	1.76%
2009	5.29%	4.86%	1.75%	1.96%
2008	6.13%	5.95%	1.62%	1.72%
2007	4.42%	4.29%	1.11%	1.37%



PFM 1-3 Year Fixed Income Composite

As of September 30, 2017

Quarterly Returns

Quarter Ended	Total Return (Gross of Fees)	
	Composite	BofA Merrill Lynch 1-3 Year Treasury Index
09/30/17	0.32%	0.24%
06/30/17	0.31%	0.17%
03/31/17	0.35%	0.26%
12/31/16	-0.30%	-0.43%
09/30/16	0.00%	-0.11%
06/30/16	0.53%	0.53%
03/31/16	0.95%	0.90%
12/31/15	-0.29%	-0.44%
09/30/15	0.34%	0.31%
06/30/15	0.11%	0.15%
03/31/15	0.52%	0.52%
12/31/14	0.20%	0.17%
09/30/14	0.03%	0.03%
06/30/14	0.29%	0.27%
03/31/14	0.19%	0.14%
12/31/13	0.10%	0.06%
09/30/13	0.34%	0.29%
06/30/13	-0.17%	-0.11%
03/31/13	0.14%	0.12%
12/31/12	0.12%	0.07%

Quarter Ended	Total Return (Gross of Fees)	
	Composite	BofA Merrill Lynch 1-3 Year Treasury Index
09/30/12	0.35%	0.26%
06/30/12	0.23%	0.19%
03/31/12	0.30%	-0.08%
12/31/11	0.25%	0.20%
09/30/11	0.33%	0.49%
06/30/11	0.87%	0.83%
03/31/11	0.11%	0.03%
12/31/10	-0.11%	-0.15%
09/30/10	0.62%	0.62%
06/30/10	1.12%	1.16%
03/31/10	0.67%	0.70%
12/31/09	0.14%	0.03%
09/30/09	0.86%	0.78%
06/30/09	0.71%	-0.11%
03/31/09	0.34%	0.09%
12/31/08	3.76%	2.69%
09/30/08	0.88%	1.68%
06/30/08	-0.46%	-0.86%
03/31/08	2.76%	2.98%
12/31/07	2.18%	2.36%



PFM 1-5 Year Fixed Income Composite

As of September 30, 2017

Year	Composite Return (Gross of Fees)	BofA Merrill Lynch 1-5 Year Treasury Index Return	BofA Merrill Lynch 1-5 Year AAA-AA US Corporate & Government Index	Composite Dispersion	Number of Accounts	Composite Assets (Millions)	Percentage of Firm Assets	Total Firm Assets (Millions)
2017 YTD	1.38%	1.04%	1.15%	n/a	118	\$7,640	9.6%	\$79,894
2016	1.32%	1.09%	1.14%	0.11%	104	\$6,400	8.8%	\$72,397
2015	1.13%	0.98%	0.99%	0.13%	87	\$5,464	8.6%	\$63,625
2014	1.39%	1.24%	1.30%	0.20%	71	\$4,560	8.3%	\$54,889
2013	0.02%	-0.19%	-0.08%	0.18%	62	\$4,394	8.5%	\$51,650
2012	1.78%	0.91%	1.32%	0.37%	48	\$3,174	6.5%	\$49,093
2011	3.30%	3.36%	3.11%	0.43%	38	\$2,515	5.7%	\$43,933
2010	3.39%	3.61%	3.62%	0.37%	29	\$1,880	4.4%	\$42,686
2009	3.10%	0.23%	1.72%	0.74%	28	\$2,009	5.1%	\$39,273
2008	7.52%	8.73%	7.50%	0.69%	26	\$1,757	4.7%	\$37,052
2007	7.17%	8.16%	7.74%	0.23%	20	\$1,499	4.5%	\$33,568

Periods Ended 09/30/17	Cumulative Annualized Return			Ex-Post Standard Deviation of Returns		
	Composite (Gross of Fees)	BofA Merrill Lynch 1- 5 Year Treasury Index	BofA Merrill Lynch 1-5 Year AAA-AA US Corporate & Government Index	Composite (Gross of Fees)	BofA Merrill Lynch 1- 5 Year Treasury Index	BofA Merrill Lynch 1-5 Year AAA-AA US Corporate & Government Index
1 Year	0.42%	-0.06%	0.07%	1.20%	1.24%	1.24%
2 Year	1.12%	0.73%	0.83%	1.28%	1.42%	1.38%
3 Year	1.43%	1.20%	1.25%	1.24%	1.41%	1.37%
4 Year	1.32%	1.06%	1.13%	1.17%	1.32%	1.29%
5 Year	1.07%	0.84%	0.92%	1.15%	1.27%	1.24%
6 Year	1.25%	0.91%	1.02%	1.10%	1.21%	1.17%
7 Year	1.38%	1.10%	1.18%	1.17%	1.28%	1.24%
8 Year	1.74%	1.49%	1.57%	1.25%	1.46%	1.38%
9 Year	2.43%	1.83%	2.04%	1.55%	1.66%	1.56%
10 Year	2.65%	2.36%	2.43%	1.67%	1.94%	1.78%



PFM 1-3 Year Fixed Income Composite

As of September 30, 2017

IMPORTANT DISCLOSURES

PFM Asset Management LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Our claim has not been independently verified.

FIRM DEFINITION

PFM is the marketing name for a group of affiliated companies providing a range of services. All services are provided through separate agreements with each company. PFM's asset management services are provided through PFM Asset Management LLC, an investment advisor registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. PFM Asset Management LLC was created in 2001; prior to 2001, PFM's investment advisory business was operated as part of Public Financial Management, Inc. utilizing the same personnel and investment process. Firm performance includes accounts managed by PFM Asset Management LLC, but which may have been previously managed by Public Financial Management, Inc. We manage short-term pools and money market funds, investment-grade fixed-income portfolios, and multi-asset class portfolios under a variety of individual client mandates. For important disclosure information please go to pfm.com/disclosures.

COMPOSITE DESCRIPTION

PFM 1 – 3 Year Fixed Income Composite includes all institutional fixed-income portfolios with the majority of their assets in securities with maturities or effective durations between 1 and 3 years, and that are managed against the BofA Merrill Lynch 1-3 Year US Treasury Index or an index with a similar effective duration. Accounts typically invest in US dollar denominated, investment-grade fixed-income securities, including US government securities, including bonds and notes of federal agencies, high quality money market, municipal and corporate debt instruments, generally limited to those rated A or better, and agency mortgage-backed securities. Accounts in this composite do not use leverage, complex derivatives, or short positions. Accounts in the composite will typically maintain an overall effective duration similar to that of the BofA Merrill Lynch 1-3 Year US Treasury Index, but may vary by plus or minus 25%, or more. Individual accounts may have policies that are more or less restrictive than those described above, in some cases significantly so, and may use specific benchmarks that differ from the composite benchmark used in this presentation.

The composite creation date is September 2003; the composite inception date is January 1, 1998. The minimum portfolio size for inclusion in the composite is \$10 million. Only actual portfolios are included in the composites; the composite contains no simulated, model or non-fee paying portfolios. From 2012Q4 through 2017Q1, the composite was known as the "PFMAM 1-3 Year Fixed Income Composite."



PFM 1-3 Year Fixed Income Composite

As of September 30, 2017

BENCHMARK DESCRIPTION

Composite performance is compared to the BofA Merrill Lynch 1-3 Year US Treasury Index. Benchmark returns are provided to represent the investment environment that existed during the time periods shown. The BofA Merrill Lynch 1-3 Year US Treasury Index comprises all US Treasury securities (excluding TIPS and STRIPS) with maturities between 1 and 3 years, and is rebalanced monthly.

PERFORMANCE CALCULATIONS

Valuations are computed, and performance results and asset values are reported in US dollars. Gross-of-fees returns are presented before management fees, custodial fees and taxes, but after brokerage and other transaction fees, if any. A client's return will be reduced by advisory fees and other expenses the portfolio may incur. PFM's Asset Management standard investment advisory fee schedule is: 0.25% per annum on first \$25 million, 0.15% per annum on assets over \$25 million. Actual fees may be lower. Internal dispersion is calculated using the equal-weighted standard deviation of the annual gross returns of those portfolios that were included in the composite for the entire year; for years where there are five or fewer portfolios in the composite for the full annual period, dispersion is not presented, as it is deemed not meaningful. Benchmark returns are presented on a gross basis.

RISK DISCLOSURE

Actual performance results may differ from composite returns, depending on the size of the account, investment guidelines and restrictions, inception date and other factors. Past performance is not indicative of future results. As with any investment vehicle, there is always the potential for gains as well as the possibility of losses. There can be no assurance that a client portfolio will meet its performance objective.

ADDITIONAL INFORMATION

A list of composite descriptions is available upon request. The firm's policies for valuing portfolios, calculating performance, and preparing compliant presentations are also available upon request. Requests should be made to Kenneth Schiebel, CFA, at schiebelk@pfm.com.



PFM 1-5 Year Fixed Income Composite

As of September 30, 2017

3-Year Periods Ending	3-Year Cumulative Return			3-Year Ex-Post Standard Deviation		
	Composite (Gross of Fees)	BofA Merrill Lynch 1-5 Year Treasury Index	BofA Merrill Lynch 1-5 Year AAA-AA US Corporate & Government Index	Composite (Gross of Fees)	BofA Merrill Lynch 1-5 Year Treasury Index	BofA Merrill Lynch 1-5 Year AAA-AA US Corporate & Government Index
2016	1.28%	1.10%	1.14%	1.27%	1.45%	1.40%
2015	0.84%	0.67%	0.74%	1.09%	1.21%	1.19%
2014	1.06%	0.65%	0.84%	0.98%	1.03%	1.01%
2013	1.69%	1.35%	1.44%	1.08%	1.17%	1.11%
2012	2.82%	2.62%	2.67%	1.20%	1.40%	1.29%
2011	3.26%	2.39%	2.81%	1.40%	1.86%	1.63%
2010	4.65%	4.13%	4.25%	2.33%	2.69%	2.41%
2009	5.91%	5.63%	5.61%	2.30%	2.83%	2.51%
2008	6.40%	6.87%	6.43%	2.17%	2.44%	2.26%
2007	4.42%	4.41%	4.40%	1.49%	1.90%	1.77%



PFM 1-5 Year Fixed Income Composite

As of September 30, 2017

Quarterly Returns

Quarter Ended	Total Return (Gross of Fees)		
	Composite	BofA Merrill Lynch 1-5 Year Treasury Index	BofA Merrill Lynch 1-5 Year AAA-AA US Corporate & Government Index
09/30/17	0.38%	0.29%	0.32%
06/30/17	0.51%	0.38%	0.42%
03/31/17	0.49%	0.37%	0.42%
12/31/16	-0.95%	-1.09%	-1.07%
09/30/16	-0.07%	-0.19%	-0.14%
06/30/16	0.80%	0.81%	0.82%
03/31/16	1.56%	1.57%	1.55%
12/31/15	-0.45%	-0.66%	-0.63%
09/30/15	0.68%	0.70%	0.69%
06/30/15	-0.02%	0.02%	0.02%
03/31/15	0.92%	0.92%	0.91%
12/31/14	0.46%	0.49%	0.48%
09/30/14	-0.02%	-0.06%	-0.05%
06/30/14	0.57%	0.55%	0.57%
03/31/14	0.38%	0.26%	0.30%
12/31/13	0.08%	-0.11%	-0.05%
09/30/13	0.54%	0.46%	0.50%
06/30/13	-0.81%	-0.69%	-0.71%
03/31/13	0.21%	0.15%	0.18%
12/31/12	0.12%	0.04%	0.09%

Quarter Ended	Total Return (Gross of Fees)		
	Composite	BofA Merrill Lynch 1-5 Year Treasury Index	BofA Merrill Lynch 1-5 Year AAA-AA US Corporate & Government Index
09/30/12	0.67%	0.47%	0.57%
06/30/12	0.59%	0.59%	0.58%
03/31/12	0.40%	-0.19%	0.07%
12/31/11	0.52%	0.42%	0.33%
09/30/11	1.09%	1.39%	1.18%
06/30/11	1.46%	1.49%	1.45%
03/31/11	0.19%	0.02%	0.12%
12/31/10	-0.62%	-0.67%	-0.61%
09/30/10	1.19%	1.32%	1.41%
06/30/10	1.80%	2.04%	1.79%
03/31/10	0.98%	0.90%	1.00%
12/31/09	0.28%	-0.08%	0.09%
09/30/09	1.46%	1.20%	1.45%
06/30/09	1.11%	-0.87%	0.05%
03/31/09	0.22%	-0.01%	0.13%
12/31/08	5.10%	4.27%	4.20%
09/30/08	0.29%	2.06%	1.11%
06/30/08	-0.75%	-1.47%	-1.24%
03/31/08	2.78%	3.69%	3.31%
12/31/07	2.35%	2.93%	2.73%



IMPORTANT DISCLOSURES

PFM Asset Management LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Our claim has not been independently verified.

FIRM DEFINITION

PFM is the marketing name for a group of affiliated companies providing a range of services. All services are provided through separate agreements with each company. PFM's asset management services are provided through PFM Asset Management LLC, an investment advisor registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. PFM Asset Management LLC was created in 2001; prior to 2001, PFM's investment advisory business was operated as part of Public Financial Management, Inc. utilizing the same personnel and investment process. Firm performance includes accounts managed by PFM Asset Management LLC, but which may have been previously managed by Public Financial Management, Inc. We manage short-term pools and money market funds, investment-grade fixed-income portfolios, and multi-asset class portfolios under a variety of individual client mandates. For important disclosure information please go to pfm.com/disclosures.

COMPOSITE DESCRIPTION

PFM 1 – 5 Year Fixed Income Composite includes all institutional fixed-income portfolios with the majority of their assets in securities with maturities or effective durations between 1 and 5 years, and that are managed against the BofA Merrill Lynch 1-5 Year US Treasury Index or an index with a similar effective duration. Accounts typically invest in US dollar denominated, investment-grade fixed-income securities, including US government securities, including bonds and notes of federal agencies, high quality money market, municipal and corporate debt instruments, generally limited to those rated A or better, and agency mortgage-backed securities. Accounts in this composite do not use leverage, complex derivatives, or short positions. Accounts in the composite will typically maintain an overall effective duration similar to that of the BofA Merrill Lynch 1-5 Year US Treasury Index, but may vary by plus or minus 25%, or more. Individual accounts may have policies that are more or less restrictive than those described above, in some cases significantly so, and may use specific benchmarks that differ from those used as composite benchmarks in this presentation.

The composite creation date is September 2003; the composite inception date is January 1, 1998. The minimum portfolio size for inclusion in the composite is \$10 million. Only actual portfolios are included in the composites; the composite contains no simulated, model or non-fee paying portfolios. From 2012Q4 through 2017Q1, the composite was known as the "PFMAM 1-5 Year Fixed Income Composite."



BENCHMARK DESCRIPTION

Composite performance is compared to the BofA Merrill Lynch 1-5 Year US Treasury Index and the BofA Merrill Lynch 1-5 year AAA-AA US Corporate & Government Index. Benchmark returns are provided to represent the investment environment that existed during the time periods shown. The BofA Merrill Lynch 1-5 Year US Treasury Index comprises all US Treasury securities (excluding TIPS and STRIPS) with maturities between 1 and 5 years, and is rebalanced monthly. The BofA Merrill Lynch 1-5 year AAA-AA US Corporate & Government Index comprises US dollar denominated investment grade debt publicly issued in the US domestic market, including US Treasury, US agency, certain foreign government and supranational debt, and corporate securities; all that meet common index qualifications, are rated AA3 or better, and have maturities between 1 and 5 years. The index is rebalanced monthly. The BofA Merrill Lynch 1-5 year AAA-AA US Corporate & Government Index was added as a second benchmark beginning 2012Q3 and is presented retroactively. The second benchmark was added to provide an additional comparison for those accounts with investment policies that permit a broader range of investments.

PERFORMANCE CALCULATIONS

Valuations are computed, and performance results and asset values are reported in US dollars. Gross-of-fees returns are presented before management fees, custodial fees and taxes, but after brokerage and other transaction fees, if any. A client's return will be reduced by advisory fees and other expenses the portfolio may incur. PFM's Asset Management standard investment advisory fee schedule is: 0.25% per annum on first \$25 million, 0.15% per annum on assets over \$25 million. Actual fees may be lower. Internal dispersion is calculated using the equal-weighted standard deviation of the annual gross returns of those portfolios that were included in the composite for the entire year; for years where there are five or fewer portfolios in the composite for the full annual period, dispersion is not presented, as it is deemed not meaningful. Benchmark returns are presented on a gross basis.

RISK DISCLOSURE

Actual performance results may differ from composite returns, depending on the size of the account, investment guidelines and restrictions, inception date and other factors. Past performance is not indicative of future results. As with any investment vehicle, there is always the potential for gains as well as the possibility of losses. There can be no assurance that a client portfolio will meet its performance objective.

ADDITIONAL INFORMATION

A list of composite descriptions is available upon request. The firm's policies for valuing portfolios, calculating performance, and preparing compliant presentations are also available upon request. Requests should be made to Kenneth Schiebel, CFA, at schiebel@pfm.com.

Attachment 8
Resumes of PFM
Key Professionals



Sarah Meacham

Director
PFM Asset Management LLC

Sarah Meacham joined PFM's Asset Management practice in 2005 and is currently a director in the Western Region asset management practice. She manages client relationships for public agency clients located throughout California, helping cities, counties, special districts and self insurance authorities with their investment needs. Her responsibilities also include providing a range of investment advisory and consulting services, developing investment policies, and monitoring guidelines and strategy implementation. She also provides clients with training, technical and analytical support with respect to their investment portfolios.

Sarah holds Series 6 and 63 licenses from the Financial Industry Regulatory Authority (FINRA).



Office Location

610 S. Figueroa Street
Suite 4500
Los Angeles, CA 90017

Education

Bachelor of Arts degree in
Economics and Mathematics
Smith College

**Professional Designations
or Licenses**

FINRA Series 6 and 63 Licenses

Years with PFM

12 Years

Years of Experience

12 Years



RESUMES OF KEY PROFESSIONALS

Richard Babbe

Senior Managing Consultant
PFM Asset Management LLC



Richard Babbe is a senior managing consultant with PFM's Asset Management practice in the California investment advisory group. He joined the firm in 1999 and serves as a project manager for our California clients. His responsibilities include serving as a liaison between clients and the trading room, as well as coordinating information about liquidity needs, new funds available for investment and general client needs. He works closely with clients to formulate and implement a customized investment strategy designed to meet their specific investment objectives. He also conducts training sessions for industry groups and clients regarding investment fundamentals and investment management techniques.

Prior to joining PFM, Richard worked in government banking and public finance with Wells Fargo Bank, First Interstate Bank and Connell and Associates.

Richard is an Association for Financial Professionals (AFP) Certified Cash Manager, and holds the Financial Industry Regulatory Authority (FINRA) Series 6 and 63 licenses.

Office Location

50 California Street, Suite 2300
San Francisco, CA 94111

Education

Master of Business Administration
Anderson Graduate School of
Management, University of
California, Los Angeles

Bachelor of Arts in Architecture
University of California, Berkeley

**Professional Designations
or Licenses**

AFP Certified Cash Manager

FINRA Series 6 and 63 Licenses

Years with PFM

18 Years

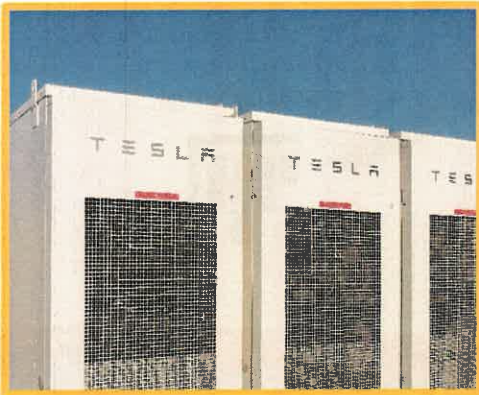
Years of Experience

28 Years

WORKSHOP

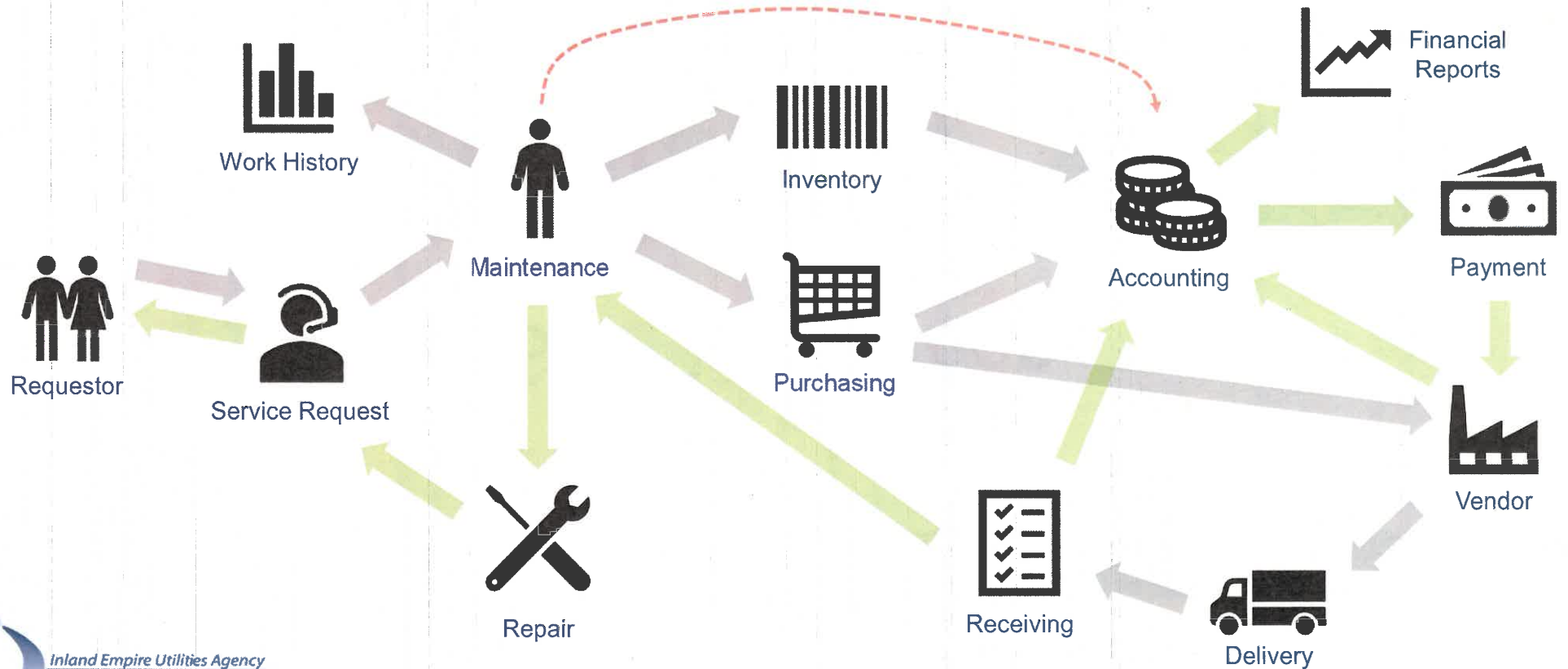
1B

SAP Workshop



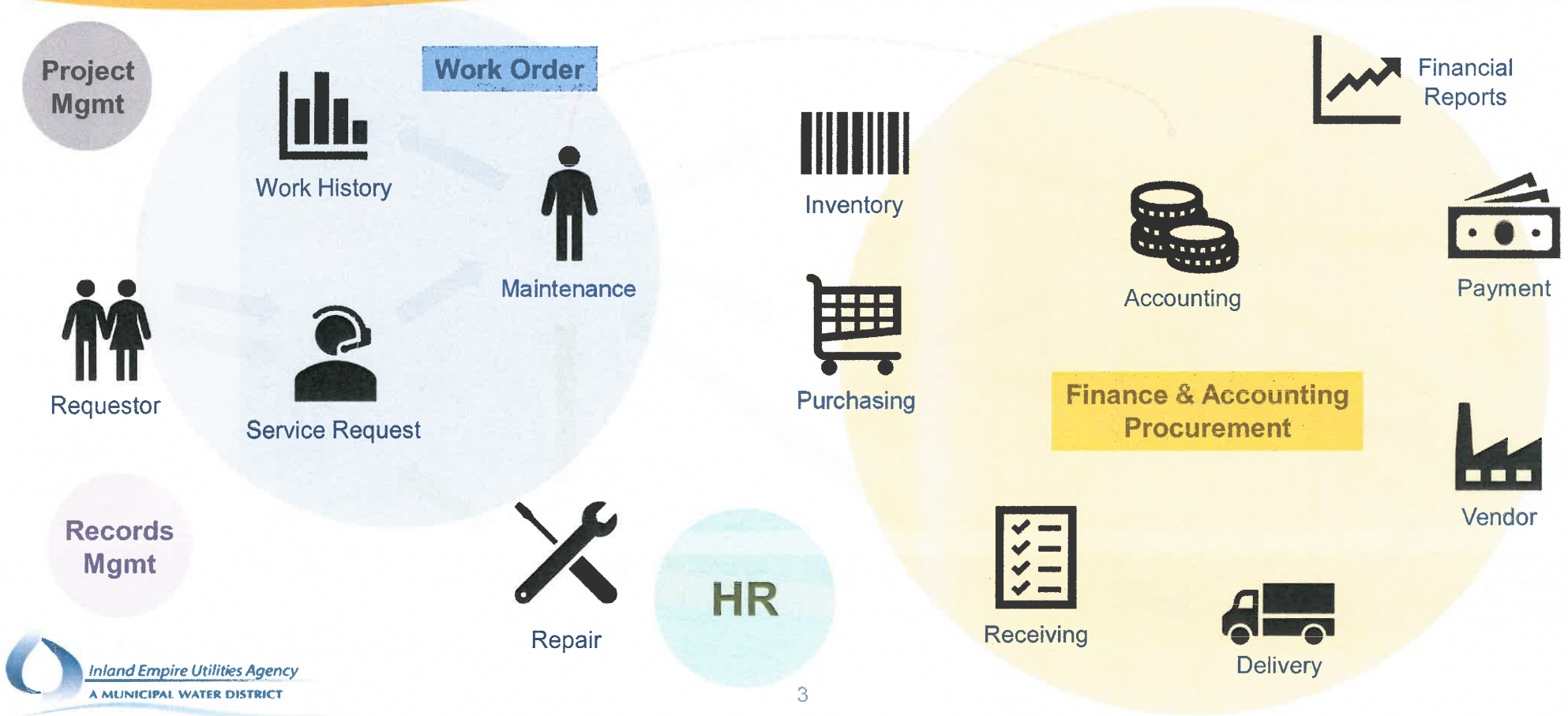
Why SAP?

Sample: Day-in-Life-of Maintenance



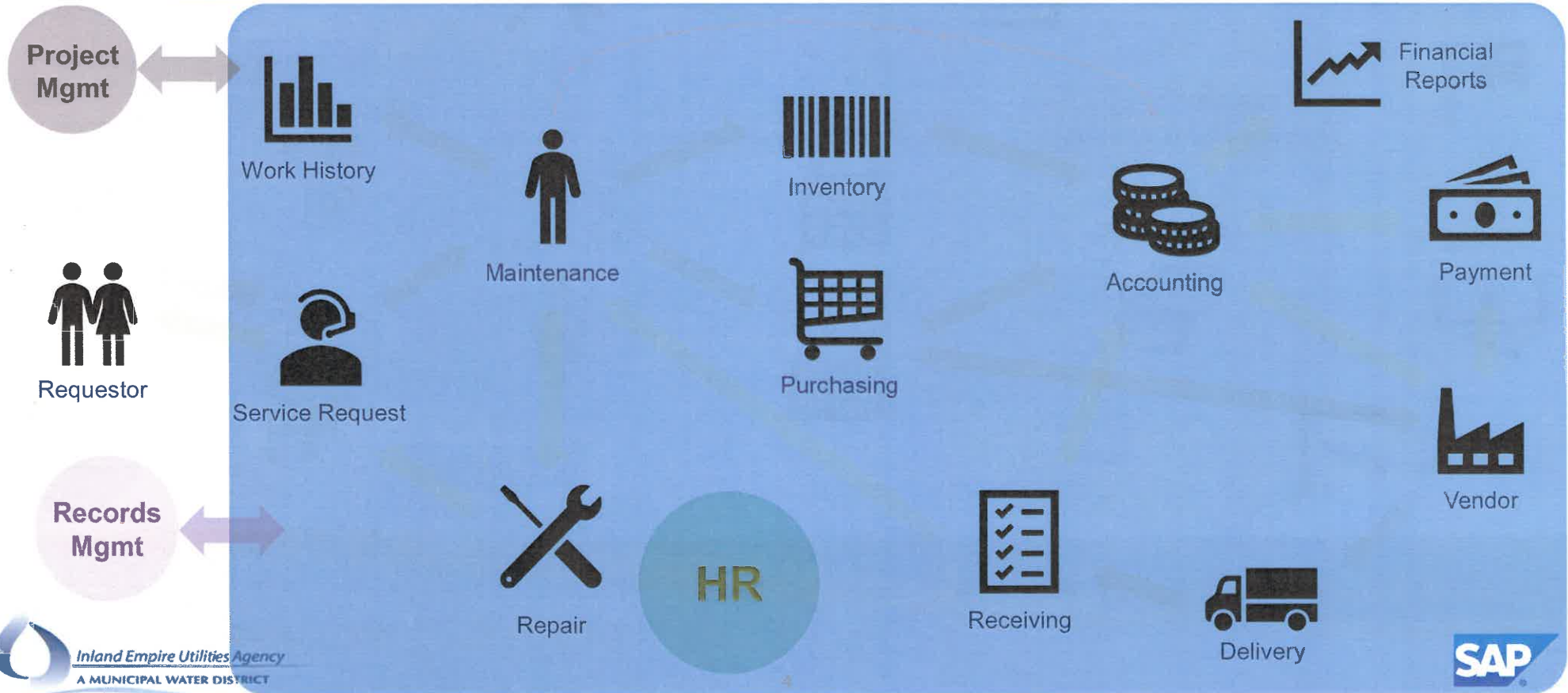
Why SAP?

Under Previous Systems



Why SAP?

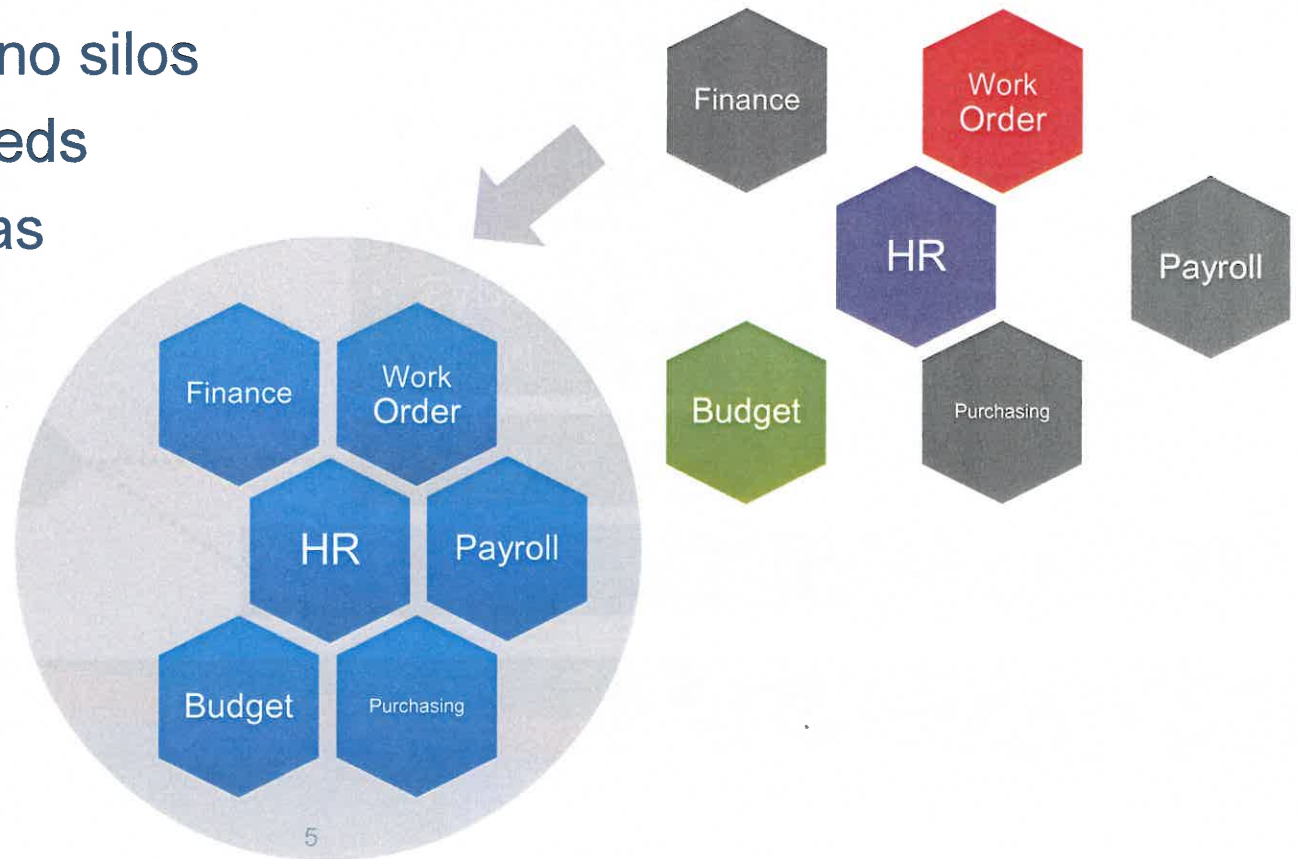
Current Systems



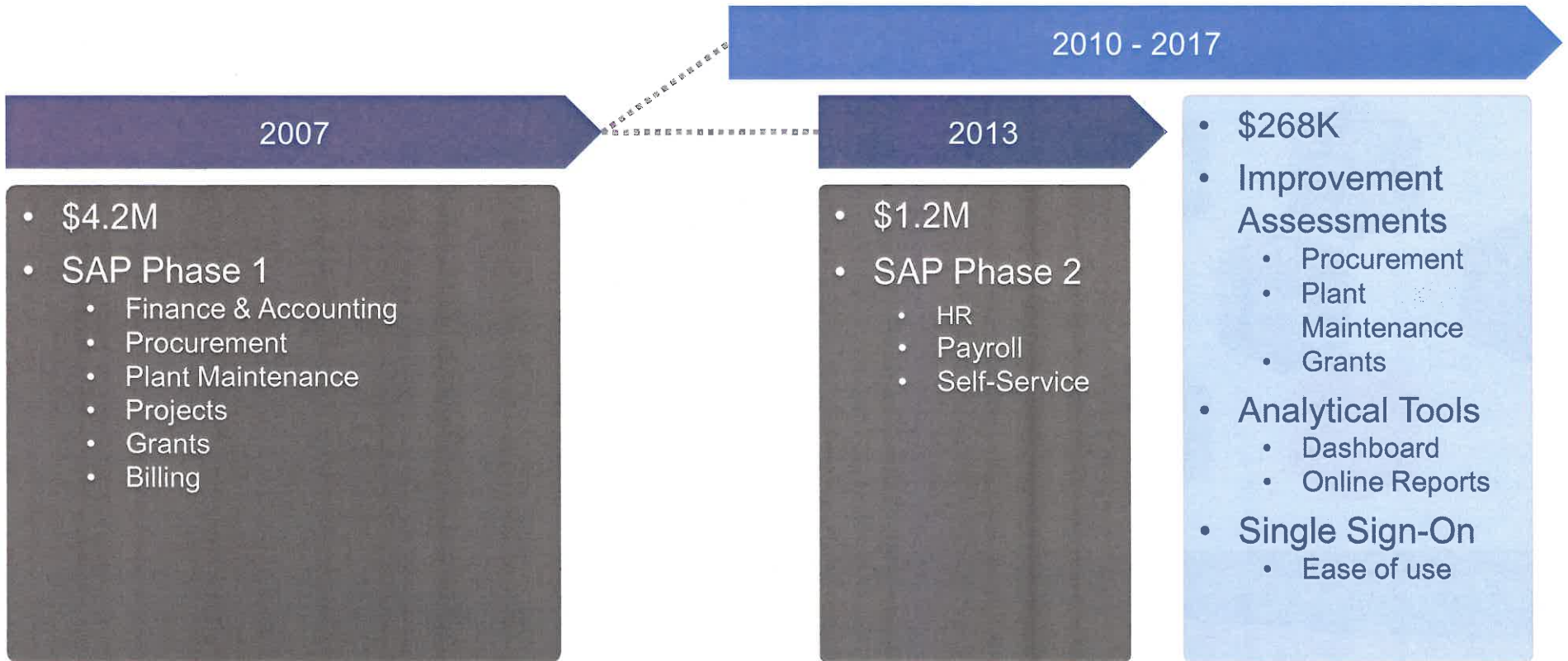
Why SAP?

Why We Chose SAP?

- Centralized system – no silos
- Complex business needs
- Multiple business areas
- Real-time data
- Information sharing
- Best practices

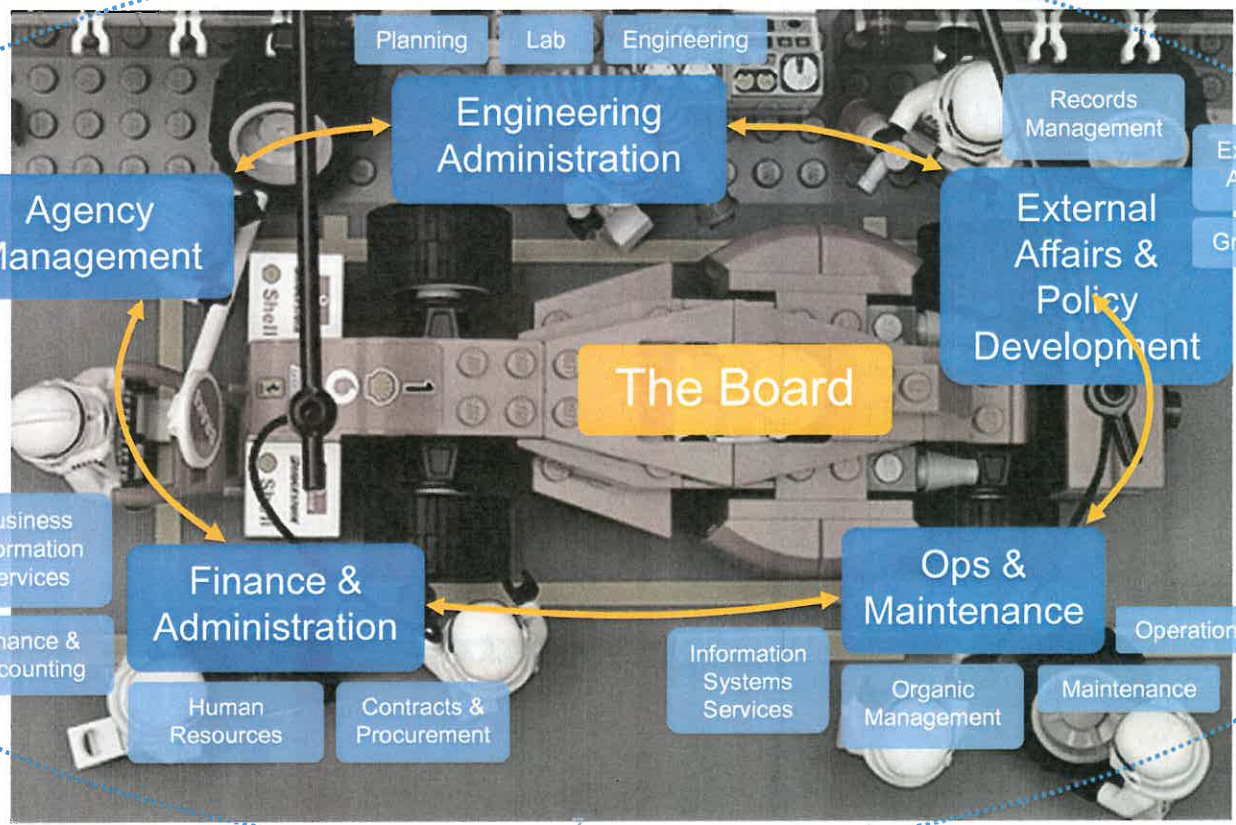


Implementation History



The Team

SAP



Key Challenges

People

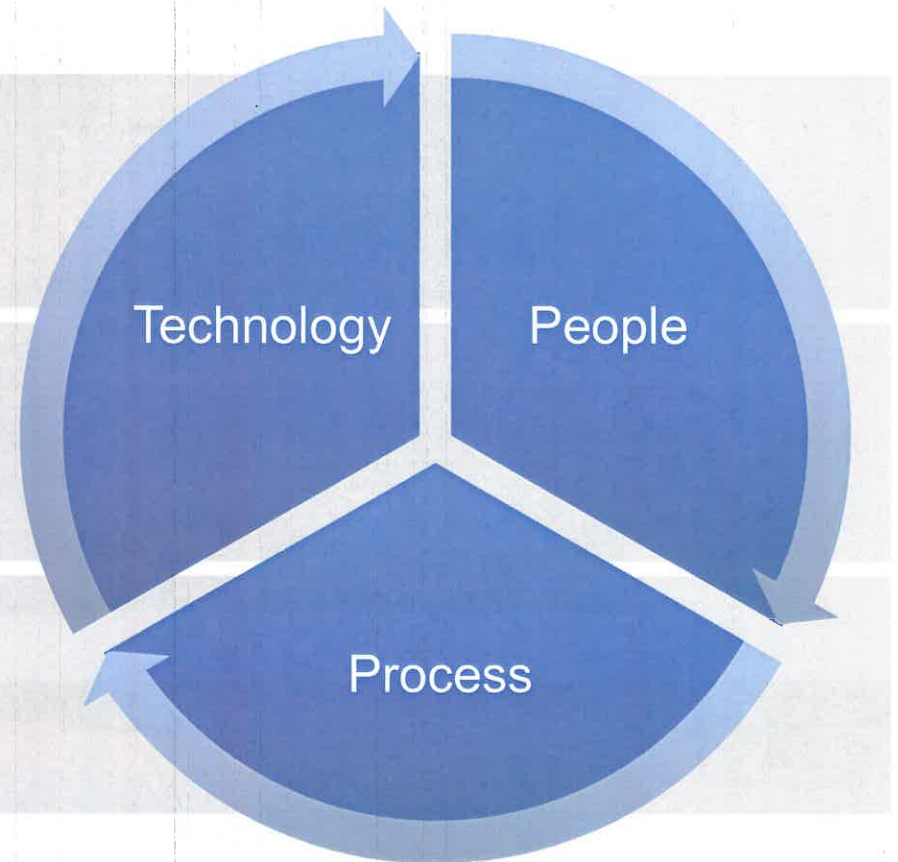
- Change is hard!
- Training, training and more training

Process

- Must keep changing!
- Best practice vs. “The way we’ve always...”
- Good process, not necessarily easy

Technology

- Never stops changing!
- Cyber security vs. convenience



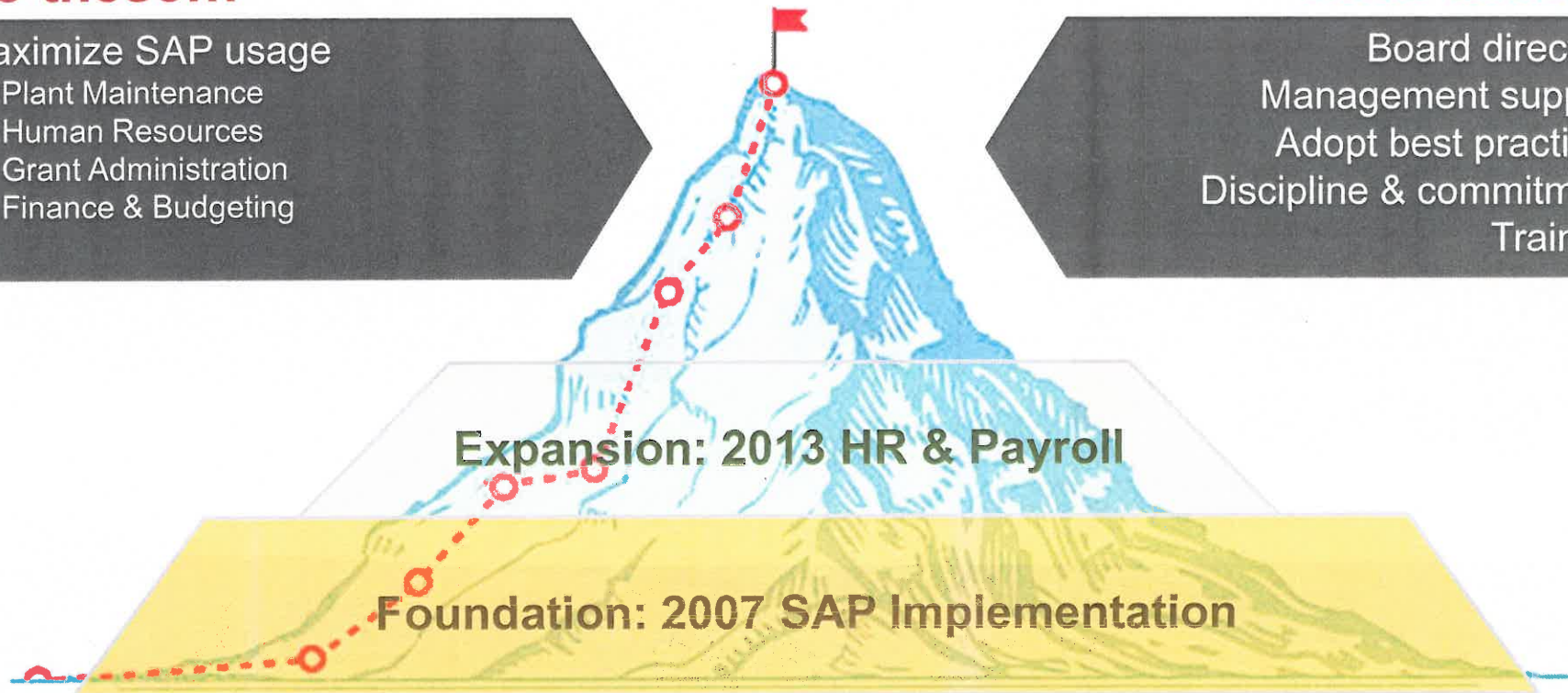
Implementation and Support
Key Challenges

Do these...

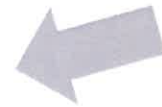
- Maximize SAP usage
 - Plant Maintenance
 - Human Resources
 - Grant Administration
 - Finance & Budgeting

Need these...

- Board direction
- Management support
- Adopt best practices
- Discipline & commitment
- Training



Training



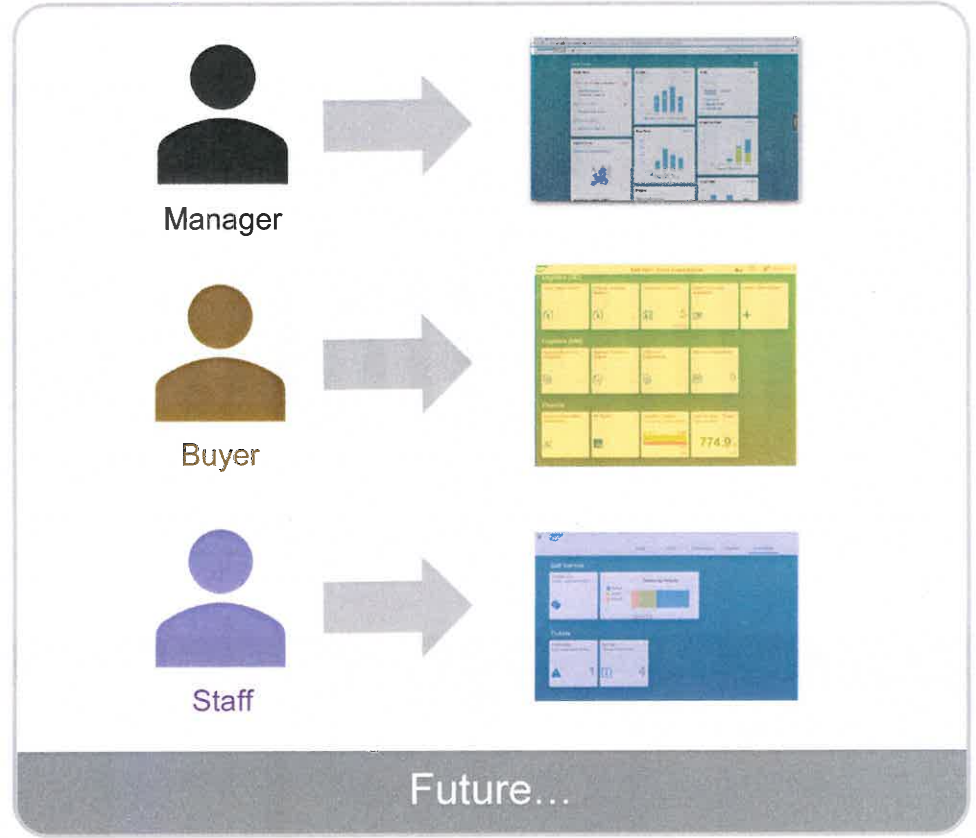
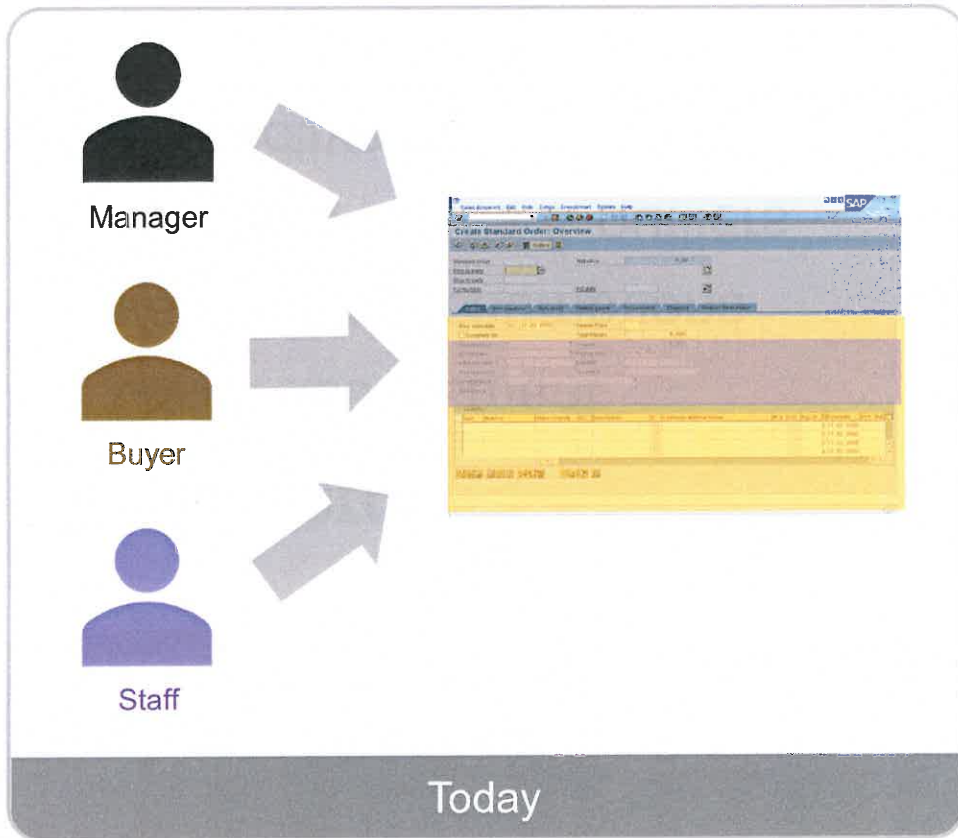
Procedures | Steps



Concepts | Principles | Ideas

Planned Improvements

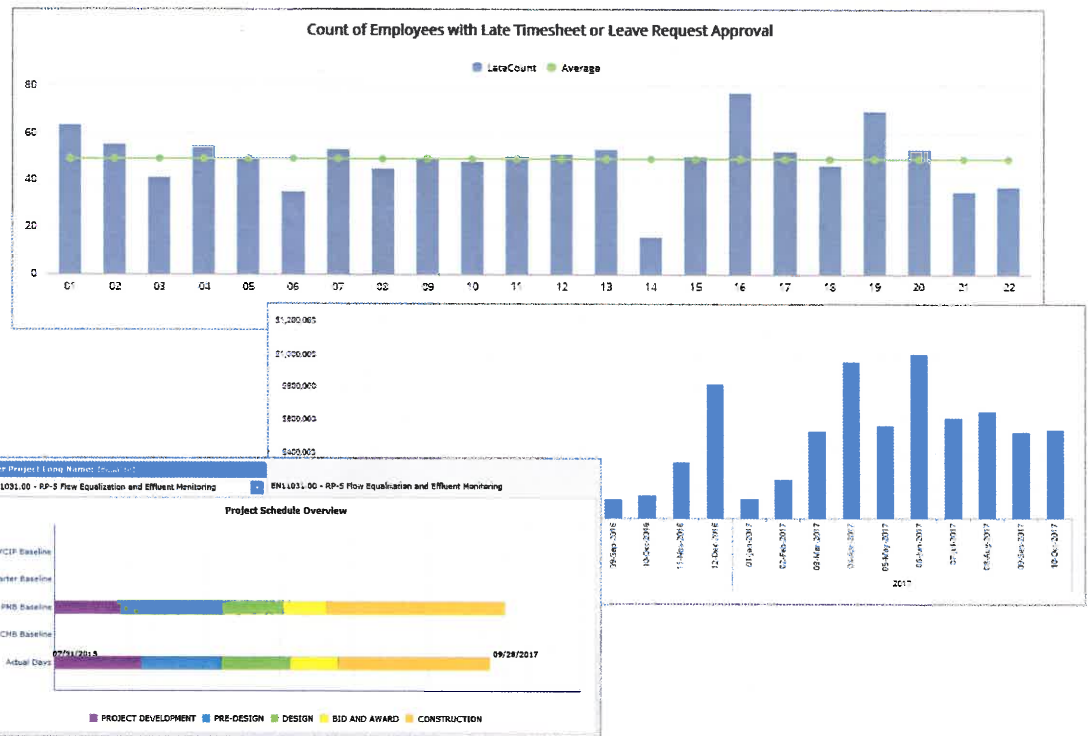
Simplify User Interface



Analytics & Dashboards

Dashboards

- Quick assessment
- Validating presumptions
- Showing trends & outliers
- Interactive discovery
- Directing further actions



Analytics & Dashboards

- Existing

- Delayed Timesheet (“Labor”)
- Open Contracts & PRs
- Master Contract Monitoring
- Engineering Project Overview
- Water Connection Fee
- Water Production
- RW Usage
- BI Launchpad Usage

- In Progress

- GM Report
- Data preparation for labor and pay
- Goods Issue for Warehouse



Process Enhancements

In Process

- Grants administration
- Timesheet / leave approval
- Online catalogues
 - Grainger, Home Depot, etc.
- HR processes
- Dashboards
- MOU preparation

Planning

- Maintenance process improvements and SAP enhancements
- SAP testing tool
- Budgeting process
- New user interface

Long-Term Plans
Year 2025

April 2014



Dec 2025





Questions?

WORKSHOP

1C

Date: December 6, 2017

To: The Honorable Board of Directors
Committee:

From: Iqbal Razak, General Manager



for

Contact: Jean Cihigoyenette, General Counsel

Subject: Proposed IEUA Administrative Handbook

Executive Summary:

On June 18, 1997, Chino Basin Municipal Water District (now known as IEUA) created the first Agency Bylaws. Upon the recommendation of General Manager P. Joseph Grindstaff, in October 2016, Kelly Associates Management Group, a professional consulting firm, was retained to work with general counsel and staff to update the Agency Bylaws and draft an administrative handbook which would incorporate the bylaws, administrative and Board of Directors policies. They provided assistance to the Agency in assembling, formatting and developing an administrative policies and procedures handbook for the IEUA Board of Directors, in accordance with best industry practices.

A committee of Executive Managers and staff were selected to work with Kelly Associates Management Group and general counsel. The final draft of the proposed IEUA Administrative Handbook is presented as a workshop discussion. Administrative policies which affect the operations of various Agency departments remain under administrative review.

Staff's Recommendation:

The proposed IEUA Administrative Handbook is being presented at the workshop for comments from the Board.

Budget Impact Budgeted (Y/N): N Amendment (Y/N): N Amount for Requested Approval:

Account/Project Name:

Fiscal Impact (explain if not budgeted):

Prior Board Action:

None.

Environmental Determination:

Not Applicable

Business Goal:

The proposed IEUA Administrative Handbook is consistent with the Agency's business goal of business practices in continuing to apply lean management principles to streamline current business processes and systems and eliminate waste and redundancies.

Attachments:

Attachment 1 - Final draft of the Inland Empire Utilities Agency Administrative Handbook

INLAND EMPIRE UTILITIES AGENCY
ADMINISTRATIVE HANDBOOK

2017



Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

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CHAPTER I: INTRODUCTION

1.1 Background

Inland Empire Utilities Agency (“IEUA” or “Agency”) is a municipal water district located in the Inland Empire area of Southern California. Its mission is to supply imported drinking water and collect, treat, and dispose of wastewater and provide other utility-related (renewable energy and compost) services in a regionally planned, managed and cost-effective manner. IEUA provides wholesale imported water from Metropolitan Water District of Southern California to seven retail agencies: the cities of Chino, Chino Hills, Ontario, Upland, Cucamonga Valley Water District, Fontana Water Company in the city of Fontana, and the Monte Vista Water District in the city of Montclair.

As a regional wastewater treatment agency, IEUA provides sewage utility services to seven contracting agencies under the Chino Basin Regional Sewage Service Contract; the cities of Chino, Chino Hills, Fontana, Montclair, Ontario, and Upland as well as to the Cucamonga Valley Water District (CVWD) in the city of Rancho Cucamonga.

With a dedicated team of approximately 300 professionals, IEUA operates four regional water-recycling facilities that treat approximately 50 million gallons per day (mgd) of wastewater, providing high quality recycled water that is available for industrial applications, agricultural and landscape irrigation, and groundwater recharge.

1.2 Preamble

Inland Empire Utilities Agency (formerly Chino Basin Municipal Water District) was established by a majority vote in a special election on June 6, 1950, with the mission to supply supplemental water to the Chino Basin. The Agency is organized pursuant to the Municipal Water District Act of 1911 (CA Water Code Section 71000 et. seq.) and governed by a five-member Board of Directors. Once formed, the Agency was annexed to the Metropolitan Water District of Southern California (MWD). Through subsequent annexations, the Agency’s service area includes the cities of Chino, Chino Hills, Fontana, Montclair, Ontario, Rancho Cucamonga, Upland, unincorporated areas of San Bernardino County, and the service areas of Cucamonga Valley Water District, Fontana Water Company, and Monte Vista Water District.

The Agency’s original mission was to distribute imported water in the Chino Basin from the State Water Project. In 1972, the Agency negotiated a Regional Sewage Service Contract (Regional Contract) with its seven-member agencies: Chino, Chino Hills, Cucamonga Valley Water District, Fontana, Montclair, Ontario, and Upland. The Agency assumed the responsibility of purchasing and operating the wastewater recycling facilities in the service area from the member agencies. The Agency also operates two separate Brine Lines collection systems. Through agreements with the County Sanitation Districts of Los Angeles County (CSDLAC) and the Santa Ana Watershed Project Authority, brine wastewater from industrial users are conveyed outside of the Chino Basin.

The Agency operates four water recycling facilities located throughout the service area: Regional Water Recycling Plant No. 1 (RP-1), Carbon Canyon Water Recycling Facility (CCWRF), Regional Water Recycling Plant No. 4 (RP-4), and Regional Water Recycling Plant No. 5 (RP-5).

The Agency also operates Regional Water Recycling Plant No. 2 (RP-2), which process the solids from CCWRF and RP-5.

In addition to water recycling facilities, the Agency, through a Joint Powers Agreement with the CSDLAC, formed the Inland Empire Regional Composting Authority (IERCA). Through IERCA, the Agency operates an indoor composting facility known as the Inland Empire Composting Facility located adjacent to RP-4. The Agency also operates the Chino I Desalter (owned by the Chino Basin Desalter Authority) which treats groundwater from wells in the Chino Basin.

1.3 Mission Statement

Agency Mission – Inland Empire Utilities Agency is committed to meeting the needs of the region by providing essential public services in a regionally planned and cost-effective manner while safeguarding public health, promoting economic development and protecting the environment.

Agency Services - IEUA is focused on the following products and services:

- IEUA is a wholesale distributor for water supplies from the Metropolitan Water District for distribution to local agencies within its service area.
- Collecting and treating wastewater, developing recycled water, local water resources, and conservation programs to reduce the region's dependence on imported water supplies and drought-proof our service area.
- Promoting sustainable use of groundwater and development of local water supplies
- Converting biosolids and waste products into a high-quality compost made from recycled materials to ensure healthy soils, and
- Generating electricity from renewable sources.

Agency Vision – To become a world class leader in water management and environmental stewardship, including water quality, water-use efficiency, recycled water, and renewable energy, to enhance and preserve the quality of life throughout the region.

Agency Values – Leading the way. Planning for the future. Protecting the resources of the communities we serve. The Inland Empire Utilities Agency is:

- Committed to applying ethical, fiscally responsible, transparent and environmentally sustainable principles to all aspects of business and organizational conduct.
- Working with integrity as one team, while celebrating the region's diversity.
- Staying in the forefront of the industry through education, innovation, efficiency, and creativity.

Agency Responsibilities – The Board of Directors and employees of the Agency are responsible for fulfilling the mission and values by demonstrating and expecting:

- Loyalty, professionalism and ethical behavior.
- Open and courteous communication with each other and with the communities served.
- Prudent and cost-effective resource planning, management, and utilization.
- Innovation in meeting the present and future needs of the Agency.

1.4 Facilities

1.4.1 Administrative Headquarters

Located in the city of Chino, IEUA is the first public agency in the nation to receive the Platinum rating from the U.S. Green Building Council's Leadership in Environmental and Energy Design (LEED). IEUA's administrative headquarters takes water and energy conservation to new levels. The extensive use of recycled materials is seen throughout the interior and exterior of the headquarters complex.

1.4.2 Regional Water Recycling Plant No. 1 (RP-1)

Located in the city of Ontario, RP-1 began operation in 1948. RP-1 has undergone several expansions to increase the permitted wastewater treatment capacity to 44 million gallons per day ("mgd") of wastewater and 60 mgd equivalent of biosolids treatment capacities (2017). The facility serves the Cities of Ontario, Rancho Cucamonga, Upland, Montclair, Fontana, and unincorporated areas of San Bernardino County.

1.4.3 Regional Water Recycling Plant No. 2 (RP-2)

Located in the City of Chino, RP-2 began operation in 1960 and currently treats the biosolids flow streams from the Carbon Canyon Water Recycling and the Regional Water Recycling Plant No. 5 facilities. As a result of biosolids production, methane gas (or bio-gas) is produced and utilized as a fuel source to operate microturbines that produce electricity. This electricity is used to operate equipment at RP-2, reducing the Agency's need to purchase power from the grid.

1.4.4 Carbon Canyon Water Recycling Facility ("CCWRF")

Located in the City of Chino, CCWRF began operation in 1992. The facility works in tandem with RP-2 and serves the Cities of Chino, Chino Hills, Montclair and Upland. The liquids are treated at CCWRF to produce recycled water, while the solids removed from the waste flow are treated at RP-2. CCWRF's treatment capacity is 11.4 mgd as of 2017.

1.4.5 Regional Water Recycling Plant No. 4 (RP-4)

Located in the City of Rancho Cucamonga, RP-4 began operation in 1997. As of 2017, RP-4 treats an average flow of 14 mgd. RP-4 works in conjunction with RP-1 to provide recycled water to users within the Cities of Ontario, Rancho Cucamonga, Upland, Montclair, Fontana, and an unincorporated area of San Bernardino.

1.4.6 Regional Recycling Water Plant No. 5 (RP-5)

Located in the City of Chino adjacent to IEUA's headquarters complex, RP-5 began operation in 2004. RP-5 services the cities of Chino and Chino Hills and is permitted to treat 16.3 mgd as of 2017.

1.4.7 Regional Plant No. 5 Solids Handling Facility (RP-5 SHF)

Located on the southeast corner of the RP-5 facility site, RP-5 SHF began operation in 2001. The facility is designed to process manure and food waste through an anaerobic digestion process. During this process, approximately 400,000 to 600,000 cubic feet/day of methane gas (biogas) is generated and used as a fuel source to operate engine generators that produce electricity. The electricity produced is used to operate equipment at RP-5.

1.4.8 Inland Empire Regional Composting Facility (IERCF)

Located in the City of Rancho Cucamonga, IERCF began in 2002. The fully enclosed IERCF is a joint partnership with the CSDLAC. The facility composts a variety of organic residuals which have a high level of nutrient value for horticultural uses in an environmentally responsible manner. The facility is permitted to process approximately 150,000 wet tons per year of biosolids.

1.4.9 Chino Basin 1 Desalter

Located in the City of Chino, the Chino Basin 1 Desalter produces approximately 14 mgd of high quality drinking water, serving the water needs of approximately 35,000 people. Groundwater pumped from 14 wells throughout the Chino Basin is pumped to the Chino Basin 1 Desalter for process. Once there, a combination of reverse osmosis, ion exchange, and volatile organic compound treatment technologies are used to remove salt, nitrates, and other organic compounds from the water, bringing it to drinking water standards. The Chino Basin Desalters are owned by the Chino Basin Desalter Authority of which IEUA is a member.

1.4.10 Chino Creek Wetlands and Educational Park (Park)

Located in the City of Chino, the Chino Creek Wetlands and Educational Park provides a hands-on opportunity for the community to experience the importance of constructed wetlands in the protection of our watershed. The Park improves water quality, flood control, habitat restoration, recreation, water conservation and public education. The Park was designed to restore native habitat and natural drainage, showcasing the environmental values of the Prado Basin, the largest freshwater habitat remaining in southern California.

1.4.11 Solar Power

In 2008, 3.5 Megawatts (“MW”) of solar energy was installed at four of IEUA’s recycled water facilities. Generating clean solar power reduces the largest non-labor component of IEUA’s operating budget – electrical costs. The solar project is funded in part under the state’s innovative California Solar Initiative. It is a private-public partnership where investors funded the capital for the project and ongoing maintenance while the Agency agreed to purchase power produced at a mutually agreed price and escalation rate.

1.4.12 Battery Storage

In 2016, IEUA entered into a public-private partnership to install, operate, and maintain 4.0 MW of battery storage at IEUA’s wastewater treatment plants. The batteries, will reduce IEUA’s demand for grid power during peak periods, saving electricity costs. The system charges the batteries at night when grid demand and power costs are lowest, then uses power from the batteries during the day when demand and costs are exponentially higher. These battery storage systems will integrate IEUA’s renewable power installations and enhance the Agency’s ability to cost-effectively meet power demands while optimizing self-generated electricity. In April 2017, IEUA received the Excellence in Environmental Engineering and Science Award for the “RP-5 Battery Storage Project” from the American Academy of Environmental Engineers and Scientists.

1.4.13 Grantors for Facilities

Grantors have aided in many projects that IEUA has undertaken. These grantors include: California Integrated Waste Management Board, U.S. Department of Energy, Department of

Water Resources, Metropolitan Water District, U.S. Bureau of Reclamation, California Department of Forestry and Fire Protection, California Energy Commission, U.S. Department of Agriculture, Western United Resource Department, Inc, California Public Utilities Commission through Southern California Gas Company Self Generation Incentive Program, California Solar Initiative through Southern California Edison, State Water Resources Control Board, and California Department of Parks and Recreation.

CHAPTER 2: AGENCY BYLAWS

2.1 Election of Board of Directors

2.1.1 Elections

(a) The elective officers of the Agency shall consist of a board of five members. Board representation shall be divided into five divisions; one member elected from each division, said divisions being numbered and described by area according to and based upon the population as estimated by this Board from the Register of Voters used at the last general election in such manner as to equalize, as nearly as practicable, the population in the respective division, and will serve for a term of four years and until their successors qualify. The terms of all officials so elected shall be deemed to have commenced on the first Friday in December following the election, or in the case of a special election, upon certification of election returns by the County Clerk.

(b) The qualifications of candidates and electors and the procedure governing general district elections shall apply to any special election called pursuant to this section, and the notice of such election shall be published at least thirty (30) days prior to the date of such special election.

(c) Members of the Board of Directors must be qualified electors who reside within the boundaries of their respective division.

(d) The general district election is held at the State Consolidation Election of the even numbered years in accordance with State Law.

2.1.2 Vacancies.

a) Any vacancy in the office of a Director may be filled by a majority of the remaining Directors. The person selected shall be a resident of, and otherwise qualified to be a Director from the division in which the vacancy occurred, and shall hold office for the remainder of the unexpired term. If within 60 days after a vacancy on the Board of Directors occurs and the remaining Directors have failed to fill such vacancy, a special election shall be called by the Board of Directors and held in the division affected, for the purpose of filling such vacancy.

(b) If a member of the Board of Directors is absent from six consecutive regular meetings of the Board of Directors, unless by permission of the Board of Directors expressed in its official minutes, or is convicted of a crime involving moral turpitude, the office of such person shall become vacant. The Board of Directors shall declare the existence of any vacancy.

2.1.3. Election of Officers

Officers of the Board of Directors shall be elected by the Board of Directors in a procedure established by the Board of Directors through a resolution and in compliance with State Law.

2.1.4 Compensation

(a) The members of the Board of Directors shall receive compensation for their services as such, and in addition shall receive reimbursement for their Agency-authorized expenses when acting on official duty. Each member shall receive as compensation such amount as may be fixed by Agency Ordinance and in conformance with State Law.

(b) Compensation to the members of the Board of Directors shall be part of the public record, reported by the Agency's General Manager and shall be available to the public upon request, and in compliance with the Public Records Act and the District's procedure.

2.2 Duties and Powers of the Board of Directors

2.2.1 Governance Responsibility

The Board of Directors of the Agency shall be responsible to set strategic direction and policy for the Agency. It shall be responsible to see that its policies and directions are being carried out by the General Manager and staff. The Board of Directors shall set Agency priorities. The Board of Directors shall review and adopt budgets. The Board of Directors is responsible to annually review the performance of the General Manager, Manager of Internal Audit, and the Board Secretary/Office Manager.

2.2.2 Powers of the Board

All powers of the Agency shall be vested in the Board of Directors, as the legislative body of the Agency. The General Manager implements policies established by the Board of Directors. Any executive, administrative, and ministerial powers may be delegated and redelegated by the Board as allowed by law.

2.2.3 Property

The Board of Directors shall have the right to take or acquire real or personal property or any interest therein, within and without the Agency, by grant, purchase, gift, devise or lease; and to hold, manage, occupy, dispose of, convey, and encumber such property, and create a leasehold interest in such property for the benefit of the Agency within applicable State Law.

2.2.4 Eminent Domain

The Board of Directors shall have the right to exercise eminent domain, in compliance with all applicable State Law.

2.2.5 Hiring/Appointments

The Board of Directors shall have the power to appoint and hire employees and consultants as described in section 2.4 below. The General Manager, under the direction of the Board of Directors, shall have the power to appoint, employ, and pay persons who are necessary and adequately trained, to maintain and operate the property, improvements and facilities of the Agency, and to implement the policies of the Board of Directors. The Board of Directors shall establish rules and regulations for classification, compensation and personnel policy.

2.2.6 Contracts

The Board of Directors on behalf of the Agency may enter into and perform all contracts necessary for its proper and efficient operation. Rules and regulations regarding contracts have been developed and approved by Agency Ordinance or Resolution.

2.2.7 Rules

The Board of Directors shall establish rules and procedures for its proceedings.

2.2.8 Ordinances, Resolutions and Motions

The Board of Directors shall make policy decisions using Ordinances when establishing rules and regulations (not policy manuals), Resolutions in matters generally obligating the Agency, and Motions as administrative direction. All Ordinances shall be adopted by a roll call vote. Yea and Nay votes will be recorded on all motions. Resolutions and motions may be adopted by voice vote, but on demand of any member of the Board the roll shall be called. The Agency Bylaws are the underlying Constitution or Charter of the organization.

1. Ordinances.
 - a. Ordinances are the highest form of action and take precedence over Resolutions and Motions.
 - b. Ordinances must be approved through a hearing process. The short title and description of a proposed Ordinance must be advertised in a local newspaper of general distribution and one hearing must be held before an Ordinance can be adopted. Rates should be set according to policies set in the Ordinance. Any requirement that the Agency desires to have the effect of law should be established by Ordinance.
2. Resolutions.
 - a. A Resolution makes a statement of will and policy of the Board of Directors. A Resolution will be the implementing document that sets rates and fees. The Resolution can then be changed to reflect new cost numbers, without amending the Ordinance.
3. Motions.
 - a. A Motion typically gives administrative direction or approval. For example, if the Agency desires to purchase an item for more than the General Manager is authorized to pay, the Board of Directors by Motion can authorize purchase of the item. Motions are documented by "Minutes" and many times the Board of Directors may be asked to make approvals by minute order. This is the same as a Motion and refers to the Motion's documenting number.

2.3 Duties of Officers

2.3.1 President of Board

The President of the Board of Directors presides at all Board of Directors meetings, makes rulings on procedural points of order and appoints Agency Representatives to membership organizations and members of the Board to committees. The President of the Board of Directors is responsible to sign all agreements approved by the Board of Directors. The President shall keep meetings productive and on track. The President should encourage open discussion and allow all members the opportunity to express their views. The President should lead and guide the Board of Directors. The President should provide a stabilizing influence and bring out the best in all members. The President shall provide consistent leadership. The President appoints the chair/president of the committee, committee member, and alternate for all committees, including the standing and ad hoc. The President also coordinates the efforts of the committees, integrates committee work with that of the Board of Directors, and defines committee relationships with staff. The President must be knowledgeable of all material at hand.

2.3.2 Vice-President of the Board

The Vice-President acts for the President in his or her absence. The Vice-President shall remain apprised and backup for the President, and chair key committees.

2.3.3 Secretary/Treasurer of the Board

The Secretary/Treasurer of the Board is responsible for reviewing, on a monthly basis, the financial register of demands and the monthly financial reports. The Secretary/Treasurer verifies expenditures, and acts as a check on staff, to verify the accuracy of financial reports. The Secretary/Treasurer makes provisions to maintain all Agency records and acts as the recorder for Agency Board of Directors Meetings. The Secretary/Treasurer certifies minutes of meetings and countersigns documents with the President of the Board of Directors on behalf of the Agency. In the absence of the President and Vice-President, the Secretary calls the Board of Directors Meeting to order and asks that a President Pro-tem be elected.

2.3.4 Committees

Regular standing committees of the Board of Directors are the: Audit Committee, Community and Legislative Affairs Committee, Engineering, Operations, and Water Resources Committee, and the Finance and Administration Committee.

The Board may choose, at its own discretion, to change the names of the current standing committees or to add or consolidate the standing committees as they see necessary to conduct business.

2.4 Board of Directors' Appointments

2.4.1 General Manager

The Board of Directors shall appoint a General Manager, who shall serve at the pleasure of the Board, in implementing Board policies. The General Manager is an "at will" employee. The Board of Directors may terminate employment of the General Manager whenever it chooses, in compliance with State and Federal Law, the Agency's policies and any existing Employment Agreement. The General Manager is responsible for the management of the Agency under the policy direction of the Board of Directors. The Board of Directors works through the General Manager. The General Manager shall implement policy decided by the Board of Directors and keep the Directors informed at all times. The General Manager may be neither the Agency Chief Finance Officer, nor a member of the Board of Directors.

2.4.2 Legal Counsel

Legal Counsel for the Agency shall be appointed by and serve at the pleasure of the Board of Directors. The holder of the office must be an attorney-at-law duly licensed as such under the laws of the state of California, and shall have engaged in the practice of law for at least five years. Legal Counsel shall have the power to prosecute on behalf of the people all civil cases for violations of provisions of these Bylaws and Ordinances of the Agency. Legal Counsel shall act on behalf of the Agency to develop and enforce agreements. Legal Counsel shall advise and represent the Agency and the Board of Directors, Committees or departments, and give advice or opinion in writing when so requested by any of the foregoing. Legal Counsel shall advise the Board of Directors, as necessary, in matters pertaining to the Brown Act. Legal Counsel shall represent and appear for the Agency in any action or proceeding in which the Agency is a party or is otherwise interested or concerned when the Agency is not otherwise represented by special counsel. Legal Counsel shall appear on behalf of a Board Member or employee or former Agency

Board Members or former employees, in any action or proceeding concerned in his or her official Agency capacity. Legal Counsel shall attend all scheduled meetings of the Board of Directors, and other such meetings that the Board of Directors deem necessary. Special Counsel shall keep Legal Counsel apprised of the status of the case or claim.

2.4.3 External Auditor

An external auditor is appointed by the Board of Directors to present annual audited financial statements to the Board of Directors, and to make annual management reports of any reportable conditions found during the audit.

Independent auditors are required to be Certified Public Accountants in good standing in the state of California with public agency auditing experience, and shall have engaged in the practice of accounting for at least five years.

2.4.4 Manager of Internal Audit

The Board of Directors shall appoint a Manager of Internal Audit, who shall serve at the pleasure of the Board. The Manager of Internal Audit is responsible for assisting the Board and Audit Committee in fulfilling their oversight responsibilities for financial reporting, internal controls and compliance with regulatory requirements. The Manager of Internal Audit also carries out the Board approved Internal Audit Department Charter. The Manager of Internal Audit monitors the efficiency and effectiveness of Agency operations and compliance with applicable state and federal laws and regulations. The Manager of Internal Audit further monitors departmental compliance with established Agency policies and procedures, while providing recommendations to add value and improve the operations of the Agency.

2.4.5 Board Secretary/Office Manager

A Board Secretary/Office Manager shall be appointed and serve at the pleasure of the Board of Directors. The Board Secretary/Office Manager plans, organizes and coordinates the activities of the Board members, including the preparation and posting of meeting agenda packages. The Board Secretary/Office Manager serves as the recording secretary for the Board meetings, committee meetings and meetings of the Inland Empire Regional Composting Authority. The Secretary collects information to ensure that the Board members are in legal and regulatory compliance and ensures that all timesheets, reimbursements and expense reports are completed for all Board members in accordance to Agency policies and Special District rules. The Board Secretary/Office Manager monitors the Board of Directors annual budget. The Board Secretary/Office Manager serves as the Agency's conflict of interest filing official and maintains public records associated with Board matters.

2.5. Board Meetings

2.5.1 Regular Meetings

Regular Meetings of the Board of Directors shall be held at a time and place as set forth by Resolution of the Board of Directors. Unless otherwise determined, regular meetings shall be held twice per month at the Agency's main office. All meetings shall be conducted in accordance with the Brown Act (California Government Code §§54950 through 54962).

2.5.2 Special Meetings

Special Meetings of the Board of Directors may be called by the presiding officer or by a majority of the Board. Newspapers of general circulation in the Agency, radio stations and television

stations, organizations, and all residents who have requested written notice of meetings in accordance with the Brown Act shall be notified by a mailing, unless the special meeting is called less than one week in advance, in which case, the notice, including business to be transacted, will be given by email during business hours as soon after the meeting is scheduled as practicable, at least 24 hours before the time of the Special Meeting. Notice should also be made available on the Agency's website within this time period. Call and notice shall be posted at least 24 hours prior to the special meeting in a location that is freely accessible to members of the public.

2.5.3 Emergency Meetings

In an emergency situation involving matters upon which prompt action is necessary due to disruption or threatened disruption of public facilities, emergency meetings may be called without the twenty-four (24) hour notice as required above. An "emergency situation" means a work stoppage, or other activity or crippling disaster which severely impairs public health, safety, or both, as determined by the majority of the members or the legislative body. Newspapers of general circulation in the Agency, radio or television stations, organizations, and all residents who have requested notice of meetings in accordance with the Brown Act, (California Government Code §54950 through §54962) shall be notified by at least one (1) hour prior to the Emergency Meeting by telephone. In the event that telephone services are not functioning, the notice requirement of one hour shall be deemed waived, but the General Manager, or his/her designee, shall notify such newspapers, radio stations, or television stations of the fact of the holding of the emergency meeting, and the purpose of the meeting, any action taken by the Board at the meeting, as soon after the meeting as possible. Notice shall also be made available on the Internet as soon as practicable after the decision to call the Emergency Meeting has been made. No closed session may be held during an emergency meeting, and all other rules governing special meetings shall be observed, with the exception of the twenty-four (24) hour notice. The minutes of the Emergency Meeting, a list of persons the General Manager or designee notified or attempted to notify, a copy of the roll call vote(s) and any actions taken at such meetings shall be posted for a minimum of ten (10) days in the Agency office as soon after the meeting as possible.

2.5.4 Adjourned Meetings

A majority vote by the Board of Directors may adjourn any Board meeting at any place in the agenda, to any time and place specified in the order of adjournment. If all members are absent from any regular, adjourned regular, special, or adjourned special meeting, the Board Secretary/Office Manager or the legislative body may declare the meeting adjourned to a stated time and place, and he/she shall cause a written notice of adjournment to be given to those specified above.

If an adjourned meeting is held more than five days after the regular meeting, a new agenda shall be posted.

2.5.5 Organizational Meetings

The Board of Directors shall hold an organizational meeting at its first regular meeting in January of every odd year. At this meeting, the Board will elect a President, Vice President and Secretary/Treasurer in accordance with procedures established by the Board. Notwithstanding this rule, the Board may at any time vote to reorganize itself at a properly agendaized meeting as in accordance with State Law.

2.5.6 Meeting Agendas

Agendas for regular Board meetings shall be prepared by the General Manager in cooperation with the Board Secretary/Office Manager and Board President, and shall be posted and delivered at least 72 hours in advance of any regular board meeting. Any Director may request at a Board meeting and, with the concurrence of a majority of the Board, to add any issue to the next meeting's agenda. Agendas shall be prepared in accordance with the Brown Act. Agendas shall inform the Board of Directors and the public of the items to be considered in the meeting, (and of any anticipated actions arising out of the meeting).

Late-breaking items may be added to an agenda by a two-thirds vote of the legislative body, or, if less than two-thirds of the members are present, a unanimous vote of those members present. If knowledge of the item came to the Agency's attention after the agenda was posted, or provided that an emergency exists as defined in the Brown Act. Only those items of business listed in the call for the special meeting shall be considered by the Board at any special meeting.

2.5.7 Public Comments

The Board shall provide a period during every regularly scheduled meeting to receive comments from the public. The Board may receive comments from the public at special meetings of the Board on matters which are not on the agenda which a member of the public may wish to make. However, the Board shall not discuss or take action on such matters at that meeting. The Board may limit the time allowed for public comments.

2.5.8 Time Limits

The Board of Directors may reasonably limit the time allowed for any one person to speak on an item at the meeting, or to make public comments. Unless otherwise permitted, limits on any one speaker will be three (3) minutes.

2.5.9 Posting of Agenda

The Agenda shall be posted conspicuously for public review at least seventy-two (72) hours prior to the time of all regular meetings, which shall include but not be limited to all matters on which there may be discussion and/or action by the Board.

2.5.10 Order of Agenda

The President shall determine the order in which agenda items will be considered for discussion and/or action by the Board of Directors. The President shall strive to make the meeting convenient for members of the public, whenever possible, by placing public comment periods at the beginning of meetings and placing closed sessions at the end of meetings.

2.5.11 Board Meeting Conduct

Meetings of the Board of Directors shall be conducted by the President in a manner consistent with the policies of the Agency. The latest edition of Robert's Rules of Order, revised may also be used as a general guideline for meeting protocol. Agency policies shall prevail whenever they are in conflict with Robert's Rules of Order Revised. All Board meetings shall commence at the time stated on the agenda. The conduct of meetings shall, to the fullest possible extent, enable Directors to:

- Establish policy direction;
- Consider problems to be solved, weigh evidence related thereto, and make wise and informed decisions intended to solve the problems; and

- Receive and consider appropriate reports of Agency operations and take any appropriate action with respect thereto.

2.5.12 Board Meeting Disruptions

General rules for permitting any individual or group to address the Board concerning any item on the agenda of a special meeting, or to address the Board at a regular meeting on any subject that lies within the jurisdiction of the Board of Directors, are as follows:

- No boisterous conduct shall be permitted at any Board meeting.
- Persistence by an individual or group of individuals in boisterous conduct shall be grounds for summary termination, by the President, of that individual's or group's privilege of address.
- No oral presentation shall include charges or complaints against any Agency employee, regardless of whether or not the employee is identified in the presentation by name or by another reference which tends to identify. All charges or complaints against employees shall be submitted to the Board of Directors in writing in accordance with the Brown Act, and subject to existing employee Memorandum of Understandings and Personnel Rules and Regulations.
- Willful disruption of any of the meetings of the Board of Directors shall not be permitted. If the President finds that there is in fact willful disruption of any meeting of the Board, he/she may order the room cleared.
- In such an event, only matters appearing on the agenda may be considered in such a session.
- After clearing the room, the President may permit those persons who, in his/her opinion, were not responsible for the willful disruption to re-enter the meeting room.
- Duly accredited representatives of the news media, whom the President finds not to have participated in the disruption, shall be admitted to the remainder of the meeting.

2.5.13 Board Quorum

A quorum is achieved when three or more members of the Board of Directors are present.

2.5.14 Board Minutes

The Board Secretary/Office Manager shall keep Minutes of all meetings of the Board. Copies of said Minutes shall be made for distribution to Directors, with the agenda for the next regular Board meeting. The Minutes of a meeting shall be revised and approved at that meeting.

2.5.15 Audio Recording

A recording of any meeting of the Board of Directors may be made by tape or an electronic recorder, but is not required. The President may announce the fact that a recording is being made at the beginning of the meeting, and the recording device shall be placed in plain view of all present, so far as is possible. The recordings, tapes, discs or other electronic data/information storage devices shall be destroyed after a period of 30 days, or until the minutes of the meeting have been approved, or longer at the discretion of the Board.

2.5.16 Closed Sessions

Recordings will not be made during closed sessions of the Board.

2.5.17 Recording Votes

Motions, Resolutions or Ordinances shall be recorded as having passed or failed, and individual votes will be recorded unless the action was unanimous. There shall be a roll call vote for Ordinances, and if requested by a member of the Board, for Resolutions.

2.5.18 Minutes

The minutes of Board meetings shall include:

- Date, place and type of each meeting;
- Directors present and absent;
- Call to order;
- Adjournment of the meeting;
- Record of written notice of special meetings; and,
- Record of items to be considered at special meetings;
- Approval of the minutes of preceding meeting as may be amended;
- Information as to each subject of the Board's deliberation;
- All Board Resolutions and Ordinances by Title and Number;
- A record of all contracts entered into;
- A record of all bids awarded or rejected by the Board of Directors;
- A record by number of all obligations approved for payment;
- Adoption of the annual budget and amendments thereof;
- A record of all important correspondence;
- A record of the General Manager's report to the Board;
- Approval of all policies and Board-adopted regulations; and,
- A record of all visitors and delegations who have identified themselves.

2.6. Power to Collect Fees and Taxes, or to Incur Debt

2.6.1 Set Procedure to Establish Fees

The Agency is empowered to collect fees as necessary to maintain all systems, make necessary improvements and provide for service to customers. All Agency fees are related to the cost of the Agency to provide said service.

2.6.2 Set Procedure to Collect Taxes

Inland Empire Utilities Agency is entitled to collect taxes and standby charges through the County Assessor, and maintains that right as described in the State Constitution and applicable State Law.

2.6.3 Ability to Incur Debt

The Agency shall have the right to incur debt as provided by applicable State Law, to enter into purchase agreements and to enter into long-term lease agreements as needed to provide for service to Agency customers.

2.6.4 Ability to Act as Regional Financing Authority

The Agency, along with Cucamonga County Water District, has formed the Chino Basin Regional Financing Authority for the purpose of financing regional projects. The Board of Directors of Inland Empire Utilities Agency shall constitute the Members of the Commission of the Chino Basin Regional Financing Authority and shall meet at least annually. The Chino Basin Regional Financing Authority shall be subject to the same audit requirements as the Agency itself.

2.7. Financial Responsibility

2.7.1 Requirement for Investment Policy

The Agency shall at least once per year review the investment policy of the Agency and set in place guidelines that shall govern the management of the financial resources of the Agency. The critical investment factors shall be security, liquidity and return on investment. The Executive Manager of Finance and Administration/Assistant General Manager shall at least quarterly report to the Board of Directors the status of all Agency investments and the financial position of the Agency.

2.7.2 Requirement for Independent Audit

The Agency shall commission an Independent Audit each year through the Independent Auditor. The Independent Auditor shall be a Certified Public Accountant with experience in auditing public agencies. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the General Accounting Office's (GAO) Government Auditing Standards and other applicable requirements. The Independent Auditor shall audit the financial statements of the Agency and shall report to the Board of Directors on the fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) and adequacy of the internal controls that are in place to protect the Agency. The Independent Auditor shall perform the single audit in compliance with the Single Audit Act and Office of Management and Budget Policy A-133.

2.8. Ability to Contract with or Join with Other Agencies

2.8.1 Ability to Execute Contracts

Inland Empire Utilities Agency is entitled to enter into Contracts, Agreements, Leases and Lease Purchase Agreements as needed for the operation of the Agency.

2.8.2 Ability to Form Joint Power Authorities

Inland Empire Utilities Agency has joined with other agencies to form Joint Power Authorities and retains the right to continue to form such authorities as granted by State Law.

2.8.3 Ability to Exercise Authority Under Water District Law

Inland Empire Utilities Agency was formed pursuant to the Municipal Water District Act of 1911, and retains all rights, powers and authorities granted in that law. The Board of Directors may at any time choose to exercise such powers, even though they may not be enumerated in this document, in Ordinance or Resolution.

2.9 Boundaries

2.9.1 Describe Boundaries

A Legal Description of the Agency shall be maintained and updated by Agency Ordinance.

2.9.2 Ability to Annex

The Local Agency Formation Commission (LAFCO) has been established by the State Legislature to, among other duties, review and approve or disapprove proposals for annexation of territory to special districts. The Agency has the ability to annex property with prior approval of the LAFCO. Unconditional commitments to provide service to territory and/or proposed development will not be considered until said territory is annexed to the Agency. (California Water Code §72300)

Annexation proponents shall provide the Agency copies of their LAFCO application, petition, map, legal description and any other necessary legal documents should they desire to receive confirmation of District acceptance of their proposal prior to initiating the LAFCO application. In the case that the proposed territory's water service will be supplied by water sourced from Metropolitan Water District of Southern California (MWD), a concurrent MWD annexation application is required. The annexation proponents shall be responsible for the completion of the MWD annexation application per the applicable section of the MWD Administrative Code. The Board of Directors will consider the annexation proposal in a publicly noticed meeting. Acceptance by the Board of the proposed annexation shall be formalized by the adoption of a resolution. Said resolution shall contain the following:

- All of the information required in the petition;
- The annexation map and legal description as attachments;
- Verification that the Agency desires to annex the subject territory;
- Authorization for the resolution to be submitted as an application for annexation approved by LAFCO; and
- A request that LAFCO approve and authorize the Agency to conduct proceedings for the annexation.

If LAFCO accepts the annexation proposal, the LAFCO Commission will adopt a resolution and forward it to the Agency. After confirmation of LAFCO acceptance, and after the annexation proponents tender to the Agency applicable annexation fees and appropriate recording and State Board of Equalization fees, as determined by LAFCO, MWD Board of Directors (if required), the Agency's Board of Directors at a regularly scheduled meeting, will consider approval of the proposed annexation. Approval by the Board of the proposed annexation shall be formalized by the adoption of a resolution. All proceedings shall be done in conformance with Section 56700 et seq. of the California Government Code.

CHAPTER 3: BOARD OF DIRECTORS VALUES AND PRINCIPLES

The Board of Directors' primary goal is to create and follow policies that guide the Agency and its employees towards its mission. Policy decisions constitute the "actions" taken by the Board of Directors.

The Board itself has six (6) major responsibilities:

1. Promote the best interests of the Agency's customers by establishing policies that support the mission, vision, and values of the Agency.
2. The Board shall further establish policies that ensure fiscal stability and the effective use of funds.
3. Appoint a General Manager to manage the day-to-day operations of the Agency.
4. Appoint a Manager of Internal Audit to conduct internal audits of the Agency.
5. Appoint a Board Secretary/Office Manager to assist the Board of Directors and Manage the Executive Administrative Group.
6. Appoint Legal Counsel to handle legal issues on behalf of the Agency.

3.1 Ethical Standards

3.1.1 Agency Ethical Philosophy

The Board of Directors of Inland Empire Utilities Agency is committed to providing excellence in legislative leadership that results in the provision of the highest quality of services to its customers. When a present or potential financial benefit exists, Board Members shall excuse themselves from any discussion or decisions that impacts them or their direct family members (parents, siblings, children, spouse or grandchildren) more than on the public at large. As an example, a Director may properly vote on any rate increase or general fee that impacts all customers equally. A Director may not, however, participate in the discussion or a decision about a project being built by his or her relative, or in another example, a pay increase for his or her spouse who works for the Agency. Voting on this would constitute an impermissible conflict of interest. In order to assist in the behavior between and among members of the Board of Directors, the following rules shall be observed: the dignity, style, values and opinions of each Director shall be respected; responsiveness and attentive listening in communication is encouraged and expected; the needs of the Agency's constituents should be the priority of the Board of Directors; the primary responsibility of the Board of Directors is the formulation and evaluation of policy; the presentation of the opinions of others should be encouraged; differing viewpoints are healthy in the decision-making process; individuals should have the right to disagree with ideas and opinions, without being disagreeable.

Directors should practice the following procedures:

- In seeking clarification on informational items, Directors may directly approach the Executive team members, unless otherwise defined by the General Manager, to obtain information needed to supplement, upgrade, or enhance their knowledge to improve legislative decision-making.
- In handling complaints from residents and property owners of the Agency, the complaints should be referred directly to the General Manager.
- In handling items related to safety, concerns for safety or hazards should be reported to the General Manager or to the Agency Executive Team. Emergency situations such as personnel, legal action, land acquisition and development, finances, and Agency programming, such concerns should be referred directly to the General Manager.

- When approached by Agency personnel concerning specific Agency policy, Directors should direct inquiries to the appropriate Executive Manager. The chain of command should be followed for orderly management of the Agency.
- The work of the Agency is a team effort. All individuals should work together in a collaborative process, assisting each other in conducting the affairs of the Agency.
- Directors and the General Manager should develop a working relationship wherein current issues, concerns and Agency projects can be discussed comfortably and openly.
- Directors should function as a part of the whole. Issues should be brought to the attention of the Board as a whole, rather than to individual members selectively.
- Directors are responsible for monitoring the Agency's progress in attaining its goals and objectives, while pursuing its mission.

3.2 Leadership

The Board should adhere to established organizational values and principles that can help promote a collaborative work environment.

- Take ownership of, and responsibility for, actions, risks, and results.
- Use outcomes, whether positive or negative, as learning opportunities.
- Make sound decisions from experience, good judgment and collaboration.
- Give and seek clear expectations.
- Look for solutions that contribute to desired results.
- Act in all endeavors with an ethical, honest, and professional manner.
- Honor commitments in order to build trust.
- Be truthful in word and deed.

3.3 Openness

- Approach every situation with good intentions.
- Encourage new and diverse ideas.
- Listen, cooperate, and share across the organization.
- Value and recognize individual contributions.

3.4 Balance

- Recognize the need for personal and professional balance.
- Do not forsake long-term goals in order to satisfy short-term needs.
- Support an environment that is optimistic and enjoyable in which relationships can prosper across the organization.

3.5 Guiding Principles

- Insuring a safe, reliable, and efficient water and wastewater delivery system to our wholesale customers.
- Designing and administering the highest quality, secure and innovative programs.
- Supporting and encouraging the development of industry leading technology to enhance efficiency and promote innovation.

- Delivering services in an equal, accurate, courteous, professional, and prompt manner.
- Attracting, developing, and retaining a competent, creative, and highly motivated workforce.
- Maintaining public trust by being ethical, sensitive, effective, and cost efficient in service to our wholesale water and wastewater customers.

3.6 Interaction Between Board Members

There is an expectation that each Board member will strive to work with fellow Board members and Agency staff as part of a team to address the various challenges and opportunities that are presented to them. The following represents Board member best practices for interacting with each other.

1. Board members are representatives of the Agency's culture and values its customers at all times.
2. Business attire at Board meetings, and when representing the Agency at public events, is appropriate.
3. Relationships between Board members are informal and always professional.
4. Board members lead by example in their interaction and communications style and practice.
5. Board members function as a team and are not exclusive in their communication and interaction.
6. To the extent possible, Board members will be cooperative in supporting each other.
7. Personal attacks against fellow Board members or staff are not representative of a constructive culture.

CHAPTER 4: BOARD OF DIRECTORS' STAFF INTERACTION

The efficient and effective delivery of wholesale water and wastewater treatment for the Agency's service area is a collaborative effort between the elected members of the Board and those individuals employed to execute the Agency's day-to-day operations. The Board's relationship and interaction with its professional staff must be carefully cultivated and nurtured at all times.

Agency staff serves the entire Board of Directors as a whole. Consequently, the Board should adhere to the following guidelines in its interaction with the staff:

1. Board members shall not direct staff to initiate any action, change a course of action, or prepare any report without the approval of the General Manager and, if necessary, the majority of the Board.
2. Board members shall not attempt to pressure or influence discussions, recommendations, workloads, schedules, or priorities.
3. When preparing for Board meetings, Board members should direct questions ahead of time to the General Manager so that staff can provide the desired information at the Board meeting.

4. Any concerns by a member of the Board regarding the behavior or work of an Agency employee should be directed to the General Manager privately to ensure that the concern is addressed. Board members shall not reprimand employees directly nor should they communicate their concerns to anyone other than the General Manager.
5. Soliciting political support from staff (e.g. financial contributions, display of posters or lawn signs, name on support list, etc.) is prohibited. Agency staff may, as private citizens with constitutional rights, support political candidates, but all such activities must be done away from the workplace and may not be conducted while on the job.

4.1 Relationship between Board Members and the General Manager

The General Manager acts as the primary agent of the Board and is the one whom the Board delegates its authority to manage and administer the Agency's daily operations in accordance with the Board's approved policies. The General Manager acts as the Chief Executive Officer of the Agency and the top advisor to the Board.

Much of the Agency's success will be dependent upon a positive relationship between the Board and its General Manager. A strong Board and a strong General Manager may not always agree on every issue. However, both must consciously focus on maintaining a shared sense of purpose, open communication, honesty, trust and mutual support. While the General Manager is hired to carry out Board policy directives, the Board also looks to him/her for guidance and leadership.

The Board should support the decisions of a General Manager and grant him/her the authority to manage and lead the Agency. This is critical to building the General Manager's credibility with the staff and the community. Both parties should always publicly support each other.

It is the General Manager's responsibility to ensure that the Board members have all the information they need to make Board-level decisions and that all Board members are provided the same information. Board members expect the General Manager to make a recommendation on every issue before the Board, except those that are strictly reserved to the Board.

The following are guidelines intended help define the relationship between the Board and the General Manager:

1. General Manager prepares annual goals which are approved by the Board of Directors as part of a formal performance review process
2. The Board of Directors will provide the General Manager with an annual written performance evaluation.
3. Board members are encouraged to contact the General Manager about any subject related to the operations of the Agency. Similarly, the General Manager may discuss any Agency related issue with any member of the Board of Directors.
4. Concerns regarding overall Agency operations or specific department issues or department heads are addressed with the General Manager.
5. Critical information will be provided to all members of the Board by the General Manager, which feedback may be verbal, written or electronic in nature.

6. The General Manager handles interdepartmental issues including but not limited to, Agency staffing, department, and structuring the departments within the budget authorized by the Board.
7. The General Manager shall advise the Board of Directors when he/she is out of the office for an extended period of time and shall designate the individual who shall be acting General Manager during that time.

4.2 Request for Staff Resources

Individual Board member requests for research or other staff work must be directed to the General Manager, or the Agency's Legal Counsel regarding legal matters. If, in the judgment of the General Manager, more than one hour of staff time will be required to complete the requested task/project, the item may be agendaized to solicit Board authorization to expend the additional time necessary on the proposed item. Staff responses to Board member requests shall be distributed to all Board members.

CHAPTER 5: BOARD OF DIRECTORS' PUBLIC INTERACTION

As a public body, it is important for Board of Directors to establish a working environment that encourages participation and trust between the contracting agencies and public as well.

5.1 Contracting Agency Concerns and Public Complaints

1. All concerns between the contracting public agencies that the Agency services shall be referred to the General Manager.
2. Staff will provide the Board with a written or verbal report of customer/contracting agency concern or inquiry that cannot be handled as a routine manner. Staff shall also provide the Board with a suggested response to the concern or inquiry.
3. The Board will be informed of significant, politically sensitive, urgent and/or repetitive inquiries. Staff will research the request as soon as possible and provide the General Manager with the appropriate follow-up and response. The General Manager will review the communication and requests prior to dissemination to the Board, and if appropriate, the Agency's Legal Counsel.
4. Copies of any written or electronic responses to customer concerns provided by a member of the Board shall be provided to the other members of the Board of Directors as well.
5. Information that may expose the Agency to liability will be shared with the Board at a noticed, closed session meeting of the Board of Directors and the Agency's Legal Counsel.

5.2 Public Comment on the Agenda

1. Prior to public comment on an agenda item, the Board will consider staff reports, questions from the Board, and a response.
2. Agenda items noticed on the agenda for public hearing will follow procedures as outlined by the Agency's Legal Counsel.
3. The President of the Board may elect to defer action on an item brought forward by the public until such time as staff can prepare an appropriate response.

4. The President is responsible for maintaining an orderly progression of the business before the Board; and, to the extent possible, regulates the amount and type of input from the public and from members of the Board and staff.

Under the Brown Act, members of the public may address the Board on any item within the subject matter jurisdiction of the Agency and not otherwise listed on the meeting agenda. Generally, Board members will not respond to public comments except for the President referring matters to the General Manager for follow-up. Board members may, through the President, ask clarifying questions to ensure that staff provides an appropriate response. Occasionally, a prompt response may be offered by the President or the General Manager when an obvious answer or resolution is available.

5.3 Representing an Official Agency Position

In order to ensure that they are properly representing their positions as elected officials of the Inland Empire Utilities Agency, Board Members should adhere to the following guidelines:

1. Board members may use their title only when conducting official Agency business, for information purposes, or as an indication of background and expertise.
2. Once the Board of Directors has taken a position on an issue, all official Agency correspondence regarding that issue will reflect the Board's adopted position.
3. In most instances, the Board will authorize the President to send letters stating the Agency's official position to appropriate legislators.
4. Meetings of any outside agencies and organizations that are included on the Agency's list of Representative Assignments are to be attended by the designated Board member and/or alternate.
5. If a member of the Board appears before the meeting of another governmental agency organization to give a statement on an issue affecting the Agency (including Representative Assignments), the Board member shall indicate the majority position and opinion of the Board.
6. Personal opinions and comments that may be contrary to adopted policy may be expressed only if the Board member clarifies that these statements do not reflect the official position of the Board or the Agency.
7. Board members should exercise caution when utilizing the news media, social media or other forms of communications to specifically express views which are in opposition to adopted Board policy.

When two Board members are authorized/assigned by the Board to attend a meeting as the Agency's official representative, other Board members may not participate at the meeting in order to avoid violations of the Ralph M. Brown Act.

CHAPTER 6: BOARD OF DIRECTOR'S CODE OF CONDUCT

6.1 Code of Conduct

In order to promote the public's trust in Board policies and to ensure the most effective and efficient delivery of Agency services, members of the Board shall abide by the following Director's Code of Conduct:

1. Board members shall refrain from abusive conduct, personal charges, or verbal attacks upon the character or motives of other members of the Board, committees, staff, or the public.
2. Board members will provide policy direction and instructions to the General Manager on matters within the authority of the Board of Directors by a majority vote of the Board during a duly convened meeting of the Board and/or Board Committee meetings.
3. Board members duties shall be performed in accordance with the processes and rules of order established by the Board.
4. Communication between Board members, including electronic, verbal and written, shall comply with all State-mandated open meeting law requirements (i.e. the Ralph M. Brown Act).
5. Board members shall inform themselves on public issues, listen attentively to public discussions before the body, and focus on the business at hand.
6. Board decisions shall be based upon the merits and substance of the matter at hand.
7. Board members shall represent the official policies and positions of the Board. When presenting their personal opinions on positions publicly, members shall explicitly state they do not represent the Board or the Agency.
8. Board members shall respect and preserve the confidentiality of information provided to them concerning the confidential matters of the Agency. They must neither disclose confidential information to advance or adversely affect the personal, financial, private interests of themselves or others.
9. It is the responsibility of Board Members to publicly share substantive information that is relevant to a matter under consideration that they have received from sources outside of the public decision-making process with all other Board members and the public prior to taking action on the matter.
10. Appropriate Agency staff should be involved when Board members meet with officials from other agencies and jurisdictions to ensure proper staff support as needed and to keep the General Manager informed.
11. Board members shall not attend internal staff meetings or meetings between Agency staff and third parties unless invited by the General Manager or directed by the Board to do so.
12. Board members shall disclose to the appropriate authorities and/or to the Board any behavior or activity that may qualify as corruption, abuse, fraud, bribery, or other violation of law.
13. Board members, by virtue of their public office, shall not take advantage of services or opportunities for personal gain that are not available to the public in general. They shall not accept gifts, favors or promises of future benefits that might compromise their

independence of judgment or action or give the appearance of being compromised. Likewise, Board members shall not appear on behalf of, or advocate for, the private interests of a third-party before the Board.

14. Except for statements on the record in a scheduled public meeting, Board Members shall not directly or indirectly communicate with the General Manager, Legal Counsel, Manager of Internal Audit, or Agency staff regarding the selection of specific vendors, contractors, consultants, or other business entities for a specific procurement of goods or services.
15. Board members will address matters within the authority of the General Manager to the General Manager and not directly through Agency staff.
16. Board members are prohibited from soliciting public funds or contributions at Agency facilities on Agency time or while representing the Agency.

6.2 Protection of Agency Resources, Property, and Information

Board members cannot use, or permit others to use, Agency-owned vehicles, equipment, computers, telephones, for personal convenience or profit. Each Board member must protect and properly use any Agency asset within his or her control, including information recorded on paper or in electronic form.

Board members also cannot require or request an Agency employee to perform services for the personal convenience or profit of a Board Member.

Board members are responsible for maintaining written records, including expense accounts, in sufficient detail to reflect accurately and completely all transactions and expenditures made on the Agency's behalf.

6.2.1 Handling of Confidential Information and Legal Matters

The Board appoints the Agency's Legal Counsel to provide a wide range of professional legal services including assistance and legal advice to the Board of Directors, General Manager and all Agency departments and offices.

1. These guidelines shall be employed by Board members when dealing with legal and/or other confidential matters:
 - a. Board members are not authorized, without Legal Counsel approval, to disclose information that qualifies as confidential information that (1) has been received for, or during, a closed session of the Board, (2) is protected from disclosure under the attorney/client privilege or other evidentiary privilege, or (3) is not required to be disclosed under the California Public Records Act and/or California Government Code.
 - b. All written materials and verbal information provided to Board members on matters that are confidential and/or privileged under State law shall be kept in complete confidence to ensure that the Agency's position is not compromised.
 - c. Confidential materials provided in preparation for and during Closed Sessions shall not be retained and electronic copies must be deleted or documents returned to staff at the conclusion of the Closed Session.

- d. Confidential materials provided to Board members outside of Closed Sessions must be destroyed, deleted, or returned to staff within thirty (30) days of their receipt.
 - e. Board members may not request confidential written information from staff that has not been provided to all Board members.
 - f. Board members are prohibited from using any confidential information for personal advantage or profit.
2. Board members may disclose information in the following circumstances:
 - a. Making a confidential inquiry or complaint to a district attorney or grand jury concerning a perceived violation of law, including disclosing facts to a district attorney or grand jury that are necessary to establish the alleged illegality of an action taken by the Agency, and elected official or employee.
 - b. Expressing an opinion concerning the propriety or legality of actions taken by the Agency in closed session, including disclosure of the nature and extent of the allegedly illegal action.
 - c. Disclosing information acquired by being present in a closed session that is not confidential information.
 - d. Before disclosing information, a Board Member or Executive Manager will first bring the matter to the Legal Counsel to provide the Agency an opportunity to cure an alleged violation or to assure that the information is not confidential.
 3. Board members cannot enjoy or establish an attorney-client relationship with Legal Counsel by consulting with or speaking to the same. Any attorney-client relationship established belongs to the Agency, acting through the Board of Directors, and as may be allowed in State law for purposes of defending the Agency and/or the Board in the course of litigation and/or administrative procedures, etc.
 4. Board members are encouraged to utilize Agency email addresses when conducting Agency business. While utilizing personal email addresses is not prohibited, doing so may render the Board member's personal email address subject to forensic review in connection with litigation involving the Agency or record requests under the Public Records Act.

CHAPTER 7: CONFLICT OF INTEREST (APPLICABLE TO ALL AGENCY DIRECTORS AND EMPLOYEES)

In order to assure their independence and impartiality on behalf of the public good, state law prohibits Board members from using their official positions to influence government decisions in which they have a financial interest or where they have an organizational responsibility or a personal relationship that would present a conflict of interest under applicable state law.

Conflict of interest rules apply to Agency employees as well. Employees cannot participate in the making of a contract if the employee or a family member has a financial interest in the contract. The making of a contract includes more than just voting for its approval. Under the law, the making of a contract includes discussions, negotiations, drafting and approval. Therefore, if an employee has been assigned to prepare a request for qualifications or request for proposal, or is in a position to recommend a purchase from a vendor, that employee has participated in the making of a

contract. The objective of these conflict of interest provisions is to ensure the Board member or employee's dedication to the Agency is not impaired or potentially impaired by familial relationships, contractual relationships, or similar financial interests.

If a Board member becomes aware or suspects that he or she or a family member has a financial interest in a transaction involving the Agency, they should immediately disclose the fact to the Legal Counsel for evaluation and opinion on the potential conflict.

Whenever an employee becomes aware or suspects that he or she or a family member has a financial interest in a transaction involving the Agency, they should immediately disclose that fact to a supervisor. The matter will then be referred to Legal Counsel for evaluation and opinion on the potential conflict.

7.1 Board of Directors Conflict of Interest Adherence

1. A Board member or employee shall not be financially interested in any contract made by them in their official capacity, or by any body or board of which they are members.
2. A Board member or employee will not participate in the discussion, deliberation or vote on a matter before the Board of Directors, or in any way attempt to use his or her official position to influence a decision of the Board, if he or she has a prohibited interest with respect to the matter, as defined in the Political Reform Act, Government Code section 81000 et seq. relating to conflicts of interest. A Director has a financial interest if he/she has a material financial effect that is distinguishable from the effect on the public generally on:
 - a. Any business entity in which the Board member or employee has a direct or indirect investment worth the amount specified in the then-effective Fair Political Practices Commission (FPPC) regulations;
 - b. Real property in which the Board member or employee has a direct or indirect interest, with a worth in the amount specified in the then-effective FPPC regulations;
 - c. A source of income of the Board member or employee in the amount specified in the then-effective FPPC regulations;
 - d. A source of gifts to the Board member or employee in an amount specified in the then-effective Fair Political Practices Commission (FPPC) regulations within twelve months before the Board decision;
 - e. A business entity in which the Board member holds a position as a director, trustee, officer, partner, manager or employee;
 - f. The Board member or employee's personal expenses, income, assets or liabilities, and those of his or her immediate family, are likely to go up and down in a 12-month period as a result of the decision in the amount specified in the then-effective FPPC regulations.
3. If a Board member believes that he or she may be disqualified from participation in the discussion, deliberations or vote on a particular matter due to a conflict of interest, the following procedures will be followed:
 - a. If the Board member becomes aware of the potential conflict of interest before the Board meeting at which the matter will be discussed or acted on, the Board member

will notify the Agency's General Manager and the Agency's Legal Counsel of the potential conflict of interest, so that a determination can be made whether it is a disqualifying conflict of interest;

- b. If it is determined that a disqualifying conflict of interest exists, the Board member shall state on the record during an open Board meeting, the nature of the conflict of interest and shall excuse himself/herself from the boardroom prior to Board discussion on the agenda item. The conflicted Board member shall abstain from voting and shall not participate in Board discussion or in any way attempt to influence the Board's consideration of the agenda item.

Board members shall refrain from voting on or otherwise influencing matters involving any person with whom the member is negotiating for, or has accepted, future employment, or where the member has a direct or indirect ownership interest or business relationship.

Board members are also prohibited from recommending the employment of a relative by the Agency.

No conflict exists if a Board member votes on a rate increase or tax level that effects all members of a class in the same manner as it will affect the Board member.

7.1.1 Compensation, Gifts and Gratuities

No Board member shall receive or agree to receive, directly or indirectly, any compensation, reward, honoraria or gift from any source except from his or her employer, for any action related to the conduct of the Agency's business.

7.1.2 Post-Employment Relationships

A former Board member, General Manager, Executive Manager, or department supervisor cannot represent, for compensation, any non-governmental entity before the Agency for a period of one year after leaving office or employment. This means to actively support or oppose a particular decision in a proceeding by lobbying in person to the Executive Managers or employees of the Agency, and to members of the Board of Directors. This does not apply to representation for a not-for-profit charitable entity or government entity before the Agency.

7.1.3 Incompatible Offices

Any Board member being considered for election to, or appointment at, another public entity, the duties of which may require action contrary or inconsistent with the interest of the Agency, may request an opinion from the Legal Counsel, Attorney General of the State of California, or the California Fair Political Practices Commission, whichever may be applicable as to the compatibility of the offices.

7.2 Ethics and Anti-Harassment Training

7.2.1 Ethics Training

AB 1234 requires elected or appointed officials who are compensated for their service or reimbursed for their expenses to take two hours of training in ethics principles and laws every two

years. Those who enter office after January 1, 2006, must receive the training within a year starting their service. They must then receive the training every two years after that.

The training must cover general ethics principles relating to public service and ethics laws, including:

1. Laws relating to personal financial gain by public officials (including bribery and conflict of interest laws);
2. Laws relating to office-holder perks, including gifts and travel restrictions, personal and political use of public resources, and prohibitions against gifts of public funds;
3. Governmental transparency laws, including financial disclosure requirements, and open government laws (the Brown Act and Public Records Act);
4. Laws relating to fair processes, including fair contracting requirements, common law bias requirements, and due process.

7.2.2 Sexual Harassment Prevention Training

Existing law requires any civil or political subdivision of the state and all cities to provide at least two hours of training regarding sexual harassment to all supervisory employees, as specified.

7.3 Agency Ethical Philosophy

It is Agency policy that Board members, Executive Managers, and employees maintain the highest standard of personal honesty and fairness in carrying out their duties. The Board members must uphold the United States Constitution, the California Constitution, and local and state laws. They must comply with both the spirit and letter of the applicable laws regulating conduct, including conflict of interest and financial disclosure requirements.

Board members should work in full cooperation with other public officials unless prohibited by law or officially recognized confidentiality of their work. This includes those Board members elected to the Board but who have not yet assumed office as a Board member.

The Board of Directors must perform its duties in accordance with rules established by the Agency, state law, federal law, and those rules and regulations established by state and federal agencies.

7.4 Equal Treatment

Board members shall also refrain from abusive conduct, personal attacks upon the character or morals of other Board members, Executive Managers, Agency, employees, or members of the public. Furthermore, no Board member, Executive Manager, or Agency employee shall directly or indirectly use or attempt to use the authority or influence of his or her position for the purpose with the intent of interfering with that person's duty to disclose improper activity.

Board members are prohibited from offering inducements to potential vendors, contractors, consultant, or other parties, to the exclusion of similar persons or firms, in hopes of obtaining reciprocal favors.

Board members shall not, in the performance of their official functions, discriminate against any person on the basis of race, religion, color, creed, age, marital status, national origin, ancestry, sex, sexual preference, medical condition, or disability.

CHAPTER 8: COMPLAINT PROCEDURE

Concerns regarding a Board member's, Executive Manager's, contractor's, consultants, or vendor's ethical behavior should be reported immediately to the Agency's Legal Counsel. Concerns regarding an employee's ethical behavior should be immediately reported to the Manager of Human Resources. The ethics complaint should be used for allegations of intentional or negligent non-compliance with this Resolution, state or federal law or Agency policies.

All information relating to verbal and written complaints and investigation materials will be kept strictly confidential to the extent permitted by law.

Where practical, all complaints should be submitted in writing with substantiating documentation or through the Agency's Ethics/Fraud hotline which is noted on the Agency's web site. While complaints may be submitted anonymously, individuals are strongly encouraged to identify themselves, as this will facilitate follow-up investigation regarding the complaint.

All complaints received by Legal Counsel regarding ethical or possible illegal behavior will be reviewed by the Agency's Legal Counsel to determine the appropriate course of action. If deemed appropriate by Legal Counsel, an investigation will be commenced within thirty (30) calendar days of receipt. If possible all investigations into complaints will be completed within sixty (60) days of the commencement of the investigation.

Unless it is necessary as part of the investigation to communicate with the Board of Directors, the Executive Manager, or as provided for in section 6 below, no Board Member, Executive Manager or employee is to be advised that an investigation is being conducted.

Upon completion of the investigation, Legal Counsel will find the complaint to be unsubstantiated, to be mistaken, to be malicious, or find that non-compliance has occurred. If a finding of non-compliance has occurred involving members of the Board of Directors or Executive Management, Legal Counsel will recommend appropriate action to the full Board of Directors, as permitted by the Brown Act.

If a finding of non-compliance has occurred involving a contractor, consultant, or vendor, Legal Counsel will forward a copy of the investigation to the appropriate law enforcement agency.

All records of complaints filed against a Board Member, General Manager, or a member of Executive Management are to be kept in a locked file in the Office of the Agency's Legal Counsel. All records of complaints filed against an Agency employee are to be kept in a locked file in the Office of the Manager of the Human Resources Department.

WORKSHOP

1D



Date: December 6, 2017

To: The Honorable Board of Directors
Committee:

From:  Hala Razak, General Manager

Contact: Jean Cihigoyenette, General Counsel

Subject: Draft Resolution Establishing a Policy for Rotation of Board Officers

Executive Summary:

Earlier this year, Director Hofer requested that the Board consider establishing a new policy for the election of Board Officers. He offered an example from a neighboring agency where Board officers are appointed on a rotation system. General Counsel has prepared a draft resolution which details a system for appointing Board Officers on a rotation basis.

Staff's Recommendation:

The draft resolution is being presented at the workshop for comments from the Board.

Budget Impact Budgeted (Y/N): N Amendment (Y/N): N Amount for Requested Approval:

Account/Project Name:

Fiscal Impact (explain if not budgeted):

Prior Board Action:

None.

Environmental Determination:

Not Applicable

Business Goal:

The Draft Resolution Establishing a Policy for Rotation of Board Officers is consistent with the Agency's business goal of business practices in continuing to apply lean management principles to streamline current business processes and systems and eliminate waste and redundancies.

Attachments:

Attachment 1 - Draft copy of Resolution Establishing a Policy for Rotation of Board Officers

RESOLUTION NUMBER 2017- X-X

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND
EMPIRE UTILITIES AGENCY, A MUNICIPAL WATER DISTRICT, SAN
BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING A POLICY
FOR ROTATION OF BOARD OFFICERS**

WHEREAS, Inland Empire Utilities Agency (“IEUA”) is a municipal water district established pursuant to Section 71000 et seq. of the California Water Code;

WHEREAS, pursuant to California Water Code § 71273, the IEUA Board of Directors (“Board”) shall elect one of its members as President at least every January of each odd-numbered year. In addition, Water Code Section 71273 permits the Board to elect, at any meeting of the Board, one of its members as Vice President who shall exercise the powers of the President, if the President is absent or unable to act;

WHEREAS, pursuant to California Water Code Section 71340, the IEUA Board is required to appoint persons to certain offices including, without limitation, a Secretary and a Treasurer. Water Code Section 71342 permits the Board to consolidate the offices of Secretary and Treasurer; and

WHEREAS, the IEUA Board of Directors now desires to enact a procedure by which certain Board officers are elected and appointed.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors that:

SECTION 1. The election and appointment of Board members to the positions of President, Vice President, and Secretary/Treasurer shall be implemented as follows:

The positions of President, Vice President, and Secretary/Treasurer shall be rotated among the Board members as follows:

- a. The member of the Board serving as President before the first meeting of the Board in January shall rotate out of that position and into the fifth position in the rotation among the Board members.
- b. The member of the Board serving as Vice President before the first meeting of the Board in January shall be appointed to the position of President.
- c. The member of the Board serving as Secretary/Treasurer before the first meeting of the Board in January shall be appointed to the position of Vice President.

- d. The member of the Board who is in the fourth position in the rotation among the Board members before the first meeting of the Board in January shall be appointed to the position of Secretary/Treasurer.
- e. The member of the Board who is in the fifth position in the rotation among the Board members before the first meeting of the Board in January shall rotate to the fourth position in the rotation schedule.
- f. The fourth and fifth positions in the Board's rotation schedule shall be allocated based on the Board members' tenure with the Board; should the service time of multiple Board members be identical for purposes of setting the rotation schedule described above, the affected positions in the rotation schedule of Board members with identical amounts of service time shall be decided by lot.

SECTION 2. Board members serving in the fourth and fifth positions in the rotation as described above shall be selected based on length of service time with the Board with the longer serving Board member taking the fourth position. Should two or more new Board members be elected to the Board at the same time, the affected positions in the rotation schedule shall be decided by lot.

SECTION 3. Any Board member who takes office as a new member of the Board, as opposed to taking office upon reelection, shall take the fifth position in the rotation among the Board members. At the time of such an event, the other Board members shall then be rotated to one higher position in the rotation and the Board shall then conduct the election/appointment pursuant to the rotation and procedure set forth in Section 1 of this Resolution. A Board member who is reelected shall maintain his or her position in the rotation schedule held prior to the reelection.

SECTION 4. At the first meeting of the Board in January of every year, the Board shall elect and appoint Board members to the positions of Board officers pursuant to IEUA Administrative Handbook and the rotation schedule set forth in this Resolution. Separate votes may be taken on the positions of President, Vice President, and Secretary/Treasurer in order to elect/appoint each position pursuant to the rotation. In the alternative, one vote may be taken on the positions of President, Vice President, and Secretary/Treasurer in order to elect/appoint each position pursuant to the rotation.

SECTION 5. At any time prior to any particular election/appointment of officers pursuant to IEUA Administrative Handbook and this Resolution, the Board may determine, by motion/Minute Order, to waive or otherwise suspend the implementation of this Resolution. In that event, that particular election shall take place pursuant to nomination and majority vote. Any such motion/Minute Order may also address what impact, if any, the suspension of the rotation

procedures will have on the position of Board members in the rotation for future elections/appointments.

SECTION 6. This Resolution shall take effect and be in force according to law on the date of adoption set forth below.

SECTION 7. The purpose and intent of this Resolution is to implement procedures for the election and appointment of the President, Vice President, and Secretary/Treasurer in addition to, and in conjunction with, the applicable procedures set forth in IEUA Administrative Handbook. However, in the event of any conflict between the provisions of this Resolution and the provisions of IEUA Administrative Handbook, the procedures of this Resolution shall be controlling.

SECTION 8. The President of the Board shall sign this Resolution and the Secretary/Treasurer of the Board shall attest thereto.

ADOPTED this X day of X, 2017,

Steven J. Elie
President of the Inland Empire Utilities Agency* and
of the Board of Directors thereof

ATTEST:

Jasmin A. Hall
Secretary/Treasurer of the Inland Empire Utilities Agency*
and of the Board of Directors thereof

(SEAL)

STATE OF CALIFORNIA)
)
COUNTY OF SAN BERNARDINO)

I, JASMIN A. HALL, Secretary/Treasurer of the Inland Empire Utilities Agency*,
DO HEREBY CERTIFY that the foregoing Resolution being No. 2017-X-X, was adopted
at a regular meeting on December XX, 2017, of said Agency by the following vote:

AYES:

NOYES:

ABSTAIN:

ABSENT:

Jasmin A. Hall
Secretary/Treasurer

(SEAL)

*A Municipal Water District