

## AGENDA

### NOTICE OF REGULAR MEETING

**TIME:** 6 p.m.

**DATE:** Tuesday, March 4, 2025

**PLACE:** Regular Meeting Place  
7051 Dublin Boulevard, Dublin, CA  
[www.dsrsd.com](http://www.dsrsd.com)

**Our mission is to protect public health and the environment by providing reliable and sustainable water, recycled water, and wastewater services in a safe, efficient, and fiscally responsible manner.**

1. CALL TO ORDER
2. PLEDGE TO THE FLAG
3. ROLL CALL
4. SPECIAL ANNOUNCEMENTS/ACTIVITIES
5. PUBLIC COMMENT (MEETING OPEN TO THE PUBLIC)  
At this time those in the audience are encouraged to address the Board on any item of interest that is within the subject matter jurisdiction of the Board and not already included on tonight's agenda. Comments should not exceed five minutes. Speaker cards are available from the District Secretary and should be completed and returned to the District Secretary prior to addressing the Board. The President of the Board will recognize each speaker, at which time the speaker should proceed to the lectern. Written comments received by 3 p.m. on the day of the meeting will be provided to the Board.
6. AGENDA MANAGEMENT (CONSIDER ORDER OF ITEMS)
7. CONSENT CALENDAR  
Matters listed under this item are considered routine and will be enacted by one Motion, in the form listed below. There will be no separate discussion of these items unless requested by a Member of the Board or the public prior to the time the Board votes on the Motion to adopt.
  - 7.A. Approve Regular Meeting Minutes of February 18, 2025  
**Recommended Action:** Approve by Motion
  - 7.B. Approve Master Agreement for Consulting Services with Beecher Engineering, Inc. and Authorize Execution of Task Order No. 1 for the WWTP Electrical Improvements - Phase 1 Project (CIP 24-P044)  
**Recommended Action:** Approve and Authorize by Motion
  - 7.C. Authorize Execution of Agreement for Financial Audit Services with Cropper Rowe LLP  
**Recommended Action:** Authorize by Motion

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#### Board of Directors

Division 1 ♦ Dinesh Govindarao | Division 2 ♦ Ann Marie Johnson | Division 3 ♦ Richard Halket  
Division 4 ♦ Georgean Vonheeder-Leopold | Division 5 ♦ Arun Goel

8. BOARD BUSINESS

- 8.A. Receive Presentation on Proposed Investment Management Plan  
**Recommended Action:** Receive Presentation and Provide Direction
- 8.B. Receive Presentation on Actuarial Valuations of the California Public Employees Retirement System (CalPERS) Pension and the California Employers' Retiree Benefit Trust (CERBT) for Other Post-Employment Benefits (OPEB) and Unfunded Accrued Liabilities (UAL)  
**Recommended Action:** Receive Presentation
- 8.C. Continue Discussion of the 2025 Strategic Plan Update  
**Recommended Action:** Discuss and Provide Direction

9. REPORTS

9.A. Boardmember Items

- 9.A.1. Joint Powers Authority and Committee Reports  
LAVWMA Board Meeting of February 19, 2025
- 9.A.2. Submittal of Written Reports for Day of Service Events Attended by Directors
- 9.A.3. Request New Agenda Item(s) Be Placed on a Future Board or Committee Agenda

9.B. Staff Reports

10. CLOSED SESSION

- 10.A. Conference with Legal Counsel – Significant Exposure to Litigation Pursuant to Government Code Section 54956.9(d)(2): One Case

11. REPORT FROM CLOSED SESSION

12. ADJOURNMENT

*All materials made available or distributed in open session at Board or Board Committee meetings are public information and are available for inspection during business hours by calling the District Secretary at (925) 828-0515. A fee may be charged for copies. District facilities and meetings comply with the Americans with Disabilities Act. If special accommodations are needed, please contact the District Secretary as soon as possible, but at least two days prior to the meeting.*

**DUBLIN SAN RAMON SERVICES DISTRICT  
MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS**

**February 18, 2025**

1. CALL TO ORDER

A regular meeting of the Board of Directors was called to order at 6 p.m. by President Goel.

2. PLEDGE TO THE FLAG

3. ROLL CALL

Boardmembers present at start of meeting: President Arun Goel, Vice President Richard M. Halket, Director Dinesh Govindarao, Director Georgean M. Vonheeder-Leopold, and Director Ann Marie Johnson.

District staff present: Jan Lee, General Manager/Treasurer; Michelle Gallardo, Interim Administrative Services Director; Steve Delight, Engineering Services Director/District Engineer; Ken Spray, Finance Director; Dan Gill, Operations Director; Douglas E. Coty, General Counsel; and Nicole Genzale, Executive Services Supervisor/District Secretary.

4. SPECIAL ANNOUNCEMENTS/ACTIVITIES – None

5. PUBLIC COMMENT (MEETING OPEN TO THE PUBLIC) – 6:01 p.m. No public comments received.

6. AGENDA MANAGEMENT (CONSIDER ORDER OF ITEMS) – No changes made.

7. CONSENT CALENDAR

Director Govindarao requested Item 7.B. be removed for discussion. The Board agreed to remove Item 7.B. for discussion, and took Consent Calendar Items 7.A. and 7.C. and passed these items first.

Director Johnson MOVED for approval of Items 7.A. and 7.C. on the Consent Calendar. Director Vonheeder-Leopold SECONDED the MOTION, which CARRIED with FIVE AYES.

7.A. Approve Regular Meeting Minutes of February 4, 2025 – Approved

7.B. REMOVED – Accept Regular and Recurring Reports: Quarterly Financial Report and Capital Projects Created from Programs – Approved

Director Govindarao requested clarification regarding the General Manager's authority to create Capital Improvement Program (CIP) projects out of CIP programs up to \$175,000 and whether there is a cumulative limit. General Manager Lee clarified that there is a cumulative limit (budget) for each CIP program that is approved by the Board when the CIP two-year budget is adopted. After a brief discussion, the Board requested staff provide additional information prior to approving the proposed operating and CIP budgets. General Manager Lee also stated that staff can update the Capital Projects Created from Programs report to show the program limit going forward.

Director Vonheeder-Leopold MOVED for approval of Item 7.B. on the Consent Calendar. Director Govindarao SECONDED the MOTION, which CARRIED with FIVE AYES.

7.C. Affirm No Changes to Emergency Response Plan (ERP) Policy – Approved

8. BOARD BUSINESS

8.A. Accept Fiscal Year 2024 Annual Report on Rate Stabilization Fund Reserves and Approve Transfer from the Water Rate Stabilization (Fund 605) to the Water Operations (Fund 600)

Finance Supervisor Christine Chen reviewed the item for the Board.

Director Govindarao MOVED to Accept the Fiscal Year 2024 Annual Report on Rate Stabilization Fund Reserves and Approve Transfer from the Water Rate Stabilization (Fund 605) to the Water Operations (Fund 600). Director Vonheeder-Leopold SECONDED the MOTION, which CARRIED with FIVE AYES.

8.B. Receive Update on Emergency Preparedness and Response Program

Interim Administrative Services Director Gallardo reviewed the item for the Board and gave a presentation (handed out to the Board and posted to the website as supplemental materials). She also introduced Environmental Health and Safety Programs Administrator Dave Peters.

The Board and staff discussed various aspects of the presentation including mutual aid arrangements and opportunities, emergency equipment/supply levels and maintenance, emergency training exercises, and emergency response plans and review schedules.

The Board requested staff explore emergency coordination opportunities with the City of San Ramon and include active shooter training information in an upcoming General Manager Report to Board.

9. REPORTS

9.A. Boardmember Items

9.A.1. Joint Powers Authority and Committee Reports – None

9.A.2. Submittal of Written Reports for Day of Service Events Attended by Directors

Director Vonheeder-Leopold submitted a written report to Executive Services Supervisor/District Secretary Genzale. She reported that she attended the virtual Alameda County Special Districts Association (ACSDA) Executive Committee meeting on February 12. She summarized the activities and discussions at the meeting. She also reminded the Board that the ACSDA annual dinner event will be held on Thursday, March 13, at 6 p.m. at the Wedgewood at Redwood Canyon Golf Course.

9.A.3. Request New Agenda Item(s) for a Future Board or Committee Agenda – None

9.B. Staff Reports

General Manager Lee reported on the following item:

- A LAVWMA Board meeting will be held tomorrow at 6 p.m.

10. CLOSED SESSION

At 6:52 p.m. the Board went into Closed Session. Laboratory and Environmental Compliance Manager Kristy Fournier and consultant Peter Leffler, Luhdorff & Scalmanini Consulting Engineers, were additional attendees.

10.A. Conference with Legal Counsel – Significant Exposure to Litigation Pursuant to Government Code Section 54956.9(d)(2): One Case

Ms. Fournier and Mr. Leffler exited Closed Session Item 10.A. at 8:17 p.m.

10.B. Conference with Legal Counsel – Consideration of Initiation of Litigation Pursuant to Government Code Section 54956.9(d)(4): One Case

11. REPORT FROM CLOSED SESSION

At 9:01 p.m. the Board came out of Closed Session. President Goel announced that there was no reportable action.

12. ADJOURNMENT

President Goel adjourned the meeting at 9:02 p.m.

Submitted by,

Nicole Genzale, CMC  
Executive Services Supervisor/District Secretary



**TITLE:** Approve Master Agreement for Consulting Services with Beecher Engineering, Inc. and Authorize Execution of Task Order No. 1 for the WWTP Electrical Improvements – Phase 1 Project (CIP 24-P044)

**RECOMMENDATION:**

Staff recommends the Board of Directors approve, by Motion, a Master Agreement for Consulting Services with Beecher Engineering, Inc. and authorize the General Manager to execute Task Order No. 1 in an amount not to exceed \$292,410 for the WWTP Electrical Improvements – Phase 1 Project (CIP 24-P044).

**DISCUSSION:**

To enhance energy resilience and reliability, the District's 2023 Energy Facilities Master Plan recommends necessary improvements to the overall Regional Wastewater Treatment Plant (WWTP) electrical system. The WWTP Electrical Improvements – Phase 1 Project (CIP 24-P044) (Project) will address the most critical components of the WWTP's electrical infrastructure based on current electrical demands. The Project includes replacement of the existing WWTP Motor Control Center (MCC-E) and WWTP Switchgear (SWGR) Data Processing Application (DPA), which have reached the end of their useful life. MCC-E and SWGR-DPA are essential to the District's wastewater treatment process by providing power, control, and protection to various electric motors used throughout the treatment facility via a centralized location within Building A. Building A is the main WWTP building which houses the operations control room and staff in the front of the building and the cogeneration system and supporting equipment at the back of the building.

On January 13, 2025, staff solicited proposals from four consulting firms to provide engineering design services for the Project. On February 12, 2025, proposals were received from three firms: Beecher Engineering, Inc., TJC and Associates, Inc., and A TEEM Electrical Engineering, Inc. Proposals were evaluated based upon established criteria including project understanding, project approach and proposed scope of work, company and personnel qualifications, project schedule, and level of effort. Based upon these criteria, Beecher Engineering, Inc. was determined to have the best combination of qualifications and proposed approach to meet the needs of the Project.

Beecher Engineering, Inc.'s proposed scope of work includes engineering and technical services in support of Motor Control Center and Switchgear replacement; preliminary engineering; design engineering, including the preparation of design drawings, technical specifications, and cost estimates; and engineering services in support of the project bidding phase. Staff recommends that the Board approve a Master Agreement for Consulting Services with Beecher Engineering, Inc. and authorize the execution of Task Order No. 1 with Beecher Engineering, Inc. in an amount not to exceed \$292,410 for professional engineering design services.

On February 20, 2024, consistent with the recommendations in the Energy Facilities Master Plan, the Board approved an amendment to the Capital Improvement Program (CIP) Ten-Year Plan for Fiscal Years 2024 through 2033 and Two-Year Budget for Fiscal Years 2024 and 2025 to advance the Project to fiscal year 2025. The total budget for the Project is \$2,069,000 and is 100 percent funded by the Regional Wastewater Replacement (Fund 310). The design phase of the Project is expected to be completed in 12 to 18 months.

<b>Originating Department:</b> Engineering and Technical Services	<b>Contact:</b> K. Hammond/S. Delight	<b>Legal Review:</b> Not Required
<b>Financial Review:</b> Not Required	<b>Cost and Funding Source:</b> \$292,410 from Regional Wastewater Replacement (Fund 310)	
<b>Attachments:</b> <input checked="" type="checkbox"/> None <input type="checkbox"/> Resolutions <input type="checkbox"/> Ordinance <input type="checkbox"/> Task Order <input type="checkbox"/> Proclamation <input type="checkbox"/> Other (see list on right)		6 of 59



**TITLE:** Authorize Execution of Agreement for Financial Audit Services with Cropper Rowe LLP

**RECOMMENDATION:**

Staff recommends the Board of Directors authorize, by Motion, the General Manager to execute an agreement for financial audit services with Cropper Rowe LLP in an amount not to exceed \$211,500.

**DISCUSSION:**

State law requires that every community services district publish a complete set of audited financial statements within six months of the close of each fiscal year. The California Government Code (CGC) Section 12410.6 requires that (1) an audit for any local agency be made by a certified public accountant or public accountant, licensed by, and in good standing with the California Board of Accountancy and (2) a local agency not employ a public accounting firm to provide audit services for more than six consecutive fiscal years unless there is rotation of the audit partner responsible for signing off on the audit. Since 2017, Maze & Associates has audited the District's financial statements using multiple contracts with provision for partner rotation, in compliance with CGC Section 12410.6, and performed in a satisfactory manner.

Given the District's recent completion of the Enterprise Resource Planning (ERP) system conversion to Tyler Munis, staff believes now is a good time to procure the services of a new financial audit firm. On January 20, 2025, staff sent a request for proposal for professional auditing services to eleven qualified public accounting firms within and around the San Francisco Bay Area. On February 7, 2025, proposals were received from three firms for financial audit services: M-U-N; Cropper Rowe LLP; and Chavan & Associates. Staff evaluated the proposals based on established criteria, including personnel qualifications, relevant experience, references, and level of effort. Based on these criteria, staff selected Cropper Rowe LLP based upon the firm's qualifications and significant experience performing audits of public agencies, including numerous water and wastewater agencies. Cropper Rowe LLP met all the criteria listed in the request for proposal, is able to meet the District's timelines for completion of the audit and issuance of the financial statements for fiscal year (FY) 2025 and has strong client references.

Cropper Rowe LLP's scope of work includes the standard auditing activities to complete the annual financial audit, including planning and scheduling the audit work, meeting with District staff, performing the internal control audit, reviewing the District's trial balance, completing all necessary field work, preparing the draft and final financial statements, suggesting any control improvements, and presenting the audit findings and any other required communications to the Board.

Staff recommends the Board authorize the General Manager to execute an agreement with Cropper Rowe LLP for financial audit services for a maximum six-year period, in compliance with CGC Section 12410.6. The term of the agreement is structured as a four-year term that can be extended by the General Manager for up to two additional one-year periods based on satisfactory performance. Cropper Rowe LLP's initial audit fee is \$34,000 per year with \$500 incremental escalation for each year. Cropper Rowe LLP also has stated hourly rates available should there be need for any additional work. The total audit fees for a six-year period are estimated at \$211,500.

The adopted FY 2025 operating budget includes \$40,000 for financial audit services, funded out of the Administrative Cost Center (Fund 900), which is sufficient to cover Cropper Rowe LLP's FY 2025 audit fee. Future funding for financial auditing services will be included in subsequent fiscal year budgets. No supplemental budget adjustment is required.

Originating Department: Finance	Contact: K. Spray	Legal Review: Not Required
Financial Review: Yes	Cost and Funding Source: \$211,500 for FYs 2025-2030 from Administrative Cost Center (Fund 900)	
Attachments: <input checked="" type="checkbox"/> None <input type="checkbox"/> Resolution <input type="checkbox"/> Ordinance <input type="checkbox"/> Task Order <input type="checkbox"/> Proclamation <input type="checkbox"/> Other (see list on right)		



**TITLE:** Receive Presentation on Proposed Investment Management Plan

**RECOMMENDATION:**

Staff recommends the Board of Directors receive a presentation on the proposed investment management plan and provide direction.

**SUMMARY:**

On January 7, 2025, the Board authorized an agreement with Chandler Asset Management, Inc. (Chandler), a registered investment advisor, to provide investment management and advisory services for the District. Prior to contracting with Chandler, the District managed its investment portfolio in-house. Since January, District staff have been working with Chandler to transition management of the investment portfolio to Chandler. At the March 4 Board meeting, the Chandler team will provide a presentation to the Board on the proposed investment management plan. The presentation will include a discussion of investment strategies, recommended revisions to the District's Investment policy, and an assessment of the District's Investment portfolio. Direction and comments received from the Board will be incorporated into the proposed investment management plan and Investment policy.

**BACKGROUND:**

The District invests public funds not required for immediate use in fixed income investments purchased in open markets in accordance with requirements of California Government Code (CGC) Section 53600 et seq and the District's Investment policy. These investments are to be managed in a manner that provides maximum security for safety, maintains liquidity for daily cash flow needs, and obtains the highest investment return (yield) while conforming to all the requirements of the CGC. The District's investment portfolio has a fair value of \$251,925,934 based on the Quarterly Treasurer's Report ended December 31, 2024. The portfolio has significant holdings in Local Agency Investment Fund (LAIF) and California Asset Management Program (CAMP), totaling approximately \$68 million, which are short-term, highly liquid pools with maturities at 270 days and 90 days, respectively. The District's investment portfolio overall is performing reasonably well at approximately 2.92%, largely due to LAIF and CAMP strong current returns at approximately 4.5%.

The District historically managed its investment portfolio using in-house Finance staff following the rules for credit worthiness, maximum maturities, diversification, and liquidity that meet the requirements of the CGC. However, in 2022, District staff identified the need for more active management of the investment portfolio and included a specific goal in the Fiscal Years Ending 2024 and 2025 Operating Budget to *"Investigate contracting out the District's investment portfolio to a third-party administrator."* Many of the District's peer agencies utilize the services of a third-party investment manager.

Based on review of the District's investment portfolio, staff determined that outsourcing the management of the District's investment portfolio to a professional investment management firm would likely increase the performance of the investment portfolio. Through a request for proposals process, Chandler was determined to be the best qualified firm to provide investment management and advisory services for the District. On January 7, 2025, the Board authorized a three-year agreement with Chandler for investment management and advisory services. Chandler will manage the portion of investments held in custody with US Bank, in the amount of approximately \$184 million, while the pooled investments with LAIF and CAMP will remain in those programs.

Originating Department: Finance	Contact: K. Spray	Legal Review: Not Required
Financial Review: Yes	Cost and Funding Source: N/A	
Attachments: <input type="checkbox"/> None <input type="checkbox"/> Resolution <input type="checkbox"/> Ordinance <input type="checkbox"/> Task Order <input type="checkbox"/> Proclamation <input checked="" type="checkbox"/> Other (see list on right)	Attachment 1 – Presentation Slides Attachment 2 – Marked-up Investment Policy	



## **DISCUSSION:**

Chandler's services include review of the Investment policy and customized investment strategy to meet the District's needs. Staff has been working with Chandler to develop an investment management plan to improve the performance of the District's portfolio. At the March 4 Board meeting, Chandler will provide a presentation on the proposed investment plan (Attachment 1), which will cover the following topics:

- Overview Chandler's investment management and advisory services
- Restrictions on local government investments
- Approach to building an optimal investment program
- Recommended revisions to the District's Investment policy
- Strategies for liquid funds and long-term funds
- Management of the District's portfolio

The Investment policy was last revised on December 17, 2024, to conform with the CGC Section 53646 requirement for the Board to annually review the Investment policy and Section 53607 to annually renew the authorization for the Treasurer and/or designee to invest District funds, and to add a long-term portion of the portfolio limited to ten percent and seven-year maturity. After reviewing the Investment policy for updates related to the CGC and best practices, and to align with the proposed investment plan, Chandler is recommending the following changes to the Investment policy:

- Adding passthrough securities, supranational, banker's acceptances, repurchase agreements, local government investment pools, and commercial paper as approved investments
- Adding due diligence requirements on investment pools
- Adding list of prohibited investments and investment practices
- Adding investment review and performance evaluation requirements
- Adding collateralization requirements

The marked-up Investment policy is included as Attachment 2. Chandler will review the recommended Investment policy changes with the Board as part of the presentation.

## **NEXT STEPS:**

After receiving Chandler's presentation at this Board meeting, staff will incorporate Board direction and comment into the proposed investment management plan and revisions to the Investment policy. The revised Investment policy will be brought back for the Board to consider adopting at the next Board meeting on March 18.



**Dublin San Ramon  
Services District**

*Water, wastewater, recycled water*

***Establishing an Investment Plan***

March 4, 2025

# Specializing in Investment Management for Public Agencies

*“We believe if we do what is right for our clients, our own success will follow.”*

## ■ *Independent & Employee-Owned*

- Fixed income investment specialist since 1988
- Founded by public agency investment professionals
- Serve institutions with public sector focus
- Headquartered in San Diego, CA, with offices in **Novato** and **Oakland**

## ■ *Custom Investment Programs*

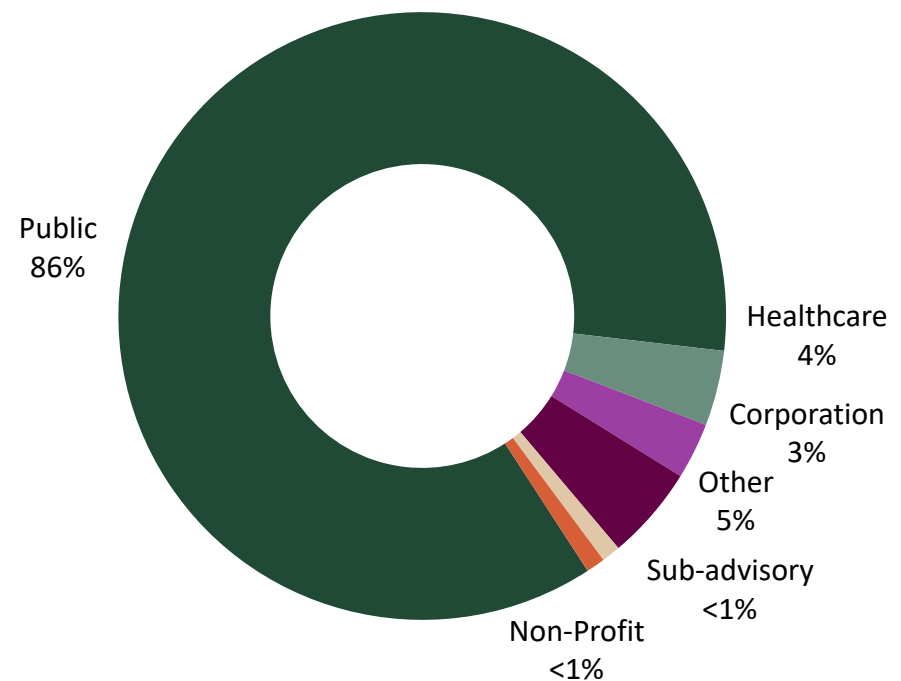
- Investment solutions based on individual risk profiles and return goals
- Direct access to investment management team
- Strategies for operating, short, and long-term reserves, bond proceeds, and other Board-designated funds

## ■ *Stable Team of Investment Professionals*

- Team of investment professionals average more than two decades of portfolio management experience
- Continuity provided through team approach
- Disciplined, repeatable investment process
- Proprietary investment analysis

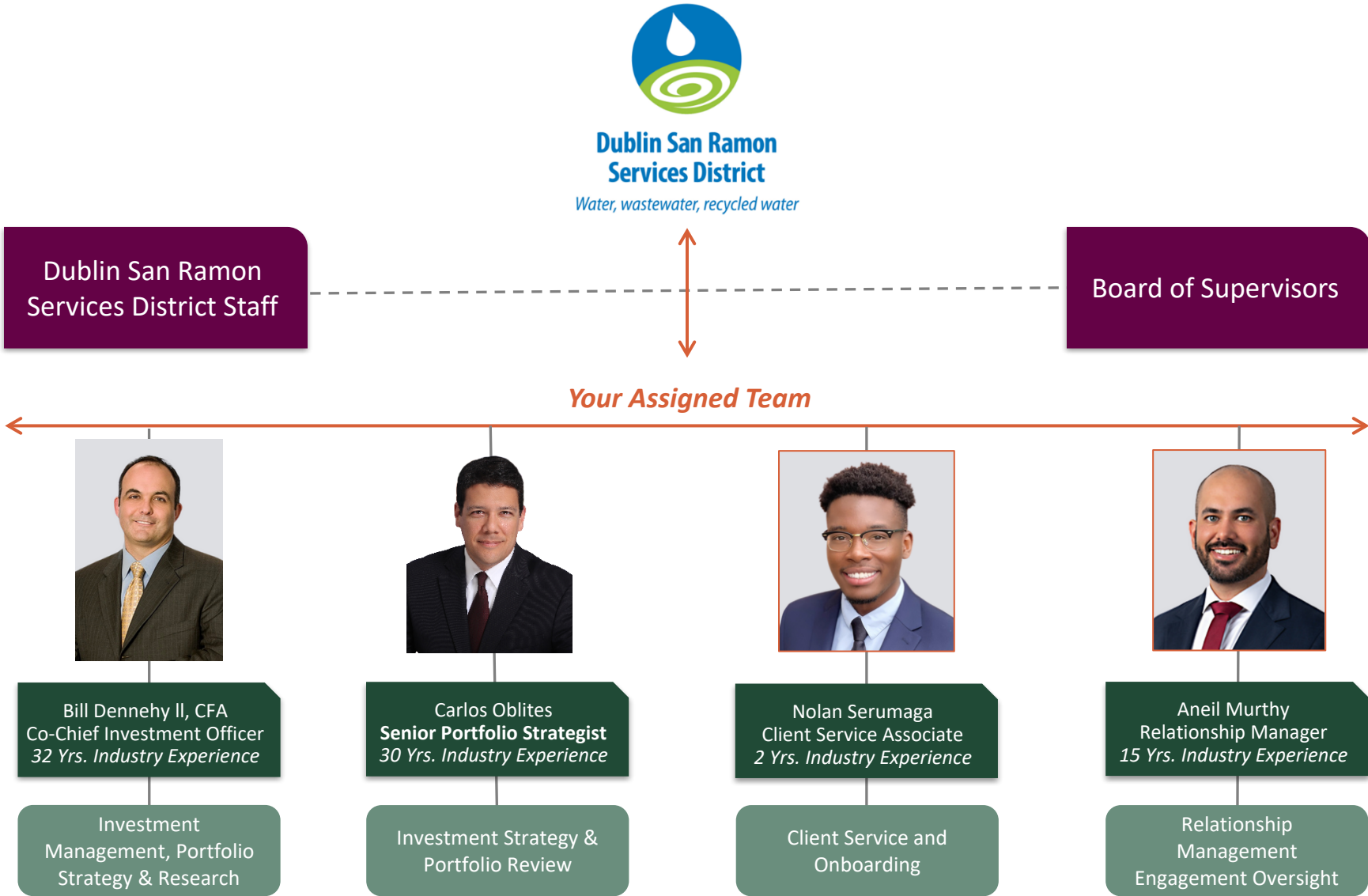
**Assets Under Management: \$39.4 Billion**

As of September 30, 2024





# Experienced Team Committed to Dublin San Ramon Services District



**Supported by Deep Bench of Investment Professionals:**  
*Investment Management, Compliance, Operations, Client Service and Administration*

# Representative List of Institutional Relationships

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## Cities

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- |                       |                                |                     |                           |                         |
|-----------------------|--------------------------------|---------------------|---------------------------|-------------------------|
| • Alameda, CA         | • Cupertino, CA                | • Lakewood, CO      | • Palm Springs, CA        | • San Rafael, CA        |
| • American Canyon, CA | • Danville, CA                 | • Leesburg, FL      | • Parker, CO              | • Santa Barbara, CA     |
| • Arcata, CA          | • Deltona, FL                  | • Lone Tree, CO     | • Perris, CA              | • Santa Paula, CA       |
| • Atwater, CA         | • Denver, CO (City and County) | • Longboat Key, FL  | • Pico Rivera, CA         | • Shasta Lake, CA       |
| • Banning, CA         | • Desert Hot Springs, CA       | • Louisville, CO    | • Pittsburg, CA           | • Silverthorne, CO      |
| • Bell, CA            | • Dublin, CA                   | • Menifee, CA       | • Plant City, FL          | • Solana Beach, CA      |
| • Beverly Hills, CA   | • Elk Grove, CA                | • Merced, CA        | • Pleasant Hill, CA       | • So. San Francisco, CA |
| • Brea, CA            | • El Monte, CA                 | • Milpitas, CA      | • Pleasanton, CA          | • Stanton, CA           |
| • Breckinridge, CO    | • Emeryville, CA               | • Mission Viejo, CA | • Pomona, CA              | • Stockton, CA          |
| • Buena Park, CA      | • Erie, CO                     | • Monterey, CA      | • Port Hueneme, CA        | • Sunnyvale, CA         |
| • Boulder, CO         | • Fairfield, CA                | • Monterey Park, CA | • Poulsbo, WA             | • Tacoma, WA            |
| • Camarillo, CA       | • Federal Heights, CO          | • Mooresville, NC   | • Riverside, CA           | • Tamarac, FL           |
| • Campbell, CA        | • Fountain Valley, CA          | • Moreno Valley, CA | • Rocklin, CA             | • Tracy, CA             |
| • Centennial, CO      | • Gardena, CA                  | • Mountain View, CA | • Rohnert Park, CA        | • Truckee, CA           |
| • Chino Hills, CA     | • Greenwood Village, CO        | • Murrieta, CA      | • Salinas, CA             | • Tustin, CA            |
| • Chula Vista, CA     | • Imperial Beach, CA           | • National City, CA | • San Clemente, CA        | • Vallejo, CA           |
| • Citrus Heights, CA  | • Indio, CA                    | • Newport Beach, CA | • San Jacinto, CA         | • West Sacramento, CA   |
| • Compton, CA         | • Jurupa Valley, CA            | • Oceanside, CA     | • San Juan Capistrano, CA | • Westminster, CA       |
| • Concord, CA         | • La Habra, CA                 | • Ontario, CA       | • San Leandro, CA         | • Westminster, CO       |
| • Corona, CA          | • Lake Forest, CA              | • Orange, CA        | • San Marcos, CA          | • Yucca Valley, CA      |
| • Costa Mesa, CA      | • La Mirada, CA                | • Orinda, CA        | • San Mateo, CA           |                         |

## Counties

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- |                                |                        |                          |
|--------------------------------|------------------------|--------------------------|
| • Alpine County, CA            | • Gwinnett County, GA  | • Pitkin County, CO      |
| • Amador County, CA            | • Guilford County, GA  | • Pueblo County, CO      |
| • Calaveras County, CA         | • Lake County, CA      | • Routt County, CO       |
| • Chaffee County, CO           | • Maricopa County, AZ  | • San Benito County, CA  |
| • Denver, CO (City and County) | • Mendocino County, CA | • San Diego County, CA*  |
| • Douglas County, CO           | • Modoc County, CA     | • Santa Clara County, CA |

## States

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- Sierra County, CA
- Solano County, CA
- Ventura County, CA\*
- Weld County, CO

- Delaware
- Nevada

# Representative List of Institutional Relationships

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## Other Entities

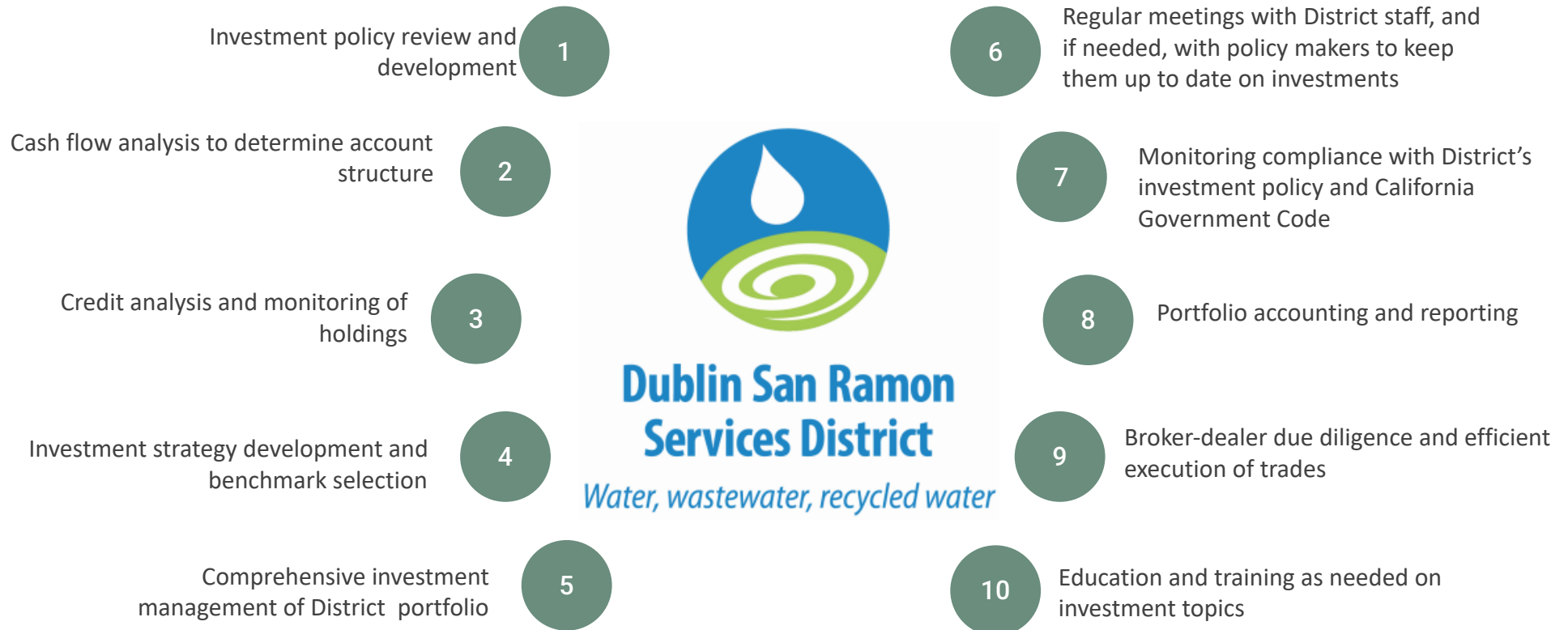
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- Alameda Corridor Transportation Authority, CA
- Alameda County Water District, CA
- Authority for CA Cities Excess Liability, CA
- Bay Cities Joint Powers Insurance Authority, CA
- Beaumont-Cherry Valley Water District, CA
- Big Independent Cities Excess Pool, CA
- Broadway SMD
- Calaveras County Water District, CA
- California County Superintendents, CA
- California Earthquake Authority, CA
- California Insurance Pool Authority, CA
- California Intergovernmental Risk Authority, CA
- California Joint Powers RMA, CA
- Calleguas Municipal Water District, CA
- Central San Joaquin Valley RMA, CA
- Central Valley Retiree Medical Trust, CA
- Chateau Lafayette, CA
- Clay County Utility Authority, FL
- Coachella Valley Water District, CA
- Coachella Valley Public Cemetery District, CA
- Colorado Springs Cemetery District, CO
- Colorado Springs Utilities, CO
- Crescenta Valley Water District, CA
- Denver Housing Authority
- E-470 Public Highway Authority, CO
- East Orange County Water District, CA
- Eagle River Water and Sanitation District, WA
- Elsinore Valley Water District, CA
- Emerald Coast Utilities Authority, FL
- First 5 Alameda County, CA
- First 5 Santa Clara County, CA
- Florida College System Risk Management Consortium, FL
- Florida Housing Finance Corporation, FL
- Fontana POA Retiree Benefit Trust, CA
- Golden State Risk Management Authority, CA
- Irvine Employee Benefit Trust, CA
- LA County Metropolitan Transportation Auth., CA
- Mammoth Community Water District, CA
- Marin Clean Energy, CA
- Marin Schools Insurance Authority, CA
- Metropolitan Transportation Commission, CA
- Milwaukee Metropolitan Sewerage District, CA
- Monterey Bay Area Self Insurance Authority, CA
- Moulton Niguel Water District, CA
- Northern California Cities Self Insurance, CA
- Orange County Transportation Authority, CA
- Peninsula Clean Energy, CA
- Petaluma Health Care District, CA
- Plaza Metropolitan District, CO
- PRISM, CA
- Rancho California Water District, CA
- Redlands Community Hospital, CA
- Redwood Empire Municipal Insurance Fund, CA
- Reedy Creek Improvement District, FL
- Sacramento Area Sewer District, CA
- Sacramento Regional Transit District, CA
- San Bernardino Municipal Water Department, CA
- San Diego County Regional Airport Authority, CA
- San Diego County Water Authority, CA
- San Ramon Valley Fire Protection District, CA
- Santa Clara Valley Water Agency, CA
- Santa Fe College, FL
- San Diego Community Power, CA
- San Mateo County Schools Insurance Group, CA
- Santa Monica City Employees Coalition Benefit Trust, CA
- Small Cities Organized Risk Effort, CA
- Sonoma Clean Power, CA
- South Coast Water District, CA
- South Metro Fire Rescue Authority, CO
- Tahoe Forest Hospital District, CA
- Tampa Bay Water, FL
- Temescal Valley Water District, CA
- Transportation Corridor Agencies, CA
- Trindel Insurance Fund, CA
- Tuolumne Utilities District, CA
- Utah Transit Authority, UT
- Upper San Gabriel Valley Municipal Water District, CA
- Vallejo Flood and Wastewater District, CA
- Walnut Valley Water District, CA
- Washington Counties Risk Pool, WA
- WestEd, CA
- West Basin Municipal Water District, CA
- West Valley Water District, CA
- West Globeville Metropolitan District, CO
- West San Gabriel Liability & Property JPA , CA
- Western Municipal Water District, CA
- Whittier Area Schools Insurance Authority, CA
- Yolo County Public Agency RMA, CA

# Collaborating On All Aspects of District's Investment Program

*Chandler provides its investment management and advisory services as a fiduciary on a discretionary basis*

## Investment Management and Advisory Services



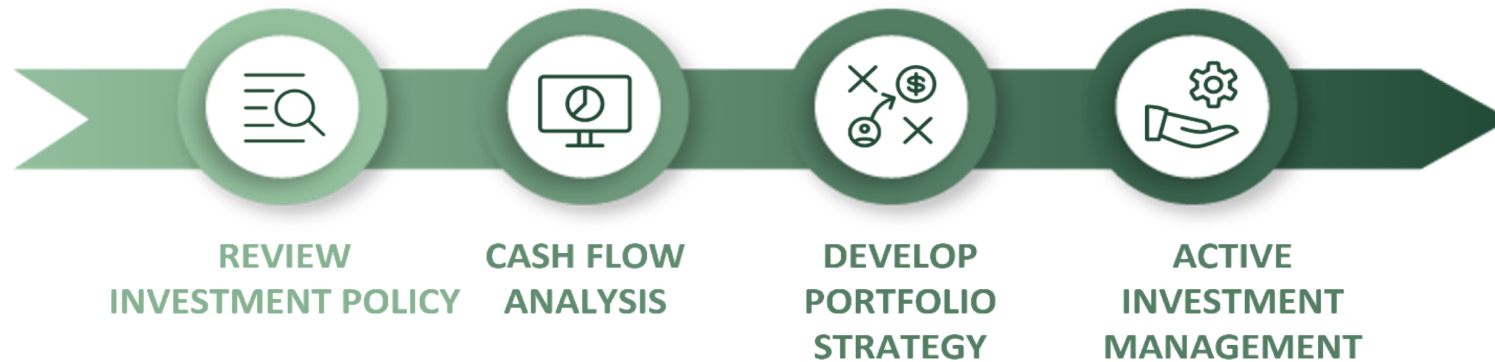
# California Code Restricts Local Government Investments

	Investment Types	Maturity	Credit Quality	Code Status
Short Duration Fixed Income	US Treasuries	0-5 Years	N/A	Allowed
	Federal Agencies	0-5 Years	N/A	Allowed
	Municipal Bonds	0-5 Years	N/A	Allowed
	Negotiable CDs	0-5+ Years	A-1/P-1 or A	Allowed
	U.S. Corporate Bonds	0-5 Years	A or better	Allowed
	Commercial Paper & Other Money Market Securities	0-1 year	A-1/P-1	Allowed
	Mortgage-Backed/Asset-Backed Securities	0-5 Years	AA or better	Allowed
	Money Funds/Mutual Funds	N/A	AAA	Allowed
	Supranational Securities	0-5 Years	AA or better	Allowed
Core Fixed Income	US Treasuries	> 5 Years	N/A	Sometimes Allowed
	Federal Agencies	> 5 Years	N/A	Sometimes Allowed
	Municipal Bonds	> 5 Years	N/A	Sometimes Allowed
	U.S. Corporate Bonds	> 5 Years	= < BBB	Prohibited
	Mortgage-Backed Securities	> 5 Years	= < BBB	Prohibited
	Asset-Backed Securities	> 5 Years	= < BBB	Prohibited
	High Yield	Any Maturity	= < BB	Prohibited
Other Investments	Income Stocks	N/A	N/A	Prohibited
	Value Stocks	N/A	N/A	Prohibited
	Growth Stocks	N/A	N/A	Prohibited
	International Stocks	N/A	N/A	Prohibited
	Emerging Market Stocks	N/A	N/A	Prohibited
	Real Estate	N/A	N/A	Prohibited
	Commodities	N/A	N/A	Prohibited
	Futures / Options	N/A	N/A	Prohibited
	Derivatives	N/A	N/A	Prohibited
	Hedge Funds	N/A	N/A	Prohibited



# Approach to Building an Optimal Investment Program

## Initial Steps



## Ongoing Management

- Credit analysis of security issuers and financial institutions
- Asset-liability management
- Broker/dealer due diligence and relations
- Consistent application of a disciplined, conservative investment process. Our approach focuses on:
  - Safety of principal\*
  - Compliance with legal requirements, policies, and objectives
  - Appropriate levels of liquidity
  - Generating market yield and return
  - Diversification of risk

\*While Chandler focuses on safety of principal by investing in conservative investment-grade quality bonds, investors should be aware that bonds and other fixed income securities do carry some degree of risk and we cannot ensure a profit nor guarantee against loss.

# Investment Policy Recommendations

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We reviewed the District's Investment Policy for updates related to California Government Code (Code) and best practices. We would like to explore the following changes with District staff:

- Adding passthrough securities, supranational, banker's acceptances, repurchase agreements, LGIP's, and commercial paper as approved investments
- Adding due diligence requirements on investment pools
- Adding list of prohibited investments and investment practices
- Adding investment review and performance evaluation requirements
- Adding collateralization requirements

# Strategies for Different Needs

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## ■ Liquid Funds Strategy

- Emphasis in increasing interest income
- Generally designed to meet or surpass an earnings target
- Mostly hold-to-maturity, but may include sales before maturity

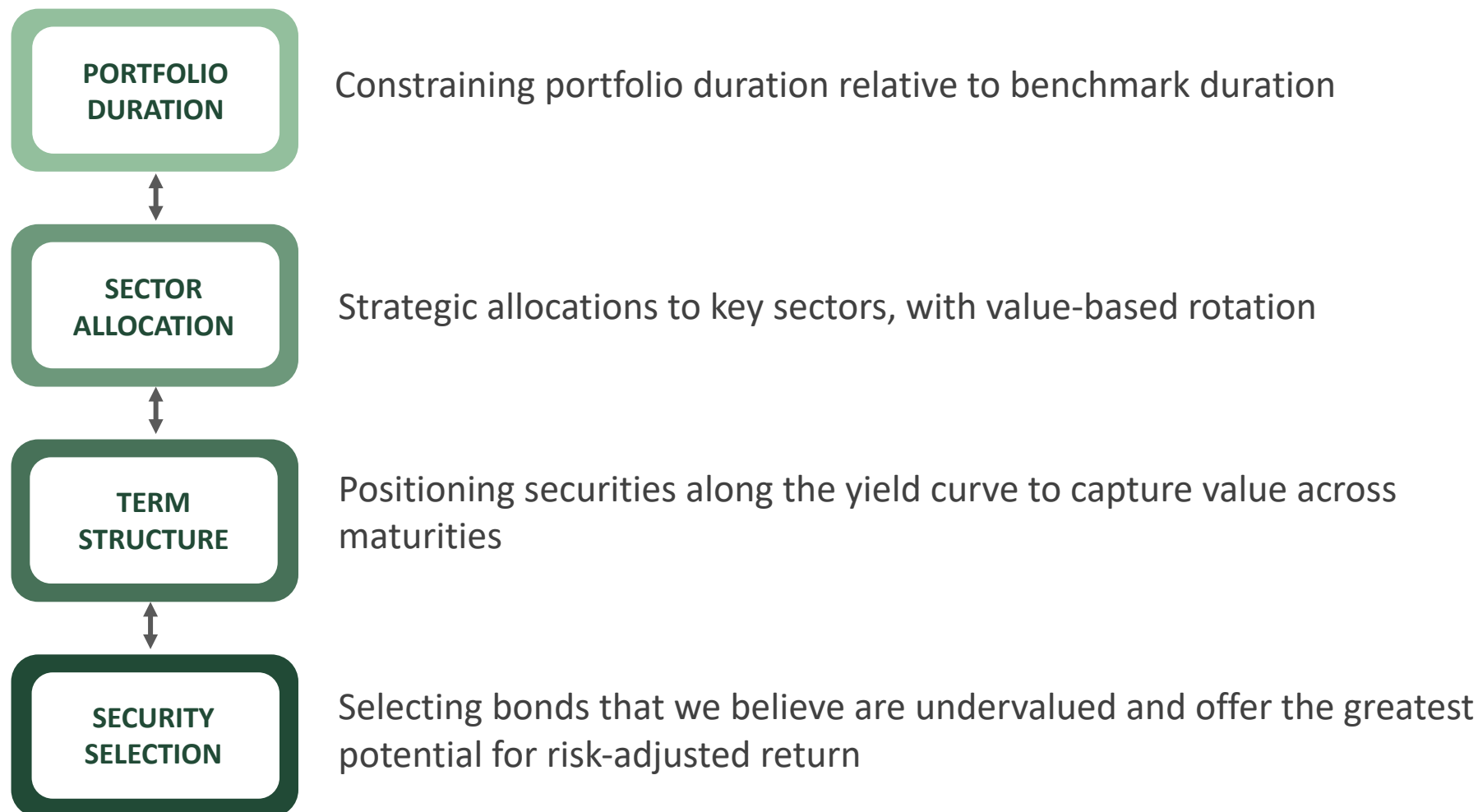
## ■ Long-Term Funds Strategy

- Encompasses interest income as well as fair value appreciation.
- Designed to grow the City's funds over time
- Assumes periodic sales before maturity to rebalance the portfolio

# Adding Value and Controlling Risk in District's Portfolio

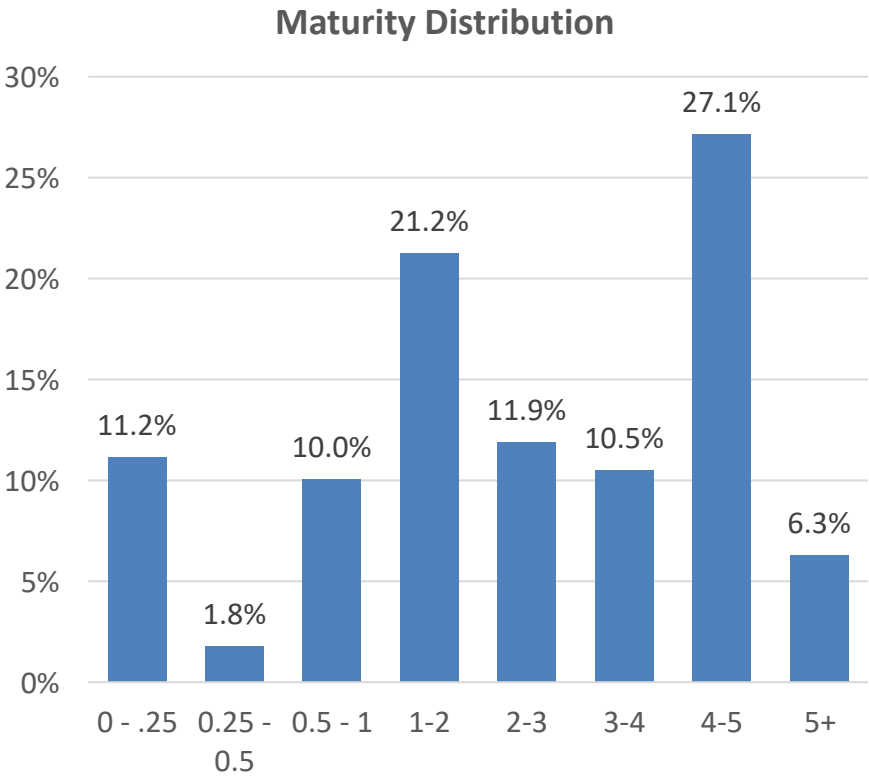
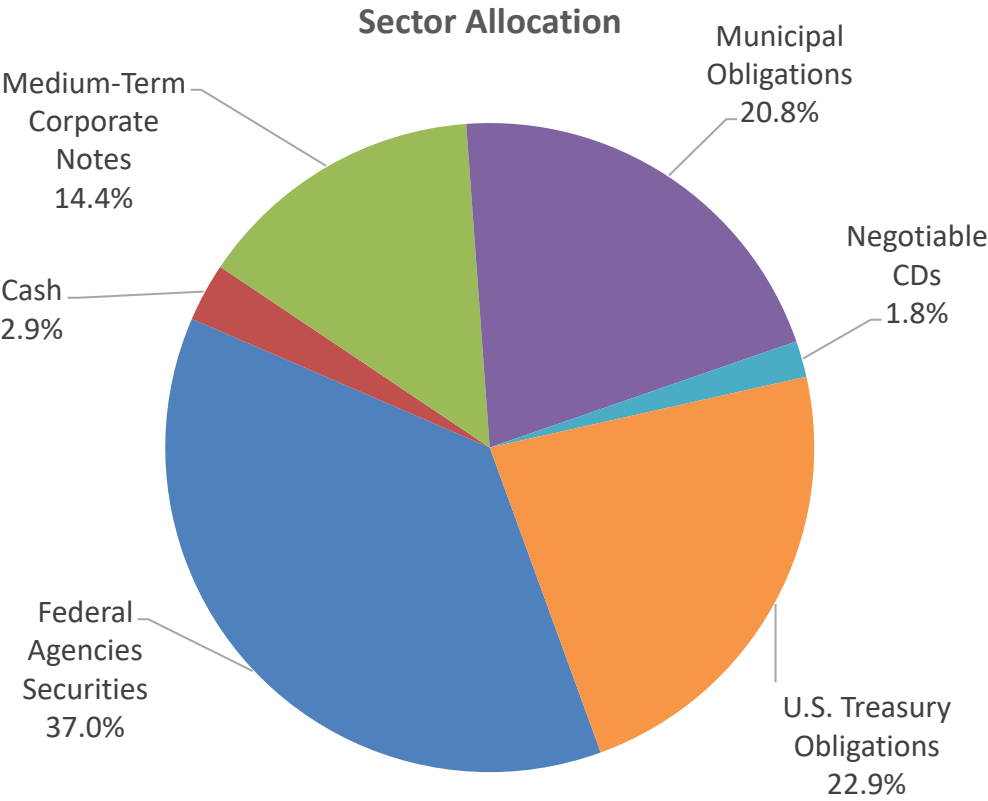
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## *Four Key Elements of Our Approach*



# District Securities Portfolio as of February 19, 2025

Portfolio Summary	Amount
Market Value	178,166,541
Average Modified Duration	2.40 Years
Average Purchase Yield to Maturity	1.91%
Average Market Yield to Maturity	4.27%



# Chandler's Composites as of September 30, 2024

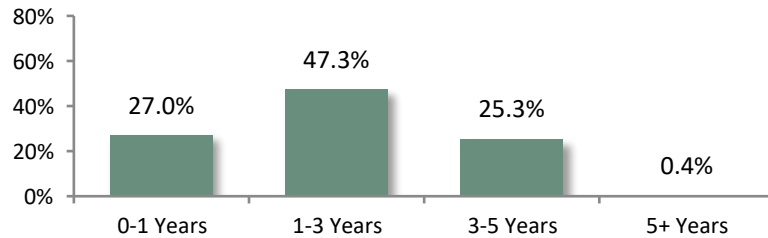
## Limited Maturity (1-3 Year)

Average Final Maturity	2.06 years
Average Duration	1.83 years
Yield-to-Maturity	3.99%
Average Quality (S&P)	AA
Average Coupon	3.28%

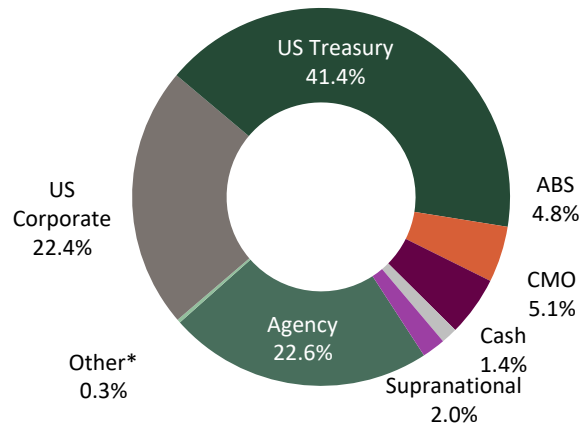
## Short Term Bond (1-5 Year)

Average Final Maturity	3.00 years
Average Duration	2.59 years
Yield-to-Maturity	3.91%
Average Quality (S&P)	AA
Average Coupon	3.23%

### Maturity Distribution

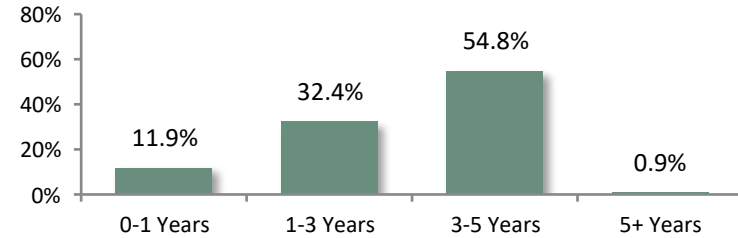


### SECTOR ALLOCATION

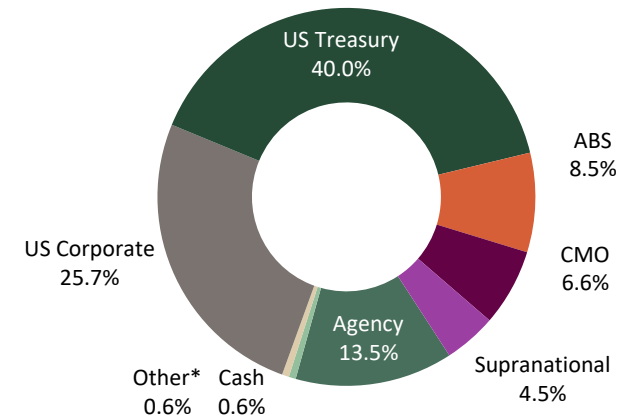


\*Other includes Municipal Bonds, MBS, Commercial Paper, and Cash

### Maturity Distribution



### SECTOR ALLOCATION



\*Other includes Municipal Bonds, Cash Negotiable CD, Commercial Paper and MBS

Based on Chandler's Limited Maturity and Short Term Bond composite characteristics as of 9/30/2024. Credit Quality equivalent of composite/average of S&P, Moody's and Fitch ratings; "A" category includes "A-1" rated money market securities. The composite characteristic information presented above is supplemental information pursuant to GIPS®. There is no guarantee that investment in any of these styles will result in characteristics similar to those that appear in this presentation due to changes in economic conditions and other market factors. Past characteristics are not indicative of future results.

# Disclosures

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## ICE BofA 1-3 Year US Treasury & Agency Index

The ICE BofA 1-3 Year US Treasury & Agency Index tracks the performance of US dollar denominated US Treasury and nonsubordinated US agency debt issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch). Qualifying securities must have at least one year remaining term to final maturity and less than three years remaining term to final maturity, at least 18 months to maturity at time of issuance, a fixed coupon schedule, and a minimum amount outstanding of \$1 billion for sovereigns and \$250 million for agencies.

## ICE BofA 1-5 Year US Treasury & Agency Index

The ICE BofA 1-5 Year US Treasury & Agency Index tracks the performance of US dollar denominated US Treasury and nonsubordinated US agency debt issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch). Qualifying securities must have at least one year remaining term to final maturity and less than five years remaining term to final maturity, at least 18 months to maturity at time of issuance, a fixed coupon schedule, and a minimum amount outstanding of \$1 billion for sovereigns and \$250 million for agencies.

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# Disclosures

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The information herein is provided for informational purposes only and should not be construed as a recommendation of any security, strategy, or investment product, nor an offer or solicitation for the purchase or sale of any financial instrument. No investment decision should be made based solely on the information provided herein. All investments involve risk, including loss of principal invested. The strategies referenced may not be suitable for all investors. Economic factors, market conditions, and investment strategies will affect the performance of any portfolio and there are no assurances that it will match or outperform any particular benchmark. The data contained in this presentation is the property of those providers, which was obtained from sources believed to be reliable, but are subject to change at any time at the provider's discretion. Unless otherwise noted, Chandler is the source of data contained in this presentation.

Any forecasts, forward-looking statements and assumptions are inherently limited and should not be relied upon as an indicator of future results. Any opinions or views constitute judgments made by the author at the date of this presentation and may become outdated or superseded at any time without notice. Any statements concerning financial market trends are based on current market conditions, which will fluctuate. Past performance is no guarantee of future results. There is a possibility of loss on all investments and investor principal is not guaranteed. Performance information provided should not be used in making investment decisions.

Index returns assume reinvestment of all distributions. Historical performance results for investment indexes generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results. It is not possible to invest directly in an index.

Fixed income investments are subject to interest, credit and market risk. Interest rate risk: the value of fixed income investments will decline as interest rates rise. Credit risk: the possibility that the borrower may not be able to repay interest and principal. Low rated bonds generally have to pay higher interest rates to attract investors willing to take on greater risk. Market risk: the bond market in general could decline due to economic conditions, especially during periods of rising interest rates.

Where listed, certain performance shown is hypothetical and does not represent actual trading in a client's account. HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFIT OR LOSSES SIMILAR TO THOSE SHOWN. THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM. ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK AND DOES NOT TAKE INTO ACCOUNT THAT MATERIAL AND MARKET FACTORS MAY HAVE IMPACTED THE ADVISER'S DECISION MAKING IF THE ADVISER WERE ACTUALLY MANAGING CLIENT'S MONEY. NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS. It should not be assumed that investors who invest in Chandler Asset Management's Portfolios will be profitable or achieve the hypothetical performance results reflected or any corresponding index presented. Actual performance of and holdings and investment implementation in Chandler Asset Management's client accounts can materially differ from that of the hypothetical models presented herein and performance can be higher or lower than the results shown. Investors may have experienced investment results during the corresponding time periods that were materially different from those portrayed. The opinions referenced are as of the date of publication and are subject to change. Chandler Asset Management has discretion in the timing of trade execution and selection of securities traded and utilized in any client account, which can and will materially differ from the hypothetical simulated performance based upon a variety of factors, including the adviser's discretion to not follow any trading signal generated and to determine the timing and implementation of a trade (which can include securities other than those listed). There is a possibility of loss on all investments and investor principal is not guaranteed. Performance information provided should not be used in making investment decisions.



# Disclosures

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References to specific securities are examples of securities held in a portfolio and are not intended to be, and should not be interpreted as an offer, solicitation, or recommendation to purchase or sell any financial instrument, an indication that the purchase of such securities was or will be profitable, or representative of the composition or performance of the portfolio. The information contained in this sample presentation was obtained from sources we believe to be reliable, but we do not guarantee its accuracy. Past performance is not indicative of future success.

Performance results are presented gross-of-advisory fees and represent the client's Total Return. The deduction of advisory fees lowers performance results. These results include the reinvestment of dividends and other earnings. Past performance may not be indicative of future results. Therefore, clients should not assume that future performance of any specific investment or investment strategy will be profitable or equal to past performance levels. All investment strategies have the potential for profit or loss. Economic factors, market conditions or changes in investment strategies, contributions or withdrawals may materially alter the performance and results of your portfolio. Index returns assume reinvestment of all distributions. Historical performance results for investment indexes generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results. It is not possible to invest directly in an index.



# Policy

<b>Policy No.:</b> <del>P400-24-7</del>	<b>Type of Policy:</b> Finance
<b>Policy Title:</b> Investment	
<b>Policy Description:</b> Authorized investment of public funds	
<b>Approval Date:</b> <del>12/17/2024</del>	<b>Last Review Date:</b> <del>2024</del> <u>2025</u>
<b>Approval Resolution No.:</b> <del>51-24</del>	<b>Next Review Date:</b> <del>2025</del> <u>2026</u>
<b>Rescinded Resolution No.:</b> <del>44-23</del> <u>51-24</u>	<b>Rescinded Resolution Date:</b> <del>11/7/2023</del> <u>12/17/2024</u>

The purpose of this policy of the Board of Directors of Dublin San Ramon Services District is to invest public funds in a prudent manner in conformance with state and local statutes, specifically California Government Code (CGC) Section 53600 et seq.

## 1.0 Policy

It is the policy of Dublin San Ramon Services District (hereafter, the “District”) to invest public funds in a manner which will provide the maximum security (safety), meet daily cash flow demands of the entity (liquidity), and obtain the highest investment return (yield), while conforming to all state and local statutes governing the investment of public funds, and other legal investment requirements.

## 2.0 Scope

This ~~i~~Investment policy applies to all financial assets of the District under its direct control and authority. It does not cover deferred compensation plan investments, long-term debt proceeds and reserves held by a ~~T~~trustee and invested pursuant to contractual agreement, or retirement investments held by a trustee (such as CalPERS).

## 3.0 Prudence (Due Diligence)

The District operates its investment portfolio in conformance with governing legislation and other legal requirements, and under the Prudent Investor Standard (GC Section 53600.3) which states, in essence, 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 need of the District, that a prudent person 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.”

**Policy No.:** ~~P400-24-7~~**Policy Title:** Investment

This standard shall be applied in the context of managing the overall portfolio. Investment officers, acting in accordance with written procedures and this investment policy and exercising the above standard of diligence shall be relieved of personal responsibility for an individual security's credit risk, interest rate risk, or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

#### 4.0 Objective

The primary objectives, in priority order, of the District's investment activities shall be:

**4.1 Safety:** Safety of principal is the foremost objective of the investment program. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the District will diversify its investments by investing among a variety of securities offering independent returns and financial institutions.

**4.2 Liquidity:** The District's investment portfolio will remain sufficiently liquid to enable the District to meet all operating cash flow requirements which might be reasonably anticipated. Securities should mature concurrent with cash need to meet anticipated demands. To eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalent assets in all District funds shall be diversified by maturity, issuer, and security type. Diversification strategies shall be determined and revised periodically by the Treasurer for all funds except for the employee retirement fund.

In establishing specific diversification strategies, the following general policies and constraints shall apply: Portfolio maturities shall be strategically staggered to avoid undue concentration of assets in a specific maturity ~~sector~~range. Maturities selected shall provide for stability of income and reasonable liquidity.

**4.3 Return on Investments:** The District's investment portfolio shall be designed with the objective of attaining a market ~~(or best yield)~~ rate of return throughout budgetary and economic cycles, shall commensurate with the District's investment risk constraints and the cash flow characteristics of the portfolio, and shall not diminish the objectives of safety and liquidity defined in Section 1.0 of this policy.

#### 5.0 Delegation of Authority

Pursuant to CGC Section 53601, the District's Board of Directors has primary responsibility for the investment of all funds in the District treasury. As authorized under CGC Section 53607, the Board hereby delegates its authority to invest or reinvest the funds of the District, and to sell or exchange securities so purchased, to the Treasurer and/or designee for a one-year period of time and subject to annual renewal who shall assume full responsibility for all such transactions until such time as this delegation of authority may be revoked by the Board.

Policy No.: P400-24-7

Policy Title: Investment

## 6.0 Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Staff authorized to execute investment transactions shall disclose to the General Manager any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any material personal financial and/or investment positions that could be related to the performance of the District.

## 7.0 Authorized Financial Dealers and Institutions

The Treasurer will maintain an approved list of financial institutions authorized to provide investment services. In addition, a list will also be maintained for approved or security broker/dealers that are authorized to provide investment services in the State of California. These may include “primary” dealers or regional dealers that qualify under United States Securities & Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state law. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Treasurer with the following: a completed broker/dealer questionnaire, audited financial statements and certification of having read the District’s investment policy.

In accordance with CGC Section 53601.5, institutions eligible to transact investment business with the District include:

- Institutions licensed by the state as a broker-dealer.
- Institutions that are members of a federally regulated securities exchange.
- Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
- Nationally or state-chartered banks.
- The Federal Reserve Bank.
- Direct issuers of securities eligible for purchase.

To the extent practicable, the Treasurer shall endeavor to complete investment transactions using a competitive bid process whenever possible. Selection of broker/dealers used by an external investment adviser retained by the District will be at the sole discretion of the adviser. Where possible, investment advisor transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original

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issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

## 8.0 Authorized and Suitable Investments

The District is empowered by CGC Section 53600 et seq. to invest public monies. Within the investments permitted by the CGC, the District seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the CGC, the more restrictive parameters will take precedence. Percentage holding limits and minimum credit quality requirements listed in this section apply at the time the security is purchased. Of these investments, the District's Board of Directors authorizes the following investments:

- Municipal securities which include Bbonds issued by the District, when in the best interest of and a prudent investment for the District; registered state warrants or treasury notes or bonds of this state; and bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state. The securities must be rated in a rating category of "A" of its equivalent or better by at least one nationally recognized statistical rating organization ("NRSRO"). No more than five percent (5%) of the portfolio may be invested in any single issuer. No more than thirty percent (30%) of the portfolio may be in municipal securities. The maximum maturity shall not exceed seven (7) years. [53601(a), 53601(c), 53601(e)]
- Municipal securities which include registered treasury notes or bonds of any of the other 49 states in addition to California in the United States, 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. The securities must be rated in a rating category of "A" or its equivalent or better by at least one NRSRO. No more than five percent (5%) of the portfolio may be invested in any single issuer. No more than thirty percent (30%) of the portfolio may be in municipal securities. The maximum maturity shall not exceed seven (7) years. [53601(d)]
- United States Treasury securities which include 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 are no limits on the dollar amount or percentage that the District may invest in United States Treasury securities, provided that the maximum maturity does not exceed seven (7) years. [53601(b)]
- ~~Registered state warrants or treasury notes or bonds of this state rated A or better. [53601(c)]~~
- ~~Registered treasury notes or bonds of any of the other 49 United States in addition to California. [53601(d)]~~
- ~~Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state. [53601(e)]~~

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- Federal agency or United States government-sponsored enterprise (GSE) 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~~GSEs. No more than thirty percent (30%) of the portfolio may be invested in any single agency or GSE issuer, and no more than twenty percent (20%) of the portfolio may be invested in agency callable securities. The maximum maturity shall not exceed seven (7) years. [53601(f)]
- Negotiable certificates of deposit issued by a nationally or state-chartered bank or a savings association or federal association or a state or federal credit union or by a federal- or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed ~~30% percent~~ of the agency's surplus money. Amounts invested in negotiable certificates of deposit insured up to the Federal Deposit Insurance Corporation (FDIC) limit do not require any credit ratings. Any amount above the FDIC insured limit must be issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO, or have long-term obligations rated in a rating category of "A" or its equivalent or better by at least one NRSRO. No more than five percent (5%) of the portfolio may be invested in any single issuer. [53601(i)]
- 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. Notes eligible for investment under this subdivision shall be rated in a rating category of "A" or its equivalent or better by a nationally recognized rating service at least one NRSRO at the time of purchase. ~~Purchases of medium-term notes shall not include other instruments authorized by this section and may not exceed No more than thirty (30%) percent~~ of the ~~District~~agency's surplus money ~~which may be invested pursuant to this section. No more than five percent (5%) of the District's surplus money may be invested in any single issuer.~~ [53601(k)]
- Shares of beneficial interest issued by diversified management companies that are money market funds registered with the ~~Securities and Exchange Commission~~SEC under the Investment Company Act of 1940 (15 U.S. C. Sec. 80a-1, et seq.). [53601(l)(2)]
  1. The company must have met either of the following criteria [53601(l)(4)(a-b)]:
    - a. Attained the highest ranking letter and numerical rating provided by not less than the two ~~Nationally Recognized Statistical Rating Organizations (NRSROs)~~ or,
    - b. Have an investment advisor registered with the ~~Securities and Exchange Commission~~SEC with not less than five (5) years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000).
  2. The purchase price of shares may not exceed twenty percent (20%) of the District's total surplus funds. [53601(l)(5)]

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3. Money market funds must have a Net Asset Value (NAV) of one dollar (\$1.00).
4. Money market funds must have daily liquidity.
- Deposits with bank and savings and loan associations, including certificates of deposit, where the deposits are insured by the FDIC ~~(Federal Deposit Insurance Corporation)~~. Deposits in institutions in excess of FDIC insurance shall be fully collateralized as defined in CGC Section 53652.
- The Local Agency Investment Fund (LAIF) established by the California State Treasurer for the benefit of local agencies and identified under the CGC Section 16429.1.
- Shares of beneficial interest issued by a joint powers authority organized pursuant to CGC Section 6509.7 that invests in the securities and obligations authorized in CGC Section 53601, inclusive of subdivisions (a) to (r). Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. [53601(p)]

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:

1. The adviser is registered or exempt from registration with the SEC.
2. The adviser has not less than five (5) years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive.
3. The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).
- The California Asset Management Program (CAMP), a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the GC which invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the GC, as it may be amended.
- Bankers acceptances that are issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO, or have long-term debt obligations which are rated in a rating category of "A" or its equivalent or better by at least one NRSRO. No more than 40% of the portfolio may be invested in banker's acceptances. No more than five percent (5%) of the portfolio may be invested in any single issuer. The maximum maturity shall not exceed 180 days. [53601(g)]
- Commercial paper, provided that the securities are issued by an entity that meets all of the following conditions in either paragraph (1) or (2) and other requirements specified below: [53601(h)]
  1. Securities issued by corporations:

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- a. A corporation organized and operating in the United States with assets more than five hundred million dollars (\$500,000,000).
- b. The securities are rated "A-1" or its equivalent or better by at least one NRSRO.
- c. If the issuer has other debt obligations, they must be rated in a rating category of "A" or its equivalent or better by at least one NRSRO.

2. Securities issued by other entities:

- a. The issuer is organized within the United States as a special purpose corporation, trust, or limited liability company.
- b. The securities must have program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.
- c. The securities are rated "A-1" or its equivalent or better by at least one NRSRO.

Moreover, investments may comprise of no more than ten percent (10%) of the outstanding commercial paper of any single issuer. No more than twenty-five percent (25%) of the District's investment assets under management may be invested in commercial paper. Under a provision sunsetting on January 1, 2026, no more than forty percent (40%) of the District's surplus funds may be invested in commercial paper if the District's surplus funds are greater than one hundred million dollars (\$100,000,000). No more than five percent (5%) of the portfolio may be invested in any single issuer. Maximum maturity for commercial paper shall not exceed 270 days.

- Asset-backed, mortgage-backed, mortgage passthrough securities, and collateralized mortgage obligations from issuers that are not the federal government or its agencies or a GSE. The securities shall be rated in a rating category of "AA" or its equivalent or better by one NRSRO. No more than twenty percent (20%) of the total portfolio may be invested in these securities. No more than five percent (5%) of the portfolio may be invested in any single asset-backed or commercial mortgage security issuer. The maximum legal final maturity shall not exceed five (5) years. [53601(o)]
- Supranational securities that are U.S. dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. The securities shall be rated in a rating category of "AA" or its equivalent or better by one NRSRO. No more than thirty percent (30%) of the District's surplus funds may be invested in supranational obligations. No more than ten percent (10%) of the District's surplus funds may be invested in any single issuer. The maximum maturity shall not exceed five (5) years. [53601(q)]



Policy No.: P400-24-7

Policy Title: Investment

- Repurchase agreements collateralized with securities authorized under the California Government Code, maintained at a level of at least 102 percent (102%) of the market value of the repurchase agreement. There are no limits on the dollar amount or percentage that the District may invest, provided that securities used as collateral for repurchase agreements will be delivered to an acceptable third-party custodian. Repurchase agreements are subject to a Master Repurchase Agreement between the District and the provider of the repurchase agreement. The Master Repurchase Agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA). The maximum maturity shall not exceed one (1) year. [53601(j)]

## **9.0 Prohibited Investment Vehicles and Practices**

- State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.
- In accordance with CGC Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.
- Investment in any security that could result in a zero-interest accrual if held to maturity is prohibited.
- Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
- Purchasing or selling securities on margin is prohibited.
- The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.
- The purchase of foreign currency denominated securities is prohibited.
- Local governments that are not Qualified Institutional Buyers (QIB) as defined by the SEC are prohibited from purchasing Private Placement Securities. The SEC defines a QIB as having at least one hundred million dollars (\$100,000,000) in securities owned and invested.

## **10.0 Investment Pools and Mutual Funds**

The District shall conduct a thorough investigation of any pool or mutual fund prior to making an investment, and on a continual basis thereafter. The Treasurer shall develop a questionnaire which will answer the following general questions:

- A description of eligible investment securities, and a written statement of investment policy and objectives.

Policy No.: **P400-24-7**

Policy Title: Investment

- A description of interest calculations and how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
- A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
- A schedule for receiving statements and portfolio listings.
- Are reserves, retained earnings, etc. utilized by the pool/fund?
- A fee schedule, and when and how is it assessed.
- Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

### **911.0 Collateralization**

Uninsured time deposits including certificates of deposit with banks and/or savings and loans shall be collateralized in the manner prescribed by law for depositories accepting local agency funds. The District requires that repurchase agreements be collateralized only by securities authorized in accordance with the California Government Code:

1. The securities which collateralize the repurchase agreement shall be priced at market value, including any accrued interest plus a margin. The market value of the securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities.
2. Financial institutions shall mark the value of the collateral to market at least monthly and increase or decrease the collateral to satisfy the ratio requirement described above.
3. The District shall receive monthly statements of collateral.

### **1012.0 Safekeeping and Custody**

All security transactions entered into by the District shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third-party custodian designated by the Treasurer and evidenced by safekeeping receipts.

### **1113.0 Diversification**

The District will diversify its portfolio by investment type, issuer and maturity dates. Limits, if any, for security types are set forth in Section 8.0 of this policy.

Policy No.: P400-24-7

Policy Title: Investment

**1214.0 Maximum Maturities**

The District will match its investments with anticipated cash flow requirements. No single investment shall exceed a term of five years, except the long-term portion of the portfolio at seven-year maturity limited to 10% of the portfolio and to United States Treasury notes, et al., and federal agency or ~~United States government-sponsored enterprise~~GSE obligations, or municipal securities as described in Section 8. Portfolio maturities shall be strategically staggered to avoid undue concentration of assets in a specific maturity sector.

**1315.0 Conformance with Policy**

At the time of purchase, all permitted investments shall conform in all respects with this policy. If a percentage restriction is adhered to at the time of purchase, a later increase or decrease in percentage resulting from a change in values or assets will not constitute a violation of that restriction. Furthermore, if a credit rating standard is adhered to at the time of purchase; a later downgrade in credit rating will not constitute a violation of that standard. If securities are downgraded below the minimum acceptable rating levels the Treasurer shall advise the Board of Directors of the change at the next regular meeting, and use his/her best professional judgment concerning the retention of that security in the portfolio.

**1416.0 Internal Controls**

The Treasurer shall establish and implement a system of internal controls, which shall be documented in writing. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by employees and officers of the District.

**17.0 Review of Investment Portfolio**

The Treasurer shall periodically, but no less than quarterly, review the portfolio to identify investments that do not comply with this Investment policy and establish protocols for reporting major and critical incidences of noncompliance to the Board of Directors.

**18.0 Performance Evaluation**

The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the District's risk constraints, the cash flow characteristics of the portfolio, and state and local laws, ordinances or resolutions that restrict investments. The Treasurer shall monitor and evaluate the portfolio's performance relative to the chosen market benchmark(s), which will be included in the Treasurer's quarterly report. The Treasurer shall select an appropriate, readily available index to use as a market benchmark.

**1519.0 Performance Standards**

**Policy No.: ~~P400-24-7~~****Policy Title: Investment**

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 cash flow needs.

**1620.0 Reporting**

The Treasurer shall provide the Board of Directors a quarterly investment report. The report shall include the type of investment, issuer, maturity date, par and cost/book values of all securities, investments and monies held by the District. It shall also include the rate of interest, the current market value as of the report date and the source of the valuation. The report shall state compliance of the portfolio to the Investment policy as well as the California Government Code and it shall state the District's ability to meet its estimated expenditures for the next six months.

**1721.0 Investment Policy Adoption**

The District's Investment policy shall be adopted by resolution of the District's Board of Directors. The policy is reviewed annually and any changes are presented to the Board of Directors for consideration.



**TITLE:** Receive Presentation on Actuarial Valuations of the California Public Employees Retirement System (CalPERS) Pension and the California Employers' Retiree Benefit Trust (CERBT) for Other Post-Employment Benefits (OPEB) and Unfunded Accrued Liabilities (UAL)

**RECOMMENDATION:**

Staff recommends the Board of Directors receive a presentation on the actuarial valuations of the California Public Employees Retirement System pension and the California Employers' Retiree Benefit Trust for other post-employment benefits and unfunded accrued liabilities.

**SUMMARY:**

The District provides retirement benefits for eligible employees through California Public Employees Retirement System (CalPERS) for its pension plan and uses CalPERS's California Employers' Retiree Benefit Trust (CERBT), a self-funded trust, for its retiree medical and dental benefits, referred to as other post-employment benefits (OPEB). An unfunded accrued liability (UAL) exists when benefit plan accrued liabilities (i.e., money owed to current and future retirees) are greater than its plan assets (i.e., money set aside to pay for retirement benefits). Based on the most recent actuarial valuation reports for fiscal year (FY) 2023, the District's CalPERS UAL is \$26,685,095 with a funded ratio (the ratio of the actuarial value of assets divided by the actuarial accrued liability) of 80.7% for the Classic Miscellaneous (Classic) plan; \$480,067 with a funded ratio of 88.9% for the Public Employees' Pension Reform Act of 2012 Miscellaneous (PEPRA) plan, and \$3,804,758 with a funded ratio of 88.3% for OPEB. The District's Financial Reserves policy provides guidance to prioritize using surplus reserves, if available, to maintain the funded ratio for the District's pension liability between 80% and 90%. Given that the funded ratios for the District's pension and OPEB plans are above the minimum 80%, and the preliminary returns for the next annual actuarial valuation are anticipated to increase the funded ratio, staff recommends no action at this time.

**BACKGROUND:**

As a key benefit for employees, the District contracts with CalPERS to provide a defined benefit pension plan. DSRSD currently participates in two risk pools: (1) Classic Miscellaneous for members hired with the District before January 1, 2013, or with another CalPERS contracting agency prior to joining the District; and (2) PEPRA Miscellaneous for members who joined the District and CalPERS on or after January 1, 2013. The District also provides medical and dental benefits for retirees and their families under third-party insurance plans, with medical only for employees hired after July 1, 2014. The OPEB costs are prefunded through contributions to CERBT.

**CalPERS Pension:**

The scheduled annual payment of the pension UAL is the District's third largest long-term cost behind capital replacement and debt. Three components fund the CalPERS liability – employer contributions, employee contributions, and investment returns. The District contracts two types of pension plans with CalPERS, the Classic plan and the PEPRA plan. The Classic plan is for members hired with the District before January 1, 2013, or with another CalPERS contracting agency prior to joining the District. Employer contributions consist of the "normal" cost for current active employees and an annual payment towards the District's proportionate share of the UAL.

A UAL exists when actuarially determined systemwide plan liabilities exceed systemwide plan assets. The UAL is allocated proportionately to all participating public agencies based upon asset size. Plan assets are tracked separately by public agencies for accounting purposes with investments managed as a pool for efficiency. The plans are maintained on an actuarial basis using assumptions about the plans, such as plan contributions, rate of return on investments, benefits

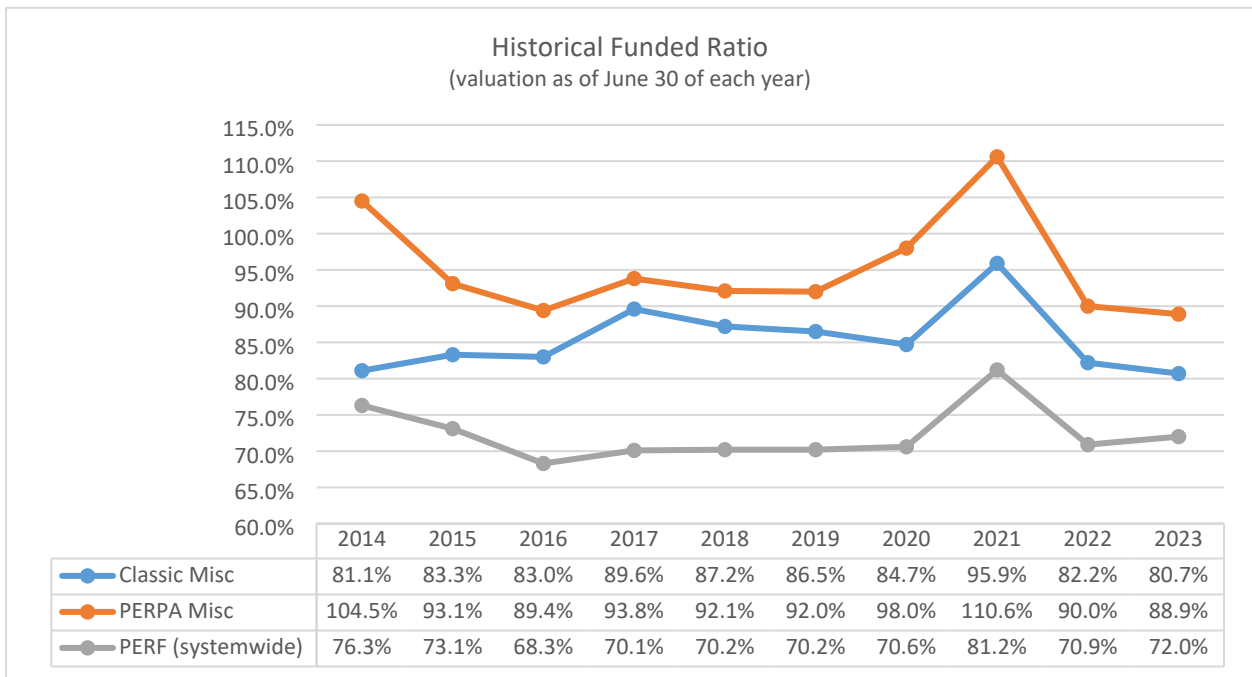
<b>Originating Department:</b> Finance		<b>Contact:</b> K. Spray	<b>Legal Review:</b> Not Required
<b>Financial Review:</b> Yes		<b>Cost and Funding Source:</b> N/A	
<b>Attachments:</b> <input type="checkbox"/> None <input type="checkbox"/> Resolution <input type="checkbox"/> Ordinance <input type="checkbox"/> Task Order <input type="checkbox"/> Proclamation <input checked="" type="checkbox"/> Other (see list on right)		<b>Attachment 1 – Financial Reserves Policy</b>	

paid, mortality, etc. Sources of UAL include investment experience different than expected, non-investment experience different than expected, assumption changes, and benefit changes. Each source of UAL (positive or negative) forms a base that is amortized generally over a 20-year period with certain bases amortized longer depending upon the specific event(s) that created the base.

There are several ways the pension UAL is reduced:

1. Normal cost and the annual UAL payments. Over time amortization bases will roll off the schedule once fully paid.
2. Single-year or aggregate multi-year gains offset aggregate losses. This condition will reduce UAL by netting gains against losses.
3. Additional discretionary payments to pay down the UAL base.

The graphic below reflects historical funded ratios for the District’s individual Classic and PEPRA pension plans as compared with the systemwide funded ratios of CalPERS’ Public Employees’ Retirement Fund (PERF). The District has previously made additional discretionary payments that have brought individual District funded ratios higher than the systemwide funded ratio. In FY 2022, the District’s funded ratio dropped significantly when the return on CalPERS investment portfolio was negative 6.1% compared to an assumed performance of 6.8%. Based on this significant increase to the District’s UAL, the Board provided direction to staff on October 17, 2023 to (1) establish a minimum funded ratio threshold between 80% and 90%, (2) prioritize surplus rate stabilization fund transfers towards maintaining the minimum funded ratio, and (3) allocate additional discretionary payments equal to 15% of annual UAL obligations. Board direction for prioritizing surplus rate stabilization fund transfers towards maintaining the minimum funded ratio has been incorporated into the Financial Reserves policy (Attachment 1).



Since inception of the PEPRA plan in 2013, the number of PEPRA employees has steadily increased. Approximately 60% of current active employees are PEPRA. PEPRA benefits public agencies by requiring employees to contribute at least 50% of the normal cost. The Classic UAL will gradually be reduced over time as PEPRA employees replace Classic employees and through attrition of Classic employees.

**OPEB:**

The District provides medical and dental benefits for retired employees hired before July 1, 2014, and their families under third-party insurance plans under an agent multiple employer plan. Employees hired after July 1, 2014, are not

eligible for dental benefits. Vesting requirements for the medical plan are minimum 10 years of CalPERS service credit with at least 5 of those years as a District employee.

To prefund OPEB, in 2008, the District entered into an agreement with CERBT, a multiple employer tax-exempt trust organized under Section 115 of the Internal Revenue Code, to administer and invest funds contributed by the District to cover OPEB costs. The District transferred \$9.15 million as an initial contribution in 2008 and made additional annual contributions totaling \$8.92 million as of June 30, 2023. Annual contributions are determined by a biennial actuarial valuation.

CERBT offers three diversified asset allocation strategies that invest in five public asset classes. Each strategy offers a distinctly different long-term expected return and return volatility. With the initial participation in CERBT in 2008, the District had elected to have the funds invested under Strategy 1. Strategy 1 is the most aggressive strategy due to the percentage of equity versus fixed investments in the portfolio. In 2017, when the funded ratio was greater than 90%, the Board directed staff to move to the more moderate Strategy 2. In 2023, based on the biennial OPEB actuarial valuation report for FY 2021, which determined that the funded ratio was 125.4%, the Board directed staff to continue with Strategy 2.

### **DISCUSSION:**

This section discusses the District's CalPERS pension and OPEB UAL based on the most recent actuarial reports performed for FY 2023. Each year, CalPERS prepares an actuarial valuation report for each of the District's two pension plans. For OPEB, the District hires an actuary to prepare an actuarial valuation report on a biennial basis (every two years).

### **CalPERS Pension:**

In the Classic plan's most recent actuarial valuation dated June 30, 2023, the required contributions for FY 2026 (measurement date is June 30, 2023) reflect an increase in total UAL in the amount of \$3,203,658, from \$23,481,437 to \$26,685,095, for non-investment losses as well as investment losses, and reduces the funded ratio from 82.2% to 80.7%. The only adverse subsequent event cited in the report indicates the uncertainty of persistent inflation higher than the actuarially assumed 2.3%. There were no other assumption changes. The discount rate remains at 6.8%, and the employer cost rate remains at 16.09%, a minor increase from the previous 16.02%. A news bulletin from CalPERS dated July 15, 2024, reports a 9.3% preliminary investment return for FY 2024. A 9.3% return exceeds the 6.8% discount rate, indicating the District may see some rebounding from the gain that will add a new positive base, reduce the UAL, and increase the funded ratio.

The District's PEPPRA plan valuation dated June 30, 2023, reflects an actuarially accrued liability of \$4,339,798 with a market value of assets in the amount of \$3,859,731 for an unfunded liability of \$480,067 and a funded ratio of 88.9%.

The Financial Reserves policy provides for making additional discretionary payments from the rate stabilization funds when the UAL funded ratio is below 80% and there are surplus operating reserves. Since the District's Classic and PEPPRA UAL funded ratios both remain above 80% and the FY 2024 rate stabilization fund annual report to the Board on February 18, 2025, calculated that the combined operating and rate stabilization funds for all three enterprises are below maximum reserve levels, staff recommends taking no additional action at this time. In addition, the preliminary investment returns for FY 2024 indicate that CalPERS investment returns are likely to outperform the assumed 6.8% discount rate, which would result in an increase to the UAL funded ratio.

### **OPEB:**

In 2024, the District retained actuary Macleod Watts to prepare the biennial OPEB actuarial valuation report for FY 2023, with June 30, 2023, as the measurement date for actuarially determined contributions (ADCs) for FY 2025 and FY 2026 using a long-term medical trust earnings rate of 5.6%. The discount rate is a slight decrease from the previous 5.67%. The actuarial valuation reflects an increase in total UAL from \$(73,661) overfunded to \$3,804,758 unfunded, and therefore, a reduction in the funded ratio from 100.3% to 88.3%, due to greater claims than expected, updated healthcare costs, and investment experience less than expected. Staff recommends continuing with Strategy 2 because the underfunding is small at \$3.8 million and the expected return of 6.1% for FY 2024 exceeds the discount rate of 5.6% and may reduce the unfunded portion.

**NEXT STEPS:**

Based on the most recent actuarial valuation reports for CalPERS pension and OPEB, staff recommends the Board take no action in connection with UAL funded ratios at this time. Staff plans to review the fiscal impacts of incorporating the 15% additional discretionary payments into the upcoming FY 2026 and 2027 operating budget with the Board when the Board reviews the proposed operating budget in May 2025.



<b>Policy No.:</b>	P400-24-6	<b>Type of Policy:</b>	Finance
<b>Policy Title:</b>	Financial Reserves		
<b>Policy Description:</b>	Provides guidance for the prudent accumulation and management of designated reserves.		
<b>Approval Date:</b>	11/19/2024	<b>Last Review Date:</b>	2024
<b>Approval Resolution No.:</b>	49-24	<b>Next Review Date:</b>	2028
<b>Rescinded Resolution No.:</b>	40-15	<b>Rescinded Resolution Date:</b>	6/2/2015

The purpose of this policy of the Board of Directors of Dublin San Ramon Services District is to designate financial reserves to protect investment in District assets, satisfy commitments under numerous financial, regulatory and contractual obligations, and to stabilize long-term rates for customers.

Designated reserves are earmarked by the Board of Directors for purposes such as funding new capital facilities, construction, repair, replacement or refurbishment of existing facilities, rate stabilization, emergency and operating reserves. These funds can be utilized at District discretion with certain restrictions where they apply. The Board can change designated reserve levels at any time. Designated reserves are different than restricted funds which are restricted as to use by creditors, grant agencies or law. Reserves held by a third-party in an irrevocable trust used to pay employee benefits are examples of restricted reserves that may not be used for any purpose other than the purpose of the trust.

If the District is contractually obligated to hold additional reserves, the more stringent requirement takes precedence. In addition, if there is a declared emergency, the General Manager may utilize any unrestricted funds in accordance with the District Code.

To accomplish these objectives, the District shall adhere to the following:

## Operating Reserves

**Purpose:** The purpose of Operating reserves (referred to as working capital) is to ensure adequate cash is available when needed to pay the District's normal and recurring operating costs.

**Use of Funds:** Funds are utilized throughout the year in order to meet the District's operating obligations.

Policy No.: P400-24-6

Policy Title: Financial Reserves

- Target:** Working capital equal to four months of budgeted operating expenses in each Operating Fund.
- Minimum:** Two months of budgeted operating expenses in each operating Fund. If reserves fall below this level, the District's Rate Policies and Guidelines outline additional steps that shall be followed.
- Maximum:** Six months of budgeted operating expenses in each Operating Fund. If reserves are above this level at fiscal year end, the excess funds shall be moved into the Enterprise's Rate Stabilization Fund.
- Reporting:** Working capital for each of the Enterprise's Operating Funds shall be reported in the District's quarterly financial reports.

### Rate Stabilization Fund Reserves

- Purpose:** The purpose of Rate Stabilization Fund (RSF) Reserves is to support the Board's strategic goal to manage public funds to assure financial stability, including stability of revenues and the rates and charges related to each Enterprise.
- Over the course of time, the District will have years where there is a financial surplus above the working capital target for one or more of the District's Enterprises, and years when unexpected events may cause reserves to decrease below the target. The Rate Stabilization Fund allows the District to manage these different sets of circumstances.
- Use of Funds:** Each Enterprise's Rate Stabilization Reserves are assessed at fiscal year-end.

#### Maintain Operating Fund Reserves at Target Level

If the Reserves in any Operating Fund at fiscal-year end are below the working capital target, a transfer from the Rate Stabilization Fund to the corresponding Operating Fund of no more than one-quarter of the Rate Stabilization Fund's balance shall be made in an effort to bring the Operating Fund back to its working capital target.

#### Maintain CalPERS Pension Funded Ratio Between 80% and 90%

If the CalPERS Pension funded ratio is below 80%, prioritize surplus Rate Stabilization Fund reserves to make additional discretionary Unfunded Accrued Liability (UAL) payments in an effort to bring the ratio above 80%.

Policy No.: P400-24-6

Policy Title: Financial Reserves

**Allocate Surplus Reserves to Capital Replacement Funds**

If the Reserves in any Rate Stabilization Fund at fiscal-year end are above the maximum reserve level, a transfer from the Rate Stabilization Fund to the corresponding Replacement Fund may be made.

The Board may also budget use of these funds for other purposes.

- Target:** Four months of the related Enterprise Fund's budgeted operating expenses.
- Minimum:** Two months of the related Enterprise Fund's budgeted operating expenses.
- Maximum:** Six months of the related Enterprise Fund's budgeted operating expenditures. If the combined total of the Operating and the corresponding RSF exceeds 12 months working capital, the General Manager will make a recommendation to the Board of Directors as to how the funds should be used.
- Reporting:** The General Manager shall report annually to the Board of Directors on the results of the assessment and make recommendations on the use of funds.

**Capital Asset Replacement & Improvement Reserves**

- Purpose:** The purpose of Capital Asset Replacement & Improvement Reserves is to ensure that adequate funds are available to purchase new capital assets that benefit current ratepayers, to fund replacements, improvements and major refurbishments to existing capital assets and to provide a minimum of one year's debt service for debt which the Board has allocated to this fund.
- Use of Funds:** Funds are utilized in accordance with the budget adopted by the Board of Directors.
- Target:** The target replacement reserve shall consist of the sum of the following components:
- 1) An amount based on the District's Asset Replacement Planning Model and which is equal to two times the 15-year average annual expense in the Capital Improvement Plan; and
  - 2) A debt reserve of two year's average debt service (or for any debt that has less than two years remaining, the entire remaining amount).
- Minimum:** The minimum replacement reserve shall consist of the sum of the following components:
- 1) An amount based on the District's Asset Replacement Planning Model and which is equal to the 15-year average annual expense in the Capital Improvement Plan; and
  - 2) A debt reserve of one year's average debt service (or for any debt that has less than one year remaining, the entire remaining amount).

**Policy No.:** P400-24-6**Policy Title:** Financial Reserves

- Maximum:** There is no maximum reserve in this fund; Reserves may be accumulated and used for their intended purpose.
- Revisions:** It is the intent of the Board that asset-management driven changes be made to the Capital Asset and Replacement & Improvement Reserves section of this policy based on the Asset Replacement Planning Model, the condition assessment of District assets and strategies for managing those assets.
- Reporting:** The General Manager shall report annually to the Board of Directors on the results of the assessment.

### Capital Expansion Reserves

- Purpose:** The purpose of Capital Expansion Reserves is to minimize the need for ratepayers to pay for expansion debt by having sufficient reserves on hand to pay annual debt service on District bonds or loans for a two-year period.
- Use of Funds:** Funds are utilized in accordance with the budget adopted by the Board of Directors and applicable laws related to use of Capacity Reserve Fees.
- Target:** Two years of average debt service (or for any debt that has less than two years remaining, the entire remaining amount) charged to the Expansion Fund, plus two years of expansion project spending as projected in the District's most current two-year Capital Improvement budget.
- Minimum:** A minimum reserve consists of the greater of the reserve for debt service or the next two years of planned expansion projects.
- Maximum:** There is no maximum reserve in this fund; Capacity Reserve Fees may be accumulated and used for their intended purpose with no maximum reserve limitation.
- Reporting:** The General Manager shall report annually to the Board of Directors on the results of the assessment.



**TITLE:** Continue Discussion of the 2025 Strategic Plan Update

**RECOMMENDATION:**

Staff recommends the Board of Directors discuss the second draft of the proposed 2025 Strategic Plan Update and provide direction.

**DISCUSSION:**

The District's Strategic Plan is a five-year planning document that incorporates the District's mission, vision, and value statements and outlines key strategic goals and action items that the District seeks to accomplish over the five-year period, in support of the District's mission and vision. The current Strategic Plan for fiscal years (FY) 2024–2028 was adopted by the Board of Directors on April 18, 2023. Concurrent with each biennial budget process, staff works with the Board of Directors to review and update the Strategic Plan. Once the Board adopts the updated five-year Strategic Plan, work activities and resources needed to implement the Strategic Plan are reflected in the operating and capital budgets, which the Board will review in May 2025 and consider adopting in June 2025.

In October 2024, staff engaged West Yost to assist with the 2025 Strategic Plan Update covering FYs 2026–2030. On November 6, 2024, West Yost facilitated a strategic planning session with the full leadership team (consisting of the District's executive managers and mid-managers). The purpose of this session was to ensure staff alignment on District priorities and for staff to collaborate on a Strategic Plan that is both aspirational and actionable, with clear steps and accountability to measure and celebrate success. The output from the November strategic planning session was then used by West Yost and the Senior Management Team to develop the draft 2025 Strategic Plan Update.

At the January 21, 2025 Board meeting, the Board reviewed the first draft of the 2025 Strategic Plan Update and discussed and suggested a number of refinements to the Strategic Plan. The Board's input has been incorporated into a second draft of the 2025 Strategic Plan Update that is included as Attachment 1. A marked-up version showing the proposed edits and refinements from the first draft is included as Attachment 2.

On March 4, 2025, staff will review the second draft of the 2025 Strategic Plan Update with the Board. Additional comments from the Board will be incorporated into a final version of the 2025 Strategic Plan Update, which will be presented for Board adoption at the April 1 Board meeting.

<b>Originating Department:</b> Office of the General Manager	<b>Contact:</b> M. Gallardo/J. Lee	<b>Legal Review:</b> Not Required
<b>Financial Review:</b> Not Required	<b>Cost and Funding Source:</b> N/A	
<b>Attachments:</b> <input type="checkbox"/> None <input type="checkbox"/> Ordinance <input checked="" type="checkbox"/> Other (see list on right)	<b>Attachment 1 – Second 2025 Draft Strategic Plan Update</b> <b>Attachment 2 – Marked-up Second 2025 Draft Strategic Plan Update</b>	

## SECOND DRAFT 5-YEAR STRATEGIC PLAN UPDATE (FY 2026 – 2030)

### Mission

Protect public health and the environment by providing reliable and sustainable water, recycled water, and wastewater services in a safe, efficient, and fiscally responsible manner.

### Vision

In our operations, financial practices, and public policies we strive to be an effective and efficient organization, and to be seen as an industry leader of best management practices. Our agency seeks to be adaptable, resilient, and innovative in navigating our ever-changing industry.

### Values

- Protect Public Health and the Environment
- Sustain Financial Stability
- Be Open and Transparent
- Fairness, Respect, Honesty and Ethics
- Operate Safely
- Provide High Quality Customer Service
- Provide Sustainable, Efficient, Reliable, and Secure Services
- Perform at a High Standard

### Strategic Goals

#### ENVIRONMENTAL PROTECTION AND REGULATORY COMPLIANCE

Meet or exceed environmental and public health standards while preparing for the future regulatory landscape.

#### LONG-TERM FINANCIAL STABILITY AND SUSTAINABILITY

Manage the District's finances to meet funding needs and maintain fair and reasonable water and wastewater rates.

#### WORKFORCE DEVELOPMENT AND PLANNING

Maintain a culture that attracts, retains, and engages a high-performing workforce in support of the District's Mission, Vision, and Values.

#### RESILIENT AND EFFECTIVE OPERATIONS

Improve the resiliency of our operations against emergencies and future uncertainties through planning, long-term partnerships, and integrating technologies that improve the efficiency and effectiveness of our business processes.

#### LONG-TERM INFRASTRUCTURE INVESTMENT

Cost-effectively manage, maintain, and improve infrastructure to deliver sustainable, reliable, high-quality service now and in the future.

#### CUSTOMER SERVICE AND COMMUNITY ENGAGEMENT

Foster confidence and trust in District services through quality customer service, community engagement, education, and partnership efforts.

**STRATEGIC GOAL 1**  
**ENVIRONMENTAL PROTECTION AND REGULATORY COMPLIANCE**

*Meet or exceed environmental and public health standards while preparing for the future regulatory landscape.*

**1.A. Strategy:** Minimize impacts to the environment by reducing, recycling, and conserving natural resources.

*Objectives:*

- Increase the use and generation of renewable energy to offset additional future energy demands and reduce greenhouse gas emissions.
- Maximize water recycling to reduce nutrient discharges to San Francisco Bay.
- Conserve potable water supplies through efficiency, conservation and recycling.

**1.B. Strategy:** Operate and maintain District facilities to meet or exceed regulatory requirements while preparing for the future regulatory landscape.

*Objectives:*

- Develop and maintain a centralized system for overseeing and tracking regulatory requirements, compliance, and reporting.
- Collaborate with partner agencies to monitor evolving regulatory requirements and explore potential compliance and mitigation strategies.

**STRATEGIC GOAL 2**  
**LONG-TERM FINANCIAL STABILITY AND SUSTAINABILITY**

*Manage the District's finances to meet funding needs and maintain fair and reasonable water and wastewater rates.*

**2.A. Strategy: Ensure financial sustainability through long-term financial planning.**

*Objectives:*

- Maintain ten-year financial planning models that include long-term forecasts of operating and capital expenditures, revenue requirements and rates and charges.
- Plan for rate adjustments that are steady, predictable, and based on our business needs.

**2.B. Strategy: Enhance accountability and transparency in financial management.**

*Objectives:*

- Provide accurate, timely and informative financial reports to the Board.
- Regularly update financial processes, procedures, and policies to optimize management of the District's finances, including debt, reserves, and investments.



**STRATEGIC GOAL 3**  
**WORKFORCE DEVELOPMENT AND PLANNING**

*Maintain a culture that attracts, retains, and engages a safe and high-performing workforce in support of the District's Mission, Vision, and Values.*

**3.A. Strategy: Sustain a robust safety culture by continuously updating the District's environmental health and safety programs.**

*Objectives:*

- Regularly review and update safety policies and procedures to ensure compliance and relevance.
- Provide ongoing safety training and resources to equip staff with the knowledge and skills to maintain a safe workplace.

**3.B. Strategy: Diversify and strengthen the skills of District employees to meet evolving workforce demands.**

*Objectives:*

- Formalize on-the-job training programs in all District departments.
- Establish a mentorship system to support knowledge transfer and encourage professional development.
- Strengthen the management and leadership program for employee career and professional growth.
- Leverage technology and foster innovation to elevate the skills of District employees.

**3.C. Strategy: Plan for succession of key positions where feasible.**

*Objectives:*

- Provide professional growth opportunities through "stretch" and temporary acting assignments when feasible and supports business needs.
- Update recruitment and selection standard procedures to optimize employee performance and retention.

**3.D. Strategy: Promote a District culture which encourages learning, teamwork, innovation, and recognition.**

*Objectives:*

- Provide opportunities for employee engagement through programs and initiatives which align with employee interests and support teamwork.
- Promote employee recognition programs which acknowledge employees for high-level performance and contributions to the District and industry .

**STRATEGIC GOAL 4**  
**RESILIENT AND EFFECTIVE OPERATIONS**

*Improve the resiliency of our operations against emergencies and future uncertainties through planning, long-term partnerships, and integrating technologies that improve the efficiency and effectiveness of our business processes.*

**4.A. Strategy: Strengthen Emergency Preparedness and Response Plans for responding to internal and external incidents.**

*Objectives:*

- Update and maintain emergency response and business continuity plans, including support documents for regional coordination and mutual assistance.
- Optimize and invest appropriately in emergency equipment, materials, and supply contracts.
- Review and exercise emergency communications, critical functions, information technology infrastructure and protocols to support emergency response and recovery preparedness.

**4.B. Strategy: Increase the resiliency of District water supplies and operations through long-term partnerships.**

*Objectives:*

- Partner with agencies to explore and implement options to diversify and improve the resiliency of our water supply.
- Update Joint Powers Authority and interagency agreements to provide a vision and framework for meeting future program needs.

**4.C. Strategy: Update and maintain a long-term plan to guide technology investments and resources.**

*Objectives:*

- Implement technologies that improve the efficiency and effectiveness of business processes.
- Centralize, structure, and manage data to support consistent analysis and reporting.
- Fortify our digital infrastructure and strengthen knowledge and tools needed to protect against risk.

**STRATEGIC GOAL 5**  
**LONG-TERM INFRASTRUCTURE INVESTMENT**

*Cost-effectively manage, maintain, and improve infrastructure to deliver sustainable, reliable, high-quality service now and in the future.*

**5.A. Strategy:** Prepare comprehensive facility master plans to guide long-term infrastructure investments needed to meet future demands.

*Objectives:*

- Periodically update and maintain a master plan for each group of assets or system that reflects current condition and performance, and addresses improvements needed to meet defined service-level requirements at buildout.

**5.B. Strategy:** Optimize the Asset Management Program to guide District business decisions.

*Objectives:*

- Standardize and implement District-wide procedures and plans for the Asset Management Program.
- Leverage asset management data to determine criticality, maximize preventative maintenance to extend the life of assets and budget for long-term capital replacement needs.

**5.C. Strategy:** Manage and implement a prioritized Capital Improvement Program to address long-term infrastructure needs.

*Objectives:*

- Plan and design capital projects to improve resiliency and meet or surpass environmental and regulatory requirements.
- Coordinate and collaborate construction project scheduling with city, county, and stakeholders to minimize impacts on communities.

**STRATEGIC GOAL 6**  
**CUSTOMER SERVICE AND COMMUNITY ENGAGEMENT**

*Foster confidence and trust in District services through quality customer service, community engagement, education, and partnership efforts.*

**6.A. Strategy: Provide quality service, and timely information and resolution of customer inquiries.**

*Objectives:*

- Formalize a customer service program that provides efficient management through technology, enhanced quality, and proactive customer service that measures performance.
- Continuously update measures to protect customer data and other personally identifiable information.

**6.B. Strategy: Build public awareness through outreach and education of District services, priorities, and initiatives.**

*Objectives:*

- Redesign website and leverage social media platforms to improve accessibility and customer experience.
- Leverage Tri-Valley and regional partnerships to maximize public outreach and communication on water supply challenges and potential solutions.
- Educate and engage the community on water, wastewater treatment and recycled water services.

## SECOND DRAFT 5-YEAR STRATEGIC PLAN UPDATE (FY 2026 – 2030)

### Mission

Protect public health and the environment by providing reliable and sustainable water, recycled water, and wastewater services in a safe, efficient, and fiscally responsible manner.

### Vision

In our operations, financial practices, and public policies we strive to be an effective and efficient organization, and to be seen as an industry leader of best management practices. Our agency seeks to be adaptable, resilient, and innovative in navigating our ever-changing industry.

### Values

- Protect Public Health and the Environment
- Sustain Financial Stability
- Be Open and Transparent
- Fairness, Respect, Honesty and Ethics
- Operate Safely
- Provide High Quality Customer Service
- Provide Sustainable, Efficient, Reliable, and Secure Services
- Perform at a High Standard

### Strategic Goals

#### ENVIRONMENTAL PROTECTION AND REGULATORY COMPLIANCE

Meet or exceed environmental and public health standards while preparing for the future regulatory landscape.

#### LONG-TERM FINANCIAL STABILITY AND SUSTAINABILITY

Manage the District's finances to meet funding needs and maintain fair and reasonable water and wastewater rates.

#### WORKFORCE DEVELOPMENT AND PLANNING

Maintain a culture that attracts, retains, and engages a high-performing workforce in support of the District's Mission, [Vision](#), and Values.

#### RESILIENT AND EFFECTIVE OPERATIONS

Improve the resiliency of our operations against emergencies and future uncertainties through planning, long-term partnerships, and integrating technologies that improve the efficiency and effectiveness of our business processes.

#### LONG-TERM INFRASTRUCTURE INVESTMENT

Cost-effectively manage, maintain, and improve infrastructure to deliver sustainable, reliable, high-quality service now and in the future.

#### CUSTOMER SERVICE AND COMMUNITY ENGAGEMENT

Foster confidence and trust in District services through quality customer service, community engagement, education, and partnership efforts.

**STRATEGIC GOAL 1**  
**ENVIRONMENTAL PROTECTION AND REGULATORY COMPLIANCE**

*Meet or exceed environmental and public health standards while preparing for the future regulatory landscape.*

**Strategy 1.A. Strategy:** Minimize impacts to the environment by reducing, recycling, and conserving natural resources.

*Objectives:*

- Increase the use and generation of renewable energy to offset additional future energy demands and reduce greenhouse gas emissions.
- Maximize water recycling to reduce nutrient discharges to San Francisco Bay.
- Conserve potable water supplies through efficiency, conservation and recycling.

**Strategy 1.B. Strategy:** Operate and maintain District facilities to meet or exceed regulatory requirements while preparing for the future regulatory landscape.

*Objectives:*

- Develop and maintain a centralized system for overseeing and tracking regulatory requirements, compliance, and reporting.
- Collaborate with partner agencies to monitor evolving regulatory requirements and explore potential compliance and mitigation strategies.

**STRATEGIC GOAL 2**  
**LONG-TERM FINANCIAL STABILITY AND SUSTAINABILITY**

*Manage the District's finances to meet funding needs and maintain fair and reasonable water and wastewater rates.*

**2.A. Strategy: Ensure financial sustainability through long-term financial planning.**

*Objectives:*

- Maintain ten-year financial planning models that include long-term forecasts of operating and capital expenditures, revenue requirements and rates and charges.
- Plan for rate ~~increases~~ adjustments that are steady, predictable, and based on our ~~strategic~~ business needs.

**2.B. Strategy: Enhance accountability and transparency in financial management.**

*Objectives:*

- Provide accurate, timely and informative financial reports to the Board.
- Regularly ~~review and~~ update financial processes, procedures, and policies to ~~reflect current practices and legal requirements~~ optimize management of the District's finances, including debt, reserves, and investments.

### **STRATEGIC GOAL 3**

#### **WORKFORCE DEVELOPMENT AND PLANNING**

*Maintain a culture that attracts, retains, and engages a safe and high-performing workforce in support of the District's Mission, Vision, and Values.*

**3.A. Strategy:** Sustain a robust safety culture by continuously updating the District's environmental health and safety programs.

Objectives:

- Regularly review and update safety policies and procedures to ensure compliance and relevance.
- Provide ongoing safety training and resources to equip staff with the knowledge and skills to maintain a safe workplace.

**3.AB. Strategy:** Diversify and strengthen the skills of District employees to meet evolving workforce demands ~~through participation in professional organizations and development programs.~~

Objectives:

- Formalize on-the-job training programs in all District departments.
- Establish a mentorship system to support knowledge transfer and encourage professional development.
- ~~Continue to improve~~Strengthen the management and leadership program for employee career and professional growth.
- Leverage technology and foster innovation to elevate the skills of District employees.

**3.BC. Strategy:** Plan for succession of key positions where feasible.

Objectives:

- Provide professional growth opportunities through "stretch" and temporary acting assignments when feasible and supports business needs.
- Update recruitment and selection standard procedures to optimize employee ~~engagement,~~ performance and retention.

**3.CD. Strategy:** Promote a District culture which encourages learning, teamwork, innovation, and recognition.

Objectives:

- Provide ~~inclusive opportunities for~~ employee engagement through programs and initiatives which align with employee interests and support teamwork.
- ~~Provide-Promote~~ employee recognition programs which acknowledge employees for high-level performance and commitment contributions to the District and industry, in support of the District's Mission and Core Values.



## **STRATEGIC GOAL 4**

### **RESILIENT AND EFFECTIVE OPERATIONS**

*Improve the resiliency of our operations against emergencies and future uncertainties through planning, long-term partnerships, and integrating technologies that improve the efficiency and effectiveness of our business processes.*

#### **4.A. Strategy: Strengthen Emergency Preparedness and Response Plans for responding to internal and external incidents.**

##### *Objectives:*

- Update and maintain emergency response and business continuity plans, including support documents for regional coordination and mutual assistance.
- Optimize and invest appropriately in ~~Manage inventory of~~ emergency equipment, materials, and supply contracts.
- Review and exercise emergency communications, critical functions, information technology infrastructure and protocols to support emergency response and recovery preparedness.

#### **4.B. Strategy: Increase the resiliency of District water supplies and operations through long-term partnerships.**

##### *Objectives:*

- ~~Work collaboratively~~Partner with ~~Tri-Valley Water Agencies~~agencies to explore and implement options to diversify and improve the resiliency of our water supply.
- ~~Review and u~~Update Joint Powers Authority and interagency agreements to reflect current practices and provide a vision and framework for meeting future program needs.

#### **4.C. Strategy: Update and maintain a long-term plan to guide technology investments and resources.**

##### *Objectives:*

- Implement technologies that improve the efficiency and effectiveness of business processes.
- Centralize, structure, and manage data to support consistent analysis and reporting.
- Fortify our digital infrastructure and strengthen knowledge and tools needed to protect against risk.

**STRATEGIC GOAL 5**  
**LONG-TERM INFRASTRUCTURE INVESTMENT**

*Cost-effectively manage, maintain, and improve infrastructure to deliver sustainable, reliable, high-quality service now and in the future.*

**5.A. Strategy:** ~~Maintain~~ Prepare coordinated comprehensive facility master plans for all facilities and assets to guide long-term infrastructure investments needed to meet future demands.

*Objectives:*

- Periodically update and maintain a master plan for each group of assets or system that reflects current condition and performance, and addresses improvements needed to meet defined service-level requirements at buildout.

**5.B. Strategy:** Optimize the Asset Management Program to guide District business decisions.

*Objectives:*

- Standardize and implement District-wide procedures and plans for the Asset Management Program.
- Use Leverage asset management data to determine criticality, maximize preventative maintenance to extend the life of assets and budget for long-term capital replacement needs.

**5.C. Strategy:** Manage and implement a prioritized Capital Improvement Program to address long-term infrastructure needs.

*Objectives:*

- Plan and design capital projects to improve resiliency and meet or surpass environmental and regulatory requirements.
- Coordinate and collaborate construction project scheduling with city, county, and stakeholders to minimize impacts on communities.

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**CUSTOMER SERVICE AND COMMUNITY ENGAGEMENT**

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*Objectives:*

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