



Paradise Irrigation District

6332 Clark Rd, Paradise, CA 95969 · 530-877-4971 · Fax: 530-876-0483 · www.pidwater.com

AGENDA

FINANCE COMMITTEE MEETING THURSDAY, MAY 4, 2023 – 9:30 AM

6332 Clark Road, Paradise, CA 95969

AND

Teleconference Location:

The Marina Inn

68 Monarch Bay Dr., San Leandro, CA 94577

Committee Members: Board of Directors – Bob Matthews & Chris Rehmann
PID Staff – Brett Goodlin, Finance & Accounting Manager,
Tom Lando, District Manager and Mickey Rich, Assistant District Manager
Public Members – Gary Ledbetter and Steve Oehler

❖ *The Board of Directors is committed to making its meetings accessible to all citizens. Any persons requiring a special accommodation to participate, is requested to contact the District Secretary at 530-877-4971, extension 2039 at least 72 hours in advance of the meeting.*

❖ *To participate in the meeting remotely:
Via Zoom Meeting: <https://us02web.zoom.us/j/88192841237>
Telephone: +1 669 900 6833 US (San Jose)
Meeting ID: 881 9284 1237*

To improve participation during the meeting, we will be accepting public comments from Zoom Meeting participants during the meeting. The Board cannot take action on any matter not on the agenda. Public comments specific to an agenda item will be read directly after the agenda item and before the Board votes on an item.

Via Email or Telephone: Public comment will be accepted by email with the subject line PUBLIC COMMENT ITEM NO. ___ to gborrayo@paradiseirrigation.com or telephone (530) 876-2039 prior to 8:30 a.m. on the day of the meeting.

1. **Opening**

2. **Public Participation**

This is the time for members of the audience to present items not on the agenda. No action can be taken on these items, but they may be placed on future agendas for consideration. Comments should be limited to a maximum of three minutes duration. If more time is needed, communication may be submitted in writing to committee members, or placed on the agenda for a future committee meeting.

3. **Draft Budget Discussion for Fiscal Year 2023-2024** (Brett Goodlin, Finance & Accounting Manager)

- A. Budget Review
- B. Policy Review Discussion: Budget and Financial Policies

4. **Five-Year Financial Plan Discussion**

5. **Grant Funding Tracking Tool Discussion** (Directors Rehmann & Matthews)

6. **Budgeting Software** (Brett Goodlin, Finance & Accounting Manager): Review and discussion regarding budgeting software to improve the budgeting process, transparency and reporting, and short and long-term financial planning.

7. **Staff Updates** (Brett Goodlin, Finance & Accounting Manager): Update from staff on finance related projects.

8. **Schedule Monthly Finance Meetings** (Brett Goodlin, Finance & Accounting Manager): Consider scheduling monthly Finance Committee meetings.

9. **Adjournment**



Paradise Irrigation District

Prior-Year Comparative Income Statement

Group Summary

For the Period Ending 03/31/23

	FY2021 Actuals	FY2022 Actuals	FY2023 Actuals thru March	Projected FY2023	FY2023 Budget	FY2024 Budget Proposed	
Depart: 00 - Revenue							
400 - Taxes - PID Share	317,000	288,006	332,582	332,582	330,000	330,000	
401 - Water - Service	3,034,810	3,758,352	2,719,521	3,850,464	3,598,089	4,135,232	
01-00-400001 - Water Service (Monthly Charges)	2,987,571	3,533,931	2,497,234	3,456,464		3,635,232	
01-00-400004 - Water - Service Fee (Service Fees & Backflow Maint.)	26,975	123,565	176,258	234,000		300,000	
01-00-400000 - Water Sales	20,264	100,856	46,029	160,000		200,000	Construction / Hydrant Meters
402 - Water - Consumption	(44)	0	84,681	129,681	175,000	943,169	
403 - Water - Fees & Adjustments	(2,408)	30,005	117,144	140,573	340,335	160,000	
405 - Outside Water Sales	126,556	214,169	209,756	209,756	250,000	225,000	Del Oro
410 - Meter Revenue	242,181	96,202	6,800	28,700	8,296	26,000	
415 - Capacity Fees	(6,000)	186,778			0	0	Capacity fee going to restricted income
466 - Custom Work	92,184	91,009	34,820	34,820	40,000	40,000	
Total Operating Income	3,804,279	4,664,521	3,505,304	4,741,720	4,741,720	5,859,400	0
460 - Interest Income	(52,878)	(14,962)	1,027,286	1,695,874	1,500,000	2,600,000	Meeder Roll forward, \$50k/month other accounts
465 - Rental Income	21,416	22,652	11,051	15,727	15,000	15,000	Net of rents & expense
475 - Investment Gain/Loss	(319)	0	(387,474)		0	0	
Total Investing Income	(31,781)	7,690	650,863	1,515,000	1,515,000	2,615,000	0
470 - Grant Income	0	1,360	0		0	0	
490 - Reimbursements	219,507	0	1,322,860	1,372,360	1,498,000	273,000	PGE Utility Locator, infrastructure damage payments
495 - Grant Reimbursements	5,443,911	12,880,241	(100)		25,787,725	45,300,000	MISLR 2, Res. B, Zone A Pipe, APTIM
499 - Other	9,766,341	120,739,779	1,331,892		82,654	12,000,000	Insurance & Other Misc.
Total Recovery / Misc. Income	15,429,759	133,621,380	2,654,652	27,368,379	27,368,379	57,573,000	0
Depart 00 - Revenue Surplus (Deficit):	19,202,257	138,293,591	6,810,819	33,625,099	33,625,099	66,047,400	0 0% 0 0%
Depart: 10 - Source of Supply							
600 - Materials & Supplies	3,160	3,875	43,169		0		
610 - Utilities	0	0	93		0		
622 - Outside Services	1,259	46,757	31		0		
650 - Misc	13,550	200,557	175,970		0		
Depart 10 - Source of Supply Surplus (Deficit):	17,969	251,189	219,263	0	0	250,000	0 0% 0 0%
Depart: 30 - Water Treatment							
500 - Salaries & Benefits	982,404	1,012,944	841,614	1,122,152	1,035,000	1,156,000	
600 - Materials & Supplies	201,222	250,351	485,937	647,916	506,250	680,000	
610 - Utilities	514	5,127	129,116	172,155	169,000	181,000	
622 - Outside Services	13,776	15,625	15,080	20,107	115,000	27,000	
640 - Insurance	36,102	34,846	28,266	36,743	25,000	44,000	
650 - Misc	4,644	0	0		0	100,000	
Depart 30 - Water Treatment Total:	1,238,662	1,318,893	1,500,013	1,999,072	1,850,250	2,088,000	0 0% 0 0%

Budget by Dept as a whole

- 3% per MOU
- 5% Cost increase
- 5% Cost increase
- 33% Year over Year
- 21% Year over Year (total bills)
- Contingency



Prior-Year Comparative Income Statement Group Summary

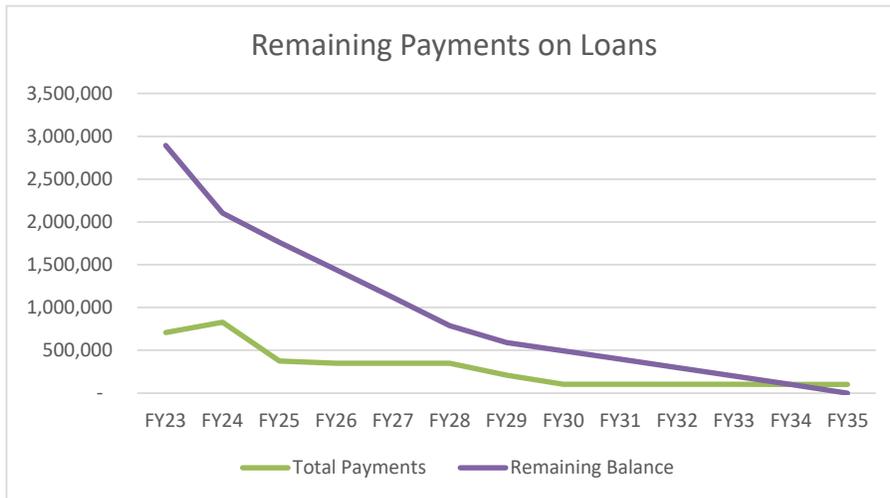
For the Period Ending 03/31/23

	FY2021 Actuals	FY2022 Actuals	FY2023 Actuals thru March	Projected FY2023	FY2023 Budget	FY2024 Budget Proposed				
Depart: 40 - Transmission and Distribution										
500 - Salaries & Benefits	1,257,362	1,429,522	1,103,491	1,471,321	1,835,000	1,515,000			3% per MOU	
600 - Materials & Supplies	614,244	685,034	384,028	512,037	550,000	538,000			5% Cost increase	
610 - Utilities	31,119	18,062	65,277	87,036	85,000	91,000			5% Cost increase	
622 - Outside Services	513,181	493,029	103,810	138,413	71,200	185,000			33% Year over Year	
640 - Insurance	29,279	28,261	23,550	29,800	45,000	36,000			21% Year over Year (total bills)	
650 - Misc	51,392	38,330	17,244		0	30,000			Contingency	
Depart 40 - Transmission and Distribution Surplus	2,496,577	2,692,238	1,697,400	2,238,608	2,586,200	2,395,000	0	0%	0	0%
Depart: 50 - Customer Service										
500 - Salaries & Benefits	290,613	295,789	346,649	462,199	420,000	476,000			3% per MOU	
600 - Materials & Supplies	692	8,901	1,175	1,567	500	5,000			Contingency	
610 - Utilities	0	3,000	3,083	4,111	6,000	4,000			5% Cost increase	
622 - Outside Services	9,233	12,463	0		0	50,000			Backflow testing?	
640 - Insurance	10,938	10,559	8,630	11,134	18,750	13,000			21% Year over Year (total bills)	
650 - Misc	0	0	130		0	30,000			Contingency	
Depart 50 - Customer Service Total:	311,476	330,712	359,667	479,010	445,250	578,000	0	0%	0	0%
Depart: 60 - Administration										
500 - Salaries & Benefits	998,237	1,229,198	882,092	1,176,123	1,313,665	1,211,000			3% per MOU	
600 - Materials & Supplies	109,204	200,854	240,644	320,859	230,165	337,000			5% Cost increase	
610 - Utilities	44,365	41,673	32,449	43,265	41,000	45,000			5% Cost increase	
622 - Outside Services	1,656,841	1,414,867	326,592	435,456	930,000	581,000			33% Year over Year	
640 - Insurance	56,970	44,979	45,101	47,428	102,500	57,000			21% Year over Year (total bills)	
650 - Misc	106,549	134,444	148,662	100,495		100,000			Bank Fees, Training/Conference/ Board	
Depart 60 - Administration Total:	2,972,166	3,066,015	1,675,540	2,123,626	2,617,330	2,331,000	0	0%	0	0%
Depart: 70 - Recovery										
600 - Materials, Supplies, & Contracts	1,802,689	1,252,877	549,812							
622 - Outside Services	281,999	0	281,999							
Depart 70 - Recovery Total:	2,084,688	1,252,877	831,811	0	0	0	0	0%		
Total Surplus (Deficit):	10,080,719	129,381,667	(119,300,948)		26,126,069	58,305,400	(32,179,331)	-123%		

Key	What	Category	Amount	Spent to date 3/31/23	Final Spend	Dept	Authorized	Justification / Narative
10a	Pipeline	Infrastructure	500,000			T&D		Additional increase in costs from previous request
26	Vehicle Lift	Equipment	25,000			T&D		Current lift's safety latches no longer work, thus nothing to preventing the lift from coming back to the ground while someone is underneath.
24	Manlift	Equipment	80,000			WTP		<p>Prior to the fire the District had recently purchased a used man-lift, also referred more technically to an "articulating boom lift", to provide safer, four-wheel drive, mechanical access to elevated areas requiring unscheduled and routine maintenance. These areas include water tanks, trees, light poles, and other hard to reach elevated areas around the District.</p> <p>Unfortunately this was so new that it hadn't been put on the insurance and was destroyed in the fire.</p> <p>Since the fire we have rented a man lift several times (which goes for \$500/day or \$1500/week) when we have absolutely needed one.</p> <p>When we purchased the prior lift there were a lot of questions about cost to rent vs. buy. What we really found out is that it comes down more to what is the safest way to do a job. Without the manlift we would do all kinds of jobs working from ladders (one of the most dangerous things we do). Once we had purchased the manlift since we had it we used it for just about every job that would have required a ladder, thus being much safer than working on a ladder. All it takes is one fall from a ladder and it will cost any savings plus some of not buying one.</p> <p>Since the fire we are back to using ladders quite a bit (which could be avoided if we had one) because of the time and effort required to go rent one.</p>
25	Demo / rebuild old treatment plant	Infrastructure	1,000,000			WTP		<p>There is an additional item that should be added to the budget. It is the demolition of the old round treatment plant, building a building in its place for the bleach pumps and equipment and moving the bleach storage tanks to a permanent containment facility.</p> <p>This work needs to be done in conjunction with the new Raw Water Line when the 42" creek crossing is removed. (I believe this part is covered by the HMG.</p>

Total Loans

Fiscal Year	Total Principal	Total Interest	Total Payments	Remaining Balance
FY23	667,300	40,198	707,168	2,893,429
FY24	789,000	39,545	828,545	2,104,429
FY25	345,044	28,926	373,970	1,759,385
FY26	317,955	30,415	348,370	1,441,430
FY27	323,874	23,709	347,583	1,117,556
FY28	330,803	16,871	347,674	786,753
FY29	198,075	9,875	207,950	588,678
FY30	95,689	7,174	102,863	492,989
FY31	96,645	5,926	102,571	396,344
FY32	97,612	4,664	102,276	298,732
FY33	98,588	3,391	101,979	200,144
FY34	99,574	2,104	101,678	100,570
FY35	100,570	805	101,374	0





Paradise Irrigation District

Expense Increase 3%
 General Revenue Increase 3%

Rebuilds per month 35 30 25 20 20 20

FY2021 Actuals FY2022 Actuals FY2023 Budget FY2024 Budget FY2025 Projection FY2026 Projection FY2027 Projection FY2028 Projection FY2029 Projection

Depart: 00 - Revenue

400 - Taxes - PID Share	317,000	288,006	330,000	330,000	330,000	339,900	350,097	360,600	371,418
401 - Water - Service	3,034,810	3,758,352	3,598,089	4,135,232	4,236,836	4,386,179	4,464,855	4,536,919	4,609,475
01-00-400001 - Water Service (Monthly Charges)	2,987,571	3,533,931		3,635,232	3,721,836	3,855,729	3,918,491	3,974,164	4,029,838
01-00-400004 - Water - Service Fee (Service Fees & Backflow Maint.)	26,975	123,565		300,000	309,000	318,270	327,818	337,653	347,782
01-00-400000 - Water Sales	20,264	100,856		200,000	206,000	212,180	218,545	225,102	231,855
402 - Water - Consumption	(44)	0	175,000	943,169	1,385,147	1,542,750	1,609,936	1,670,214	1,730,492
403 - Water - Fees & Adjustments	(2,408)	30,005	340,335	160,000	164,800	169,744	174,836	180,081	185,484
405 - Outside Water Sales	126,556	214,169	250,000	225,000	231,750	238,703	245,864	253,239	260,837
410 - Meter Revenue	242,181	96,202	8,296	26,000	26,780	27,583	28,411	29,263	30,141
415 - Capacity Fees	(6,000)	186,778	0	0	0	0	0	0	0
466 - Custom Work	92,184	91,009	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Total Operating Income	3,804,279	4,664,521	4,741,720	5,859,400	6,415,313	6,744,860	6,913,998	7,070,317	7,227,847
460 - Interest Income	(52,878)	(14,962)	1,500,000	2,600,000	2,760,000	2,560,000	2,560,000	2,560,000	2,560,000
465 - Rental Income	21,416	22,652	15,000	15,000	16,500	18,150	19,965	21,962	24,158
475 - Investment Gain/Loss	(319)	0	0	0	0	0	0	0	0
Total Investing Income	(31,781)	7,690	1,515,000	2,615,000	2,776,500	2,578,150	2,579,965	2,581,962	2,584,158
470 - Grant Income	0	1,360	0	0	0	0	0	0	0
490 - Reimbursements	219,507	0	1,498,000	273,000					
495 - Grant Reimbursements	5,443,911	12,880,241	25,787,725	45,300,000					
499 - Other	9,766,341	120,739,779	82,654	12,000,000					
Total Recovery / Misc. Income	15,429,759	133,621,380	27,368,379	57,573,000	0	0	0	0	0
Depart 00 - Revenue Surplus (Deficit):	19,202,257	138,293,591	33,625,099	66,047,400	9,191,813	9,323,010	9,493,963	9,652,278	9,812,004

2% return

Depart: 10 - Source of Supply

Depart 10 - Source of Supply Surplus (Deficit):	17,969	251,189	0	250,000	250,000	250,000	250,000	250,000	250,000
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Depart: 30 - Water Treatment

500 - Salaries & Benefits	982,404	1,012,944	1,035,000	1,156,000	1,190,680	1,226,400	1,263,192	1,301,088	1,340,121
600 - Materials & Supplies	201,222	250,351	506,250	680,000	700,400	721,412	743,054	765,346	788,306
610 - Utilities	514	5,127	169,000	181,000	186,430	192,023	197,784	203,717	209,829
622 - Outside Services	13,776	15,625	115,000	27,000	27,810	28,644	29,504	30,389	31,300
640 - Insurance	36,102	34,846	25,000	44,000	45,320	46,680	48,080	49,522	51,008
650 - Misc	4,644	0	0	100,000	103,000	106,090	109,273	112,551	115,927
Depart 30 - Water Treatment Total:	1,238,662	1,318,893	1,850,250	2,188,000	2,253,640	2,321,249	2,390,887	2,462,613	2,536,492



Paradise Irrigation District

Expense Increase 3%
 General Revenue Increase 3%

Rebuilds per month 35 30 25 20 20 20

	FY2021 Actuals	FY2022 Actuals	FY2023 Budget	FY2024 Budget	FY2025 Projection	FY2026 Projection	FY2027 Projection	FY2028 Projection	FY2029 Projection
Depart: 40 - Transmission and Distribution									
500 - Salaries & Benefits	1,257,362	1,429,522	1,835,000	1,515,000	1,560,450	1,607,264	1,655,481	1,705,146	1,756,300
600 - Materials & Supplies	614,244	685,034	550,000	538,000	554,140	570,764	587,887	605,524	623,689
610 - Utilities	31,119	18,062	85,000	91,000	93,730	96,542	99,438	102,421	105,494
622 - Outside Services	513,181	493,029	71,200	185,000	190,550	196,267	202,154	208,219	214,466
640 - Insurance	29,279	28,261	45,000	36,000	37,080	38,192	39,338	40,518	41,734
650 - Misc	51,392	38,330	0	30,000	30,900	31,827	32,782	33,765	34,778
Depart 40 - Transmission and Distribution Surplus	2,496,577	2,692,238	2,586,200	2,395,000	2,466,850	2,540,856	2,617,081	2,695,594	2,776,461
Depart: 50 - Customer Service									
500 - Salaries & Benefits	290,613	295,789	420,000	476,000	490,280	504,988	520,138	535,742	551,814
600 - Materials & Supplies	692	8,901	500	5,000	5,150	5,305	5,464	5,628	5,796
610 - Utilities	0	3,000	6,000	4,000	4,120	4,244	4,371	4,502	4,637
622 - Outside Services	9,233	12,463	0	50,000	51,500	53,045	54,636	56,275	57,964
640 - Insurance	10,938	10,559	18,750	13,000	13,390	13,792	14,205	14,632	15,071
650 - Misc	0	0	0	30,000	30,900	31,827	32,782	33,765	34,778
Depart 50 - Customer Service Total:	311,476	330,712	445,250	578,000	595,340	613,200	631,596	650,544	670,060
Depart: 60 - Administration									
500 - Salaries & Benefits	998,237	1,229,198	1,313,665	1,211,000	1,247,330	1,284,750	1,323,292	1,362,991	1,403,881
600 - Materials & Supplies	109,204	200,854	230,165	337,000	347,110	357,523	368,249	379,296	390,675
610 - Utilities	44,365	41,673	41,000	45,000	46,350	47,741	49,173	50,648	52,167
622 - Outside Services	1,656,841	1,414,867	930,000	581,000	598,430	616,383	634,874	653,921	673,538
640 - Insurance	56,970	44,979	102,500	57,000	58,710	60,471	62,285	64,154	66,079
650 - Misc	106,549	134,444	0	100,000	103,000	106,090	109,273	112,551	115,927
Depart 60 - Administration Total:	2,972,166	3,066,015	2,617,330	2,331,000	2,400,930	2,472,958	2,547,147	2,623,561	2,702,268
Total Surplus (Deficit):	12,165,407	130,634,544	26,126,069	58,305,400	1,225,053	1,124,747	1,057,252	969,966	876,723



PARADISE IRRIGATION DISTRICT

"Paradise Irrigation District (PID) is dedicated to the business of producing and delivering a safe, dependable supply of quality water in an efficient, cost effective manner with service that meets or exceeds the expectation of our customers."

DATE: April 27, 2023
TO: Finance Committee
FROM: Mickey Rich, Assistant District Manager
RE: Finance Policies

It is good practice to occasionally review existing policies. I do not plan to have a lengthy discussion on policies during this finance committee meeting but would like to share the finance-related policies and receive comment on suggested future changes.

CHAPTER 13
BUDGET, AUDITS, ACCOUNTING AND FINANCE

13.1 BUDGET

- A. By May 1st of each year, the Treasurer shall present to the Finance Committee an outline of concepts for the revenue, operating, and capital budget amounts. Final drafts of the budget shall be submitted for committee review prior to presenting to the Board.
- B. On or before the first regularly scheduled meeting of the Board in July, the Treasurer shall prepare for the ensuing year, and file with the Board, tentative revenue, operating, and capital budgets, together with specific District goals and work programs and any other supporting data required by the Board.
- C. The tentative budget shall be reviewed and considered by the Board at any regular meeting or special meeting called for that purpose. The Board may make any changes considered advisable in the tentative budget, pursuant to statute and generally acceptable accounting standards. The District will continue normal expenditures of funds during the period of time from the first day of each fiscal year through the date the Board adopts that fiscal year's budget, unless specifically instructed by the Board to do otherwise.
- D. After review, the Board shall adopt operating and capital budgets for the fiscal year period. Upon final adoption, the operating and capital budgets shall be in effect for the budget year, subject to any later amendment. During the budget year, and at a minimum during the mid-year review, the Board may, in any regular meeting or special meeting called for that purpose, review the operating and capital budget for the purpose of determining if the budget amounts need to be amended.
- E. During the budget process and at the mid-year budget review, the Treasurer shall discuss District reserving requirements for debt service obligations and short and long-term replacement, capital projects, connection fee requirements and other reserving obligations. This review shall also include any discussions regarding debt service bond covenant requirements impacting the District.
- F. Any department, with the approval of the Manager and Treasurer, may utilize funds designated for another department's use within a budget line item.

13.2 INDEPENDENT AUDITOR

- A. The independent auditor has the responsibility of reporting whether the District's financial statements are prepared in conformity with auditing standards accepted in the United States of America, the state Controller's Minimum Audit Requirements for California Special Districts, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United

States. Copies of the annual audit report shall be filed with the California State Controller's Office and shall be filed as a public document in the office of the District.

- B. Every three years, the District shall select its auditor by a competitive request for proposal process. Contracts shall be issued for three-year terms and in accordance with Section 12.4.5 of this manual. The District shall not retain the same auditor for more than six consecutive years.

13.3 ACCOUNTING AND FINANCE

A. General Fund and Payroll Check Signers

Any two of the following individuals shall sign general fund and payroll checks: Treasurer, District Manager, Assistant District Manager, Office & Customer Service Manager, District Secretary, Board President, Board Vice-President, or any other individual authorized by resolution of the Board of Directors.

1. General Fund Checks

On a day-to-day basis, the preferred signers shall be a combination of at least two of the following: Treasurer, Office & Customer Service Manager, Assistant District Manager, or District Manager, with the internal control preference being the Treasurer and Office & Customer Service Manager in accordance with the Procurement Policy.

A complete descriptive register of general checks issued in a given month shall be prepared by accounting personnel and provided in the agenda packet for Board review and acceptance by no later than the Board meeting of the following month.

2. Payroll Checks

On a day-to-day basis, the preferred signers shall be a combination of at least two of the following: Treasurer, Office & Customer Service Manager, District Secretary, Assistant District Manager and/or District Manager.

13.4 CAPITALIZATION VERSUS EXPENSE

Single item purchases with at least an anticipated useful life of three years and exceeding \$10,000 each shall be capitalized as a fixed asset. The purchase of these fixed assets shall be included on the District's statement of net assets and depreciated over the asset's estimated useful life. The purchase of fixed assets for less than \$10,000 shall be expensed. Other expenditures, for \$10,000 or more, which provided a significant increase in future service potential of a fixed asset shall also be capitalized as part of the existing asset. To meet the criteria for a capital expenditure, the purchase should extend the useful life of an

asset, increase the quantity of service provided by an asset, or increase the quality of service by an asset. Capital expenditures may include the following: additions (enlargements, expansions or extensions of existing assets), replacements and improvements, and rearrangement and relocation of an asset.

Expenditures for normal repairs and maintenance shall not be considered as capital expenditures.

13.5 PETTY CASH

A petty cash fund in the amount of \$1,000 will be maintained for the purpose of providing cash for miscellaneous cash purchases, front counter drawer customer transactions, certain employee reimbursements in accordance with Sections 11.2 and 11.13 of this Policy Manual, and for Paradise Lake permit fee sales. Access to petty cash shall be limited to the Office & Customer Service Manager, the Accounting Technician, and Utility Billing Technician.

CHAPTER 14.A
INVESTMENT POLICY

14.1 INTRODUCTION

It shall be the policy of the District to invest its cash assets in such a manner as to comply with the requirements of the California Government Code, to maintain the integrity of the principal of all investments, and to provide for necessary liquidity. Within those restrictions, the District shall attempt to obtain the highest return possible.

14.2 SCOPE

This Investment Policy (Policy) covers all District funds.

14.3 OBJECTIVES

The objectives of this investment policy include the following in order of importance:

A. Safety –

It shall be the primary duty and responsibility of those authorized to invest the District's funds to protect, preserve, and maintain cash and investments placed in trust on behalf of the citizens of the District. Diversification is allowed within the guidelines of California Government Code (CGC) § 53601 et seq.

B. Liquidity –

An adequate amount shall be maintained in liquid short-term securities, which can be converted to cash as necessary to meet disbursement requirements. Since all cash requirements cannot be anticipated, investments in securities with active secondary or resale markets will be used. Emphasis will be on marketable securities with low sensitivity to market risk.

C. Yield –

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

14.4 POLICY

A. Legal Investment Authority –

All available funds shall be invested in accordance with the provisions of the California Government Code (CGC) § 53601 et seq., and as authorized in accordance with GUIDELINES Section 14.5.A.

1. The Board, as the legislative body of the District and in accordance with § 53607 of the CGC, delegates and authorizes the Treasurer to invest or reinvest funds of the District, to sell or exchange securities so purchased and to assume full responsibility for those transactions as described in this Statement of Investment Policy. Under the provision of CGC § 53600.3, the Treasurer is a trustee and a fiduciary subject to the prudent investor standard. Said authority shall be held at the pleasure of the Board, and shall be subject to renewal annually.
2. The Treasurer may delegate a portion of his/her investment authority to a Deputy Treasurer. Prior to the delegation of the investment authority to a Deputy Treasurer, the Treasurer shall notify the Board and request confirmation of the delegation. Delegation of investment authority will not remove or abridge the Treasurer's investment responsibility.
3. The Treasurer may engage the services of one or more external investment advisors to assist in the management of the District's investment portfolio in a manner consistent with the District's objectives and in accordance with this Policy. Such external managers may provide advice and effectuate trades in a discretionary capacity within the guidelines established in this Policy. Such managers must be registered under the Investment Advisors Act of 1940 and must have not less than five years' experience investing in the securities and obligations authorized by the CGC § 53601, and with assets under management in excess of five hundred million dollars (\$500,000,000).

B. Those Authorized to Invest District Funds –

In accordance with Section 21187 of the California Water Code, the Treasurer has appointed the following as "Deputy Treasurers" to assist in handling the **investment practices of the District**. By approval of this document these appointments are hereby ratified by the Board. The Board shall review the appointment of Deputy Treasurers annually at the first Board meeting each January.

Manager
Office Manager
Finance Committee Board Members
Investment Advisor

The Treasurer and Deputy Treasurers are authorized to direct and invest District funds in accordance with this Policy.

C. Reports –

Monthly: Report of Transactions. All transactions into, out of or between various investments will be monitored and summaries reported monthly.

Quarterly:

1. Procedure.

The Treasurer shall furnish a Quarterly Investment/Cash report to the Board within forty-five (45) days following the close of the preceding quarter.

2. Content of Report.

Shall include a statement of compliance with this policy, and, as necessary, liquidity versus forecasted cash flow for the next six (6) months.

Detail Reports

- Description of each investment
- Cost
- Market value (identify source)
- Rate of Return - face and current
- Date purchased (except LAIF)
- Earned interest accrued and received
- Maturity Date
- Identify holder of security
- Identify any funds managed or controlled by outside parties (except LAIF)

Summary by Investment Type (i.e., Treasury Notes, GNMA, LAIF)

Summary by Maturity Date

- 0 – 90 days
- 90 – 365 days
- 1 – 2 years
- 2 – 3 years
- Etc.

Summary of Beginning Balance, Transactions, and Ending Balance

Annually:

Prior to January 31st at a meeting of the Board, the Board shall review the Statement of Investment Policy (including the authorization of the Treasurer to assume full responsibility for investment transactions) and amend it as appropriate or otherwise ratify its continuance. The Board will also confirm the delegation of the Investment functions as provided in Section 14.4.A. of this Policy.

D. Selling Securities Prior to Maturity –

Except for investments with maturities of one year or less, sale transactions prior to maturity shall be made only to provide for cash requirements, to sell an investment which does not meet current Investment Policy or to restructure maturities to meet current goals. However, such sales prior to maturity may be made to secure higher yields provided the objectives of safety and liquidity are met first.

Sufficient written documentation to facilitate audit of the transaction must be maintained.

E. Interest –

Interest shall be accounted for on the accrual basis quarterly. Gains or losses on the sale of securities will be recorded on the transaction date.

14.5 GUIDELINES

The following Guidelines are established to direct and control investment activities and are a part of the above policies:

A. Investments –

The investment portfolio shall be reviewed periodically by one of the following: Treasurer, Manager, Office Manager or Finance Committee Board member to insure compliance with this Policy.

B. Pooled Cash –

Whenever practical District cash shall be consolidated and invested on a pooled concept basis. Interest earnings will be allocated according to specific Board designated reserve accounts and other non-designated funds at monthly intervals.

C. Competitive Bids –

Purchase and sale of securities should be made on the basis of competitive offers and bids when applicable.

D. Cash Forecast –

Treasurer shall prepare six-month cash forecast for basis of setting goals for investment maturities quarterly or annually, and when any significant changes take place that would materially revise the forecast.

E. Investment Limitations –

Security purchases and holdings will be maintained within statutory limits imposed by the CGC § 53601 et seq. and contractual agreements. Additionally, only investments listed below as Permitted Investments may be purchased or held:

INVESTMENT TYPE	MAXIMUM MATURITY	MAXIMUM SPECIFIED % OF PORTFOLIO	MINIMUM QUALITY REQUIREMENTS
LOCAL AGENCY BONDS	5 YEARS	— NONE —	— NONE —
U.S. TREASURY OBLIGATIONS	5 YEARS	— NONE —	— NONE —
STATE OBLIGATIONS —CA AND OTHERS (CA preference)	5 YEARS	— NONE —	— NONE —
CA LOCAL AGENCY OBLIGATIONS	5 YEARS	— NONE —	— NONE —
U.S. AGENCY OBLIGATIONS	5 YEARS	— NONE —	— NONE —
BANKERS' ACCEPTANCES	180 DAYS	40%	— NONE —
COMMERCIAL PAPER —SELECT AGENCIES	270 DAYS	25% OF THE AGENCIES MONEY	<i>"A-1/P-F-1"; if the issuer has issued long-term debt it must be rated "A" without regard to modifiers"</i>
COMMERCIAL PAPER —OTHER AGENCIES	270 DAYS	40% OF THE AGENCY'S MONEY	<i>"A-1/P-F-1"; if the issuer has issued long-term debt it must be rated "A" without regard to modifiers"</i>
NEGOTIABLE CERTIFICATES OF DEPOSIT	5 YEARS	30%	— NONE —
CD PLACEMENT SERVICE	5 YEARS	30%	— NONE —
REPURCHASE AGREEMENTS	1 YEAR	— NONE —	— NONE —
REVERSE REPURCHASE AGREEMENTS AND SECURITIES LENDING AGREEMENTS	92 DAYS	20% OF THE BASE VALUE OF THE PORTFOLIO	— NONE —
MEDIUM-TERM NOTES	5 YEARS	30%	"A" RATING
MUTUAL FUNDS AND MONEY MARKET MUTUAL FUNDS	N/A	20%	MULTIPLE
COLLATERALIZED BANK DEPOSITS	5 YEARS	— NONE —	— NONE —
MORTGAGE PASS-THROUGH SECURITIES	5 YEARS	20%	"AA" RATING
BANK/TIME DEPOSITS	5 YEARS	— NONE —	— NONE —
COUNTY POOLED INVESTMENT FUNDS	N/A	— NONE —	— NONE —
JOINT POWERS AUTHORITY POOL	N/A	— NONE —	MULTIPLE
LOCAL AGENCY INVESTMENT FUND (LAIF)	N/A	— NONE —	— NONE —

F. Liquidity –

The marketability (salability) of a security should be considered at the time of purchase, as the security may have to be sold at a later date to meet unanticipated cash demands. The portion of the portfolio which may have to be liquidated in order to meet cash requirements should, therefore, consist largely of securities with active secondary or resale markets. This would include short-term maturities to limit the effect of market risk on the market price of securities.

G. Long-Term Maturities –

Maturities over three years should be limited to those funds, which clearly will not be required before maturity (or one year before maturity). A line of credit collateralized by the investment portfolio shall be established for short term borrowing. Any use of this line of credit is subject to Board Approval prior to execution.

H. Broker / Dealers –

Broker / Dealers and investment advisors shall be provided with a copy of this Policy to assure that they are aware of what are designated as Permitted Investments as well as those investments which are specifically prohibited.

I. Diversification –

The purpose of diversifying is to reduce the overall portfolio risks while attaining a market rate of return. Therefore, it needs to be conceptualized in terms of maturity, instrument types and issuer. The portfolio should consist of a mix of various types of securities, issuers and maturities.

CHAPTER 14.B

PARADISE IRRIGATION DISTRICT

RESERVE FUND POLICY

Introduction:

Paradise Irrigation District recognizes the importance of adopted policies relative to reserve funds. Written adopted financial policies relative to reserve funds have many benefits, and represents a critical element of sound fiscal management. Reserve funds are prudent fiscal management tools, which are a cornerstone of long-term financial planning. A written and adopted Reserve Fund Policy provides for and facilitates attainment of program and financial goals relative to the prudent accumulation and management of designated reserves and reserve funds. This Reserve Fund Policy was developed to clearly identify specific designated reserve funds. It is the intent of this Reserve Fund Policy to clearly identify both reserve fund categories and purposes, and set target levels for reserves that are consistent with the District's mission statement, the uniqueness of the District, and the philosophy of the District's Board of Directors. This policy shall be known and may be cited as the Paradise Irrigation District Reserve Fund Policy.

Objectives:

This Reserve Fund Policy has been developed to consider and appropriately provide for the following:

1. To assure continued operation and solvency of the District for the carrying out of its stated mission and purposes.
2. To maintain a financially viable District that can provide adequate levels of service.
3. To maintain and enhance the sound fiscal condition of the District
4. To maintain financial flexibility in order to be able to continually adapt to change, and permit an orderly adjustment to unanticipated events.
5. To maintain a diversified and stable long-term financial plan.
6. The accumulation and maintenance of an amount equal to the stated target fund level for each specific reserve fund created by the District.
7. The review of this policy on an annual basis in order to determine appropriate changes, additions and/or deletions.
8. To maintain a written Paradise Irrigation District Reserve Fund Policy.

Reserve Fund Policy:

In order to achieve the objectives of this Policy, the Board of Directors shall adhere to the following guidelines:

1. Reserve funds may be established from time to time by the Board of Directors as an important component of sound financial management to meet both short and long-term financial objectives, and to ensure prudent financial management practices.
2. Reserve funds may be designated by the Board of Directors as a "restricted reserve fund" or "non-restricted reserve fund".
3. Restricted reserve funds shall be segregated, and limited in use to specific and designated purpose(s) as defined and established by the Board of Directors.

4. Assets of a restricted reserve fund shall be held separately from the general fund, and shall only be used for the stated purpose(s) of the specific reserve fund.
5. All non-restricted revenue shall be held in the operating fund until the Board transfers reserves to other funds.
6. Non-restricted reserve funds shall have no reference to specific accounting assets.
7. Non-restricted reserve funds do not require the physical segregation of funds.
8. All investment earnings from non-restricted reserve funds shall be credited to the District's general Water Fund, unless otherwise stated herein.
9. Board of Director approval shall be required prior to the expenditure of restricted reserve funds, unless otherwise stated herein.
10. The Board of Directors shall maintain a written Paradise Irrigation District Reserve Fund Policy.
11. The Board of Directors shall annually review the Paradise Irrigation District Reserve Fund Policy at a public meeting in order to determine appropriate changes, additions, and/or deletions.

Reserve Funds:

The Board of Directors hereby establishes and designates the following reserve funds:

Priority	Reserve	Base Calculation	Target Formula	
			Min	Max
Non-Restricted				
1	Operating Fund	Operating Budget, including debt service & pipeline	17%	100%
2	Water Rate Stabilization Fund	Budget Water Revenue	10%	20%
3	Emergency Fund	Operating Budget, including debt service & pipeline	25%	25%
4	Drought Management Fund	Budgeted Consumption Revenue	25%	50%
5	Equipment Replacement Fund	Accumulated Equipment Depreciation	Current	100%
6	Long Term Capital Fund	10 Year Capital Plan	10%	100%
Restricted				
Sick/Annual Leave Fund			As required by contract or law	
Facility Capacity Fund			As required by contract or law	
Bond Reserve Fund			As required by contract or law	
Debt Proceeds Construction Fund			As required by contract or law	
PFD Reserve Fund			As required by contract or law	

Target Fund Levels:

The Board of Directors shall establish a stated target fund level for each non-restricted reserve fund.

Annual Evaluation:

The CFO shall perform a review and analysis of each designated reserve fund for presentation to the Board of Directors at a public meeting upon the occurrence of the following:

1. Upon consideration by the Board of Directors during the Board meeting in July.
2. Upon any significant change to and/or expenditure(s) from a designated reserve fund.
3. Upon determination that a fund balance is less than the established target fund level for a designated reserve fund.

OPERATING FUND

Fund Purpose:

The purpose of the Operating Fund is to accumulate sufficient reserve funds necessary to satisfy the general cash flow demands and requirements of the District. This reserve fund will preserve credit worthiness, ensure adequate financial resources are available for timely payment of District obligations, and provide liquidity throughout the fiscal year.

Policy:

In order to achieve the objectives of this policy the Board of Directors shall adhere to the following guidelines:

1. This reserve fund shall be known as the “Operating Fund”.
2. The Operating Fund shall be designated as a non-restricted reserve fund.
3. During the adoption of the District’s annual budget the Board may transfer funds to/from the Operating Fund.
4. The District Manager/CFO is authorized to approve the disbursement of Operating Funds for payment of expenses that have prior board approval.
5. The Operating Reserve Fund may be invested in financial institutions and instruments which maintain the highest level of liquidity, such as checking, savings and LAIF.
6. This policy shall be reviewed on an annual basis for long-term adequacy and use restrictions.

Target Fund Level:

The target fund level for the Operating Fund is to maintain a balance, as of July 1st of each fiscal year, equal to a minimum of 17% of operational budget including debt service and pipeline, and a maximum of 100%, unless otherwise directed by the Board of Directors at a public meeting. This target fund level was established based upon the following general guidelines:

1. The District shall maintain a balance in the general fund equal to approximately two (2) to three (3) months budgeted expenditures for the fiscal year.
2. For the purpose of this policy, budgeted expenditures shall include all expenditures associated with the following:
 - a. Operating Expenses
 - b. District Installed Pipeline Projects
 - c. Debt Service

WATER RATE STABILIZATION FUND

Fund Purpose:

The purpose of the Water Rate Stabilization Fund is to establish a means to provide more stable water service charges to the District's customers. The Water Rate Stabilization Fund will be used to accumulate reserves for District use during periods of unanticipated fluctuations in general fund revenues. Unanticipated fluctuations in general fund revenues include, but are not limited to, periods of seasonal weather changes. The Water Rate Stabilization Fund will reduce and/or eliminate the need for unanticipated changes to water service charges, and will provide for more stable rates.

Policy:

In order to achieve the objectives of this policy the Board of Directors shall adhere to the following guidelines:

1. This reserve fund shall be known as the "Water Rate Stabilization Fund".
2. The Water Rate Stabilization Fund shall be designated as a non-restricted reserve fund.
3. During the adoption of the District's annual budget the Board may transfer funds from the Operating Fund to the Water Rate Stabilization Fund.
4. The District Manager/CFO is authorized to approve the disbursement of Water Rate Stabilization Funds for payment of expenses that have prior board approval.
5. The Water Rate Stabilization Fund may be invested in financial institutions and instruments.
6. All investment earnings from the Water Stabilization Fund shall be credited to the District's operating fund.
7. This policy shall be reviewed on an annual basis for long-term adequacy and use restrictions.

Target Fund Level:

The target fund level for the Water Rate Stabilization Reserve Fund is to maintain a balance, as of July 1st of each fiscal year, equal to a minimum of 10% of water rate revenue (including service charge and consumption revenue), and a maximum of 20%, unless otherwise directed by the Board of Directors at a public meeting.

EMERGENCY RESERVE FUND

Fund Purpose:

The purpose of the Emergency Fund is to accumulate sufficient financial reserves necessary to ensure a timely response by the District to natural disasters and/or other emergencies. This reserve fund will provide for rapid response and continued operation of the District's essential services during periods of natural disasters and/or other emergencies.

Policy:

In order to achieve the objectives of this policy the Board of Directors shall adhere to the following guidelines:

1. This reserve fund shall be known as the "Emergency Fund".
2. The Emergency Fund shall be designated as a non-restricted reserve fund.
3. During the adoption of the District's annual budget the Board may transfer funds from the Operating Fund to the Emergency Fund.
4. The Emergency Fund shall be expended solely for the purpose of responding to and maintaining District operations during a natural disaster and/or emergency.
5. The District Manager/CFO is authorized to approve the disbursement of Emergency Reserve Funds for payment of expenses that have prior board approval.
6. Upon expenditure of any Emergency Funds, the CFO shall notify the Board of Directors at the earliest possible opportunity.
7. Expenditures from this designated reserve fund which are subsequently recovered, either partially or fully, from FEMA, OES, insurance and/or any other sources, said revenue shall be utilized solely for the purpose of refunding the Emergency Reserve Fund.
8. All investment earnings from the Emergency Fund shall be credited to the District's operating fund.
9. This policy shall be reviewed on an annual basis for long-term adequacy and use restrictions.

Target Fund Level:

The target fund level for the Emergency Reserve Fund is to maintain a balance, as of July 1st of each fiscal year, equal to a minimum of 25% of operational budget including debt service and pipeline, unless otherwise directed by the Board of Directors at a public meeting.

DROUGHT MANAGEMENT FUND

Fund Purpose:

The purpose of the Drought Management Fund is to establish a means to provide more stable water service charges to the District's customers. The Drought Management Fund will be used to accumulate reserves for District use during periods of unanticipated reductions in general fund revenues. Unanticipated reductions in general fund revenues include, but are not be limited to, periods of drought. The Drought Management Reserve Fund will reduce and/or eliminate the need for unanticipated changes to water service charges, and provide for more stable rates.

Policy:

In order to achieve the objectives of this policy, the Board of Directors shall adhere to the following guidelines:

1. This reserve fund shall be known as the "Drought Management Fund".
2. The Drought Management Fund shall be designated as a non-restricted reserve fund.
3. During the adoption of the District's annual budget the Board may transfer funds from the Operating Fund to the Drought Management Fund.
4. The District Manager/CFO is authorized to approve the disbursement of Drought Management Funds for payment of expenses that have prior board approval.
5. All investment earnings from the Drought Management Fund shall be credited to the District's operating fund.
6. This policy shall be reviewed on an annual basis for long-term adequacy and use restrictions.

Target Fund Level:

The target fund level for the Drought Management Reserve Fund is to maintain a balance, as of July 1st of each fiscal year, equal to a minimum of 25% and a maximum of 50% of budgeted consumption revenue, unless otherwise directed by the Board of Directors at a public meeting.

LONG TERM CAPITAL FUND

Fund Purpose:

The purpose of the Long Term Capital Fund is to accumulate sufficient reserve funds necessary to ensure timely acquisition, replacement and upgrade of the District's water system infrastructure and capital assets.

Policy:

In order to achieve the objectives of this policy, the Board of Directors shall adhere to the following guidelines:

1. This reserve fund shall be known as the "Long Term Capital Fund".
2. The Long Term Capital Fund shall be designated as a non-restricted reserve fund.
3. During the adoption of the District's annual budget the Board may transfer funds from the Operating Fund to the Long Term Capital Fund.
4. Monies transferred into the Long Term Capital Fund shall be expended solely for the construction of new and/or replacement water system infrastructure and capital assets.
5. The District Manager/CFO is authorized to approve the disbursement of Long Term Capital Funds for payment of expenses that have prior board approval.
6. All investment earnings from the Long Term Capital Fund shall be credited to the District's operating fund.
7. This policy shall be reviewed on an annual basis for long-term adequacy and use restrictions.

Target Fund Level:

The target fund level for the Long Term Capital Fund is to maintain a balance, as of July 1st of each fiscal year, equal to a minimum of 10% of the 10 year capital budget total and a maximum of 100%, unless otherwise directed by the Board of Directors at a public meeting.

EQUIPMENT REPLACEMENT FUND

Fund Purpose:

The purpose of the Equipment Replacement Funds is to accumulate sufficient reserves necessary to ensure timely replacement and upgrade of the District's vehicles, mobile equipment, and appurtenances thereto. Safe, reliable and up-to-date vehicles and equipment, in good working order, are essential for the provision of public services in a timely and professional manner. Due to the need for depreciation and replacement of vehicles and other mobile equipment it is desirable for the District to set aside funds on an on-going basis for this purpose.

Policy:

In order to achieve the objectives of this policy, the Board of Directors shall adhere to the following guidelines:

1. This reserve fund shall be known as the "Equipment Replacement Fund".
2. The Equipment Replacement Reserve Fund shall be designated as a non-restricted reserve fund.
3. During the adoption of the District's annual budget the Board may transfer funds from the Operating Fund to the Equipment Replacement Fund.
4. Funds transferred from the Equipment Replacement Fund shall be expended solely for the purpose of replacement and upgrade of existing District vehicle, mobile equipment and appurtenances thereto.
5. The District Manager/CFO is authorized to approve the disbursement of Equipment Replacement Funds for payment of expenses that have prior board approval.
6. The allocation amount shall be reviewed every five (5) years for appropriate vehicle and equipment retention schedules, depreciation schedules and acquisition costs.
7. All investment earnings from the Equipment Replacement Reserve Fund shall be credited to the District's operating fund.
8. This policy shall be reviewed on an annual basis for long-term adequacy and use restrictions.

Target Fund Level:

The target fund level for the Equipment Replacement Reserve Fund is to maintain a balance, as of July 1st of each fiscal year, equal to a minimum of current year equipment depreciation and maximum of total equipment accumulated depreciation, unless otherwise directed by the Board of Directors at a public meeting.

SICK/ANNUAL LEAVE FUND

Fund Purpose:

The purpose of the Sick/Annual Leave Funds is to accumulate sufficient reserves necessary to ensure payment of outstanding accrued sick and/or annual leave upon a District employee's separation of service from the District. Pursuant to the current Memorandums of Understanding by and between the District and designated employee representative bargaining groups, District employees may accumulate annual leave in accordance with a maximum accumulation schedule. Any employee separated from the service of the District shall receive pay for all accumulated annual/sick leave in accordance with designated schedules. It is desirable for the District to set aside funds on an on-going basis for this purpose.

Policy:

In order to achieve the objectives of this policy, the Board of Directors shall adhere to the following guidelines:

1. This reserve fund shall be known as the "Sick/Annual Leave Fund".
2. The Sick/Annual Leave Fund shall be designated as a restricted reserve fund.
3. During the adoption of the District's annual budget the Board may transfer funds from the Operating Fund to the Sick/Annual Leave Fund.
4. Monies transferred into the Sick/Annual Leave Fund shall be expended solely for the purpose of compensation to District employees upon separation of service from the District for accumulated sick/annual leave.
5. The District Manager/CFO is authorized to approve the disbursement of Sick/Annual Leave Fund Funds for payment of expenses that have prior board approval.
6. All investment earnings from the Sick/Annual Leave Fund shall be credited to the District's operating fund.
7. This policy shall be reviewed on an annual basis for long-term adequacy and use restrictions.

Target Fund Level:

The target fund level for the Sick/Annual Leave Reserve Fund is to maintain a balance, as of July 1st of each fiscal year, equal to a minimum of the current accrued vacation and sick liability, unless otherwise directed by the Board of Directors at a public meeting.

FACILITY CAPACITY FEE FUND

Fund Purpose:

The purpose of the Facility Capacity Fund is to collect fees from new service connections (specific connection fees) for capacity increasing related projects. This reserve fund will provide capital funds for projects that increase capacity to the District

Policy:

In order to achieve the objectives of this policy, the Board of Directors shall adhere to the following guidelines:

1. This reserve fund shall be known as the “Facility Capacity Fee Fund”.
2. The Facility Capacity Fee Fund shall be designated as a restricted reserve fund.
3. The District shall transfer all Capacity Fee monies from the Operating Fund to the Facility Capacity Fee Fund upon collection.
4. Approval for expenditures from the Facility Capacity Fee Fund shall require the affirmative approval by the Board of Directors at a duly noticed public meeting.
5. All investment earnings from the Facility Capacity Fee Fund shall be credited to the District’s operating fund.
6. This policy shall be reviewed on an annual basis for long-term adequacy and use restrictions.

BOND RESERVE FUND

Fund Purpose:

The purpose of the Bond Reserve Fund is governed by legal bond covenants for the District's revenue bonds. Bond covenants require that this fund be maintained at a level sufficient to fund the maximum annual debt service payments. These funds are held by the bond trustee during the term of the bonds and are to be used in the event that the District is unable to meet its required semi-annual debt service obligation.

Policy:

In order to achieve the objectives of this policy, the Board of Directors shall adhere to the following guidelines:

1. This reserve fund shall be known as the "Debt Reserve Fund".
2. The Debt Reserve Fund shall be designated as a restricted reserve fund.
3. The District shall transfer all Bond Reserve monies from the Operating Fund to the Bond Reserve Fund upon collection.
4. Bond Reserve Funds for each revenue bond issue will be used to make the last two semi-annual debt service payments for that issue.
5. The District Manager/CFO is authorized to approve the expenditure of Bond Reserve Funds, with prior approval of the Board of Directors, for the purpose expressly stated herein.
6. Reserve funds related to state loans shall be treated identically to revenue bond reserve funds.
7. All investment earnings from the Debt Reserve Fund shall be credited to the Debt Reserve Fund.
8. This policy shall be reviewed on an annual basis for long-term adequacy and use restrictions.

Target Fund Level:

The target fund level for the Debt Reserve Fund is to maintain a balance, as of July 1st of each fiscal year, equal to a minimum of the legal requirement by law.

DEBT PROCEEDS CONSTRUCTION PROJECT FUND

Fund Purpose:

The purpose of the Debt Proceeds Construction Project Fund is governed by loan contracts for a specific Project. Bond documents require that these funds be used for the specific project.

Policy:

In order to achieve the objectives of this policy, the Board of Directors shall adhere to the following guidelines:

1. This reserve fund shall be known as the “Debt Proceeds Construction Project Fund”.
2. The Debt Proceeds Construction Project Fund shall be designated as a restricted reserve fund.
3. The District shall transfer all Bond Proceed monies from the Operating Fund to the Bond Proceeds Construction Project Fund upon collection.
4. Debt Proceeds Construction Project Fund will be used to construct the specific project as previously approved by the Board.
5. The District Manager/CFO is authorized to approve the expenditure of Debt Proceeds Construction Project Funds, with prior approval of the Board of Directors, for the purpose expressly stated herein.
6. All investment earnings from the Debt Proceeds Construction Project Fund shall be credited to the Debt Proceeds Construction Project Fund.
7. This policy shall be reviewed on an annual basis for long-term adequacy and use restrictions.

Target Fund Level:

The target fund level for the Debt Proceeds Construction Project Fund is to maintain a balance, as of July 1st of each fiscal year, equal to the remaining bond proceeds borrowed for a specific project.

PFD RESERVE FUND

Fund Purpose:

The purpose of the PFD Reserve Fund is governed by legal contract between the District and the PFD. The contract requires that funds spent must be used to install or repair fire hydrants. The funds can also be used to increase fire flows by replacing water pipes with a specific agreement between the PFD and the District.

Policy:

In order to achieve the objectives of this policy, the Board of Directors shall adhere to the following guidelines:

1. This reserve fund shall be known as the “PFD Reserve Fund”.
2. The PFD Reserve Fund shall be designated as a restricted reserve fund.
3. The District shall transfer all PFD Reserve monies from the Operating Fund to the PFD Reserve Fund upon collection.
4. PFD Reserve Funds will be used for the maintenance and installation of the PFD hydrant system, and to increase fire flows by replacing water pipes with specific agreement between PFD and the District.
5. The District Manager/CFO is authorized to approve the expenditure PFD Reserve Funds, with prior approval of the Board of Directors, for the purpose expressly stated herein.
6. All investment earnings from the PFD Reserve Fund shall be credited to the PFD Reserve Fund.
7. This policy shall be reviewed on an annual basis for long-term adequacy and use restrictions.

Target Fund Level:

The target fund level for the PFD Reserve Fund is to maintain a balance, as of July 1st of each fiscal year, equal to a minimum of the contract requirement.

CHAPTER 14.C

PARADISE IRRIGATION DISTRICT DEBT MANAGEMENT POLICY

POLICY STATEMENT

This policy documents the goals of the Paradise Irrigation District (“District”) for the use of debt instruments and provides guidelines for the use of debt for financing District water, sewer and recycled water infrastructure and project needs. The District’s overriding goal in issuing debt is to respond to and provide for its infrastructure, capital project and other financing needs while ensuring that debt is issued and managed prudently in order to maintain a sound fiscal position and protect credit quality. The District issues debt instruments, administers District held debt proceeds and makes debt service payments, acting with prudence, diligence and attention to prevailing economic conditions.

The District will pay for all infrastructure, projects, and other financing needs from a combination of current revenues, available reserves, if any, and prudently issued debt. The District believes that debt can provide an equitable means of financing projects for its customers and provide access to new capital needed for infrastructure and project needs. Debt will be used to meet financing needs (i) if it meets the goals of equitable treatment of all customers, both current and future; (ii) if it is the most cost-effective means available; (iii) if it is fiscally prudent, responsible, and diligent under the prevailing economic conditions; and (iv) if there are other important policy reasons therefor. The District will not issue debt without the approval of the Board of Directors (“Board”).

Purpose and Use of Debt

The District will utilize reasonable debt financing as an acceptable and appropriate approach to fund long-term improvements and thus ensure that existing and future users pay their fair share. Long-term improvements include the acquisition of land, facilities, infrastructure, and supplies of water; and enhancements or enlargements to existing capacity and facilities for obtaining, importing, transporting and delivering additional quantities of water. These improvements are typically included in the District’s, Capital Improvement Budget and Water Master Plan. Bond proceeds can be issued to fund the planning, design, land acquisition, construction, attached fixtures or equipment and moveable pieces of equipment, or other costs as permitted by law.

Purpose of Policy

The purpose of this debt management policy is to:

- Establish parameters for issuing debt
- Provide guidance to decision makers:
 - With respect to all options available to finance infrastructure, capital projects, and other financing needs
 - So that the most prudent, equitable and cost effective method of financing can be chosen
- Document the objectives to be achieved both prior to issuance and subsequent to issuance
- Promote objectivity in the decision-making process
- Facilitate the financing process by establishing important policy decisions in advance

The District will adhere to the following legal requirements for the issuance of public debt:

Adopted 05/17/2017

- The state law which authorizes the issuance of the debt
- The federal and state laws which govern the eligibility of the debt for tax-exempt status
- The federal and state laws which govern the issuance of taxable debt
- The federal and state laws which govern disclosure, sale, and trading of the debt both before and subsequent to issuance

Types of Debt

Revenue Bonds, Notes, Certificates of Participation, special tax or special assessment bonds, capital leases, commercial paper, bank loans, direct placements and lease-purchase financings will be treated as debt and subject to these same policies. The Board of Directors may from time to time find that other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Management Policy.

I. GENERAL PROVISIONS

The District will provide for a periodic review of its financial performance and review its performance relative to the financial policies outlined herein. These financial policies will be taken into account during the capital planning, budgeting, and rate setting processes. Necessary appropriations for annual debt service requirements will be routinely included in the District's annual budget. The District will maintain proactive communication with the investment community, including rating agencies, credit enhancers and investors, to ensure future capital market access at the lowest possible interest rates.

The District's Debt Management Policy, the Reserve Policy, and the Investment Policy are integrated into the decision-making framework utilized in the budgeting and capital improvement planning process. As such, the following principles outline the District's approach to debt management:

- The District will issue debt only in the case where there is an identified source of repayment. Debt will be issued to the extent that (i) projected existing revenues are sufficient to pay for the proposed debt service together with all existing debt service covered by such existing revenues, or (ii) additional projected revenues have been identified as a source of repayment in an amount sufficient to pay for the proposed debt.
- The District will not issue debt to cover operating needs, unless specifically approved by the Board.
- Debt issuance for a capital project will not be considered unless such project has been incorporated into the District's adopted Capital Improvement Budget or as otherwise approved by the Board.
- Each proposal to issue debt will be accompanied by an analysis that demonstrates conformity to this Policy. This analysis will address the purpose for which the debt is issued and the proposed debt structure.

II. CONDITIONS FOR DEBT ISSUANCE

The following guidelines formally establish parameters for evaluating, issuing, and managing the District's debt. The guidelines outlined below are not intended to serve as a list of rules to be applied to the District's debt issuance process, but rather to serve as a set of practices to promote prudent financial management.

Adopted 05/17/2017

In issuing debt, the District's objectives will be to:

- Achieve the lowest cost of capital
- Ensure ratepayer equity
- Maintain the adopted credit rating strategy, or a more effective credit rating strategy, and access to credit enhancement
- Preserve financial flexibility

Standards for Use of Debt Financing

When appropriate, the District will use long-term debt financing to achieve an equitable allocation of capital costs/charges between current and future system users, to provide more manageable rates in the near and medium term and to minimize rate volatility. The District shall not construct or acquire a facility if it is unable to adequately provide for the subsequent annual operation and maintenance costs of the facility throughout its expected life. Capital projects financed through debt issuance will not be financed for a term longer than the expected useful life of the project.

Debt Capacity

There is no specific provision within the California Government Code that limits the amount of debt that may be issued by the District. The District's future borrowing capability is limited by the debt coverage ratio and additional debt limitations required by the existing bond covenants.

Financing Criteria

Each debt issuance should be evaluated on an individual basis within the context of the District's overall financing objectives and current market conditions. The District will evaluate alternative debt structures (and timing considerations) to ensure the most cost-efficient financing under prevailing market conditions.

Credit Enhancement – The District will consider the use of credit enhancement on a case-by-case basis. Only when clearly demonstrable savings can be realized shall credit enhancement be utilized.

Cash-Funded Reserve vs. Surety – If the issuance of debt requires a cash-funded debt service reserve fund, the District may purchase a surety policy or replace an existing cash-funded debt service reserve fund when deemed prudent and advantageous. The District may permit the use of guaranteed investment agreements for the investment of reserve funds pledged to the repayment of any of its debt when it is approved by the Board.

Call Provisions – In general, the District's securities should include optional call provisions. The District will avoid the sale of non-callable, long-term fixed rate bonds, absent careful evaluation of the value of the call option.

Additional Bonds Test/Rate Covenants – The amount and timing of debt will be planned to comply with the additional bonds tests and rate covenants outlined in the appropriate legal and financing documents, and this policy.

Short-Term Debt – The District may utilize short-term borrowing to serve as a bridge for anticipated revenues, construction financing or future bonding capacity. The District may also utilize short-term

Adopted 05/17/2017

financing for the acquisition and construction of equipment and other facilities having short-term useful lives.

Variable Rate Debt – Variable rate debt products are rolling series of short-term investments that are resold periodically and are therefore priced at the short-end of the yield curve at low interest rates. If an issuer accepts the risks inherent in variable interest rates, the issuer can take advantage of some of the lowest rates available on the market. Variable rate debt may be appropriate for the District’s portfolio, especially in an environment where increased interest earnings on invested funds offset the increased cost of variable rate debt. Variable rate debt products include variable rate demand obligations, commercial paper, and auction rate securities. The District may consider the use of variable rate debt products to achieve a lower cost of borrowing or for short-term borrowing. In determining whether or not to use variable rate debt, the District will analyze the risks associated with the variable rate debt products, including derivative products.

Use of Variable Rate Debt – The District may consider the use of variable rate debt products to achieve a lower cost of borrowing or for short-term borrowing. In determining whether or not to use variable rate debt, the District will analyze, among other things, the risk associated with the variable rate debt and the impact on the District’s overall portfolio. Before issuing variable rate debt, the District will analyze its cash position; the District will not issue variable rate debt in an amount that exceeds 115% of its unrestricted cash position at the time of issuance of any variable rate debt.

Investment of Bond Proceeds - Bond proceeds will be invested in accordance with the permitted investment language outlined in the bond documents for each transaction. The District will seek to maximize investment earnings within the investment parameters set forth in the respective debt financing documentation. The reinvestment of bond proceeds will be incorporated into the evaluation of each financing decision; specifically addressing arbitrage/rebate position, and evaluating alternative debt structures and refunding savings on a “net” debt service basis, where appropriate.

Refinancing Outstanding Debt

The Chief Financial Officer (“CFO”) shall have the responsibility to evaluate potential refunding opportunities. The District will consider the following issues when analyzing potential refinancing opportunities:

Debt Service Savings – The District shall establish a target savings level greater or equal to 3% of the par of debt refunded on a net present value (NPV) basis (after payment of all costs associated with the issuance). This figure will serve only as a guideline and the District may determine that a different savings target is appropriate; the District shall evaluate each refunding opportunity on a case-by-case basis. In addition to the savings guideline, the following shall be taken into consideration:

- Remaining time to maturity
- Size of the issue
- Current interest rate environment
- Annual cash flow savings
- The value of the call option
- Revision of restrictive or onerous covenants
- Other factors approved by the applicable member District

Restructuring – The District may seek to refinance a bond issue on a non-economic basis, in order to restructure debt, to mitigate irregular debt service payments, accommodate revenue shortfalls, to achieve a proper matching of debt service with revenues, release reserve funds, or comply with and/or eliminate rate/bond covenants.

Term/Final Maturity – The District may consider the extension of the final maturity of the refunding bonds in order to achieve a necessary outcome, provided that such extension is legal. The term of the debt should not extend beyond the reasonably expected useful life of the asset being financed. The District may also consider shortening the final maturity of the bonds. The remaining useful life of the assets and the concept of inter-generational equity will guide these decisions.

Defeasance – Defeasance is when a debt financing is refinanced or paid off through an escrow where certain authorized investments and cash are deposited to pay the redemption price, principal and interest until such time the debt is fully redeemed. On the date when proceeds are deposited into the escrow, the debt will no longer be deemed outstanding and is defeased.

There are two types of defeasances: legal and economic. A legal defeasance ends all of the rights and interest of the debt holders provided under the governing documents, including the pledge of revenues or other security interest. An economic defeasance does not end the rights and interest of the debt holders until such debt is fully redeemed.

When evaluating an economic versus legal defeasance, the District shall take into consideration both the financial impact on a net present value basis as well as the rating/credit impact. The District shall take all necessary steps to optimize the yield on its refunding escrows investments and avoid negative arbitrage.

Outstanding Debt Limitations

Prior to issuance of new debt, the District shall consider and review the latest credit rating reports and guidelines to ensure the District’s credit ratings and financial flexibility remain at levels consistent with the most highly rated comparable public agencies.

Method of Issuance

The District will determine, on a case-by-case basis, whether to sell its bonds competitively or through negotiation.

Competitive Sale – In a competitive sale, the District’s debt shall be awarded to the bidder providing the lowest true interest cost (“TIC”), as long as the bid adheres to the requirements set forth in the official notice of sale.

Negotiated Sale – The District recognizes that some bond issues are best sold through negotiation with a selected underwriter or team of underwriters. The District has identified the following circumstances below in which this would likely be the case:

- Issuance of variable rate or taxable bonds
- Complex structures or credit considerations (such as non-rated bonds), which require a strong pre-marketing effort. Significant par value, which may limit the number of potential bidders, unique/proprietary financing mechanism (such as a financing pool), or specialized knowledge of financing mechanism or process

- Market volatility, such that the District would be better served by flexibility in the timing of its sale, such as in the case of a refunding issue wherein the savings target is sensitive to interest rate fluctuations, or in a changing interest rate environment
- When an underwriter has identified new financing opportunities or presented alternative structures that financially benefit the District
- As a result of an underwriter's familiarity with the project/financing, that enables the District to take advantage of efficiency and timing considerations

Private Placement – From time to time the District may elect to issue debt on a private placement basis. Such method shall be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or if it is determined that access to the public market is unavailable and timing considerations require that a financing be completed.

Market Communication, Debt Administration and Reporting Requirements

Responsibilities – For purposes of this policy the District Manager delegates responsibility to the CFO or his/her successor in position and in title.

Rating Agencies – The CFO shall be responsible for maintaining the District's relationships with Standard & Poor's Ratings Services, Fitch Ratings, and Moody's Investors Service, as appropriate. The District shall, from time to time, deal with one, two or all of these agencies as circumstances dictate. In addition to general communication, the CFO shall (1) meet, (either in person or via phone) with credit analysts at least annually, and (2) prior to each competitive or negotiated sale, offer conference calls or meeting(s) with rating analysts in connection with the planned sale.

Observance of Debt Covenants – The CFO will periodically ensure that the District is in compliance with all legal covenants for each debt issue.

Continuing Disclosure – The CFO will comply for all debt issued with Rule 15c2-12(b)(5) by required filing as covenanted in each debt issue's Continuing Disclosure Agreement. The CFO will maintain a calendar with the reporting deadlines and procedures for dissemination of annual reports and notices.

Record Keeping – A copy of all debt-related records shall be retained at the District's offices or in an approved storage facility. At minimum, these records shall include all official statements, bid documents, bond documents/transcripts, resolutions, trustee statements, leases, and title reports for each financing (to the extent available). To the extent possible, the District shall retain an electronic copy of each document, preferably in PDF or CD-ROM format.

Arbitrage Rebate – The District will comply with the administratively adopted policies and procedures regarding tax-exempt financings and tax-exempt financed property, as well as the tax and arbitrage certifications associated with each issue.

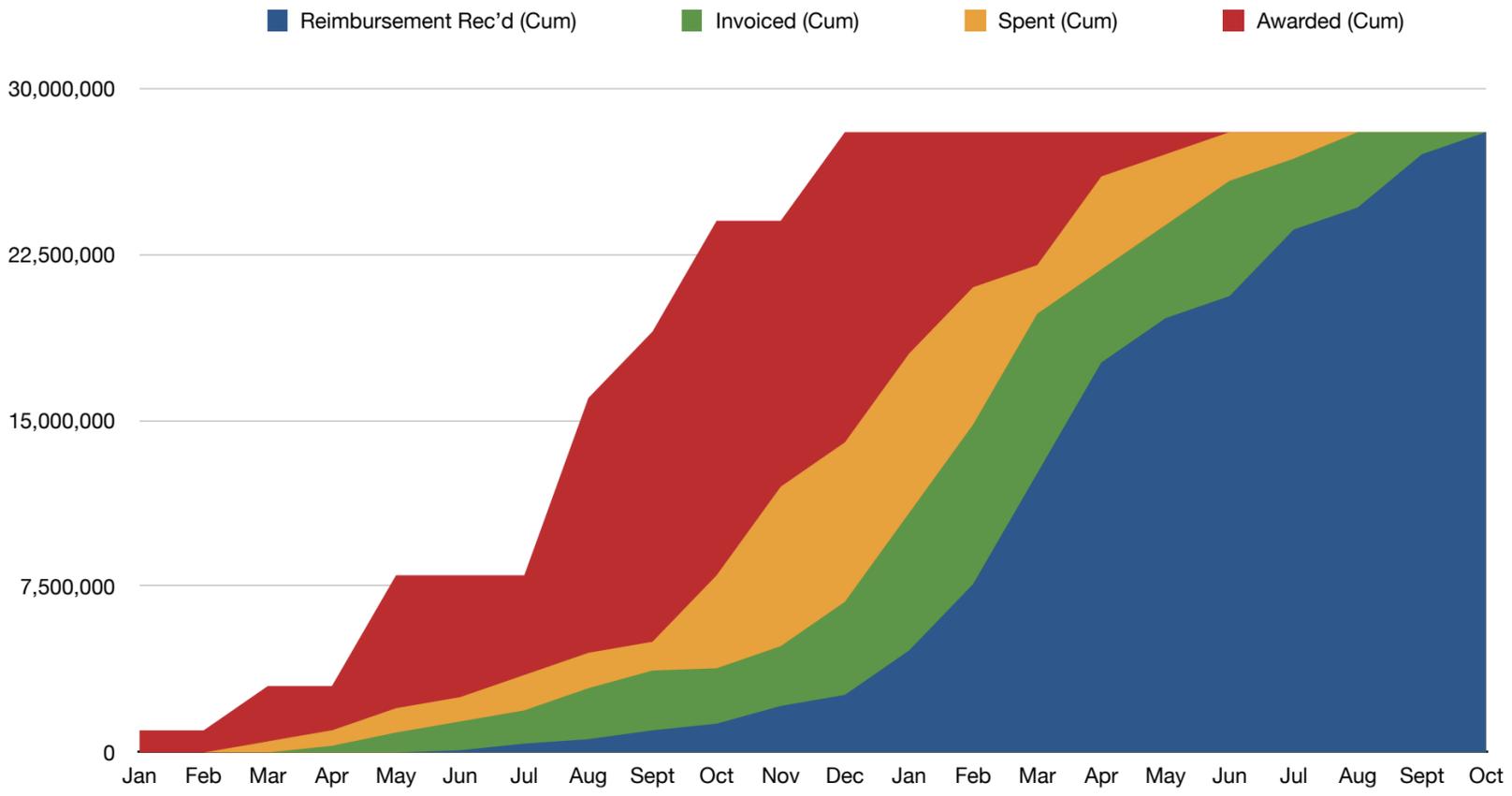
Internal Controls for Use of Proceeds – To ensure that the proceeds of debt issuances are used in accordance with the intended uses, staff will perform annual audits.

SUGGESTED GRANT MONEY TRACKING TOOL

	Reimbursement Rec'd (Mo)	Reimbursement Rec'd (Cum)	Invoiced (Mo)	Invoiced (Cum)	Spent (Mo)	Spent (Cum)	Awarded (Mo)	Awarded (Cum)
Jan	0	0	0	0	0	0	1,000,000	1,000,000
Feb	0	0	0	0	0	0	0	1,000,000
Mar	0	0	0	0	500,000	500,000	2,000,000	3,000,000
Apr	0	0	300,000	300,000	500,000	1,000,000	0	3,000,000
May	0	0	600,000	900,000	1,000,000	2,000,000	5,000,000	8,000,000
Jun	100,000	100,000	500,000	1,400,000	500,000	2,500,000	0	8,000,000
Jul	300,000	400,000	500,000	1,900,000	1,000,000	3,500,000	0	8,000,000
Aug	200,000	600,000	1,000,000	2,900,000	1,000,000	4,500,000	8,000,000	16,000,000
Sept	400,000	1,000,000	800,000	3,700,000	500,000	5,000,000	3,000,000	19,000,000
Oct	300,000	1,300,000	100,000	3,800,000	3,000,000	8,000,000	5,000,000	24,000,000
Nov	800,000	2,100,000	1,000,000	4,800,000	4,000,000	12,000,000	0	24,000,000
Dec	500,000	2,600,000	2,000,000	6,800,000	2,000,000	14,000,000	4,000,000	28,000,000
Jan	2,000,000	4,600,000	4,000,000	10,800,000	4,000,000	18,000,000	0	28,000,000
Feb	3,000,000	7,600,000	4,000,000	14,800,000	3,000,000	21,000,000	0	28,000,000
Mar	5,000,000	12,600,000	5,000,000	19,800,000	1,000,000	22,000,000	0	28,000,000
Apr	5,000,000	17,600,000	2,000,000	21,800,000	4,000,000	26,000,000	0	28,000,000
May	2,000,000	19,600,000	2,000,000	23,800,000	1,000,000	27,000,000	0	28,000,000
Jun	1,000,000	20,600,000	2,000,000	25,800,000	1,000,000	28,000,000	0	28,000,000
Jul	3,000,000	23,600,000	1,000,000	26,800,000	0	28,000,000	0	28,000,000
Aug	1,000,000	24,600,000	1,200,000	28,000,000	0	28,000,000	0	28,000,000
Sept	2,400,000	27,000,000	0	28,000,000	0	28,000,000	0	28,000,000
Oct	1,000,000	28,000,000	0	28,000,000	0	28,000,000	0	28,000,000

Table 1-1-1

	Reimbursement Rec'd (Cum)	Invoiced (Cum)	Spent (Cum)	Awarded (Cum)
Jan	0	0	0	1,000,000
Feb	0	0	0	1,000,000
Mar	0	0	500,000	3,000,000
Apr	0	300,000	1,000,000	3,000,000
May	0	900,000	2,000,000	8,000,000
Jun	100,000	1,400,000	2,500,000	8,000,000
Jul	400,000	1,900,000	3,500,000	8,000,000
Aug	600,000	2,900,000	4,500,000	16,000,000
Sept	1,000,000	3,700,000	5,000,000	19,000,000
Oct	1,300,000	3,800,000	8,000,000	24,000,000
Nov	2,100,000	4,800,000	12,000,000	24,000,000
Dec	2,600,000	6,800,000	14,000,000	28,000,000
Jan	4,600,000	10,800,000	18,000,000	28,000,000
Feb	7,600,000	14,800,000	21,000,000	28,000,000
Mar	12,600,000	19,800,000	22,000,000	28,000,000
Apr	17,600,000	21,800,000	26,000,000	28,000,000
May	19,600,000	23,800,000	27,000,000	28,000,000
Jun	20,600,000	25,800,000	28,000,000	28,000,000
Jul	23,600,000	26,800,000	28,000,000	28,000,000
Aug	24,600,000	28,000,000	28,000,000	28,000,000
Sept	27,000,000	28,000,000	28,000,000	28,000,000
Oct	28,000,000	28,000,000	28,000,000	28,000,000





PARADISE IRRIGATION DISTRICT

"Paradise Irrigation District (PID) is dedicated to the business of producing and delivering a safe, dependable supply of quality water in an efficient, cost effective manner with service that meets or exceeds the expectation of our customers."

DATE: April 27, 2023
TO: Finance Committee
FROM: Brett Goodlin: Finance & Accounting Manager
RE: Budgeting Software

I am interested in purchasing budgeting software to improve the budgeting process, transparency and reporting, and short and long-term financial planning.

Our current accounting software is cumbersome to use and extract reporting information. It does not have a budgeting module. The past process for creating the annual budget is a collection of Microsoft Word and Excel Files created by Kevin Phillips in 2012 and added to each year. There are zero notes for reference on rebuilding the excel spreadsheet to include today's post-fire increased reporting and budgeting requirements.

With PID's new grant management and capital expenditure activities extracting and reporting financial data requires several hours per week. Based on recent inquiries, budgeting software could cost around \$26,000 per year and would save the cost of paying a PID employee to do this work.

If this committee supports the purchase of budgeting and reporting software, I would like to work with the finance committee to develop a list of software requirements and then request software quotes based on these requirements.