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## Agenda

- Designated Funds
- Debt Coverage
- Investment Policy
- Designated Funds Revisited
- Investment Policy Revisited
- Recommendation
- Questions

2 | April 18, 2023



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## Strategic Plan Goals

- Abundant, Local, Reliable, and Safe Water Supply
- Perpetually Renew and Improve our Infrastructure
- Financial Responsibility
- Increase Favorable Opinion
- Attract, Develop and Retain Skilled Employees
- Excellent Customer Service
- Participate in Regional and Statewide Water Issues



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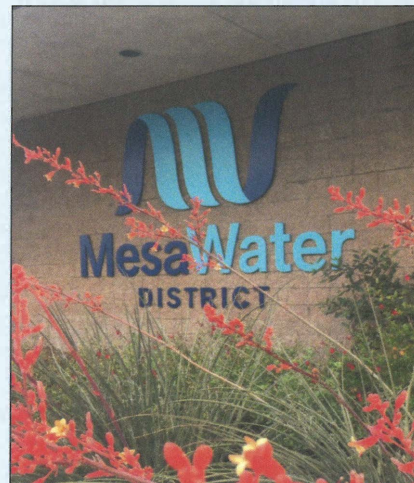
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## Mesa Water

- Financially Strong
- AAA ratings

**STANDARD  
& POOR'S**

**Fitch Ratings**



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## Current Designated Fund Targets

| Fund Type                     | Minimum      | Maximum  |
|-------------------------------|--------------|----------|
| <b>Capital Funds</b>          |              |          |
| Capital Replacement Fund      | \$10,000,000 | Varies   |
| <b>Liquidity Funds</b>        |              |          |
| Administrative & General Fund | 20 Days      | 25 Days  |
| Catastrophe Fund              | 150 Days     | 180 Days |
| Operating Fund                | 120 Days     | 150 Days |
| Rate Stabilization Fund       | 60 Days      | 75 Days  |
| <b>Restricted Funds</b>       |              |          |
| Customer & Development Funds  | Varies       | Varies   |

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## Current Designated Funds Amounts

| Fund Type                     | Current       | Days     |
|-------------------------------|---------------|----------|
| <b>Capital Funds</b>          |               |          |
| Capital Replacement Fund      | \$ 1,181,595  | N/A      |
| <b>Liquidity Funds</b>        |               |          |
| Administrative & General Fund | \$ 1,562,980  | 20 Days  |
| Catastrophe Fund              | \$ 11,722,350 | 150 Days |
| Operating Fund                | \$ 9,377,880  | 120 Days |
| Rate Stabilization Fund       | \$ 4,688,940  | 60 Days  |
| <b>Restricted Funds</b>       |               |          |
| Customer & Development Funds  | \$ 2,111,239  | Varies   |

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# Debt Service Coverage

- Mesa Water District Certificates of Participation – 1.25
- Mesa Water District Board of Directors – 1.30
- Fitch AAA Rated – 2.00
- Current Debt Coverage – 2.26

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# Investment Policy

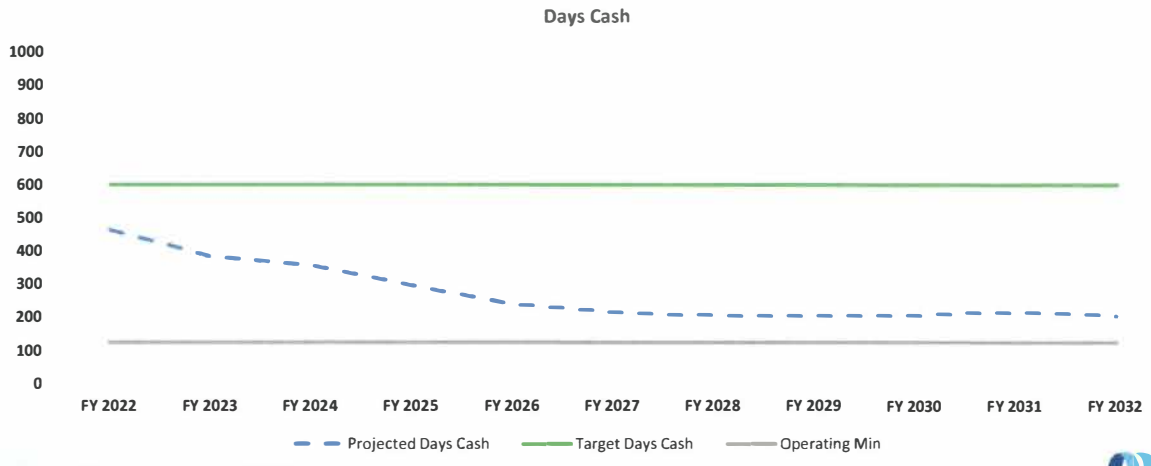
| CGC Section | Investment Type                                       | ALLOWED BY STATUTE |                           |                        | AUTHORIZED BY MESA WATER DISTRICT |                           |                        |
|-------------|---|--------------------|---------------------------|------------------------|-----------------------------------|---------------------------|------------------------|
|             |   | Maximum Maturity   | Authorized Limit (%)      | Required Rating        | Maximum Maturity                  | Authorized Limit          | Required Rating        |
| 53601(a)    | Local Agency Bonds                                    | 5 Years            | None                      | None                   | 5 Years                           | None                      | None                   |
| 53601(b)    | U.S. Treasury Obligations                             | 5 Years            | None                      | None                   | 5 Years                           | None                      | None                   |
| 53601(c)    | State of California Obligations                       | 5 Years            | None                      | None                   | 5 Years                           | None                      | None                   |
| 53601(d)    | Other State Obligations                               | 5 Years            | None                      | None                   | 5 Years                           | None                      | None                   |
| 53601(e)    | California Local Agency Obligations                   | 5 Years            | None                      | None                   | 5 Years                           | None                      | None                   |
| 53601(f)    | Federal Agency or U.S. Government Obligations (GSE's) | 5 Years            | None                      | None                   | 5 Years                           | None                      | None                   |
| 53601(g)    | Bankers' Acceptances                                  | 180 Days           | 40%/30% <sup>(1)</sup>    | None                   | 180 Days                          | 40%/30% <sup>(1)</sup>    | None                   |
| 53601(h)    | Commercial Paper                                      | 270 Days           | 25% or 10% <sup>(2)</sup> | A1/P1/F1               | 270 Days                          | 25% or 10% <sup>(2)</sup> | A1/P1/F1               |
| 53601(i)    | Negotiable Certificates of Deposit <sup>(6)</sup>     | 5 Years            | 30% <sup>(7)</sup>        | None                   | 5 Years                           | 30% <sup>(7)</sup>        | None                   |
| 53601(j)    | Repurchase Agreements                                 | 1 Year             | None                      | None                   | 1 Year                            | None                      | None                   |
| 53601(k)    | Reverse Repurchase Agreements                         | 92 Days            | 20% of base               | Various <sup>(3)</sup> | 92 Days                           | 20% of base               | Various <sup>(3)</sup> |
| 53601(l)    | Medium-Term Notes                                     | 5 Years            | 30%/10% <sup>(9)</sup>    | A                      | 5 Years                           | 30%/10% <sup>(9)</sup>    | A                      |
| 53601(m)    | Mutual Funds  | N/A                | 20%/10% <sup>(4)</sup>    | Various <sup>(5)</sup> | N/A                               | 20%/10% <sup>(4)</sup>    | Various <sup>(5)</sup> |
| 53601(n)    | Money Market Mutual Funds                             | N/A                | 20%/10% <sup>(4)</sup>    | Various <sup>(5)</sup> | N/A                               | 20%/10% <sup>(4)</sup>    | Various <sup>(5)</sup> |
| 53601(o)    | Trust Indenture or Other Contract                     | Per Contract       | Per Contract              | Per Contract           | Per Contract                      | Per Contract              | Per Contract           |
| 53601(p)    | Collateralized Bank Deposits <sup>(8)</sup>           | 5 Years            | None                      | None                   | 5 Years                           | None                      | None                   |
| 53601(q)    | Mortgage Pass-Through Securities                      | 5 Years            | 20%                       | AA                     | 5 Years                           | 20%                       | AA                     |
| 53601(r)    | Shares of beneficial interest in JPA's                | N/A                | None                      | None                   | N/A                               | None                      | None                   |
| 53601.s     | Certificates of Deposits (CDAR's) <sup>(6)</sup>      | 5 Years            | 50% <sup>(10)</sup>       | None                   | 5 Years                           | 50% <sup>(10)</sup>       | None                   |
| 16429.1     | Local Agency Investment Fund (LAIF)                   | N/A                | None                      | None                   | N/A                               | None <sup>(6)</sup>       | None                   |
| 53684       | County Pooled Investment Funds                        | N/A                | None                      | None                   | N/A                               | None                      | None                   |
|             | Time Deposits <sup>(6)</sup>                          | 5 Years            | None                      | None                   | 5 Years                           | None                      | None                   |

(1) 30% limit for one commercial bank.  
 (2) 10% limit for the outstanding commercial paper of any single corporate issue.  
 (3) Securities used for the agreement must have been held by the issuer for 30 days, investments can only be made with primary dealers of the Federal Reserve Bank of New York.  
 (4) No more than 10% can be invested in any one fund.  
 (5) Highest ranking by 2 of 3 of the nationally recognized rating agencies, and retain an investment advisor who is registered with the SEC and has at least 5 years' experience investing in securities authorized in CGC Section 53601 and 53635 with assets in excess of \$500 million.  
 (6) LAIF currently allows a maximum of \$75 million per account.  
 (7) No more than 30% of total funds may be invested in these CD's.  
 (8) Subject to FDIC limitations. Also, subject to other limits with investments in credit unions.  
 (9) No more than 10% can be invested in medium-term notes of any single issuer.  
 (10) No more than 50% of total funds may be invested in these CD's.

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# Mesa Water Reserves

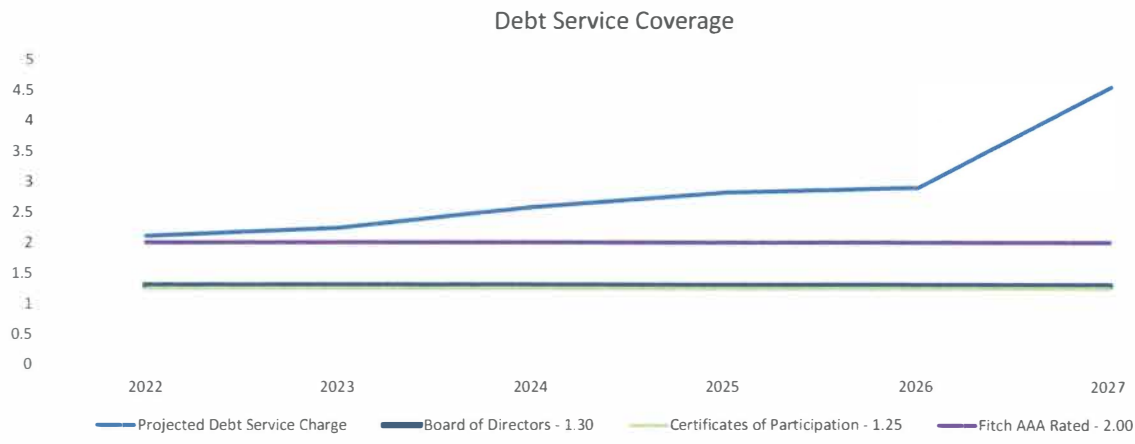


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# Debt Service Coverage



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## Designated Funds Revisited

- Capital Replacement Fund, Catastrophe Fund, Rate Stabilization Fund, Customer Deposits could potentially be in MWRRC
- General and Administrative Fund, Operating Fund in Mesa Water
- Examine levels for Liquidity Funds within Mesa Water

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## Investment Policy Revisited

- Mesa Water District Investment decisions are driven by local and state guidelines and regulations
- The Guidelines and Regulations are ambiguous as it relates to some terms
- Look at Investment Policy Statement

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## Recommendation

- Direct Staff to:
  - Agendize *Designated Funds* at a future meeting, including recommended updates to the policy; and
  - Agendize *Investment Policy Statement* at a future meeting.

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# QUESTIONS?

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