

Finance & Audit Committee Meeting



YOUR BEST PROTECTION

ACWA JPIA Executive Conference Room
2100 Professional Drive
Roseville, CA 95661

Wednesday
September 27, 2023
3:00 P.M.

Chair: David A. Drake, Rincon del Diablo Municipal Water District

Vice-Chair: J. Bruce Rupp, Humboldt Bay Municipal Water District

Jennifer Bryant, Helix Water District

Kurtis Crawford, Yuba Water Agency

Marwan Khalifa, Mesa Water District

Edward Lyons, Cachuma Operation and Maintenance Board

Steve Ruetters, Kern County Water Agency

Cindy Saks, San Bernardino Valley Municipal Water District

Jim Smith, Wheeler Ridge-Maricopa Water Storage District



FINANCE & AUDIT COMMITTEE MEETING

AGENDA

JPIA Executive Conference Room
2100 Professional Drive, Roseville, CA 95661
(800) 231-5742 - www.acwajpia.com

Wednesday, September 27, 2023, 3:00 p.m.

Zoom Link Meeting ID: 661 516 2566; Password: 1234; Telephone No.: 1 (669) 900-6833

This meeting shall consist of a simultaneous Zoom teleconference call at the ACWA JPIA, 2100 Professional Drive, Roseville, CA 95661 and remote sites:

- Khalifa – 1965 Placentia Avenue, Costa Mesa
- Ruettgers – 3200 Rio Mirada Drive, Bakersfield
- Smith – 12109 Highway 166, Bakersfield

WELCOME

CALL TO ORDER AND ANNOUNCEMENT OF QUORUM

PLEDGE OF ALLEGIANCE

ANNOUNCEMENT RECORDING OF MEETING This meeting may be recorded to assist in preparation of minutes. Recordings will only be kept 30 days following the meeting, as mandated by the Ralph M. Brown Act.

EVACUATION PROCEDURES

PUBLIC COMMENT Members of the public will be allowed to address the Finance and Audit Committee on any agenda item prior to the Committee's decision on the item. They will also be allowed to comment on any issues that they wish which may or may not be on the agenda. If anyone present wishes to be heard, please let the Chair know.

INTRODUCTIONS

ADDITIONS TO OR DELETIONS FROM THE AGENDA

Presenter

Page#

Drake

*

I. Approve the minutes of the meeting of March 22, 2023.

4

<u>Presenter</u>		<u>Page#</u>
All	II. Report on meetings attended on behalf of the JPIA.	
Babbe	* III. Investment Portfolio update.	8
deBernardi	* IV. Review and make recommendation on the Investment Policy.	34
Steele/Drake	* V. California Water Insurance Fund update.	51
deBernardi	* VI. Claims cash flow update JPIA/CWIF.	58
Steele	* VII. Finance Department update.	59
Drake	* VIII. Discuss next meeting.	60

ADJOURN

*Related items enclosed.

Americans with Disabilities Act – The JPIA conforms to the protections and prohibitions contained in Section 202 of the Americans with Disabilities Act of 1990 and the Federal Rules and Regulations adopted in implementation thereof. A request for disability-related modification or accommodation, in order to participate in a public meeting of the JPIA, shall be made to: Heidi Singer, Accountant II, ACWA JPIA, PO Box 619082, Roseville, CA 95661-9082; telephone (916) 786-5742. The JPIA’s normal business hours are Monday – Friday, 7:30 a.m. to 4:30 p.m. (Government Code Section 54954.2, subdivision. (a)(1).)

Written materials relating to an item on this Agenda that are distributed to the JPIA’s Finance and Audit Committee within 72 hours before it is to consider the item at its regularly scheduled meeting will be made available for public inspection at ACWA JPIA, 2100 Professional Drive, Roseville, CA 95661-3700; telephone (916) 786-5742. The JPIA’s normal business hours are Monday – Friday, 7:30 a.m. to 4:30 p.m.



YOUR BEST PROTECTION

Unapproved 3.22.2023

Finance & Audit Committee Meeting

ACWA Joint Powers Insurance Authority
2100 Professional Drive
Roseville, CA 95661
(800) 231-5742

March 22, 2023

This meeting consisted of a simultaneous Zoom teleconference meeting at the ACWA JPIA, 2100 Professional Drive, Roseville, CA 95661 and the following remote sites:

- Jennifer Bryant – 7811 University Avenue, La Mesa, CA 91942
- Steve Ruetters – 3200 Rio Mirada Drive, Bakersfield, CA 93308 (left at 2:15 p.m.)
- Edward Lyons – 3301 Laurel Canyon Road, Santa Barbara
- Jim Smith – 12109 Highway 166, Bakersfield

MEMBERS PRESENT

Chair: David Drake, Rincon del Diablo Municipal Water District

Vice Chair: Bruce Rupp, Humboldt Bay Municipal Water District

Jennifer Bryant, Helix Water District (via zoom)

Kurtis Crawford, Yuba Water Agency

Marwan Khalifa, Mesa Water District

Edward Lyons, Cachuma Operation and Maintenance Board (via zoom)

Steve Ruetters, Kern County Water Agency (via zoom)

Cindy Saks, San Bernardino Valley Municipal Water District

Jim Smith, Wheeler Ridge-Maricopa Water Storage (via zoom)

MEMBERS ABSENT

None

STAFF PRESENT

Chief Executive Officer/Secretary: Walter “Andy” Sells

Adrienne Beatty, Assistant Executive Officer

Chimene Camacho, Executive Assistant to the CEO

David deBernardi, Director of Finance

Robin Flint, Risk Control Manager

Robert Greenfield, General Counsel

Erik Kowalewski, Network/Systems Administrator

Jennifer Nogosek, Liability and Property Claims Manager

Olivia Sayad, Administrative Assistant II

Heidi Singer, Accountant II

Sandra Smith, Employee Benefits Manager

Dan Steele, Finance Manager

Shelley Tippit, Accountant II (*Recording Secretary*)

Melody Tucker, Workers' Compensation Claims Manager
Tony Waterford, Human Resources Manager
Mike Whitright, Network Specialist

OTHERS IN ATTENDANCE

Fred Bockmiller, Mesa Water District
Cathy Green, Orange County Water District
Chris Kapheim, Kings River Conservation District
Melody McDonald, San Bernardino Valley Water Conservation District
Randall J. Reed, Cucamonga Valley Water District
Bob Green, Gilbert Associates
Kevin Phillips, Town of Paradise
Jeff Thomas, Orange County Municipal Water District (via zoom)

WELCOME/INTRODUCTIONS

Chair Drake welcomed everyone in attendance.

CALL TO ORDER AND ANNOUNCEMENT OF QUORUM

Chair Drake called the meeting to order at 1:00 p.m. He announced there was a quorum.

ANNOUNCEMENT RECORDING OF MINUTES

Chair Drake announced that the meeting would be recorded to assist in preparation of minutes. Recordings are kept 30 days following the meeting, as mandated by the California Brown Act.

EVACUATION PROCEDURES

Mr. Sells briefly reviewed the building evacuation procedures.

PUBLIC COMMENT

Chair Drake noted that, as the agenda stated, members of the public would be allowed to address the Finance & Audit Committee on any agenda item prior to the Committee's decision on that item. Comments on any issues on the agenda, or not on the agenda, were also welcomed. No comments were brought forward.

ADDITIONS TO OR DELETIONS FROM THE AGENDA

Chair Drake asked for any additions to, or deletions from, the agenda; none were requested.

APPROVAL OF MINUTES

Chair Drake called for approval of the minutes of the September 28, 2022 meeting.

M/S/C (Rupp/Crawford) (Bryant-Yes; Crawford-Yes; Khalifa-Yes, Lyons-Yes; Ruettgers-Yes; Saks-Yes, Smith-Yes, Rupp-Yes, Drake-Yes): That

the Finance & Audit Committee approve the minutes of the September 28, 2022 meeting.

MEETINGS ATTENDED ON BEHALF OF THE JPIA

Chair Drake reported that there were no meetings attended on behalf of the JPIA.

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Mr. Green reported that the JPIA received an unmodified opinion. The opinion stated that the Financial Statements present fairly, in all material respects, the financial position of the JPIA as of September 30, 2022, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As in the previous year, the JPIA prepared an Annual Comprehensive Financial Report in accordance with the Government Finance Officers Association (GFOA) standards. Management intends to submit this report to the GFOA for review in order to again obtain a Certificate of Achievement for Excellence in Financial Reporting. Consequently, the annual report has additional reports therein to meet these high standards.

M/S/C (Rupp/Bryant) (Bryant-Yes; Crawford-Yes; Khalfia-Yes; Lyons-Yes; Ruettgers-Yes; Saks-Yes, Smith-Yes, Rupp-Yes, Drake-Yes): That the Finance & Audit Committee recommend that the Executive Committee approve the Audited Financial Statements and forward to the Board of Directors at their next meeting for final approval.

OPERATING BUDGET

Mr. deBernardi conveyed that the most significant changes to the General and Administrative budget for the fiscal year are staff salaries and staff employee benefits. The primary increase in staff salaries is due to a 5% cost of living adjustment and three additional employees added to the budget. Staff employee benefits will be increasing due to changes from CalPERS and health insurance.

The overall increase in the Operating Budget is 9.9%. Salaries remain the largest line item in the budget.

M/S/C (Khalifa/Crawford) (Bryant-Yes; Crawford-Yes; Khalifa-Yes; Lyons-Yes; Saks-Yes, Smith-Yes, Rupp-Yes, Drake-Yes): That the Finance & Audit Committee recommend that the Executive Committee approve the Operating Budget for fiscal year ending September 30, 2024 and forward to the Board of Directors at their next meeting for final approval.

RETROSPECTIVE PREMIUM ADJUSTMENT UPDATE

Mr. Steele reported that up until this point, Retrospective Premium Adjustments (RPAs) for the Liability, Property, and Workers' Compensation programs were factored into Rate Stabilization Fund calculations once the policy years had

developed four years from the beginning of the policy year. Upon further analysis, it is evident that a five-year period from the END of the policy year would ensure better development of the policy year. This change aims to curb future volatility in RPA calculations.

CALIFORNIA WATER INSURANCE FUND

Mr. deBernardi reported that since the last Finance & Audit Committee meeting, the following has transpired with the Captive:

- As of December 31, 2022, the book value of the CWIF portfolio was \$156,712,154 vs a market value of \$143,801,364.
- The rate of return since inception is approximately 2.28% vs. a rate of return on the JPIA portfolio of approximately 1.58%.

PAYMENT TRANSFER FRAUD

Mr. deBernardi reported on the increased risk for payment transfer fraud that our members are continually facing. He has recommended that our staff start sharing pertinent information that we have received from our cyber insurance carrier, Beazley, to our members. The committee was in agreement.

CEO UPDATE

Mr. Sells reported on relevant current issues.

MISCELLANEOUS

Future Agenda Items

None stated.

Availability for Upcoming Meeting

The next scheduled Finance & Audit Committee meeting is September 27, 2023.

The Finance & Audit Committee meeting adjourned at 2:52 p.m.

ACWA JPIA
Investment Portfolio Update
September 27, 2023

BACKGROUND

In November 2008, PFM Asset Management began managing approximately two-thirds of the JPIA's investment portfolio. Since the formation of the JPIA's captive, CWIF, and movement of funds into it, this portfolio now represents approximately 20% of the investments.

CURRENT SITUATION

PFM will present a summary of the Investment Portfolio managed by them. This presentation will include commentary on the current market and thoughts about managing the investments going forward.

RECOMMENDATION

None, informational only.



ACWA JPIA

Investment Performance Review For the Quarter Ended June 30, 2023

Client Management Team

Sarah Meacham, Managing Director
Robert Cheddar, CFA, Managing Director
Richard Babbe, CCM, Senior Managing Consultant

PFM Asset Management LLC

633 W 5th St., 25th Floor
Los Angeles, CA 90071
213-415-1699

213 Market Street
Harrisburg, PA 17101-2141
717-232-2723

NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE

For Institutional Investor or Investment Professional Use Only - This material is not for inspection by, distribution to, or quotation to the general public

Market Update

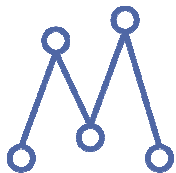
Current Market Themes



- ▶ The U.S. economy is characterized by:
 - ▶ Headline inflation numbers trending lower, but the Fed's current focus, "supercore inflation," is showing little sign of slowing
 - ▶ A labor market that has proven to be exceptionally strong
 - ▶ A more optimistic sentiment around economic growth due to resilient consumer spending



- ▶ Fed temporarily pauses rate hikes
 - ▶ The most aggressive series of interest rate hikes in recent history has come to a temporary pause in June
 - ▶ The Fed's most recent dot plot shows the potential for two additional rate hikes by the end of the year
 - ▶ Rates have moved up due to the Fed's rate trajectory shifting higher, the economy remaining stronger than expected, persistent inflation, and the market's "higher-for-longer" mindset

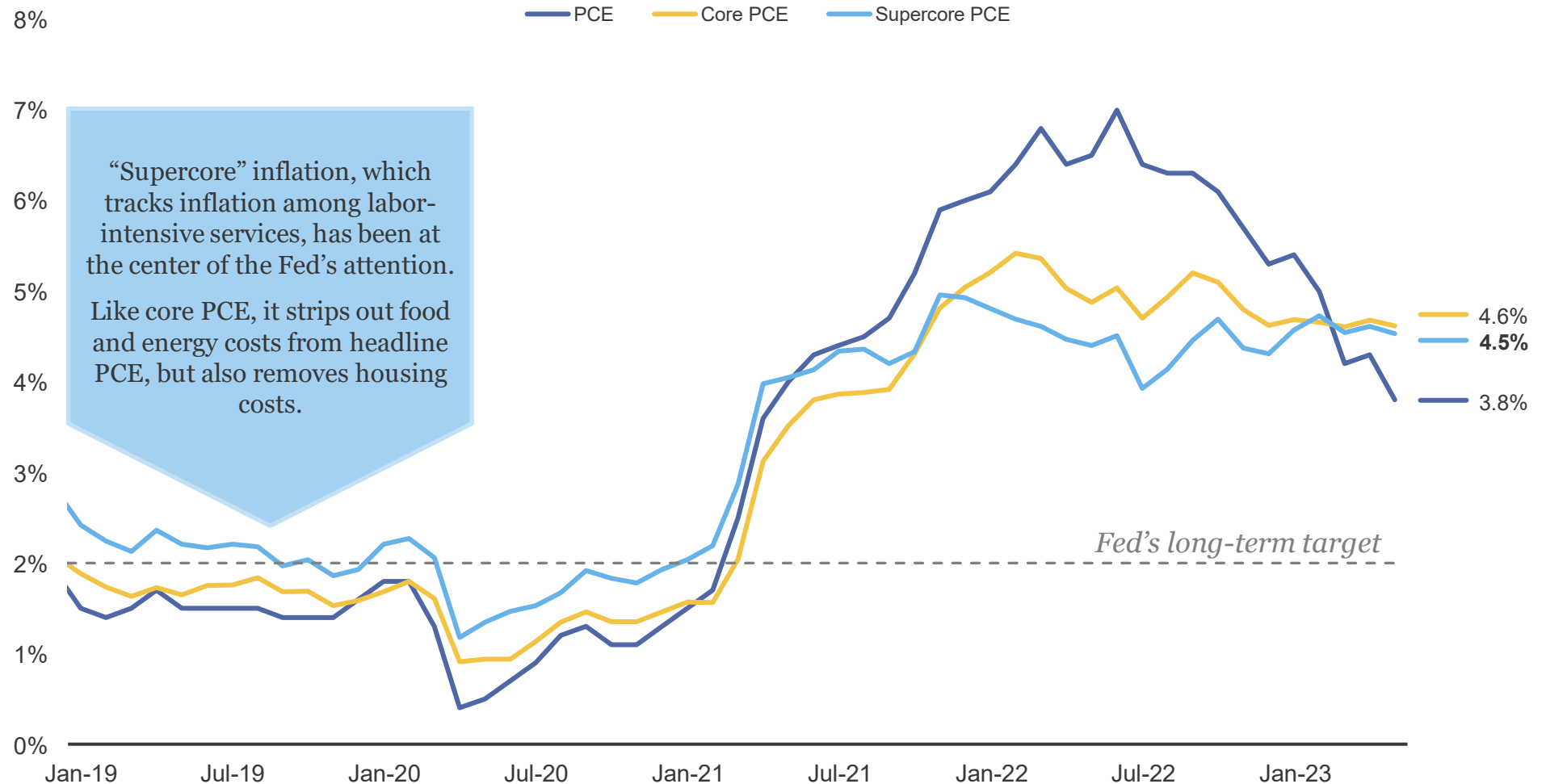


- ▶ Bond markets see continued volatility
 - ▶ The debt ceiling saga incited a separate spate of market volatility due to concern about a potential U.S. default
 - ▶ After plummeting at the end of Q1 due to volatility in the banking sector, short and medium-term yields steadily climbed throughout the quarter, with the 2-year rising over 100 basis points
 - ▶ The curve inversion fell dramatically at the start of Q2, but moved toward historic levels in June

Inflation Measures Remain Above Fed's Target

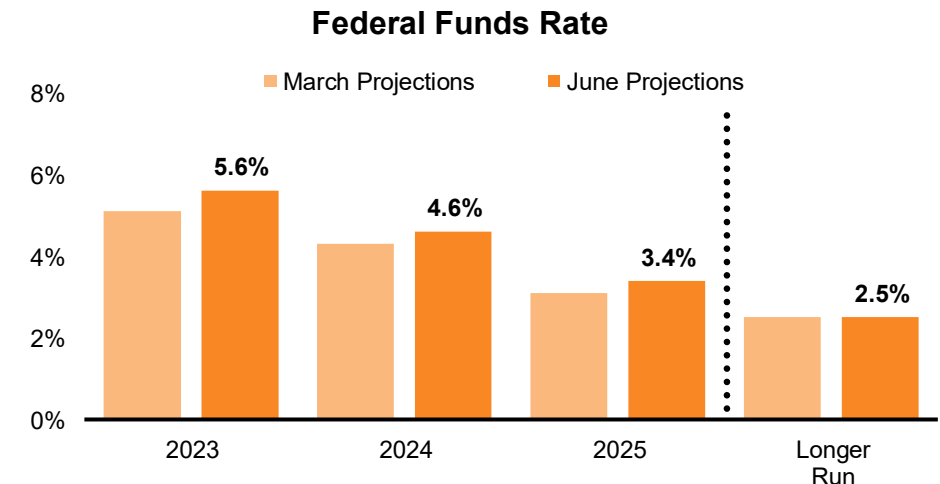
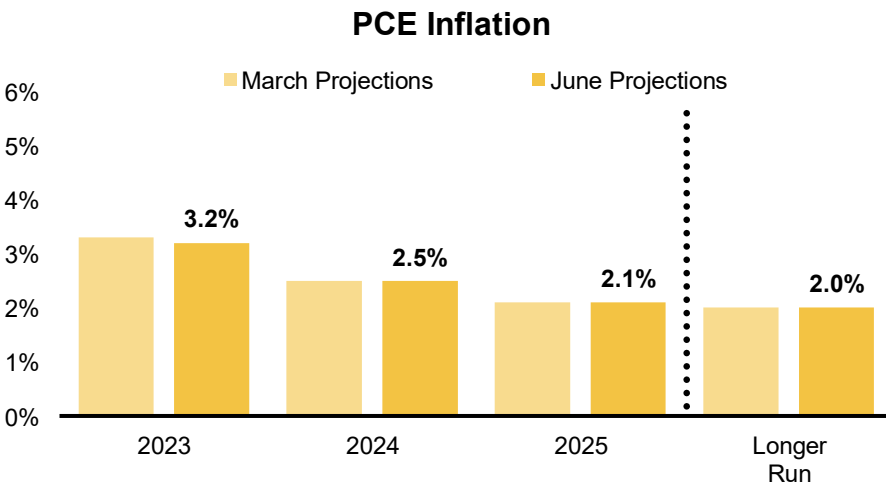
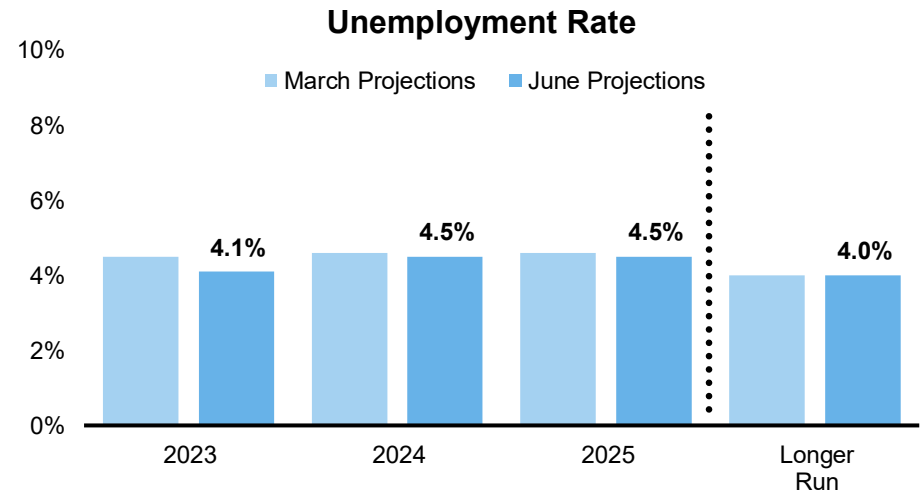
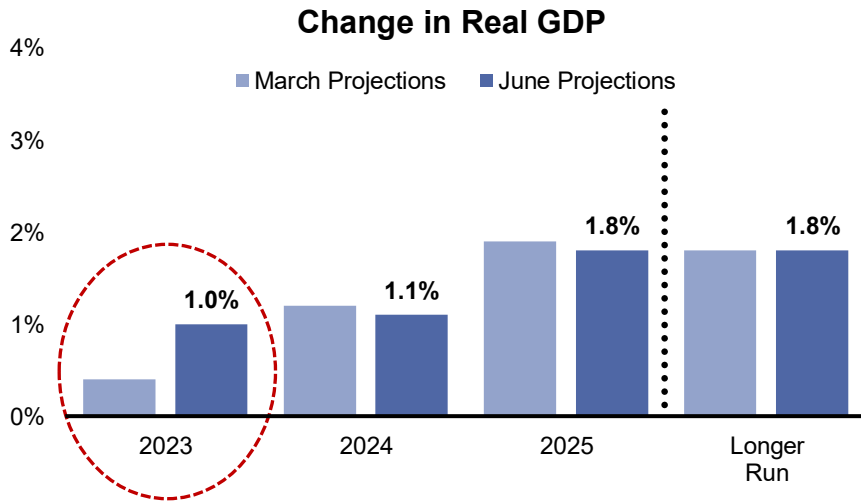
The Fed's Key Inflation Rate

Personal Consumption Expenditure Price Index, Year-over-year



Source: Federal Reserve, Bloomberg, Bureau of Economic Analysis as of May 2023.

Fed's Updated June Projections Reflect Stronger Economic Expectations for 2023



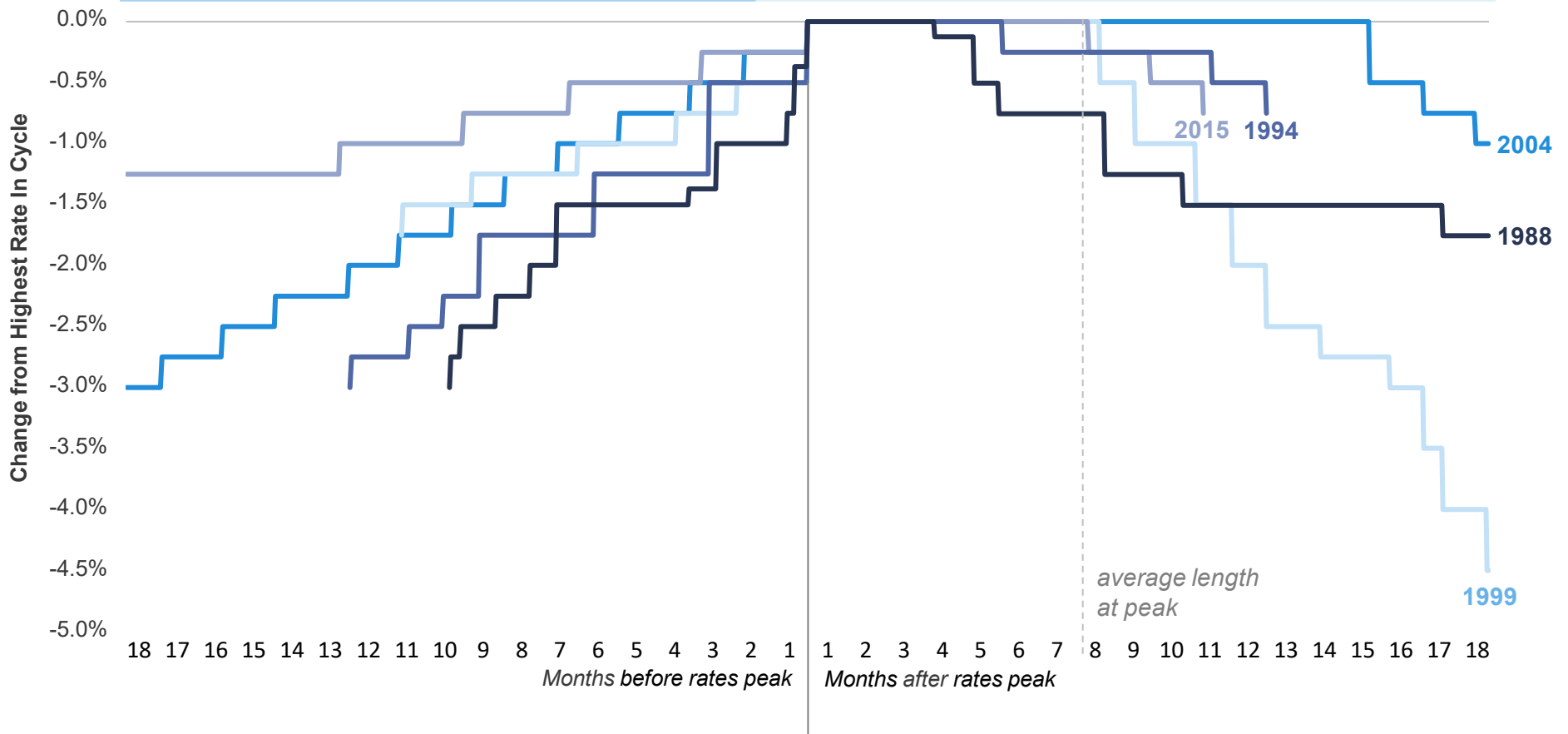
Source: Federal Reserve, latest economic projections as of June 2023.

How Long Have Rates Stayed at the Peak?

Federal Funds Rate Cycles

Peaks of previous Fed rate cycles, indexed to 0%

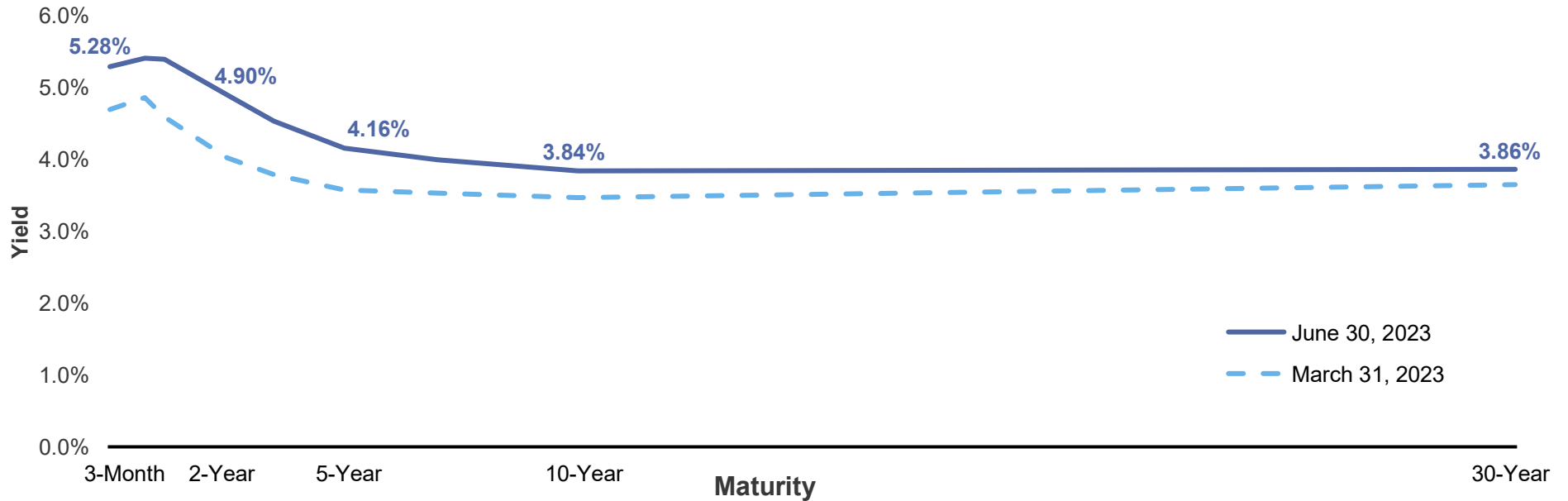
Once the Fed reaches their peak Fed Funds rate, they have historically held rates at that level for around **8 months**



Source: Federal Reserve, Bloomberg.

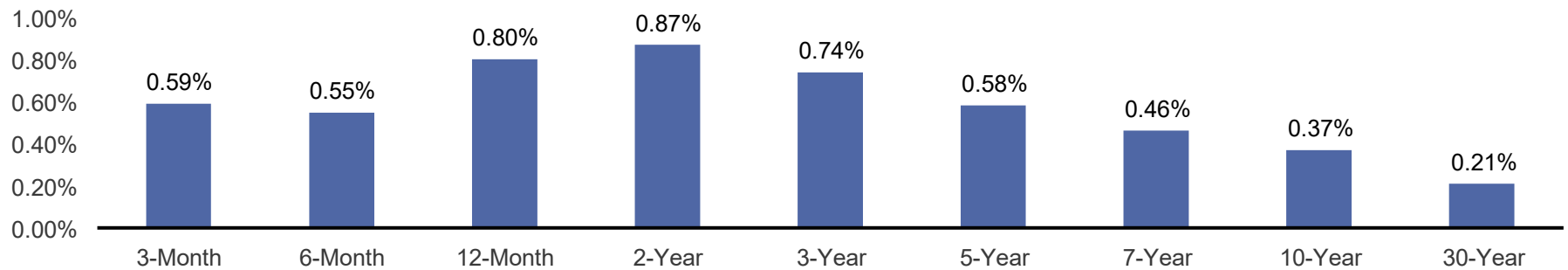
Interest Rates Rise as “Higher-for-Longer” Mantra Sets In

U.S. Treasury Yield Curve



Yield Changes by Maturity

from March 31 – June 30, 2023



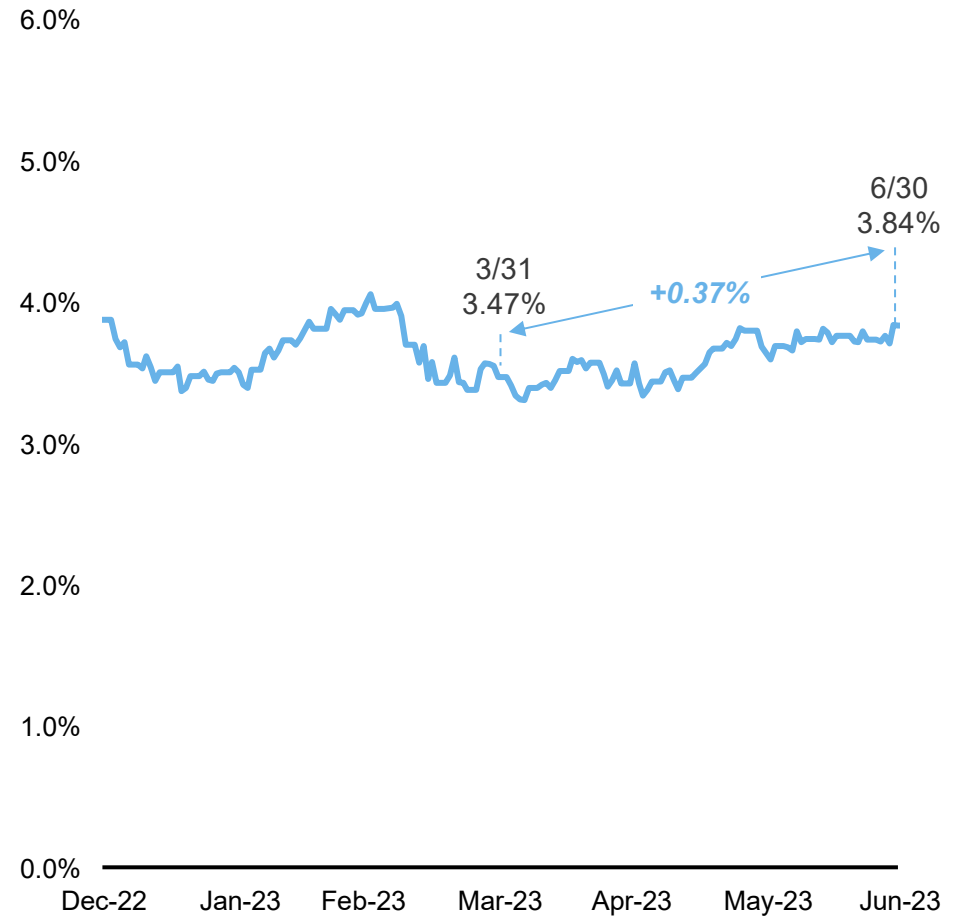
Source: Bloomberg, as of 06/30/2023.

Treasury Yields Move Upward on Expectation for Future Rate Increases

2-Year Treasury Yield



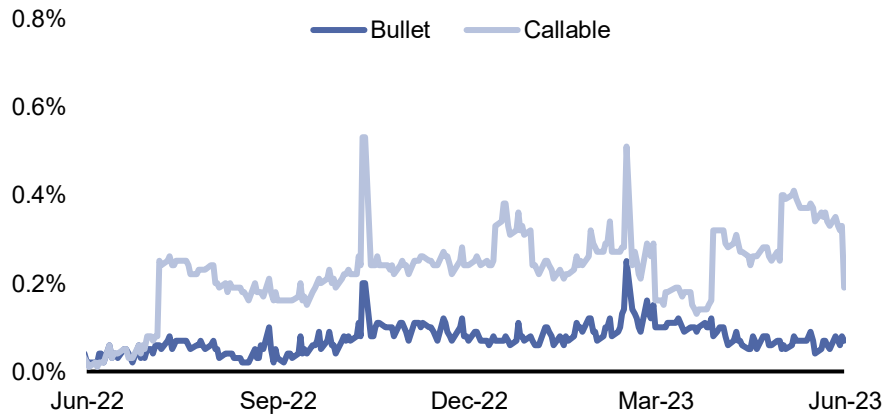
10-Year Treasury Yield



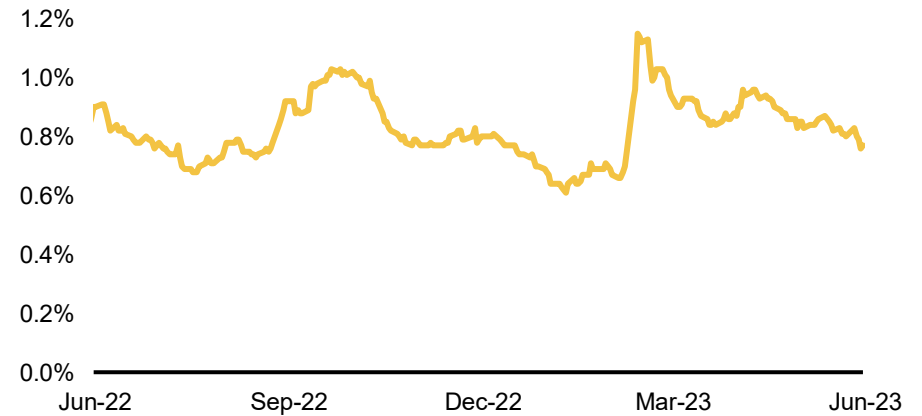
Source: Bloomberg, as of 06/30/2023.

Sector Yield Spreads

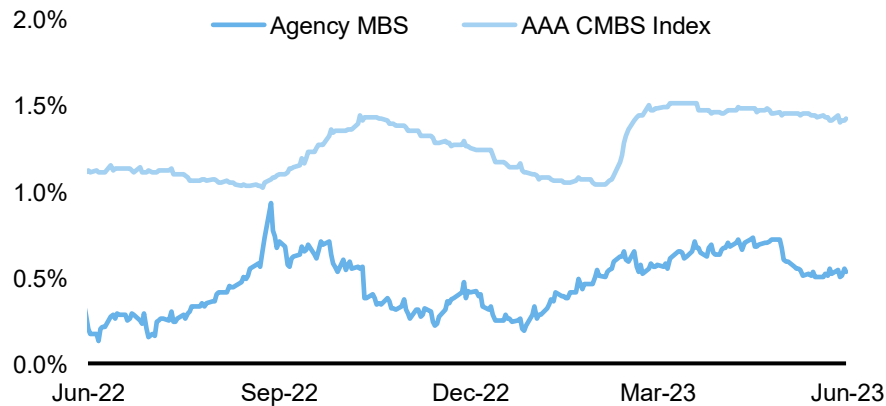
Federal Agency Yield Spreads



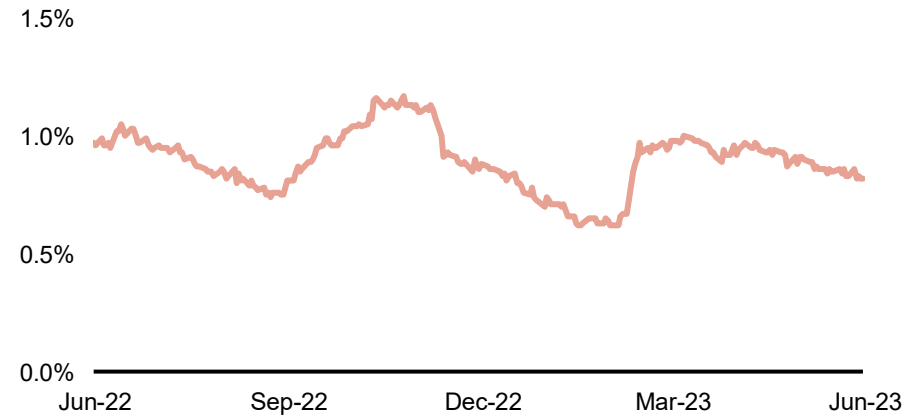
Corporate Notes A-AAA Yield Spreads



Mortgage-Backed Securities Yield Spreads



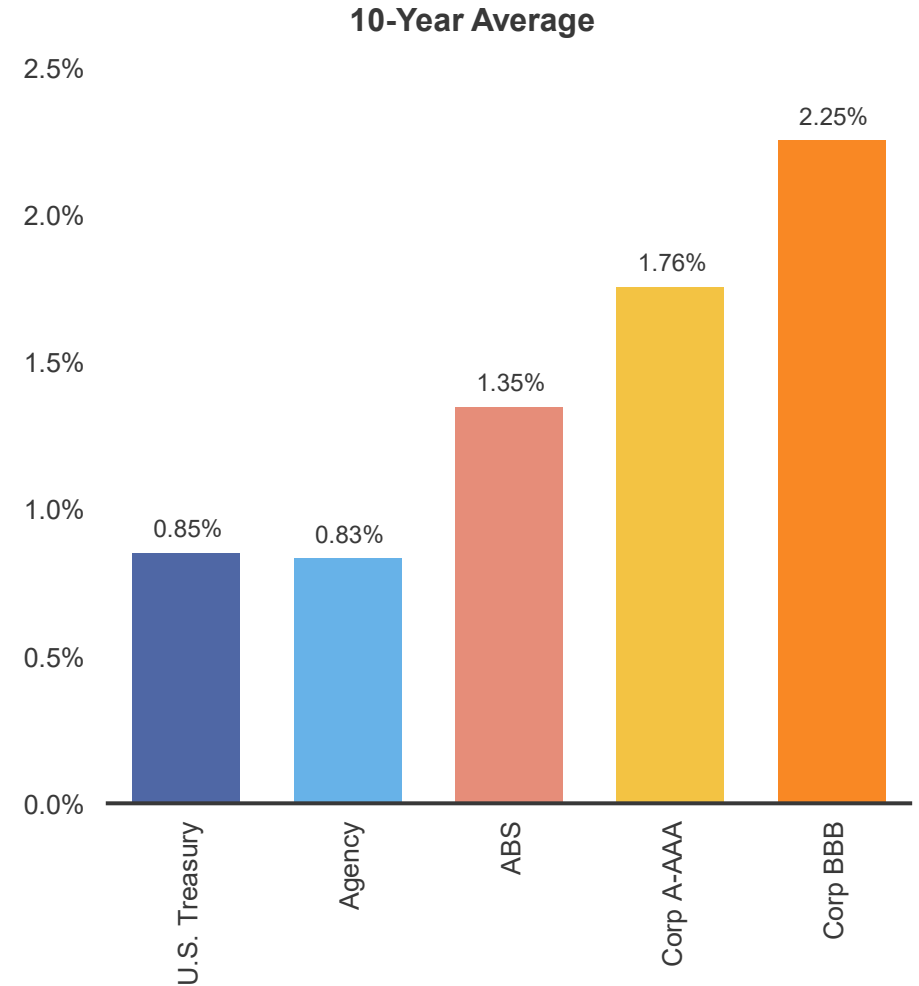
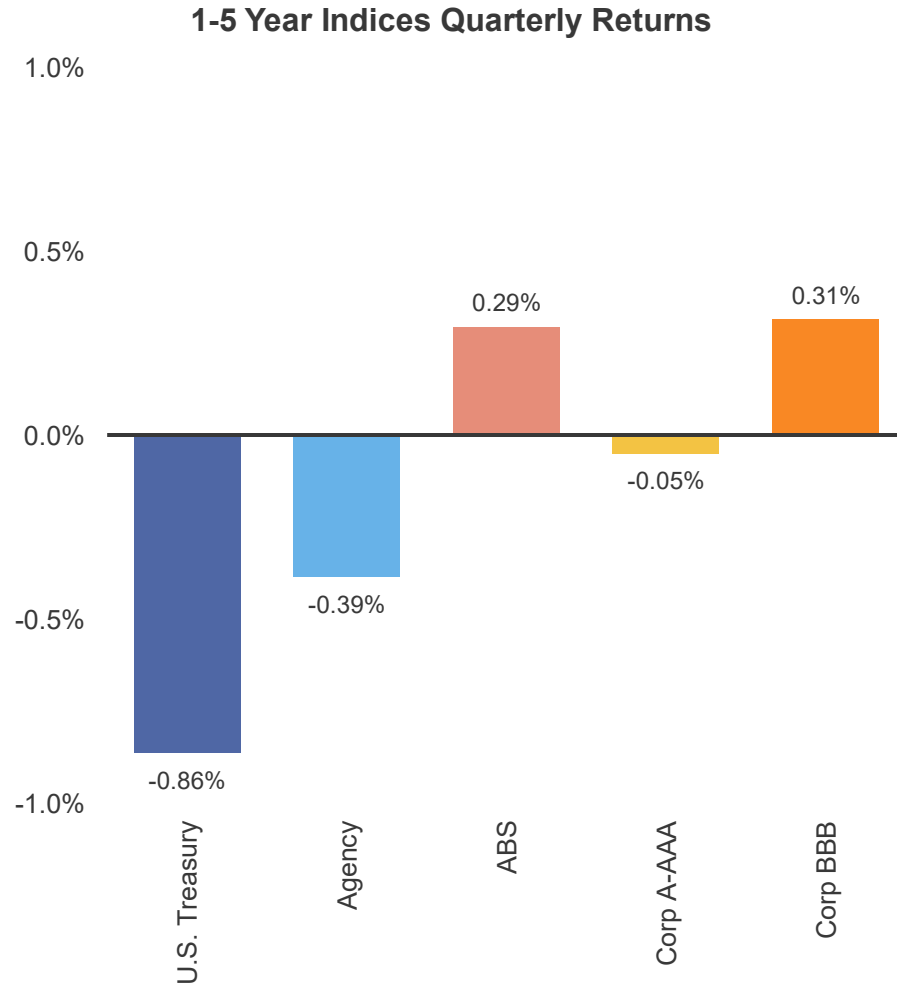
Asset-Backed Securities AAA Yield Spreads



Source: ICE BofAML 1-5 year Indices via Bloomberg, MarketAxess and PFMAM as of 06/30/2023. Spreads on ABS and MBS are option-adjusted spreads of 0-5 year indices based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities.

Fixed-Income Markets in Q2 2023

1-5 Year Indices



Source: ICE BofAML Indices. ABS indices are 0-5 year, based on weighted average life. As of 6/30/2023.

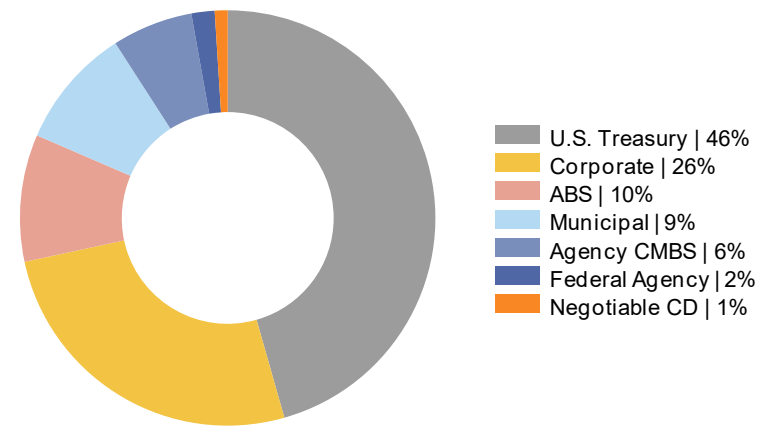
Portfolio Review

Portfolio Snapshot¹

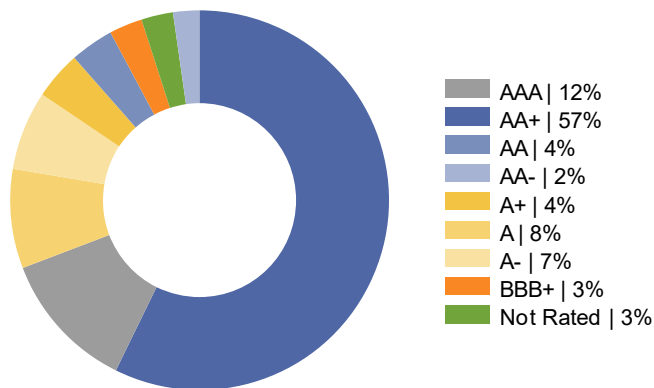
Portfolio Statistics

Total Market Value	\$37,756,622.44
<i>Securities Sub-Total</i>	\$37,446,304.27
<i>Accrued Interest</i>	\$190,475.77
<i>Cash</i>	\$119,842.40
Portfolio Effective Duration	2.48 years
Benchmark Effective Duration	2.48 years
Yield At Cost	2.21%
Yield At Market	4.58%
Portfolio Credit Quality	AA

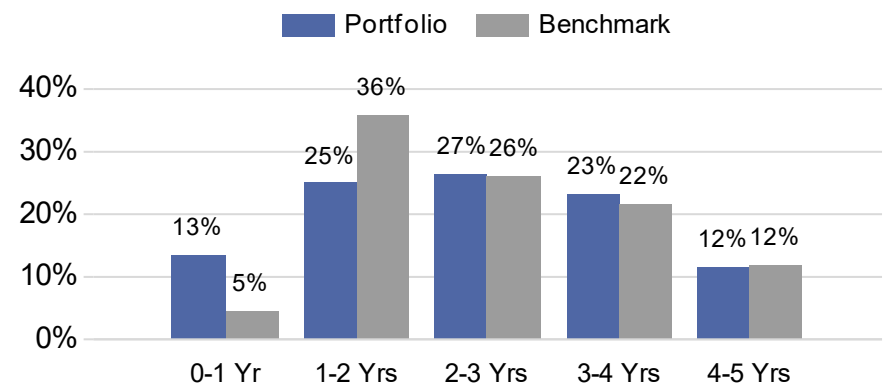
Sector Allocation



Credit Quality - S&P

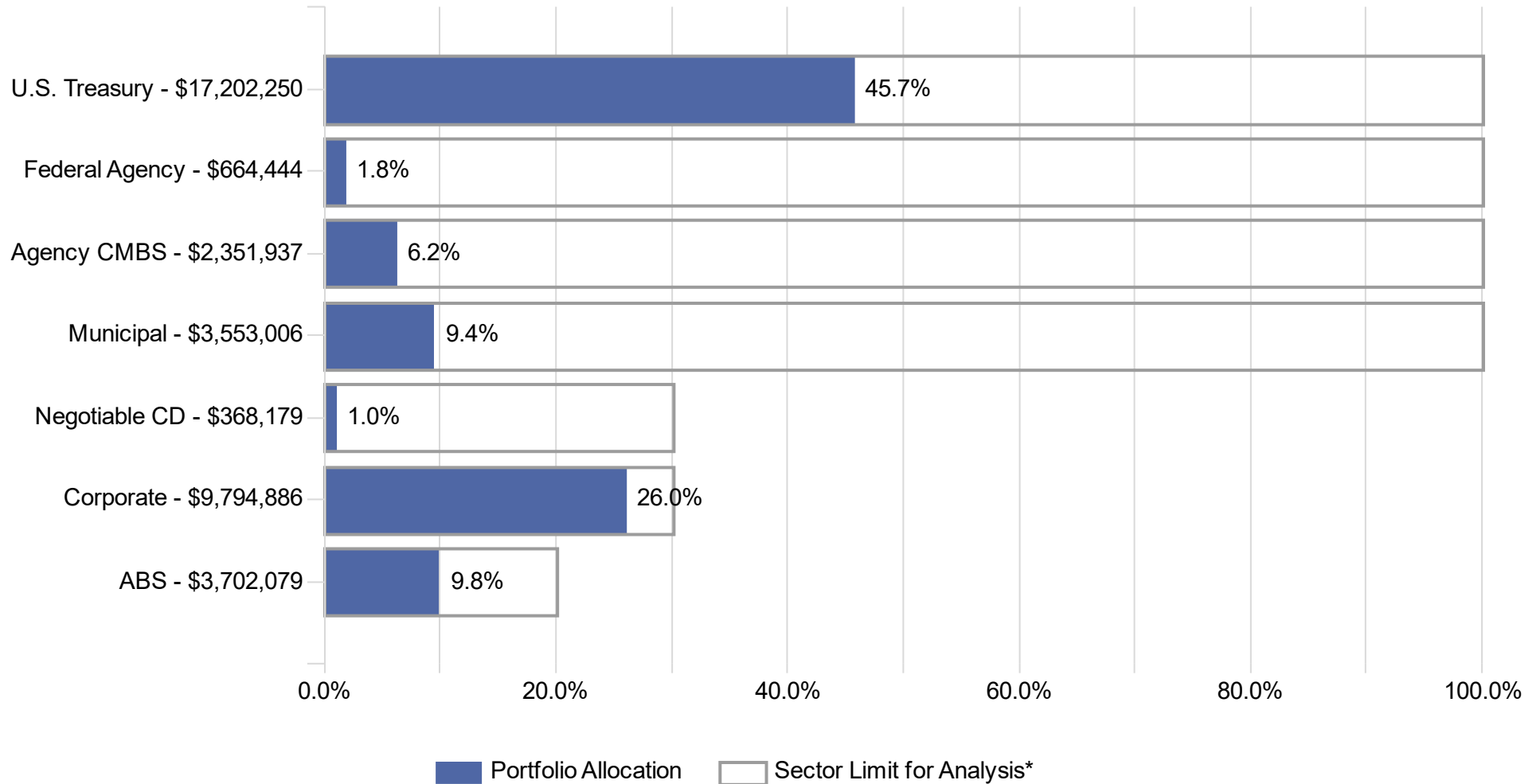


Duration Distribution



1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. The portfolio's benchmark is the ICE BofA 1-5 Year U.S. Treasury/Agency Index. Source: Bloomberg. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

Sector Allocation Analytics



For informational/analytical purposes only and is not provided for compliance assurance. Includes accrued interest.

**Sector Limit for Analysis is as derived from our interpretation of your most recent Investment Policy as provided.*

Certificate of Compliance

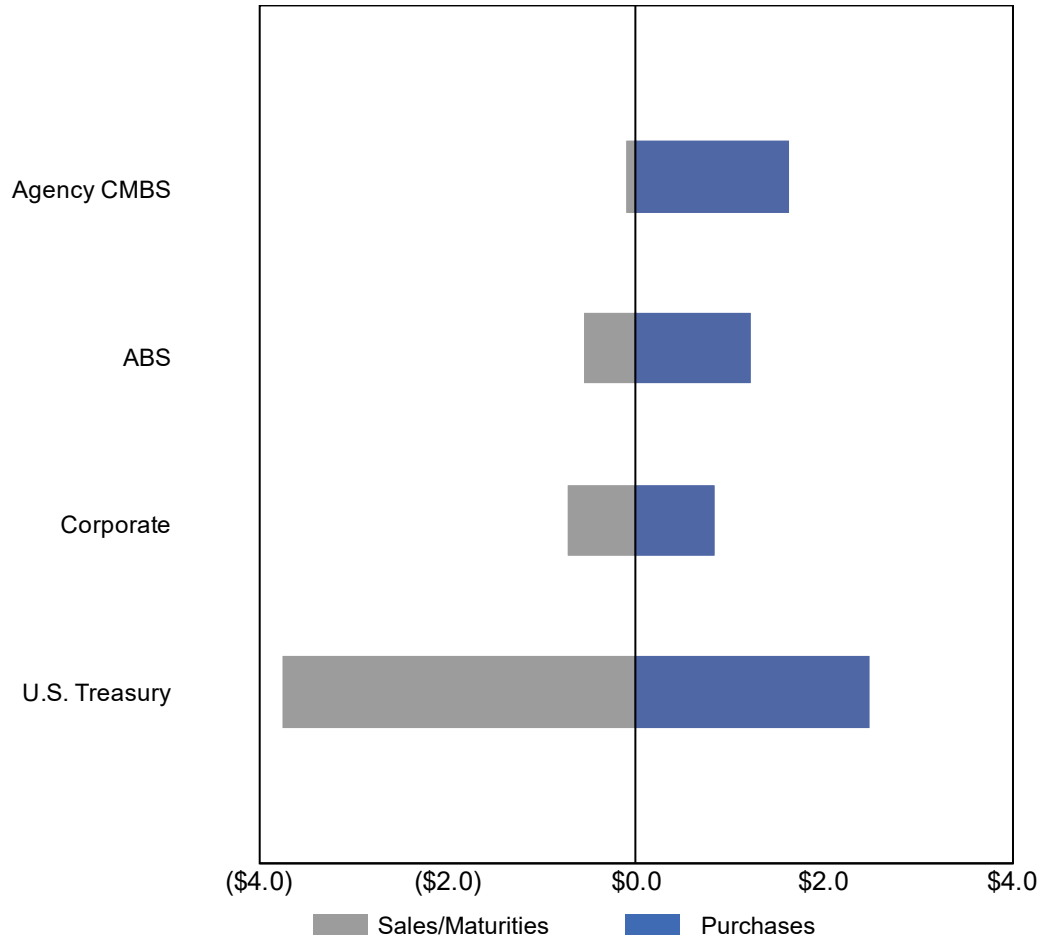
During the reporting period for the quarter ended June 30, 2023, the account(s) managed by PFM Asset Management ("PFMAM") were in compliance with the applicable investment policy and guidelines as furnished to PFMAM.

Acknowledged : *PFM Asset Management LLC*

Note: Pre- and post-trade compliance for the account(s) managed by PFM Asset Management is provided via Bloomberg Asset and Investment Management ("AIM").

Portfolio Activity

Net Activity by Sector
(\$ millions)

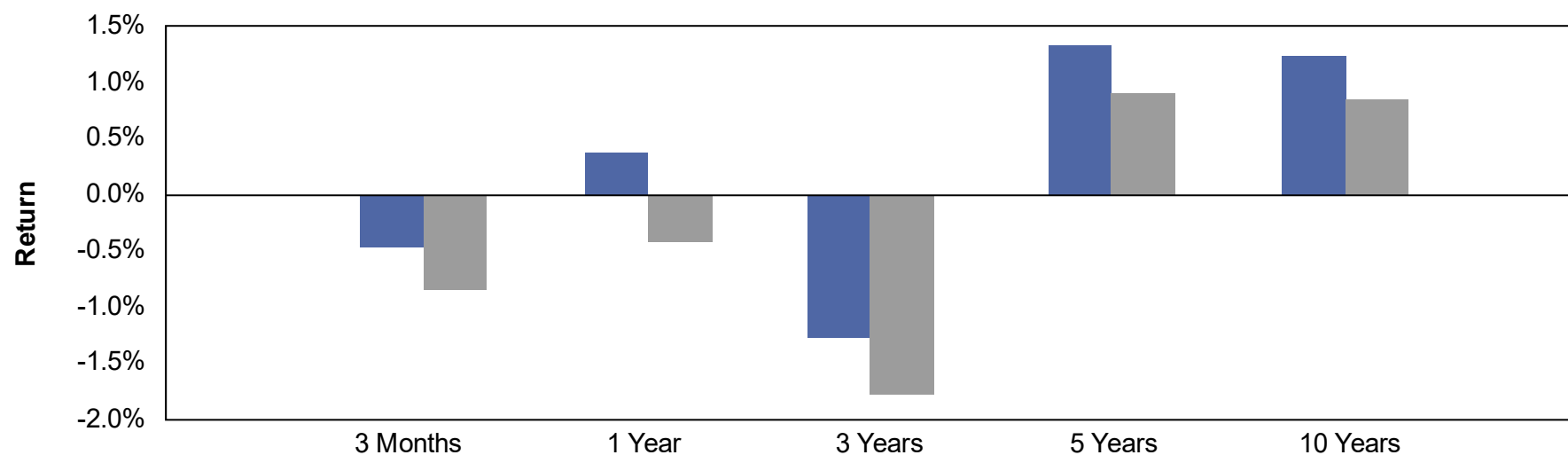


Sector	Net Activity
Agency CMBS	\$1,532,453
ABS	\$681,014
Corporate	\$103,630
U.S. Treasury	(\$1,269,599)
Total Net Activity	\$1,047,498

Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns. Detail may not add to total due to rounding.

Portfolio Performance

■ Portfolio ■ Benchmark



Market Value Basis Earnings	3 Months	1 Year	3 Years	5 Years	10 Years
Interest Earned ²	\$202,256	\$683,551	\$2,577,733	\$4,809,361	\$7,963,624
Change in Market Value	(\$380,888)	(\$542,808)	(\$4,242,180)	(\$767,853)	(\$1,785,007)
Total Dollar Return	(\$178,632)	\$140,743	(\$1,664,447)	\$4,041,508	\$6,178,617
Total Return³					
Portfolio	-0.47%	0.37%	-1.28%	1.33%	1.23%
Benchmark ⁴	-0.85%	-0.42%	-1.78%	0.89%	0.86%
Difference	0.38%	0.79%	0.50%	0.44%	0.37%

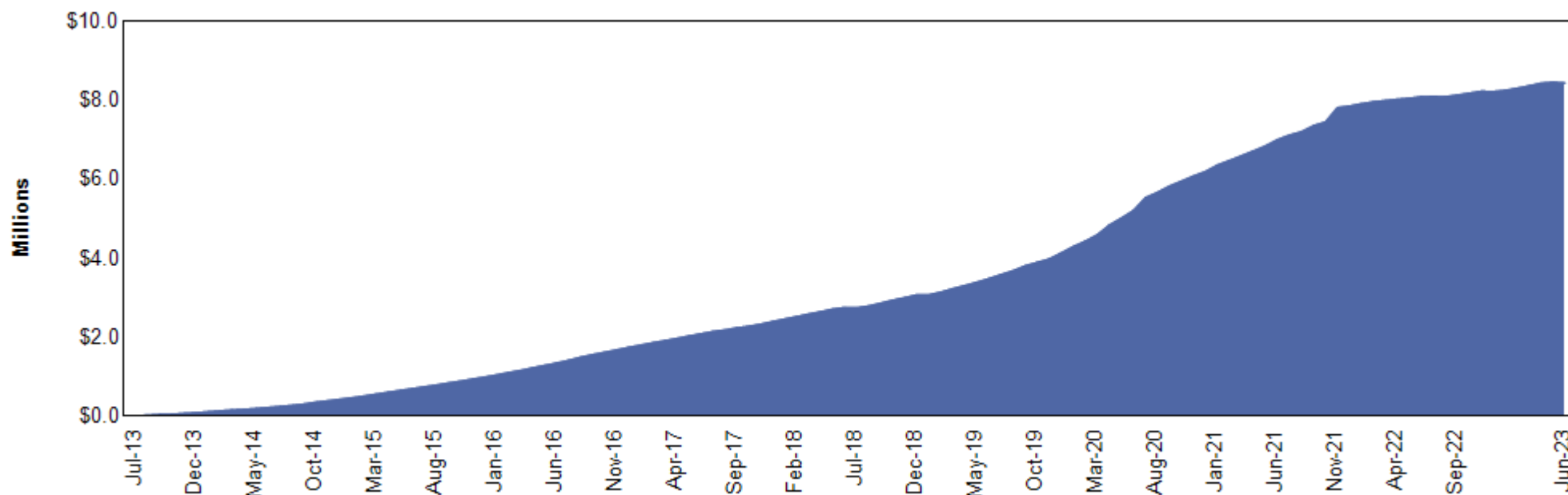
1. The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is September 30, 2012.

2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

3. Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.

4. The portfolio's benchmark is the ICE BofA 1-5 Year U.S. Treasury/Agency Index. Source: Bloomberg.

Accrual Basis Earnings



Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	10 Year ¹
Interest Earned ²	\$202,256	\$683,551	\$2,577,733	\$4,809,361	\$7,963,624
Realized Gains / (Losses) ³	(\$124,969)	(\$295,080)	\$760,021	\$910,114	\$994,778
Change in Amortized Cost	(\$5,998)	(\$42,165)	(\$105,589)	(\$39,284)	(\$520,921)
Total Earnings	\$71,289	\$346,305	\$3,232,165	\$5,680,191	\$8,437,481

1. The lesser of 10 years or since inception is shown. Performance inception date is September 30, 2012.

2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

3. Realized gains / (losses) are shown on an amortized cost basis.

Fixed-Income Sector Outlook – 3Q 2023

Sector	Our Investment Preferences
COMMERCIAL PAPER / CD	
TREASURIES	
T-Bill	
T-Note	
FEDERAL AGENCIES	
Bullets	
Callables	
SUPRANATIONALS	
CORPORATES	
Financials	
Industrials	
SECURITIZED	
Asset-Backed	
Agency Mortgage-Backed	
Agency CMBS	
MUNICIPALS	



Issuer Distribution

Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
U.S. Treasury	45.7%	
UNITED STATES TREASURY	45.7%	AA / Aaa / AAA
Federal Agency	1.8%	
FEDERAL HOME LOAN BANKS	0.7%	AA / Aaa / NR
FREDDIE MAC	1.0%	AA / Aaa / AAA
Agency CMBS	6.2%	
FANNIE MAE	0.3%	AA / Aaa / AAA
FREDDIE MAC	6.0%	AA / Aaa / AAA
Municipal	9.4%	
ARIZONA TRANSPORTATION BOARD	1.5%	AA / Aa / NR
FLORIDA STATE BOARD OF ADMIN FIN CORP	1.3%	AA / Aa / AA
LOS ANGELES COMMUNITY COLLEGE DISTRICT	0.7%	AA / Aaa / NR
LOS ANGELES UNIFIED SCHOOL DISTRICT	0.7%	NR / Aa / AAA
SAN DIEGO COMMUNITY COLLEGE DISTRICT	0.1%	AAA / Aa / NR
SAN JUAN UNIFIED SCHOOL DISTRICT	0.8%	NR / Aa / NR
STATE OF CONNECTICUT	0.3%	AA / Aa / AA
STATE OF MARYLAND	0.7%	AAA / Aaa / AAA
STATE OF MISSISSIPPI	0.6%	AA / Aa / AA
STATE OF WISCONSIN	1.9%	AAA / NR / AA
TAMALPAIS UNION HIGH SCHOOL DISTRICT	0.4%	NR / Aaa / NR
UNIVERSITY OF CALIFORNIA	0.4%	AA / Aa / AA
Negotiable CD	1.0%	
TORONTO-DOMINION BANK	1.0%	A / A / NR
Corporate	26.0%	
ABBOTT LABORATORIES	0.4%	AA / Aa / NR
ADOBE INC	0.2%	A / A / NR

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
Corporate	26.0%	
AMAZON.COM INC	0.5%	AA / A / AA
AMERICAN EXPRESS CO	0.7%	BBB / A / A
AMERICAN HONDA FINANCE	0.6%	A / A / A
APPLE INC	1.4%	AA / Aaa / NR
ASTRAZENECA PLC	1.2%	A / A / A
BANK OF AMERICA CO	0.7%	A / A / AA
BRISTOL-MYERS SQUIBB CO	0.6%	A / A / NR
CATERPILLAR INC	0.7%	A / A / A
CHARLES SCHWAB	0.2%	A / A / A
CITIGROUP INC	0.7%	BBB / A / A
COLGATE-PALMOLIVE COMPANY	0.4%	AA / Aa / NR
DEERE & COMPANY	0.2%	A / A / A
EMERSON ELECTRIC COMPANY	0.6%	A / A / NR
GOLDMAN SACHS GROUP INC	1.4%	BBB / A / A
HERSHEY COMPANY	0.4%	A / A / NR
HOME DEPOT INC	0.6%	A / A / A
HONEYWELL INTERNATIONAL	1.1%	A / A / A
IBM CORP	0.7%	A / A / NR
INTEL CORPORATION	0.5%	A / A / A
JP MORGAN CHASE & CO	2.4%	A / A / AA
LOCKHEED MARTIN CORP	0.8%	A / A / A
MASTERCARD INC	0.5%	A / Aa / NR
MERCK & CO INC	0.2%	A / A / NR
MORGAN STANLEY	0.4%	A / A / A
NATIONAL RURAL UTILITIES CO FINANCE CORP	0.1%	A / A / A
NIKE INC	0.2%	AA / A / NR

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
Corporate	26.0%	
NORTHERN TRUST	0.3%	A / A / A
NOVARTIS AG	0.9%	AA / A / AA
PACCAR FINANCIAL CORP	0.5%	A / A / NR
PNC FINANCIAL SERVICES GROUP	0.2%	A / A / A
STATE STREET CORPORATION	0.5%	A / A / AA
TARGET CORP	0.4%	A / A / A
THE BANK OF NEW YORK MELLON CORPORATION	1.3%	A / A / AA
TOYOTA MOTOR CORP	0.9%	A / A / A
TRUIST FIN CORP	0.6%	A / A / A
UNILEVER PLC	0.4%	A / A / A
UNITED PARCEL SERVICE INC	0.2%	A / A / NR
UNITEDHEALTH GROUP INC	0.5%	A / A / A
WAL-MART STORES INC	1.0%	AA / Aa / AA
ABS	9.8%	
AMERICAN EXPRESS CO	1.0%	AAA / NR / AAA
BANK OF AMERICA CO	1.3%	AAA / Aaa / AAA
BMW VEHICLE OWNER TRUST	0.0%	AAA / NR / AAA
CAPITAL ONE FINANCIAL CORP	2.0%	AAA / NR / AAA
CARMAX AUTO OWNER TRUST	1.8%	AAA / Aaa / AAA
DISCOVER FINANCIAL SERVICES	1.6%	AAA / Aaa / AAA
FORD CREDIT AUTO OWNER TRUST	0.6%	AAA / NR / AAA
GM FINANCIAL LEASINGTRUST	0.3%	AAA / NR / AAA
HONDA AUTO RECEIVABLES	0.3%	AAA / NR / AAA
HYUNDAI AUTO RECEIVABLES	0.3%	AAA / NR / AAA
MERCEDES-BENZ AUTO RECEIVABLES	0.3%	AAA / NR / AAA

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
ABS	9.8%	
NISSAN AUTO RECEIVABLES	0.0%	AAA / Aaa / NR
TOYOTA MOTOR CORP	0.1%	AAA / Aaa / NR
VERIZON OWNER TRUST	0.1%	NR / Aaa / AAA
Total	100.0%	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

Important Disclosures

This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation, as it was prepared without regard to any specific objectives or financial circumstances.

Investment advisory services are provided by PFM Asset Management LLC ("PFMAM"), an investment adviser registered with the U.S. Securities and Exchange Commission and a subsidiary of U.S. Bancorp Asset Management, Inc. ("USBAM"). USBAM is a subsidiary of U.S. Bank National Association ("U.S. Bank"). U.S. Bank is a separate entity and subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, services or performance of PFMAM. The information contained is not an offer to purchase or sell any securities. Additional applicable regulatory information is available upon request.

PFMAM professionals have exercised reasonable professional care in the preparation of this performance report. Information in this report is obtained from sources external to PFMAM and is generally believed to be reliable and available to the public; however, we cannot guarantee its accuracy, completeness or suitability. We rely on the client's custodian for security holdings and market values. Transaction dates reported by the custodian may differ from money manager statements. While efforts are made to ensure the data contained herein is accurate and complete, we disclaim all responsibility for any errors that may occur. References to particular issuers are for illustrative purposes only and are not intended to be recommendations or advice regarding such issuers. Fixed income manager and index characteristics are gathered from external sources. When average credit quality is not available, it is estimated by taking the market value weights of individual credit tiers on the portion of the strategy rated by a NRSRO.

It is not possible to invest directly in an index. The index returns shown throughout this material do not represent the results of actual trading of investor assets. Third-party providers maintain the indices shown and calculate the index levels and performance shown or discussed. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

The views expressed within this material constitute the perspective and judgment of PFMAM at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon certain assumptions and current opinion as of the date of issue and are also subject to change. Some, but not all assumptions are noted in the report. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Opinions and data presented are not necessarily indicative of future events or expected performance.

For more information regarding PFMAM's services or entities, please visit www.pfmam.com.

© 2023 PFM Asset Management LLC. Further distribution is not permitted without prior written consent.

Important Disclosures

- Market values that include accrued interest are derived from closing bid prices as of the last business day of the month as supplied by Refinitiv, Bloomberg, or Telerate. Where prices are not available from generally recognized sources, the securities are priced using a yield-based matrix system to arrive at an estimated market value.
- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.
- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

Glossary

- **Accrued Interest:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **Agencies:** Federal agency securities and/or Government-sponsored enterprises.
- **Amortized Cost:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- **Asset-Backed Security:** A financial instrument collateralized by an underlying pool of assets – usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, and receivables.
- **Bankers' Acceptance:** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- **Commercial Paper:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **Contribution to Total Return:** The weight of each individual security multiplied by its return, then summed for each sector to determine how much each sector added or subtracted from the overall portfolio performance.
- **Effective Duration:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **Effective Yield:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **Interest Rate:** Interest per year divided by principal amount and expressed as a percentage.
- **Market Value:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **Maturity:** The date upon which the principal or stated value of an investment becomes due and payable.
- **Negotiable Certificates of Deposit:** A CD with a very large denomination, usually \$1 million or more, that can be traded in secondary markets.
- **Par Value:** The nominal dollar face amount of a security.
- **Pass-through Security:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.

Glossary

- **Repurchase Agreements:** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- **Settle Date:** The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- **Supranational:** A multinational union or association in which member countries cede authority and sovereignty on at least some internal matters to the group, whose decisions are binding on its members.
- **Trade Date:** The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- **Unsettled Trade:** A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- **U.S. Treasury:** The department of the U.S. government that issues Treasury securities.
- **Yield:** The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- **YTM at Cost:** The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- **YTM at Market:** The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.

ACWA JPIA
Investment Policy
September 27, 2023

BACKGROUND

The current Investment Policy was approved by the Board of Directors in November 2022. Every year, per the JPIA Bylaws, the Investment Policy must be approved by the Board of Directors.

CURRENT SITUATION

After review by staff and the JPIA's investment advisor, there is a minor suggested change to add wording under the Limitations/Diversification section to clarify the date used to measure maturity as the settlement date.

RECOMMENDATION

That the Finance & Audit Committee recommends that the Executive Committee approve the change to the Investment Policy and forward to the Board of Directors at Fall Conference for final approval.

Memorandum

To: Dan Steel, Finance Manager
Heidi Singer, Accountant II
ACWA JPIA

From: Sarah Meacham, Managing Director
Richard Babbe, CCM, Senior Managing Consultant
PFM Asset Management LLC

RE: 2023 Investment Policy Review

We reviewed ACWA JPIA's (the "Authority") Investment Policy (the "Policy"), as part of the Authority's annual review process. As written, the Policy is consistent with the applicable California Government Code (the "Code") sections regulating the investment of public funds.

We are, however, recommending the Authority update the Limitations/ Diversification section of the Policy to incorporate a Code revision that was made as part of Senate Bill ("SB") 1489, which took effect January 1, 2023 (we have attached a marked-up copy of the Policy illustrating our recommended change). Previously, Code had not defined whether a security's remaining maturity at purchase was to be calculated from trade or settlement date. As revised, Code now specifies that a security's maximum maturity for compliance purposes is to be measured from its settlement date (Code further specifies that the forward settlement date of an investment cannot exceed 45 days from the time of investment). This change provides local agencies with more opportunities to consider new-issue securities. The remaining maturity of a new issue security can often exceed the Policy's maturity limit if calculated from trade date but not if calculated from settlement date.

Although no changes are needed, we wanted to make you aware of another Code change that was made as part of SB 1489. The quarterly reporting deadline in Code section 53646 (b)(1) was increased to 45 days from 30 days. The revision was made in recognition that the 30-day reporting deadline created challenges for agencies to collect the necessary investment data while following the legislative body's agenda schedule. As the Policy does not specify a reporting deadline, no change is needed.

Please let us know if you have any questions or if you would like to set up a time to discuss.

ASSOCIATION OF CALIFORNIA WATER AGENCIES

JOINT POWERS INSURANCE AUTHORITY

INVESTMENT POLICY

Revised: 09/2022 - Approved: 11/2022

INVESTMENT POLICY

OBJECTIVE

The objectives of the Investment Policy of the Association of California Water Agencies Joint Powers Insurance Authority (JPIA or Authority) are as follows, in order of priority.

- (1) Safeguard the principal of the funds under its control by maintaining an appropriate risk level.
- (2) Meet the liquidity needs of the Authority.
- (3) Achieve an optimum rate of return (defined as income plus realized and unrealized capital gains and losses) on available assets (not required for current operating needs), commensurate with an appropriate level of risk.

SCOPE

Except for funds held in the JPIA's working bank accounts used for the daily operations, funds with the California Water Insurance Fund, and any retirement funds held in a trust, it is intended that this policy cover investment funds and activities of the Authority.

DELEGATION OF AUTHORITY

Section 53600, et seq. of the Government Code provide legal authorization and reporting requirements for the investment of funds of local agencies when applicable. All investments of the JPIA shall conform to the restrictions of these laws. In accordance with Section 53607 the authority to invest or reinvest the funds of the Authority is delegated to the Treasurer of the JPIA for a one-year period. Each year the Authority's Board of Directors meets at the ACWA Spring and Fall Conference and therein delegates its authority to invest funds to the Authority's Treasurer, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires.

PRUDENCE

All participants in the investment process shall recognize that the investment portfolio is subject to the prudent investor standard as set forth by California Government Code and to public review and evaluation and shall seek to act responsibly as fiduciaries of the public trust. The prudent investor standard states that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Authority, 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 Authority.

ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions. Employees and investment officials shall disclose to the Chief Executive Officer any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Authority.

PERMISSIBLE INVESTMENTS

An appropriate risk level shall be maintained by primarily purchasing securities that are of high quality, liquid, and marketable. See table on page 6 for further limits.

The classes of investments that most adequately meet the criteria for purchases are listed as follows.

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

There is no limit as to the amount of the Authority's investment portfolio that may be invested in this category.

2. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

There is no limit as to the amount of the Authority's investment portfolio that may be invested in this category. No more than 50% of the Authority's investment portfolio may be invested in any one federal agency.

3. Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state. Obligations eligible for investment under this subdivision must be rated in a rating category "A" or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO).

There is no limit as to the amount of the Authority's investment portfolio that may be invested in this category.

4. Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California. Obligations eligible for investment under this subdivision must be rated in a rating category "A" or its equivalent or better by a NRSRO.

There is no limit as to the amount of the Authority's investment portfolio that may be invested in this category.

5. Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency. Obligations eligible for investment under this subdivision must be rated in a rating category "A" or its equivalent or better by a NRSRO.

There is no limit as to the amount of the Authority's investment portfolio that may be invested in this category.

6. Bankers' Acceptances issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest rating category as provided for by a NRSRO.

Purchases of Bankers' Acceptances may not exceed 180 days' maturity or 20% of the Authority's investment portfolio.

7. Commercial paper rated in the highest letter and number rating as provided for by an NRSRO. The entity that issues the commercial paper shall meet all of the conditions in either paragraph (a) or (b):

- a. The entity meets the following criteria:

- (i) Is organized and operating in the United States as a general corporation.

- (ii) Has total assets in excess of five hundred million dollars (\$500,000,000).

- (iii) Has debt other than commercial paper that, if any, is rated in a rating category "A," its equivalent or higher by an NRSRO.

- b. The entity meets the following criteria:

- (i) Is organized within the United States as a special purpose corporation, trust, or limited liability company.

- (ii) Has program wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond.

- (iii) Has commercial paper that is rated in a rating category "A-1" or higher, or the equivalent, by an NRSRO.

Purchases of eligible commercial paper may not exceed 270 days' maturity.

Purchases of commercial paper may not exceed 40% of the Authority's investment portfolio (The limit is 25% if the Authority has less than \$100 million of investment assets).

8. Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Medium-term corporate notes shall be rated in a rating category "A", its equivalent, or better by an NRSRO.

Purchase of medium-term corporate notes may not exceed 30% of the Authority's investment portfolio.

9. Negotiable certificates of deposit or deposit notes issued by a nationally or state-chartered bank or a state or federal savings and loan association or by a federally- or state-licensed branch of a foreign bank; provided that the senior

debt obligations of the issuing institution are rated in a rating category "A", its equivalent, or better by an NRSRO.

Purchase of negotiable certificates of deposit may not exceed 30% of the Authority's investment portfolio.

10. FDIC insured or fully collateralized time certificates of deposit (Time CDs) in financial institutions located in California, including U.S. branches of foreign banks licensed to do business in California. All time deposits must be collateralized in as specified under Government Code Section 53630 et seq. The Treasurer, at their discretion, may waive the collateralization requirements for any portion that is covered by federal deposit insurance.
11. Local Government Investment Pools (LGIP). Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (q) of Government Code Section 53601, inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:
 - a. The adviser is registered or exempt from registration with the Securities and Exchange Commission.
 - b. The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (o) Government Code Section 53601, inclusive.
 - c. The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

The purchase price of shares shall not exceed 50% of the investment portfolio of the Authority.

12. State of California's Local Agency Investment Fund (LAIF). Investment in LAIF may not exceed the lesser of the limit established by LAIF or 50% of the portfolio and should be reviewed periodically. (Government Code § 16429.1)
13. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.). To be eligible for investment pursuant to this subdivision these companies shall either: (1) attain the highest ranking letter or numerical rating provided by not less than two of the three largest nationally recognized rating services or (2) have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years of experience managing money market mutual funds and with assets under management in excess of \$500,000,000.

The purchase price of shares shall not exceed 20% of the investment portfolio of the Authority.

14. Repurchase Agreements used solely as short-term investments not to exceed 92 days.

The Authority may enter into Repurchase Agreements with primary dealers in U.S. Government securities who are eligible to transact business with, and who report to, the Federal Reserve Bank of New York.

The following collateral restrictions will be observed: Only U.S. Treasury securities or Federal Agency securities, as described in this section, will be acceptable collateral. All securities underlying Repurchase Agreements must be delivered to the Authority's custodian bank versus payment or be handled under a properly executed tri-party repurchase agreement. The total market value of all collateral for each Repurchase Agreement must equal or exceed, 102% of the total dollar value of the money invested by the Authority for the term of the investment. For any Repurchase Agreement with a term of more than one day, the value of the underlying securities must be reviewed at least weekly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day.

Market value must be calculated each time there is a substitution of collateral.

The Authority or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement.

The Authority will have properly executed SIFMA agreement with each counter party with which it enters into Repurchase Agreements.

Purchases of repurchase agreements shall not exceed 20% of the investment portfolio of the Authority.

15. Supranationals. United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated "AAA", its equivalent, or better by an NRSRO.

Purchases of supranationals shall not exceed 20% of the investment portfolio of the Authority.

16. Asset-Backed Securities. Mortgage pass-through securities, collateralized mortgage obligations, mortgage-backed or other pay-through bonds, equipment lease-backed certificates, consumer receivable pass-through certificates, or consumer receivable-backed bonds with a maximum remaining maturity of five years or less. Securities eligible for investment under this subdivision shall be rated in a rating category "AA" or its equivalent or better by at least one NRSRO.

Purchase of securities authorized by this subdivision may not exceed 20% of the Authority's total portfolio.

The JPIA shall also have the option of depositing funds with banks, savings and loans, and credit unions (Government Code §53620 et seq.) as a means to complement the investment program when appropriate. The financial institutions shall have received an overall rating of not less than “satisfactory” in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California’s communities as required by (Government Code § 53635.2). All bank deposits must be collateralized as specified under Government Code Section 53630 et seq. The Treasurer, at their discretion, may waive the collateralization requirements for any portion that is covered by federal deposit insurance.

LIMITATIONS/DIVERSIFICATION

Below is a table summarizing the maximum percentage and minimum credit quality required for each permissible investment type. Percent limitations shown are based on book value at time of purchase. Percentages may change after purchase as a result of withdrawals from the portfolio. Credit quality refers to the credit rating at the time the security is purchased. If an investment’s credit rating falls below the minimum rating, the Treasurer will perform a timely review and decide whether to sell or hold the investment.

The average life of the total portfolio at any time shall not exceed four years. The maximum maturity, measured from settlement date, for all investments, unless otherwise noted, is 5 years. U.S. Treasuries and Federal Agencies with maturities longer than 5 years may be purchased for specific purposes with the prior approval by the Executive Committee at least 90 days in advance of the purchase.

No more than 5% of the portfolio will be invested in any one issuer excluding U.S. Treasuries, Federal Agencies, supnationals, and investment pools (LAIF, LGIPs, and money market funds).

INVESTMENT TYPE	% OF INVESTMENT PORTFOLIO	% OF ISSUER REGARDLESS OF SECTOR	MAXIMUM MATURITY	MINIMUM RATING CATEGORY
US TREASURY	100%	100%	5 YEARS	
FEDERAL AGENCY	100%	50%	5 YEARS	
CALIFORNIA STATE OBLIGATIONS	100%	5%	5 YEARS	A
CALIFORNIA LOCAL GOVERNMENT OBLIGATIONS	100%	5%	5 YEARS	A
OTHER STATE OBLIGATIONS	100%	5%	5 YEARS	A
BANKERS' ACCEPTANCES	20%	5%	180 DAYS	Highest by NRSRO
COMMERCIAL PAPER	40%/25%*	5%	270 DAYS	Highest by NRSRO
MEDIUM TERM NOTES	30%	5%	5 YEARS	A
NEGOTIABLE CD'S	30%	5%	5 YEARS	A
TIME CDS	30%	FDIC/NCUA LIMITS	5 YEARS	BANKS/S&I/CU INSURED
LGIP	50%	N/A	-	AAAm
LAIF	50%	N/A	DAILY	N/A
MONEY MARKET FUNDS	20%	20%	-	TREASURY/ AGENCY ONLY
REPURCHASE AGREEMENTS	20%	20%	92 DAYS	Primary Dealer
SUPRANATIONALS	20%	20%	5 YEARS	AAA
ASSET-BACKED SECURITIES	20%	5%	5 YEARS	AA

* The limit is 25% if the Authority has less than \$100 million of investment assets

INVESTMENT POOLS

Prior to investing in any pooled investment program and at least annually thereafter, the Authority shall perform a review of the investment policy and portfolio of any investment pools in which the Authority invests, including LAIF and LGIPs. In addition, the Treasurer shall maintain on file a copy of the pool's current disclosure document describing the program.

PROHIBITED INVESTMENTS

The Authority shall not invest in inverse floaters, range notes, mortgage derived interest-only strips, or in any security that could result in zero earnings accrual if held to maturity, except as authorized by Code Section 53601.6, and any investment not expressly authorized in the Government Code.

The Authority is prohibited from investing in securities unless specifically permitted by this Investment Policy.

TRADING

The Authority shall not make investments for the purpose of trading or speculation as the dominant criterion such as anticipation of appreciation of capital value through changes in market rates.

BORROWING

Any borrowing in the amount of one hundred thousand dollars or more shall be considered and deliberated as a separate item of business on the agenda of the JPIA's Executive Committee. Borrowing does not include bank overdrafts.

INTERNAL CONTROLS

The Treasurer shall establish and maintain a system of internal controls designed to ensure that the assets of the Authority are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgment by management. The internal controls should include references to safekeeping, master repo agreements, wire transfer agreements, banking service contracts, collateral/depository agreements, and other investment related activities as applicable.

Accordingly, the Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

COLLATERALIZATION

Collateralization for repurchase agreements and non-negotiable Certificates of Deposit shall be required in accordance with state law.

SAFEKEEPING/CUSTODY

Investment securities are to be purchased when possible in book-entry form in the Authority's name. All deliverable securities owned by the Authority shall be held in safekeeping by a third party bank trust department acting as agent for the Authority under the terms of a written custody agreement executed by the bank and the Authority. All investment transactions require the bank to provide a safekeeping receipt or acknowledgment generated from the trade. All security transactions, including collateral for repurchase agreements, entered into by the Authority shall be conducted on a delivery-versus-payment (DVP) basis. The safekeeping institution is required to provide a listing all securities held in safekeeping with current market data and other information on a monthly basis.

The Executive Committee authorized Term and non-negotiable instruments, such as certificates of deposit, to be held by the Treasurer, or in safekeeping as the Treasurer deems appropriate.

PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs of the Authority. The Authority shall establish a performance benchmark. Benchmarks may change over time based on changes in market conditions, investment preferences, or cash flow requirements.

AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

If an investment advisor is authorized to initiate investment transactions on the Authority's behalf, the investment advisor may use its own list of approved broker/dealers and financial institutions for investment purposes. The investment advisor's approved list must be made available to Authority upon request.

For any investment transactions conducted by the Treasurer, a list will be maintained of approved security broker/dealers selected by creditworthiness (e.g., a minimum capital requirement of \$10,000,000 and at least five years of operation). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines
- Proof of Financial Industry Regulatory Authority (FINRA) certification (not applicable to Certificate of Deposit counterparties)
- Proof of state registration
- Completed broker/dealer questionnaire (not applicable to Certificate of Deposit counterparties)
- Certification of having read and understood and agreeing to comply with the Authority's investment policy.
- Evidence of adequate insurance coverage.

An annual review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted.

For all investment transactions, the Authority or its investment advisor shall seek a minimum of three bids/offers from brokers and dealers on the Authority's or investment advisor's list of approved broker/dealers.

ADVISORS

The JPIA's Executive Committee shall pre-approve investment advisors given the authority to manage all or part of the JPIA investment portfolio prior to establishing a relationship.

REPORTING/REVIEW

The Treasurer shall render a monthly list of investment transactions to the Chief Executive Officer, the JPIA's Executive, and Finance & Audit Committees as required by the California Government Code §53607 when investment authority has been delegated by the Executive Committee. The Treasurer shall render a quarterly report incorporating the following:

- (1) For each investment, the report will describe the type of investment, issuer, date of maturity, par and dollar amount invested, yield to maturity, credit quality, duration and current market value as of the date of the report. Any managed funds shall be described in the quarterly report.
- (2) The quarterly report shall state compliance of the portfolio to the statement of the investment policy, or manner in which the portfolio is not in compliance.
- (3) The quarterly report shall include a statement denoting the ability of the Authority to meet its expenditure requirements for the next six months, or provide an explanation as why sufficient money shall, or shall not, be available.

The Treasurer shall review the Authority's portfolio for compliance at least annually. The Treasurer shall establish procedures to report to the Finance Committee incidences of noncompliance through the review of the portfolio.

REVIEW OF INVESTMENT PORTFOLIO

It is the intent of the JPIA that the Policy will be followed at all times. Because some securities may not comply with this Investment Policy's requirements subsequent to the date of purchase, the Treasurer shall at least annually review the portfolio to identify those securities that do not comply. If a non-compliance issue has been identified it shall be taken to the JPIA's Finance or Executive Committee at the next scheduled meeting. The Committee will determine if any action is needed. Investments or securities found not to be in compliance with this Investment Policy do not necessarily require immediate action.

INVESTMENT POLICY ADOPTION

The Treasurer shall render annually a statement of investment policy to the JPIA's Executive Committee for consideration and approval.

Glossary

Asset-backed securities (ABS) are securities whose income payments and hence value is derived from and collateralized (or "backed") by a specified pool of underlying assets which are receivables. Pooling the assets into financial instruments allows them to be sold to general investors, a process called securitization, and allows the risk of investing in the underlying assets to be diversified because each security will represent a fraction of the total value of the diverse pool of underlying assets. The pools of underlying assets can comprise common payments credit cards, auto loans, mortgage loans, and other types of assets. Interest and principal is paid to investors from borrowers who are paying down their debt.

Bankers' Acceptances are short-term credit arrangements to enable businesses to obtain funds to finance commercial transactions. They are time drafts drawn on a bank by an exporter or importer to obtain funds to pay for specific merchandise. By its acceptance, the bank becomes primarily liable for the payment of the draft at maturity. An acceptance is a high-grade negotiable instrument.

Broker-Dealer is a person or a firm who can act as a broker or a dealer depending on the transaction. A broker brings buyers and sellers together for a commission. They do not take a position. A dealer acts as a principal in all transactions, buying and selling for his own account.

Certificates of Deposit

- 1. Negotiable Certificates of Deposit** are large-denomination CDs issued in \$1 million increments. These securities have average trades in the secondary market of \$5 million to \$10 million. They are issued at face value and typically pay interest at maturity, if maturing in less than 12 months. CDs that mature beyond this range pay interest semi-annually. Negotiable CDs are issued by U.S. banks (domestic CDs), U.S. branches of foreign banks (Yankee CDs), and thrifts. There is an active secondary market for negotiable domestic and Yankee CDs. However, the negotiable thrift CD secondary market is limited. Yields on CDs exceed those on U.S. treasuries and agencies of similar maturities. This higher yield compensates the investor for accepting the risk of reduced liquidity and the risk that the issuing bank might fail. State law does not require the collateralization of negotiable CDs.
- 2. Non-negotiable Certificates of Deposit** are time deposits with financial institutions that earn interest at a specified rate for a specified term. Liquidation of the CD prior to maturity incurs a penalty. There is no secondary market for those instruments, therefore, they are not liquid. They are classified as public deposits and financial institutions are required to collateralize them. Collateral may be waived for the portion of the deposits that are covered by FDIC insurance.

Collateral is securities, evidence of deposits, or other property that a borrower pledges to secure repayment of a loan. It also refers to securities pledged by a bank to secure deposits. In California, repurchase agreements, reverse repurchase agreements, and public deposits must be collateralized.

Commercial Paper is a short term, unsecured, promissory note issued by a corporation to raise working capital.

Delivery versus Payment (DVP) is a settlement system in which the transfer of securities and associated payment occur simultaneously. This ensures that the final transfer of the security occurs, if and only if, the final transfer of the associated payment (or other assets) occurs.

Federal Agency Obligations are issued by U.S. Government Agencies or Government Sponsored Enterprises (GSE). Although they were created or sponsored by the U.S. Government, most Agencies and GSEs are not guaranteed by the United States Government. Examples of these securities are notes, bonds, bills and discount notes issued by Fannie Mae (FNMA), Freddie Mac (FHLMC), the Federal Home Loan Bank system (FHLB), and Federal Farm Credit Bank (FFCB). The Agency market is a very large and liquid market, with billions traded every day.

Issuer means any corporation, governmental unit, or financial institution that borrows money through the sale of securities.

Liquidity refers to the ease and speed with which an asset can be converted into cash without loss of value. In the money market, a security is said to be liquid if the difference between the bid and asked prices is narrow and reasonably sized trades can be done at those quotes.

Local Agency Investment Fund (LAIF) is a special fund in the State Treasury that local agencies may use to deposit funds for investment. There is no minimum investment period and the minimum transaction is \$5,000, in multiples of \$1,000 above that, with a maximum of \$75 million for any California public agency. It offers high liquidity because deposits can be converted to cash in twenty-four hours and no interest is lost. All interest is distributed to those agencies participating on a proportionate share determined by the amounts deposited and the length of time they are deposited. Interest is paid quarterly via direct deposit to the agency's LAIF account. The State keeps an amount for reasonable costs of making the investments, not to exceed one-quarter of one per cent of the earnings.

Local Government Investment Pool (LGIP) is a collection of funds from various governmental entities invested in a common portfolio. Each investor earns interest proportional to their investment in the overall pool.

Market Value is the price at which a security is trading and could presumably be purchased or sold.

Maturity is the date upon which the principal or stated value of an investment becomes due and payable.

Medium-Term Notes are debt obligations issued by corporations and banks, usually in the form of unsecured promissory notes. These are negotiable instruments that can be bought and sold in a large and active secondary market. For the purposes of California Government Code, the term “Medium Term” refers to a maximum remaining maturity of five years or less. They can be issued with fixed or floating-rate coupons, and with or without early call features, although the vast majority are fixed-rate and non-callable. Corporate notes have greater risk than Treasuries or Agencies because they rely on the ability of the issuer to make payment of principal and interest.

Money Market Fund is a type of safe investment comprising a variety of short-term securities with high quality and high liquidity. The fund provides interest to shareholders and must maintain a stable net asset value (NAV) of \$1 per share.

Municipal Obligations are debt instruments issued by a state or local government unit or public agency. The vast majority of municipals are exempt from state and federal income tax, although some non-qualified issues are taxable.

Nationally Recognized Statistical Rating Organization (NRSRO): A credit rating agency registered with the U.S. Securities and Exchange Commission (SEC) that provides ratings that indicate the agency’s opinion of the relative credit quality of securities. The three largest NRSROs are Standard & Poor’s, Moody’s Investors Service, and Fitch Ratings.

Principal describes the original cost of a security. It represents the amount of capital or money that the investor pays for the investment.

Repurchase Agreements are short-term investment transactions. Banks buy temporarily idle funds from a customer by selling him U.S. Government or other securities with a contractual agreement to repurchase the same securities on a future date at an agreed upon interest rate. Repurchase Agreements are typically for one to ten days in maturity. The customer receives interest from the bank. The interest rate reflects both the prevailing demand for Federal Funds and the maturity of the Repo. Repurchase Agreements must be collateralized.

Supranationals are United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB), with maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States.

U.S. Treasury Issues are direct obligations of the United States Government. They are highly liquid and are considered the safest investment security. U.S. Treasury issues include:

1. **Treasury Bills** that are non-interest-bearing discount securities issued by the U.S. Treasury to finance the national debt. Bills are currently issued in one, three, six, and twelve month maturities.
2. **Treasury Notes** that have original maturities of one to ten years.
3. **Treasury Bonds** that have original maturities of greater than 10 years.

Yield to Maturity is the rate of income return on an investment, minus any premium above par or plus any discount with the adjustment spread over the period from the date of the purchase to the date of maturity of the bond.

ACWA JPIA
California Water Insurance Fund Update
September 27, 2023

BACKGROUND

At the November 26, 2018, meeting, the Board of Directors approved a resolution to proceed with forming a Captive Insurance Company. The Captive is a private company wholly owned by the JPIA, domiciled in the state of Utah. In addition to Paid in Equity, the JPIA also cedes losses at the primary level for the Liability and Workers' Compensation Programs. Additionally, JPIA uses CWIF (California Water Insurance Fund) in the \$10M x \$10M layer in the Liability Program.

CURRENT SITUATION

CWIF Board met in May and June earlier this year. Chair Drake will brief the committee on those meetings.

CWIF Funded status is as follows:

Paid in Equity	\$97.0 million
Prepaid Claims and Expenses	\$65.7 million
Realized Investment Income	<u>\$4.6 million</u>
Book Value 7/31/2023	\$167.3 million
Market Value 7/31/2023	<u>\$172.7 million</u>
Unrealized Gain	\$5.4 million
Rate of Return since inception (As of July 31, 2023)	<u>3.6%</u>

As of July 31, 2023, the book value of the CWIF mixed-asset portfolio was \$167,365,053 vs. a market value of \$172,749,645. The rate of return since inception is approximately 3.6% vs. a rate of return on the JPIA fixed-income portfolio of approximately 1.52%.

RECOMMENDATION

None, informational only.



California Water Insurance Fund

CWIF exists for the sole purpose of advancing and supporting the insurance and risk management needs and insurance-related support programs of the ACWA JPIA.

Shareholder and Board of Directors Meeting AGENDA

Holland & Hart
222 South Main Street, Suite 2200
Salt Lake City, Utah

Thursday, May 25, 2023 – 9:00 AM MST

<u>Presenter</u>		<u>Page #</u>
Sells	* 1. Shareholder approval and ratification of newly elected Board members.	3
Sells	* 2. Election of new Chair and Vice-Chair.	4
CWIF Chair	* 3. Approve the minutes of the October 26, 2022 meeting.	5
deBernardi	* 4. Review and take action on the 2021/22 Audited Financial Statements.	7
PFM	* 5. PFM Investment Portfolio update.	43
deBernardi	* 6. Approve dividend.	44
Sells	* 7. Program status.	45
Sells	8. Discuss availability for next meeting on June 21, 2023.	

ADJOURN

**Related items enclosed.*



California Water Insurance Fund

CWIF exists for the sole purpose of advancing and supporting the insurance and risk management needs and insurance-related support programs of the ACWA JPIA.

Board of Directors Meeting

AGENDA

**ACWA JPIA
2100 Professional Drive
Roseville, California 95661**

Wednesday, June 21, 2023 – 1:00 PM

<u>Presenter</u>			<u>Page #</u>
Morris	*	1. Approve the minutes of the May 25, 2023 meeting.	4
Greenfield	*	2. Workers' Compensation Reinsurance Agreements for 2023-24 Policy Year.	6
Morris		3. Discuss availability for next meeting on September 28, 2023.	

ADJOURN

**Related items enclosed.*

CALIFORNIA WATER INSURANCE FUND

FLOW OF CASH BY PROGRAM CUMULATIVE FROM INCEPTION THROUGH AUGUST 31, 2023

ALL PROGRAMS

	LIABILITY	WORKERS' COMP	EMPLOYEE BENEFITS	Total
1 REVENUE				
2 Deposit Premiums Earned (SIR)	\$ 80,955,087	\$ 29,005,335	\$ 0	\$ 109,960,422
3 Deposit Premiums Earned (10x10)	4,888,744	0	0	4,888,744
4 Net Investment/Other Income (Loss)	5,890,901	1,797,418	613,107	8,301,426
5 Total Revenue	91,734,732	30,802,753	613,107	123,150,592
6 EXPENSES				
7 Paid Claims	16,976,543	4,185,434	0	21,161,977
8 General/Administrative	9,818,043	8,512,678	1,295	18,332,017
9 Dividends paid to JPIA	7,104,210	1,690,288	620,864	9,415,362
10 Total Expenses	33,898,796	14,388,401	622,160	48,909,356
11 Paid in capital	22,560,890	14,477,555	60,000,000	97,038,445
12 Book balance	\$ 80,396,826	\$ 30,891,907	\$ 59,990,948	\$ 171,279,681

CALIFORNIA WATER INSURANCE FUND

FLOW OF CASH BY PROGRAM CUMULATIVE FROM INCEPTION THROUGH AUGUST 31, 2023

LIABILITY PROGRAM

	Policy Year 10/1/19-20	Policy Year 10/1/20-21	Policy Year 10/1/21-22	Policy Year 10/1/22-23	Total
REVENUE					
Deposit Premiums Earned (SIR)	\$ 19,400,000	\$ 21,054,700	\$ 20,422,300	\$ 20,078,087	\$ 80,955,087
Deposit Premiums Earned (10x10)	0	1,386,700	1,421,146	2,080,898	4,888,744
Net Investment/Other Income (Loss)	2,432,907	2,419,862	770,254	267,878	5,890,901
Total Revenue	21,832,907	24,861,262	22,613,700	22,426,863	91,734,732
EXPENSES					
Paid Claims	7,358,677	6,932,966	2,684,900	0	16,976,543
General/Administrative	3,108,584	3,182,059	3,526,947	453	9,818,043
Dividends paid to JPIA	2,254,529	2,500,722	848,959	1,500,000	7,104,210
Total Expenses	12,721,790	12,615,747	7,060,806	1,500,453	33,898,796
Paid in capital	22,249,990	0	0	310,900	22,560,890
Book balance	\$ 31,361,106	\$ 12,245,515	\$ 15,552,895	\$ 21,237,309	\$ 80,396,826

CALIFORNIA WATER INSURANCE FUND

FLOW OF CASH BY PROGRAM CUMULATIVE FROM INCEPTION THROUGH AUGUST 31, 2023

WORKERS COMPENSATION PROGRAM

	Policy Year 7/1/20-21	Policy Year 7/1/21-22	Policy Year 7/1/22-23	Total
REVENUE				
Deposit Premiums Earned	\$ 13,426,250	\$ 13,377,935	\$ 2,201,150	\$ 29,005,335
Deposit Premiums Earned (10x10)	0	0	0	0
Net Investment/Other Income (Loss)	1,531,580	239,228	26,609	1,797,418
Total Revenue	14,957,830	13,617,163	2,227,759	30,802,753
EXPENSES				
Paid Claims	2,767,921	1,336,009	81,504	4,185,434
General/Administrative	4,055,625	4,457,009	45	8,512,678
Dividends paid to JPIA	1,560,303	129,985	0	1,690,288
Total Expenses	8,383,849	5,923,004	81,549	14,388,401
Paid in capital	0	14,700,000	(222,445)	14,477,555
Book balance	\$ 6,573,982	\$ 22,394,160	\$ 1,923,766	\$ 30,891,907

CALIFORNIA WATER INSURANCE FUND

**FLOW OF CASH BY PROGRAM
CUMULATIVE FROM INCEPTION THROUGH AUGUST 31, 2023**

EMPLOYEE BENEFITS PROGRAM

	Policy Year 2022	Policy Year 2023	Total
REVENUE			
Deposit Premiums Earned	\$ 0	\$ 0	\$ 0
Deposit Premiums Earned (10x10)	0	0	0
Net Investment/Other Income (Loss)	(169,034)	782,141	613,107
Total Revenue	(169,034)	782,141	613,107
EXPENSES			
Paid Claims	0	0	0
General/Administrative	0	1,295	1,295
Dividends paid to JPIA	620,864	0	620,864
Total Expenses	620,864	1,295	622,160
Paid in capital	60,000,000	0	60,000,000
Book balance	\$ 59,210,102	\$ 780,846	\$ 59,990,948

ACWA JPIA
Claims Cash Flow Update JPIA/CWIF
September 27, 2023

BACKGROUND

The JPIA created the captive, California Water Insurance Fund or CWIF, in 2019 for purposes of housing risks and investing such funds to better match historical claims payout patterns. CWIF is funded by premiums to cover losses for given policy years. CWIF is also funded by catastrophic funds from both the liability and workers' compensation programs in the form of capital.

CURRENT SITUATION

The catastrophic funds historically have offered a cushion to the JPIA's cash flow needs when the timing of money coming in vs going out did not match up. With these funds now invested and housed with CWIF, staff must be more mindful of managing cash flow, particularly at the beginning of policy years when large amounts of cash are due to excess carriers and deposit premiums from members are outstanding. Staff will discuss these changes and strategies the JPIA has used to ease this situation.

RECOMMENDATION

None, informational only.

ACWA JPIA
Finance Department Update
September 27, 2023

BACKGROUND

The ACWA JPIA Finance department update is a summary of projects and other areas of focus currently underway.

CURRENT SITUATION

- 1.) Preparation for fiscal year close 2022-2023
- 2.) Implementation of Yooz automated Accounts Payable software
- 3.) Rollout of Visa Spend Clarity
- 4.) Collaboration with Milena and her team building the new IDMS software
- 5.) Preparation for yearend audit/completion of Suralink reporting requests from Gilbert CPAs

RECOMMENDATION

None, informational only.

ACWA JPIA MEETINGS & CONFERENCE CALENDAR – 2023

MEETING DATES	BOARD OF DIRECTORS	EXECUTIVE	PERSONNEL	FINANCE & AUDIT	PROGRAMS				RISK MGMT	CWIF
					Emp. Benefits	Liability	Property	Work Comp		
JAN 23			2:00 PM COSTA MESA							
JAN 30								2:00 PM		
JAN 31		8:00 AM								
MAR 22				1:00 PM			3:00 PM			
MAR 23		8:00 AM								
APR 26					8:30 AM					
MAY 8	1:00 PM	9:45 AM						8:30 AM		
MAY 9-11 ACWA SPRING CONFERENCE – MONTEREY										
MAY 25										9:00 AM UTAH
JUNE 8			11:00 AM							
JUNE 14-15 EXECUTIVE COMMITTEE ONBOARDING MEETING										
JUNE 20							3:00 PM	1:00 PM		
JUNE 21		8:00 AM								1:00 PM
JULY 26					2:00 PM	12:30 PM				
JULY 27		8:00 AM								
AUG 7		2:00 PM								
SEPT 6			11:00 AM							
SEPT 27				3:00 PM		1:00 PM				
SEPT 28		8:00 AM								1:00 PM
OCT 25		8:30 AM								
NOV 27	1:30 PM	10:15 AM								8:30 AM
NOV 28										
ACWA FALL CONFERENCE – NOVEMBER 29 – DECEMBER 1 – INDIAN WELLS										

- CICA Conference, Rancho Mirage – March 5-7, 2023
- AGRiP Governance Conference, Orlando, FL – March 5-8, 2023
- CAJPA Conference, Lake Tahoe – September 12-14, 2023