Agenda

6:00 1. CALL TO ORDER, ROLL CALL, AND PLEDGE OF ALLEGIANCE

6:05 2. COMMENTS FROM THE PUBLIC

6:10 3. CONSENT CALENDAR

Items appearing on the Consent Calendar are considered routine and will be adopted in one motion, except for any item removed for separate consideration elsewhere on the agenda. The President will ask the Board and the audience for requests to remove these items.

A. APPROVAL OF MINUTES: REGULAR MEETING OF THE BOARD OCTOBER 10, 2018

B. APPROVAL AND RATIFICATION OF OCTOBER 2018 DISBURSEMENTS PAID IN NOVEMBER 2018 IN ACCORDANCE WITH RESOLUTION 2013-9 (DISBURSEMENTS SIGNED BY DIRECTOR SOLOMON, PATRICK WALTER, AND RAYLENE COLLINS)

C. FINANCIAL REPORTS FOR: INCOME AND CAPITAL IMPROVEMENT PLANS OCTOBER 2018 REVENUES AND EXPENDITURES, BALANCE SHEETS

D. ADOPT CONFLICT OF INTEREST POLICY

E. ADOPT RECEIPT OF GIFTS POLICY

F. ADOPT UPDATES TO INVESTMENT POLICY

G. ADOPT CREDIT CARD USE POLICY

H. ADOPT DEBT MANAGEMENT POLICY

6:15 4. RESOLUTION 2018-08 APPRECIATION FOR DIRECTOR ROBERT N. ANDERSON

ACTION

6:20 5. APPOINTMENT OF REPRESENTATIVE TO BAY AREA WATER SUPPLY AND CONSERVATION AGENCY (BAWSCA) BOARD OF DIRECTORS AND SAN FRANCISCO BAY AREA REGIONAL WATER SYSTEM FINANCING AUTHORITY (RFA)

DISCUSSION/ACTION

6:25 6. SELECT ACWA/JPIA REPRESENTATIVE

DISCUSSION/ACTION

6:30 7. DISCUSS PROCESS TO FILL OPEN BOARD SEAT AND SCHEDULE INTERVIEWS

DISCUSSION/ACTION

6:35 8. UPDATE ON DISCUSSION WITH LOS ALTOS HILLS COUNTY FIRE DISTRICT (LAHCFD) FOR SHARED PROJECTS

UPDATE/DISCUSSION
6:40  9. AUTHORIZE PAKPOUR CONSULTING GROUP TO PROCEED WITH DESIGN WORK FOR THE PAGE MILL ROAD, LA PALOMA, AND ALTAMONT ROAD ZONE 4 WATER MAIN REPLACEMENT PROJECT FOR A NOT TO EXCEED AMOUNT OF $359,000. DISCUSSION/ACTION

6:45  10. ENGINEER'S REPORT UPDATE

6:50  11. ATTORNEY'S REPORT UPDATE

6:55  12. MANAGER'S REPORT UPDATE/DISCUSSION
   A. FIELD REPORT
   B. CUSTOMER COMMUNICATIONS
   C. UPDATE ON THE STATUS OF PROPOSED ANTENNA LEASE
   D. UPDATE ON THE WONERWARE SCADA CONVERSION

7:10  13. DIRECTORS' REPORT UPDATE/DISCUSSION
   A. BAWSCA, ACWA/JPIA, SCVWD, AND OTHER AGENCY ISSUES
   B. DIRECTORS' COMMENTS

7:15  14. AGENDA ITEMS FOR DECEMBER 12, 2018 BOARD MEETING DISCUSSION

7:20  15. ADJOURNMENT

ASSISTANCE FOR PERSONS WITH DISABILITIES
In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the District Secretary at 650-948-1217. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting.

Copies of all agenda reports and supporting data are available for inspection at the District office, 26375 Fremont Road, Los Altos Hills, Ca. A complete agenda and minutes can also be found on the District’s website: http://www.purissimawater.org.
1. CALL TO ORDER, ROLL CALL, AND PLEDGE OF ALLEGIANCE

President Jordan called the regular meeting to order at 6:30 p.m. in the Town of Los Altos Hills Council Chambers

Directors Present: President Jordan, Vice President Peter Evans, Directors Robert N. Anderson, Ernie Solomon, and Brian Holtz

Staff Present: Patrick Walter, General Manager; Phil Witt, General Foreman, Joubin Pakpour, Engineer and Brandon Laurie, Engineer, Pakpour Engineering; Catherine Groves, Attorney, Hanson Bridgett; and Ray Collins, Office Manager/District Secretary

The Pledge of Allegiance was recited.

2. COMMENTS FROM THE PUBLIC

Customer Chris Taeleman spoke about the damage to her property caused by a break in the District’s water main on Moody Rd. She requested that the District replace the main on Moody Rd. and make this project a top priority.

3. CONSENT CALENDAR

It was moved by Director Anderson, seconded by Director Solomon, to approve Item A Minutes of the Regular meeting of the Board September 12, 2018 as amended, and Items B. and C. of the Consent Calendar. Motion approved unanimously – voice vote.

4. APPROVAL FOR PAKPOUR CONSULTING GROUP:

A. DESIGN PROPOSAL FOR SHARED PROJECTS WITH LOS ALTOS HILLS COUNTY FIRE DISTRICT

This item was tabled.

B. INITIATE DESIGN ON THE MOODY RD. MAIN REPLACEMENT PROJECT BETWEEN RHUS RIDGE AND FRANCEMONT FOR A FEE NOT TO EXCEED $35,000.

It was moved by Director Evans, seconded by Director Anderson, to approve Pakpour Consulting Group to initiate design on the Moody Rd. Main Replacement Project for a fee not to exceed $70,000. Motion approved unanimously – voice vote.

5. AUTHORIZATION FOR ECHO LOGICS LEAK DETECTION AND GRANT PROPOSAL TO SANTA CLARA VALLEY WATER DISTRICT (SCVWD) TO FUND UP TO 50% OR $200,000.

The GM explained that the District has approximately 80 miles of pipe and most of that installed in the 1950’s and 1960’s. He said that the District averages 12 leaks a year, but in the first six months of 2018 the District didn’t have any leaks, but had 14 leaks in July and August. He discussed how Echo Logics equipment is a cell based fixed network that continuously listens to the pipes and sends out an alert when detecting a leak. The benefit is to repair a leak when it first starts before it turns into a large leak or catastrophic failure. The GM also suggested that early leak detection could also reduce unaccounted lost water; it therefore contributes greatly to conservation efforts.

It was moved by Director Jordan, seconded by Director Holtz, to fund up to 50% or $200,000 whichever is greater of the total cost of the leak detection equipment, and submit a grant proposal to Santa Clara Valley Water District for matching funds of 50% of the total cost. Motion approved unanimously – voice vote.

6. PROPOSAL TO AMEND DISTRICT’S RATE AND FEE SCHEDULE TO ADJUST RATES FOR ALL CUSTOMERS
A. **OPEN PUBLIC HEARING PURSUANT TO PROPOSITION 218.** The public hearing was opened at 7:05 p.m. The GM introduced the item and explained that the District went well beyond the minimum procedural requirements of Proposition 218 by sending the notice of proposed rate increase to property owners and customers and posting the notice on its website at least 45 days in advance of the public hearing. In addition, the District accepted protests in advance of the public hearing and now was holding the public hearing and accepting additional protests.

B. **PRESENTATION OF WATER RATE STUDY BY BARTLE WELLS** Alex Handlers from Bartle Wells discussed the Rate Study and proposed rates. Alex Handlers explained that the proposed rates do not exceed the cost to provide the service and the costs for each tier do not exceed the proportional cost of services attributable to the property.

Public Comment:
1. Customer Dru Anderson spoke about the high quality of the water and supported the rate increase.
2. Customer Michael Kuranoff spoke about the need for infrastructure improvements and supported the rate increase.
3. Customer Richard Jones spoke against the increase in the Readiness to Serve charges.
4. Customer Jill Snyder questioned the need to pass through SFPUC rates.
5. Customer Jim Abraham spoke against flat rate charged to institutions.
6. Customer Amy Stroud requested help with installation of grey water systems.

C. **CLOSE PUBLIC HEARING** The public hearing was closed at 7:50 pm.

D. **CONSIDERATION OF RESOLUTION 2018-07 AMENDING RATE AND FEE SCHEDULE TO ADJUST RATES FOR ALL CUSTOMERS.** Director Evans commented that the rate study shows the District is operating efficiently, that it’s important to replace aging infrastructure, and being in the forefront of advanced metering with the Beacon AMI enables customers to save money. Director Solomon commented that the District rates are among the lowest of other agencies in the Bay Area. Director Anderson agreed that the District is working efficiently. The Engineer explained that the District’s new infrastructure will be ductile iron pipe which is reliable, will perform better in a seismic event, and with cathodic protection, has an expected life of 200 years. The District did not receive written protests from a majority of the property owners/customers directly responsible for paying the water bill. Having satisfied all of Proposition 218’s procedural and substantive requirements, it was moved by Director Anderson, seconded by Director Solomon, to approve Resolution 2018-07. Motion approved unanimously – voice vote.

7. **ENGINEER’S REPORT** The Engineer reported that the survey on the Taffee Elena Main Replacement Project is complete. He said the design of the Moody Rd. Main Replacement Project will be moved to priority.

8. **ATTORNEY’S REPORT** Nothing to Report

9. **MANAGER’S REPORT**

   A. **UPDATE ON PURISSIMA RD. MAIN REPLACEMENT PROJECT:**
   
   Phase 1 is complete. Paving was completed the week of October 1, 2018.
   
   Phase 2 is complete. Paving was completed the week of October 1, 2018. Thermal striping is scheduled for week of October 15, 2018. There were three change orders for Phase 2:
   
   1. There was concrete treated base for 600 feet due to Highway 280.
   
   2. An unmarked private force sewer main was hit while digging to reconnect a hydrant.
3. Due to the depth of the hydrant lateral, relative to the location of the sewer main, it was decided to relocate the hydrant on the corner of Purissima Rd. and Elena Rd.

Phase 3 is complete. Paving was completed the week of October 1, 2018.

B. UPDATE ON THE TOWN'S REIMBURSEMENT OF CONSTRUCTION COSTS ETC. AND STATUS OF PROPOSED ANTENNA. The GM reported that the reimbursement of construction and electricity costs of the existing antenna was approved by the Town of Los Altos Hills Town Council.

C. FIELD REPORT

- Matadero Pump Station. DACO has started potholing for the Hungry Horse Tank check valve.
- McCann Electrical Panel. Pump 2 starter panel was received and returned to repair deficiencies; The vendor is still working on the panel.

MAIN BREAKS

- Fremont Rd. There was a leak on a corp and saddle near Bullis School. The saddle and corp were replaced.
- Country Way. There was a small leak at the end of Country Way. The corp was directly tapped into the main, which was leaking past the corroded threads. A new saddle and corp were installed.
- Julietta Lane. There was a corporation valve on the main that had cracked threads. The corp was replaced.
- Altadena Rd. On October 2nd a leak occurred on the 6” cast iron main. The pipe had a 7 foot split on the bottom and was replaced with 22 feet of ductile iron pipe. PHWD SCADA records indicate that the leak started at 2 a.m. causing La Cresta tank and Elena tank to drain to 3.4 feet and 3.9 feet respectively. Both Deer Creek Pump 3 and McCann Pump 3 were also running to fill the tanks. The main was shut off at 7:30 a.m. There was a significant amount of mud to clean up on Altadena Rd. as well as damage to the road, but, no damage to any of the residences. The leak was calculated at 1.87 million gallons

D. CUSTOMER COMMUNICATIONS None to report.

10. DIRECTORS’ REPORT

A. BAWSCA, ACWA/JPIA, SCVWD, AND OTHER AGENCY ISSUES Nothing to report.

B. DIRECTORS’ COMMENTS. Director Jordan and the GM will have an informational meeting with SCVWD officials regarding a grant proposal for the Echo Logics leak detection equipment.

11. AGENDA ITEMS FOR NOVEMBER 14, 2018 BOARD MEETING

Appointment of representative to BAWSCA Board of Directors.

Subcommittee to appoint Director to fill vacancy.

12. ADJOURNMENT It was moved by Director Anderson, seconded by Director Evans, to adjourn at 8:45. Motion approved unanimously – voice vote.
PURISSIMA HILLS WATER DISTRICT
CREDIT CARD USE POLICY

Permissible Uses:
PHWD credit cards shall be used only for purchases and expenses that have been approved in advance by the General Manager. PHWD credit cards shall be used only for the following official District business:

a. Gasoline purchases for District vehicles;
b. Authorized travel expenses and hotel charges, which shall subsequently be documented on a travel expense report;
c. Meals when required in connection with the conduct of official District business;
d. Other circumstances when the use of a District credit card best meets the purchasing needs of the District, as determined in advance by the District’s General Manager.

Prohibited Uses:
PHWD credit cards shall not be used to pay for professional services provided by individuals (as distinguished from purchases of supplies, materials and equipment from vendors). Examples of professional services for which PHWD credit cards may not be used include, but are not limited to: charges for services provided by plumbers, electricians or construction contractors, any other vendors or individuals who require a 1099 to be filed at the end of the year for tax purposes.

No personal items shall be charged to any District credit card. In cases where a personal charge is found, charges shall be reconciled and reimbursed to the District immediately. Each employee using a District credit card agrees that, in the event personal charges are not reimbursed to the District as provided herein, such personal charges may be deducted from the compensation (payroll) otherwise payable by the District to the employee.

Storage and Record Keeping:
All PHWD credit cards are to remain at the District’s office when not in use. Employees shall return District credit cards to the District office within 24 hours of completing the use thereof. With prior approval from the General Manager, an employee may keep the credit card longer than 24 hours if circumstances require it. All receipts relating to credit card purchases shall be submitted at the time the credit card is returned to the District office.

Failure to comply with the credit card policies, procedures and requirements set forth herein may result in the employee’s loss of use of District credit card.
PURISSIMA HILLS WATER DISTRICT
CONFLICT OF INTEREST POLICY

The District requires employees to maintain high standards of ethical conduct in carrying out the duties of their job, including certain financial interests and political contributions. This policy summarizes conflict of interest laws and rules to assist employees in determining whether a conflict of interest exists that could damage the District’s reputation or result in serious adverse consequences to the District and to the employee involved. The District’s goal is to preserve the public trust by preventing favoritism, bias or the appearance of impropriety in its decision making.

In addition, many District employees have direct contact with members of the public. The impressions employees create can influence public opinion of the District. As representatives of the District, employees must be careful to conduct themselves before the public in a manner which creates the best possible impression and contributes to and promotes a good reputation for the District. This means that employees must adhere to an exceptionally high code of personal ethics.

A conflict of interest may exist when an employee owes a professional obligation to the District that is or might be compromised by the pursuit of outside interests. Outside interests, such as professional activities, personal financial interests, or the acceptance of gifts from third parties, can create conflicts between the interests of the District and an employee’s private interests and may prevent the employee from making decisions that are in the best interest of the District. Even though outside interests may not actually impair an employee from acting in the best interest of the District, it may appear to the public that independence of judgment is compromised and a conflict exists.

Therefore, District employees may not participate in or influence any decision in which he or she has a financial interest. If a conflict exists, the District may be able to isolate the employee from the matter. However, if a conflict is ignored or even invited, then disciplinary proceedings may be undertaken. In addition, California law provides for a variety of actions, including voiding contracts, penalties, fines, and imprisonment, in the case of intentional violations.

Conflicts of Interest May Arise When:
- The District employee (spouse or dependent child) is an employee, agent, director, trustee, partner, owner, investor, supplier or contractor of a company (for profit or nonprofit) doing business or trying to do business with the District;
- The District employee (spouse or dependent child) owns property which might be affected by a District decision;
- The personal finances of the District employee (spouse or dependent child) will be directly affected by a District decision (excluding the employee’s salary);
- A decision made by the District will affect a person or business from which the District employee (spouse or dependent child) has received or been promised income of $500 or more in the past 12 months; or,
- A decision made by the District will affect a person or business for which the District employee (spouse or dependent child) is an employee, agent, director, trustee, partner, owner, investor supplier, or contractor.
Employees who may have one of the above situations apply, should discuss it further with their managers who can assist in evaluating the situation. Certain Employees are required to attend Ethics training and sign a Statement of Economic Interest (Form 700) in accordance with the District’s Conflict of Interest Code and Receipt of Gifts Policy.

As the District is a Public Agency, Certain Activities Are Prohibited. These examples of prohibited activities are provided as a general guide and do not represent an exhaustive list or cover every situation which may arise:

An Employee Shall Not:

- Accept anything of value totaling more than $470 in a calendar year (or the current limit adopted by California’s Fair Political Practices Commission) from any single source that provides services, supplies, materials, machinery or equipment of the type utilized by the District (see the District’s Receipt of Gifts policy);
- Make or participate in any District decision if a conflict of interest exists;
- Engage in any activity, whether for pay or not, which reflects unfavorably on the District;
- Permit improper outside pressure to influence District policies, plans or operations;
- Use District property, equipment, services, or work time for unauthorized personal purposes and/or personal financial gain; or
- Divulge confidential records or information.

The District considers an employee's actions under this policy to be an indication of the individual's judgment and competence. Accordingly, those actions constitute an important element in the evaluation of the employee for position assignments and promotion. Insensitivity to or disregard of the principles of this policy will be grounds for appropriate disciplinary action.
1. POLICY STATEMENT
The Purissima Hills Water District (District) funds its capital projects and meets other financing needs through a combination of current operating revenues, available reserves, outside funding (e.g., grants), and prudently issued debt. This policy documents the goals and guidelines of the District for the issuance and use of debt instruments.

Debt includes financing as a way to raise working capital or capital expenditures by selling bonds, bills, certificates, or notes to individual and/or institutional investors. In return for lending the money, the individuals or institutions become creditors and receive a promise to repay principal and interest on the debt. To achieve optimal credit ratings and endorse prudent financial management, the District is committed to long-term capital and financial planning, and continual review of its financing structure to optimize the overall cost of debt.

The issuance of debt by the District to finance major capital projects or to refinance existing obligations will only occur after the transaction is evaluated to be fiscally prudent and responsible under the prevailing economic conditions. Prior approval by the Board of Directors (Board) is required for the issuance of new debt or for the refinancing of existing debt.

2. PURPOSE OF POLICY
The purpose of this Debt Management Policy (Debt Policy) is to establish and maintain parameters for issuing debt, and promote objectivity in the decision-making process.

The District will adhere to the following legal requirements for the issuance of public debt:
- State law, which authorizes the issuance of debt;
- Federal and state law, which govern the eligibility of the debt for tax-exempt status;
- Federal and state law, which govern the issuance of taxable debt;
- Federal and state law, which govern disclosure, sale, and trading of the debt, both before and subsequent to issuance; and
- Generally Accepted Accounting Principles (GAAP).

This Debt Policy is intended to comply with Government Code Section 8855(i), effective January 1, 2017, and shall govern all debt issued by the District. The District hereby recognizes that a fiscally prudent debt policy is required to:
- Maintain the District’s sound financial position.
- Ensure the District has the flexibility to respond to changes in future service priorities, revenues, and operating expenses.
- Protect the District’s credit-worthiness.
- Ensure that all debt is structured to protect current and future taxpayers, ratepayers and constituents of the District.
- Ensure that the District’s debt is consistent with the District’s planning goals and objectives and Capital Improvement Program (CIP) or capital budget, as applicable.

3. PURPOSE AND USE OF DEBT
Debt financing is an acceptable and appropriate approach to fund the District’s long-term capital improvements as approved by the Board of Directors and, thus, ensure inter-generational equity of
such major improvements among existing and future users of the system. Debt can be issued to fund the capital cost of planning, pre-design, design, land and/or easement acquisition, construction, and related fixtures, equipment, and others costs as permitted by law.

3.1 **Long-Term Debt.** Long-term debt may be issued to finance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment and land to be owned and operated by the District. Long-term debt financings are appropriate:

- When a project to be financed is necessary to provide District services.
- When the project to be financed will benefit constituents over 10+ years.
- When total long-term debt financing does not constitute an unreasonable burden to the District and its taxpayers or ratepayers.
- When the debt is used to refinance outstanding debt to reduce the total cost of the debt or to realize other benefits of a debt restructuring, such as increased flexibility in the use of cash and reserves.
- When the weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average useful life of the project to be financed by more than 20%, unless specific conditions exist that would mitigate the extension of time to repay the debt and it would not cause the District to violate any covenants to maintain the tax-exempt status of such debt, if applicable.

Long-term debt financings will not be considered appropriate for current operating expenses and routine maintenance expenses.

The District may use long-term debt financings subject to the following conditions:

- The project to be financed must be approved by the District Board of Directors;
- The District estimates that sufficient revenues will be available to service the debt through its maturity; and
- The District determines that the issuance of the debt will comply with the applicable state and federal law.

Periodic reviews of outstanding long-term debt will be undertaken to identify refunding opportunities. Refundings will be considered (within federal tax law constraints, if applicable) if and when there is a net economic benefit of the refunding. Refundings that are non-economic may be undertaken to achieve District objectives relating to changes in covenants, call provisions, operational flexibility, tax status of the issuer, or the debt service profile.

Refundings that produce a net present value savings of at least 4% of the refunded debt will be considered economically viable. Refundings that produce a net present value savings of less than 4% or negative savings will be considered on a case-by-case basis, and are subject to Board approval.

3.2 **Short-term debt.** Short term borrowing such as commercial paper and lines of credit will be considered as an interim source of funding in anticipation of long-term borrowing. Short-term debt may be issued for any purpose for which long-term debt may be issued, including capitalized interest and other financing-related costs. Prior to issuance of the short-term debt, a reliable revenue source shall be identified to secure repayment of the debt. The final maturity of the debt issued to finance the project shall be consistent with the economic or useful life of the project and unless the Board determines that extraordinary circumstances exist, must not exceed seven years.
3.3 Short-term debt may also be issued to provide financing for the District’s operational cash flows in order to maintain a steady and even cash flow balance, due within one year, and may be rolled over or extended if necessary. Short-term debt may also be used to finance short-lived capital projects, such as undertaking lease-purchase financing for equipment.

4. TYPES OF DEBT THAT MAY BE ISSUED
The District may find that debt financings would be beneficial to further its public purposes and the Board of Directors may approve such debt without an amendment of this Debt Policy. Debt shall be issued as fixed rate debt unless the District makes a specific determination as to why a variable rate issue would be beneficial to the District in a specific circumstance.

5. RELATIONSHIP OF DEBT TO CAPITAL IMPROVEMENT PROGRAM AND BUDGET
The District is committed to long-term capital planning and may issue debt for the purposes stated in this Debt Policy for implementation of the District’s capital budget and CIP.

5.1 The District’s Debt Management Policy, Reserve Policy, and Investment Policy will be considered in the decision-making framework utilized in the preparation of the District’s CIP and long-term capital and financial planning, and its fiscal year budgeting process.

5.2 The District will strive to fund the upkeep and maintenance of its infrastructure and facilities improvements due to normal wear and tear through the expenditure of available operating revenues rather than incurring debt.

5.3 The District shall integrate its debt issuances with the goals of its CIP by timing the issuance of debt to ensure that projects are available when needed in furtherance of the District’s public purposes, or may be less expensive due to construction costs or low interest rates.

6. DEBT ISSUANCE
The District is committed to long-term financial planning, maintaining appropriate reserves and employing prudent practices in governance, management and budget administration, and systematic capital planning. The District will issue debt for the purposes stated in this Debt Policy and as approved by the Board of Directors to implement policy decisions incorporated in the District’s annual operations and capital budgets. Adoption of this Debt Policy will help ensure that debt is issued and managed in a manner that protects the public interest.

6.1 Credit Rating. The District intends to protect taxpayers, ratepayers and constituents by using conservative financing methods and techniques so as to obtain the highest practical credit ratings (if applicable) and the lowest practical total borrowing costs. The District will seek to maintain optimum credit ratings for debt instruments. District staff, working with the District's Financial Consultant, shall be responsible for advising which of the major rating agencies will be asked to provide such a rating.

6.2 Method of Sale. Debt is typically issued under either a competitive or negotiated sale, or private placement. Determination of the appropriate method of sale for each debt issuance will rest with the General Manager and Board of Directors with advice from the District’s Financial Consultant. There are a number of market factors that will affect the success of a debt offering and each should be carefully considered before selecting a method of sale. These factors include, but are not limited to: 1) market perception of the District’s credit quality, 2) interest rate volatility, 3) size of the proposed sale, term and average life, 4) complexity of the proposed issue, and 5) competition with other issuers for investor interest.
7. **DEBT ADMINISTRATION**

7.1 The District will comply with:

A. Applicable state and federal law as it pertains to the maximum term of debt and the procedures for levying and imposing any related taxes, assessments, rates and charges; and

B. Applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds. Without limiting the foregoing, the District will periodically review the requirements of and will remain in compliance with the following:

1. Any continuing disclosure undertakings entered into by the District in accordance with SEC Rule 15c2-12;
2. Any federal tax compliance requirements, including, without limitation, arbitrage and rebate compliance;
3. The District’s investment policies as they relate to the use and investment of bond proceeds; and
4. California Government Code Section 8855(i) and the annual reporting requirements therein.

7.2 Proceeds of debt will be held either by:

A. A third-party trustee or fiscal agent, which will disburse such proceeds to or upon the order of the District upon the submission of one or more written requisitions by the General Manager of the District (or their written designee); or

B. The District, to be held and accounted for in a separate fund or account to ensure debt proceeds are expended only for the purposes for which the debt was issued, the expenditure of which will be carefully documented by the District in records compliance with current accounting standards and subject to the District’s annual audit.

7.3 **Investment of Debt Proceeds.** Proceeds of debt will be invested until used for the intended project(s) in order to maximize utilization of the public funds. The investments will be made to obtain the highest level of safety. The General Manager will oversee the investment of bond proceeds in a manner to avoid, if possible, and minimize any potential negative arbitrage over the life of the bond issue, while complying with arbitrage and tax provisions.

7.4 **Debt Coverage Target.** In determining the affordability of a proposed debt financing, the District will perform an analysis comparing projected annual net revenues, after payment of operating and maintenance expenditures, to estimated annual debt service and the estimate debt coverage ratio. The debt coverage ratio is the amount of net cash flow available, divided by the annual interest and principal payments on debt.

The District’s existing debt covenants for its 2016 Certificates of Participation capital debt financing require a legal debt coverage ratio of at least 1.25.

7.5 **Debt Service Reserve Balance.** District staff will monitor dedicated debt service reserve fund balances, ensuring compliance with related reserve requirements (if applicable), and periodically review the advisability of prepayment or refunding of related debt. The financial advantages of a current refunding must outweigh the cost of issuing the refunding debt by a
sufficient margin to justify it. (The California Special Districts Association’s best practices for debt management recommend at least 3.0% of the principal amount of the bonds being refunded, determined on a net present value basis.)

7.6 Call Options/Redemption Provisions. District staff will evaluate and recommend to the Board the use of a call option, if any, and a call protection period for each issuance. A call option, or optional redemption provision, gives the District the right to prepay or retire debt prior to its stated maturity. The option may permit the District to achieve interest savings in the future through refunding the debt. The cost of call options can vary widely, depending largely on market conditions, an evaluation of factors such as the call premium, time until the debt may be called at a premium or at par, and interest rate volatility.

7.7 Quarterly Reports. District staff will provide quarterly review and reporting to the Board of the debt’s financial performance, including capital expenditures and interest earnings.

7.8 Debt Service Payments. Necessary appropriations for annual debt service requirements will be reflected in the District’s annual budget. Staff is responsible for timely annual payments.

7.9 Continuing Disclosure Requirements. The District is responsible for ensuring that the District’s annual financial statements, continuing disclosure reports, and material event notifications are posted on the PHWD website and/or the Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board. The District may also contract with third-party consultant(s) to comply with its continuing disclosure obligations, and with Securities and Exchange Commission Rule 15c2-12(b)(5).

The District shall submit an annual report to the California Debt and Investment Advisory Commission for any issuance of debt for which it has submitted a report of final sale on or after January 1, 2017. The annual report shall comply with the requirements of Government Code Section 8855 and related regulations.

Failure to comply with disclosure requirements may restrict the ability of the District to issue debt.

7.10 Investor Relations. Information that the District intends to make available to the investing public, including bondholders, rating analysts, investment advisors, or any other members of the investment community shall be filed on the PHWD website and the EMMA website.

The District will maintain proactive communications with the investment community, including rating agencies and investors, to ensure future capital market access at the lowest possible interest rates.

7.11 Records Retention. A copy of all relevant documents and records will be maintained by the District through the final maturity of the debt financing plus ten (10) years. Relevant documents and records will include sufficient documentation to support the requirements related to maintaining the tax-exempt status of the debt financing.
PURISSIMA HILLS WATER DISTRICT

STATEMENT OF INVESTMENT POLICY

PURPOSE

This statement provides guidelines for the prudent investment and cash management of the District’s funds.

OBJECTIVE

The District’s cash management system is designed to monitor and forecast accurately expenditures and revenues, thus enabling the District to invest funds to the fullest extent possible. The District’s primary objective is to safeguard the principal of the funds; the second objective is to meet the liquidity needs of the District; and the third objective is to achieve a return on the invested funds.

POLICY

At all times, the District shall invest its funds in accordance with the rules and restrictions established by the laws of the State of California (Government Code Section 53600 et seq.). The District shall conduct its investments under the "prudent investor standard": When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the District. (California Government Code Section 53600.3).

The General Manager of the District shall serve as the District's trustee for purposes of placing investments pursuant to this policy. The policy shall be reviewed periodically by the District's Board of Directors at a public meeting. (California Government Code Section 53646(a)).

1. **Criteria for Selecting Investments.** Criteria for selecting investments and the order of priority are:

   a. **Safety.** The safety and risk associated with an investment refer to the potential loss of principal, interest or a combination of these amounts. The District shall operate only in those investments that are considered very safe.

   b. **Liquidity.** An adequate percentage of the portfolio should be maintained in liquid short-term investments which can be converted to cash if necessary to meet projected cash flow requirements. A short-term investment is defined as any investment which matures within a one year period.

   c. **Yield.** Yield becomes a consideration only after the basic requirements of safety and liquidity have been met.
2. **Delivery of Securities.** Securities shall be delivered by book entry, physical delivery or by third party custodial agreement. (California Government Code Section 53601).

3. **Diversification.** The portfolio should consist of a mix of authorized types of investments described in this policy. As a general rule, long-term maturities should not represent a significant percentage of the total portfolio, as the principal risk involved can outweigh the potential for higher earnings.

4. **Terms of Investments.** Except for public statutory exceptions or when authorized by the Board of Directors either specifically or as part of an investment program no less than 3 months prior to the investment, no investment shall be made in a security with a term remaining to maturity in excess of five years. (California Government Code Section 53601).

5. **Deposit of Funds.** As far as possible, all money belonging to or in the custody of the District including money paid to the District to pay the principal, interest or penalties of bonds, shall be deposited for safekeeping in state or national banks, savings associations or federal associations, credit unions or federally insured industrial loan companies in California (California Government Code Section 53635.2). Pursuant to California Government Code Sections 53637, the money shall be deposited in any authorized depository with the objective of realizing maximum return, consistent with prudent financial management.

   The District's funds may also be invested in the instruments set forth in Sections 6 and 7 below.

6. **Allowable Investment Instruments.** The District may invest in the investment instruments authorized by the California Government Code, subject to any conditions set forth in the California Government Code. Without prior Board approval, the General Manager shall limit the investment instruments utilized to the following:

   a. United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

   b. Negotiable certificates of deposits issued by a nationally or state-chartered bank or a savings association or a state or federal credit union or by a state-licensed branch of a foreign bank.

7. **Local Agency Investment Fund.** In addition to the investment instruments set forth in Section 6, the General Manager may invest in the Local Agency Investment Fund pursuant to California Government Code Section 16429.1.

8. **Prohibited Investments.** The District shall not invest any funds in inverse floaters, range notes or mortgage-derived interest-only strips that are derived from a pool of mortgages. The District shall not invest any funds in any security that
could result in zero interest accrual if held to maturity. The limitation does not apply to investments in shares of beneficial interest issued by diversified management companies as set forth in California Government Code Section 53601.6.

REPORTING

At least quarterly, the General Manager shall submit an investment report to the Board of Directors within 30 days of the end of the quarter. The report shall include the following information:

1. type of investment, issuer, date of maturity, par and dollar amount invested in all securities, investments and money held by the District;

2. description of any of the District's funds, investments or programs that are under the management of contracted parties, including lending programs;

3. for all securities held by the District or under management by any outside party that is not a local agency or the State of California Local Agency Investment Fund, a current market value as of the date of the report and the source of this valuation;

4. statement that the portfolio complies with the Investment Policy or the manner in which the portfolio is not in compliance; and

5. statement that the District has the ability to meet its projected cash flow requirements for the next six months or provide an explanation as to why sufficient money shall or may not be available.

If the District places all of its investments in the Local Agency Investment Fund, Federal Deposit Insurance Corporation-insured accounts in a bank or savings and loan association or county investment pool (or any combination of these three), the General Manager can simply submit, on at least a quarterly basis, the most recent statements from these institutions to meet the requirements of items 1-3 above, with a supplemental report addressing items 4 and 5 above. (California Government Code Section 53646(b)-(e)).
RESOLUTION NO. 2007-2

APPROVING THE STATEMENT OF INVESTMENT POLICY

PURISSIMA HILLS WATER DISTRICT

WHEREAS, the District is required to adopt a Statement of Investment Policy and to review it periodically; and

WHEREAS, the General Manager and the Attorney reviewed the Statement of Investment Policy and updated it to be consistent with statutory requirements and District practices; and

WHEREAS, staff recommends that the Board approve the Statement of Investment Policy that is attached to this Resolution.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Purissima Hills Water District that the attached Statement of Investment Policy is approved as submitted.

PASSED AND ADOPTED this 14th day of March, 2007 by the following vote:

AYES: Directors Anderson, Jones, Seidel, Solomon, and Waldeck

NOES: None

ABSENT: None

[Signature]
President, Board of Directors
Purissima Hills Water District

ATTEST:

[Signature]
Secretary of the District
PURISSIMA HILLS WATER DISTRICT
RECEIPT OF GIFTS POLICY

This “Gift Policy” sets forth the District’s rules regarding the receipt of gifts of any kind from individuals, businesses and organizations. This policy applies to District Directors, Officers and employees. The District strives to provide impartial and exceptional service to its users and to the general public. Gifts can be perceived as attempts to influence District operations and can erode public confidence and the impartiality of decisions made by public officers, officials and employees. It is important to avoid even the appearance of impropriety in all aspects of the District’s programs and operations.

This Gift Policy is based on regulations adopted by California’s Fair Political Practices Commission (FPPC) as they apply to the District. Where the District’s Gift Policy imposes more stringent requirements, they must be followed. If there are omissions in the District’s Gift Policy that are covered by the FPPC regulations, the FPPC regulations shall control. Questions regarding the implementation of the District’s Gift Policy should be directed to the General Manager or the Attorney for the District.

Definitions

- “Financial interest” is defined and accepted as set forth in the Political Reform Act (codified in section 81000, et seq. of the California Government Code) and the FPPC Regulations, as they may be amended from time to time;
- “FPPC Regulations” means the regulations adopted by the Fair Political Practices Commission in its role as the implementing and enforcement agency of the State’s Political Reform Act. These implementations are set forth in Title 2, Division 6, and Sections 18109-18997 of the California Code of Regulations;
- “Gifts” are defined and accepted as set forth in the Political Reform Act and FPPC Regulations, as they may be amended from time to time;
- “Pending procurement” refers to a procurement that is underway during the following time periods:
  i. Beginning 60 days prior to the District’s issuance of any request for information, quotes, bids or proposals; through the solicitation and evaluation of quotes, bids or proposals; up until award of a contract or abandonment of the procurement process by the District; and,
  ii. Within the 60 days prior to the expiration of the term of an existing contract and during negotiations of a contract renewal or exercise of any contract option.

Gift Limit for Directors, Officers and Employees

District Directors, Officers and designated employees of the District identified in the District’s Conflict of Interest Code or covered by Government Code section 87200 (including public officials who manage public investments) are subject to State laws regarding the receipt of gifts as set forth in the Political Reform Act (at Government Code Section 89503) and the FPPC Regulations.

These minimum requirements are not altered by this Gift Policy. Individuals in positions designated in the Conflict of Interest Code’s Disclosure Category 1 or who are covered by
Government Code section 87200 are prohibited from receiving gifts totaling more than $470 from any single source in a calendar year and must disclose gifts over $50 on their Form 700. All other District Officers and employees, whether or not their positions are included in the District's Conflict of Interest Code, are prohibited from receiving gifts totaling more than $470 in a calendar year from any single source that provides services, supplies, materials, machinery or equipment of the type utilized by the District.

These annual limits shall automatically increase or decrease consistent with modification to the gift limit established by the FPPC every two years.

**Prohibition on Gifts During Pending Procurements**

No Director, Officer, or employee of the District, whether or not such employee's position is included in the District's Conflict of Interest Code, shall accept a gift of any value from a person the Director, Officer, or employee knows, or has reason to know, has a financial interest in a pending procurement with the District.