

TO: FINANCE AND AUDIT
COMMITTEE

AGENDA ITEM

REVIEWED: MARIO IGLESIAS
GENERAL MANAGER

2

APRIL 19, 2023

FROM: JANA ETTEDDGUE
FINANCE DIRECTOR

DATE: APRIL 17, 2023

REVIEW PROPOSED CHANGES TO THE PURCHASE POLICY AND PROCEDURES

ITEM

Review proposed changes to the Purchase Policy and Procedures

BACKGROUND

On September 9, 2020, the Board of Directors adopted Resolution 2020-1572, approving the Nipomo Community Services District Purchase Policy and Procedures.

Due to recent changes in the organizational chart, the Purchase Policy and Procedures needs to be updated to designate the Operations Manager as a Department Manager and to bifurcate the Assistant General Manager and Finance Director into two positions.

Staff is requesting the General Manager credit card limit be increased from \$6,000 to \$7,000 per month and the Department Managers' limit be increased from \$1,000 to \$2,000 per month. During COVID, the Board gave temporary authorization to increase these limits and Staff is requesting to maintain these higher limits due to changes in purchasing practices. Staff is finding that more items are being purchased on-line requiring a credit card for payment.

Legal Counsel has reviewed the Purchase Policy and determined there are no new legal requirements that need to be addressed.

FISCAL IMPACT

Funds for staff time to support the Board's direction to revise the Purchase Policy and Procedures are included in the FY 2022-23 Budget.

STRATEGIC PLAN

Goal 4. FINANCE. Maintain conservative, long-term financial management to minimize rate impacts on customers while meeting program financial needs.

4.b. Ongoing Activities

B.1 Evaluate, plan for and maintain finances that are adequate for all needs, stable, and reliable over the long-term.

RECOMMENDATION

It is recommended the Committee review the proposal and direct Staff.

ATTACHMENTS

A. Purchase Policy and Procedures with strikeouts

APRIL 19, 2023

ITEM 2

ATTACHMENT A

NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. ~~2020-15722023-XXXX~~

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
NIPOMO COMMUNITY SERVICES DISTRICT ADOPTING AN
UPDATED PURCHASE POLICY AND PROCEDURES

Exhibit "A"

NIPOMO COMMUNITY SERVICES DISTRICT

PURCHASE POLICY AND PROCEDURES



RESOLUTION NO. ~~2020-15722023-XXXX~~

~~SEPTEMBER 9, 2020~~

NIPOMO COMMUNITY SERVICES DISTRICT PURCHASING POLICY AND PROCEDURES

CHAPTER 1 - POLICY

1.1 PURPOSE

It is in the interest of the Nipomo Community Services District ("NCSD") to establish administrative procurement practices that facilitate efficient business operations and provide fair compensation and local workforce opportunities whenever possible within a framework of high quality, competitive service offerings.

1.2 PROCEDURES

This Purchase Policy provides the authority, approval requirements and procedures for the procurement of materials, supplies, equipment, services, and Public Works referenced in the approved fiscal year budget.

1.3 FISCAL YEAR BUDGET

The fiscal year budget approved by the Board provides the authority to NCSD staff to procure materials, supplies, equipment, services, and Public Works referenced in the approved budget for the upcoming fiscal year.

1.4 CONFLICTS WITH LAWS

To the extent any provision herein conflicts or is inconsistent with State or Federal law, then said State or Federal law shall control, but only to the extent of the inconsistency, and no other provisions herein shall be affected.

1.5 SEVERABILITY

If any one or more of the provisions/sections contained in this Purchase Policy shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions hereof, and such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Purchase Policy shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein.

1.6 MONITORING

A. It is important for the NCSD to evaluate materials, equipment, and services of all current suppliers. Suppliers with a low rating can be viewed as costing the NCSD time and money, and, therefore, should be terminated upon documentation.

B. In an effort to obtain the best prices possible, vendors contacted for quotes and/or bids shall be regularly reviewed to ensure competitive pricing and maintenance of vendor lists.

C. This Purchase Policy should be reviewed on a periodic basis and updated where deemed appropriate to reflect changes in the NCSD's operations. The General Manager, acting with the Board, may at any time make changes to this Purchase Policy to facilitate a more efficient and accountable purchasing process for the NCSD.

1.7 LIMITATIONS

Except for Section 6.1(B), this Purchase Policy does not apply to payment of Recurring Expenditures as defined herein.

1.8 CONFLICTING PROCEDURES

When contracting for services that include the installation of equipment such as computers and electronic devices, the determination of whether the purchase should be as a procurement of material, supplies, and equipment or the procurement of services shall be made at the General Manager's discretion after giving consideration to the costs of the equipment, whether or not the equipment is unique to the person or firm providing the services and the cost of the services.

1.9 EMPLOYEE CONFLICTS

A. NCSD employees, officers, and Directors are prohibited from using the following practices in conducting business activities:

1. Practices which might result in unlawful activity including, but not limited to, rebates, kickbacks, commissions, or other unlawful consideration.
2. Participating in the selection process when the employee, officer, or Director has a relationship with a person or business entity seeking a contract which would subject the employee to the same prohibition as in

Government Code Section 87100 related to Conflicts of Interest, which provides:

“No public official at any level of state or local government shall make, participate in making or in any way attempt to use his official position to influence a governmental decision in which he knows or has reason to know he has a financial interest.”

3. Purchasing or otherwise acquiring NCSD property and equipment, including surplus property and equipment, for personal use or profit.

B. No NCSD employee, officer, or Director shall accept, directly or indirectly, any gift, rebate, money or anything else of value from any person or entity if such gift, rebate, money or anything of value is intended to reward or be inducement for conducting business, placing orders with, or otherwise using the recipient’s position with NCSD to secure an agreement with the NCSD.

1.10 ETHICAL CONDUCT IN PURCHASING

A. Ethical conduct in managing the NCSD’s purchasing activities is absolutely essential. Staff must always be mindful that they represent the District and the Board of Directors and share a professional trust with other staff and the general public. Therefore, when making a purchase, keep in mind the following factors:

1. Is this purchase necessary for the job at hand or for the NCSD to carry on its normal business activities?
2. Is this a reasonable and lowest possible cost for this type of purchase?

B. This Policy explicitly prohibits splitting purchase orders in a fiscal year for the purpose of evading the specified dollar limits and avoiding its procurement requirements. Splitting purchases does not allow for a competitive marketplace, increases administrative workflow, and may create ethical issues.

CHAPTER 2 - GENERAL

2.1 DEFINITIONS

A. General Manager. The NCSD General Manager and Treasurer or, in his/her absence, the Assistant General Manager, or designee.

~~B. Assistant General Manager. The NCSD Finance Director and Assistant General Manager.~~

C.B. Board of Directors or Board. The Board of Directors of the NCSD that establishes policies for the operation of the NCSD.

D.C. Capital Equipment. Equipment with a purchase price of five thousand dollars (\$5,000) or more as designated by the General Manager.

E.D. Contract. A written agreement covering the performance of work or services including the furnishing of labor, materials, tools and equipment in performing services to the NCSD. The term Contract includes Purchase Orders.

F.E. NCSD. Nipomo Community Services District.

G.F. Department Manager. The General Manager, Assistant General Manager, Finance Director, and Director of Engineering and Operations, and Operations Manager.

H.G. Change Order or Contract Amendment. Alterations, deviations, additions to or deletions from the plan, specifications and/or scope of services, including the right to increase or decrease the quantity of any item or portion of the work or services or to delete any item or portion of the work or services as may be deemed to be necessary, as determined by the NCSD, for the proper completion, construction of the work or services contemplated.

I.H. Task Order Contract. Contract with pre-qualified consultant or contractor where specific services are contracted for by Task Orders.

J.I. Emergency. "Emergency" means a sudden, unexpected occurrence, involving a clear and imminent danger, demanding immediate action to prevent or mitigate loss of, or damage to, life, health, property, or essential public services.

K.J. Purchasing Agent. Department Manager.

L.K. Purchase Order. A form designed to contain all necessary information and signatures relevant to purchases by the NCSD and is used as a written order to a vendor and

may be either an original order or may confirm a verbal order. The current Purchase Order forms may be developed and/or modified from time to time at the discretion of the General Manager.

M.L. Recurring Expenditures. Administrative expenditures that occur from time to time in the normal course of NCSD business, including, but not limited to, the following: Utilities (electricity, natural gas, telephone service, etc.), servicing of NCSD equipment pursuant to contract, fuel for operation of NCSD vehicles and equipment, debt service payments, payroll, payroll taxes and benefits, insurance, postage, postage meter rental and on-going rental payments.

N.M. Warrants. Checks for payment of materials, supplies, equipment, Public Works and services received by the NCSD.

O.N. Purchase Policy and Procedures or Purchase Policy(ies). Chapter 2.37 of the NCSD Code.

2.2 SIGNING AUTHORITY

The General Manager, or in his/her absence the Assistant General Manager, or Finance Director is hereby authorized to sign on behalf of the NCSD the following documents:

A. Any documents necessary to conduct the general business of the NCSD that does not require prior approval of the Board.

B. Any documents necessary to conduct the general business of the NCSD requiring approval of the Board, after said documents have received approval of the Board, unless the Board specifies that the document be signed by the Board President.

2.3 BUDGETED PROCUREMENTS

A. Budget. At the beginning of each fiscal year the Finance Director shall issue a complete NCSD Budget approved by the Board. This budget will contain the purchasing account titles, description of line items, and numbers corresponding with budgeted funds for each item. Each NCSD department will receive its own budget for conducting purchasing transactions. It is the responsibility of each Department Manager to control spending and monitor the funds in the account line items that they are authorized to use. A monthly or quarterly status report will be issued showing a comparison between budgeted amounts and the department purchasing activity.

B. General Manager Approval. Subject to Section C, below, the General Manager or, in his/her absence, the Assistant General Manager or Finance Director shall approve all Contracts, Contract Amendments, Change Orders, Task Order Contracts (and related Task Orders) and Purchase Orders. "Absence" means the General Manager's inability to exercise his or her authority at the time when the NCSD needs to take necessary steps to procure goods or services.

C. Board Approval Required. Board approval is required for the following:

1. Contracts, Contract Amendments and Purchase Orders for the purchase of supplies, equipment or materials where the estimated cumulative cost is twenty-five thousand dollars (\$25,000) or more.

2. Professional service contracts and Amendments where the estimated cumulative cost is twenty-five thousand dollars (\$25,000) or more.

3. Public Works contracts where the estimated cumulative cost is two hundred thousand dollars (\$200,000) or more.

4. Task Orders or Task Order Amendments where the original scope of service or work is exceeded by ten thousand dollars (\$10,000).

5. Any procurement referred to the Board by the General Manager or Assistant General Manager.

2.4 UNBUDGETED PROCUREMENTS

The Board shall approve all unbudgeted expenditures except for the following:

A. The General Manager or, in his/her absence, the Assistant General Manager or Finance Director is authorized to approve unbudgeted expenditures up to five thousand dollars (\$5,000) for any single purchase.

B. Upon written finding of the General Manager that an emergency situation exists, the General Manager is authorized to approve unbudgeted expenditures up to twenty-five thousand dollars (\$25,000).

C. The General Manager shall account to the Board within thirty (30) days of the expenditures authorized by subparagraphs A & B, above and request the appropriate budget amendments and/or transfers.

2.5 METHODS OF PROCUREMENTS.

The following chart summarizes methods of procurement by category.

A. Materials, Supplies and Equipment. See Chapter 3, below, for procedures and limitations.

DOLLAR AMOUNT	PROCUREMENT METHOD
\$0-\$5,000	No Purchase Order Required
\$5,001-\$10,000	Written Quote (minimum 1 quote) Purchase Order or Contract Required
\$10,001-\$24,999	Written Quote (minimum 2 quotes) Purchase Order or Contract Required
\$25,000 +	Prepare Notice of Inviting Proposals for Board Approval – Board Approval Required for Contract or Purchase Order

B. Professional Services. See Chapter 4, below, for procedures and limitations.

DOLLAR AMOUNT	PROCUREMENT METHOD
\$0-\$24,999	Solicit Proposals From a Qualified Consultant/Professional By Whatever Method The Purchasing Agent Deems Appropriate Under The Circumstances.
\$25,000 +	Prepare Request For Proposals for Board Approval – Board Approval of Contract Required.

C. Public Works. See Chapter 5, below, for procedures and limitations.

DOLLAR AMOUNT	PROCUREMENT METHOD
(Dollar limits are provided in the	(Informal bidding procedures are provided in the Uniform

Uniform Public Construction Cost Accounting Act and may subsequently be amended)	Public Construction Cost Accounting Act and may subsequently be amended)
\$0-\$60,000	May be performed by NCSD employees by force account, by negotiated contract, or by purchase order
\$60,001-\$200,000	Contract by informal procedures as set forth in the Uniform Public Construction Cost Accounting Act
\$200,001+	Contract by formal procedures as set forth in the Uniform Public Construction Cost Accounting Act

CHAPTER 3 - PURCHASE OF MATERIALS, SUPPLIES AND EQUIPMENT

3.1 INTRODUCTION

A. The following procedures are established for the purchase of materials, supplies and equipment, as referenced in Government Code Section 54202.

B. In addition to the procedures of this Chapter:

1. The NCSD may request the State Department of General Services to make purchases of materials, equipment, or supplies on its behalf pursuant to Public Contract Code Section 10298; and

2. The NCSD may request the Purchasing Agent of the County of San Luis Obispo to make purchases of materials, equipment, or supplies on its behalf pursuant to Article 7 (commencing with Section 25500) of Chapter 5 of Division 2 of Title 3 of the Government Code.

3. The NCSD may rely on a legally compliant solicitation conducted by another local, regional, state, or national public agency provided that the materials, supplies, and equipment are provided to the NCSD at the same price, and on the same terms and conditions as in that solicitation.

C. **Methods of Procurement.**

1. Purchases of materials, supplies and equipment are normally made pursuant to Purchase Orders as described in this Chapter.

2. In the discretion of the Purchasing Agent and with the approval of the General Manager and NCSD Legal Counsel a contract may be substituted for a Purchase Order.

3.2 PURCHASES OF MATERIALS, SUPPLIES AND EQUIPMENT WITH AN ESTIMATED COST OF LESS THAN TWENTY-FIVE THOUSAND DOLLARS (\$25,000).

For purchases of materials, supplies and equipment with an estimated cost of less than \$25,000 the following shall apply:

A. Types of Quotations.

1. No purchase order is required for standard or non-complex materials with an estimated price of 5,000 or less.

2. Verbal. Verbal requests for quotations will be provided to a minimum of two (2) vendors for purchases of standard or non-complex materials with an estimated price of \$5,001 to \$10,000 and not covered by a contractual agreement.

3. Written. Written requests for quotations (RFQ) will be sent to a minimum of two (2) vendors under the following conditions:

- a. Purchases estimated to exceed \$10,000, but less than a total of \$25,000.
- b. All Capital Equipment purchases exceeding \$10,000, but less than a total of \$25,000.
- c. Non-standard conditions, requirements, instructions, etc.
- d. Any occasion where more permanent documentation is advisable.
- e. Any purchase based on best value rather than lowest price.

B. Award of Purchase Orders. The Department Manager will examine the quotations for completion and thereon determine the most responsive bidder with consideration of price and date of delivery. The quotation will be attached to the Purchase Order. The purchase order and the award will be made by the Department Manager after review by the General Manager. The Department Manager or his/her designee will notify the successful and unsuccessful vendors.

3.3 PURCHASES OF MATERIALS, SUPPLIES AND EQUIPMENT EQUAL TO OR GREATER THAN TWENTY-FIVE THOUSAND DOLLARS (\$25,000).

A. Purchases of material, supplies and equipment equaling to or greater than twenty-five thousand dollars (\$25,000) shall be approved by the Board with the vendor who, in response to the Notice of Inviting Proposals, submits a proposal that most closely meets the NCSD's specifications with the consideration of price and delivery dates.

B. The Notice of Inviting Proposals shall be published and distributed by the Department Manager in a manner to reasonably assure that the proposed purchase is made to a vendor that most closely meets the NCSD's specification with consideration of price, availability of service and delivery dates.

C. Notice of Inviting Proposals shall include the following:

1. A statement of specifications of equipment and/or supplies to be purchased;
2. The location and deadline for submission of proposals;
3. The location where the specifications and proposal blanks forms, if required, may be secured;
4. The proposed delivery date and place of delivery;
5. The date, time and place assigned for the opening of sealed proposals;
6. The type and character of proposal security required, if any;
7. A statement that the NCSD intends to award the Contract to the vendor who submits a proposal that most closely meets the NCSD specifications with the consideration of price and delivery dates;
8. That the NCSD reserves the right to reject all proposals; and
9. Notice that no vendor can withdraw its proposal for a period of sixty (60) days from the date of opening proposals.

D. Alternative Procedure. As an alternative to the procedures described in Paragraphs A, B and C, above, the Board may approve the purchase of supplies and equipment by accepting a proposal submitted by a vendor to another public agency for similar equipment and/or supplies upon the Board approving the purchase by Resolution making the following findings:

1. The other agency's procedures for the purchase were substantially similar to the NCSD's procedures as stated in Paragraphs A, B and C, above.

2. The equipment and/or supplies to be purchased by NCSD is substantially similar to the supplies and equipment purchased by the other agency, so that the submitted proposals would be responsive to the NCSD's specifications.

3. The negotiations regarding the purchase are minor and the proposed purchase is consistent with the policy of awarding the contract to the most responsive vendor with the consideration of price and delivery date.

3.4 NON-COMPETITIVE NEGOTIATIONS.

A. Under some circumstances, the NCSD competitive solicitation requirements may be dispensed with when the services, materials, supplies and equipment are only available from one source either because the brand or trade name article, goods, or product is the only one which will properly meet the needs of the NCSD or the item is unique and available only from a sole source.

B. This approach involves procurement of materials, supplies and equipment through solicitation of a proposal from only one source. Such negotiations may be used in limited situations when the award of a contract or purchase order is not feasible under other methods upon the following findings:

1. The purchase price is reasonable; and
2. One or more of the following exists:
 - a. The product is the only one that will properly meet the needs of the NCSD because:
 - i The item is unique and is available only from a sole source; or
 - ii The item is unique and is designed to match others used in or furnished to a particular installation, program, facility or location.
 - b. The product will be used in a field test or experiment to determine the products suitability for future use.
 - c. The procurement is for the renewal or extension of a contract for continuing professional services to the NCSD.

- d. Public exigency or emergency will not permit delay.
- e. A Federal Grantor authorized non-competitive negotiations.

C. Findings

1. The Department Manager shall make written findings referenced in subparagraph B2 above to be approved by the General Manager for purchases less than twenty-five thousand dollars (\$25,000) that are not otherwise approved by the Board.

2. The Board by Resolutions shall adopt findings for purchases referenced in subparagraph B2 above for purchases of twenty-five thousand dollars (\$25,000) or more.

3.5 PURCHASE ORDER PREPARATION.

A. Purchase orders shall be prepared from a properly completed purchase order form. The form is designed to contain all the necessary information and signatures relevant to the purchase within the NCSD.

B. The purchase order form is used as a written order to a vendor and shall include a Purchase Order number. A Purchase Order may also serve as a written change order. Purchase Orders must be approved as referenced in Section 3.2 above.

C. Each purchase order form shall be filled out by the NCSD employee prior to NCSD funds being obligated for a purchase and shall contain the following information:

- 1. Purchase order number, date, department, and who wrote it.
- 2. To whom the purchase order is issued, together with a complete address.
- 3. Quantity/unit and description of item(s) to be purchased.
- 4. Account number to be charged.
- 5. Unit price and extended amount (depending upon quantity).
- 6. If applicable, the words "OPEN PO" and "EXPIRATION DATE," not to exceed past the end of the current fiscal year, at the top of the purchase order form.
- 7. The words "NOT TO EXCEED" if it is for a repetitive purchase or a contract amount.
- 8. The total amount of the purchase order shall include charges for freight and tax, if applicable.

9. The initial purchase order MUST have attached to it the following: the written quote or estimate or a copy of the contract, or other backup supporting documentation.

D. The completed purchase order shall be distributed as follows:

1. Vendor Copy (~~white original~~) – to be delivered to the vendor, if desired and or/required.

2. Accounts Payable (~~yellow carbon~~) – to be delivered to Accounts Payable and attached to the approved invoice.

3. Department Copy (~~pink carbon~~) – shall be maintained by the Department in chronological order for accountability purposes.

E. The purchase order must be submitted immediately to the General Manager or his/her designee. The purchase order date must precede the order date.

F. Any incomplete purchase orders will be returned to the Department Manager for completion.

G. Insofar that it does not conflict with any other Purchasing Policy limitations, a purchase order may be exceeded by up to 10% of the original purchase order amount. No increase may be given for quoted prices.

H. When a purchase order is intended to be used to issue a check, write "Check Request" on the purchase order.

3.6 OPEN PURCHASE ORDERS.

A. A blanket or open purchase order can be used to reduce the time-consuming process of filling out a purchase order form for each purchase when it is with the same vendor and for repeat materials.

B. Open purchase orders are to be used when the NCSD will:

1. Purchase repetitive, specified services or items, or categories of items from the same vendor over a period of less than one year, or on a monthly basis.

2. Order standard materials or maintenance supplies, which require numerous shipments.

3. Obtain more favorable pricing through volume commitments.

C. An employee making a purchase with an open purchase order vendor shall

immediately transmit the invoice to his/her Department Manager for processing. The Department Manager shall sign the invoice and indicate the budgetary account upon the face of the invoice and promptly route the invoice to Accounts Payable for payment.

D. Open purchase orders generally should NOT be used when:

1. No benefit will be derived over and above a regular purchase.
2. Prices are unknown at ordering time, or subject to change later without notice.
3. Quality of vendor or service is questionable.
4. Control over NCSD expenditures would be weakened significantly.

E. An open purchase order differs from the normal purchase order only in the date entry block that now has a date range not to exceed past the end of the current fiscal year.

F. Each year during the month of June, each Department Manager will review all department blanket purchase orders and reissue all necessary blanket purchase orders effective July 1.

CHAPTER 4 - PROCUREMENT OF PROFESSIONAL SERVICES

4.1 APPLICABILITY.

A. The procedures established herein are for the procurement of professional and consulting services including, but not limited to, auditors, electricians, financial advisors, technology advisors, rate consultants, plumbers, private architects, landscape architect, engineers, environmental consultants, land surveyors, and/or construction project managers, or other individuals or organizations possessing a high degree of professional, unique specialized technical skill or expertise, not always adaptable to competitive bidding.

B. It is the policy of the NCSD to employ professional and other consultant services whenever it is in the NCSD's best interest.

C. The requirements to solicit proposals referenced in Sections 4.4 & 4.5, below, do not apply to:

1. Contract Amendments so long as the amendment is related to the completion of the contemplated work or services of the original Contract.
2. Contracts for the continuation of professional service where the key

personnel providing services have relocated to a different firm or company.

3. Contracts for services related to litigation.

4.2 METHOD OF PROCUREMENT.

Procurement of Professional Services is normally made pursuant to a Contract or Task Order Contract.

4.3 QUALIFICATIONS.

Professional service contracts shall be awarded on the basis of demonstrated competence and qualifications for the type of service to be performed and at a fair and reasonable price to the NCSD.

4.4 PROFESSIONAL SERVICES WITH AN ESTIMATED COST OF LESS THAN TWENTY-FIVE THOUSAND DOLLARS (\$25,000).

A. For contracts estimated to be less than \$25,000 the Purchasing Agent will solicit proposals from the qualified consultants and professionals by whatever method the Purchasing Agent deems most appropriate under the circumstances.

B. Professional services will only be procured by a contract that is approved by the General Manager and NCSD legal counsel.

4.5 PROFESSIONAL SERVICES WITH AN ESTIMATED COST OF TWENTY-FIVE THOUSAND DOLLARS (\$25,000) OR MORE.

The following procedures shall apply the procurement of professional services with an estimated cost of twenty-five thousand dollars (\$25,000) or greater.

A. The Board of Directors shall approve the request for proposals and the award of professional service contracts.

B. The written contract shall be awarded to the professional service provider who, in response to a request for proposals, submits a statement of qualifications and proposal for services that most closely meets the NCSD's requirements at a fair and reasonable cost.

4.6 NON-COMPETITIVE NEGOTIATIONS.

A. Under some circumstances, the NCSD competitive solicitation requirements may

be dispensed with when the professional service is only available from one source either because the professional service provider is the only provider which will properly meet the needs of the NCSD or the professional service is unique and available only from a sole source.

B. This approach involves procurement of professional services through solicitation of proposals from only one source. Such negotiations may be used in limited situations based on the following findings:

1. The service provider is qualified pursuant to Section 4.3.
2. The cost of the services is reasonable; and
3. One or more of the following exists:
 - a. The proposed service provider is uniquely knowledgeable and qualified because similar/related services have been previously provided to the NCSD; or
 - b. An Emergency will not permit delay.

C. Findings

1. The Department Manager shall make written findings referenced in subparagraph A, above, to be approved by the General Manager for Professional Services Contracts where the cumulative costs are estimated at less than twenty-five thousand dollars (\$25,000) that are not otherwise approved by the Board.

2. The Board by Resolutions shall adopt findings references in subparagraph A, above, for Professional Services Contracts where the cumulative costs are estimated at twenty-five thousand dollars (\$25,000) or more.

CHAPTER 5 - PROCUREMENT OF PUBLIC WORKS

5.1 UNIFORM PUBLIC CONSTRUCTION COST ACCOUNTING ACT (UPCCAA).

Pursuant to Public Contract Code Section 20682(g), the NCSD has elected to become subject to the Uniform Public Construction Cost Accounting Act ("UPCCAA"), Public Contract Code Sections 22000 *et seq.*, when contracting for the construction of public projects, as defined by Public Contract Code Section 22002. Where applicable, the NCSD will adhere to the alternative bidding procedures provided by the UPCCAA. Public projects (as defined in Public Contract Code Section 22002) that do not exceed the dollar limits in Public Contract Code Section 22032(b) (as such limits currently exist or may subsequently be amended) may be let to contract by informal procedures as set forth in the UPCCAA.

5.2 UPCCAA CONTRACTING PROCEDURES AND DOLLAR AMOUNT LIMITATIONS.

Contracts for public projects shall be awarded pursuant to the dollar limitations established by the UPCCAA (Public Contract Code Section 22032(b)), which as of the time of the adoption of this Policy are as follows:

- A.** Public projects of sixty thousand dollars (\$60,000) or less may be performed by the employees of a public agency by force account, by negotiated contract, or by purchase order.
- B.** Public projects of two hundred thousand dollars (\$200,000) or less may be let to contract by informal procedures as set forth in the UPCCAA.
- C.** Public projects of more than two hundred thousand dollars (\$200,000) shall, except as otherwise provided in the UPCCAA, be let to contract by formal bidding procedures.

Pursuant to Public Contract Code Section 22033, it shall be unlawful to split or separate into smaller work orders or projects any public project for the purpose of evading the requirements of the UPCCAA.

5.3 INFORMAL BIDDING PROCEDURES.

Pursuant to the UPCCAA (Public Contract Code Section 22034), the NCSD enacted an informal bidding ordinance to govern the selection of contractors to perform public projects subject to informal bidding procedures under Public Contract Code Section 22032(b). The NCSD's informal bidding ordinance is codified in Chapter 2.43 of the NCSD Code.

Pursuant to Public Contract Code Section 22034(d), if all bids received pursuant to the NCSD's informal bidding procedures are in excess of two hundred thousand dollars (\$200,000), the Board may, by adoption of a resolution by a four-fifths vote, award the contract, at two hundred twelve thousand five hundred dollars (\$212,500) or less, to the lowest responsible bidder, if it determines the cost estimate of the NCSD was reasonable.

5.4 FORMAL BIDDING PROCEDURES.

The formal bidding procedures provided by the UPCCAA (Public Contract Code Sections 22037 *et seq.*) will govern the selection of contractors to perform public projects subject to formal bidding procedures under Public Contract Code Section 22032(b).

5.5 EMERGENCIES.

A. Pursuant to Public Contract Code Section 22035, in cases of emergency when repair or replacements are necessary, the Board may proceed at once to replace or repair any public facility without giving notice for bids to let contracts. The work may be done by day labor under the direction of the Board, by contractor, or by a combination of the two.

B. In case of an emergency, if notice for bids to let contracts will not be given, the public agency shall comply with Chapter 2.5 of the Public Contract Code (commencing with Section 22050).

CHAPTER 6 - PAYMENT

6.1 WARRANTS

A. All supporting documents including the, Purchase Order, Task Order, proof of receipt, packing slip, etc. will be attached to the Invoice and presented to the General Manager for payment pursuant to subparagraph B, below. The Invoices will be reviewed and initialed by the General Manager verifying that the documents are internally consistent, that invoices being paid are original, that receipt of goods or services has been acknowledged by the NCSD Department Manager and that the amounts agree between documents.

B. The General Manager is authorized to approve Warrants for Recurring Expenditures that are within 110% of the budget. The Board of Directors shall approve all other Warrants as part of its approval of the Warrant Register.

C. A copy of the Warrant shall be made prior to it being mailed. The Invoice and supporting documentation shall be attached to the copy of the Warrant and then filed by vendor/service provider and separated by the fiscal year in which the payment was made.

6.2 CHECK SIGNING PROCEDURES

A. The Directors of the NCSD, the General Manager, ~~and~~ the Assistant General Manager and Finance Director are authorized to sign checks on behalf of the NCSD.

B. All checks issued by the NCSD shall contain two (2) signatures, one of which shall be a Director of the NCSD.

6.3 PAYMENT VIA NCSD CREDIT CARDS

A. All purchases using a NCSD credit card are subject to the same requirements and procedures as outlined in of this policy, and the following additional requirements:

1. All NCSD credit cards shall be issued on a department basis in the name of each Department Manager. The General Manager shall manage the administration of NCSD credit cards.

2. Only the General Manager and the Department Managers are authorized to sign credit card purchases. Department Managers may allow their department employees to use the department credit card; however, the Department Manager is responsible for its care and control.

3. The following travel and meeting expenses are authorized to be paid by NCSD credit cards:

- Telephone calls to the NCSD when out of town;
- Expenses related to travel by car on NCSD business;
- Lodging and meals when out of town on NCSD business; and
- NSCD approved seminars and business meetings.
- Credit card receipts SHALL BE obtained for these expenses and turned in immediately upon return to the NCSD Treasurer or his/her designee. If a credit card receipt is lost or misplaced, the receipt replacement form must be promptly filled out by the responsible person and turned in to the NCSD Treasurer or his/her designee.

4. The credit limit on the NCSD credit cards shall be ~~six~~ seven thousand dollars (\$76,000) per month for the General Manager and ~~one~~ two thousand dollars (\$12,000) per month for each Department Manager.

5. Credit card purchases for orders that are made via telephone or Internet are permitted. A receipt must be obtained and turned in to Accounts Payable.

6. The use of NCSD credit cards for personal purchases or spending is prohibited. Any violation of this policy will result in loss of NCSD credit card privileges and violations are subject to disciplinary action.

7. Cash advances on any NCSD credit card are prohibited. Any violation of

this policy will result in disciplinary action.

6.4 PETTY CASH PROCEDURES

A. The NCSD Treasurer or his/her designee shall maintain a petty cash fund of two hundred dollars (\$200).

B. Signed receipts are required for all withdrawals from petty cash. There are no exceptions to the receipt rule.

6.5 PAYMENT BY ELECTRONIC FUNDS TRANSFER

A. NCSD may make payments by Electronic Funds Transfer (“EFT”) in compliance with the applicable payment provisions of this Chapter 6 and banking rules and regulations.

TO: BOARD OF DIRECTORS

FROM: MARIO E. IGLESIAS
GENERAL MANAGER 

DATE: APRIL 17, 2023

AGENDA ITEM

3

APRIL 19, 2023

CONSIDER AMENDING INVESTMENT POLICY AND REVIEW PROPOSED POLICY GUIDELINES FOR INVESTING

ITEM

Consider amending Investment Policy and review proposed Policy Guidelines investing Nipomo Community Services District ("District") funds. [RECOMMEND DISCUSS AND DIRECT STAFF]

BACKGROUND

The District has historically invested funds not needed in the short-term in the Local Agency Investment Fund (LAIF) administered by the California State Treasurer. Due to current market conditions, short-term interest rates are higher than long-term interest rates creating what is known as the inverted yield curve. This provides the District with a unique investing opportunity whereby investing in securities such as Treasury bills (T-Bills) and Certificates of Deposit (CD's), the District may be able to achieve higher rates of return than LAIF.

On February 15, 2023, the Finance and Audit Committee met and reviewed investment options and policies in accordance with Government codes. Staff was directed to research the methodologies for investing and holding investments such as T-Bills and CD's within the parameters of the California Government Code and the Districts adopted Investment Policy.

On March 16, 2023, the Finance and Audit Committee met and received a presentation from Peter Yanez of Multi-Bank Securities, Inc. (MBS). MBS is a broker-dealer of fixed income securities for municipal institutions and utilizes Pershing LLC (a subsidiary of BNY Mellon) as the custodial safekeeping agent. MBS also made a presentation to the Board of Directors at the March 22, 2023 Board Meeting. The District would need to retain the services of MBS or similar in order to initiate the investment purchasing activities.

Prior to the District investing in T-Bills or CD's, the District's Investment Policy will need to be amended. District Legal Counsel has suggested changes to the Investment Policy to provide for these types of investing (Attachment A), including:

- Internal Controls and Procedures Section 6(C)
- Permitted Investments 7(A)(4),(5) and (6)

In addition to amending the Investment Policy, a proposed Policy Guideline has been developed to guide Staff, in coordination with the Board of Directors, in evaluating and initiating investments that meet the goals and criteria (Attachment B), which include:

- Basic strategy
- Internal Controls
- Performance Benchmarks
- Determination of Amount of Funds to be invested
- Investment Criteria

- Investment-Opportunity Evaluation and Purchase Authorization
- Internal Controls Checklist

FISCAL IMPACT

The District has a significant amount of monies currently invested in LAIF. While these funds earn a return, the returns are currently less than returns paid on T-Bills and CD's. LAIF has the advantage of liquidity and security, but with the right strategy the District may be able to increase the return on its investments by directing some of these funds to short-term Treasury Bills and CDs. Currently, Treasury Bills are returning nearly twice what LAIF funds are returning. This may not always be the case, but establishing guidance for investing District funds will aid the District in maximizing its returns on investment in a timely manner when defined conditions are met.

STRATEGIC PLAN

Goal 4. FINANCE. Maintain conservative, long-term financial management to minimize rate impacts on customers while meeting program financial needs.

- B.1 Evaluate, plan for and maintain finances that are adequate for all needs, stable, and reliable over the long-term.
- B.6 Maintain sound investment policy and investments.

RECOMMENDATION

Staff recommends your Committee review and direct Staff.

ATTACHMENTS

- A. Proposed Amended Investment Policy
- B. Proposed Investment Policy Guidelines

APRIL 19, 2023

ITEM 3

ATTACHMENT A

**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2023-XXXX**

**A RESOLUTION OF THE
BOARD OF DIRECTORS OF THE
NIPOMO COMMUNITY SERVICES DISTRICT
AMENDING THE DISTRICT'S INVESTMENT POLICY**

WHEREAS, the Board of Directors of the Nipomo Community Services District ("District") believes that public funds should, so far as is reasonably possible, be invested in financial institutions to produce revenue for the District rather than to remain idle; and

WHEREAS, from time to time there are District funds which for varying periods of time will not be required for immediate use by the District, and which will, therefore, be available for the purpose of investing in financial institutions with the objectives of safety, liquidity, yield and compliance with state and federal laws and policies; and

WHEREAS, the District's investments are governed by an investment policy, originally adopted in 2014, that is reviewed annually and requires updating from time to time.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Nipomo Community Services District as follows:

1. The District's Board has determined it may be advisable to add certain categories of permitted investments to the list of permitted investments in the District's 2023 Investment Policy to increase investment yield while still protecting safety and liquidity of the District's funds;
2. The District's 2023 Investment Policy is hereby amended as shown in underline in Exhibit A.

PASSED AND ADOPTED by the Board of Directors of the Nipomo Community Services District this _____ of _____, 2023 on the following roll call vote:

AYES: *Directors*
NOES:
ABSENT:
CONFLICTS:

RICHARD MALVAROSE, President
Nipomo Community Services District

ATTEST:

APPROVED AS TO FORM:

MARIO IGLESIAS
Secretary to the Board

CRAIG A. STEELE
District Legal Counsel

RESOLUTION 2023-XXXX

EXHIBIT A

INVESTMENT POLICY
NIPOMO COMMUNITY SERVICES DISTRICT

1. INTRODUCTION

This policy establishes the standards under which the District's Finance Officer/Treasurer will conduct business with financial institutions with regard to the investment process.

2. PURPOSE AND SCOPE

This investment policy is intended to outline the guidelines and practices to be used in effectively managing the District's available cash and investment portfolio. It applies to all cash and investment assets of the District except those funds maintained in deferred compensation accounts for employees. Proceeds of debt issuance that shall be invested in accordance with the permitted investment provisions of their specific bond indentures. District monies not required for immediate expenditure will be invested in compliance with governing provisions of law (Government Code Sections 53600 et seq.) and this policy. Investments shall be made in judgment and with care, skill, prudence, and diligence under circumstances then prevailing, including but not limited to the general economic conditions and the anticipated needs of the District, which persons of prudence, discretion and intelligence 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; not for speculation, but to safeguard the principal of their capital and maintain the liquidity needs of the District. The standard of prudence to be used by investment officials shall be the "prudent investor" standard (California Government Code Section 53600.3) and shall be applied in the context of managing an overall portfolio. The Investment Officer (Finance Officer/Treasurer defined below) acting in accordance with written procedures and the investment policy and exercising prudence and 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.

3. FINANCE OFFICER/TREASURER

The Board of Directors appoints the General Manager as the District Finance Officer and Treasurer. The District's Assistant General Manager shall serve as the District's Finance Officer and Treasurer in the absence of the District's General Manager. The services of any investment or financial advisor to the District shall be governed by the terms and standards set forth in this Policy.

4. SCOPE

The District investment portfolio shall consist of money held in a sinking fund of, or surplus money in, the District's treasury not required for the immediate necessities of the District. The District's investment portfolio shall be invested in accordance with this policy.

5. OBJECTIVES

The primary objectives are safety, liquidity, yield, and compliance.

A. SAFETY

The investment portfolio shall be managed in a manner that ensures the preservation of capital. The objective is to minimize credit risk and interest rate risk. To protect against fraud or

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EXHIBIT A

INVESTMENT POLICY
NIPOMO COMMUNITY SERVICES DISTRICT

embezzlement or losses caused by the collapse of an individual securities dealer, all securities owned by the District shall be held in safekeeping by a third party bank trust department designated by the District. This designated third party shall act as agents for the District under the terms of a custody agreement. All trades executed by a dealer will settle delivery vs. payment (DVP) through the District's safekeeping agent. Investment advisors, dealers and others entrusted with holding and managing District funds shall be bonded and insured to protect the District against embezzlement or fraud. Securities held in custody for the District shall be independently audited by the District annually to verify investment holdings and the other factors required by this policy and applicable law.

B. LIQUIDITY

The investment portfolio shall remain sufficiently liquid to meet all operating requirements. This shall be accomplished by structuring the investment portfolio so that investments mature in advance of cash needs.

C. YIELD

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

D. COMPLIANCE

This Investment Policy is written to be in compliance with applicable California and Federal law.

6. STANDARDS OF CARE

A. PRUDENCE

The Finance Officer/Treasurer will manage the portfolio pursuant to the "Prudent Investor Standard." When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds in the District's investment portfolio, the Finance Officer/Treasurer 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 District, 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.

B. DISCLOSURES

Finance Officer/Treasurer shall disclose any material interest in financial institutions or professionals with which he/she conducts the District business, and shall comply with all applicable laws relating to conflicts of interest.

C. INTERNAL CONTROLS AND PROCEDURES

The Finance Officer/Treasurer shall establish, maintain, and comply with a system of written internal controls, which shall be reviewed at least annually with the District's independent (external) auditor. The controls are designed to prevent loss of public funds due to fraud, employee error, misrepresentation by

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EXHIBIT A

INVESTMENT POLICY NIPOMO COMMUNITY SERVICES DISTRICT

third parties, unanticipated market changes, or imprudent actions of employees of the District or third parties. The Finance/Officer Treasurer shall evaluate any audit reports in a timely manner with the Board. The quarterly reports of the District shall be provided to the Board as required by this Policy and applicable law. Daily compliance of the investment portfolio shall be performed by the Finance Officer/Treasurer or designee. Compliance will be determined on a fair market value basis. All agreements, statements, and trade packets will be subject to review annually by the District's auditors in conjunction with their audit.

7. INVESTMENTS AUTHORITY

A. PERMITTED INVESTMENTS

The District Finance Officer/Treasurer is authorized to deposit or invest District funds only in the following institutions and investments, and only in compliance with applicable state law:

1. County pooled funds (California Government Code §§ 27133(g), 53635, 61053)
2. The Local Agency Investment Fund created by the California State Treasury (California Government Code §§ 16429.1, 61053)
3. One or more FDIC insured Banks and/or Savings and Loan Associations that are designated as District depositories by resolution of the Board of Directors (California Government Code §§ 53630 et seq., 61053).
4. U.S. Treasuries and other government obligations for which the full faith and credit of the United States are pledged for payment of principle and interest, provided that the maximum maturity is five (5) years. There shall be no limits on the dollar amount or percentage that the District may invest in U.S. Treasuries.
5. Federally insured time deposits ("Certificates of Deposit") in state or federally chartered banks, savings and loans or credit unions, provided that all such investments shall be federally insured, fully collateralized in accordance with California law. The maximum maturity of such deposits shall not exceed five (5) years.
6. Negotiable Certificates of Deposit ("NCD") issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, provided that not more than 30% of the portfolio invested shall be invested in a combination of federally insured non-negotiable certificates of deposit, and the maximum maturity does not exceed five (5) years.
7. Such other financial institutions or securities that may be designated by the Board of Directors from time to time in compliance with California and Federal law.
8. Proceeds of bond issuance shall be invested in accordance with the permitted investment provisions of their specific bond indentures or other instrument providing for the bond issuance. (California Government Code §§ 5922(d), 53601(m))

B. PROHIBITED INVESTMENTS

The District's Finance Officer/Treasurer shall not invest in:

1. Inverse floaters, range notes or interest only strips that are derived from a pool of mortgages.
2. Any security that could result in a zero interest accrual if held to maturity.
3. A state or federal credit union, if a member of the District's Board of Directors or an administrative officer also serves on the Board of Directors, or any committee appointed by the Board of Directors, or the credit committee or supervisory committee, of the state or federal credit union.

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EXHIBIT A

INVESTMENT POLICY
NIPOMO COMMUNITY SERVICES DISTRICT

4. Those investments or institutions not permitted by this Policy, or by action of the Board of Directors.

C. DIVERSIFIED INVESTMENTS

Investments, other than investments referenced in paragraphs 7-A (1) and (2) above, will be diversified to avoid losses that may be associated with any one investment, and shall be allocated in amounts that maximize the availability of FDIC insurance.

8. REPORTS

A. MONTHLY REPORT

The Finance Officer/Treasurer shall make monthly reports to the Board with the following information:

- Investments made or retired during the preceding month.
- Single transfers between permitted institutions of greater than \$500,000.

B. QUARTERLY REPORT

The Finance Officer/Treasurer shall file a quarterly report that identifies the District's investments and their compliance with the District's Investment Policy. The quarterly report must be filed with the District's auditor and considered by the District's Board of Directors within forty-five (45) days after the end of each quarter (i.e., by May 1, August 1, November 1, and February 1) (California Government Code § 53646). Required elements of the quarterly report are as follows:

1. Type of Investment
2. Institution/issuer
3. Date of Maturity (if applicable)
4. Amount of deposit or cost of the security, including par and dollar amount invested on all securities, investments, and moneys held by the District
5. Current market value of securities, with identification of the source of the valuation, for each security held by the District as well as securities under the management of any outside party that is not also a local agency or the State of California Local Agency Investment Fund
6. Coupon, Coupon Frequency (monthly, yearly, at maturity), Call Protection
7. Statement of compliance with the Statement of Investment Policy or the manner in which the portfolio is not in compliance
8. Statement of the District's ability to meet cash flow requirements, including any pool expenditure requirements, for the next six months, or an explanation as to why sufficient money may not be available
9. Accrued Interest (if applicable)
10. Description of any of the District's funds, investments, or programs that are under the management of contracted parties, including lending programs

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EXHIBIT A

INVESTMENT POLICY
NIPOMO COMMUNITY SERVICES DISTRICT

C. ANNUAL REPORT

Prior to February 1, of each year, the Finance Officer/Treasurer shall file and submit an annual report to the District's auditor and Board of Directors which will contain the same information required in the quarterly report.

The annual report will include a recommendation to the Board of Directors to either:

1. Readopt the District's then current annual Investment Policy; or
2. Amend the District's then current Investment Policy.

D. LIMITED QUARTERLY REPORT

If the District has placed all of its investments in the Local Agency Investment Fund (LAIF) created by California Government Code § 16429.1, or in Federal Deposit Insurance Corporation, insured accounts in a bank or savings and loan association, in a County investment pool, or any combination of these, the Finance Officer/Treasurer may submit to the Board of Directors and the auditor of the District the most recent statement or statements received by the District from these institutions in lieu of the information required in paragraph 8.B, above. This special reporting policy does not relieve the Finance Officer/Treasurer of the obligation to prepare an annual investment report as identified in paragraph 8.C, above.

APRIL 19, 2023

ITEM 3

ATTACHMENT B

**NIPOMO COMMUNITY SERVICES DISTRICT
INVESTMENT POLICY GUIDELINES**

**INVESTMENT-OPPORTUNITY EVALUATION AND PURCHASE
and
INTERNAL CONTROLS CHECKLIST**

The investment-opportunity evaluation and purchase activities shall be in accordance with the adopted Investment Policy of the Nipomo Community Services District (“District”).

BASIC STRATEGY

The basic investment strategy will be to safeguard the principal of all investments, maintain sufficient liquidity to meet the regular cash flow needs of the District while reserving contingent liquidity to meet unanticipated cash flow demands, and utilize various investment approaches to take advantage of current market yield opportunities. A maximum rate of return will be sought in a manner consistent with the safeguarding of principal and meeting liquidity needs.

INTERNAL CONTROLS

The District has established a system of written internal controls and checklist (pages 3-6), which is reviewed annually by the District’s independent auditor. The controls are designed to provide a reasonable assurance that loss, theft, or misuse can be prevented.

PERFORMANCE BENCHMARK

The investment portfolio is constructed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, matching the investment risks controls and cash flow requirements, thus preserving capital, meeting liquidity and providing yield. The District’s investment strategy is to manage the portfolio with less risk than a benchmark comparable index. The District’s portfolio benchmark is the California Local Agency Investment Fund (LAIF).

DETERMINATION OF AMOUNT OF FUNDS TO BE INVESTED-ANNUALLY IN JULY

Prior to performing an investment-opportunity evaluation, the District shall determine the amount of funds available for investment annually in July after the budget has been adopted for the new fiscal year. Below is the matrix to determine the amount available:

TEMPLATE EXAMPLE (high level cash flow model)

Fiscal Year 2022-2023 Budgeted Operating Expenses	\$10,640,000	
	X 50%	
		\$5,320,000
Fiscal Year 2022-2023 Budgeted Funded Replacement Projects		\$3,630,000
Fiscal Year 2022-2023 Budgeted Capital Projects		\$4,327,000
FISCAL YEAR 2022-2023 LIQUID CASH FLOW REQUIRED – MAINTIAN FUNDS IN LAIF		\$13,277,000
CASH AVAILABLE JULY 2022		\$18,878,000
FUNDS AVAILABLE TO INVEST		\$5,601,000

**NIPOMO COMMUNITY SERVICES DISTRICT
INVESTMENT POLICY GUIDELINES**

**INVESTMENT-OPPORTUNITY EVALUATION AND PURCHASE
and
INTERNAL CONTROLS CHECKLIST**

INVESTMENT CRITERIA (in accordance with Investment Policy)

- Once the amount of funds available to invest has been determined, the investment-opportunity evaluation will be made by in coordination with the Finance and Audit Committee.
- Investments shall be purchased in accordance with established internal controls.
- The District's policy is to hold investments until maturity.
- Investments will only be liquidated prior to maturity if an emergency exists, as determined by the General Manager.
- Investments shall be purchased in the primary market unless it is deemed advantageous by the General Manager to purchase in the secondary market.
- The ladder approach to investment should be used not to exceed X years in maturity. Ladder approach provides the following:
 - i) Funds distributed over a range of maturities
 - ii) Portfolio less affected by change of interest rates
 - iii) Reduces risk of buying at market highs and lows
 - iv) Reduces interest rate risk
 - v) Low maintenance "buy and hold" strategy

INVESTMENT-OPPORTUNITY EVALUATION AND PURCHASE AUTHORIZATION

- Annually, in July, the Finance and Audit Committee meet.
- Establish the benchmark LAIF rate of return
- Establish rates of return approved investment types
- Compare the rates of return and if the rate of return on approved investment types exceeds XX basis points, funds should be invested.
- Establish a ladder approach to invest the excess funds
- Obtain approval by Board of Directors prior to purchase
- Report to the Board of Directors quarterly, pursuant to Investment Policy.

Internal Controls

As public servants, it is our responsibility to safeguard Nipomo Community Services District's ("District") funds while adhering to laws and regulations governing processes over investing activities. Developing good internal controls for investing activities is important for the prudent investment of public funds as well as to prevent mishandling of funds and to safeguard against loss. Strong internal controls also protect employees by defining responsibilities in the investing process. Entities can use internal controls to protect against embezzlement, theft, fraud, and poor decision making

This document does not address all possible circumstances that need to be considered when establishing internal controls or assessing risk

**NIPOMO COMMUNITY SERVICES DISTRICT
INVESTMENT POLICY GUIDELINES**

**INVESTMENT-OPPORTUNITY EVALUATION AND PURCHASE
and
INTERNAL CONTROLS CHECKLIST**

.. Control Objectives:

1. Controls are in place in the process to ensure accountability is established as early as possible at all points along the accountability chain.
2. Assets are safeguarded from loss through watchful and responsible care and reconciliation functions.
3. Segregation of duties, or mitigating controls, exists within transaction processes, custody, and recording functions.
4. Transactions and events are properly recorded.
5. Staff understands their duties, responsibilities, and accountabilities.
6. Investment practices are documented and in compliance with state laws and regulations.
7. Transaction activities are properly authorized.

Segregation of Duties:

Segregation of duties is one of the most important features of an internal control plan. The fundamental premise of segregated duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same action. These are called incompatible duties when performed by the same individual. Examples of incompatible duties include situations where the same individual (or small group of people) is responsible for:

- Managing both the operation of and record keeping for the same activity.
- Managing custodial activities and record keeping for the same assets.
- Authorizing transactions and managing the custody or disposal of the related assets or records.

Stated differently, there are four kinds of functional responsibilities that should be performed by different persons within the same department.

1. Custody of assets involved: This duty refers to the actual physical possession or effective physical control/safekeeping of property. The District will use a third-party custodian.
2. Recording transactions: This duty refers to the accounting or record keeping function, which in most organizations, is accomplished by entering data into a computer system.
3. Authorization to execute transactions: This duty belongs to persons with authority and responsibility to initiate and execute transactions.
4. Periodic reviews and reconciliation of existing assets to recorded amounts: This duty refers to making comparisons at regular intervals and taking action to resolve differences.

The advantage derived from proper segregation of duties is twofold:

- Fraud is more difficult to commit because it would require collusion of two or more persons, and most people hesitate to seek the help of others to conduct wrongful acts.
- By handling different aspects of the transaction, innocent errors are more likely to be found and flagged for correction.

Segregation of Duties Controls Questions:

A.	Segregation of Duties:	Yes	No	N/A	Comments
1	Are responsibilities for initiating transactions segregated from approval authority?				

**NIPOMO COMMUNITY SERVICES DISTRICT
INVESTMENT POLICY GUIDELINES**

**INVESTMENT-OPPORTUNITY EVALUATION AND PURCHASE
and
INTERNAL CONTROLS CHECKLIST**

2	Are responsibilities for monitoring investment market values and performance segregated from acquisition activities?				
3	Is access to investment applications and functions within programs limited to those who have a legitimate need?				
4	Are all investment bank wire transfers independently reviewed and approved?				

Procedural Controls Questions:

B.	Procedural Controls:	Yes	No	N/A	Comments
1.	Is there a complete listing of all investments that are under the entity's control?				
3.	Is there a written investment policy available?				
4.	Do approval procedures include formal establishment and periodic review of investment policies?				
5.	Do approval procedures ensure only investments permitted by law or policies are acquired?				
6.	Do approval procedures include integration of the investment program with the cash management program and with expenditure requirements?				
7.	Is due diligence of broker-dealer and other financial institutions completed before business is conducted?				
8.	Is there an established authority and responsibility for investment-opportunity evaluation and purchase?				
9.	Is there a periodic evaluation of the performance of the investment portfolio by persons independent of investment portfolio management activities?				
10.	Do approval procedures include verification that all income due from investments has been received?				
11.	Are there formal procedures governing the level and nature of approvals required to purchase, exchange, or sell an investment?				
12.	Do approval procedures include competitive bidding for certificate-of-deposit purchases?				
13.	Is the authority to purchase, exchange, or sell investments clearly defined?				
14.	For investments in government securities, does the investment officer appear to understand the types of securities owned?				
15.	Do custodial procedures include registering all securities in the name of the entity?				
17.	Do custodial procedures include authorization by the appropriate body of authority with access to securities?				
18.	Do custodial procedures include bonding of individuals with access to securities?				
19.	Are dual signatures or authorizations required to obtain or release securities from safekeeping?				

**NIPOMO COMMUNITY SERVICES DISTRICT
INVESTMENT POLICY GUIDELINES**

**INVESTMENT-OPPORTUNITY EVALUATION AND PURCHASE
and
INTERNAL CONTROLS CHECKLIST**

20.	Do detail accounting procedures include the maintenance of detail accounting records for investments by the investment department?				
21.	Is an accounting record/register maintained for each investment, including; cost, description, date purchased, interest rate, maturity date and identifying number?				
22.	Are there procedures to ensure transactions arising from investments are properly processed, including income and amortization entries?				
23.	Do detail accounting procedures include controls to ensure investment earnings are credited to the fund from which resources for the investment were provided?				
24.	Do detail accounting procedures include a periodic comparison between income received and the amount specified by the terms of the security, or from publicly available investment information?				
25.	Are there controls to ensure transactions are recorded on a timely basis?				
26.	If current market value (or fair value) is used to value investments, is this basis applied consistently for all investments in all funds?				
27.	Are procedures in place to reconcile the detail accounting records with the general ledger control?				
28.	Do procedures include a periodic review of the nature of investments included in general ledger balances?				
29.	Do general ledger procedures include monthly verification, provided by the custodian of principal and market values, of all investments and collateral?				
30.	Is the principal and market values provided by the custodian compared to internal (general ledger) records?				
31.	Are comparisons of book balances used in reconciliations with balances in the general ledger accounts?				
32.	Do general ledger procedures include a review and approval of all reconciliations by an official not responsible for receipts and disbursements?				
33.	Do general ledger procedures include an investigation of unusual reconciling items by an official not responsible for receipts and disbursements?				
34.	Is evidence of reviews and reconciliations signed by an official not responsible for receipts and disbursements?				

TO: FINANCE AND AUDIT
COMMITTEE

AGENDA ITEM

REVIEWED: MARIO IGLESIAS
GENERAL MANAGER



4

APRIL 19, 2023

FROM: JANA ETTEDDGUE
FINANCE DIRECTOR



DATE: APRIL 17, 2023

REVIEW THE DRAFT 2023-2024 FISCAL YEAR BUDGET FOR NIPOMO SUPPLEMENTAL WATER PROJECT (NSWP)

ITEM

Review the draft 2023-2024 fiscal year budget for Nipomo Supplemental Water Project (NSWP) [RECOMMEND REVIEW REPORT AND DIRECT STAFF].

BACKGROUND

The Nipomo Community Services District (District), City of Santa Maria (City), Woodlands Mutual Water Company (WMWC), Golden State Water Company (GSWC), Rural Water Company (RWC), along with hundreds of other individuals and entities are parties to a certain groundwater adjudication commonly referred to as the Santa Maria Groundwater Litigation. GSWC purchased RWC in 2015 and therefore is referenced below as GSWC/RWC. The Judgment (through the Stipulation) requires the District and the purveyor partners together (Parties) to purchase and transmit to the Nipomo Mesa Management Area (NMMA) a minimum of 2,500 acre-feet of "Nipomo Supplemental Water" each year, and to employ its best efforts to timely implement the Nipomo Supplemental Water Project (NSWP).

The Judgment further provides that once the Nipomo Supplemental Water is capable of being delivered, the Parties shall purchase the following portions of Nipomo Supplemental Water each year to offset groundwater pumping within the NMMA.

ENTITY	PERCENT ALLOCATION	ACRE FEET/YEAR (AFY)
NCSD	66.68	1,667.00
WMWC	16.66	416.50
GSWC/RWC	16.66	416.50
TOTAL	100.00	2,500.00

On May 3, 2013, the District entered into a Wholesale Water Supply Agreement with the City of Santa Maria to purchase supplemental water. Upon completion of the interconnection, the minimum quantity of purchase/delivery is as follows:

DELIVERY YEARS	FISCAL YEAR ENDING	MINIMUM DELIVERY VOLUME (AFY)
1	July 1, 2015 to June 30, 2016	645
2-5	July 1, 2016 to June 30, 2020	800
6-10	July 1, 2020 to June 30, 2025	1,000
11- Term	July 1, 2025 to June 30, 2035	2,500

On July 2, 2015, supplemental water began flowing from the City of Santa Maria into the Nipomo Community Services District system.

On October 16, 2015, the Supplemental Water Management and Groundwater Replenishment Agreement (Agreement) was approved by the District, WMWC, GSWC/RWC. The agreement outlines all parties' responsibilities and obligations relating to the delivery and payment of supplemental water. Section VIII of the agreement states in part as follows:

- A. District shall operate the NSWP as an enterprise fund, separating all costs related to the NSWP within and only to that NSWP fund. Prudent Utility Practices shall apply to District's management of the NSWP Enterprise Fund.
- B. Each Fiscal Year District shall prepare a NSWP Enterprise Fund Budget (Budget) for all revenues and expenditures related to the NSWP Enterprise Fund. The Budget shall include a summary of projected NSW deliveries and Costs associated with those deliveries. A draft of the Budget shall be available to each Water Company for review by May 1st of each year. District shall make every reasonable effort to adopt the final Budget during June of each year at a regularly scheduled District board meeting. The Advisory Committee shall determine the most effective content, format and reporting frequency for financial and budget reports for the NSWP Enterprise Fund.
- C. The Budget shall provide the basis for and detail the cost allocations and quarterly billing described in Section IX.

The District receives and pays a quarterly invoice from the City for the cost of water. The District in turn invoices WMWC and GSWC for their applicable percentages of the cost of water, in addition to other applicable costs pursuant to the agreement. WMWC and GSWC are current and continue to make quarterly payments to the District.

Attached is the draft Budget based on purchase of 1,050 acre feet of supplemental water (1,000 acre feet per contract plus 50 acre feet operational buffer). The City adopted a new rate structure commencing January 1, 2020. The Base Energy Cost CPI will be adjusted based on the July index; however, the City has agreed to implement the energy adjustment to coincide with the January 1 rate increases. The Operations and Maintenance (O&M) Budget has been estimated based on current fiscal year expenditures plus an average of 6% inflation, with the exception of increases in electricity for 15% and Insurance for 20%. The administrative fee is set at 15% of O & M costs.

STRATEGIC PLAN

Goal 4. Finance: Maintain conservative, long-term financial management to minimize rate impacts on customers while meeting program financial needs.

- B.1 Evaluate, plan for and maintain finances that are adequate for all needs, stable, and reliable over the long-term.

FISCAL IMPACT

The cost of drafting and reviewing annual budget was included in this year's budget.

RECOMMENDATION

It is recommended the Finance and Audit Committee provide direction to Staff.

ATTACHMENTS

- A. Draft Budget

APRIL 19, 2023

ITEM 4

ATTACHMENT A

**NIPOMO COMMUNITY SERVICES DISTRICT
NIPOMO SUPPLEMENTAL WATER PROJECT (NSWP)
BUDGET FOR FISCAL YEAR 2023-24**

	Acre Feet Purchase (A)	Cost per Acre Foot (AF)	Total Cost	
Water Purchase Fiscal Year 2023-2024 (see page 2)	1050	see page 2	\$2,674,651	
NCS D Water O & M Cost per AF ** (see page 3)	1050	\$229.45	\$240,923	
NCS D Admin Fee per AF (15% of O & M per AF) ** (see page 3)	1050	\$34.42	\$36,141	
		<u>\$263.87</u>	<u>\$2,951,715</u>	
**To be adjusted annually based on actual costs				
	TOTAL	NCS D	WMWC	GSWC
1 Phase 1 Supplemental Water Annual Allocation (AF)	1000	666.68	166.66	166.66
2 Phase 1 Supplemental Water Delivery Percentages	100.00%	66.68%	16.66%	16.66%
3 Pass-Through Supplemental Water Cost	\$2,674,651	\$1,783,457	\$445,597	\$445,597
4 Supplemental Water O & M Cost	\$240,923	\$160,647	\$40,138	\$40,138
5 Supplemental Water NCS D Admin Fee	\$36,141	\$24,099	\$6,021	\$6,021
6 Total Annual Supplemental Water Volume Cost	\$2,951,715	\$1,968,203	\$491,756	\$491,756

	TOTAL	NCS D	WMWC	GSWC
7 Allocated Project Capacity (AF)	3,000.00	2,167.00	416.50	416.50
8 Percentage of Fixed Capital Cost Allocation	100.00%	72.24%	13.88%	13.88%
9 Yearly Capital Recovery Charge-Principal 6/30/2015 (1)	\$103,462	\$0	\$42,628	\$60,834
10 Yearly Capital Recovery Charge-Interest 6/30/2015 (1)	\$282,957	\$0	\$146,231	\$136,726
11 Yearly Capital Recovery Charge-Principal 6/30/2016 (2)	\$8,500	\$0	\$4,033	\$4,467
12 Yearly Capital Recovery Charge-Interest 6/30/2016 (2)	\$24,672	\$0	\$13,834	\$10,838
13 Yearly Capital Recovery Charge-Principal 6/30/2017 (3)	\$11,890	\$0	\$7,177	\$4,713
14 Yearly Capital Recovery Charge-Interest 6/30/2017 (3)	\$35,209	\$0	\$24,617	\$10,592
14 Yearly Capital Recovery Charge-Principal 6/30/2018 (4)	\$1,088	\$0	\$500	\$588
15 Yearly Capital Recovery Charge-Interest 6/30/2018 (4)	\$3,033	\$0	\$1,713	\$1,320
16 Yearly Capital Recovery Charge-Principal 6/30/2019 (5)	\$1,334	\$0	\$612	\$722
17 Yearly Capital Recovery Charge-Interest 6/30/2019 (5)	\$3,721	\$0	\$2,098	\$1,623
18 Yearly Capital Recovery Charge-Principal 6/30/2020 (6)	\$17,108	\$0	\$7,829	\$9,279
19 Yearly Capital Recovery Charge-Interest 6/30/2020 (6)	\$47,714	\$0	\$26,858	\$20,856
20 Yearly Capital Recovery Charge-Principal 6/30/2021 (7)	\$4,377	\$0	\$1,999	\$2,378
21 Yearly Capital Recovery Charge-Interest 6/30/2021 (7)	\$12,201	\$0	\$6,856	\$5,345
22 Yearly Capital Recovery Charge-Principal 6/30/2022 (8)	\$3,241	\$0	\$1,477	\$1,764
23 Yearly Capital Recovery Charge-Interest 6/30/2022 (8)	\$9,032	\$0	\$5,067	\$3,965
24 Supplemental Water Project Yearly Replacement (9)	\$206,865	\$149,439	\$28,713	\$28,713
25 Total Annual Fixed Supplemental Charges	\$776,404	\$149,439	\$322,242	\$304,723

Total Volume and Annual Fixed Charges for Fiscal Year 2023-2024 (Line 6 + Line 25)				
26	\$3,728,119	\$2,117,642	\$813,998	\$796,479

25 Electrical Pumping Credit (\$248.10 per acre foot-estimated)	(\$82,666)	\$0	(\$41,333)	(\$41,333)
26 SUPPLEMENTAL WATER BUDGET FISCAL YEAR 2023-2024	\$3,645,453	\$2,117,642	\$772,665	\$755,146

(1)	Per applicable amortization schedule as of June 30, 2015
(2)	Per applicable amortization schedule as of June 30, 2016
(3)	Per applicable amortization schedule as of June 30, 2017
(4)	Per applicable amortization schedule as of June 30, 2018
(5)	Per applicable amortization schedule as of June 30, 2019
(6)	Per applicable amortization schedule as of June 30, 2020
(7)	Per applicable amortization schedule as of June 30, 2021
(8)	Per applicable amortization schedule as of June 30, 2022
(9)	Monthly replacement contribution of total Supplemental Water Project cost of \$20,686,509 assuming a 100 year project life = \$206,865 per year not to exceed \$3,000,000 adjusted annually for CPI per agreement

(A) 1000 ACRE FEET PER CONTRACT
PLUS 50 ACRE FEET FOR OPERATIONAL BUFFER

NCS D = Nipomo Community Services District
WMWC = Woodlands Mutual Water Company
GSWC = Golden State Water Company

**NIPOMO COMMUNITY SERVICES DISTRICT
NIPOMO SUPPLEMENTAL WATER PROJECT (NSWP) - COST OF WATER PURCHASED FROM CITY OF SANTA MARIA (SM)
BUDGET FOR FISCAL YEAR 2023-24**

FISCAL YEAR	CITY OF SM RATE INCR EFF DATE	(a)	(b)	(c)	(d)	(a)*(d)	
		ACRE FEET PURCHASED	CITY OF SM BASE Cost PER ACRE FOOT	CITY OF SM CHANGE IN ENERGY	(b)+(c) COST PER ACRE FOOT	TOTAL COST	
FY 15-16	July 1, 2015 to June 30, 2016	1/7/2015	660	\$ 1,495.85	\$ 23.00	\$1,518.85	\$1,001,760
FY 16-17	July 1, 2016 to June 30, 2017	7/1/2016	860	\$ 1,570.77	\$ 17.00	\$1,587.77	\$1,365,482
FY 17-18	July 1, 2017 to June 30, 2018	7/1/2017	945	\$ 1,649.18	\$ -	\$1,649.18	\$1,558,475
FY 18-19	July 1, 2018 to June 30, 2019	7/1/2018	950	\$ 1,649.18	\$ 52.00	\$1,701.18	\$1,616,121
FY 19-20	July 1, 2019 to December 31, 2019	7/1/2019	487	\$ 1,649.18	\$ 45.92	\$1,695.10	\$825,514
FY 19-20	January 1, 2020 to June 30, 2020	1/1/2020	463	\$ 2,077.81	\$ 45.92	\$2,123.73	\$983,287
FY 20-21	July 1, 2020 to December 31, 2020	1/1/2020	555	\$ 2,077.81	\$ 45.92	\$2,123.73	\$1,178,670
FY 20-21	January 1, 2021 to June 30, 2021	1/1/2021	498	\$ 2,160.58	\$ 43.19	\$2,203.77	\$1,097,477
FY 21-22	July 1, 2021 to December 31, 2021	1/1/2021	539	\$ 2,160.58	\$ 43.19	\$2,203.77	\$1,187,832
FY 21-22	January 1, 2022 to June 30, 2022	1/1/2022	531	\$ 2,247.70	\$ 28.14	\$2,275.84	\$1,208,471
FY 22-23	July 1, 2022 to December 31, 2022	1/1/2022	582	\$ 2,247.70	\$ 28.14	\$2,275.84	\$1,324,539
FY 22-23	January 1, 2023 to June 30, 2023	1/1/2022	468	\$ 2,339.17	\$ 149.31	\$2,488.48	\$1,164,609
FY 23-24	July 1, 2023 to December 31, 2023	1/1/2023	525	\$ 2,339.17	\$ 149.31	\$2,488.48	\$1,306,452
FY 23-24	January 1, 2024 to June 30, 2024	1/1/2024	525	\$ 2,456.78	\$ 149.31	\$2,606.09	\$1,368,199

2,674,651

City of Santa Maria Adopted Rate Increases			
Effective Date of City of SM Rate Increase	(e)	(f)	(e)*(f)
	Base Cost Per Unit (hcf)	Units per Acre Foot	Base Cost per Acre Foot
1/7/2015	\$3.43	435.6	\$1,495.85
7/1/2016	\$3.61	435.6	\$1,570.77
7/1/2017	\$3.79	435.6	\$1,649.18
7/1/2018	\$3.79	435.6	\$1,649.18
7/1/2019	\$3.79	435.6	\$1,649.18
1/1/2020	\$4.77	435.6	\$2,077.81
1/1/2021	\$4.96	435.6	\$2,160.58
1/1/2022	\$5.16	435.6	\$2,247.70
1/1/2023	\$5.37	435.6	\$2,339.17
1/1/2024	\$5.64*	435.6	\$2,456.78

*assumes 5% increase

CITY OF SANTA MARIA - BASE ENERGY COST ADJUSTMENT (A)								
	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
(1) Current CPI (July)	258.017	264.979	261.037	281.402	289.173	307.536	343.597	390.049
(2) Base Period CPI (May 2013)	264.188	264.188	264.188	264.188	264.188	264.188	264.188	264.188
(3) Index Point Change (1)-(2)	-6.171	0.791	-3.151	17.214	24.985	43.348	79.409	125.861
(4) Divided by prior period (3) ÷ (2)	-0.023358366	0.00299408	-0.011927113	0.065158145	0.094572804	0.164080125	0.300577619	0.476406953
(5) Multiply by 100 for percent change (4) x 100	-2.335836601	0.299407997	-1.192711251	6.515814496	9.457280422	16.40801248	30.0577619	47.64069526
(6) Adjusted to 50% per agreement (5) x 50%	-1.167918301	0.149703999	-0.596355626	3.257907248	4.728640211	8.204006238	15.02888095	23.82034763
(7) Base Cost of Energy (Per Agreement)	206.85	206.85	206.85	206.85	206.85	206.85	206.85	206.85
(8) Energy Adjustment (7) x (6) ÷ 100	-2.42	0.31	-1.23	6.74	9.78	16.97	31.09	49.27
(9) Adjusted Base Cost of Energy (7) + (8)	204.43	207.16	205.62	213.59	216.63	223.82	237.94	256.12
(10) CCWA BUDGET (Per published document)	\$227.27	\$223.71	\$191.77	\$265.90	\$262.54	\$267.02	\$266.08	\$405.43
(11) Change in Cost of Energy (10) - (9), not less than 0	\$23	\$17	\$0	\$52	\$46	\$43	\$28	\$149

(A) City of Santa Maria has agreed to implement the Base Energy Adjustmmnt to coincide with the January 1 rate increases.

**NIPOMO COMMUNITY SERVICES DISTRICT
NIPOMO SUPPLEMENTAL WATER PROJECT (NSWP)
BUDGET FOR FISCAL YEAR 2023-24**

OPERATIONS AND MAINTENANCE BUDGET

OPERATIONS AND MAINTENANCE	1000 AFY 2021-22 ACTUAL	1000 AFY 2022-23 BUDGET	1000 AFY 2022-23 EST ACTUAL	1,000 AFY 2023-24 PROPOSED
Electricity	85,759	104,500	104,500	120,000
Labor (fully weighted)	77,080	55,200	55,200	60,000
Water	1,294	790	600	650
Chemicals	8,658	10,300	9,000	9,500
Outside Services	1,167	5,400	5,150	5,400
Permits and Operating Fees	476	1,575	1,200	1,250
Insurance (1)	15,731	18,250	20,545	24,654
Repairs and Maintenance	7,418	10,500	8,000	8,000
TOTAL OPERATIONS AND MAINTENANCE	197,583	206,515	204,195	229,454
Cost per acre foot @ 1,000 acre feet	197.58	206.52	204.20	229.45
Overhead allocation 15% of O and M	29.64	30.98	30.63	34.42

(1) SDRMA Insurance provider provided estimate for FY 23-24

**NIPOMO COMMUNITY SERVICES DISTRICT
NIPOMO SUPPLEMENTAL WATER PROJECT (NSWP)
BUDGET FOR FISCAL YEAR 2023-24**

FUNDED REPLACEMENT RESERVES

	<u>FY 22-23</u> <u>EST ACTUAL</u>	<u>FY 23-24</u> <u>PROPOSED</u>
Beginning Balance, July 1	1,442,186	1,682,051
Collections during fiscal year		
NCS D	149,439	149,439
WMWC	28,713	28,713
GSWC	28,713	28,713
	<u>206,865</u>	<u>206,865</u>
Estimated interest income	<u>33,000</u>	<u>40,000</u>
Estimated Ending Balance, June 30	<u>1,682,051</u>	<u>1,928,916</u>

Note: Funds held in separate savings account at Five Star Bank

Funded Replacement Reserve Requirement - Pursuant to Section VIII (J)		
CPI Adjustment as of June 30, 2022		
CPI - 2022 Annual	310.782	
CPI - 2021 Annual	<u>(289.244)</u>	
	21.538	
Divide by previous period CPI ÷	<u>289.244</u>	
	0.0745	
	X 100.000	
Percent Change	<u>7.45</u>	
Maximum Balance computed as of June 30, 2021		3,578,957
Adjusted by CPI June 30, 2022 (\$3,578,957 * 7.45%)		266,632
Maximum Balance adjusted as of June 30, 2022		<u>3,845,589</u>

CPI = Consumer Price Index

NCS D = Nipomo Community Services District
WMWC = Woodlands Mutual Water Company
GSWC = Golden State Water Company

	CPI INDEX	ADJ	RUNNING BALANCE
			3,000,000
6/30/2016	0.907	27,210	3,027,210
6/30/2017	1.89	57,214	3,084,424
6/30/2018	2.79	86,055	3,170,479
6/30/2019	3.81	120,478	3,290,957
6/30/2020	3.07	101,032	3,391,989
6/30/2021	1.62	54,950	3,446,939
6/30/2022	3.83	132,018	3,578,957
6/30/2023	7.45	266,632	3,845,589