



SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

Post Office Box 339, Oceano, California 93475-0339

1600 Aloha Oceano, California 93445-9735

Telephone (805) 489-6666 FAX (805) 489-2765

www.sslocsd.org

AGENDA

BOARD OF DIRECTORS MEETING

City of Arroyo Grande, City Council Chambers

215 East Branch Street

Arroyo Grande, California 93420

Wednesday, February 19, 2014 at 6:00 P.M.

Board Members

Matthew Guerrero, Chair

Tony Ferrara, Vice Chair

Glenn Marshall, Director

Agencies

Oceano Community Services District

City of Arroyo Grande

City of Grover Beach

Alternate Board Members

Mary Lucey, Director

Jim Guthrie, Director

Debbie Peterson, Director

Oceano Community Services District

City of Arroyo Grande

City of Grover Beach

1. CALL TO ORDER AND ROLL CALL

2. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON AGENDA

This public comment period is an invitation to members of the community to present comments, thoughts or suggestions on matters not scheduled on this agenda. Comments should be limited to those matters which are within the jurisdiction of the District. The Brown Act restricts the Board from taking formal action on matters not published on the agenda. In response to your comments, the Chair or presiding Board Member may:

- Direct Staff to assist or coordinate with you.
- It may be the desire of the Board to place your issue or matter on a future Board meeting agenda.

Please adhere to the following procedures when addressing the Board:

- Comments should be limited to three (3) minutes or less.
- Your comments should be directed to the Board as a whole and not directed to individual Board members.
- Slanderous, profane or personal remarks against any Board Member, Staff or member of the audience shall not be permitted.

Any writing or document pertaining to an open-session item on this agenda which is distributed to a majority of the Board after the posting of this agenda will be available for public inspection at the time the subject writing or document is distributed. The writing or document will be available for public review in the offices of the Oceano CSD, a member agency located at 1655 Front Street, Oceano, California. Consistent with the Americans with Disabilities Act (ADA) and California Government Code §54954.2, requests for disability related modification or accommodation, including auxiliary aids or services may be made by a person with a disability who requires

modification or accommodation in order to participate at the above referenced public meeting by contacting the General Manager or Bookkeeper/Secretary at (805) 481-6903.

3. CONSENT AGENDA

The following routine items listed below are scheduled for consideration as a group. Each item is recommended for approval unless noted. Any member of the public who wishes to comment on any Consent Agenda item may do so at this time. Any Board Member may request that any item be withdrawn from the Consent Agenda to permit discussion or to change the recommended course of action. The Board may approve the remainder of the Consent Agenda on one motion.

3A. Review and Approval of the Minutes of the February 05, 2014 meeting

3B. Review and Approval of Warrants

3C. Review of Financial Report ending January 31, 2014

4. PLANT SUPERINTENDENT'S REPORT

5. BOARD ACTION ON INDIVIDUAL ITEMS:

A. Annual Review of Adopted Investment Policy

Staff recommends the Board review the current investment policy of the District.

6. MISCELLANEOUS ITEMS

A. Miscellaneous Oral Communications

B. Miscellaneous Written Communications

7. PUBLIC COMMENT ON CLOSED SESSION

8. CLOSED SESSION

(1) Conference with Legal Counsel pursuant to Government Code Section 54956.9;

Carter v Wallace; Johnson v Wallace;
SSLOCSD V SDRMA;
SSLOCSD V US ENERGY AND ACL F-201

9. RETURN TO OPEN SESSION; REPORT ON CLOSED SESSION

10. ADJOURNMENT

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

City of Arroyo Grande, City Council Chambers
215 East Branch Street
Arroyo Grande, California 93420

Minutes of the Meeting of Wednesday, February 5, 2014
6:03 P.M.

1. CALL TO ORDER AND ROLL CALL

Present: Chairman Matthew Guerrero, Oceano Community Services District; Vice Chair Tony Ferrara, City of Arroyo Grande; Director Glenn Marshall, City of Grover Beach.

District Staff in Attendance: Paul J. Karp, Interim District Manager; Mike Seitz, District Counsel; John Clemons, Plant Superintendent; Amy Simpson, District Bookkeeper/Secretary

2. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON AGENDA

Director Guerrero opened the public comment period. Mrs. Tacker mentioned that the Coastal Commission is coming to town and the Hwy 1 and 13th project appeal is on their agenda for Thursday. She told the Board that she has been doing research on the Hwy 1 and 13th project and came across a recent drainage study done for the Oceano Airport and found that the report identifies all the land uses surrounding the airport and fails to mention the Sanitation District. Mrs. Tacker also spoke about the Recycled Water County Wide Regional Plan. Cannon was hired to work on this plan. Mrs. Tacker believes that Phillips 66 is a very good candidate for the recycled water from the District. She also referred to the Laguna Sanitary District that has a recycled water exchange. Santa Maria Energy paid for an 8 mile pipeline from Laguna District to the oil well fields. This water will be injected into the ground and used to harvest the oil. She sees a parallel between the two Districts. Mrs. Tacker really believes this is the opportune time to end the Districts outfall and this would give a place for the recycled water go.

Action: Chair Ferraro closed public comment.

3. CONSENT AGENDA

3A. Review and Approval of the Minutes January 15, 2014 meeting

Action: Director Marshall moved for approval of the minutes, and Chairman Guerrero seconded. The motion was carried 2 with 1 abstention.

3B. Review and Approval of the Warrants

Action: Director Marshall moved for approval of the warrants, and Chairman Guerrero seconded. The motion was carried 3-0

4. PLANT SUPERINTENDENT'S REPORT

Plant Superintendent Clemons presented the Plant Superintendent's Report which shows that the Plant is performing solidly as evidenced by the Plant numbers being a bit lower than the previous month.

Mr. Clemons told the Board that there is a kick off meeting with the rate study professionals and the engineers on Monday to discuss the redundancy project. He also let the Board know that the annual inspection with the Air Pollution Control Board went really well. No fines will be given this year.

Director Ferraro commented on the in house ribbon cutting for the installation of a cover and protective coating on one of the Arroyo Grande lift stations. He mentioned the company that manufactures the coating delivered and trained the workers to do the coating themselves in house. Director Ferraro wonders if the District can take this type of project in house as well. Mr. Clemons spoke and said that he and two other staff members were at the site and collected the training information and the contacts for the company that manufactures the coating. Mr. Clemons was very impressed with the training and will be taking a real good look at doing it in house when the time comes.

Action: The Board received and filed the Plant Superintendent's report.

5. BOARD ACTION ON INDIVIDUAL ITEMS

5A. Change of Pricing for Brine Disposal

Mr. Karp mentioned that the \$0.11 per gallon the District charges to accept brine, remains competitive and fair. Mr. Clemons let the Board know that the Plant can expect anywhere between \$10,000 and \$20,000 revenue per month. He also added that all the companies are very appreciative for the opportunity to work with the District for brine disposal.

Mrs. Tacker let the Board know that Los Osos will be partnering with the Plant for brine disposal. She was curious if the District had started discussions with Los Osos.

Action: Director Guerrero moved staff's recommendation. The motion carried 3-0.

5B. Annual Review of Adopted Investment Policy

Interim District Manager Paul J. Karp asked to continue this item to the February 19th meeting.

Public Comment: Chairman Guerrero opened the discussion up to public comment.

Mrs. Lucey gave comment. She mentioned that she attended the RAC (Water Resource Advisory Committee) meeting and the discussion was regarding the outflow lines for the Sanitation Districts up and down the coast of California. She believes there will be big discussion about pulling out the ocean outflow lines. There was also discussion on compression pumping. She wanted to plant a bug so that no one is caught off guard on planning for these huge expenditures.

Mr. Curtis followed up on Mrs. Lucey's comment. He said that it is apparent with the discussion today at the RAC meeting between the State Water Resources Control Board the Coastal Commission and the Governor's office that the state is looking to going to zero waste discharge on the coast of California. He is asking the Board if they have enough money to cover the cost of this in the Districts reserves. The idea is to feed the ground water aquifer with water that has been cleaned up to drinking water quality standards and put it back into the ground from which it came. Mr. Curtis wanted to let the Board know about the injection well process. He is looking into it with his colleagues and the cities. The managers will be meeting to bring the information to their respectful districts.

Action: Chair Ferraro closed discussion.

5C. Status Report regarding Bartle Wells Study

Interim District Manager Paul Karp let the Board know that there will be a kick off meeting with the engineers from Kennedy Jenks and Bartle Wells to discuss the next Capital Improvement Project. The next phase will be based on the material Bartle Wells receives from Kennedy Jenks and the requirements to commit the District to a short term and long term project for redundancy. The Board will be presented with a few proposed projects and then asked which project they would like to see for the Capital Improvement Project. This information will be put into the rate study. There will be workshops with regard to selecting the best project at the Board level with public input as well. Bartle Wells is looking at a financial plan that will allow the plant to look at redundancy and recycled water and do all other major projects. The goal is to look into the first phase of whichever the next project will be.

Director Ferraro mentioned that if the Coastal Commission and Regional Water Quality Control Board are going to require new infrastructure, they need to also offer state wide funding, otherwise it becomes an unfunded mandate. Director Ferraro wants to know what level the water needs to be treated for commercial use.

Director Ferraro believes the District needs to hit legislature hard to help with infrastructure bills. Large agencies should not demand these huge projects on small agencies without some financial assistance.

Director Guerrero told the Board that he and Paul Techiera had spoken to Phillips 66 about buying the recycled water in the past. Guerrero spoke to Phillips 66 again this week and they are still very interested in purchasing the recycled water. It is a resource issue and a political issue for them. But Phillips 66 can't take affluent water and pull it through their plant. It needs to be treated to an acceptable level.

PUBLIC COMMENT:

Mrs. Tacker asked the time line for this project to go to the rate payers. The answer is that the rate increase needs to happen by the end of this year. This can be the first phase of a long term solution. Mrs. Tacker believes that for the District, its best to get reuse of the water.

A second public speaker mentioned that she would love to see wetlands and ponds. These are sources that draw in birds, tourists and bird watchers.

Action: Chair Ferraro closed public comment.

6. MISCELLANEOUS ITEMS

- A. Miscellaneous Oral Communications
- B. Miscellaneous Written Communications

7. Public Comment on Closed Session

None

8. ADJOURNMENT

There being no further business to come before the Board, Director Guerrero adjourned the meeting at approximately 7:09 p.m.

THESE MINUTES ARE DRAFT AND NOT OFFICIAL UNTIL APPROVED BY THE BOARD OF DIRECTORS AT A SUBSEQUENT MEETING.

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
WARRANT REGISTER
02/19/2014 FY 2013/14

| ISSUED TO | PURCHASE/SERVICE | INV. # / SERVICE PERIOD | WARRANT NO. | ACCT | ACCT BRKDN | TOTAL |
|---|---|--|---------------|---------|------------|------------|
| ABALONE COAST | CHEMICAL ANALYSIS | STATEMENT # 2136 | 02192014-8338 | 7078 | 664.00 | 664.00 |
| ABBA EMPLOYER SERVICES | CONTRACT LABOR | INVOICE #S 19785, 19803 | 39 | 6085 | 1,927.20 | 1,927.20 |
| ADAMSKI MOROSKI MADDEN CUMBERLAND & GREEN | LEGAL SERVICES | INVOICE # 32675 | 40 | 7070 | 1,403.00 | 1,403.00 |
| ALLIED ADMINISTRATORS | EMPLOYEE DENTAL | COVERAEGE 03/01/2014 TO 03/31/2014 | 41 | 6025 | 1,003.76 | 1,003.76 |
| ALLSTAR INDUSTRIAL SUPPLY | MISC SUPPLIES | INVOICE # 1065 | 42 | 8030 | 637.20 | 637.20 |
| AMI PIPE AND SUPPLY | MISC SUPPLIES | STATEMENT DATE 1/31/2014 | 43 | 8030 | 357.99 | 357.99 |
| ARAMARK UNIFORMS | EMPLOYEE UNIFORMS | INVOICE # 528514568 | 44 | 7025 | 437.95 | 437.95 |
| B&B STEEL & SUPPLY | STEEL | INVOICE # 436919 | 45 | 8061 | 2,619.62 | 2,619.62 |
| CA ELECTRIC SUPPLY | ELEC PARTS | INVOICE #S 554656 554471 554472 | 46 | 20/8010 | 257.67 | 257.67 |
| CARR'S BOOTS & WESTERN WEAR | EMPLOYEE WORK BOOTS | INVOICE # 85872 RICK JACKMAN | 47 | 7025 | 125.00 | 125.00 |
| CENTRAL COAST WATER TRTMT | LAB SUPPLIES | JANUARY | 48 | 8040 | 60.00 | 60.00 |
| D&H WATER SYSTEMS | HRR PROBE CLEANER QT, NEW W&T | INVOICE 2014-035 | 49 | 8030 | 71.62 | 71.62 |
| D'ANGELO'S | PAINT | INVOICE #S 238356, S238434 | 50 | 8060 | 575.35 | 575.35 |
| ENGEL & GRAY, INC. | BIOSOLIDS HANDLING | INVOICE # 73469 | 51 | 7085 | 4,820.29 | 4,820.29 |
| ENVIRONMENTAL WATER SOLUTIONS | VAREC PARTS | INVOICE # 1897 | 52 | 8060 | 166.25 | 166.25 |
| FEDEX | SHIPPING | INVOICE # 2-552-27255 | 53 | 8045 | 16.22 | 16.22 |
| FERGUSON ENTERPRISES | INFLUENT PUMP PARTS | INVOICE # 037710 | 54 | 8060 | 1,037.39 | 1,037.39 |
| GARING, TAYLOR & ASSOCIATES | DISTRICT ENGINEERING SERVICES | STATEMENT #S 12481 12482 | 55 | 7077 | 7,289.80 | 7,289.80 |
| GAS COMPANY | GAS SERVICE | 01-02-14 to 02-03-14 | 56 | 7092 | 3,016.78 | 3,016.78 |
| JB DEWAR INC | VEHICLE FUEL | INVOICE # 50037 | 57 | 8020 | 152.24 | 152.24 |
| JWC ENVIRONMENTAL | BAG MATERIAL | INVOICE # 56042 | 58 | 8061 | 354.56 | 354.56 |
| KEMIRA | FERRIC CHLORIDE | INVOICE # 9017374421 | 59 | 8050 | 7,769.68 | 7,769.68 |
| MC MASTER CARR | MISC SUPPLIES | INVOICE #S 72111859 72486144 | 60 | 8056 | 545.29 | 1,130.51 |
| MC MASTER CARR | MISC SUPPLIES | INVOICE #S 72064755 72753846 | | 8060 | 585.22 | |
| MINERS ACE | MISC SUPPLIES | FEBRUARY | 61 | 8060 | 188.12 | 188.12 |
| MOSS, LEVY & HARTZHEIM LLP | FINANCIAL AUDIT SERVICES | INVOICE # 3053 | 62 | 7072 | 840.00 | 840.00 |
| MULLAHEY FORD | VEHICLE SERVICE | INVOICE #S 77333 77349 77367 77373 | 63 | 8032 | 239.80 | 239.80 |
| NESTLE PURE LIFE | LAB WATER FOR FEBRUARY | INVOICE # 14A0012917373 | 64 | 8040 | 145.73 | 145.73 |
| OFFICE DEPOT | OFFICE SUPPLIES | FEBRUARY | 65 | 8045 | 510.48 | 510.48 |
| PG&E | ELECTRICITY SERVICE | FEBRUARY | 66 | 7091 | 25,538.02 | 25,538.02 |
| PERS | EMPLOYEE MEDICAL | | 67 | 6010 | 12,111.64 | 14,796.45 |
| | EMPLOYEE RETIREMENT | | | 6060 | 2,684.81 | |
| SAN LUIS COUNTY NEWSPAPERS | FORUM ADS AND BUDGET NOTICES | 12/30/13 - 02/02/2014 | 68 | 7005 | 1,601.11 | 1,601.11 |
| SHIPSEY & SEITZ | DISTRICT COUNSEL SERVICES | INVOICE #S 106902 106903 | 69 | 7071 | 2,153.00 | 8,307.00 |
| | LITIGATION | INVOICE # 106904 | | 7070 | 6,154.00 | |
| SM TIRE | TRAILER TIRE | INVOICE # 578755 | 70 | 8030 | 206.40 | 206.40 |
| SO CO SANITARY SERVICE | TRASH SERVICE | INVOICE # 366587 | 71 | 7093 | 113.47 | 113.47 |
| SPRINT | CELL PHONE SERVICE | JANUARY | 72 | 7013 | 70.30 | 70.30 |
| STATE FUND COMPENSATION | WORKERS' COMP | 2/01/14 TO 3/01/14 | 73 | 6030 | 6,079.17 | 6,079.17 |
| SURFACE PUMP, INC | PARTS FOR PUMP REPLACEMENT IN HEADWORKS | INVOICE # 0107738-IN | 74 | 26/8065 | 8,030.92 | 8,030.92 |
| USABUEBOOK | MISC SUPPLIES | INVOICE #S 259139 268789 | 75 | 8040 | 184.19 | 184.19 |
| VWR | LAB SUPPLIES | ENDING IN: 654916 654917 663884 6637202 662924 | 76 | 8040 | 783.18 | 783.18 |
| WALLACE GROUP | REIMBURSABLE EXPENSES | INVOICE # 36498 | 77 | 19-7084 | 3,000.28 | 3,000.28 |
| WATER ENVIRONMENT FEDERATION | MEMBERSHIP RENEWAL | AARON ALLEN | 78 | 7050 | 249.00 | 249.00 |
| SUB TOTAL | | | | | 106,777.70 | 106,777.70 |
| PAYROLL | PPE 02-07-2014 | | | | 23,899.86 | 23,899.86 |
| GRAND TOTAL | | | | | 130,677.56 | 130,677.56 |

We hereby certify that the demands numbered serially from 02192017-8335 to 02192014-8878 together with the supporting evidence have been examined, and that they comply with the requirements of the SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT. The demands are hereby approved by motion of the SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT, together with warrants authorizing and ordering the issuance of checks numbered identically with the particular demands and warrants.

BOARD OF DIRECTORS:

DATE: _____

Chairman_____
Board Member_____
Board Member_____
Secretary



SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

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TO: Board of Directors
FROM: Amy Simpson, District Bookkeeper/Secretary
VIA: Rick Sweet, District Manager
DATE: February 19, 2014
SUBJECT: Monthly Financial Review (January 2014)

Overall Monthly Summary

During the month of January, the District recognized total revenues of \$342,603. Of this, \$285,901.11 was earned for sewer service with the following breakdown: \$105,957 was earned from the City of Arroyo Grande for November, \$98,394 was earned from the City of Grover Beach for November, and \$81,545 was earned from OCSD for November and December. \$7,425 was earned from connection fees from Arroyo Grande, and \$18,562 from Grover Beach. \$4139 was earned for the AT&T cell-tower lease for December and January. District reimbursable amounts billed to the Member Agencies totaled \$15,492. Interest on the County Treasury Pool for the first quarter amounted to \$1,017 and \$1695.11 was earned on the District's LAIF account.

District operating expenses totaled \$227,303 for the month of January. Non-operating expenses totaled \$20,716

Local Agency Investment Fund

The balance in the District's LAIF account was \$2,458,556.40 at January 31, 2013.

County of San Luis Obispo Treasury Pool

As of January 31, 2014, the reconciled cash balance with the County of San Luis Obispo Treasury Pool was \$ 1,285,590.08. The County issues the majority of the District's checks, and the majority of the District's revenues are deposited with this agency. As such, the County provides 'banking services' to the District and provides some accounting documents for internal control purposes.

Rabobank Funds

As of January 31, 2014 the reconciled cash balance in the District's Rabobank account totaled 73,929.60. This account is used to process LAIF transfers and for the issuance of payroll checks through the District's contracted payroll provider service. Funds are transferred periodically from LAIF in order to cover these expenses.



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Staff Report

To: Board of Directors
From: John L. Clemons, Plant Superintendent
Via: Rick Sweet, District Manager
Date: February 14, 2014
Subject: Superintendent's Report

Chart 1 – Plant Data

| Feb. 2014 | FLOW MGD | Peak MGD | INF BOD mg/L | EFF BOD mg/L | INF TSS mg/L | EFF TSS mg/L | Fecal Coli | Cl2 lbs/day | |
|--------------|-------------|-------------|--------------------|-----------------|-----------------|-----------------|---------------|----------------|--|
| Average | 2.39 | 3.9 | 385 | 31.0 | 373 | 31.8 | 116 | 125 | |
| High | 2.54 | 4.6 | 385 | 31.0 | 398 | 38 | 262 | 188 | |
| Limit | 5.0 | | | 40/60/90 | | 40/60/90 | 2000 | | |

Limit – 40/60/90 represent NPDES Permit limits for the monthly average, weekly average, and instantaneous value for plant effluent BOD and TSS.

Plant process numbers continue to be consistently sound. Chlorine usage appears to be abnormally low. This was due to the primary chlorine system pump not operating efficiently. The amount of chlorine used by the back-up system (to compensate for any shortfall in the primary system) is not reflected in this chart. One might also note that fecal coliform count remained well within limits during this episode. The recent rain events did not result in any significant deviations from our typical flows and process values.

Corrective Maintenance

- Repaired chlorine leak at pumping station.
- De-ragged float switches in plant storm drain sump.
- Changed brushes on chlorine pump.

Projects

- Took all District vehicles to Mullahey Ford for smog inspections.
- Continued installation of wiring in new PLC panel for SCADA.
- Poured concrete base for conveyor support structure as per engineer instructions.

Safety

- Plant staff attended safety meeting on hearing safety.
- Plant staff participated in annual hearing tests at Industrial Medical Group in Santa Maria.

Brine

- As of February 11th the District has received 62,000 gallons of brine for the month.

Redundancy Project

- District staff met with reps from Kennedy/Jenks Engineering and Bartle, Wells, and Associates to discuss the current status of the Redundancy projects. Present from SSLOCSD were Rick Sweet, John Clemons, Amy Simpson, Shannon Sweeney (via conference call) and Paul Karp. Conversations were centered on process options, planning, and timeframes for cost projections.

John Clemons
Superintendent



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SANITATION DISTRICT

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Staff Report

To: Board of Directors
From: Rick Sweet, District Manager
Date: February 19, 2014
Subject: Review of Investment Policy

Recommendation:

It is the Staff recommendation that the Directors review the District's current investment policy and direct staff to make any appropriate changes.

Funding:

Not applicable

Discussion:

The Board last reviewed and adopted the District Investment Policy in February 2009. Staff believes that it would be prudent, in light of the financial changes coming to the District (i.e. brine disposal revenue, rate changes, etc.), for the Board to review the current investment policy.

Attachment: Resolution No. 2009-256

RESOLUTION 2014

EXHIBIT A

YEAR 2014 INVESTMENT POLICY

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

1. INTRODUCTION

This policy establishes the standards under which the District's Finance Officer will conduct business with financial institutions with regard to the investment process.

2. PURPOSE AND SCOPE

This investment policy is intended to outline the guidelines and practices to be used in effectively managing the District's available cash and investment portfolio. It applies to all cash and investment assets of the District except those funds maintained in deferred compensation accounts for employees, and proceeds of debt issuance that shall be invested in accordance with the permitted investment provisions of their specific bond indentures. District monies not required for immediate expenditure will be invested in compliance with governing provisions of law (Government Code Sections 53600 et seq) and this policy. Investments shall be made in judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent investor" standard (California Government Code Section 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers (Finance Officer) acting in accordance with written procedures and the 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.

3. FINANCE OFFICER

The Board of Directors appoints the District Manager as the District Finance Officer and Treasurer.

4. SCOPE

The District investment portfolio shall consist of money held in a sinking fund of, or surplus money in, the District's treasury not required for the immediate necessities of the District. The District's investment portfolio shall be invested in accordance with this policy.

5. OBJECTIVES

The primary objectives are safety, liquidity, yield, and compliance.

A. SAFETY

The investment portfolio shall be managed in a manner that ensures the preservation of capital. The objective is to minimize credit risk and interest rate risk.

B. LIQUIDITY

The investment portfolio shall remain sufficiently liquid to meet all operating requirements. This shall be accomplished by structuring the investment portfolio so that investments mature in advance of with cash needs.

C. YIELD

Yield shall be a consideration only after the requirements of safety and liquidity have been met.

D. COMPLIANCE

This Investment Policy is written to be in compliance with California and Federal law.

6. STANDARD OF CARE

A. PRUDENCE

The Finance Officer will manage the portfolio pursuant to the "Prudent Investor Standard." When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds in the District's investment portfolio, the Finance Officer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, 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 District.

B. DISCLOSURES

Finance Officer shall disclose any material interest in financial institutions with which he/she conducts the District business.

7. INVESTMENTS AUTHORITY

A. PERMITTED INVESTMENTS

The District Finance Officer is authorized to invest in the following institutions:

1. County pooled funds (California Government Code § 61730)
2. The Local Agency Investment Fund created by the California State Treasury (California Government Code §16429.1)
3. One or more FDIC insured Banks and/or Savings and Loan Associations that are designated as District depositories by resolution of the Board of Directors (California Government Code §61053).
4. Such other financial institutions or securities that may be designated by the Board of Directors from time to time in compliance with California and Federal law.

B. PROHIBITED INVESTMENTS

The District's Finance Officer shall not invest in:

1. Inverse floaters, range notes or interest only strips that are derived from a pool of mortgages.
2. Any security that could result in a zero interest accrual if held to maturity.
3. A state or federal credit union, if a member of the District's Board of Directors or an administrative officer also serves on the Board of Directors, or any committee appointed by the Board of Directors, or the credit committee or supervisory committee, of the state or federal credit union.

C. DIVERSIFIED INVESTMENTS

Investments, other than investments referenced in paragraphs 7-A (1) and (2) above, will be diversified to avoid losses that may be associated with any one investment.

8. REPORTS

A. MONTHLY REPORT

Finance Officer/Treasurer shall make monthly reports to the Board with the following information:

- Investments made or retired during the preceding month.
- Single transfers between permitted institutions of greater than \$150,000.

B. QUARTERLY REPORTS

Finance Officer shall file a quarterly report that identifies the District's investments and their compliance with the District's Investment Policy. The quarterly report must be filed with the District's auditor and considered by the District's Board of Directors within thirty (30) days after the end of each quarter (i.e., by May 1, August 1, November 1, and February 1) (California Government Code §53646). Required elements of the quarterly report are as follows:

1. Type of Investment
2. Institution
3. Date of Maturity (if applicable)
4. Amount of deposit or cost of the security
5. Current market value of securities with maturity in excess of twelve months (if applicable)
6. Rate of interest
7. Statement relating the report to the Statements of Investments Policy
8. Statement of the District's ability to meet cash flow requirements for the next six months.
9. Accrued Interest (if applicable)

C. ANNUAL REPORT

Prior to February 1, of each year, the Finance Officer shall file and submit an annual report to the district's auditor and Board of Director's which will contain the same information required in the quarterly report.

The annual report will include a recommendation to the Board of Directors to either:

1. Readopt the District's then current annual Investment Policy
2. Amend the District's then current Investment Policy.

D. LIMITED QUARTERLY REPORT

If the District has placed all of its investments in the Local Agency Investment Fund (LAIF), created by California Government Code § 16429.1, or in Federal Deposit Insurance Corporation, insured accounts in a bank or savings and loan association, in a County investment pool, or any combination of these, the Finance Officer may submit to the Board of Directors, and the auditor of the District the most recent statement or statements received by the District from these institutions in lieu of the information required in paragraph 8.B, above. This special reporting policy does not relieve the Finance Officer of the obligation to prepare an annual investment report as identified in paragraph 8.C., above.