



**CHINO BASIN  
DESALTER  
AUTHORITY**

# Technical Advisory Committee Meeting

June 9, 2020 • 1:30 p.m.

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Meeting ID: 873 0369 0848

**TECHNICAL ADVISORY COMMITTEE**  
**CHINO BASIN DESALTER AUTHORITY**  
3550 E. Philadelphia Street, Suite 170, Ontario, CA 91761

June 9, 2020 at 1:30 p.m.

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**CALL TO ORDER**

**ROLL CALL**

**PUBLIC COMMENT**

*Members of the public may address the Committee on any item that is within the jurisdiction of the Committee; however, no action may be taken on any item not appearing on the agenda unless the action is otherwise authorized by Subdivision (b) of Section 54954.2 of the Government Code. Those persons wishing to address the Committee on any matter, whether or not it appears on the agenda, are requested to submit their request to comment to the Executive Assistant no less than one hour prior to the start of the meeting at (909) 218-3230 or ccosta@chinodesalter.org. Comments will be limited to five minutes per speaker.*

**ADDITIONS TO THE AGENDA**

*In accordance with Section 54954.2 of the Government Code (Brown Act), additions to the agenda require two-thirds vote of the legislative body, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the local agency subsequent to the agenda being posted.*

1. **MINUTES OF MAY 26, 2020 TECHNICAL ADVISORY COMMITTEE MEETING**
2. **CHINO I OPERATIONS REPORT**  
Report By: Ian Tillery/Inland Empire Utilities Agency
3. **CHINO II OPERATIONS REPORT**  
Report By: Aaron Anderson/Jurupa Community Services District
4. **CHINO II CONCENTRATE REDUCTION FACILITY OPERATIONAL UPDATE**  
Report By: Thomas O'Neill, CDA General Manager/CEO
5. **WATER DELIVERIES**  
Report By: Todd Minten, CDA Operations Manager
6. **ADOPTION OF REVISED INVESTMENT POLICY**  
Report By: Michael Chung
7. **SOUTH ARCHIBALD PLUME UPDATE**  
Report By: Cindy Miller, South Archibald Plume Program Manager

**8. BOARD MEETING AGENDA ITEMS REVIEW**

Report By: Thomas O'Neill, CDA General Manager/CEO

**9. NEW BUSINESS/FUTURE TECHNICAL ADVISORY AGENDA ITEMS REVIEW**

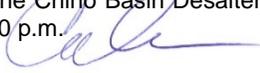
Report By: Thomas O'Neill, CDA General Manager/CEO

**ADJOURN**

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***Declaration of Posting***

I, Casey Costa, Executive Assistant to the Chino Basin Desalter Authority, hereby certify that a copy of this agenda has been posted at the Chino Basin Desalter Authority's main office, 3550 E. Philadelphia Street, Suite 170, Ontario, CA 91761 by June 5, 2020 at 1:30 p.m.

  
\_\_\_\_\_  
Casey Costa, Executive Assistant



# **Technical Advisory Committee Meeting**

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## **Agenda Item**

### **No. 1**

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**CHINO BASIN DESALTER AUTHORITY  
TECHNICAL ADVISORY COMMITTEE**

**MINUTES**

**May 26, 2020**

A meeting of the Chino Basin Desalter Authority Technical Advisory Committee was held via audio/teleconference. CDA General Manager O'Neill called the meeting to order at 1:30 p.m.

**Committee Members Present:**

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Dave Crosley, City of Chino  
Mark Wiley, City of Chino Hills  
Chris Bonadurer, City of Ontario  
Ian Tillery, Inland Empire Utilities Agency  
Ben Armel, Jurupa Community Services District  
Aaron Anderson, Jurupa Community Services District (Alternate)  
Derek Kawaii, Western Municipal Water District  
Paul Ruge, Western Municipal Water District (Alternate)

**Others Present:**

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Thomas O'Neill, CDA General Manager/CEO  
Michael Chung, CDA CFO/Treasurer  
Todd Minten, CDA Operations Manager  
Casey Costa, CDA Executive Assistant  
Jose Garcia, CDA Principal Accountant  
Matt Abel, Jurupa Community Services District  
Cindy Miller, Hazen & Sawyer  
Sam Gershon, Albert A. Webb Associates  
Bob Bowcock, Integrated Resources Management/SB County Airports

**PUBLIC COMMENT** - There were no public comments.

**ADDITIONS TO THE AGENDA** – There were no additions to the agenda.

**AGENDA ITEMS**

**1. MINUTES OF MAY 12, 2020 TECHNICAL ADVISORY COMMITTEE MEETING**

It was noted that there was a misspelling for the report on Item 8 as follows: General ~~Manger~~ Manager O'Neill. Amended Minutes were approved.

**2. CHINO I OPERATIONS REPORT**

Report By: Ian Tillery/Inland Empire Utilities Agency

- Plant Production – 12.04 MGD
- Pump efficiency testing at wells near completion
- CIP on Train 1 performed
- Installed A/C unit in Server Room
- Leak in liquid ammonium sulfate tank. Tank was emptied, repaired and refilled.

**3. CHINO II OPERATIONS REPORT**

Report By: Aaron Anderson/Jurupa Community Services District

- Plant Production – 20.3 MGD
- General Pump began rehab of Well II-2
- CIP for Train 1 complete
- AC Repair for 1010 building complete
- Filter replacement on Ion Exchange
- CRF pellet reactor coating complete

**4. CHINO II CONCENTRATE REDUCTION FACILITY OPERATIONAL UPDATE**

Report By: Thomas O'Neill, CDA General Manager/CEO

Matt Abel/JCSD reported that the pellet reactor coating is complete. Heat tracing for soda ash line is complete; insulation is being installed. Permanent valve should arrive in two weeks

**5. ADOPTION OF FISCAL YEAR 2020/21 CAPITAL AND O&M BUDGET**

Report By: Jose Garcia, CDA Principal Accountant

Principal Accountant Garcia reviewed the proposed 2020/21 Capital and O&M Budgets. Referencing Agenda Item 10, consideration of financing of the Chino I GAC Capital Project, it was questioned whether the budget includes the \$2.1 Million GAC line item. General Manager O'Neill confirmed that the budget includes the GAC project as presented and reordered the agenda to discuss Item 10.

**10. CONSIDERATION AND POSSIBLE ACTION REGARDING SHORT-TERM FINANCING OF THE CHINO I DESALTER GRANULAR ACTIVATED CARBON (GAC) CAPITAL PROJECT**

Report By: Michael Chung, CDA CFO/Treasurer

Treasurer Chung reviewed the recommendation to consider borrowing against the CDA's existing reserve and scheduling replenishments over the next two to three fiscal years. It was questioned how this would affect the 2020/21 budget. Treasurer Chung replied that the cost per acre foot (AF) for the 2020/21 budget would decrease by \$60/AF. Discussion ensued and it was discussed that the Finance Committee may take up the recommendation, but there was no action taken by the Technical Advisory Committee to recommend borrowing against the reserves.

**6. ACCEPT QUITCLAIM OF 30-INCH WATER PIPELINE OWNED AND MAINTAINED BY WESTERN MUNICIPAL WATER DISTRICT TO THE CHINO BASIN DESALTER AUTHORITY**

Report By: Thomas O'Neill, CDA General Manager/CEO

General Manager O'Neill reviewed the recommendation to authorize the General Manager/CEO to accept the Quitclaim Deed from Western Municipal Water District for a segment of 30'inch pipeline in Old Hamner Road. According to the Interagency Agreement between CDA, WMWD and the City of Norco concerning Phase 3 Expansion and Detroit Street Bridge Crossing Facilities, WMWD is to quitclaim the segment of pipeline in Old Hamner Road, west of the I-15 freeway and a portion of Detroit Street to CDA. There were no questions or comments.

**7. SOUTH ARCHIBALD PLUME CLEANUP PROJECT: CLOSE-OUT CHANGE ORDERS TO GWINCO CONSTRUCTION CONTRACT CDASAP-19-07 FOR PLUME RAW WATER PIPELINE PROJECT PHASE 1 (SPECIFICATION NO. CDASAP-19-07)**

Report By: Cindy Miller, South Archibald Plume Program Manager

Program Manager Miller reviewed the recommendation to approve close-out Change Orders 8 through 13 to the contract with Gwinco Construction for construction of the Phase 1 Raw Water Pipeline Project. There were no questions or comments.

**8. SOUTH ARCHIBALD PLUME CLEANUP PROJECT: PURCHASE AND SALE AGREEMENT WITH TARPON PROPERTY OWNERSHIP 2 LLC FOR EASEMENT FOR PHASE 2 PIPELINE**

Report By: Cindy Miller, South Archibald Plume Program Manager

Program Manager Miller reviewed the recommendation to authorize the General Manager to execute a Purchase and Sale Agreement for an easement for construction of a portion of the Phase 2 Raw Water Pipeline along Bellegrave Avenue west of the I-15 crossing. There were no questions or comments.

**9. SOUTH ARCHIBALD PLUME PROJECT: AMENDMENT 6 TO WEBB'S AGREEMENT FOR DESIGN OF CHINO II WELL FIELDS SYSTEM EXPANSION PIPELINES**

Report By: Cindy Miller, South Archibald Plume Program Manager

Program Manager Miller reviewed the recommendation to approve an amendment with the agreement with Albert A. Webb Associates for engineering design services. The proposed amendment includes design for wellsite utilities for II-12, Remington Plans and additional project and construction support. There were no questions or comments.

**10. SOUTH ARCHIBALD PLUME UPDATE**

Report By: Cindy Miller, South Archibald Plume Program Manager

- Phase I Pipeline – construction is complete. A close-out change order will be agendized for TAC/Finance, with Board approval in June.
- Phase II Pipeline –NOA to be issued to Gwinco
- Phase III Pipeline – Working with Lewis for additional grading activities.
- Drilling of Well II-12 – Southwest Pump & Drilling is onsite.

**11. BOARD MEETING AGENDA ITEMS REVIEW**

Report By: Thomas O'Neill, CDA General Manager/CEO

General Manager O'Neill reviewed upcoming Board agenda items.

**12. NEW BUSINESS/FUTURE TECHNICAL ADVISORY AGENDA ITEMS REVIEW**

Report By: Thomas O'Neill, CDA General Manager/CEO

General Manager O'Neill reviewed upcoming TAC items.

There being no further business, the meeting was adjourned at 2:10pm p.m.

Submitted by Casey Costa, CDA Executive Assistant



# **Technical Advisory Committee Meeting**

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## **Agenda Item**

### **No. 2**

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**Chino I Desalter  
Treatment Plant Operations**

Summary of Activities  
May 22nd to June 4th, 2020

**Well Field**

| Well Name | VFD Speed | Original Design Rate (gpm) | Current Production Rate (gpm) | Percent of Production | Operational (Yes/No) | Production Rate (gpm) | Status (Idle/Run) | Current Operation (gpm) |
|-----------|-----------|----------------------------|-------------------------------|-----------------------|----------------------|-----------------------|-------------------|-------------------------|
| ****I-1   | 0%        | 600                        | 0                             | 0%                    | No                   | 0                     | Idle              | 0                       |
| ****I-2   | 0%        | 300                        | 0                             | 0%                    | No                   | 0                     | Idle              | 0                       |
| ****I-3   | 0%        | 600                        | 0                             | 0%                    | No                   | 0                     | Idle              | 0                       |
| I-4       | 0%        | 300                        | 0                             | 0%                    | Yes                  | 0                     | Idle              | 0                       |
| I-5       | 100%      | 1,200                      | 1,347                         | 12%                   | Yes                  | 1,347                 | Run               | 1,347                   |
| *I-6      | 83%       | 1,200                      | 420                           | 4%                    | Yes                  | 420                   | Run               | 420                     |
| *I-7      | 82%       | 1,200                      | 410                           | 4%                    | Yes                  | 410                   | Run               | 410                     |
| I-8       | 100%      | 900                        | 1,029                         | 9%                    | Yes                  | 1,029                 | Run               | 1,029                   |
| I-9       | 100%      | 1,200                      | 1,322                         | 12%                   | Yes                  | 1,322                 | Run               | 1,322                   |
| I-10      | 100%      | 1,200                      | 1,308                         | 12%                   | Yes                  | 1,308                 | Run               | 1,308                   |
| I-11      | 100%      | 1,200                      | 1,225                         | 11%                   | Yes                  | 1,225                 | Run               | 1,225                   |
| **I-13    | 81%       | 2,000                      | 1,097                         | 10%                   | Yes                  | 1,097                 | Run               | 1,097                   |
| I-14      | 100%      | 2,200                      | 1,683                         | 15%                   | Yes                  | 1,683                 | Run               | 1,683                   |
| ****I-15  | 0%        | 2,000                      | 0                             | 0%                    | No                   | 0                     | Idle              | 0                       |
| I-16      | 100%      | 250                        | 193                           | 2%                    | Yes                  | 193                   | Run               | 193                     |
| I-17      | 0%        | 200                        | 0                             | 0%                    | No                   | 0                     | Idle              | 0                       |
| I-20      | 100%      | 400                        | 414                           | 4%                    | Yes                  | 414                   | Run               | 414                     |
| I-21      | 100%      | 400                        | 427                           | 4%                    | Yes                  | 427                   | Run               | 427                     |
| gpm       | Total     | 17,350                     | 10,875                        | 100%                  | 100%                 | 10,875                | 100%              | 10,875                  |
| MGD       |           | 24.98                      | 15.66                         |                       |                      | 15.66                 |                   | 15.66                   |

**Primary RO Treatment**

| Train | Recovery Rate | Production (gpm) | (MGD) |
|-------|---------------|------------------|-------|
| 1     | 79.0%         | 1,267            | 1.82  |
| 2     | 79.0%         | 1,267            | 1.82  |
| 3     | 79.0%         | 1,267            | 1.82  |
| 4     | 79.0%         | 1,267            | 1.82  |
| 5     | 79.0%         | 1,267            | 1.82  |
|       |               | 6,335            | 9.12  |

**Ion Exchange Treatment**

| Train | (gpm) | (MGD) |
|-------|-------|-------|
| 1     | 506   | 0.73  |
| 2     | 506   | 0.73  |
| 3     | 506   | 0.73  |
| 4     | 506   | 0.73  |
|       | 2,024 | 2.91  |

**VOC Bypass**

| Production (gpm) | (MGD) |
|------------------|-------|
| 0                | 0.00  |

**Brine Flow**

| Production (gpm) | (MGD) |
|------------------|-------|
| 1,625            | 2.34  |

**Summary of Activities**

- 5/18-20 Sanitary Survey records inspection
- 5/28 GPC problems with Well I-15 install
- 5/29 Server room HVAC leak
- 5/30 IX blower muffler
- 6/3 Water heater leak
- 6/3 Sanitary Survey site inspection plant
- 6/4 Sanitary Survey site inspection wells

**Plant Efficiency**

| Flow in Vs. Flow Out | (gpm)  | (MGD) |
|----------------------|--------|-------|
| Wells                | 10,875 | 15.66 |
| Brine                | -1625  | -2.34 |
|                      | 9,250  | 13.32 |

**Plant Production**

| All Treatment Trains | (gpm) | (MGD) |
|----------------------|-------|-------|
| Primary RO           | 6,335 | 9.12  |
| Ion Exchange         | 2,024 | 2.91  |
| Raw Bypass           | 0     | 0.00  |
|                      | 8,359 | 12.04 |

- \* Air Problem
- \*\* Sand Problem
- \*\*\*Cooling Problem
- \*\*\*\*Out of Service



# **Technical Advisory Committee Meeting**

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## **Agenda Item**

### **No. 3**

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**Chino II Desalter  
Treatment Plant Operations**

Summary of Activities

May 21, 2020 to June 3, 2020

**Well Field**

| Well Name | VFD Speed | Original Design Rate (gpm) | Current Production Rate (gpm) | Percent of Production | Operational (Yes/No) | Production Rate (gpm) | Status (Idle/Run) | Current Operation (gpm) |
|-----------|-----------|----------------------------|-------------------------------|-----------------------|----------------------|-----------------------|-------------------|-------------------------|
| II-1      | 100%      | 2,000                      | 1,606                         | 11%                   | Yes                  | 1,606                 | Run               | 1,870                   |
| II-2      | Fixed     | 2,000                      | 1,662                         | 11%                   | Yes                  | 1,662                 | Idle              | 0                       |
| II-3      | Fixed     | 2,000                      | 1,660                         | 11%                   | Yes                  | 1,660                 | Run               | 1,810                   |
| II-4      | 100%      | 2,000                      | 1,656                         | 11%                   | Yes                  | 1,656                 | Run               | 1,730                   |
| II-6      | 100%      | 2,000                      | 1,573                         | 10%                   | Yes                  | 1,573                 | Run               | 1,675                   |
| II-7      | 100%      | 1,200                      | 876                           | 6%                    | Yes                  | 876                   | Run               | 1,020                   |
| II-8      | Fixed     | 1,500                      | 1,103                         | 7%                    | Yes                  | 1,103                 | Run               | 1,055                   |
| II-9      | Fixed     | 2,000                      | 1,678                         | 11%                   | Yes                  | 1,678                 | Run               | 1,750                   |
| II-10     | 100%      | 3,700                      | 3,377                         | 22%                   | Yes                  | 3,377                 | Run               | 3,590                   |
| II-11     | 100%      | 3,300                      | 0                             | 0%                    | Yes                  | 0                     | Idle              | 0                       |
| II-12     |           |                            |                               |                       |                      |                       |                   |                         |
| gpm       | Total     | 21,700                     | 15,191                        | 100%                  | 100%                 | 15,191                | 95%               | 14,500                  |
| MGD       |           | 31.25                      | 21.88                         |                       |                      | 21.88                 |                   | 20.88                   |

**Primary RO Treatment**

| Train | Recovery Rate | Production (gpm) | (MGD) |
|-------|---------------|------------------|-------|
| 1     | 83.5%         | 0                | 0.00  |
| 2     | 83.5%         | 1,380            | 1.99  |
| 3     | 83.5%         | 1,380            | 1.99  |
| 4     | 83.5%         | 2,200            | 3.17  |
| 5     | 83.5%         | 2,250            | 3.24  |
|       |               | 7,200            | 10.37 |

**Ion Exchange Treatment**

| NRV (gpm) (MGD) |     |      | NRV (gpm) (MGD) |      |      |
|-----------------|-----|------|-----------------|------|------|
| 1               | 740 | 1.07 | 5               | 730  | 1.05 |
| 2               | 765 | 1.10 | 6               | 735  | 1.06 |
| 3               | 0   | 0.00 | 7               | 745  | 1.07 |
| 4               | 775 | 1.12 | 8               | 0    | 0.00 |
|                 |     |      | 4,000           | 5.76 |      |

**Raw Bypass**

| Production (gpm) | (MGD) |
|------------------|-------|
| 2,000            | 2.88  |

**Brine Flow**

| Production (gpm) | (MGD) |
|------------------|-------|
| 1,400            | 2.02  |

**Secondary RO Treatment**

| Train | Recovery Rate | Production (gpm) | (MGD) |
|-------|---------------|------------------|-------|
| 1     | 66.0%         | 0                | 0.00  |
| 2     | 66.0%         | 0                | 0.00  |
| 3     | 66.0%         | 0                | 0.00  |
|       |               | 0                | 0.00  |

**Plant Efficiency**

| Flow in Vs. Flow Out (gpm) (MGD) |        |       |
|----------------------------------|--------|-------|
| Wells                            | 14,500 | 20.88 |
| Brine                            | -1400  | -2.02 |
|                                  | 13,100 | 18.86 |
|                                  | 90.3%  |       |

**Plant Production**

| All Treatment Trains (gpm) (MGD) |        |       |
|----------------------------------|--------|-------|
| Primary RO                       | 7,200  | 10.37 |
| Ion Exchange                     | 4,000  | 5.76  |
| Raw Bypass                       | 2,000  | 2.88  |
| Secondary RO                     | 0      | 0.00  |
|                                  | 13,200 | 19.0  |

**Summary of Activities**

- Aquasystec providing SCADA support
- Daily Plant Rounds/Weekly Samples
- JCSD staff calibrated instruments
- 5/30 Power outage shut down Chino II/Production down for approx 4 hrs
- Well II-2 General Pump continues well rehab
- General Pump pulling Well II-11 for issues after power outage
- RO Train 2 in service after membrane changeout
- JCSD Staff repaired leaking mechanical seal on RO Train 4 booster



# **Technical Advisory Committee Meeting**

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## **Agenda Item**

### **No. 5**

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**FY 2019/20 CDA (Chino I and Chino II) Water Deliveries (Draft)**

| Month                            | Chino            | Chino Hills      | JCSD             | Norco          | Ontario          | SARWC          | Western MWD      | Total             |
|----------------------------------|------------------|------------------|------------------|----------------|------------------|----------------|------------------|-------------------|
| Jul-19                           | 480.000          | 463.500          | 742.610          | 83.000         | 439.000          | 100.000        | 0.000            | <b>2,308.110</b>  |
| Aug-19                           | 335.989          | 278.585          | 912.589          | 67.211         | 414.011          | 100.000        | 235.000          | <b>2,343.385</b>  |
| Sep-19                           | 322.206          | 276.394          | 616.150          | 65.094         | 673.864          | 85.000         | 44.190           | <b>2,082.898</b>  |
| Oct-19                           | 360.082          | 302.785          | 835.272          | 72.742         | 613.500          | 87.264         | 256.993          | <b>2,528.638</b>  |
| Nov-19                           | 291.205          | 237.800          | 837.025          | 63.643         | 665.231          | 84.000         | 238.652          | <b>2,417.556</b>  |
| Dec-19                           | 287.439          | 227.224          | 966.031          | 70.704         | 602.681          | 84.845         | 249.869          | <b>2,488.793</b>  |
| Jan-20                           | 349.444          | 284.309          | 853.643          | 83.360         | 608.097          | 85.821         | 252.743          | <b>2,517.417</b>  |
| Feb-20                           | 304.525          | 252.866          | 768.230          | 62.528         | 546.251          | 76.193         | 224.389          | <b>2,234.982</b>  |
| Mar-20                           | 392.218          | 326.398          | 886.251          | 78.465         | 708.544          | 94.230         | 277.500          | <b>2,763.606</b>  |
| Apr-20                           | 384.533          | 323.127          | 869.026          | 78.137         | 709.360          | 93.102         | 274.186          | <b>2,731.471</b>  |
| May-20                           | 430.045          | 360.788          | 971.327          | 85.246         | 735.620          | 101.741        | 299.626          | <b>2,984.393</b>  |
| Jun-20                           | 0.000            | 0.000            | 0.000            | 0.000          | 0.000            | 0.000          | 0.000            | <b>0.000</b>      |
| <b>Total FY 19/20 Deliveries</b> | <b>3,937.686</b> | <b>3,333.776</b> | <b>9,258.154</b> | <b>810.130</b> | <b>6,716.159</b> | <b>992.196</b> | <b>2,353.148</b> | <b>27,401.249</b> |
| <b>Contract Entitlement</b>      |                  |                  |                  |                |                  |                |                  |                   |
| Annual (AF/YR)                   | 5,000.0          | 4,200.0          | 11,733.0         | 1,000.0        | 8,533.0          | 1,200.0        | 3,534.0          | 35,200            |
| Monthly (AF)                     | 416.7            | 350.0            | 977.8            | 83.3           | 711.1            | 100.0          | 294.5            | 2,933.3           |
| Delivered through May 2020 (AF)  | <b>3,937.7</b>   | <b>3,333.8</b>   | <b>9,258.2</b>   | <b>810.1</b>   | <b>6,716.2</b>   | <b>992.2</b>   | <b>2,353.1</b>   | <b>27,401.2</b>   |
|                                  | <b>85.9%</b>     | <b>86.6%</b>     | <b>86.1%</b>     | <b>88.4%</b>   | <b>85.9%</b>     | <b>90.2%</b>   | <b>72.6%</b>     | <b>84.9%</b>      |
|                                  |                  |                  |                  |                |                  |                |                  |                   |

**Notes:**

1. Actual deliveries to date are shaded.

**Water Deliveries Through**

**May-20**

Submitted By:

Tom O'Neill, General Manager/CEO

Date

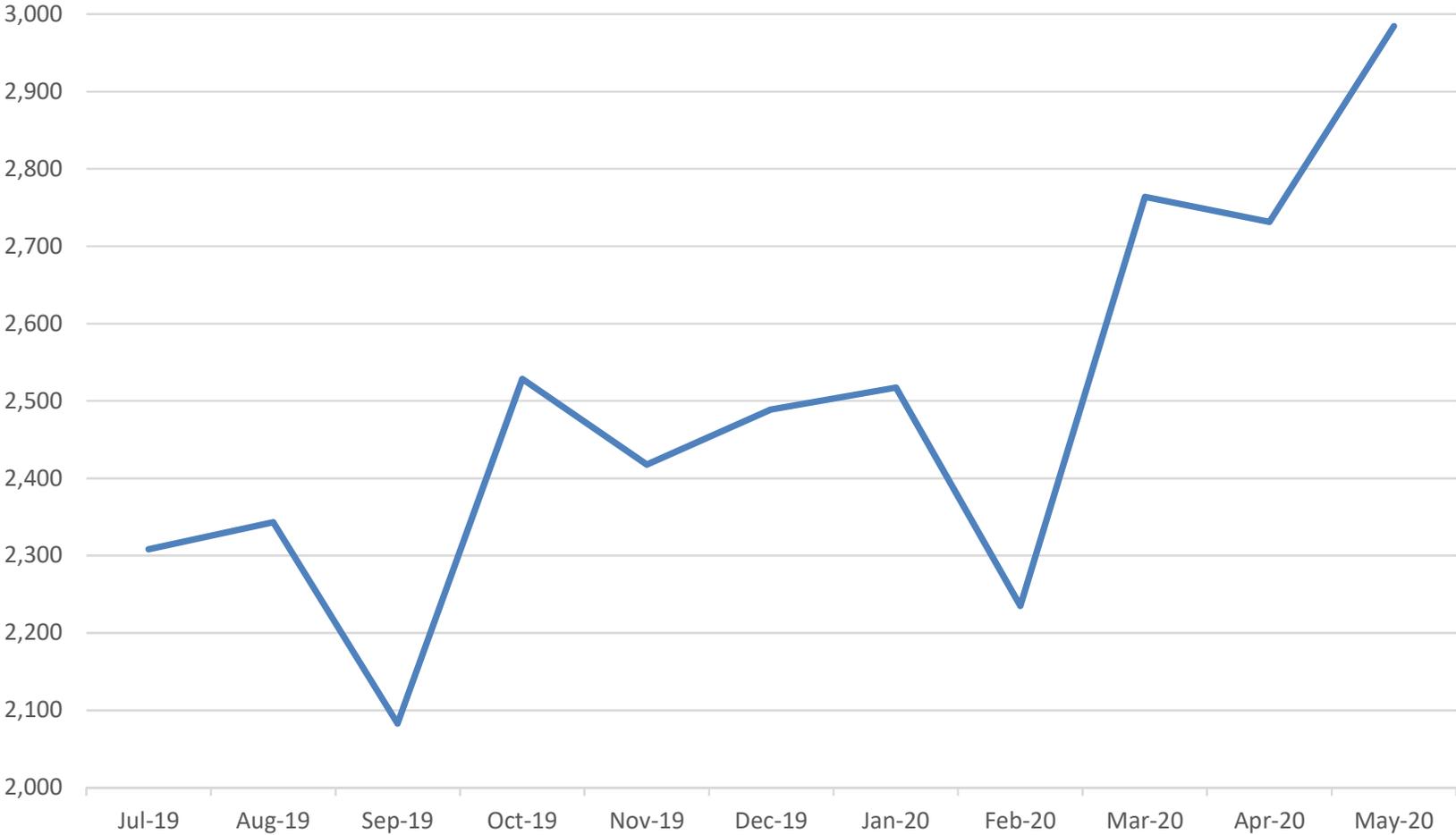
Approved By:

CDA Technical Advisory Committee

Approved On:

# Desalter Production FY 2019/20

AF/Month



Production Target 2,933 AF/Month (Avg.)



# **Technical Advisory Committee Meeting**

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## **Agenda Item**

### **No. 6**

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**SUBJECT: ADOPTION OF REVISED CURRENT INVESTMENT POLICY**

**RECOMMENDATION:**

It is recommended that the Board:

1. Review the attached Chino Basin Desalter Authority Investment Policy, as submitted; and
2. Adopt Resolution 20-xx approving CDA's Investment Policy for FY 2020/21.

**BACKGROUND:**

The current Investment Policy retains the Board authorized investments, which are a subset of investments allowed by the updated California Government Code Section.

The current Investment Policy states that the policy shall be reviewed whenever there are recommended changes or annually, whichever occurs first, and modifications must be approved by the Board of Directors. The Board's last review of the Chino Basin Desalter Authority Investment Policy was at its regularly scheduled meeting on September 11, 2014. Since then, there have been no modifications to the current Investment Policy.

Staff has made the following changes to the current policy:

1. In Section 8.0 – Authorized and Suitable Investments, we have added Medium-term Notes under J.
2. We have made minor verbiage changes as indicated by various red-lined areas.

The revised Investment Policy is attached for the Board's review. The primary objectives, in priority order, are:

- **Safety:** Preservation of capital in the overall portfolio is the foremost objective.
- **Liquidity:** Investment portfolio will remain sufficiently liquid to enable the Agency to meet all anticipated operating requirements.
- **Yield:** Return on investments is of secondary importance; however, the investment portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and cash flow requirements.
- **Compliance:** At a minimum, an investment policy must comply with the requirements of the California Government Code (CGC). The Board may impose additional requirements based on its investment objectives and preferences.
- **Comprehensiveness:** An investment policy should be comprehensive to ensure that the key aspects of the investment program are properly addressed.

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**Prepared by:** Michael Chung, CDA Treasurer

Page 1 of 2

**Board of Directors:**     Approved         Continued         Denied

**CDA GM/CEO Acknowledgement:** \_\_\_\_\_ **Date:** \_\_\_\_\_

- **Balance:** An investment policy should provide a balance between investment restrictions, which help protect the Agency's assets, and investment flexibility, which permits staff to adapt to changing market conditions and investment needs.
- **Clarity:** An investment policy should express the Board's investment objectives with sufficient clarity, so that staff, brokers/dealers, and other interested participants clearly understand the investment policy's intent.

This item was reviewed and discussed by the Technical Advisory Committee (TAC) on 6/9/2020 and reviewed/approved by the Finance Committee on 6/18/2020.

**PRIOR BOARD ACTION**

The Board of Directors approved and adopted the Chino Basin Desalter Authority Investment Policy on September 11, 2014.

**IMPACT ON BUDGET**

There is no impact on the Authority's Fiscal Year 2019/2020 budget.

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**Prepared by:** Michael Chung, CDA CFO/Treasurer

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**Board of Directors:**     Approved         Continued         Denied

**CDA GM/CEO Acknowledgement:** \_\_\_\_\_ **Date:** \_\_\_\_\_



## Investment Policy

(Adopted September 11, 2014)

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# CHINO BASIN DESALTER AUTHORITY

## INVESTMENT POLICY

### 1.0 POLICY

WHEREAS; The Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern (California Government Code (CGC) Sections 53600.6 and 53630-1 (CGC §53600.6 and 53630.1);

WHEREAS; the legislative body of a local agency may invest surplus monies, not required for the immediate necessities of the local agency, in accordance with the provisions of CGC §5922 and CGC §53601 et seq.; and

WHEREAS; the Treasurer of the Chino Basic Desalter Authority (CDA) shall annually prepare and submit a statement of investment policy and such policy, and any changes thereto, shall be considered by the legislative body at a public meeting (CGC §53646[a]).

NOW, THEREFORE, BE IT RESOLVED that the policy of the CDA is to invest funds in a manner which will provide: (i) the maximum security; (ii) the funds necessary to meet the daily cash flow demands of the Authority; and (iii) the highest investment return while conforming to all statutes governing the investment of the Authority funds within the constraints of this Investment Policy.

### 2.0 SCOPE

This Investment Policy applies to all surplus monies of the CDA.

#### Pooling of funds

Except for cash in certain restricted and special funds, the CDA will consolidate cash and reserve balances from all funds to maximize investments earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted practices.

### 3.0 PRUDENCE

Investments shall be made with that degree of 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. The standard of prudence to be used by designated investment signatories shall be the "prudent investor" standard (CGC §53600.3) and shall be applied in the context of managing an overall portfolio. Designated investment signatories, acting in accordance with written procedures, 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 in a timely fashion and appropriate action is taken to control adverse developments.

#### **4.0 OBJECTIVES**

As specified in CGC §53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

- A. Safety: Safety of principal is the foremost objective of the investment program. Investments made by CDA shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required to prevent any potential loss on any individual security or depository from exceeding the income generated from the remainder of the portfolio.
- B. Liquidity: The investment portfolio will remain sufficiently liquid to enable CDA to meet all operating requirements which might be reasonably anticipated.
- C. Return on Investments (Yield): The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:
  - 1. A security with declining credit may be sold to minimize loss of principal.
  - 2. A security swap would improve quality, yield, or target duration in the portfolio.
  - 3. Liquidity needs of the portfolio that requires the security to be sold.

#### **5.0 DELEGATION OF AUTHORITY**

Authority to manage the investment program is derived from CGC §53600, et seq. Management's responsibility for the investment program is hereby delegated for a one-year period by the legislative body to the Treasurer or the General Manager/CEO who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked by the Board of Directors. The Treasurer shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include reference to: safekeeping, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. Such procedures shall include explicit delegation of authority to persons/positions responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this investment policy and the procedures established by the Treasurer or the General Manager/CEO. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinates.

## **6.0 ETHICS AND CONFLICTS OF INTEREST**

Officers and employees involved in the placement of investments shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

## **7.0 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS**

The Treasurer shall maintain a list of approved and authorized financial institutions and brokers/dealers, selected on the basis of credit-worthiness, financial strength, experience, and capitalization.

In selecting the financial institutions for the deposit or investment of CDA funds, the Treasurer's consideration shall include the depository's latest equity/asset ratio data and continue to monitor the financial institutions' credit characteristics and financial history throughout the period during which CDA funds are deposited or invested. The minimum qualifications for Authority approved depository/financial institutions include: (i) that they must be at least three (3) years old; have total assets in excess of ten (\$10) billion dollars; a core capital/asset ratio of 5% or better; or (ii) have total assets in excess of five hundred million dollars (\$500,000,000); and a core capital/asset ratio of 6% or better.

For the services of banks, savings banks, and savings and loan associations, depository agreements shall be prepared by the Treasurer and authorized representatives of the respective financial institutions for consideration and execution by the Treasurer.

For broker/dealer services utilized to invest in government securities and other investments, the Treasurer is designated to select only broker/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the Financial Industry Regulatory Authority (FINRA), or other applicable self-regulatory organizations. A periodic review of authorized broker/dealers is essential to serve the CDA's investment needs.

In order to improve quality services, expertise, and credit worthiness, the Treasurer may, on a selective basis, revise the approved list of broker/dealers to update qualified broker/dealers under the requirements of this Investment Policy.

The Treasurer shall maintain a list of approved broker/dealers and will review the listing with the Board of Directors on an annual basis or more frequently if needed, (see Attachment "D").

Financial institutions/depositories, broker/dealers and external investment managers, who do investment-related business with CDA shall sign a Certificate of Understanding (see Attachment "A"). The Certification of Understanding states that the entity:

- A.** Has read and is familiar with the CDA's Investment Policy as well as Applicable Federal and State Law;
- B.** Agrees to notify CDA in writing of any potential conflicts of interest;
- C.** Meets the requirements as outlined in this Policy;
- D.** Agrees to make every reasonable effort to protect the assets of CDA from loss.

Annually, banks, savings bank, savings and loans associations, and authorized broker/dealers will be requested to update information about their financial institutions. The required information will be supplied by responses to the attached questionnaires (see Attachment "B" for broker/dealers and Attachment "C" for banks and savings and loans), and provide CDA with copies of published financial statements.

## **8.0 AUTHORIZED AND SUITABLE INVESTMENTS**

CDA investments are governed by Government Code. Within the investments permitted by the Government Code, CDA seeks to further restrict eligible investments to the investments listed below. In the event an apparent discrepancy is found between this Investment policy and the Government Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the date a security is purchased. Credit ratings, where shown, specify the minimum credit rating category required at purchase without regard to +/- or 1,2,3 modifiers, If any.

- A. United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.
- B. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- C. Bank deposits, including demand deposit accounts, savings account, market rate accounts, time deposits, and certificates of deposit in financial institutions located in California. Bank deposits are required to be collateralized as specified under Government Code § 53630 et. seq. Agreements allowing for the waiver of the collateral requirement for that amount of deposit covered by the Federal Deposit Insurance Corporation may be implemented provided the remainder of the deposit is secured by collateral as required by the Government Code.
- D. Placement Service Certificates of Deposit (PSCD) with private sector entity that assists in the placement of deposit with eligible financial institutions located in the United States (CGC § 53601.8). The full amount of the principal and the interest that may be accrued during the maximum term of each PSCD shall at all times be insured by federal deposit insurance. In combination with Negotiable CDs, the maximum portfolio exposure to Placement Service CDs is limited to 30%. The maximum investment maturity will be restricted to five years. Total investment in this category should not go to one particular financial institution.
- E. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):
  - 1) The entity meets the following criteria: (A) Is organized and operating in the United States as a general corporation; (B) Has total assets in excess of five hundred million

dollars (\$500,000,000); (C) Has debt other than commercial paper, if any, that is rated "A" or higher by a (NRSRO).

- 2) The entity meets the following criteria: (A) Is organized within the United States as a special purpose corporation, trust, or limited liability company; (B) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond; (C) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a (NRSRO).

The term of the investment shall not exceed 270 days, nor shall the amount placed exceed 10% of the outstanding commercial paper of an issuing corporation.

- F. Local Agency Investment Fund (LAIF) investment pool is a voluntary program created by statute as an investment alternative for California's local governments and special districts and is under the administration of the State Governor of California. All securities purchased by LAIF are under the authority of Government Code § 16429 and 16480.4. As part of the Pooled Money Investment Account (PMIA), LAIF has oversight by the Pooled Money Investment Board (PMIB), and an in-house Investment Committee. LAIF also has oversight by the Local Agency Investment Advisory Board and is audited by the Bureau of State Audits on an annual basis. Investment in California LAIF cannot exceed the maximum deposit per agency limit as set by the Local Agency Investment Fund.
- G. Money Market Funds - Investing solely in U.S. treasury securities and U.S. Government Agency securities, and repurchase agreements relating to the above obligations. To be eligible, these Money Market Funds must have met either of the following criteria: (A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs. (B) Retained an investment advisor with not less than five years' experience and registered or exempt from registration with the SEC, with assets under management in excess of five hundred million dollars (\$500,000,000).
- H. Repurchase Agreements - CDA may invest in repurchase agreements with banks and dealers with which CDA has entered into a master repurchase agreement which specifies terms and conditions of repurchase agreements.
  - 1) Transactions shall be limited to the primary dealers and banking institutions rated "A" or better by a NRSRO, or with a financially stable banking institution which CDA has substantial banking relationship. The maturity of repurchase agreements shall not exceed 90 days. The market value of securities used as collateral for repurchase agreements shall be monitored daily by the Treasurer and will not be allowed to fall below 102% of the value of the repurchase agreement plus the value of collateral in excess of the value of the repurchase agreement. In order to conform with the Federal Bankruptcy Code which provides for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be securities that are direct obligations of, or that are fully guaranteed as to principal and interest by the United States or any agency of the United States.

- I. Negotiable Certificates of Deposit. Negotiable certificates of deposit (NCDs) issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases are limited to institutions which have long-term debt rated at least in the “A” category, or its equivalent, by a NRSRO; and/or have short-term debt rated at least “A-1,” or its equivalent, by a NRSRO. NCDs may not exceed 5 years in maturity. In combination with Placement Service CDs, a maximum of 30 percent of the portfolio may be invested in this category.
- ↳J. Medium-Term Notes. All corporate and depository institution debt securities with a maximum remaining term of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United State or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated “A” or better by a nationally recognized rating service. Purchases of medium-term notes shall not include other instruments authorized by this section and may not exceed 30 percent of the authority’s money that may be invested pursuant to this section.

**Ineligible Investments:** Investments not described herein, including but not limited to, reverse repurchase agreements and common stocks are prohibited from use in this portfolio. This Investment Policy further specifically disallows investments in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual if held to maturity.

## 9.0 AUTHORIZED INVESTMENTS FOR BOND FUNDS

Bond funds shall be invested in the securities permitted pursuant to Board approved bond documents. If the bond documents are silent as to the permitted investments, bond funds will be invested in the securities permitted by this policy. Notwithstanding the other provisions of this Investment Policy, the dollar portfolio, percentage, and term limitations listed elsewhere in the Investment Policy do not apply to bond funds. In addition to the securities listed in Section 8.0 above, bond funds may be invested in a structured investment product if approved by the Treasurer.

## 10.0 SAFEKEEPING AND CUSTODY

As required by CGC §53601 all security transactions entered into by CDA shall be conducted on Deliver versus Payment basis. Delivery versus Payment or DVP basis means all securities purchased or acquired shall be delivered to CDA by book entry, physical delivery, or third-party custodial agreement. Investments in the state pool or money market funds are undeliverable, and therefore, not subject to the delivery or third-party safe keeping requirements.

## **11.0 DIVERSIFICATION**

The Board of Directors recognize that investment risks can result from issuer defaults, market price changes, or various technical complications leading to temporary illiquidity. Portfolio diversification is employed to minimize these risks. Investment signatories are expected to display prudence in the selection and/or approval of securities, to minimize the risks present in the investment portfolio. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. Further, financial institutions which hold funds, deposited as investments, shall be subject to an investment limitation.

The Board of Directors acknowledges that from time to time certain situations may arise during which strict adherence to an inflexible investment policy may be overly restrictive. On a case by case basis, the Board of Directors may consider any pertinent information of such situations and may, by minute action, modify or waive, within the constraints of CGC §53601 et seq., any of the provisions and/or restrictions of this Investment Policy.

The Treasurer shall periodically establish diversification guidelines, within the context of this policy, and strategies to control any risks of default, market price changes, and illiquidity.

## **12.0 TRADING OF SECURITIES**

A trade is the movement from one security to another and may be done for a variety of reasons, such as to increase yield, lengthen or shorten maturities, to take a profit, or to increase investment quality. The purchase and sale transaction and the sale transaction must each be recorded separately and any losses or gains on the sale must be recorded.

The Treasurer may obtain competitive bids from at least two brokers or financial institutions on all purchases of investment instruments primarily using "GFOA Yield Advantage" software when available. Competitive bids can be also obtained by other communication channels when necessary.

## **13.0 MAXIMUM MATURITIES**

Where no maturity limit is stated for an investment under Section 8.0, no investment shall be made in any security that at the time of the investment, has a term remaining to maturity in excess of five years unless the Board has granted express authority to make that investment either specifically or as part of a previous investment program no less than three (3) months prior to the investment. Any investment currently held at the time the investment policy is adopted which does not meet the new policy guidelines will be held until maturity and shall be exempt from the current policy. At the time of the investment's maturity or liquidation such funds shall be reinvested only as provided in the most current policy.

## **14.0 PORTFOLIO DURATION LIMITATION**

The weighted average duration of the entire portfolio shall not exceed three (3) years.

## **15.0 MONITORING CREDIT RATINGS**

The Treasurer shall monitor the ratings of all investments in their portfolios on a continuous basis and report all credit downgrades of portfolio securities to the Board in writing within 24 hours of knowledge of the event. If an existing investment's rating drops below the minimum allowed for new investments made pursuant to this policy, the Treasurer shall also make a written recommendation to the Treasurer as to whether this security should be held or sold.

## **16.0 REPORTING**

The Treasurer shall submit to each member of the Board of Directors a periodic investment report. This report will include the elements of the quarterly report as recommended by CGC §53646, to include:

- a. Type of investment
  - b. Name of institution
  - c. Date of maturity
  - d. Amount of deposit or cost of the security and the par value
  - e. Current market value of all securities
  - f. Rate of interest/earnings (yield)
  - g. A monthly list of transactions
- (i) CGC §53646(b)(2),(3) recommends that the investment report must include a statement that (i) all investment actions executed since the last investment report have been made in full compliance with the Investment Policy or a Board of Directors' minute action (wavier) and, that (ii) CDA will meet its expenditure obligations for the next six months. The Treasurer shall maintain a complete and timely record of all investment transactions in support of the above statement.

## **17.0 INTERNAL CONTROLS**

The Treasurer is responsible for establishing and maintaining a control structure designed to ensure that the assets of CDA are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation and benefits requires estimates and judgments by management.

An annual independent review by an external auditor to assure compliance with policies and procedures will be performed as part of the Authority's annual audit

## **18.0 PERFORMANCE STANDARDS**

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. In order to determine whether market yields are being achieved, the Treasurer shall identify comparable benchmarks to the portfolio investment duration, (e.g. 90-

day US Treasury Bill, 6-month US Treasury Bill, average LAIF yield rate). This comparative analysis is included in investment report presented to the Board of Directors on a quarterly basis.

## **19.0 POLICY REVIEW**

This investment policy shall be reviewed regularly to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return and its relevance to current law and financial and economic trends. The Board shall be responsible for maintaining guidance over this investment policy to ensure that CDA can adapt readily to changing market conditions and approve any modification to the investment policy prior to implementation.

## **20.0 STATE LAW**

The legislated authority of CDA's investments is covered in Section 53601, 53607, 53635, 53638, 53646, 53652, and 53653 of the Government Code. It is the policy of CDA to comply with the State laws governing its investments.

## **21.0 INVESTMENT POLICY ADOPTION**

The Investment Policy shall be adopted by resolution of the Board of Directors of the Chino Basin Desalter Authority. Moreover, the Policy shall be reviewed whenever there are recommended changes or annually, whichever occurs first, and modifications must be approved by the Board of Directors.

### **ADOPTED AND APPROVED:**

**Name:**

**Title:**

**Date:**

## **APPENDIX 1: GLOSSARY OF CASH MANAGEMENT TERMS**

### **ASKED (PRICE):**

A price at which securities are offered for sale; also known as offering price.

### **BASIS POINT:**

One hundredth of one percent (i.e. 0.01%).

### **BOND PROCEEDS:**

The money paid to the issuer by the purchaser or underwriter of a new issue of municipal securities. These moneys are used to finance the project or purpose for which the securities were issued and to pay certain costs of issuance as may be provided in the bond contract.

### **BOOK VALUE:**

The value at which a debt security is shown on the holder's balance sheet. Book value is often acquisition cost plus/minus amortization and accretion, which may differ significantly from the security's current value in the market.

### **BROKER:**

A broker acts as an intermediary between a buyer and seller for a commission and does not trade for his/her own risk and account or inventory.

### **CERTIFICATE OF DEPOSIT (CD):**

A time deposit with a specific maturity evidenced by a certificate.

### **CALLABLE BOND:**

A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

### **CALIFORNIA ASSET MANAGEMENT PROGRAM (CAMP):**

A Joint Powers Agency Authority created by local public agencies to provide a convenient method for local public agencies to pool their assets for investment purposes. CAMP is governed by a Board of Trustees made up of experienced local agency treasurers and investment officers. The Board sets overall policies for the program and selects and supervises the activities of the investment manager and other agents. The Pool seeks to maintain a constant net asset value (NAV) per share of \$1.00. The Pool is rated AAAM by Standard & Poor's.

### **COLLATERAL:**

Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**COMMERCIAL PAPER:**

A short-term, unsecured, and promissory note with a fixed maturity of no more than 270 days. By statute, these issues are exempt from registration with the U.S. Securities and Exchange Commission.

**CREDIT RISK:**

The risk to an investor that an issuer will default in the payment of interest and/or principal on a security and a loss will result.

**CUSTODIAN:**

A bank or other financial institution that keeps custody of stock certificates and other assets.

**DEALER:**

A dealer, as opposed to a broker, acts as a principal in all transaction, buying and selling for his own risk and account or inventory.

**DELIVERY OF SECURITIES:**

There are two methods of delivery of securities; Delivery versus Payment and Delivery versus Receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of signed receipt for the securities.

**DIVERSIFICATION:**

Dividing investment funds among a variety of securities offering independent returns.

**DURATION:**

A measure of the timing of the cash flows to be received from a given-fixed income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

**FACE VALUE:**

The principal amount owed on a debt instrument. It is the amount on which interest is computed and represents the amount that the issuer promises to pay at maturity.

**FAIR VALUE:**

The amount at which a security could be exchanged between willing parties, other than in a forced or liquidation sale. If a market price is available, the fair value is equal to the market value.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):**

A federal agency that insures bank deposits.

**FEDERAL FARM CREDIT BANK (FFCB):**

Government-sponsored institution that consolidates the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks and the Banks for Cooperatives. Its securities do not carry direct U.S. Government guarantees.

**FEDERAL FUNDS RATE:**

The rate of interest at which Federal funds are traded. This rate is the most sensitive indicator of the direction of interest rates, as it is currently pegged by the Federal Reserve through open-market operations.

**FEDERAL HOME LOAN BANKS (FHLB):**

The institutions that regulate and lend to savings and loan associations. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Bank vis-à-vis member commercial banks. Although the banks operate under federal charter with government supervision, the securities are not guaranteed by the U.S. Government.

**FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC or Freddie Mac):**

Established in 1970 to help maintain the availability of mortgage credit for residential housing. FHLMC finances these operations by marketing guaranteed mortgage certificates and mortgage participation certificates. Its discount notes and bonds do not carry direct U.S. Government guarantees.

**FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae):**

FNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a Federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. FNMA is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA securities do not carry direct U.S. Government guarantees.

**FEDERAL RESERVE SYSTEM:**

The central bank of the U.S. which consists of seven-member Board of Governors, 12 regional banks, and about 5,700 commercial banks that are members.

**FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA):**

The Financial Industry Regulatory Authority (FINRA) is the largest independent regulator for all securities firms doing business in the United States. All told, FINRA oversees nearly 4,750 brokerage firms, about 167,000 branch offices and approximately 634,000 registered securities representatives.

**INTEREST ONLY STRIPS:**

The interest portion of a Treasury note or bond that has been stripped of its principal component through the commercial book-entry system.

**INTEREST RATE RISK:**

The risk of gain or loss in market values of securities due to changes in interest-rate levels. For example, rising interest rates will cause the market value of portfolio securities to decline.

**INVERSE FLOATER:**

Fixed income instrument whose coupon or interest rate is periodically reset according to a short term rate index such as LIBOR, or prime rate. Unlike the traditional floating rate instrument, however, the inverse floater's rate is set equal to a fixed rate minus the short-term rate index.

**INVESTMENT POLICY:**

A clear and concise statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

**INVESTMENT PORTFOLIO:**

A collection of securities held by a bank, individual, institution, or government agency for investment purposes.

**LIQUIDITY:**

An asset that can be converted easily and rapidly into cash with minimum risk on principal.

**LOCAL AGENCY INVESTMENT FUND (LAIF):**

An investment pool managed by the California State Treasurer. Local government units, with consent of the governing body of that agency, may voluntarily deposit surplus funds for the purpose of investment. Interest earned is distributed by the State Controller to the participating governmental agencies on a quarterly basis.

**MARKET TO MARKET:**

Current market price of a security.

**MARKET RISK:**

Systematic risk of a security that is common to all securities of the same general class (stocks, bonds, notes, money market instruments) and cannot be eliminated by diversification (which may be used to eliminate non-systematic risk).

**MARKET VALUE:**

The price at which a security is currently being sold in the market. See FAIR VALUE.

**MASTER REPURCHASE AGREEMENT:**

A written contract covering all future transactions between the parties to repurchase agreements and reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

**MATURITY:**

The date that the principal or stated value of a debt instrument becomes due and payable.

**MEDIUM-TERM NOTES (MTNs):**

Corporate notes, having any or all of the features of corporate bonds and ranging in maturity from nine months out to thirty years. The difference between corporate bonds and MTNs is that corporate bonds are underwritten.

**NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO):**

A rating organization designated by the SEC as being nationally recognized, such as Moody's Investor Service, Inc. (Moody's), Standard & Poor's (S&P), and Fitch Ratings (Fitch).

**NEGOTIABLE CERTIFICATES OF DEPOSIT:**

Large denomination certificates of deposit with a fixed maturity date, which can be sold in the money market. They are not collateralized.

**OPEN MARKET OPERATIONS:**

Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the Federal Open Market Committee, (FOMC), in order to influence the volume of money and credit in the economy. Purchases inject reserves into the banking system and stimulate growth of money and credit: Sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

**PAR VALUE:**

The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in increments of \$1,000 per bond.

**PORTFOLIO:**

The collection of securities held by an individual or institution.

**PRIMARY DEALER:**

A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker/dealers, banks and a few unregulated firms.

**PRINCIPAL:**

The face or par value of a debt instrument or the amount of capital invested in a given security.

**PRUDENT PERSON RULE:**

An investment standard: The way a prudent person of discretion and intelligence would be expected to manage the investment program in seeking a reasonable income and preservation of capital.

#### RANGE BONDS:

Bonds that accrue interest during a particular Interest Period at a fixed or variable rate if a specified index is within a specified range during a designated period of time or at a particular point in time. A Range Bond may not bear interest if the specified index is outside the specified range.

#### RATE OF RETURN:

- 1) The yield which can be attained on a security based on its purchase price or its current market price.
- 2) Income earned on an investment, expressed as a percentage of the cost of the investment.

#### REPURCHASE AGREEMENT (RP OR REPO):

A holder of securities (e.g. investment dealer) sells these securities to an investor (e.g. the Agency) with an agreement to repurchase them at a fixed date. The security “buyer” (e.g. the Agency) in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structured to compensate the “buyer” for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is increasing bank reserves.

#### \*REVERSE REPURCHASE AGREEMENT (REVERSE REPO):

A counter party (e.g. investment dealer) buys the securities from the holder of securities (e.g. the Agency) with an agreement to sell them back at a fixed date. The counter party in effect lends the seller (e.g. the Agency) money for the period of the agreement with terms of the agreement structured to compensate buyer.

#### SAFEKEEPING:

A service banks offer to clients for a fee, where physical securities are held in the bank’s vault for protection and book-entry securities are on record with the Federal Reserve Bank or Depository Trust Company in the bank’s name for the benefit of the client. As agent for the client, the safekeeping bank settles securities transactions, collects coupon payments, and redeems securities at maturity or, if called, on the call date.

#### SWAP:

An agreement between two parties (known as counterparties) where one stream of future interest payments is exchanged for another based on a specified principal amount.

#### SECURITIES AND EXCHANGE COMMISSION (SEC):

Agency created by Congress to protect investors in securities transactions by administering securities legislation.

#### SECONDARY MARKET:

A market for the repurchase and resale of outstanding issues following the initial distribution.

**SECURITIES:**

Investment instruments such as notes, bonds, stocks, money market instruments and other instruments of indebtedness of equity.

**SPREAD:**

The difference between two figures or percentages. It may be the difference between the bid (price at which a prospective buyer offers to pay) and asked (price at which an owner offers to sell) prices of a quote, or between the amount paid when bought and the amount received when sold.

**TREASURY BILLS:**

A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

**TREASURY BONDS:**

Long-term U. S. Treasury securities.

**TREASURY NOTES:**

Intermediate-term coupon-bearing U.S. Treasury securities having initial maturities from one year to ten years.

**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.

**YIELD CURVE:**

Yield calculations of various maturities of instruments of the same quality at a given time to observe spread differences.

**Attachment A - CERTIFICATION OF UNDERSTANDING**

I hereby certify that I have personally read Chino Basin Desalter Authority's (CDA) Investment Policy and the California Government Code pertaining to the investments of CDA.

I will disclose to CDA any potential risks or conflicts with the Investment Policy that might arise out of business transactions between my firm and CDA.

I will undertake reasonable efforts to prevent imprudent transactions involving funds of CDA and will endeavor to keep familiar with CDA's investment objectives and constraints, as they exist from time to time.

I will only offer investments for CDA's consideration that are in conformity to CDA's Investment Policy.

I attest to the accuracy of the responses to CDA's questionnaire.

NOTE: Completion of the attached questionnaire is only part of Chino Basin Desalter Authority's certification process and DOES NOT guarantee that the financial institution will be guaranteed any portion of the investment business with Chino Basin Desalter Authority.

FIRM NAME \_\_\_\_\_

SIGNED \_\_\_\_\_

DATE \_\_\_\_\_

**Attachment B - BROKERS/DEALERS QUESTIONNAIRE AND CERTIFICATION**

*Please fill out form and return to Chino Basin Desalter Authority*

1. Name of Firm \_\_\_\_\_

2. Address \_\_\_\_\_

*(Local)*

*(National Headquarters)*

\_\_\_\_\_  
\_\_\_\_\_

3. Telephone No. \_\_\_\_\_

\_\_\_\_\_

4. Primary Representatives:

Manager/Partner-In-Charge:

Name \_\_\_\_\_

Name \_\_\_\_\_

Telephone \_\_\_\_\_

Telephone \_\_\_\_\_

Years in institutional sales \_\_\_\_\_

Years in institutional sales \_\_\_\_\_

Years with firm \_\_\_\_\_

Years with firm \_\_\_\_\_

5. Are you a Primary Dealer in U.S. Government Securities?  Yes  No

6. Are you a Regional Dealer in U.S. Government Securities?  Yes  No

7. Are you a Broker instead of a Dealer? \_\_\_\_\_

i.e., You DO NOT own positions of Securities?  Yes  No

8. What is the net capitalization of your firm? \_\_\_\_\_

9. What is the date of your fiscal year-end? \_\_\_\_\_

10. Is your firm owned by a holding company? If so, what is its name and net capitalization?

\_\_\_\_\_

11. Please provide your wiring and delivery instructions. \_\_\_\_\_

\_\_\_\_\_

12. Which of the following instruments are offered regularly by your local desk?

T- Bills       Treasury Notes/Bonds       Discount Notes       NCD's

Agencies (specify) \_\_\_\_\_

13. Which of the above does your firm specialize in marketing? \_\_\_\_\_

\_\_\_\_\_

14. Please identify your most directly comparable Local Agency Clients in our geographical area:

| Entity | Contact Person | Telephone | Client Since |
|--------|----------------|-----------|--------------|
|--------|----------------|-----------|--------------|

|       |       |       |       |
|-------|-------|-------|-------|
| _____ | _____ | _____ | _____ |
|-------|-------|-------|-------|

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|       |       |       |       |
|-------|-------|-------|-------|
| _____ | _____ | _____ | _____ |
|-------|-------|-------|-------|

15. What reports, transactions, confirmations and paper trail would we receive?

16. Please include samples of research reports or market information that your firm regularly provides to local agency clients.
17. What precautions are taken by your Firm to protect the interest of the public when dealing with government agencies as investors? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
18. Have you or your Firm been censored or punished by a regulatory State or Federal agency for improper or fraudulent activities, related to the sale of securities?  Yes  No
19. If yes, explain. \_\_\_\_\_
20. Attach certified documentation of your capital adequacy and financial solvency. In addition, an audited financial statement must be provided within 120 days of your fiscal year-end.
21. Attach proof of Financial Industry Regulatory Authority (FINRA) certification.
22. Attach proof of California Department of Securities Registration.
23. Attach proof of Securities and Exchange Commission registration (form BD).
24. Attach proof of adequate insurance coverage.



- A. Has there been a year during the past three years in which the Bank/Savings and loan did not make a profit? \_\_\_\_\_
10. Have you read the California Government Code §53630 through §53686 pertaining to all of the State's requirements governing the deposit of monies by local agencies?
- Yes  No
11. Amounts above the FDIC insurance coverage must be collateralized with Government Securities. Where is the collateral for time deposits of the Bank/Savings and Loan held?
- \_\_\_\_\_
12. Has there been a period during the past five years when time deposits of the Bank/Savings and Loan have not been fully collateralized? If yes, explain:
- \_\_\_\_\_
- \_\_\_\_\_
13. What is the education level of the primary contact(s)? \_\_\_\_\_
14. How many years of related experience does the primary contact(s) have?
- \_\_\_\_\_
15. What other banking services would you be interested in providing Chino Basin Desalter Authority? \_\_\_\_\_
16. What transaction documents and reports would we receive? \_\_\_\_\_
- \_\_\_\_\_
17. What information would you provide to our Treasurer? \_\_\_\_\_
18. Describe the precautions taken by your Bank/Savings and Loan to protect the interest of the public when dealing with government agencies as depositors of investors. \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

19. Please provide your Contract of Deposit of Monies pre-signed and sealed by your institution, as well as any signature cards that you may require.
20. Please provide wiring instructions. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
21. Please provide your Bank/Savings and Loan most current audited financial statements.
22. Please attach biographical information for your representative.

## **Attachment D – Authorized Brokers/Dealers**

### **CHINO BASIN DESALTER AUTHORITY OFFICE OF THE TREASURER**

The following brokers/dealers are authorized to provide investment services to CDA, in accordance with the CDA's Investment Policy:

1. UBS Financial Services Inc.
2. Citigroup Global Markets Inc.
3. Great Pacific Securities
4. Higgins Capital Management Inc.
5. J.P. Morgan Securities, Inc.
6. Wedbush Morgan Securities, Inc.
7. De La Rosa & Company
8. Mutual Securities, Inc.
9. Morgan Keegan & Company, Inc.
10. Multi-Bank Securities, Inc.



# **Technical Advisory Committee Meeting**

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## **Agenda Item**

### **No. 8**

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**Chino Basin Desalter Authority**  
**Board Meeting Agenda Items**

| <b>July 2, 2020 Board Meeting (Regular)</b>                 |             | <b>TAC</b> | <b>Finance</b> |
|---|-------------|------------|----------------|
| Quarterly Financial Reports                                 | Garcia/CDA  | -          | 6/25/2020      |
| CRF Support Services (Carollo)                              | O'Neill/CDA | 6/23/2020  | 6/25/2020      |
| Richmond Property Swap                                      | O'Neill/CDA | 6/23/2020  | 6/25/2020      |
| Investment Policy Review                                    | Chung/CDA   | 6/9/2020   | 6/25/2020      |
| Appoint CDA Representative for ACWA/JPIA Board of Directors | O'Neill/CDA | -          | 6/25/2020      |
| Quarterly Operations Report/Presentation                    | Minten/CDA  | -          | -              |
| Quarterly South Archibald Plume Report/Presentation         | Miller/H&S  | -          | -              |

| <b>August 6, 2020 Board Meeting (Special)</b> |  | <b>TAC</b> | <b>Finance</b> |
|---|--|------------|----------------|
|   |  |            |                |
|   |  |            |                |
|   |  |            |                |

| <b>FUTURE</b>                    | <b>TAC</b> | <b>Finance</b> | <b>Board</b> |
|----------------------------------|------------|----------------|--------------|
| O&M Agreement                    |            |                |              |
| Well II-1 Site Property Exchange |            |                |              |



# **Technical Advisory Committee Meeting**

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## **Agenda Item**

### **No. 9**

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# *Chino Basin Desalter Authority*

## TAC Meeting Agenda Items

|                                |
|--------------------------------|
| <b>June 23, 2020</b>           |
| Meeting Minutes                |
| Chino I Operations Report      |
| Chino II Operations Report     |
| CRF Update                     |
| CRF Support Services (Carollo) |
| Richmond Property Swap         |

|                            |
|----------------------------|
| <b>August 11, 2020</b>     |
| Meeting Minutes            |
| Chino I Operations Report  |
| Chino II Operations Report |
| CRF Update                 |
| Water Deliveries           |

|                      |
|----------------------|
| <b>FUTURE</b>        |
| O&M Agreement Update |