

FINANCIAL ADVISORY COMMITTEE MEETING MINUTES

TOMALES VILLAGE COMMUNITY SERVICES DISTRICT

OCTOBER 24, 2018

Tomales Town Hall (downstairs)

PRESENT: Melinda Bell, Chairperson and TVCSD Finance Manager; Donna Clavaud, FAC Secretary and TVCSD BOD Vice President; Deborah Parrish, TVCSD BOD.

The meeting was convened at 6:30pm and there was a quorum to conduct business on the publicly posted Agenda. The meeting minutes were submitted by Donna Clavaud as FAC Secretary, approved by FAC members on November 10, 2018, and included in the Board packet for the November 14, 2018 regular meeting. They will be signed and dated at the upcoming BOD meeting and subsequently uploaded to the TVCSD website.

AGENDA

1. TVCSD Investment Policy-

Following up on the TVCSD Financial Manager's investigations of "due diligence" and best practices of prudence in regard to District options for investing surplus financial reserves, the Board of Directors voted unanimously at the October 10, 2018 Regular Meeting, to move forward to invest a portion (\$100,000) of our Reserve Funds with LAIF (State of CA-Local Agency Investment Fund). As she reported in October, our Finance Manager noted that with interest rates finally increasing, she compared local Banking rates/guidelines with other options at County and State levels. Upon learning the District could achieve a higher rate of return and maintain liquidity of the funds through investments with CA-LAIF, unlike our current banking saving accounts and bank Certificates of Deposits with stricter lock-down investment timeframes for funds, the FAC members were tasked by the BOD to proceed with the investment process at this time.

We focused on identifying the steps required to activate an investment account with CA-LAIF, and realized first, and foremost, it was necessary to review, expand and amend our brief TVCSD Investment Policy statement included in an already approved TVCSD Accounting and Procedures Manual.

We reviewed several other CSA model Investment Policies and outlined their components. In so doing, we created an action-oriented step by step process, and

agreed upon vital sub-topics to include in a revised and expanded Draft Investment Policy to be added later to our TVCSD Accounting and Procedures Manual.

Our current objective was to write a Draft Investment Policy to be included in the BOD packet for review, discussion and approval with any necessary edits and amendments at the upcoming November 14, 2018 Regular BOD Meeting. Melinda Bell and Donna Clavaud agreed to schedule a FAC work session on Wednesday, November 7 at noon to further review comparable models and write the Draft Investment Policy.

FAC recommends the following actions for BOD approval at the November 14, 2018 BOD Regular Meeting:

1. **Review, discuss and approve with amendments the Draft TVCSD Investment Policy Included in the November 14, 2018 BOD Packet.**
2. **Review and approve Resolution 18-7 to proceed with investment of \$100,000 surplus reserve funds with CA-LAIF in a liquid investment account fund that offers a higher rate of return than currently obtained at our local banks in saving accounts. Note required signatures of TVCSD President, Vice President and Office Manager/Secretary to be performed at BOD Meeting. Return to TVCSD Office and file in Finance Manager's green file for document retention and storage and for submission to CA-LAIF.**
3. **Review CA-LAIF New Registration Account Application and obtain signatures from TVCSD President and Vice President. Return to TVCSD Office and file in Finance Manager's green file for submission.**

2. TVCSD Credit Card Policy-

Due to FAC priorities and FAC working time frames this late in the year (no December meetings), the FAC members agreed to defer the development of a more detailed TVCSD Credit Card Policy until after January 1, 2019. We currently have a summary policy statement in the TVCSD Accounting and Procedures Manual. We will schedule the FAC work to expand the above policy after we have obtained the CSDA Sample Policy Manual to review. This will also be added to our Accounting and Procedures Manual once Board approved.

3. Document Retention and Storage Policy-

FAC recommends also to defer a more definitive policy development of the above until after January 1, 2019. We currently have an initial policy draft that requires more work before review by BOD and subsequent approval.

investment officials shall be the “prudent investor” standard (CGC#53600.3), and shall be applied in the context of managing an overall portfolio. Investment officials acting in accordance with written procedures, and this TVCSD Investment Policy; and exercising due diligence shall be relieved of personal responsibility for an individual’s security’s credit risk or market price changes, provided deviations for expectations are reported in a timely fashion and appropriate action is taken to control adverse and/or risky developments.

7.4. OBJECTIVES

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

7.4.1. Safety-Safety of principal is the foremost objective of the TVCSD investment program. Investments of TVCSD shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio. To obtain and sustain this key objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

7.4.2. Liquidity-The investment program will remain sufficiently liquid to enable TVCSD to meet all operating requirements which might be reasonably anticipated.

7.4.3.-Return on Investment: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout annual budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the District portfolio.

7.5. DELEGATION OF AUTHORITY

Authority to manage the investment program is derived from California Government Code Sections 53600, et seq. Management responsibility for the investment program is hereby delegated to the TVCSD Board of Directors, who shall establish written procedures for the operation of the investment program consistent with this investment policy. No person may engage in an investment transaction, except as provided under the terms of this policy and the procedures established by the TVCSD Board of Directors. The Finance Manager shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Signature authority shall be consistent with District check authorization policy. Under the provisions of California Government Code #53600.3, the District Finance Manager, Board of Directors, and TVCSD General Manager who handle District funds are trustees and fiduciary subjects to the prudent investor standard.

7.6. ETHICS AND CONFLICTS OF INTEREST

Officers and Staff involved in the investment process 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.

7.6. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Board of Director requests that the Finance Manager develop and maintain a list of financial institutions, selected on the basic of credit worthiness, financial strength, experience and minimal capitalization authorized to provide investment services. No deposit shall be made except in a qualified public depository as established by state laws.

For brokers/dealers of government securities and other investments, the Finance Manager as directed by the Board of Directors shall select only those who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organizations.

7.8.-AUTHORIZED AND SUITABLE INVESTMENTS

Time Deposits

LAIF Deposits

Bankers' Acceptances

United States Treasuries

7.9. REPORTING

In accordance with CGC #53646(b)(1), the Finance Manager shall submit to each member of the Board of Directors a quarterly and annual investment report, which will be posted publicly on the District website. The reports shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values, and the current market values of each component of the portfolio, including funds managed for TVCSD by third party contracted managers. This investment policy will be reviewed on an annual basis, and the Board of Directors must approve any and all modifications or approval of continuance of the investment(s).

7. INVESTMENT POLICY (TVCS D, approved on _____; add to Accounting & Procedures Manual)

7.1 COMPLIANCE

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 (CA Government Code (CGC) #53600.6 and #53630.1); and

Government Code Sections 5921 and 53601, et seq., allow the legislative body of a local agency to invest surplus monies not required for the immediate necessities of the local agency; and

The Financial Manager, in conjunction with the FAC (Financial Advisory Committee) are required to annually prepare and submit a statement of investment policy, and such policy, and any changes thereto, is to be considered by the TVCS D Board of Directors at a public meeting (CGC #53646(a)).

For these reasons, and to insure prudent and responsible management of the public's funds, it is the policy of the TVCS D to invest funds in a manner which will provide the highest investment return with the maximum security, while meeting the daily cash flow demands of the District and conforming to all statutes governing the investment of TVCS D funds.

7.2. ACCOUNTS

This investment policy applies to all financial assets of TVCS D. These funds are accounted for in the Annual Financial Report and include:

Demand Account:

Operation and Maintenance Fund

CIP Fund

Investments:

Local Agency Investment Fund (LAIF)

FDIC insured accounts

Local Agency Investment Fund (LAIF)

7.3. RESPONSIBILITIES

Investments of surplus funds shall be made with 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

4. TVCSD Response to Auditor's Annual Fiscal Year 2017-2018 Internal Controls Report-

The FAC members read and reviewed the Finance Manager's Response Letter to the District's Annual Audit (2017-18 Fiscal Year) and agreed to recommend to BOD for approval and return to Auditor. This is included in the Board Packet for the upcoming Regular Meeting on November 14, 2018 and requires a motion to approve.

5. Revision and Update of TVCSD By-Laws-

No action at this time taken. FAC will address this in 2019 strategic goals & priorities and add to work calendar. The District requires some legal counsel concerning a few sections addressing TVCSD's non-profit and CSA by-law regulations when Tomales Park and Sewer Plant merged in 1999, the CSD was established, and By-Laws were written. The By-Laws are confusing almost 20 years hence. We believe the document needs to be updated and perhaps amended for clarification and practical use. FAC continues to recommend utilizing CSDA or Marin County Counsel or perhaps even limited private legal assistance to resolve.

The meeting was adjourned at 7:45pm.

Postscript: The FAC work session was held as agreed upon and scheduled for November 7, 2018 from noon to 1:30pm to develop the Draft Investment Policy and prepare other necessary support documents to be forwarded to TVCSD Secretary for inclusion in the BOD Packet for the November 14, 2018 Regular Meeting. The focus was primarily to prepare to invest surplus funds.

Signed by:

Donna Clavand

Approved on:

11-10-18