

ERNIE WIPF
CHAIR

CANDACE HORSLEY
VICE-CHAIR

THERESA MCNERLIN
DIRECTOR

DARWIN DICK
DIRECTOR

BRADLEY BEST
DIRECTOR

UKIAH VALLEY SANITATION DISTRICT REGULAR MEETING
WEDNESDAY April 12, 2023 AT 6:00PM

LOCATION:

DISTRICT'S MEETING ROOM - 151 LAWS AVE., UKIAH, CA 95482

AND

THE PUBLIC MAY ALSO VIEW VIA ZOOM

Call in number: 1-669-900-6833

Meeting ID: 857 5980 6643

Zoom Link: <https://us02web.zoom.us/j/85759806643>

*The Board welcomes participation in the Board meetings. If you are joining the meeting via Zoom and wish to make a comment on an item, press the "raise a hand" button. If you are joining the meeting by phone, press *9 to indicate a desire to make a comment. The chair will call you by name or phone number when it is your turn to comment. Speakers will be limited to 3 minutes. If you choose not to observe the meeting via Zoom and wish to make a comment on a specific agenda item, please submit your comment via email to the Board Secretary at cteague@uvsd.org at least one hour before the meeting. All public comments submitted to the Board Secretary will be read verbatim for up to 3 minutes.*

In compliance with the Americans with Disabilities Act, if you are a disabled person and you need disability-related modifications or accommodation to participate in this meeting, then please contact Chelsea Teague, Board Secretary at 707-462-4429. Requests must be made as early as possible, and at least one-full business day before the start of the meeting. The times indicated for agenda items are estimated and the Board reserves the right to address items either earlier or later than scheduled.

- 1. CALL TO ORDER**
- 2. APPROVAL OF THE AGENDA**
- 3. PUBLIC EXPRESSION OF NON-AGENDIZED ITEMS**
- 4. APPROVAL OF BOARD MEETING MINUTES**
 - March 8, 2023 Special Meeting
- 5. CONSENT CALENDAR**
 - Check Register for March 2023
 - LAIF Statement for March 2023
 - Unaudited Monthly Financial Statements

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6. OLD BUSINESS

None

7. NEW BUSINESS

- A. DISCUSSION AND POSSIBLE ACTION RE: Adoption of Policy 7030 - Investment Policy

Recommended Action: Discuss and possibly adopt Investment Policy

- B. DISCUSSION AND POSSIBLE ACTION RE: Joining California Asset Management Program (CAMP) as an Investor, Adopt Resolution Authorizing Investment in CAMP, and Directing Staff on Investing Funds in CAMP Pool and CAMP Term

Recommended Action: Discuss, adopt Resolution authorizing investment in CAMP, and direct staff regarding investments in CAMP Pool and CAMP Term programs

- C. DISCUSSION AND POSSIBLE ACTION RE: Expanding Accounting Services with CLA

Recommended Action: Direct staff to execute amended contract with CLA to expand accounting services

8. ANNOUNCEMENTS/OTHER BUSINESS/MATTERS FROM STAFF

- a) General Manager Report of Ongoing District Activities
- b) ESSU Statistics Report
- c) Staff Report
- d) Report on JPA
- e) Directors' Reports
- f) Letters Received or Sent
- g) Announce Regular Meeting - May 10, 2023

9. ADJOURNMENT

UVSD Special Board Meeting March 08, 2023 via teleconference (hybrid meeting)

1. CALL TO ORDER by Chair Wipf at 6:02pm. Roll call by Chelsea Teague – all present.

All Directors arrived in-person.

2. PRESENTATIONS

Lesley Murphy with CAMP gave a presentation regarding the California Asset Management Program (CAMP) which provides professional investment options. No public comment.

3. APPROVAL OF BOARD MEETING MINUTES

No public comment. Motion to approve Board Meeting Minutes by Director Best, seconded by Director Horsley. Roll call vote: Ayes – 5 Nays – 0. Motion carries.

4. CONSENT CALENDAR

Board discussion. Motion to approve the Consent Calendar by Director Horsley, seconded by Director McNerlin. No public comment. Roll call vote: Ayes – 5 Nays – 0. Motion carries.

5. NEW BUSINESS

A. DISCUSSION AND POSSIBLE ACTION RE: FOURTH AMENDMENT TO MASTER SERVICE AGREEMENT (MSA) REGARDING THE ANNUAL RATE CHANGE PROVISION BETWEEN WILLOW COUNTY WATER DISTRICT (WCWD) AND UKIAH VALLEY SANITATION DISTRICT FOR 2023 FOR THE AMOUNT OF \$11,763.04 PER MONTH.

Recommended Action: Approve and direct Chair Wipf to execute the Fourth Amendment to the Master Service Agreement

Board discussion. Motion to approve the Fourth Amendment to the MSA with Willow County Water District by Director Horsley, seconded by Director McNerlin. No public comment. Roll call vote: Ayes – 5 Nays – 0. Motion carries.

6. ANNOUNCEMENTS/OTHER BUSINESS/MATTERS FROM STAFF

- a) Wing-See Fox gave a report regarding UVSD's status on the URRWA Board.
- b) Chelsea reported to the Board that the Bond payment due on March 1st was wired on February 22, 2023.
- c) None.
- d) None.
- e) No letters received/sent.
- f) Next Regular Meeting – April 12, 2023.

7. ADJOURNMENT - Meeting adjourned at 6:57p.m.

**Ukiah Valley Sanitation District
Check Detail
March 2023**

Type	Num	Date	Name	Account	Paid Amount	Original Amount
Bill Pmt -Check	2230	03/15/2023	Best Best & Krieger LLP	1001 · UVSD Checking		-6,421.80
Bill	959237	02/28/2023		5601 · General Counsel	-3,808.60	3,808.60
				5601 · General Counsel	-2,613.20	2,613.20
TOTAL					-6,421.80	6,421.80
Bill Pmt -Check	2231	03/15/2023	City of Ukiah	1001 · UVSD Checking		-213,030.20
Bill	032023	03/01/2023		6300 · Operating Expense Allocation	-213,030.20	213,030.20
TOTAL					-213,030.20	213,030.20
Bill Pmt -Check	2232	03/15/2023	Clifton Larson Allen, LLP	1001 · UVSD Checking		-5,000.00
Bill	3594797	02/28/2023		5307 · Financial Review/Monthly Report	-5,000.00	5,000.00
TOTAL					-5,000.00	5,000.00
Bill Pmt -Check	2233	03/15/2023	Creative Technologies	1001 · UVSD Checking		-1,100.00
Bill	8044	02/28/2023		5209 · Information Technology-All	-1,100.00	1,100.00
TOTAL					-1,100.00	1,100.00
Bill Pmt -Check	2234	03/15/2023	Mark DeMeulenaere	1001 · UVSD Checking		-600.00
Bill	022023	02/28/2023		5305 · Financial & Managerial Support	-600.00	600.00
TOTAL					-600.00	600.00
Bill Pmt -Check	2235	03/15/2023	RespecTech, Inc.	1001 · UVSD Checking		-59.50
Bill	47304	03/01/2023		5209 · Information Technology-All	-59.50	59.50
TOTAL					-59.50	59.50
Bill Pmt -Check	2236	03/15/2023	Rick Sands	1001 · UVSD Checking		-106.25
Bill	02282023	02/28/2023		5401 · Engineer Services	-106.25	106.25
TOTAL					-106.25	106.25
Bill Pmt -Check	2237	03/15/2023	Stedman Computer Solutions	1001 · UVSD Checking		-10.00
Bill	1403206	02/28/2023		5209 · Information Technology-All	-10.00	10.00
TOTAL					-10.00	10.00
Bill Pmt -Check	2238	03/15/2023	Tri-Cities	1001 · UVSD Checking		-137.75
Bill	230200577101	02/28/2023		5201 · Telephone & DSL	-137.75	137.75
TOTAL					-137.75	137.75
Bill Pmt -Check	2239	03/15/2023	Urban Futures, Inc.	1001 · UVSD Checking		-5,125.00
Bill	1222-003	02/28/2023		5101 · Management - UFI	-5,125.00	5,125.00
TOTAL					-5,125.00	5,125.00
Bill Pmt -Check	2240	03/15/2023	US Bank	1001 · UVSD Checking		-1,300.00
Bill	6839012	02/24/2023		5302 · Banking Services Fees	-1,300.00	1,300.00
TOTAL					-1,300.00	1,300.00
Bill Pmt -Check	2241	03/15/2023	USPS	1001 · UVSD Checking		-3,063.00
Bill	03/01	03/01/2023		1501 · Prepaid Postage	-3,000.00	3,000.00
Bill	03012023	03/01/2023		1501 · Prepaid Postage	-63.00	63.00
TOTAL					-3,063.00	3,063.00
Bill Pmt -Check	2242	03/15/2023	Willow Water District	1001 · UVSD Checking		-12,598.81

Ukiah Valley Sanitation District
Check Detail
March 2023

Type	Num	Date	Name	Account	Paid Amount	Original Amount
Bill	164	02/28/2023		5102 · MSA - Willow	-11,763.04	11,763.04
Bill	542	03/01/2023		5203 · Office Rent	-463.00	463.00
				5204 · Office Utilities	-372.77	372.77
TOTAL					-12,598.81	12,598.81
Bill Pmt -Check	2243	03/21/2023	USPS	1001 · UVSD Checking		-63.00
Bill	03152023	03/15/2023		5205 · Postage	-63.00	63.00
TOTAL					-63.00	63.00
SBMC Checking Account						
Beginning Balance 3/01/2023					\$23,617.31	
Ending Balance 3/31/2023					\$395,429.83	

California State Treasurer
Fiona Ma, CPA



Local Agency Investment Fund
P.O. Box 942809
Sacramento, CA 94209-0001
(916) 653-3001

April 06, 2023

[LAIF Home](#)
[PMIA Average Monthly Yields](#)

UKIAH VALLEY SANITATION DISTRICT

GENERAL MANAGER
151 LAWS AVENUE, SUITE B
UKIAH, CA 95482

[Tran Type Definitions](#)

Account Number: 70-23-001

March 2023 Statement

Account Summary

Total Deposit:	0.00	Beginning Balance:	11,350,177.41
Total Withdrawal:	0.00	Ending Balance:	11,350,177.41

UKIAH VALLEY SANITATION DISTRICT

**FINANCIAL STATEMENTS
MONTH ENDED AND FISCAL YEAR TO DATE
DECEMBER 31, 2022**

Working Draft for
Discussion Purposes
Only

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Working Draft for
Discussion Purposes
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**UKIAH VALLEY SANITATION DISTRICT
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MONTH ENDED AND FISCAL YEAR TO DATE DECEMBER 31, 2022**

Basic Financial Statements

Fund Financial Statements

Statement of Net Position	1
Statement of Revenues, Expenses, and Changes in Fund Net Position	2
Selected Notes To The Financial Statements	3

Working Draft for
Discussion Purposes
Only

These accrual basis financial statements have not been subjected to an audit, review, or compilation engagement, and no opinion nor assurance is provided hereon. Substantially all disclosures and RSI required by US generally accepted accounting principles have been omitted. See Selected Information.

**UKIAH VALLEY SANITATION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

ASSETS

Current Assets:

Cash and Investments	\$ 12,492,108
Accounts Receivable	970,974
Restricted Cash	501,996
Prepaid Expenses	3,314
Total Current Assets	13,968,392

Noncurrent Assets:

Capital Assets:

Depreciable, Net	28,152,227
Total Noncurrent Assets	28,152,227
Total Assets	42,120,619

LIABILITIES

Current Liabilities:

Accounts Payable	237,886
Accrued Interest	173,127
Customer Deposits Payable	40,500
Bonds Payable - Due in One Year	1,485,000
Total Current Liabilities	1,936,513

Long-Term Liabilities:

Bonds Payable - Due in More Than One Year	19,977,000
Total Long-Term Liabilities	19,977,000
Total Liabilities	21,913,513

NET POSITION

Net Investment in Capital Assets	6,690,227
Unrestricted	13,516,879
Total Net Position	\$ 20,207,106

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**UKIAH VALLEY SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
MONTH ENDED AND FISCAL YEAR TO DATE DECEMBER 31, 2022**

	Month Ended December 31, 2022	Fiscal Year to Date December 31, 2022
OPERATING REVENUES		
Charges for Services	\$ 435,675	\$ 2,654,120
Connection Fees	1,010	35,007
Total Operating Revenues	<u>436,685</u>	<u>2,689,127</u>
OPERATING EXPENSES		
Services and Supplies	24,409	177,870
Operating Expense Allocation - City of Ukiah	213,031	1,278,181
Legal Expense	2,098	8,649
Depreciation and Amortization	66,164	396,984
Total Operating Expenses	<u>305,702</u>	<u>1,861,684</u>
OPERATING INCOME (LOSS)	<u>130,983</u>	<u>827,443</u>
NONOPERATING REVENUE (EXPENSES)		
Taxes and Assessments	-	-
Interest Income	54,340	96,773
Interest and Bond Expense	(43,282)	(262,646)
Total Nonoperating Revenue (Expenses)	<u>11,058</u>	<u>(165,873)</u>
CHANGE IN NET POSITION	142,041	661,570
Net Position - November 30, 2022 and June 30, 2022	<u>20,065,065</u>	<u>19,545,536</u>
NET POSITION - END OF PERIOD	<u>\$ 20,207,106</u>	<u>\$ 20,207,106</u>

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**UKIAH VALLEY SANITATION DISTRICT
SELECTED NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR TO DATE DECEMBER 31, 2022**

Ukiah Valley Sanitation District

Selected Information

For the month ended and fiscal year to date December 31, 2022

The accompanying financial statements include the following departures from accounting principles generally accepted in the United States of America:

The financial statements omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America.

The financial statements omit all required supplementary information, such as management discussion and analysis as required by accounting principles generally accepted in the United States of America.

As of the quarter ended December 31, 2022, the District's actual operating expense allocation from the City of Ukiah was less than the budgeted operating expense allocation by \$164,508. The District has omitted this receivable from these financial statements.

The effects of these departures have not been determined.

These accrual basis financial statements have not been subjected to an audit, review, or compilation engagement, and no opinion nor assurance is provided hereon. Substantially all disclosures and RSI required by US generally accepted accounting principles have been omitted. See Selected Information.

UKIAH VALLEY SANITATION DISTRICT

**FINANCIAL STATEMENTS
MONTH ENDED AND FISCAL YEAR TO DATE
JANUARY 31, 2023**

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**UKIAH VALLEY SANITATION DISTRICT
STATEMENT OF NET POSITION
JANUARY 31, 2023**

ASSETS

Current Assets:

Cash and Investments	\$ 12,495,595
Accounts Receivable	974,056
Restricted Cash	501,998
Prepaid Expenses	2,226
Total Current Assets	13,973,875

Noncurrent Assets:

Capital Assets:

Depreciable, Net	28,096,878
Total Noncurrent Assets	28,096,878
Total Assets	42,070,753

LIABILITIES

Current Liabilities:

Accounts Payable	56,032
Accrued Interest	216,409
Customer Deposits Payable	40,300
Bonds Payable - Due in One Year	1,485,000
Total Current Liabilities	1,797,741

Long-Term Liabilities:

Bonds Payable - Due in More Than One Year	19,977,000
Total Long-Term Liabilities	19,977,000
Total Liabilities	21,774,741

NET POSITION

Net Investment in Capital Assets	6,634,878
Unrestricted	13,661,134
Total Net Position	\$ 20,296,012

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**UKIAH VALLEY SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
MONTH ENDED AND FISCAL YEAR TO DATE JANUARY 31, 2023**

	Month Ended January 31, 2023	Fiscal Year to Date January 31, 2023
OPERATING REVENUES		
Charges for Services	\$ 423,531	\$ 3,077,651
Connection Fees	-	35,007
Total Operating Revenues	<u>423,531</u>	<u>3,112,658</u>
OPERATING EXPENSES		
Services and Supplies	44,257	222,127
Operating Expense Allocation - City of Ukiah	213,030	1,491,211
Legal Expense	3,809	12,458
Depreciation and Amortization	66,635	463,619
Total Operating Expenses	<u>327,731</u>	<u>2,189,415</u>
OPERATING INCOME (LOSS)	<u>95,800</u>	<u>923,243</u>
NONOPERATING REVENUE (EXPENSES)		
Taxes and Assessments	36,385	36,385
Interest Income	3	96,776
Interest and Bond Expense	(43,282)	(305,928)
Total Nonoperating Revenue (Expenses)	<u>(6,894)</u>	<u>(172,767)</u>
CHANGE IN NET POSITION	88,906	750,476
Net Position - December 31, 2022 and June 30, 2022	<u>20,207,106</u>	<u>19,545,536</u>
NET POSITION - END OF PERIOD	<u>\$ 20,296,012</u>	<u>\$ 20,296,012</u>

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**UKIAH VALLEY SANITATION DISTRICT
SELECTED NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR TO DATE JANUARY 31, 2023**

Ukiah Valley Sanitation District

Selected Information

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The effects of these departures have not been determined.

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Ukiah Valley Sanitation District
Approved Budget for Fiscal Year Ending June 30, 2023

	Approved Budget for Fiscal Year Ended June 30, 2023	Actual First Quarter Ended December 31, 2022	Actual vs Budget Percentage
Operating Revenues			
Charge for Services	\$ 5,424,827	\$ 2,654,120	48.9%
Connection Fees	186,896	35,007	18.7%
Total Operating Revenue	<u>\$ 5,611,723</u>	<u>\$ 2,689,127</u>	<u>47.9%</u>
Operating Expenses			
District Service and Supplies	\$ 471,707	\$ 177,870	37.7%
Operating Expense Allocation-City of Ukiah	2,560,814	1,278,181	49.9%
Legal Expenses	100,000	8,649	8.6%
Depreciation and Amortization Expense	787,428	396,984	50.4%
Total Operating Expenses	<u>\$ 3,919,948</u>	<u>\$ 1,861,684</u>	<u>47.5%</u>
Operating Income (Loss)	<u>\$ 1,691,775</u>	<u>\$ 827,443</u>	<u>48.9%</u>
Nonoperation Revenue (Expenses)			
Taxes and Assessments	\$ 56,349	\$ -	
Interest Income	38,197	96,773	253.3%
Intergovernmental	360		
Interest Expense Bond	(528,250)	(262,646)	49.7%
Total Nonoperation Revenue (Expenses)	<u>\$ (433,343)</u>	<u>\$ (165,873)</u>	<u>38.3%</u>
Change in Net Position	<u>\$ 1,258,432</u>	<u>\$ 661,570</u>	<u>52.6%</u>
Capital Budget	<u>\$ 1,779,429</u>	<u>\$ 171,187</u>	<u>9.6%</u>

Ukiah Valley Sanitation District
151 Laws Avenue
Ukiah, CA 95482

STAFF REPORT
April 12, 2023

To: Board of Directors
From: Wing-See Fox
Meeting Date: April 12, 2023

Item #7A: Adoption of Policy 7030 - Investment Policy

Background:

An investment policy serves as the foundation of a local agency's investment goals and priorities. California Government Code Section 53600.3 states that all local agency governing bodies that invest public funds are trustees and therefore fiduciaries subject to the prudent investor standard. Based on careful examination of a local agency's short- and long-term cash flow needs, tolerance for risk, the likely return from the investments that fit these parameters, and any specific investment concerns confronting the organization, an investment policy sets the local agency's guidelines for its investment portfolio. If the investment policy is carefully researched, effectively drafted, and revised regularly to assure that it meets the agency's goals and priorities for its portfolio, it can help protect the assets of the organization.

Discussion:

Prior to taking over billing and collections, the District's cash was held in fiduciary accounts with the City of Ukiah and Mendocino County. The District's funds held in these fiduciary accounts were included in the City's and County's investment pools and earnings were allocated to the District accordingly. Currently, there are minimal funds held with the City and the County, and the District holds its own funds. Most of the District's funds are invested with the Local Agency Investment Fund (LAIF), as authorized by Resolution No. 2020-3, and some cash is held at the Savings Bank of Mendocino County for operational cash flow. The goal has been to keep the balance in the Savings Bank around \$250,000 (FDIC insurance limit).

Given the rapid rise in interest rates in 2022, there are opportunities for the District to earn a higher yield than LAIF with the same level of safety. At its March 8, 2023 Board Meeting, the Board received a presentation from PFM Asset Management regarding the California Asset Management Program (CAMP). Due to the shorter investments held in CAMP, the yields are currently higher than LAIF which gives the District an opportunity to earn more investment income than what is currently being earned with LAIF.

In order to take advantage of market opportunities, staff recommends exploring options outside of LAIF. In order to do so, staff recommends adopting an Investment Policy to help meet the District's investment goals and priorities while protecting the assets of the organization. The attached Investment Policy follows a standard template from the Government Finance Officers Association (GFOA) and is compliant with the California Government Code Sections 53600-53608.

The Investment Policy is drafted so that the Board is responsible for the management and oversight of the investment program. But the Board may delegate the day-to-day investment decision-

making authority to a Treasurer or other individual so delegated (designee). The Board should consider whether they want to delegate a designee to manage the investment program (and perhaps to manage cash flow to and from the Savings Bank of Mendocino County).

Recommended Action:

Discuss and possibly adopt Investment Policy

Attachments:

- 1) Resolution Adopting Investment Policy
- 2) Investment Policy

Respectfully submitted,



WING-SEE FOX
Interim District Manager

RESOLUTION NO. _____

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE UKIAH
VALLEY SANITATION DISTRICT APPROVING AND ADOPTING AN
INVESTMENT POLICY**

WHEREAS, pursuant to Government Code Section 53600.6, 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; and

WHEREAS, the governing body of a local agency may invest monies of the local agency in accordance with the provisions of Government Code section 53600 et seq.; and;

WHEREAS, it shall be the policy of the Ukiah Valley Sanitation District (the "District") to invest funds in a manner which will provide the highest investment return possible consistent with maximum security while meeting daily cash flow demands and conforming to all other statutes governing the investment of District funds; and

WHEREAS, the Board of Directors of the District (the "Board") desires to approve the Investment Policy attached hereto as Exhibit "A" (the "Investment Policy").

NOW THEREFORE, the Board of Directors of the Ukiah Valley Sanitation District, County of Mendocino, State of California does hereby resolve as follows:

SECTION 1. Incorporation of Recitals. The Board hereby finds and determines that the recitals of this Resolution are true and correct and are hereby incorporated into this Resolution as though fully set forth herein.

SECTION 2. Investment Policy. The Board hereby approves and adopts the Investment Policy as attached hereto in Exhibit "A" and incorporated herein by this reference.

SECTION 3. Severability. If any section or provision of this Resolution is for any reason held to be invalid or unconstitutional by any court of competent jurisdiction, or contravened by reason of any preemptive legislation, the remaining sections and/or provisions of this Resolution shall remain valid. The District hereby declares that it would have adopted this Resolution, and each section or provision thereof, regardless of the fact that any one or more section(s) or provision(s) may be declared invalid or unconstitutional or contravened via legislation.

SECTION 4. Effective Date. This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED by said Board on this 12th day of April, 2023 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Ernie Wipf, Chair

ATTEST:

Chelsea Teague, Secretary of the Board

Ukiah Valley Sanitation District

DISTRICT POLICY

POLICY TITLE: Investment Policy
POLICY NUMBER: 7030

7030.1 Policy. The purpose of this Investment Policy (the “Policy”) is to identify prudent policies and procedures that shall govern the investment of the funds of the Ukiah Valley Sanitation District (the “District”). The ultimate goal of this Policy is to protect the safety of the invested funds, enhance the economic status of the District, and to ensure that all investments comply with federal, state, and local laws governing the investment of the funds covered by this Policy.

7030.2 Scope. This Policy shall cover all funds and investment activities under the direct authority of the District and accounted for in the District’s audited Financial Statements. In addition, deposits with banks under California Government Code’s “Deposit of Funds” provisions are excluded from this Policy’s requirements.

Bond proceeds shall be invested in the securities permitted by the applicable bond documents. If the bond documents are silent as to the permitted investments, the bond proceeds will be invested in the securities permitted by this Policy. Notwithstanding the other provisions of this Policy, the percentage limitations listed elsewhere in this Policy do not apply to bond proceeds.

7030.3 Objectives. The primary objectives, in order of priority, for the District’s investment activities shall be:

1. **Safety:** Safety of principal is the foremost objective of the investment program. The District’s investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
2. **Liquidity:** The District’s investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements, which may be reasonably anticipated.
3. **Return on Investment:** The District’s investment portfolio shall be managed with the objective of attaining a market rate of return throughout budgetary and economic cycles.

The remainder of this Policy describes the policies and procedures to be followed in support of these objectives.

7030.4 Prudence. All persons authorized to make investment decisions on behalf of the District are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

Authorized persons, acting in accordance with written procedures and this Policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

7030.5 Delegation of Authority. The Board of Directors is responsible for the management and oversight of the investment program. The Board of Directors shall monitor and review all investments for consistency with this investment policy. The Board of Directors may delegate the day-to-day investment decision-making authority to a Treasurer or other individual so delegated (designee). In the event delegation of authority is made in this manner, the Treasurer or designee shall make monthly reports of investment transactions to the Board of Directors. The Treasurer or designee shall comply with this policy and such other written instructions as are applicable.

If authorized by the Board of Directors, the Treasurer or designee may also utilize the services of an external investment advisor to assist with the investment program. The investment advisor shall never take possession of the District's funds or assets. No person may engage in investment activities except as provided under the terms of this Policy and the procedures established by the Treasurer or designee.

7030.6 Ethics and Conflicts of Interest. Officers and employees 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.

7030.7 Internal Controls. The Board of Directors is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse. The procedures should include references to individuals authorized to execute transactions or transfers, safekeeping agreements, repurchase agreements, wire transfer agreements, collateral/depository agreements, and banking services contracts, as appropriate. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgement by management. Compliance with this Policy and internal controls shall be reviewed annually by the District's independent auditor.

7030.8 Authorized Financial Dealers and Institutions. Investments not purchased directly from the issuer shall be purchased either from an institution licensed by the state as a broker-dealer, from a member of a federally regulated securities exchange, from a national or state-chartered bank, from a savings association or federal association, or from a brokerage firm designated as a primary government dealer by the Federal Reserve bank. A copy of this Policy shall be sent annually to all firms with which the District executes investments.

7030.9 Authorized and Suitable Investments. California Government Code Section 53601 (Section 53601) sets forth the securities that public agencies, such as the District, are permitted to invest in. The Board of Directors authorizes the investment of District funds in the categories of securities authorized by Section 53601, as it may be amended from time to time.

7030.10 Ineligible Investments. The District will not invest in inverse floaters, range notes, mortgage-derived, interest-only strips, or any security that could result in zero interest accrual if held to maturity, except as authorized by Government Code Section 53601.6.

7030.11 Diversification. As required by California Government Code Section 53601, the District shall diversify the investments within the portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions, or maturities.

7030.12 Maximum Maturities. The Board of Directors shall maintain a system to monitor and forecast revenues and expenditures so that the District funds can be invested to the fullest extent possible while providing sufficient liquidity to meet the District's reasonably anticipated cash flow requirements. Maturities of investments will be selected to provide necessary liquidity, manage interest rate risk, and optimize earnings. Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds.

7030.13 Safekeeping and Custody. To protect against potential losses by collapse of individual securities dealers, all deliverable securities owned by the District, including collateral on repurchase agreements, shall be held in safekeeping by a third-party bank trust department acting as agent for the District under the terms of a custody agreement executed by the bank and by the District. All deliverable securities will be received and delivered using standard delivery-versus-payment procedures.

7030.14 Reporting. Should the District choose to invest in pooled investment programs (e.g., the Local Agency Investment Trust (LAIF), the California Asset Management Program (CAMP), CalTRUST, and/or money market funds) and/or non-deliverable securities, relevant monthly balance statements shall be included in the agenda packet for the next regularly scheduled meeting of the Board of Directors, as practicable.

Should the District choose to invest in deliverable securities, the Board of Directors or designee shall also prepare a quarterly investment report that shall include a description of the portfolio, type of investments, issuers, maturity dates, par values, and current market values of each component of the portfolio and list of transactions, including funds managed for the District by third party contract managers. The report will include a certification that: (1) all investment actions executed since the last report have been made in full compliance with this Policy and (2) the report shall include a statement denoting the ability of the District to meet its expenditure requirements for the next six months. Such quarterly report shall be included in the agenda packet for the next monthly meeting, as practicable.

7030.15 Investment Policy Adoption. The District's Investment Policy shall be adopted by resolution of the Board of Directors. This Policy shall be reviewed periodically by the Board of Directors, and any modifications made thereto must be approved by the Board of Directors.

APPROVED BY THE BOARD ON APRIL 12, 2023

Ukiah Valley Sanitation District
151 Laws Avenue
Ukiah, CA 95482

STAFF REPORT
April 12, 2023

To: Board of Directors
From: Wing-See Fox
Meeting Date: April 12, 2023

Item #7B: Joining California Asset Management Program (CAMP) as an Investor, Adopt Resolution Authorizing Investment in CAMP, and Directing Staff on Investing Funds in CAMP Pool and CAMP Term

Background:

Given the rapid rise in interest rates in 2022, there are opportunities for the District to earn a higher yield than LAIF with the same level of safety. At its March 8, 2023 Board Meeting, the Board received a presentation from PFM Asset Management regarding the California Asset Management Program (CAMP)¹. Due to the shorter investments held in CAMP, the yields are currently higher than LAIF which gives the District an opportunity to earn more investment income than what is currently being earned with LAIF. After the presentation, the Board directed staff to come back to the next Board meeting with a recommendation on moving funds from LAIF to the CAMP Pool and CAMP Term programs and whether to join as a Participant (join JPA with voting rights and opportunity to join the CAMP Board) or as an Investor (same product availability and rates as Participant but no voting rights or opportunity to participate on the Board level).

Discussion:

Staff recommends joining CAMP as an Investor to start and then consider joining as a Participant at a later date if the Board is interested. With adoption of the Investment Policy, the District may join CAMP as an Investor. Additionally, staff reviewed the cash flow needs of the District, and for the most part, other than for the semi-annual debt service payments, the cash balance that remains in the District's Savings Bank of Mendocino County account plus monthly customer payments received are more than enough to cover the District's monthly operating costs (i.e., regular monthly operating payments to the City of Ukiah, Willow County Water District, Urban Futures, Clifton Larsen Allen, rent, utilities, etc.).

Currently, the District has a balance of \$11,350,177.41 with LAIF. As of March 29, 2023, the State Treasurer's Officer reported a Daily Effective Yield for LAIF of 2.88%. Attached are rate

¹ CAMP® is a registered trademark and the CAMP logos and designs are trademarks owned by the California Asset Management Trust (Trust). This information is for institutional investor use only, not for further distribution to retail investors, and does not represent an offer to sell or a solicitation of an offer to buy or sell any fund or other security. Investors should consider the Trust's investment objectives, risks, charges and expenses before investing in the Trust. This and other information about the Trust is available in the Trust's current Information Statement, which should be read carefully before investing. A copy of the Trust's Information Statement may be obtained by calling 1-800-729-7665 or is available on the Trust's website at www.camponline.com. While the Cash Reserve Portfolio seeks to maintain a stable net asset value of \$1.00 per share and the CAMP Term Portfolio seeks to achieve a net asset value of \$1.00 per share at the stated maturity, it is possible to lose money investing in the Trust. An investment in the Trust is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Shares of the Trust are distributed by **PFM Fund Distributors, Inc.**, member Financial Industry Regulatory Authority (FINRA) (www.finra.org) and Securities Investor Protection Corporation (SIPC) (www.sipc.org). PFM Fund Distributors, Inc. is an affiliate of PFM Asset Management LLC.

sheets for CAMP Pool and CAMP Term as of April 5, 2023. The CAMP Pool is yielding 4.94%²; the CAMP Term³ 90-day rate is 4.75%, the CAMP Term 180-day rate is 4.73%, and the CAMP term 365-day rate is 4.42%. Although there is no minimum account balance requirement for LAIF and regular LAIF accounts can remain open with a zero balance, staff recommends that the District keep \$50,177.41 in its LAIF account. Maintaining a meaningful balance in the LAIF account provides some diversification and incentive to remain actively involved with LAIF. If the market reverses, the District may want to transfer funds back into LAIF.

Staff recommends transferring \$11.3 million to CAMP as follows:

- 1) Invest reserve target amounts in liquid CAMP Pool program (\$5.3 million):
 - a. \$2 million Rate Stabilization Reserve
 - b. \$1.63 million Operating Reserve (approximately 52% of FY23 Operating Expenses, excluding Depreciation and Amortization)
 - c. \$670,000 Capital Reserve
 - d. \$1 million Emergency Capital Reserve

- 2) Invest \$6 million in CAMP Term program as follows:
 - a. \$2 million in 90 days
 - b. \$2 million in 180 days
 - c. \$2 million in 365 days

This allows amounts in the District's reserves to remain highly liquid in CAMP Pool (in case the District needs to access these funds immediately) as well as the opportunity to lock in a yield for a longer period in the CAMP Term program with a laddered portfolio.

Alternatively, the District may consider investing more than \$2 million in the 365-day CAMP Term program as it is highly unlikely that the District will need to access \$5.3 million in immediate funds, \$2 million in 90 days, and another \$2 million in 180 days. Should the market indicate that short-term rates are steadily coming down due to a rising probability of a recession and the FOMC beginning to lower the Fed Funds Rate, staff recommends locking in a higher amount at the 365-day rate.

Recommended Action:

Discuss, adopt Resolution authorizing investment in CAMP, and direct staff regarding investments in CAMP Pool and CAMP Term programs.

² The current seven-day yield, also referred to as the current annualized yield, represents the net change, exclusive of capital changes and income other than investment income, in the value of a hypothetical account with a balance of one share (normally \$1.00 per share) over a seven-day base period expressed as a percentage of the value of one share at the beginning of the seven-day period. This resulting net change in account value is then annualized by multiplying it by 365 and dividing the result by 7. Past performance is not indicative of future results and yields may vary. The yields shown above may reflect fee waivers by the Program's current or prior service providers. When such waivers occur, they reduce the total operating expenses of the Program, and the Program's yield would have been lower if there were no such waivers.

³CAMP Term Portfolio rates are market rates, subject to change and the rates shown are net of applicable advisory fees and other expenses. They are quoted on an actual day basis, interest is simple and payable at maturity. Actual rates, availability, and minimum investment amounts may vary at the time of purchase and are subject to change. Once you place an investment, the rate is fixed for the full term of your investment and there may be a penalty for a premature redemption. The minimum investment for CAMP Term is \$1,000,000. A description of the CAMP Term Portfolio is contained in the CAMP Program Guide. The Program Guide contains important information and should be read carefully before investing. Past performance is not indicative of future results.

Attachments:

1. Resolution Authorizing Investment in CAMP
2. CAMP Program Overview
3. Updated CAMP Rate Sheet
4. CAMP Fact Sheet

Respectfully submitted,



WING-SEE FOX
Interim District Manager

RESOLUTION NO. _____

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE UKIAH
VALLEY SANITATION DISTRICT AUTHORIZING INVESTMENT OF
MONIES IN THE CALIFORNIA ASSET MANAGEMENT PROGRAM**

WHEREAS, the governing body of a local agency may invest monies of the local agency in accordance with the provisions of Government Code section 53600 et seq.; and;

WHEREAS, the Ukiah Valley Sanitation District (the "District") adopted an Investment Policy that authorizes the investment of District funds in pooled investment programs, such as the California Asset Management Program ("CAMP"); and

WHEREAS, CAMP is a California Joint Powers Authority that provides California public agencies with professional investment services; and

WHEREAS, the District Board of Directors hereby finds that the deposit and withdrawal of money in CAMP for the purpose of investment as provided therein is in the best interests of the District;

NOW THEREFORE, the Board of Directors of the Ukiah Valley Sanitation District, County of Mendocino, State of California does hereby resolve as follows:

SECTION 1. The Board of Directors hereby authorizes the District to join CAMP as an Investor and authorizes the deposit and withdrawal of Ukiah Valley Sanitation District monies in CAMP for purposes of investment in accordance with the District Investment Policy.

SECTION 2. The following District officers holding the title(s) specified herein below or their successors in office are each hereby authorized to order the deposit or withdrawal of monies in CAMP and may execute and deliver any and all documents necessary or advisable in order to effectuate the purposes of this Resolution and the transactions contemplated hereby:

_____ Ernie Wipf	_____ Wing-See Fox
_____ Chair, Board of Directors	_____ Interim District Manager
_____ SIGNATURE	_____ SIGNATURE

SECTION 3. This Resolution shall remain in full force and effect until rescinded by the Board of Directors by resolution.

PASSED AND ADOPTED by said Board on this 12th day of April, 2023 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Ernie Wipf, Chair

ATTEST:

Chelsea Teague, Secretary of the Board



Investments Designed for California



Focus on
Liquidity



Managed to
Comply with
California Law



Designed for
Safety

Established in 1989, the California Asset Management Program (“CAMP” or the “Program”) was created to provide California public agencies with professional investment options. The program offers a range of services to assist its Shareholders with their investment and arbitrage compliance needs.

By offering several investment options and services, CAMP provides Shareholders with an opportunity to earn a competitive yield with liquidity and safety as the primary investment objectives.

Investment Options

CAMP Pool Program

- Same day liquidity (11:00 a.m. Pacific Time cutoff)
- Interest accrued daily and distributed monthly
- Unlimited transactions
- Zero out-of-pocket fees

CAMP Term Program

- Fixed-rate, fixed-term investments
- Maturity dates offered from 60 days to one year
- Rated AAf by Fitch¹

Additional Services Provided via CAMP’s Investment Adviser

Individually Managed Portfolios

- Customized investment strategy and portfolio management
- Ongoing, active management of investments
- Linked to CAMP account for timely reinvestment
- Third-party custody of assets

Arbitrage Rebate Compliance Services

- Arbitrage rebate services for bonds and bond anticipation notes at no out-of-pocket costs so long as investable proceeds are placed with CAMP
- Rebate Calculation Reports available at a nominal charge

¹ The AAf rating reflects Fitch Ratings’ (“Fitch”) review of the Term program’s investment and credit guidelines, the portfolio’s credit quality and diversification, as well as the capabilities of PFM Asset Management LLC as investment adviser. It indicates the highest underlying credit quality (or lowest vulnerability to default). However, it should be understood that this rating is not a “market” rating nor a recommendation to buy, hold or sell the securities. For a full description on rating methodology visit www.fitchratings.com.



CAMP is Here for You

Taking advantage of every opportunity for incremental yield can mean the difference between a tight budget and room to breathe. Investing funds in a combination of services offered by CAMP creates solutions designed to help meet multiple objectives: safety, liquidity, and yield. We invite you to contact our team to learn more about how a laddered, fixed-rate investment could enhance your agency's investment program.

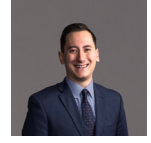
To speak with a representative from our **Client Services Group**, call 800-729-7665.

We Have You Covered

- Transparent tracking and reporting capabilities
- Dedicated relationship managers and client service team
- Access to daily account information at **CAMPonline.com**



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Program Administrator
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Relationship Manager
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Jeremy King
Key Account Manager
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Rachael Miller
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DeWayne Fields
Client Service Representative
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A Program Governed by Those it Serves

Board current as of December 2022

President
Steve Dial
Deputy Executive Director/
Chief Financial Officer

San Joaquin Council of Governments

Vice President
Karen Adams, CPA
Treasurer-Tax Collector
Merced County

Treasurer
André Douzdjian
Director of Finance
*San Diego Association
of Governments*

Jordan Kaufman
Treasurer-Tax Collector
Kern County

Duane Wolterstorff, CPA
Senior Director of
Planning & Facilities
Modesto City Schools

David Persselin
Finance Director/Treasurer
City of Fremont

Lauren Warrem, CPA
Chief Deputy Treasurer
San Diego County

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Investment Program Rates

April 5, 2023

Please call **CAMP Client Services Group** with questions or to invest at **1.800.729.7665**

More information and account access at www.camponline.com

Current 7-Day Yield⁽¹⁾

California Asset Management Program **4.94%**

CAMP Term Portfolio Rates⁽²⁾

<u>Maturity</u>	<u>Date</u>	<u>Net Rate</u>
90 Days	July	4.75%
120 Days	August	4.77%
150 Days	September	4.73%
180 Days	October	4.73%
210 Days	November	4.44%
240 Days	December	4.44%
270 Days	December	4.54%
300 Days	January	4.56%
330 Days	February	4.42%
365 Days	April	4.42%

California Asset Management Program Attributes

Cash Reserve Portfolio

- Daily liquidity
- 11:00 a.m., Pacific Time, same-day wire transaction deadline
- No account minimum

Term Portfolio

- A variety of investment dates available to meet your specific cash flow needs
- \$1 million minimum investment
- Automatic sweep of principal and interest into the CAMP Pool

Both portfolios are designed for the investment of:

- Operating Funds
- Construction/Project Funds
- Capital Reserves
- Debt Service and Debt Service Reserve Funds

Sarah Meacham	Kyle Tanaka	Jeremy King	Rachael Miller	DeWayne Fields
Program Administrator	Relationship Manager	Key Account Manager	Client Consultant	Client Service Representative
(c) 213.999.7203	(c) 213.500.8694	800.729.7665	800.729.7665	800.729.7665
meachams@pfmam.com	tanakak@pfmam.com	kingj@pfmam.com	millerr@pfmam.com	fieldsd@pfmam.com

1. The current seven-day yield, also referred to as the current annualized yield, represents the net change, exclusive of capital changes and income other than investment income, in the value of a hypothetical account with a balance of one share (normally \$1.00 per share) over a seven-day base period expressed as a percentage of the value of one share at the beginning of the seven-day period. This resulting net change in account value is then annualized by multiplying it by 365 and dividing the result by 7. Past performance is not indicative of future results and yields may vary. The yields shown above may reflect fee waivers by the Program's current or prior service providers. When such waivers occur, they reduce the total operating expenses of the Program, and the Program's yield would have been lower if there were no such waivers.
2. CAMP Term Portfolio rates are market rates, subject to change and the rates shown are net of applicable advisory fees and other expenses. They are quoted on an actual day basis, interest is simple and payable at maturity. Actual rates, availability, and minimum investment amounts may vary at the time of purchase and are subject to change. Once you place an investment, the rate is fixed for the full term of your investment and there may be a penalty for a premature redemption. The minimum investment for CAMP Term is \$1,000,000. A description of the CAMP Term Portfolio is contained in the CAMP Program Guide. The Program Guide contains important information and should be read carefully before investing. Past performance is not indicative of future results.

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Fact Sheet

CAMP is a California Joint Powers Authority established in 1989 to provide California public agencies with professional investment services.

INVESTMENT OBJECTIVE

To earn a high rate of return while preserving principal and providing liquidity. The Pool seeks to maintain a stable NAV of \$1.00 per share and the TERM Portfolio seeks to achieve a NAV of \$1.00 per share at the stated maturity.

CASH RESERVE PORTFOLIO (POOL)

A short-term cash reserve portfolio and cash management vehicle permitted as an investment for all local agencies under California Government Code Section 53601(p).

TERM PORTFOLIO

A fixed rate, fixed term portfolio rated AAAf by Fitch Ratings⁵ and permitted as an investment for all local agencies under California Government Code Section 53601(p).

POOL FACTS

As of February 28, 2023

7-Day Net Yield ¹	4.75%
Monthly Distribution Yield ²	4.73%
Weighted Average Maturity ³	28 Days
Pool Rating ⁴	AAAm by Standard and Poor's

SERVICE PROVIDERS

Investment Adviser, Administrator and Transfer Agent:
PFM Asset Management LLC

Distributor: PFM Fund Distributors, Inc

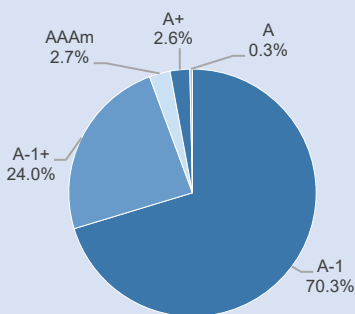
Depository and Custodian: U.S. Bank, N.A.

Independent Auditor: Ernst & Young LLC

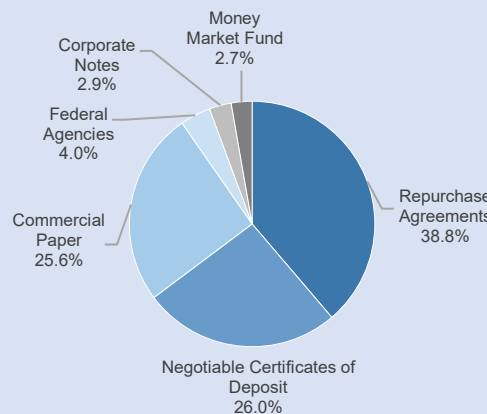
Counsel: Nossaman LLP

Pool Diversification as of February 28, 2023

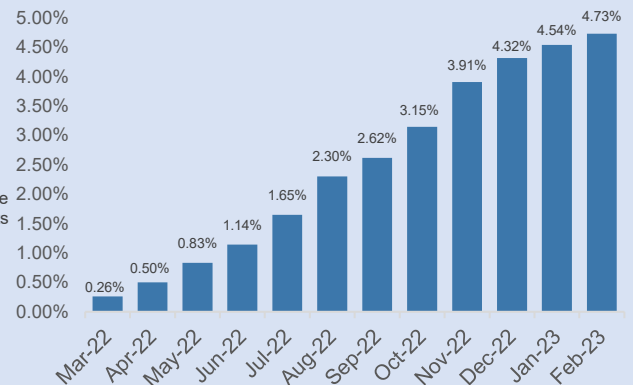
Credit Quality Distribution
(Standard & Poor's Fund Ratings)



Sector Composition



Pool Performance (30-Day Net Yield⁶ %)



¹ 7-day net yield, also known as the current annualized yield, represents the net change, exclusive of capital changes and income other than investment income, in the value of a hypothetical account with a balance of one share (normally \$1.00 per share) over a seven-day base period expressed as a percentage of the value of one share at the beginning of the seven-day period. This resulting net change in account value is then annualized by multiplying it by 365 and dividing the result by 7.

² The monthly distribution yield represents the net change in the value of a hypothetical account with a value of one share (normally \$1.00 per share) resulting from all dividends declared during a month by the Pool expressed as a percentage of the value of one share at the beginning of the month. This resulting net change is then annualized by multiplying it by 365 and dividing it by the number of calendar days in the month.

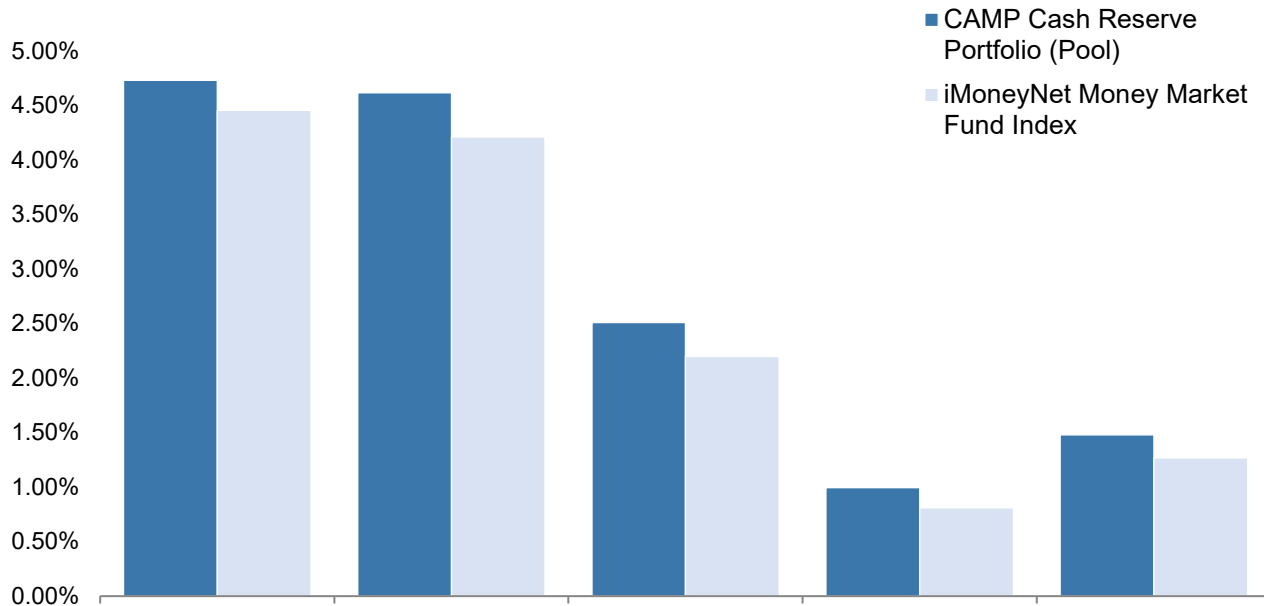
³ Weighted Average Maturity: Calculated by the final maturity for a security held in the portfolio and the interest rate reset date. This is a way to measure a fund's sensitivity to potential interest rate changes.

⁴ Standard & Poor's fund ratings are based on analysis of credit quality, market price exposure, and management. According to Standard & Poor's rating criteria, the AAA^m rating signifies excellent safety of investment principal and a superior capacity to maintain a \$1.00 per share net asset value. However, it should be understood that the rating is not a "market" rating nor a recommendation to buy, hold or sell the securities. For a full description on rating methodology, visit Standard & Poor's website (http://www.standardandpoors.com/ratings/en_US/web/guest/home).

⁵ The AAA^f rating reflects Fitch Ratings' ("Fitch") review of the Term program's investment and credit guidelines, the portfolio's credit quality and diversification, as well as the capabilities of PFM Asset Management LLC as investment adviser. It indicates the highest underlying credit quality (or lowest vulnerability to default). However, it should be understood that this rating is not a "market" rating nor a recommendation to buy, hold or sell the securities. For a full description on rating methodology visit www.fitchratings.com.

⁶ As of the last day of the month. The 30-day yield represents the net change, exclusive of capital changes and income other than investment income, in the value of a hypothetical account with a balance of one share (normally \$1.00 per share) over a thirty-day base period expressed as a percentage of the value of one share at the beginning of the thirty-day period. This resulting net change in account value is then annualized by multiplying it by 365 and dividing the result by 30.

Average Annual Return as of February 28, 2023



	Month	3-Month	1-Year	3-Year	5-Year
CAMP Cash Reserve Portfolio (Pool)	4.73%	4.62%	2.51%	0.99%	1.48%
iMoney Market Fund Index	4.46%	4.21%	2.20%	0.81%	1.27%

Must be preceded or accompanied by a Program Guide. For a current Program Guide, which contains more complete information, please visit <http://www.camponline.com/> or call 800-729-7665. Before investing, consider the investment objectives, risks, charges and expenses of the pool carefully. This and other information can be found in the Program Guide. Read the Program Guide carefully before you invest or send money.

¹Source: iMoneyNet First Tier Institutional Money Market Fund Average. This index is comprised of funds rated in the top grade that invest in high-quality financial instruments with dollar-weighted average maturities of less than 60 days. It is not possible to invest directly in such an index.

Past performance is no guarantee of future results. Yields will fluctuate as market conditions change. The current fund performance may be higher or lower than that cited. The yields shown may reflect fee waivers by service providers that subsidize and reduce the total operating expenses of the Pool. Pool yields would be lower if there were no such waivers. Important disclosure information is provided on the following page.

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Ukiah Valley Sanitation District
151 Laws Avenue
Ukiah, CA 95482

STAFF REPORT
April 12, 2023

To: Board of Directors
From: Wing-See Fox
Meeting Date: April 12, 2023

Item #7C: Expanding Accounting Services with CLA

Background:

CliftonLarsonAllen LLP (CLA) is a professional service network and the eighth largest accountancy firm in the United States. The firm has a significant practice and focus in government related accounting, auditing, and consulting services. CLA was selected by the District in 2018 to provide accounting services and financial statement preparation services to the District. Prior work completed by CLA includes the preparation of five years of financial statements for Fiscal Years 2014-2018 that were subsequently audited by the District's auditor. The audited financial statements were a critical component of UVSD's successful bond refinancing. CLA has represented the District in working with the City of Ukiah on the exchange of accounting information and oversight support when the City still provided billing and collection services to the District. CLA has also provided support in the transition of billing and collection responsibilities from the City to the District. District staff is of the opinion that CLA has provided high-quality services and has been very responsive to District needs and requests.

Over the last 5 years, CLA staff has been able to streamline their scope of work (i.e., with significantly fewer hours) as they have become familiar with our financial management systems and as we have worked with the City to simplify processes. In November 2022, the District entered into a new Master Services Agreement with CLA that updated their hourly rates but kept the overall budget for FY23 substantially the same.

Currently, bookkeeping as well as accounts payable functions are fulfilled by the District's Master Services Agreement with Willow County Water District ("Willow MSA"), while CLA maintains the accounting functions (reconciling accounts and preparing journal entries as necessary, preparing capital asset and depreciation schedules, prepare monthly financial statements, prepare year-end financial statements and related audit schedules for use by the District's auditor, and prepare annual SCO report).

Discussion:

Staff recommends adding the following responsibilities to CLA's Statement of Work: 1) Maintain District accounting and finance records utilizing QuickBooks Online; 2) Prepare and mail all accounts payable payments utilizing Bill.com and enter transactions into accounting software; 3) Enter all accounts receivable, revenue and deposits into accounting software based on billing and collections system data and bank deposit information provided by the District; 4) Prepare and send 1099 information to applicable vendors.

Engaging CLA to perform the additional functions increases efficiency and allows the District to maintain a direct line of sight on the District's funds and cash flows as Willow County Water District prepares to consolidate with other water districts and the City of Ukiah.

Under the current contract with CLA, invoicing is based on billable hours. Monthly accounting services are expected to range from \$3,000 to \$5,000 in any given month but will average closer to \$3,000 per month. Annual accounting services are expected to range from \$10,000 to \$20,000 but will likely come in at the lower end of the range.

With the added scope of work, CLA is proposing to charge a flat monthly fee of \$5,000 to fulfill the monthly and annual accounting functions in the Statement of Work. If additional services are required outside the scope, the District would discuss with CLA and agree to the cost before CLA proceeds with any additional work. Staff has researched other options for outsourcing accounting functions, and we believe that CLA remains the best fit and value for the District. Although we anticipate changes down the road with operating, administrative, and perhaps management contracts, being able to rely on a reputable and sizeable firm, with institutional knowledge of the District and its relationships, to perform key accounting functions and provide accurate financial information to the Board is absolutely critical.

Recommended Action:

Direct staff to execute amended contract with CLA to expand accounting services

Attachment:

- 1) CLA Statement of Work

Respectfully submitted,



WING-SEE FOX
Interim District Manager



Outsourcing Preparation Statement of Work

Date: March 10, 2023

This agreement constitutes a Statement of Work (“SOW”) to the Master Service Agreement (“MSA”) made by and between CliftonLarsonAllen LLP (“CLA,” “we,” “us,” and “our”) and Ukiah Valley Sanitation District (“you” and “your”) dated October 11, 2022 or any superseding MSA. The purpose of this SOW is to outline certain services you wish us to perform in connection with that agreement.

Scope of professional services

Jeffrey Peek is responsible for the performance of the preparation engagement and other services identified in this agreement. They may be assisted by one or more of our authorized signers in the performance of the preparation engagement.

Ongoing normal accounting services:

- Outsourced accounting functions - Monthly
 - Maintain District accounting and finance records utilizing QuickBooks Online.
 - Prepare and mail all accounts payable payments utilizing Bill.com and enter transactions into accounting software.
 - Enter all accounts receivable, revenue and deposits into accounting software based on billing and collections system data and bank deposit information provided by the District.
 - We will reconcile the following accounts and prepare journal entries as necessary:
 - Cash and investment accounts
 - Accounts receivable, customer deposit, and revenue accounts
 - Prepaid expenses and other assets, as applicable
 - Accounts payable, accrued expenses and expense accounts
 - Long-term debt accounts
 - Prepare capital asset and depreciation schedules

- Prepare monthly financial statements (additional information is provided below).
 - We expect that you will request CLA to prepare financial statements, that will not be subject to a compilation, for use by the district's board of directors.
 - We expect that if the financial statements are intended for use by someone who is not knowledgeable about the district's financial affairs, you will request that they be subject to a compilation engagement.
- Assist the district's board of directors in monitoring actual expenditures against appropriation/budget.
- Assist the district's board in reviewing and monitoring quarterly Actual Cost True Up between the district and the City of Ukiah as defined in the Operating Agreement for the Combined Sewer System Serving the Ukiah Valley Sanitation District and the City of Ukiah dated October 3, 2018.
- Attend board meetings as requested.
- Be available during the year to consult with you on any accounting matters related to the district.
- Outsourced accounting functions - Annual
 - Prepare the year-end financial statements (additional information is provided below) and related audit schedules for use by the district's auditors.
 - Assist the district in managing the audit process and coordinating information requested by the auditors.
 - Prepare the district Special District Financial Transactions Report as required by the California State Controller's Office.
 - At calendar year end prepare and send 1099 information to applicable vendors.
 - Assist District management in preparation of the annual appropriations/budget.

Preparation services - financial statements (monthly)

You have requested that we prepare the monthly financial statements of Ukiah Valley Sanitation District, which comprise the financial statements identified below in accordance with GAAP (financial reporting framework).

Financial statements: (monthly)

Statement of Net Position

Statement of Revenues, Expenses, and Changes in Fund Net Position

Management has requested the financial statements be prepared without substantially all disclosures, which is a departure from the financial reporting framework. The financial statements will identify these departures.

The supplementary information accompanying the financial statements, if requested, will be prepared and presented for purposes of additional analysis and is not a required part of the basic financial statements.

Preparation services - financial statements (annual)

You have requested that we prepare the annual year-end financial statements of Ukiah Valley Sanitation District which comprise the financial statements identified below in accordance with GAAP (financial reporting framework).

Financial statements: (annual)

Statement of Net Position

Statement of Revenues, Expenses, and Changes in Fund Net Position

Statement of Cash Flow

Engagement objectives and our responsibilities

The objective of our engagement is to prepare financial statements in accordance with the financial reporting framework based on information provided by you and information generated through our outsourced accounting services.

We will conduct our preparation engagement in accordance with Statements on Standards for Accounting and Review Services (SSARs) promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants (AICPA) and comply with the AICPA's Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care.

Engagement limitations

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion, a conclusion, nor provide any assurance on the financial statements and the supplementary information.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations. We have no responsibility to identify and communicate deficiencies in your internal control as part of this engagement. You agree that we shall not be responsible for any misstatements in the entity's financial statements that we may not identify as a result of misrepresentations made to us by you.

CLA's relationship with you shall be solely that of an independent contractor and nothing in the MSA or a

SOW shall be construed to create or imply any relationship of employment, agency, partnership, or any relationship other than an independent contractor.

No assurance statement

The financial statements will not be accompanied by a report. However, management agrees that each page of the financial statements will include a statement clearly indicating that no assurance is provided on them.

Our firm cannot be associated with any financial statements you file with the U.S. Securities and Exchange Commission (SEC) and accordingly, the name of our firm cannot be included in any of Ukiah Valley Sanitation District's public filings.

Management responsibilities

The engagement to be performed is conducted on the basis that you (management and, when appropriate, those charged with governance) acknowledge and understand that our role is to prepare financial statements in accordance with the financial reporting framework.

We are required by professional standards to identify management's responsibilities in this agreement. Those standards require that you acknowledge and understand that management, and those charged with governance, as appropriate, have the following overall responsibilities that are fundamental to our undertaking the engagement to prepare your financial statements in accordance with SSARs:

- a) The selection of the financial reporting framework to be applied in the preparation of the financial statements and determining that the financial reporting framework is acceptable in the circumstances.
- b) The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- c) The prevention and detection of fraud.
- d) To ensure that the entity complies with the laws and regulations applicable to its activities.
- e) The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement to prepare financial statements.
- f) To provide us with the following:
 - a) Access to all information relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that may be requested for the purpose of the engagement.
 - c) Unrestricted access to persons within the entity with whom we determine it necessary to communicate.

CITY OF UKIAH AND UVSD
ESSU STATISTICS REPORT

	City Accounts # ESSU Units	UVSD #ESSU Units	Total All Acct. #ESSU Units
YTD 4/1/23	6835.036	5688.29	12523.326
% of Total ESSU's	54.58%	45.42%	100.00%
Percent New Plant ESSU's Used	48.58%	39.63%	42.76%
New Plant ESSU's Used	408.04	618.29	1026.326
New Plant ESSU's Remaining	431.96	941.71	1373.67
New Plant Agreement	35.00%	65.00%	100.00%
New Plant Capacity	840	1560	2400