



TVWD BOARD OF COMMISSIONERS

President Todd Sanders, PhD | Vice President Carl Fisher

Secretary Jim Doane, PE | Treasurer Elliot Lisac | Commissioner Jim Duggan, PE

TUALATIN VALLEY
WATER DISTRICT

Board Meeting Agenda

January 17, 2024

REGULAR SESSION – 6:00 PM – TVWD HEADQUARTERS

CALL TO ORDER

REPORTS BY THE CHIEF EXECUTIVE OFFICER AND MANAGEMENT STAFF

COMMISSIONER COMMUNICATIONS

- A. Reports of meetings attended
- B. Topics to be raised by the Commissioners

PUBLIC COMMENT

This time is set aside for persons wishing to address the Board on items on the Consent Agenda and matters not on the agenda. Additional public comment will be invited on agenda items as they are presented. Each person is limited to five minutes, unless an extension is granted by the Board. Should three or more people testify on the same topic, each person will be limited to three minutes.

1. CONSENT AGENDA

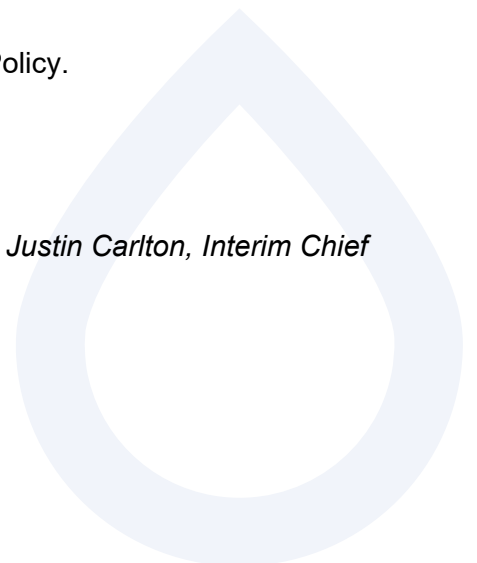
These items are considered to be routine and may be approved in one motion without separate discussion. Any Board members may request that an item be removed by motion for discussion and separate action. Any items requested to be removed from the Consent Agenda for separate discussion will be considered immediately after the Board has approved those items which do not require discussion.

- A. Approve the December 20, 2023, regular meeting minutes.
- B. Consider adoption of the Tualatin Valley Water District Investment Policy.

2. BUSINESS AGENDA

- A. Annual adjustment of System Development Charges. *Staff Report – Justin Carlton, Interim Chief Financial Officer*

ADJOURNMENT



If you wish to attend this meeting remotely or in person, please email sam.kaufmann@twwd.org or call 503-848-3094 by 4:30 p.m. on January 17, 2024.

The meeting is accessible to persons with disabilities and those who need qualified bilingual interpreters. A request for an interpreter for the hearing impaired, a bilingual interpreter or for other accommodations should be made at least 72 hours before the meeting to the contact listed above.

For online meeting information, Commissioner bios and more, visit twwd.org.





TUALATIN VALLEY
WATER DISTRICT

Board Meeting Minutes

December 20, 2023

REGULAR MEETING – 6:00 PM

CALL TO ORDER

Commissioners Present: Jim Doane, PE; Jim Duggan, PE; Carl Fisher; Elliot Lisac, Todd Sanders, PhD

Staff Present: Paul Matthews, Interim Chief Executive Officer; Clark Balfour, General Counsel; Justin Carlton, Interim Chief Financial Officer; Pete Boone, PE, Chief Operating Officer; Dave Kraska, PE, Water Supply Program Director; Andrew Carlstrom, Customer Service Manager; Justin Dyke, Communications Manager; Kylie Bayer, Human Resources Director; and Sam Kaufmann, District Recorder.

REPORTS BY THE CHIEF EXECUTIVE OFFICER AND MANAGEMENT STAFF

Paul Matthews presented the CEO report and Dave Kraska presented his department update.

COMMISSIONER COMMUNICATIONS

A. Reports of meetings attended.

Commissioners described and submitted a list of recently attended meetings (see attached forms).

B. Topics to be raised by the Commissioners.

None.

PUBLIC COMMENT

There were none.

1. CONSENT AGENDA

- A. Approve the November 7, 2023, work session minutes.
- B. Approve the November 15, 2023, regular meeting minutes.
- C. Approve the December 5, 2023, work session minutes.
- D. Consider a resolution establishing regular monthly meeting dates for 2024.
- E. Approval of Regional Water Providers Consortium IGA.

Motion was made by Doane, seconded by Duggan, to approve the Consent Agenda as presented. The motion passed unanimously with Doane, Duggan, Fisher, Lisac and Sanders voting in favor.

2. BUSINESS AGENDA

- A. Tualatin Valley Water District audit presentation and report acceptance. *Staff Report – Justin Carlton, Interim Chief Financial Officer; Julie Desimone, Partner, Moss Adams.*

Justin Carlton introduced Julie Desimone with Moss Adams. Julie Desimone presented an overview of Moss Adams' independent audit of the District's financial statements for the fiscal year ending June 30, 2024.

Motion was made by Lisac, seconded by Fisher, to accept the District's Annual Comprehensive Financial Report for the fiscal years ending June 30, 2023 and 2022. The motion passed unanimously with Doane, Duggan, Fisher, Lisac and Sanders voting in favor.

- B. Chief Executive Officer employment agreement. *Staff Report – Clark Balfour, General Counsel*

Clark Balfour presented his staff report on the Chief Executive Officer employment agreement.

Motion was made by Doane, seconded by Lisac, to adopt Resolution 23-23 to approve the Chief Executive Officer Employment Agreement between the Tualatin Valley Water District and Paul Matthews. The motion passed unanimously with Doane, Duggan, Fisher, Lisac and Sanders voting in favor.

ADJOURNMENT

There being no further business, President Sanders adjourned the meeting at 6:42 p.m.

3. EXECUTIVE SESSION

An executive session of the Board was called under ORS 192.660(2)(h) to consult with counsel concerning the legal rights and duties of a public body with regard to current litigation or litigation likely to be filed.

Todd Sanders, President

Jim Doane, Secretary





1

TVWD SUPPLY UPDATE

TVWD has activated the “Backdown System” to bring Portland water into our distribution system over Sylvan Hill while the Washington County Supply Line is out of service for the WWSS MPE connection work in Beaverton-Hillsdale Highway.

The Backdown System has a capacity of approximately 7 MGD and delivers water to the Wolf Creek portion of the service area. Total demand in the Wolf Creek area is currently around 15 MGD, so the remainder is being supplied by the JWC.

Fluoridation in the Wolf Creek area has also been paused during this operational period. Metzger continues to receive about 1.5 MGD from Portland and remains unfluoridated.

2

CITY OF BANKS DRC SERVICES

The City of Banks requested Direct Responsible Charge (DRC) services from the District.

The District entered into a memorandum of understanding (MOU) with the City to provide those DRC services and other operational support services.

TVWD staff will assist the City's team and oversee the operation of its slow-sand filter plant, distribution system operations, and emergency response services.

JWC AND BARNEY BOARD ASSIGNMENTS

Officer elections will occur at the upcoming meetings of the Barney Reservoir Joint Operating Commission (BRJOC) and the Joint Water Commission (JWC).

TVWD is not scheduled to serve as the chair of either commission. Without Board action, our assignments will remain unchanged until July.

Our current assignments are:

JWC: Commissioner Sanders (Executive Committee Member), Commissioner Doane, and Commissioner Lisac

BRJOC: Commissioner Sanders (Voting Member), Commissioner Doane (Primary Alternate), and Commissioner Lisac (Secondary Alternate)

UPDATE ON PFAS CLASS ACTION SETTLEMENT

The District considered settlements of contamination from per- and polyfluoroalkyl substances (PFAS) as part of two separate class action lawsuits brought against manufacturers of PFAS, 3M and DuPont.

As discussed previously with the Board, District decided to “opt out” of the current class action settlements.

Most PFAS detections have been in groundwater but all community water systems in the US were automatically included in the settlements. Payments would be based on a formula of detection levels and barred from any future PFAS litigation against 3M and DuPont.

Given that TVWD has not had any PFAS detections its sources, including the Willamette, “opting out” made the most sense to preserve all rights to participate in future litigation should PFAS contamination become an issue for TVWD.

5 | CEO and Management Staff Report



5

DEPARTMENT REPORT

WWSP Program Director Dave Kraska will present the department report this evening.

6 | CEO and Management Staff Report



6

Willamette Water Supply
Our Reliable Water

WWSP Department Report Preparing Baseline 9.0

December 20, 2023

7

Outline

- Baseline Background and Components
- WWSP Contingency and Management Reserve
- Forecast Baseline 9.0 Budget

Willamette Water Supply
Our Reliable Water

8

8

What is the Baseline?



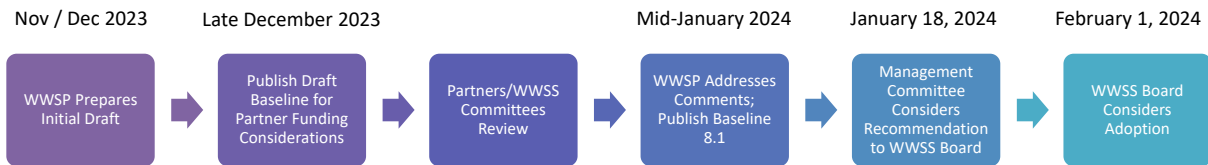
Why adopt a Baseline and when?

- Board to adopt a capital improvement plan (IGA Section 5 & 8)
- Component of WWSS Financial Procedures (IGA Exhibit 6)
- Part of WWSS governance (WWSS MAM)
- Updated annually and modified if needed

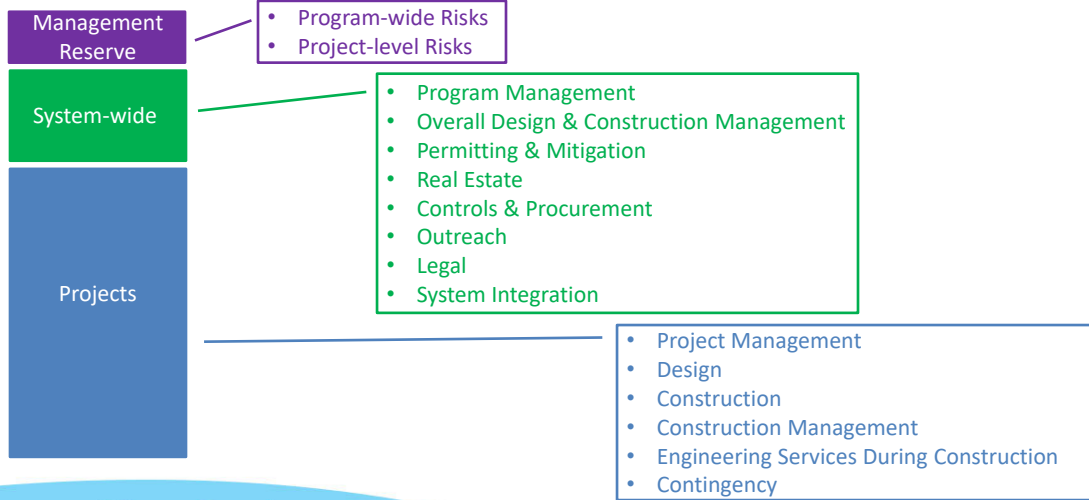
How is it used?

- Planning and managing work
- Establishing fiscal year budgets
- Detecting potential changes or variances
- Input to risk analysis and management
- Reporting to Board, Partners, WIFIA, and public
- Input to financial forecasting by Partners

Annual Baseline preparation and review schedule

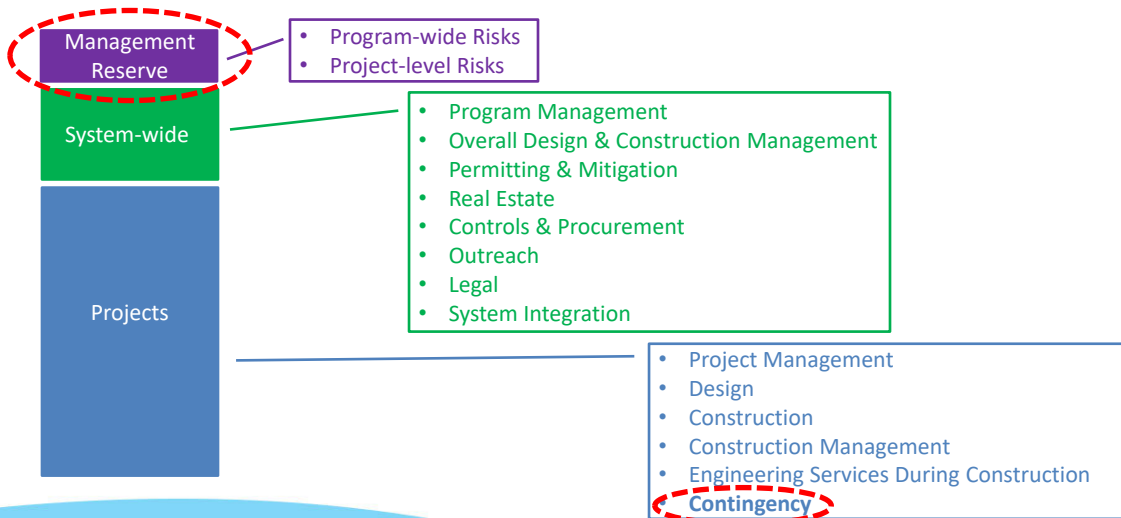


The Baseline cost estimate has 3 main components



11

Contingency and Management Reserve are separate, key components of the Baseline budget



12

Project Contingency versus Management Reserve

Project Contingency

Changes within the scope of the project, and minor price fluctuations

- MPE_1.2 – Change of work hours to accommodate Beaverton School District
- PLM_4.3 – Revisions to size and location of appurtenances
- PLM_5.2 – Added accessway, additional survey during construction

Management Reserve

Changes above Project Contingency intent/amount, changes to System-wide and IGA costs, and Owners' scope adds

- RWF_1.0 GMP 2 – Bid value significantly higher than anticipated
- Owners' Water Supply Integration Communications project
- Partnering costs on Washington County IGAs higher than anticipated

History Baseline Budgets

Year	Baseline	Total Budget (\$B)	Management Reserve (\$M)	Notes
2016	1.1	1.17	90.7	Management Reserve estimated
2017	2.1	1.23	75.0	WTP moved, RWF predesign completed
2018	3.1	1.23	57.0	RWF construction phased, added Blake St.
2019	4.1	1.26	43.3	Program refinements, MPE_1.0
2020	5.1	1.31	39.4	WTP & PLW_2.0 refinements, added COB_1.0
2021	6.1	1.29	52.9	WWSS MC & Board actions to control cost
2022	7.0	1.62	78.9	Budget increase from extreme inflation
2023	8.1	1.62	58.8	Draws from MR due to higher bids

History Baseline Budgets

Year	Baseline	Total Budget (\$B)	Management Reserve (\$M)	Notes
2016	1.1	1.17	90.7	Management Reserve estimated
2017	2.1	1.23	75.0	WTP moved, RWF predesign completed
2018	3.1	1.23	57.0	RWF construction phased, added Blake St.
2019	4.1	1.26	43.3	Program refinements, MPE_1.0
2020	5.1	1.31	39.4	WTP & PLW_2.0 refinements, added COB_1.0
2021	6.1	1.29	52.9	WWSS MC & Board actions to control cost
2022	7.0	1.62	78.9	Budget increase from extreme inflation
2023	8.1	1.62	58.8	Draws from MR due to higher bids
2024	9.0	1.62	TBD	TBD

15

QUESTIONS?

16

CONSENT AGENDA

- A. Approve the November 7, 2023, work session minutes.
- B. Approve the November 15, 2023, regular meeting minutes.
- C. Approve the December 5, 2023, work session minutes.
- D. Consider a Resolution establishing regular monthly meeting dates for 2024.
- E. Approval the of Regional Water Providers Consortium IGA.

17 |



17



18

OVERVIEW OF PRESENTATION

Tonight's Presentation

- Introductions and financial highlights
- Presentation by Moss Adams
- Staff closing remarks and recommendation



19



Tualatin Valley Water District

December 20, 2023, Board Meeting

2023 Audit Results

20

AGENDA

1. Engagement Team
2. Nature of Services Provided
3. Significant Audit Areas
4. Auditor Opinions / Reports
5. Required Communications
6. Audit Adjustments
7. Internal Control Matters



21

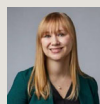
YOUR DEDICATED TEAM



Julie Desimone
Partner



Keith Simovic
Partner



Laurel Stevens
Audit Senior Manager



Ayde Alvarado
Manager, In-Charge Auditor



3



22

NATURE OF SERVICES PROVIDED

1 Independent Auditors' Report on the individual and combined financial statements of Tualatin Valley Water District

2 Assistance with, and technical review of the financial statements for compliance with GAAP

3 Report of Independent Auditors' on Internal Control Over Financial Reporting and on Compliance in Accordance with *Government Auditing Standards*

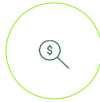
4 Disclosures and Independent Auditors' Comments Required by the Minimum Standards for Audits of Oregon Municipal Corporations

5 Report of independent auditors on compliance for the major federal programs and report on internal control over compliance as required by the Uniform Guidance

6 Communication to Those Charged with Governance



SIGNIFICANT AUDIT AREAS



WORK ORDERS-
CLASSIFICATION



IT SECURITY AND ACCESS



INVESTMENTS
AND COMPONENT
UNIT REPORTING




CONSISTENT
APPLICATION OF
INTERNAL
CONTROLS



COMPLIANCE
WITH FEDERAL
LAWS AND
REGULATIONS,
SINGLE AUDIT
AND OREGON
MINIMUM
STANDARDS





**AUDIT OPINION/
REPORTS**

Financial Statements	Government Auditing Standards Report	Oregon Minimum Audit Standards Report	Single Audit Report
Unmodified (clean) opinion on financial statement	No findings	No findings	No findings

**TUALATIN VALLEY
WATER DISTRICT**

25

REQUIRED COMMUNICATION

- Auditor's responsibility under auditing standards
- Significant accounting policies
- Management judgements & accounting estimates
- Management's consultation with other accountants
- No disagreements with management
- No difficulties in performing the audit

**TUALATIN VALLEY
WATER DISTRICT**

26

AUDIT ADJUSTMENTS

Audit Adjustments	Amount
None noted	
Passed Audit Adjustments	Amount
Passed adjustment made by management for three SBITA contracts:	Total asset and liability of approximately \$150,000



27



CONTACT US



+ Julie Desimone Julie.desimone@mossadams.com (503) 478-2101	+ Ayde Alvarado ayde.alvarado@mossadams.com (971) 313-5071
--	---



28




THANK
YOU

29

STAFF RECOMMENDATION

By motion of the Board, accept the report of the independent auditor and the District's Annual Comprehensive Financial Report for the fiscal years ended June 30, 2023 and 2022.



30





Report of Meetings Attended

Commissioner Todd Sanders

Date	Meeting or Function	Purpose	\$	Claimed
12/20	Monthly Board meeting	Monthly Board meeting	50	X Yes No
12/12	Board Agenda Setting Meeting	Set Dec Board Meeting	50	x Yes <input type="checkbox"/> No
12/13	Meeting with Norm Eder	Updates on intergovernmental Relations	50	X Yes No
12/7	Bi weekly Meeting with CEO	Meet with Paul Matthews	50	x Yes <input type="checkbox"/> No
12/5	Monthly Work session	Monthly work session	50	X Yes No
12/4	Meeting with Norm Eder	Updates on intergovernmental Relations	50	x Yes <input type="checkbox"/> No
11/30	Bi weekly Meeting with CEO	Meet with Paul Matthews	50	x Yes <input type="checkbox"/> No
11/28	Meeting with Norm Eder	Updates on intergovernmental Relations	50	x Yes <input type="checkbox"/> No
11/15	November Board Meeting	Monthly Board meeting	50	x Yes <input type="checkbox"/> No
11/14	Board Agenda Meeting	Set Nov Board Meeting	50	X Yes <input type="checkbox"/> No
11/13	Meeting with Norm Eder	Updates on intergovernmental Relations	50	X Yes <input type="checkbox"/> No
11/9	Bi weekly Meeting with CEO	Meet with Paul Matthews	50	X Yes <input type="checkbox"/> No
11/7	November Work Session	Monthly Work Session	50	X Yes <input type="checkbox"/> No
11/2	Meeting with CEO	Meet with Paul Matthews	50	X Yes <input type="checkbox"/> No

Date: 12/20/2023

Requested by: Todd Sanders

Commissioner

Date: 12/20/23

Approved by: 

President *Sec*



TUALATIN VALLEY
WATER DISTRICT

Report of Meetings Attended

Commissioner Todd Sanders

Date	Meeting or Function	Purpose	\$	Claimed
11/2	North Plains Meeting	Meet with Admin	50	X Yes No
10/31	Meeting with Norm Eder	Updates on Intergovernmental relations	50	x Yes <input type="checkbox"/> No
10/26	Meeting with CEO	Meet with Paul Matthews	50	X Yes No
10/25	Talking Water	Lunch Talking Water for Nov	50	x Yes <input type="checkbox"/> No
10/19	Meeting with CEO	Meet with Paul Matthews	50	XYes No

OK To Pay \$950.00 - SK

Date: 12/20/2023

Requested by: Todd Sanders

Commissioner

Date: 12/20/23

Approved by: [Signature]
President sect

ORS 198.190, "A member of the governing body of a district may receive, not to exceed \$50.00 for each day or portion thereof as compensation for services performed as a member of the governing body. Such



TUALATIN VALLEY
WATER DISTRICT

Report of Meetings Attended

Commissioner: Carl Fisher

Date: 12/20/2023

Date	Meeting or Function	Purpose	\$	Claimed
12/20/23	TVWD Boad Meeting	Regular Meeting	50	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
12/13/23	WEA Event	Meet & Greet	50	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
12/12/23	Agenda Planning Meeting	Met with Paul Mathews and Comm. Sanders to plan next board meeting	50	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
12/05/23	TVWD Work Session	Regular Worksession	50	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No

OK To Pay \$200.00 - SK

Date: 12/20/23

Approved by:

President Secretary

ORS 198.190, "A member of the governing body of a district may receive, not to exceed \$50.00 for each day or portion thereof as compensation for services performed as a member of the governing body. Such compensation shall not be deemed lucrative. The governing body may provide for reimbursement of a member for actual and reasonable traveling and other expenses necessarily incurred by a member in performing official duties." *Please note that in accordance with ORS 294.331 (3), members of the budget committee shall receive no compensation for their services as members of such committee.*

In accordance with Board Policies, an amount equal to the unclaimed reimbursements for meetings will be transferred to the District's Customer Emergency Assistance Fund.



TUALATIN VALLEY WATER DISTRICT

Report of Meetings Attended

Commissioner Doane

Date	Meeting or Function	Purpose	\$	Claimed
12/4	Mtg with Paul		50	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
12/5	Work Session		50	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
12/2- 0	Regular Myg		50	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No

20 December 2023 _____

Requested by: Jim Doane

Commissioner

Date: 12/20/23

Approved by: _____

President

**OK To Donate \$150.00 to
CEAF - SK**

ORS 198.190, "A member of the governing body of a district may receive, not to exceed \$50.00 for each day or portion thereof as compensation for services performed as a member of the governing body. Such compensation shall not be deemed lucrative. The governing body may provide for reimbursement of a member for actual and reasonable traveling and other expenses necessarily incurred by a member in performing official duties." *Please note that in accordance with ORS 294.331 (3), members of the budget committee shall receive no compensation for their services as members of such committee.*

In accordance with Board Policies, an amount equal to the unclaimed reimbursements for meetings will be transferred to the District's Customer Emergency Assistance Fund.



Report of Meetings Attended

Commissioner Jim Duggan

Date	Meeting or Function	Purpose	\$	Claimed
12/05/2023	TVWD Board Work Session	Updates – RWPC IGA	50	x Yes <input type="checkbox"/> No
12/07/2023	WWSS Board Mtg. & Exec. Sess.	WTP-1.0 GMP2 Contract	50	x Yes <input type="checkbox"/> No
12/12/2023	Wash. Co. CPO#1	Local Updates & X-ings	50	x Yes <input type="checkbox"/> No
12/20/2023	TVWD Board Mtg. & Exec. Sess.	Regular Monthly Mtg.	50	x Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No


Date: 12/20/2023

Requested by: James. J. Duggan

OK To Pay \$200.00 - SK

Commissioner

Date: 12/20/23

Approved by: 

President

ORS 198.190, "A member of the governing body of a district may receive, not to exceed \$50.00 for each day or portion thereof as compensation for services performed as a member of the governing body. Such compensation shall not be deemed lucrative. The governing body may provide for reimbursement of a member for actual and reasonable traveling and other expenses necessarily incurred by a member in performing official duties." *Please note that in accordance with ORS 294.331 (3), members of the budget committee shall receive no compensation for their services as members of such committee.*

In accordance with Board Policies, an amount equal to the unclaimed reimbursements for meetings will be transferred to the District's Customer Emergency Assistance Fund.



TUALATIN VALLEY
WATER DISTRICT

Report of Meetings Attended

Commissioner: Lisac

Date: 12/20/23

Date	Meeting or Function	Purpose	\$	Claimed
12/5/23	TVWD work session	District priorities	50	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
12/20/23	TVWD Board Meeting	December meeting	50	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No

OK To Pay \$100.00 - SK

Date: 12/20/23

Approved by: 

President Secretary

ORS 198.190, "A member of the governing body of a district may receive, not to exceed \$50.00 for each day or portion thereof as compensation for services performed as a member of the governing body. Such compensation shall not be deemed lucrative. The governing body may provide for reimbursement of a member for actual and reasonable traveling and other expenses necessarily incurred by a member in performing official duties." *Please note that in accordance with ORS 294.331 (3), members of the budget committee shall receive no compensation for their services as members of such committee.*

In accordance with Board Policies, an amount equal to the unclaimed reimbursements for meetings will be transferred to the District's Customer Emergency Assistance Fund.



TUALATIN VALLEY

WATER DISTRICT

Date: January 17, 2024
To: Board of Commissioners
From: Justin Carlton, Interim Chief Financial Officer
Subject: Annual Adoption of the Investment Policy for the Tualatin Valley Water District

Requested Board Action:

Consider a resolution adopting the Investment Policy for the Tualatin Valley Water District.

Key Concepts:

- Oregon Revised Statute (ORS) 294.135 requires the District to adopt its Investment Policy annually to allow for the purchase of securities with maturities that exceed 18 months.
- In consultation with the District's investment advisor, Government Portfolio Advisors (GPA), staff recommends minor adjustments to the District's current Investment Policy.
- The Investment Policy attached in the proposed resolution maintains compliance with Oregon statutes and Oregon Short Term Fund Board (OSTFB) guidance.

Background:

The District's Investment Policy allows for the purchase of securities with maturities exceeding 18 months, making it subject to ORS 294.135 and the requirement that the policy be adopted by the Board of Commissioners annually. Each year, staff reviews the existing policy with GPA to verify that the policy meets the District's portfolio management needs, complies with statutory requirements, and is consistent with OSTFB guidance. In 2009, the OSTFB approved the District's Investment Policy and all subsequent amendments to the Investment Policy have conformed to OSTFB guidance, even though that guidance has evolved since 2009.

On its website, the OSTFB offers a sample investment policy as a template for local governments and agencies to use in drafting their own comprehensive policies. The sample policy was last updated on March 2, 2015. Although the District's policy has been adopted eight times annually since then, and still meets OSTFB standards generally, it could benefit from some updates to achieve better alignment with the current OSTFB guidance and template. The District's current policy was adopted on January 18, 2023 (Resolution 01-23).

Based on consultation with GPA, staff recommends changes for 2024 that will bring the District's policy into closer alignment with current OSTFB guidance. These changes are summarized below, by section:

- Section 1. Purpose: This is a new section that outlines the purpose for the policy document.
- Section 6. Transaction Counterparties: This is a new section that identifies the minimum requirements to approve broker/dealers and investment advisors.
- Section 7. Administration and Operations: This section exists in the current policy, but is titled *Safekeeping, Accounting, and Controls*. In the 2024 policy, this section covers the same topics but adds a subsection to identify the basis with which trades will be executed (i.e., delivery vs. payment or DVP basis).

The following sections are also new as standalone sections, however, the content within them is nearly identical to subsections in the current policy. The content is now presented in this way to bring the organization of the District's policy into closer alignment with the OSTFB template:

Section 10. Investment of Proceeds from Debt Issuance

Section 11. Investment of Reserve or Capital Improvements

Section 12. Guideline Measurement and Adherence

Other minor changes have been made throughout the proposed policy to align it with the current OSTFB standard and the District's current practices. As always, the policy complies with ORS 294.135 and is intended to outline the appropriate parameters with which the District can make investments on behalf of its customers.

Budget Impact:

The cost to prepare the District's investment policy is included in the District's 2023-25 biennial budget. Therefore, this action has no budget impact.

Staff Contact Information:

Justin Carlton; Interim Chief Financial Officer; 503-848-3070; justin.carlton@twwd.org
Joe Healy; Senior Management Analyst; 503-848-3085; joe.healy@twwd.org

Attachments:

Proposed resolution
Exhibit A: Investment Policy

Leadership Team Initials:

Chief Executive Officer	<i>PC</i>	Customer Service Manager	<i>AC</i>
Chief Operating Officer	<i>PDB</i>	IT Services Director	<i>(TB)</i>
Interim Chief Financial Officer	<i>PC</i>	Human Resources Director	<i>AB</i>
General Counsel	<i>CB</i>	Water Supply Program Director	<i>(TB)</i>
Communications Manager	<i>SD</i>		





TUALATIN VALLEY
WATER DISTRICT

RESOLUTION NO. 01-24

A RESOLUTION ADOPTING THE INVESTMENT POLICY FOR THE TUALATIN VALLEY WATER DISTRICT.

WHEREAS, the Board of Commissioners (Board), in compliance with ORS 294.135, adopts the District's Investment Policy annually; and

WHEREAS, the Investment Policy was last adopted by the Board through its approval of Resolution 01-23 on January 18, 2023; and

WHEREAS, the Investment Policy provides guidance on investment decisions and operating principles for the effective management of financial risk, portfolio diversification and internal controls, and allows for the purchase of investments having a maturity longer than 18 months as allowed by ORS 294.135; and

WHEREAS, the Investment Policy remains in compliance with ORS 294.035 regulating the investment of public funds by municipal subdivisions and policy guidelines established by the State of Oregon Short Term Fund (OSTF) Board; and

WHEREAS, the OSTF Board approved the District's Investment Policy in April 2009, and subsequent amendments to the Investment Policy since that time have conformed with OSTF guidance.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE TUALATIN VALLEY WATER DISTRICT THAT:

Section 1: The Investment Policy attached hereto as Exhibit A and incorporated by reference is hereby adopted, and staff is directed to implement in the ordinary course of the District's business.

Approved and adopted at a regular meeting held on the 17th day of January 2024.

Todd Sanders, President

Jim Doane, Secretary

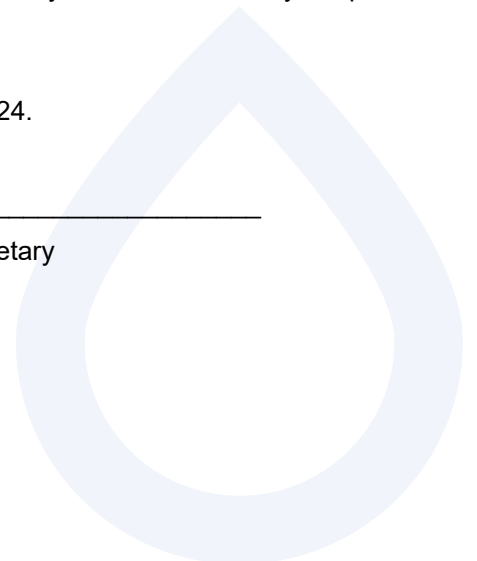


Exhibit A

INVESTMENT POLICY



TUALATIN VALLEY
WATER DISTRICT

Adopted January 17, 2024

TABLE OF CONTENTS

1. Purpose 2

2. Governing Authority 2

3. Scope 2

4. Objectives 3

5. Standards of Care 3

6. Transaction Counterparties 4

7. Administration and Operations 7

8. Authorized and Suitable Investments 8

9. Investment Parameters 9

10. Investment of Proceeds from Debt Issuance 11

11. Investment of Reserve or Capital Improvements..... 12

12. Guideline Measurement and Adherence 12

13. Reporting and Disclosure..... 12

14. Investment Policy Adoption 13

15. Glossary of Investment Terms 14

1. PURPOSE

This Investment Policy defines the parameters within which funds are to be invested by Tualatin Valley Water District (The District). This policy formalizes the framework, pursuant to Oregon Revised Statutes (ORS) 294.135, for Tualatin Valley Water District's investment activities to ensure effective and judicious management of funds within the scope of this policy.

These guidelines are intended to be broad enough to allow designated investment staff to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.

This policy has been adopted by Resolution No. 01-24 by the District's Board of Commissioners on January 17, 2024 and replaces the District's previous Investment Policy.

2. GOVERNING AUTHORITY

The investment program shall be operated in conformance with ORS and applicable federal law. Specifically, this investment policy is written in conformance with ORS 294.035; 294.040; 294.052; 294.135; 294.145 and 294.810. All funds within the scope of this policy are subject to laws established by the State of Oregon. Revisions and extensions of these sections of the ORS shall be assumed to be part of this Investment Policy immediately upon being enacted.

3. SCOPE

This policy applies to activities of Tualatin Valley Water District with regard to investing the financial assets of all funds as defined by the District in its Chart of Accounts except that funds held by trustees or fiscal agents are excluded from these rules; however, all funds are subject to regulations established by the State of Oregon.

Other than bond proceeds or other unusual situations, the total of all funds ranges from \$40,000,000 to \$300,000,000. The Chart of Accounts currently defines the following funds that are not held by trustee or fiscal agent:

- Cash Pool
- General Fund
- Capital Improvement Fund
- Capital Reserve Fund
- System Development Charges (SDC) Fund
- Bond Construction Fund
- WIFIA Proceeds Fund
- 2023 Revenue Bond Fund
- 2024 Revenue Bonds Fund
- Revenue Bond Debt Service Fund
- Willamette River Water Coalition
- Customer Emergency Assistance Fund
- Willamette Intake Facilities
- Willamette Water Supply System

If, in the course of its activities, the District should define further funds (not held by trustee or fiscal agent), these rules shall also apply to the investment of the financial assets of those new funds. These funds will be invested in compliance with the provisions of, but not necessarily limited to, ORS 294.035 through ORS

294.048; and ORS 294.125 through ORS 294.155. Investment of tax-exempt borrowing proceeds and related debt service funds will comply with the arbitrage restrictions on applicable Internal Revenue Codes.

4. OBJECTIVES

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

4.1 Preservation of Invested Capital:

Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The goal is to mitigate credit risk and interest rate risk.

4.2 Liquidity:

The investment portfolio shall remain sufficiently liquid to meet reasonably anticipated operating requirements. Furthermore, the portfolio should consist largely of securities with active secondary or resale markets. A portion of the portfolio also may be placed in the Oregon Short Term Fund which offers next-day liquidity. Where possible and prudent, the portfolio should be structured so that investments mature concurrent with anticipated demands.

4.3 Return:

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into consideration the safety and liquidity needs of the portfolio. Although return consists of both principal return (gains and losses due to market value fluctuations) and income return (yield), this policy discourages active trading and turnover of investments. Investments should generally be held to maturity.

5. STANDARDS OF CARE

5.1 Prudence:

The standard of prudence to be used by investment officials shall be the "prudent person" standard, and shall be applied in the context of managing an overall portfolio. Investment Officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported and appropriate action is taken to control adverse developments within a timely fashion as defined in this policy.

The "prudent person" standard states:

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

5.2 Ethics and Conflict of Interest:

District officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that

could impair their ability to make impartial decisions. Employees and investment officials shall disclose to the Chief Executive Officer any material interests in financial institutions with which they conduct business. They shall further disclose any person financial/investment positions that could be related to the performance of the investment portfolio. Employees, officers, and their families shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the District. Officers and employees shall, at all times, comply with the State of Oregon's Government Ethics requirements set forth in ORS 244.

5.3 Delegation of Authority and Responsibilities:

- A. Governing Body:** The Board of Commissioners retains ultimate fiduciary responsibility for invested funds. The governing body will receive reports, pursuant to, and with sufficient detail to comply with ORS 294.085 and 294.155.
- B. Delegation of Authority:** Authority to manage investments within the scope of this policy and operate the investment program in accordance with established written procedures and internal controls is granted to the Chief Financial Officer, hereinafter referred to as Investment Officer, and derived from the following: ORS 294.035 to 294.053, 294.125 to 294.145, and 294.810. The Investment Officer is responsible for investment decisions, under the review of the Board of Commissioners.

The Investment Officer may delegate authority to another employee to perform all or some of the duties of the Investment Officer.

No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and supporting procedures.

- C. Investment Committee:** The Investment Officer may seek to establish an investment committee to provide guidance to the Investment Officer and monitor investment policy compliance.
- D. Investment Advisor:** Subject to required procurement procedures, the District may engage the support services of one or more external investment managers to assist in the management of the District investment portfolio in a manner consistent with this investment policy. Investment advisors may be hired on a discretionary or non-discretionary basis. If the District hires an investment advisor to provide investment advisory services, the investment advisor is authorized to transact with its direct dealer relationships on behalf of the District.

6. TRANSACTION COUNTERPARTIES

6.1: Broker/Dealers:

The Investment Officer shall determine which broker/dealer firms and registered representatives are authorized for the purposes of investing funds within the scope of this investment policy. A list will be maintained of approved broker/dealer firms and affiliated registered representatives. Any firm is eligible

to make an application to the District, and on due consideration and approval, may be added to the list. Additions or deletions to the list will be made at the Investment Officer's discretion. The following minimum criteria must be met prior to authorizing investment transactions. The Investment Officer may impose more stringent criteria.

- A. Broker/Dealer firms must meet the following minimum criteria:
 - i. Be registered with the Securities and Exchange Commission (SEC).
 - ii. Be registered with the Financial Industry Regulatory Authority (FINRA).
 - iii. Provide most recent audited financials.
 - iv. Provide FINRA Focus Report filings.

- B. Approved broker/dealer employees who execute transactions with the District must meet the following minimum criteria:
 - i. Be a registered representative with FINRA;
 - ii. Be licensed by the State of Oregon;
 - iii. Provide certification (in writing) of having read; understood; and agreed to comply with the most current version of this investment policy.

- C. Periodic (at least annual) review of all authorized broker/dealers and their respective authorized registered representatives will be conducted by the Investment Officer. Factors to consider would be:
 - i. Pending investigations by securities regulators
 - ii. Significant changes in net capital
 - iii. Pending customer arbitration cases
 - iv. Regulatory enforcement actions

- D. The Investment Officer shall maintain and review annually a list of all authorized financial institutions and broker/dealers that are approved to transact with the District for investment purposes. The Investment Officer, or designee may use the investment advisor's approved broker/dealer list in lieu of the District's own approved list. The investment advisor must submit the approved list to the District annually and provide updates throughout the year as they occur. The investment advisor must maintain documentation of appropriate license and professional credentials of broker/dealers on the list. The annual investment advisor broker/dealer review procedures should include:
 - i. FINRA Certification Check
 - Firm Profile
 - Firm History
 - Firm Operations
 - Disclosures of Arbitration Awards, Disciplinary and Regulatory Events
 - State Registration Verification
 - ii. Financial Review of acceptable FINRA capital requirements or letter of credit for clearing settlements.

The investment advisors must provide the District with changes to the list prior to transacting on behalf of the District. The advisor may be authorized through the contracted agreement to open accounts on behalf of the District with the broker/dealers on the approved list. The District will

receive documentation directly from the brokers for account verification and regulatory requirements.

6.2: Investment Advisors

A list will be maintained of approved investment advisors selected by conducting a process of due diligence.

- A. The following items are required for all approved investment advisors:
 - i. The investment advisor's firm must be registered with the Securities and Exchange Commission (SEC) or licensed by the State of Oregon; *(Note: Investment advisor's firms with assets under management exceeding \$100 million must be registered with the SEC, otherwise the firm must be licensed by the State of Oregon).*
 - ii. All investment advisor firm representatives conducting investment transactions on behalf of the District must be registered representatives with FINRA.
 - iii. All investment advisor firm representatives conducting investment transactions on behalf of District must be licensed by the State of Oregon.
 - iv. Contract terms will include that the investment advisor will comply with the District's Investment Policy.

- B. A periodic (at least annual) review of all authorized investment advisors under contract will be conducted by the Investment Officer to determine their continued eligibility within the portfolio guidelines. The investment advisor must notify the District immediately if any of the following issues arise while serving under a District contract:
 - i. Pending investigations by securities regulators
 - ii. Significant changes in net capital
 - iii. Pending customer arbitration cases
 - iv. Regulatory enforcement actions

6.3: Depositories

All financial institutions who desire to become depositories must be qualified Oregon Depositories pursuant to ORS Chapter 295.

6.4: Competitive Transactions

Each investment transaction shall be competitively transacted with broker/dealers who have been authorized by the District or investment advisory firm. At least two broker/dealers shall be contacted for each transaction and their bids and offering prices shall be recorded. A record, subject to District archiving policy, shall be maintained by the District of all bids and offerings for security transactions in order to ensure that the District receives competitive pricing.

If the District is offered a security for which there is no readily available competitive offering, then the Investment Officer shall document quotations for comparable or alternative securities. When purchasing original 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.

7. ADMINISTRATION AND OPERATIONS

7.1: Delivery vs. Payment

All trades of marketable securities will be executed on a delivery vs. payment (DVP) basis to ensure that securities are deposited in the District's safekeeping institution prior to the release of funds.

7.2: Third-Party Safekeeping

Securities will be held by an independent third-party safekeeping institution selected by the District. All securities will be evidenced by safekeeping receipts in the District's name. All securities will be receipted and recorded based on the terms in the custodial contract. The custodian shall provide monthly statements and accrual basis reports to the District listing security holdings, issuer, coupon, maturity, CUSIP number, purchase or sale price, transaction date, accrued interest, and other pertinent information. The District will have online access through the safekeeping bank for verification of the account holdings and transactions. Upon request, the safekeeping institution shall make available a copy of its Statement on Standards for Attestation Engagements (SSAE) No. 16.

7.3: Internal Controls

The Investment Officer shall maintain a system of written internal controls which shall be reviewed and tested by the independent auditor at least annually or upon any extraordinary event, e.g., turnover of key personnel, the discovery of any inappropriate activity. The internal controls shall address the following points at a minimum:

- i. Compliance with Investment Policy
- ii. Control of Collusion
- iii. Separation of transaction authority from accounting and record keeping
- iv. Custodial safekeeping
- v. Avoidance of physical delivery of securities whenever possible and address control requirements for physical delivery where necessary
- vi. Clear delegation of authority to subordinate staff members
- vii. Confirmation of transactions for investments and wire transfers in written or digitally verifiable electronic form
- viii. Dual authorizations of wire and automated clearing house (ACH) transfers
- ix. Staff training
- x. Review, maintenance, and monitoring of security procedures both manual and automated

7.4: Accounting Method

The District shall comply with generally accepted accounting principles (GAAP). The accounting principles are those contained in the pronouncements of the authoritative bodies including, but not necessarily limited to, the American Institute of Certified Public Accountants (AICPA); the Financial Accounting Standards Board (FASB); and the Government Accounting Standards Board (GASB).

8. AUTHORIZED AND SUITABLE INVESTMENTS

8.1: Permitted Investments

All investments of the District shall be made in accordance with: ORS 294.035 (Investment of surplus funds of political subdivisions; approved investments), ORS 294.040 (Restriction on investments under ORS 294.035), ORS 294.135 (Investment maturity dates), ORS 294.145 (Prohibited conduct for Investment Officer including not committing to invest funds or sell securities more than 14 business days prior to the anticipated date of settlement), ORS 294.805 to 294.895 (Local Government Investment Pool). Any revisions or extensions of these sections of the ORS shall be assumed to be part of this Investment Policy immediately on being enacted. Minimum credit ratings and percentage limitations apply to the time of purchase.

8.2: Suitable Investments

US Treasury Obligations: Direct obligations of the United States Treasury whose payment is guaranteed by the United States. [ORS 294.035(3)(a)]

US Agency Obligations: Federal agency and instrumentalities of the United States or enterprises sponsored by the United States Government (GSE) and whose payment is guaranteed by the United States, the agencies and instrumentalities of the United States or enterprises sponsored by the United States Government. [ORS Section 294.035(3)(a)]

Municipal Debt: Lawfully issued debt obligations of the states of Oregon, California, Idaho, and Washington and political subdivisions of those states if the obligations have a long-term rating on the settlement date of AA- or better by S&P, Aa3 or better by Moody's, or equivalent rating by any nationally recognized statistical rating organization, or are rated on the settlement date in the highest category for short-term municipal debt by a nationally recognized statistical rating organization. [ORS Section 294.035(3)(c)]

Corporate Notes: Corporate Indebtedness subject to a valid registration statement on file with the Securities and Exchange Commission or issued under the authority of section 3(a)(2) or 3(a)(3) of the Securities Act of 1933, as amended. Corporate indebtedness must be rated on the settlement date AA- or better by S&P, Aa3 or better by Moody's, or equivalent rating by any nationally recognized statistical rating organization. [ORS 294.035(3)(i)]

Commercial Paper: Corporate Indebtedness subject to a valid registration statement on file with the Securities and Exchange Commission or issued under the authority of section 3(a)(2) or 3(a)(3) of the Securities Act of 1933, as amended. Commercial Paper must be rated A1 or better by S&P, or P1 or better by Moody's or equivalent rating by any nationally recognized statistical rating organization. Issuer constraints for commercial paper combined with corporate notes will be limited by statute to 5% of market value per issuer. [ORS 294.035(3)(i)]

Bank Deposit/ Savings Accounts: Time deposit open accounts or savings accounts in insured institutions as defined in ORS Section 706.008, in credit unions as defined in ORS Section 723.006 or in federal credit unions, if the institution or credit union maintains a head office or a branch in Oregon. [ORS Section 294.035(3)(d)(e)]

Certificates of Deposit: Certificates of deposit in insured institutions as defined in ORS 706.008, in credit unions as defined in ORS Section 723.006 or in federal credit unions, if the institution or credit union maintains a head office or a branch in Oregon. [ORS Section 294.035(3)(d)]

Bankers' Acceptances: A short-term credit investment created by a non-financial firm and guaranteed by a qualified financial institution whose short-term letter of credit rating is rated in the highest category without any refinement or gradation by one or more nationally recognized statistical rating organization. For the purposes of this paragraph, "qualified financial institution" means: (i) A financial institution that is located and licensed to do banking business in the State of Oregon; or (ii) A financial institution that is wholly owned by a financial holding company or a bank holding company that owns a financial institution that is located and licensed to do banking business in the State of Oregon. [ORS 294.035(3)(h)]

Local Government Investment Pool: State Treasurer's local short-term investment fund.

8.3: Collateralization

Time deposit open accounts, Certificates of Deposit and savings accounts shall be collateralized through the state collateral pool for any excess over the amount insured by an agency of the United States government in accordance with ORS 295.018. All depositories must be on the State of Oregon's qualified list. Additional collateral requirements may be required if the Investment Officer deems increased collateral is beneficial to the protection of the monies under the District's management.

8.4: Approval of Permitted Investments

If additional types of securities are considered for investment, per Oregon state statute they will not be eligible for investment until this Investment Policy has been amended and the amended version adopted by the District.

8.5: Prohibited Investments

- The District shall not invest in "144A" private placement securities, this includes commercial paper privately placed under section 4(a)(2) of the Securities Act of 1933.
- The District shall not lend securities nor directly participate in a securities lending or reverse repurchase program.
- The District shall not purchase mortgage-backed securities.
- The District will not purchase, per ORS 294.040, any bonds of issuers listed in ORS 294.035(3)(a) to (c) that have a prior default history.

9. INVESTMENT PARAMETERS

9.1: Credit Risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. Credit risk will be mitigated by the following guidelines:

- A. Diversification:** It is the policy of the District to diversify its investments. Where appropriate, exposures will be limited by security type, maturity, issuance, issuer, and security type. Allowed security types and investment exposure limitations are detailed in the table below.

- B. Credit Ratings:** Investments must have a rating from at least one of the following nationally recognized statistical ratings organizations (NRSRO): Moody’s Investors Service; Standard & Poor’s; and Fitch Ratings Service as detailed in the table below. Ratings used to apply the guidelines below should be investment level ratings and not issuer level ratings.
- C. The minimum weighted average credit rating** of the portfolio’s rated investments shall be AA-/Aa3/AA- by Standard & Poor’s, Moody’s Investors Service, and Fitch Ratings Service, respectively.
- D. Diversification and Credit Exposure Constraints:** The following table limits exposures among investments permitted by this policy.

Diversification Constraints on Total Holdings:

Issue Type	Maximum % Holdings	Maximum % per Issuer	Ratings S&P, Moody's, or Equivalent NRSRO	Maximum Maturity
US Treasury Obligations	100%	None	N/A	5.25 years
US Agency Obligations	100%	35%	N/A	5.25 years
Municipal Bonds (OR, CA, ID, WA)	25%	5%	AA- / Aa3 Short Term*	5.25 years
Corporate Notes	35%**	5%***	AA- / Aa3	5.25 years
Commercial Paper			A1 / P1	270 days
Bank Time Deposits/Savings	20%	10%	Oregon Public Depository	N/A
Certificates of Deposit	10%	5%	Oregon Public Depository	5.25 years
Banker’s Acceptance	25%	5%	A1 / P1	180 days
State LGIP	Maximum allowed per ORS 294.810	None	N/A	N/A

*Short Term Ratings: Moody's - P1/MIG1/VMIG1. S&P - A-1/SP-1, Fitch F1

**35% maximum combined corporate and commercial paper per ORS.

***Issuer constraints apply to the combined issues in corporate and commercial paper holdings.

9.2: Determining a Security’s Rating

A single rating will be determined for each investment by using the highest security level rating available for the security from Standard and Poor’s, Moody’s Investor Services, and Fitch Ratings, respectively.

9.3: Investment Maturity

- A. Where feasible and prudent, investment maturities should be matched with expected cash outflows to mitigate risk.
- B. The District will not directly invest in securities maturing more than 5.25 years* from the date of purchase.
- C. The maximum weighted maturity of the total portfolio shall not exceed 2 years. This maximum is

established to limit the portfolio to excessive price change exposure.

- D. Liquidity funds will be held in the State Pool or in cash instruments generally maturing one year and shorter. At least one month’s estimated cash operating requirements will be maintained in the Local Government Investment Pool (LGIP).
- E. Core funds will be defined as the funds in excess of liquidity requirements. The investments in this portion of the portfolio will have maturities between one day and 5.25 years and will be only invested in higher quality and liquid securities.
- F. Cash flow projections will be reviewed and updated at least monthly and will be the controlling guide to establishing maturities. Maturities will be selected to ensure that sufficient cash is available to meet requirements.

The Investment Officer may invest funds that are related to cash flows for future construction projects or that are being accumulated for future renewal and replacement of infrastructure, by purchasing securities that will be held for a maximum of 5.25 years. Except for the aforesaid funds and funds requiring special handling (bond proceeds subject to arbitrage, etc.), investments beyond 5.25 years require the express approval of the Board of Commissioners. The first priority will be to invest in maturities that match liquidity needs of the District. Thereafter, the District shall target to maintain maturities within the following parameters for the total portfolio:

Maturity Constraints	Minimum % of Total Portfolio
Under 30 days	\$10 million
Under 1 year	25%
Under 5.25 years	100%
Maturity Constraints	Maximum of Total Portfolio in Years
Weighted Average Maturity	2.00
Security Structure Constraint	Maximum % of Total Portfolio
Callable Agency Securities	25%

*Exception to 5.25-year maturity maximum: Reserve or Capital Improvement Project monies may be invested in securities exceeding 5.25 years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

10. INVESTMENT OF PROCEEDS FROM DEBT ISSUANCE

Investments of bond proceeds may be restricted under bond covenants that are more restrictive than the investment parameters included in this Investment Policy. Bond proceeds shall be invested in accordance with the requirements of this Investment Policy and the applicable bond covenants and tax laws.

Funds from bond proceeds and amounts held in a bond payment reserve or proceeds fund may be invested pursuant to ORS 294.052. Investments of bond proceeds are typically not invested for resale and are maturity matched with anticipated outflows. Consequently, surplus funds within the scope of ORS 294.052 are not subject to this policy’s liquidity risk constraints within Section 9.3.

Information will be maintained for arbitrage rebate calculations.

11. INVESTMENT OF RESERVE OR CAPITAL IMPROVEMENTS

Pursuant to ORS 294.135(1)(b), reserve or capital Improvement project monies may be invested in securities exceeding three years when the funds in question are being accumulated for an anticipated use that will occur more than 18 months after the funds are invested, then, upon the approval of the Board of Commissioners, the maturity of the investment or investments made with the funds may occur when the funds are expected to be used.

12. GUIDELINE MEASUREMENT AND ADHERENCE

12.1: Guideline Measurement

Guideline measurements will use market value of investments.

12.2: Guideline Compliance

- A. If the portfolio falls outside of compliance with this Investment Policy guidelines or is being managed inconsistently with this Investment Policy, the Investment Officer shall bring the portfolio back into compliance in a prudent manner and as soon as prudently feasible.
- B. Violations of portfolio guidelines as a result of transactions; actions to bring the portfolio back into compliance and; reasoning for actions taken to bring the portfolio back into compliance shall be documented and reported to the Board of Commissioners.
- C. Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is achieved.

13. REPORTING AND DISCLOSURE

13.1: Compliance

The Investment Officer shall prepare a report at least monthly that allows the District's Board of Commissioners to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report will include, at a minimum, the following:

- A listing of all investments held during the reporting period showing: par/face value; accounting book value; market value; type of investment; issuer; credit ratings; and yield to maturity (yield to worst if callable).
- Average maturity of the portfolio at period-end.
- Maturity distribution of the portfolio at period-end.
- Average portfolio credit quality of the portfolio at period-end.
- Average weighted yield to maturity (yield to worst if callable investments are allowed) of the portfolio.
- Distribution by type of investment.
- Transactions since last report.
- Violations of portfolio guidelines or non-compliance issues that occurred during the prior period or that are outstanding.
- This report should also note actions (taken or planned) to bring the portfolio back into compliance.

13.2: Performance Standards and Evaluation

- A. The portfolio will be invested into a predetermined structure that will be measured against a selected benchmark portfolio. The structure will be based on a chosen minimum and maximum effective duration and will have the objective to achieve market rates of returns over long investment horizons. The purpose of the benchmark is to appropriately manage the risk in the portfolio given interest rate cycles. The core portfolio is expected to provide similar returns to the benchmark over interest rate cycles but may underperform or outperform in certain periods. The portfolio will be positioned to first protect principal and then achieve market rates of return. The benchmark used will be a 0-3 year or 0-5 year standard market index and comparisons will be calculated monthly and reported quarterly.
- B. When comparing the performance of the District's portfolio, all fees and expenses involved with managing the portfolio shall be included in the computation of the portfolio's rate of return.
- C. The mark-to-market pricing will be calculated monthly and be provided in a monthly report.

13.3: Audits

The Investment Officer shall establish an annual process of independent review by the external auditor to assure compliance with internal controls. Such audit will include tests deemed appropriate by the auditor.

13.4: Reporting Requirements

The Investment Officer will retain and provide investment reports at least quarterly to the Board of Commissioners in a similar manner as outlined in ORS 208.090. The reports also will be available upon request. Securities holdings and cash balances held in the investment portfolio will be provided on the reports.

The minimum quarterly reporting requirements for total portfolio are as follows:

- Earnings Yield
- Holdings Report (including mark to market)
- Transactions Report
- Weighted Average Maturity or Duration
- Compliance Report

14. INVESTMENT POLICY ADOPTION

This Investment Policy will be formally adopted by the Board of Commissioners; and thereafter, this policy will be readopted annually, even if there are no changes. Prior to adoption by the Board of Commissioners, if changes to the Investment Policy require review and comment by the Oregon Short Term Fund Board, such review will be sought prior to formal adoption.

15. GLOSSARY OF INVESTMENT TERMS

Accrued Interest: The interest accumulated on a security since the issue date or since the last coupon payment. The buyer of the security pays the market price plus accrued interest.

Agency Securities: Government sponsored enterprises of the US Government.

Basis Point: One-hundredth of 1 percent. One hundred basis points equal 1 percent.

Bond: An interest-bearing security issued by a corporation, government, governmental agency, or other body. It is a form of debt with an interest rate, maturity, and face value, and it is usually secured by specific assets. Most bonds have a maturity of greater than one year and generally pay interest semiannually.

Bond Discount: The difference between a bond's face value and a selling price when the selling price is lower than the face value.

Broker: An intermediary who brings buyers and sellers together and handles their orders, generally charging a commission for this service. In contrast to a principal or a dealer, the broker does not own or take a position in securities.

Callable: A bond that may be redeemed by the issuer before maturity for a call price specified at the time of issuance.

Call Date: The date before maturity on which a bond may be redeemed at the option of the issuer.

Collateral: Securities or other property that a borrower pledges as security for the repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Commercial Paper: Short-term, unsecured, negotiable promissory notes issued by businesses.

Commission: Broker's or agent's fee for purchasing or selling securities for a client.

Core Fund: Core funds are defined as operating fund balance which exceeds the District's daily liquidity needs.

Corporate Notes: A debt instrument issued by a corporation with a maturity of greater than one year and less than ten years.

Coupon Rate: The annual rate of interest that the issuer of a bond promises to pay to the holder of the bond.

Coupon Yield: The annual interest payments of a bond, divided by the bond's face value and stated as a percentage. This usually is not equal to the bond's current yield or its yield to maturity.

Current Maturity: The amount of time left until an obligation matures. For example, a one-year bill issued nine months ago has a current maturity of three months.

Current Yield: The remaining or final interest due on a security as a percentage of a security's market price.

CUSIP: The Committee on Uniform Security Identification Procedures, which was established under the auspices of the American Bankers Association to develop a uniform method of identifying municipal, U.S. government, and corporate securities.

Dealer: An individual or firm that ordinarily acts as a principal in security transactions. Typically, dealers buy for their own account and sell to a customer from their inventory. The dealer's profit is determined by the difference between the price paid and the price received.

Delivery: Either of two methods of delivering securities: delivery vs. payment and delivery vs. receipt (also called “free”). Delivery vs. payment is delivery of securities with an exchange of money for the securities. Delivery vs. receipt is delivery of securities with an exchange of a signed receipt for the securities.

Discount: The reduction in the price of a security; the difference between its selling price and its face value at maturity. A security may sell below face value in return of such things as prompt payment and quantity purchase. “At a discount” refers to a security selling at less than the face value, as opposed to “at a premium”, when it sells for more than the face value.

Full Faith and Credit: Indicator that the unconditional guarantee of the issuer (e.g., the United States government, State of Oregon) backs the repayment of a debt.

Government Bonds: Securities issued by the federal government; they are obligations of the U.S. Treasury. Also known as “governments.”

Government Sponsored Enterprise (GSE): Financial services corporations created by the United States government. Their function is to enhance the flow of credit to targeted sectors of the economy, make those segments of the capital market more efficient, and reduce the risk to investors. The desired effect of the GSEs is to enhance the availability and reduce the cost of credit to the targets. Examples include Federal Home Loan Banks (FHLB), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), and Federal Farm Credit Banks (FFCB).

Interest: Compensation paid, or to be paid, for the use of money. The rate of interest is generally expressed as an annual percentage.

Interest Rate: The interest payable each year on borrowed funds, expressed as a percentage of the principal.

Investment Advisor or Manager: An investment advisor that acts on a non-discretionary basis to provide investment and risk strategies. The advisor must act in a fiduciary capacity.

Investment Portfolio: A collection of securities owned by the District and held by a custodian.

Investment Securities: Securities purchased for an investment portfolio, as opposed to those purchased for resale to customers.

Liquidity: The ease at which a security can be bought or sold (converted to cash) in the market. A large number of buyers and sellers and a high volume of trading activity are important components of liquidity.

Liquidity Component: A percentage of the total portfolio dedicated to providing liquidity needs for the District.

Local Government Investment Pool: Oregon's Local Government Investment Pool (LGIP) created by Oregon Laws in 1973, Chapter 748. It is a diversified portfolio offered to eligible participants of the State of Oregon. The Local Government Investment Pool is an alternate investment vehicle offered to participants that includes, but is not limited to, any municipality, political subdivision, or public corporation of Oregon that by law is made the custodian of, or has control of, any public funds. The LGIP is commingled with the State's short-term funds.

Mark to Market: Adjustment of an account or portfolio to reflect actual market price rather than book price, purchase price, or some other valuation.

Mortgage-Backed Securities: Mortgage-backed securities are debt obligations that represent claims to the cash flows from pools of mortgage loans, most commonly on residential property. Mortgage loans are purchased from banks, mortgage companies, and other originators and then assembled into pools by a

governmental, quasi-governmental, or private entity. The entity then issues securities that represent claims on the principal and interest payments made by borrowers on the loans in the pool, a process known as securitization. Senior debentures of GSE's Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) are not considered mortgage-backed securities.

Municipals (Munis): Securities, usually bonds, issued by a state or its agencies. The interest on munis is generally exempt from federal income taxes and state and local income taxes in the state of issuance. Municipal securities may or may not be backed by the issuing agency's taxation powers.

Par Value: The value of a security expressed as a specific dollar amount marked on the face of the security, or the amount of money due at maturity. Par value should not be confused with market value.

Portfolio: A collection of securities held by an individual or institution.

Prudent Person Rule: A long-standing common-law rule that requires a trustee who is investing for another to behave in the same way as a prudent individual of reasonable discretion and intelligence who is seeking a reasonable income and preservation of capital.

Quotation, or Quote: The highest bid to buy or the lowest offer to sell a security at a particular time.

Settlement Date: The actual date when a security is purchased and comes under the ownership of the buyer.

Spread: The difference between two figures or percentages. E.g., the difference between the bid and ask prices of a quote or between the amount paid when a security is bought, and an amount received when sold.

Trade Date: The date when a security transaction is executed.

Treasury Bill (T-Bill): An obligation of the U.S. government with a maturity of one year or less. T-bills bear no interest but are sold at a discount.

Treasury Bonds and Notes: Obligations of the U.S. government that bear interest. Notes have maturities of one to ten years; bonds have longer maturities.

Weighted Average Maturity: The weighted sum of the average years to maturity of the investments held by the District.

Yield: The annual rate of return on an investment, expressed as a percentage of the investment. Income yield is obtained by dividing the current dollar income by the current market price for the security. Net yield, or yield to maturity, is the current income yield minus any premium above par or plus any discount from par in the purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

Yield to Maturity: The average annual yield on a security, assuming it is held to maturity; equals to the rate at which all principal and interest payments would be discounted to produce a present value equal to the purchase price of the bond.

Ratings Table – Long-Term

Three Highest Rating Categories	S&P	Moody's	Fitch	Definition
	AAA	Aaa	AAA	Highest credit quality
	AA+, AA, AA-	Aa1, Aa2, Aa3	AA+, AA, AA-	Very high credit quality
	A+, A, A-	A1, A2, A3	A+, A, A-	High credit quality
	BBB+, BBB, BBB-	Baa1, Baa2, Baa3	BBB+, BBB, BBB-	Good credit quality
	BB+, BB, BB-	Ba1, Ba2, Ba3	BB+, BB, BB-	Non-investment grade

Ratings Table – Short-Term

Highest Rating Category	S&P	Moody's	Fitch	Definition
	A1+, A1	P1+, P1	F1+, F1	Highest credit quality
	Municipal Commercial Paper			
	A-1, A-1+, SP-1+, SP-1	P1, MIG1, VMIG1	F1+, F1	Highest credit quality



TUALATIN VALLEY
WATER DISTRICT

This page intentionally left blank



TUALATIN VALLEY

WATER DISTRICT

Date: January 17, 2024
To: Board of Commissioners
From: Justin Carlton, Interim Chief Financial Officer
Subject: Annual Adjustment to the System Development Charge

Requested Board Action:

Consider adopting a resolution amending system development charges for the Tualatin Valley Water District and declaring an effective date.

Key Concepts:

- Ordinance 01-12 requires the District to annually review its system development charges (SDCs) in relation to the Engineering News Record (ENR) Construction Cost Index (CCI) for Seattle.
- The CCI for Seattle increased by 0.39% from December 2022 to December 2023.
- Consistent with Ordinance 01-12 and Oregon law, the proposed resolution sets an effective date of March 1, 2023 for the increase to the District's SDCs of approximately 0.39%.

Background:

The District's SDC ordinance (Ordinance 01-12) requires an annual review of the District's SDCs in relation to the ENR CCI for the Seattle area. From December 2022 to December 2023, the CCI (the index specified in the SDC ordinance) increased by 0.39%. The average annual rate of growth in the CCI since December 2014 has been approximately 4.04%.

The increase in the SDC for a 5/8 x 3/4-inch meter would be \$38, from \$9,716 to \$9,754. In keeping with the District's practice of notifying interested parties, staff contacted a representative of the Home Builders Association of Metropolitan Portland (HBA) in January to apprise them of the change in the CCI.

Budget Impact:

The SDC per equivalent residential unit (ERU) would increase \$38, from \$9,716 to \$9,754. The increase is projected to generate approximately \$23 thousand in additional revenue through the biennial budget ending June 30, 2025. The actual increase in SDC revenue will depend on development activity within the District. SDC revenue is extremely volatile and difficult to predict with accuracy.

Staff Contact Information:

Justin Carlton; Interim Chief Financial Officer; 503-848-3070; justin.carlton@twwd.org
Joe Healy; Senior Management Analyst; 503-848-3085; joe.healy@twwd.org

Attachments:



Proposed resolution

L Leadership Team Initials:

Chief Executive Officer	PSM	Customer Service Manager	AC
Chief Operating Officer	PDB	IT Services Director	(TB)
Interim Chief Financial Officer	IC	Human Resources Director	AB
General Counsel	CB	Water Supply Program Director	(TB)
Communications Manager	SD		





TUALATIN VALLEY
WATER DISTRICT

RESOLUTION NO. 02-24

A RESOLUTION AMENDING SYSTEM DEVELOPMENT CHARGES FOR THE TUALATIN VALLEY WATER DISTRICT AND DECLARING AN EFFECTIVE DATE.

WHEREAS, on July 18, 2012, the Board of Commissioners adopted Ordinance 01-12 “System Development Charge Ordinance” to impose system development charges (SDCs) and other related procedures to comply with ORS 223.297 to ORS 223.314, inclusive, to provide revenues necessary for capital improvements constructed and to be constructed; and

WHEREAS, in accordance with the methodology identified in Section 4 of Ordinance 01-12, the administrative staff of the District calculated the amount of the SDC to be imposed by the Board of Commissioners to collect the statutorily authorized, necessary revenues; and

WHEREAS, Section 9 B of Ordinance 01-12 requires the District to review its SDCs annually in relation to the Engineering News Record (ENR) Construction Cost Index (CCI) (Seattle); and

WHEREAS, construction costs increased 0.39% between December 2022 and December 2023 as evidenced by the ENR CCI (Seattle); and

WHEREAS, pursuant to Section 9 of Ordinance 01-12, the Board of Commissioners by this resolution amends the SDC for the District as set forth below.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE TUALATIN VALLEY WATER DISTRICT THAT:

Section 1: Resolution 03-23 is hereby repealed and superseded by this resolution effective at 7:00 A.M., Pacific Standard Time on March 1, 2024.

Section 2: Prior to making a connection of non-District water facilities to the District’s water system, the applicant for such a connection shall pay in full the SDC to the District, except that there shall be no SDC for a fireline.

Section 3: Further, the Board directs staff, for any calendar year, during which the Board has not adjusted SDCs based on a revised capital improvements or facilities plan, to adjust SDCs March 1 for each ensuing year thereafter, as calculated by staff based on the change, from December of the prior year to December of the current year, in the Engineering News Record (ENR) Construction Cost Index (CCI) (Seattle).

Section 4 (a): Pursuant to Section 3 above, the SDC is calculated for a 5/8 x 3/4 inch meter by a weighting factor. The weighting factors adopted by the Board are based on the American Water Works Association safe operating capacities for displacement type meters.

The SDCs for meter sizes up to 1-1/2 inches are:

Reimbursement Fee	\$ 1,708/ERU
Improvement Fee	7,885/ERU
<u>Administration</u>	<u>161/ERU</u>
Total SDC	\$ 9,754/ERU

Meter Size	Weighting Factors (ERUs)	Charge
5/8 x 3/4 inch	1.0	\$ 9,754
3/4 x 3/4 inch	1.5	14,631
1 inch	2.5	24,385
1-1/2 inch	5.0	48,770

Section 4 (b): Pursuant to Section 4(a) above, for meters over 1-1/2 inches, the SDC shall be determined based on the customer's anticipated water usage. Anticipated peak-day water usage will be divided by the peak-day system design flow of 844 gallons per day per equivalent residential unit (ERU) to determine peak-day ERUs. Anticipated average daily water usage will be divided by 358 gallons per day per ERU to determine average-day ERUs (storage ERUs).

Peak-Day SDC cost is:

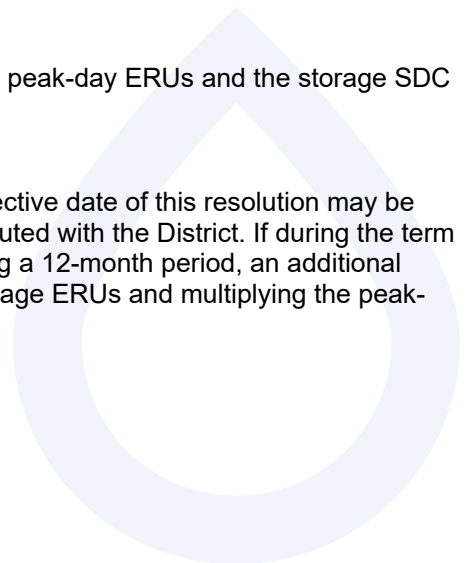
Reimbursement Fee	\$1,121 per peak-day ERU
Improvement Fee	<u>6,900</u> per peak-day ERU
Peak-Day SDC cost	\$8,021 per peak-day ERU

Storage SDC cost is:

Reimbursement Fee	\$ 748 per storage ERU
Improvement Fee	<u>985</u> per storage ERU
Storage SDC cost	\$1,733 per storage ERU

The SDC shall be the sum of the peak-day SDC cost per ERU multiplied by the peak-day ERUs and the storage SDC cost per ERU multiplied by the storage ERUs.

Section 4 (c): The SDC paid for meters larger than 1-1/2 inches as of the effective date of this resolution may be adjusted upward based on actual usage pursuant to an SDC agreement to be executed with the District. If during the term of the SDC agreement, the usage is greater than 110% of anticipated volume during a 12-month period, an additional SDC may be charged, using the same techniques for calculating peak-day and storage ERUs and multiplying the peak-day SDC cost per ERU and the storage cost per ERU then in effect.



Section 4 (d): The SDC paid for a residential 3/4 x 3/4 inch or 1 inch water meter, in the circumstance where a larger meter is required only for the purpose of meeting a residential multi-purpose fire sprinkler system requirement, will consist of the SDC for the appropriate size meter that would be required without the multi-purpose fire sprinkler system plus 18% of the difference between the price of the SDC for the meter size meeting the domestic water requirements and the SDC for the meter size meeting the fire sprinkler requirement. The 18% factor represents the approximate storage cost component of the SDC. Should the customer regularly use the capacity of the 3/4 x 3/4 inch or 1 inch meter to meet its domestic needs, the customer will be required to pay the remainder of the SDC at the current rate then in effect.

Section 4 (e): If the customer has been charged by the District for an illegal connection and requests a contract for payment of the SDC, the District may withhold the option of providing a contract for said payment of SDC.

Section 4 (f): If the SDC is financed as permitted by ORS 223.208, the financing charge established by the District is 9.0% as authorized in ORS 82.010 Legal Rate of Interest and for a maximum term of 10 years.

Approved and adopted at a regular meeting held on the 17th day of January 2024.

Todd Sanders, President

Jim Doane, Secretary

