



Chino Hills · Diamond Bar · Industry

**TRES HERMANOS CONSERVATION AUTHORITY
BOARD OF DIRECTORS MEETING**

**WEDNESDAY, MARCH 8, 2023, AGENDA
6:00 P.M.
MEETING HELD IN PERSON**

**CITY OF CHINO HILLS - COUNCIL CHAMBERS
14000 CITY CENTER DRIVE
CHINO HILLS, CALIFORNIA**

**BOARD DIRECTORS
CHAIR, STAN LIU
VICE-CHAIR, PETER ROGERS
DIRECTOR, ANDREW CHOU
DIRECTOR, CATHY MARCUCCI
DIRECTOR, RAY MARQUEZ
DIRECTOR, CORY MOSS
DIRECTOR, NEWELL RUGGLES**

This agenda contains a brief general description of each item to be considered. Except as otherwise provided by law, no action shall be taken on any item not appearing on the agenda unless the Board of Directors makes a determination that an emergency exists or that a need to take immediate action on the item came to the attention of the City subsequent to the posting of the agenda. The Secretary of the Board has on file copies of written documentation relating to each item of business on this Agenda available for public inspection in the Office of the Chino Hills City Clerk, in the public binder located at the entrance to the Council Chambers while the meeting is in session, and on the Authority's website at www.treshermanos.org. Materials related to an item on this Agenda submitted to the Directors after distribution of the agenda packet are available for public inspection in the Office of the Chino Hills City Clerk at 14000 City Center Drive, Chino Hills, CA during normal business hours.

Speaker Cards - Those persons wishing to address the Directors on any matter, whether or not it appears on the agenda, are requested to complete and submit to the Authority Secretary a "Request to Speak" card available at the entrance to the City Council Chambers. In accordance with the Public Records Act, any information you provide on this form is available to the public. **You are not required to provide personal information in order to speak, except to the extent necessary for the Secretary of the Board to call upon you.** Comments will be limited to five minutes per speaker.

Emails and documents submitted will be considered a public document subject to posting on the City's website and are subject to the Public Records Act.

In compliance with the Americans with Disabilities Act, if you require special assistance to participate in the Board meeting, please contact the Authority Secretary, (909) 364-2620, at least 48 hours prior to the meeting to enable the Authority to make reasonable arrangements.

PLEASE SILENCE ALL ELECTRONIC DEVICES WHILE BOARD IS IN SESSION. Thank you.

CALL TO ORDER:

PLEDGE OF ALLEGIANCE

ROLL CALL

1. **PUBLIC COMMENTS:** At this time members of the public may address the Authority regarding any items within the subject matter jurisdiction of the Authority provided NO action or discussion may be taken on any item not appearing on the agenda, except the Authority may BRIEFLY respond to statements made or questions posed. Comments are limited to five minutes per Speaker.

CONSENT CALENDAR:

2. Approve January 11, 2023 Regular Meeting Minutes
3. Receive and file Payment Register for months ended December 31, 2022, and January 31, 2023
4. Receive and file Treasurer's Reports for months ended December 31, 2022, and January 31, 2023
5. Adopt resolution adopting Statement of Investment Policy for Fiscal Year 2023-24

OLD BUSINESS:

There is none.

NEW BUSINESS:

6. Adopt budget amendment resolution for Fiscal Year 2022-23 increasing expenditure budget by \$124,236 and fund balance reserve by \$14,457 for total revenue increase of \$138,693 based on mid-year budget review
7. Adopt resolution adopting budget for Fiscal Year 2023-24

AUTHORITY DIRECTOR COMMENTS:

ADJOURNMENT: The next regular Tres Hermanos Conservation Authority meeting will be Wednesday, April 12, 2023 at 6:00 p.m.

TRES HERMANOS CONSERVATION AUTHORITY
REGULAR BOARD OF DIRECTORS MEETING MINUTES
CHINO HILLS, CALIFORNIA
JANUARY 11, 2023
PAGE 1

CALL TO ORDER

The Regular Meeting of the Tres Hermanos Conservation Authority was called to order by Director Marquez at 6:00 p.m. in the Community Room, City of Chino Hills City Hall.

Director Marquez announced that consistent with State Assembly Bill 361, the Tres Hermanos Conservation Authority meeting was being held in person and via teleconference, with limited staff present. Members of the public were encouraged to participate telephonically, and for those wishing to attend the meeting in person, face coverings were recommended.

PLEDGE OF ALLEGIANCE: The Pledge of Allegiance was led by Director Stan Liu.

ROLL CALL:

Directors in attendance in person: Stan Liu, Director
Andrew Chou, Director
Ray Marquez, Director
Peter Rogers, Director

Directors in attendance online: Cory Moss, Director
Newell Ruggles, Director

Directors absent: Cathy Marcucci, Chair

Staff in attendance in person: Benjamin Montgomery, Executive Director; Joshua Nelson, Deputy Executive Director; Dan Fox, Administrative Director; Christa Buhagiar, Treasurer; Cheryl Balz, Authority Secretary; Jessica Contreras, Deputy City Clerk II; and Sam Pedroza, Public Affairs Manager and Inter-Governmental Liaison

Staff in attendance online: Tracy Egoscue, Authority General Counsel

TRES HERMANOS CONSERVATION AUTHORITY
REGULAR BOARD OF DIRECTORS MEETING MINUTES
CHINO HILLS, CALIFORNIA
JANUARY 11, 2023
PAGE 2

Due to the absence of Chair Marcucci and a vacancy in the Vice-Chair position, there was a consensus for Director Marquez as past Chair to run the meeting.

1. PUBLIC COMMENTS:

Jim Gallagher wished everyone a Happy New Year and stated that he is looking forward to new developments in the upcoming year.

REORGANIZATION OF THE BOARD OF DIRECTORS

Selection of Chair:

A motion was made by Director Marquez to nominate Director Liu to serve as Chair of the Tres Hermanos Conservation Authority. Director Rogers seconded the motion. No other nominations were offered. Motion carried by roll call vote of 6-0-1.

AYES: DIRECTORS: CHOU, LIU, MARQUEZ, MOSS,
ROGERS, RUGGLES
NOES: DIRECTORS: NONE
ABSENT: DIRECTORS: MARCUCCI

Selection of Vice-Chair:

A motion was made by Director Marquez to nominate Director Rogers to serve as Vice-Chair of the Tres Hermanos Conservation Authority. Director Chou seconded the motion. No other nominations were offered. Motion carried by roll call vote of 6-0-1.

AYES: DIRECTORS: CHOU, MARQUEZ, MOSS, ROGERS,
RUGGLES, CHAIR LIU
NOES: DIRECTORS: NONE
ABSENT: DIRECTORS: MARCUCCI

TRES HERMANOS CONSERVATION AUTHORITY
REGULAR BOARD OF DIRECTORS MEETING MINUTES
CHINO HILLS, CALIFORNIA
JANUARY 11, 2023
PAGE 3

CONSENT CALENDAR:

2. MINUTES OF THE DECEMBER 14, 2022 REGULAR MEETING.

RECOMMENDED ACTION: APPROVE THE DECEMBER 14, 2022 REGULAR TRES HERMANOS CONSERVATION AUTHORITY MEETING MINUTES.

3. PAYMENT REGISTER.

RECOMMENDED ACTION: THAT THE AUTHORITY RECEIVE AND FILE THE PAYMENT REGISTER FOR THE MONTH ENDED NOVEMBER 30, 2022.

4. TREASURER'S REPORT.

RECOMMENDED ACTION: THAT THE AUTHORITY RECEIVE AND FILE THE TREASURER'S REPORT FOR THE MONTH ENDED NOVEMBER 30, 2022.

5. AUTHORIZE AMENDMENT NO. 1 TO AGREEMENT NO. THCA20-002 WITH C&C ENGINEERING, INC.

RECOMMENDED ACTION: AUTHORIZE EXECUTIVE DIRECTOR TO EXECUTE AMENDMENT NO. 1 TO AGREEMENT NO. THCA20-002 WITH C & C ENGINEERING, INC., INCREASING THE TOTAL NOT-TO-EXCEED AMOUNT FROM \$85,000 TO \$118,600 FOR TRES HERMANOS CONSULTANT SERVICES.

6. USE OF TELECONFERENCING IN ACCORDANCE WITH ASSEMBLY BILL 361 FOR MEETINGS OF THE TRES HERMANOS CONSERVATION AUTHORITY.

RECOMMENDED ACTION: ADOPT RESOLUTION NO. THCA 2023-01 ENTITLED: A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TRES HERMANOS CONSERVATION AUTHORITY MAKING SPECIFIED FINDINGS RELATING TO THE USE OF TELECONFERENCING IN ACCORDANCE WITH ASSEMBLY BILL 361 FOR MEETINGS OF THE AUTHORITY SUBJECT TO STATE OPEN MEETING LAWS.

TRES HERMANOS CONSERVATION AUTHORITY
REGULAR BOARD OF DIRECTORS MEETING MINUTES
CHINO HILLS, CALIFORNIA
JANUARY 11, 2023
PAGE 4

Chair Liu and Director Chou abstained from voting on Item No. 2, approval of December 14, 2022 Regular Meeting Minutes, as they were not in attendance at that meeting.

A motion was made by Vice-Chair Rogers and seconded by Director Marquez to approve the Consent Calendar as presented. Motion carried 6-0-1 by roll call vote as follows:

| | | |
|----------|------------|----------------------------------------------|
| AYES: | DIRECTORS: | MARQUEZ, MOSS, RUGGLES, VICE-CHAIR ROGERS |
| NOES: | DIRECTORS: | NONE |
| ABSENT: | DIRECTORS: | MARCUCCI |
| ABSTAIN: | DIRECTORS: | CHOU, CHAIR LIU |

OLD BUSINESS: There was none.

NEW BUSINESS:

7. DISCUSS CANCELLING OR RESCHEDULING THE FEBRUARY 8, 2023 REGULAR MEETING.

RECOMMENDED ACTION: THAT THE AUTHORITY CANCEL OR RESCHEDULE THE FEBRUARY 8, 2023 REGULAR MEETING DUE TO ABSENCE OF DIRECTORS.

Executive Director Montgomery provided the staff report which is on file at the City of Chino Hills City Clerk's office.

A motion was made by Vice-Chair Rogers and Seconded by Director Chou to cancel the February 8, 2023 regular meeting and directed staff that if a meeting is needed prior to the next regularly scheduled meeting, that a special meeting be called. Motion carried 6-0-1 by roll call vote as follows:

| | | |
|----------|------------|---------------------------------------------------------------|
| AYES: | DIRECTORS: | CHOU, MARQUEZ, MOSS, RUGGLES, VICE-CHAIR ROGERS, CHAIR LIU |
| NOES: | DIRECTORS: | NONE |
| ABSENT: | DIRECTORS: | MARCUCCI |
| ABSTAIN: | DIRECTORS: | NONE |

TRES HERMANOS CONSERVATION AUTHORITY
REGULAR BOARD OF DIRECTORS MEETING MINUTES
CHINO HILLS, CALIFORNIA
JANUARY 11, 2023
PAGE 5

AUTHORITY STAFF AND AUTHORITY DIRECTOR COMMENTS:

Executive Director Montgomery thanked everyone for attending and stated that there would be a full transition to in person meetings in the Council Chambers starting March.

Deputy Director Nelson stated he looks forward to working with the new Board.

Administrative Director Fox thanked the City of Chino Hills for hosting as part of the biennial rotation of duties and congratulated Directors on their new roles.

Director Chou thanked everyone for their hard work and he looks forward to working together.

Director Marquez thanked the previous Chair Marcucci and Vice-Chair Lyons. He expressed his concern for the Joint Powers Authority (JPA) and wants a future discussion on the plans for Tres Hermanos with community input.

Director Moss welcomed Chair Liu and Director Chou to the Board. He thanked previous Chair Marcucci and Vice-Chair Lyons for their commitment last year. Lastly, he thanked the City of Chino Hills for hosting upcoming meetings and wished everyone a Happy New Year.

Vice-Chair Rogers welcomed Chair Liu and Director Chou to the Board. He added that this is an important JPA for preserving the Tres Hermanos property. Lastly, he wished everyone a Happy New Year.

Chair Liu thanked the City of Chino Hills for hosting the upcoming meetings and thanked everyone for the opportunity to serve on the Board.

ADJOURNMENT: There being no further business, Chair Liu adjourned the Tres Hermanos Conservation Authority Regular Meeting at 6:15 p.m.

STAN LIU
CHAIR

CHERYL BALZ
AUTHORITY SECRETARY



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Date: March 8, 2023
To: Chair and Board of Directors
From: Benjamin Montgomery, Executive Director
Subject: Payment Register

Recommendation:

That the Authority receive and file the payment register for the months ended December 31, 2022, and January 31, 2023.

Background/Analysis:

Pursuant to the Amended and Restated Tres Hermanos Conservation Authority Joint Powers Agreement Section 5.2 Disbursements, the warrants and wire transfers of the Authority should be periodically reviewed by the Board.

Attached for your review is the payment register for the months ended December 31, 2022, and January 31, 2023. These payments may include the following types: automatic clearing house (ACH), electronic funds transfer (EFT), and paper check. ACH payments have a five-digit number starting with a "2", EFT payments have a five-digit number starting with a "1", and paper checks have a four-digit number.

Respectfully Submitted,

Recommended By:

Benjamin Montgomery
Executive Director

Christa Buhagiar
Finance Director

Attachments Payment Register - December 2022
Payment Register - January 2023

Tres Hermanos Conservation Authority

Payment Register

From 12/1/2022 to 12/31/2022

| # | DATE | VENDOR NAME | CONTRACT/ PO# | DESCRIPTION | RETENTION | INVOICE AMT |
|--------------|------------|-------------------------|---------------|----------------------------|--------------|-----------------|
| 5146 | 12/7/2022 | CITY OF CHINO HILLS | | CH/WATER/10/17/22-11/14/22 | | \$262.90 |
| | | | | | TOTAL | \$262.90 |
| 5147 | 12/21/2022 | EGOSCUE LAW GROUP, INC. | THCA19-004 | EGOSCUE/LEGAL/NOV22 | | \$262.50 |
| | | | | | TOTAL | \$262.50 |
| TOTAL | | | | | | \$525.40 |

Note: The payments above may include the following types: automatic clearing house (ACH), electronic funds transfer (EFT), and paper check. ACH payments have a five-digit number starting with a "2", EFT payments have a five-digit number starting with a "1", and paper checks have a four-digit number.

Tres Hermanos Conservation Authority

Payment Register

From 1/1/2023 to 1/31/2023

| # | DATE | VENDOR NAME | CONTRACT/ PO# | DESCRIPTION | RETENTIO | INVOICE AMT |
|--------------|-----------|----------------------------------|---------------|-----------------------------|----------|--------------------|
| 5148 | 1/11/2023 | CITY OF CHINO HILLS | | CH/WATER 11/14/22-12/12/22 | | \$237.82 |
| | 1/11/2023 | CITY OF CHINO HILLS | | CH/STAFF TIME/NOV22 | | \$734.64 |
| | | | | TOTAL | | \$972.46 |
| 5149 | 1/11/2023 | CITY OF INDUSTRY | THCA21-005 | LACNTY/PEST/AUG22 | | \$10,837.53 |
| | | | | TOTAL | | \$10,837.53 |
| 5150 | 1/11/2023 | INDUSTRY SECURITY SERVICES, INC. | | INDSTY/SECURITY SRVCS/NOV22 | | \$3,741.04 |
| | | | | TOTAL | | \$3,741.04 |
| 5151 | 1/11/2023 | JANUS PEST MANAGEMENT, INC. | THCA21-001 | JANUS/PEST/NOV22 | | \$210.00 |
| | | | | TOTAL | | \$210.00 |
| 5152 | 1/18/2023 | EGOSCUE LAW GROUP, INC. | THCA19-004 | EGOSCUE/LEGAL/DEC22 | | \$262.50 |
| | | | | TOTAL | | \$262.50 |
| 5153 | 1/18/2023 | JANUS PEST MANAGEMENT, INC. | THCA21-001 | JANUS/PEST/DEC22 | | \$75.00 |
| | | | | TOTAL | | \$75.00 |
| 5154 | 1/25/2023 | CITY OF INDUSTRY | THCA21-005 | LACNTY/WEEDABT/SEP22 | | \$8,251.50 |
| | | | | TOTAL | | \$8,251.50 |
| 5155 | 1/25/2023 | STATE OF CALIFORNIA | | WTR RIGHTS/FY22/23 | | \$344.89 |
| | | | | TOTAL | | \$344.89 |
| TOTAL | | | | | | \$24,694.92 |

Note: The payments above may include the following types: automatic clearing house (ACH), electronic funds transfer (EFT), and paper check. ACH payments have a five-digit number starting with a "2", EFT payments have a five-digit number starting with a "1", and paper checks have a four-digit number.



Chino Hills · Diamond Bar · Industry

Date: March 8, 2023
To: Chair and Board of Directors
From: Benjamin Montgomery, Executive Director
Subject: Treasurer's Report

Recommendation:

That the Authority receive and file the Treasurer's Reports for the months ended December 31, 2022, and January 31, 2023.

Background/Analysis:

Pursuant to the Amended and Restated Tres Hermanos Conservation Authority Joint Powers Agreement Section 5.3 Accounts, the Treasurer must verify and report in writing, at least quarterly, the amount of money held for the Authority and the amount of interest earnings, revenues, and expenditures since the last report. Attached for your information are the Treasurer's Reports for the months ended December 31, 2022, and January 31, 2023.

Respectfully Submitted,

Recommended By:

A handwritten signature in blue ink that reads "Ben Montgomery".

Benjamin Montgomery
Executive Director

A handwritten signature in blue ink that reads "Christa Buhagiar".

Christa Buhagiar
Finance Director

Attachments Treasurer's Report - December 2022
Treasurer's Report - January 2023

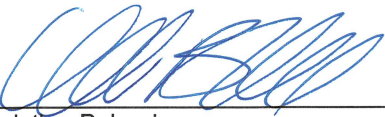
**Tres Hermanos Conservation Authority
Treasurer's Report
For the Month Ended December 31, 2022**

| Description | Cost Value | Market Value | Interest/ Book Yield | Maturity Date | % of Portfolio |
|---------------------------------------------------------------|-------------------|-------------------|----------------------------|------------------|-------------------|
| Cash and Cash Equivalents | | | | | |
| Citizens Business Bank - Premium Money Market LAIF Account | \$ 30,856 | \$ 30,856 | 0.02% | n/a | 17.09% |
| | 152,482 | 149,644 | 2.17% | n/a | 82.91% |
| Total Investment Portfolio | \$ 183,338 | \$ 180,500 | | | 100.00% |

| | |
|----------------------------------------------|--------------|
| Blended Yield of Cash and Investments | 1.80% |
|----------------------------------------------|--------------|

| Benchmarks: | |
|--------------------|-------|
| LAIF | 2.17% |
| 6mo U.S. Treasury | 4.76% |
| 2yr U.S. Treasury | 4.41% |
| 5yr U.S. Treasury | 3.99% |

I hereby certify that the investments are in compliance with the investment policy adopted by the the Board of Directors. The investment portfolio provides sufficient funds to meet the budgeted expenditures over the next six months. This report meets the requirements of Government Code Section 53646.



Christina Buhagiar
Treasurer

Tres Hermanos Conservation Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Month Ended December 31, 2022

| | <u>Budget 2022/23</u> | <u>December 2022</u> | <u>Fiscal Year To Date 2022/23</u> | <u>% of Budget Used</u> |
|-----------------------------------------------------|---------------------------|--------------------------|--------------------------------------------|---------------------------------|
| Revenues: | | | | |
| Interest Income | \$ - | \$ 1 | \$ 626 | - |
| Fair Market Value Adjustment | - | - | 1,951 | - |
| Rental Income | 13,743 | 1,005 | 7,200 | 52% |
| Reimbursements | 4,920 | 263 | 1,799 | 37% |
| Contributions from Member Agencies | 187,943 | - | 187,943 | 100% |
| Total Revenues | <u>206,606</u> | <u>1,269</u> | <u>199,519</u> | <u>97%</u> |
| Expenditures: | | | | |
| Contractual Services | 113,973 | 11,048 | 40,198 | 35% |
| Bank Charges | 180 | 11 | 52 | 29% |
| Audit Services | 2,040 | - | 1,980 | 97% |
| Legal Services | 6,720 | 262 | 2,363 | 35% |
| Security Services | 42,501 | 3,741 | 18,576 | 44% |
| Professional Services | 27,397 | 735 | 2,602 | 9% |
| Liability Insurance | 19,800 | - | 1,737 | 9% |
| Office Supplies | 1,519 | - | 60 | 4% |
| Water | 4,920 | 501 | 2,036 | 41% |
| Permits & Fees | 5,445 | - | 125 | 2% |
| Total Expenditures | <u>224,495</u> | <u>16,298</u> | <u>69,729</u> | <u>31%</u> |
| Excess of Revenues Over/(Under) Expenditures | <u>\$ (17,889)</u> | <u>\$ (15,029)</u> | <u>\$ 129,790</u> | |
| Fund Balances: | | | | |
| Beginning of Fiscal Year | | | \$ 38,307 | |
| Excess of Revenues Over/(Under) Expenditures | | | 129,790 | |
| As of December 31, 2022 | | | <u>\$ 168,097</u> | A |
| Fund Balances by City: | | | | |
| Chino Hills | | | \$ 56,032 | |
| Diamond Bar | | | 56,032 | |
| Industry | | | 56,033 | |
| Total Fund Balances by City | | | <u>\$ 168,097</u> | |

A The ending fund balance in the amount of \$168,097 differs from the bank balance of \$183,338. The (\$15,241) difference is the net of (\$262) in outstanding checks, (\$15,761) in accounts payable and \$782 in accounts receivable.

**Tres Hermanos Conservation Authority
Treasurer's Report
For the Month Ended January 31, 2023**

| Description | Cost Value | Market Value | Interest/ Book Yield | Maturity Date | % of Portfolio |
|------------------------------------------------------------|-------------------|-------------------|----------------------------|------------------|-------------------|
| Cash and Cash Equivalents | | | | | |
| Citizens Business Bank - Premium Money Market LAIF Account | \$ 60,481 | \$ 60,481 | 0.02% | n/a | 35.23% |
| | 113,279 | 111,171 | 2.43% | n/a | 64.77% |
| Total Investment Portfolio | \$ 173,760 | \$ 171,652 | | | 100.00% |

| | |
|----------------------------------------------|--------------|
| Blended Yield of Cash and Investments | 1.58% |
|----------------------------------------------|--------------|

| Benchmarks: | |
|--------------------|-------|
| LAIF | 2.43% |
| 6mo U.S. Treasury | 4.80% |
| 2yr U.S. Treasury | 4.21% |
| 5yr U.S. Treasury | 3.63% |

I hereby certify that the investments are in compliance with the investment policy adopted by the the Board of Directors. The investment portfolio provides sufficient funds to meet the budgeted expenditures over the next six months. This report meets the requirements of Government Code Section 53646.



Christina Buhagiar
Treasurer

Tres Hermanos Conservation Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Month Ended January 31, 2023

| | <u>Budget 2022/23</u> | <u>January 2023</u> | <u>Fiscal Year To Date 2022/23</u> | <u>% of Budget Used</u> |
|-----------------------------------------------------|---------------------------|-------------------------|--------------------------------------------|---------------------------------|
| Revenues: | | | | |
| Interest Income | \$ - | \$ 797 | \$ 1,423 | - |
| Fair Market Value Adjustment | - | - | 1,951 | - |
| Rental Income | 13,743 | 1,882 | 9,083 | 66% |
| Reimbursements | 4,920 | 238 | 2,036 | 41% |
| Contributions from Member Agencies | 187,943 | - | 187,943 | 100% |
| Total Revenues | <u>206,606</u> | <u>2,917</u> | <u>202,436</u> | <u>98%</u> |
| Expenditures: | | | | |
| Contractual Services | 113,973 | 8,326 | 48,524 | 43% |
| Bank Charges | 180 | (10) | 43 | 24% |
| Audit Services | 2,040 | - | 1,980 | 97% |
| Legal Services | 6,720 | 263 | 2,625 | 39% |
| Security Services | 42,501 | - | 18,576 | 44% |
| Professional Services | 27,397 | - | 2,602 | 9% |
| Liability Insurance | 19,800 | - | 1,737 | 9% |
| Office Supplies | 1,519 | - | 60 | 4% |
| Water | 4,920 | - | 2,036 | 41% |
| Permits & Fees | 5,445 | 345 | 470 | 9% |
| Total Expenditures | <u>224,495</u> | <u>8,924</u> | <u>78,653</u> | <u>35%</u> |
| Excess of Revenues Over/(Under) Expenditures | <u>\$ (17,889)</u> | <u>\$ (6,007)</u> | <u>\$ 123,783</u> | |
| Fund Balances: | | | | |
| Beginning of Fiscal Year | | | \$ 38,307 | |
| Excess of Revenues Over/(Under) Expenditures | | | 123,783 | |
| As of January 31, 2023 | | | <u>\$ 162,090</u> | A |
| Fund Balances by City: | | | | |
| Chino Hills | | | \$ 54,030 | |
| Diamond Bar | | | 54,030 | |
| Industry | | | 54,030 | |
| Total Fund Balances by City | | | <u>\$ 162,090</u> | |

A The ending fund balance in the amount of \$162,090 differs from the bank balance of \$173,760. The (\$11,670) difference is the net of (\$12,338) in outstanding checks, \$150 deposit in transit and \$518 in accounts receivable.



Chino Hills · Diamond Bar · Industry

Date: March 8, 2023

To: Chair and Board of Directors

From: Benjamin Montgomery, Executive Director

Subject: Statement of Investment Policy for Fiscal Year 2023-24

Recommendation:

Adopt a resolution entitled: A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TRES HERMANOS CONSERVATION AUTHORITY, ADOPTING THE STATEMENT OF INVESTMENT POLICY FOR FISCAL YEAR 2023-24

Background/Analysis:

Pursuant to the Amended and Restated Tres Hermanos Conservation Authority (Authority) Joint Powers Agreement Section 3.8 Treasurer, an investment policy will need to be annually adopted by the Board of Directors, as required by the State of California Government Code Section 53646, and consistent with Government Code Sections 16429.1, 53601, 53635, and 53684, as they may be amended.

The following revisions have been made to the Authority's Statement of Investment Policy (Investment Policy) for Fiscal Year 2023-24 (see Exhibit A) and are illustrated in the attached redline version:

- Updated **Section VIII. Reporting** to extend the time period to submit the monthly investment report to the Board of Directors from within 30 days following the end of the month to 45 days, per California Senate Bill (SB) 1489 which was enacted on January 1, 2023.
- Updated **Section XII. Policy Review** to include the phrase "and adoption" as part of the annual review of the Investment Policy presented to the Board of Directors.
- Removed **Attachment A - Bank/Savings and Loan Questionnaire and Certification** because it doesn't need to be included in the Investment Policy.
- Updated **Glossary of Investment Terms** to be Attachment A and removed definitions that are not included in the body of the Investment Policy.

Respectfully Submitted,

Recommended By:


Benjamin Montgomery
Executive Director


Christa Buhagiar
Finance Director

Attachments Exhibit A - Statement of Investment Policy - Redline Version
Resolution
Exhibit A - Statement of Investment Policy - Final

Exhibit A

TRES HERMANOS CONSERVATION AUTHORITY Statement of Investment Policy Fiscal Year ~~2022-23~~2023-24

I. POLICY

It is the policy of the Tres Hermanos Conservation Authority ("Authority") to meet the short and long-term cash flow demands of the Authority in a manner which will provide for the safety of principal and sufficient liquidity while providing an investment return. The purpose of this Statement of Investment Policy ("Investment Policy") is to outline a process of the investment of Authority funds in a prudent manner in order to meet Authority objectives.

II. SCOPE

This Investment Policy applies to all investment activities and financial assets of the Authority held by the Authority and its agents and trustees.

III. DELEGATION OF AUTHORITY

Pursuant to the Authority's By-Laws the Treasurer shall perform the duties as authorized in Section 6506 et seq. of the Government Code.

Where the Board of Directors delegates the responsibility for investing the Authority's funds to the Treasurer, if the Treasurer is absent or otherwise unavailable to make investments, the Treasurer delegates those responsibilities to the Finance Manager at the City of Chino Hills. Investments made by the Finance Manager will be restricted to the State of California Local Agency Investment Fund ("LAIF"). The Treasurer may delegate to subordinates the execution of daily investment transactions. These investment transactions shall be approved by the Treasurer.

IV. PRUDENCE

All investments purchased shall have daily liquidity or a final stated maturity date upon which the full principal value of the security will be received. Although the investment will mature at full principal value, it is recognized that the market will vary throughout the life of the security.

V. OBJECTIVE

The objective of the investment portfolio is to meet the short and long-term cash flow demands of the Authority. To achieve this objective, the portfolio will be structured to provide safety of principal and liquidity while then providing a return on investments.

The following criteria, in priority order, shall govern all investment decisions.

A. Safety of Principal

Investments of the Authority shall be undertaken in a manner that seeks to ensure that capital losses are minimized, whether from institution default or erosion of the market value of securities. The Authority shall seek to preserve principal by mitigating the two types of risk in order of importance: 1) credit risk, and 2) market or interest rate risk.

1. Credit Risk. Credit risk, defined as the risk of loss due to failure of an issuer of a security, shall be mitigated by purchasing Treasuries or high-grade securities. All investments beyond Treasury securities will be diversified so that the failure of any one issuer would not unduly harm the Authority's cash flow. Credit risk shall also be mitigated by pre-qualifying financial institutions, broker/dealers, intermediaries and advisors with which the Authority does business.
2. Market or Interest Rate Risk. Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. Interest rate risk may be mitigated by structuring the funds so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in shorter-term securities. The cash flow is updated on a daily basis and will be considered prior to the investment of securities, which will reduce the necessity to sell investments for liquidity purposes. Long-term securities shall not be purchased for the sole purpose of short-term speculation. Securities shall not be sold prior to maturity with the following exceptions: 1) a declining credit security would be sold early to minimize loss of principal, 2) a security swap would improve the quality, yield, or target duration in the portfolio, or 3) liquidity needs of the portfolio require that the security be sold. Purchases of investments will be restricted to securities with a final stated maturity not to exceed five (5) years.

B. Liquidity

The funds shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

C. Return on Investments

The funds shall be designed to attain a return on investments through budgetary and economic cycles, taking into account the investment risk

constraints and liquidity needs. Return on investment is of least importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

VI. ETHICS AND CONFLICTS OF INTEREST

The Treasurer and other employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. The Treasurer and investment employees shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio and shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of their entity. The Treasurer and investment employees are required to file annual disclosure statements as required by the Fair Political Practices Commission (FPPC). During the course of the year, if there is an event subject to disclosure that could impair the ability of the Treasurer or investment employees to make impartial decisions, the Board of Directors will be notified in writing within 10 days of the event.

VII. SAFEKEEPING OF SECURITIES

Investments in LAIF are undeliverable and are not subject to delivery or third-party safekeeping. The Treasurer shall not be responsible for securities delivered to and received for by a financial institution until they are withdrawn from the financial institution by the Treasurer.

On a monthly basis, the custodial asset statement shall be reconciled with the month end portfolio holdings. On an annual basis, the external auditor confirms investment holdings.

VIII. REPORTING

Pursuant to Section 53607 and Section 53646 of the Government Code, the Treasurer shall render a report to the Board of Directors containing detailed information on all investments and moneys of the Authority. The report will be submitted on a monthly basis and be provided to the Board of Directors within 30-45 days following the end of the month.

The report will contain the following information on the funds that are subject to this Investment Policy: 1) the type of investment, name of the insurer, date of maturity, cost in each investment, 2) the market value and source of the valuation, 3) a description of the compliance with the statement of Investment Policy, and 4) a statement denoting the Authority's ability to meet its pool's expenditure requirements for the next six months, and 5) transactions for the period.

IX. INTERNAL CONTROLS

The Treasurer shall develop a system of internal investment controls and a segregation of responsibilities of investment functions in order to assure an adequate system of internal control over the investment function. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected.

X. AUTHORIZED INVESTMENTS

The Authority's investments are governed by California Government Code, Sections 53600 *et seq.* Within the investments permitted by the Code, the Authority seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence. Percentage holding limits and credit limits listed in this section apply at the time the security is purchased.

STATE OF CALIFORNIA LOCAL AGENCY INVESTMENT FUND (LAIF), provided that:

- The Authority may invest up to the maximum amount permitted by LAIF.
- LAIF's investments in instruments prohibited by or not specified in the Authority's policy do not exclude the investment in LAIF itself from the Authority's list of allowable investments, provided LAIF's reports allow the Treasurer to adequately judge the risk inherent in LAIF's portfolio.

XI. PROHIBITED INVESTMENTS AND TRANSACTIONS

- A. The Authority shall not invest any funds in inverse floaters, range notes, or mortgage derived, interest-only strips.
- B. The Authority shall not invest any funds in any security that could result in zero interest accrual if held to maturity. However, the Authority may hold prohibited instruments until their maturity dates. The limitation in this subdivision shall not apply to Authority investments in shares of beneficial interest issued by diversified management companies registered under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, and following) that are authorized for investment pursuant to Section XIV, above.
- C. No credit union may act as a selected depository institution under Section 53601.8 or Section 53635.8 for certificates of deposit.
- D. The Authority shall not purchase or sell securities on margin.

- E. Reverse Repurchase Agreements shall not be directly used by the Authority.
- F. The purchase of foreign currency denominated securities is prohibited.

XII. POLICY REVIEW

In accordance with amended Section 53646 of the Government Code, the Treasurer will annually render a Statement of Investment Policy for review and adoption by the Board of Directors to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return, and its relevance to current law, financial and economic trends, and to meet the needs of the Authority.

~~TRES HERMANOS CONSERVATION AUTHORITY
OFFICE OF THE TREASURER
BANK/SAVINGS AND LOAN QUESTIONNAIRE AND CERTIFICATION~~

~~1 Name of Firm: _____~~

~~2 Address: _____~~

~~3 Telephone No. () _____ () _____
(Local) (Nat. Headquarters)~~

~~4 Primary Representative: _____ Manager: _____
Name: _____ Name: _____~~

~~Title: _____ Title: _____~~

~~Tel. No. () _____ Tel. No. () _____~~

~~5 What are the Total Assets of the Bank/Savings and Loan?
_____~~

~~6 What is the current Net Worth Ratio of your institution?
_____~~

~~7 What was the Net Worth Ratio for the Previous Year?
_____~~

~~8 What is your required Capital Ratios?
A. Tangible Capital Ratio _____
B. Core Capital Ratio _____
C. Risk-Based Capital Ratio _____~~

~~9 What are your Ratings (i.e., S&P, Moody's, Thompson, Fitch)?
_____~~

~~10 What is the date of your Fiscal Year End? _____
A. Has there been a year during the past three years in which the
Bank/Savings and Loan did not make a profit?
_____~~

~~11 Have you read the California Government Code Section 53630 through 53684
pertaining to the State's requirements governing the deposit of monies by Local
Agencies? [] YES [] NO~~

~~12 Amounts above the FDIC insurance coverage must be collateralized as specified
in the Government Code. Where is the collateral for Deposits held?~~

~~_____~~

~~Has there ever been a failure to fully collateralize? If Yes, please attach
explanation.~~

~~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 transaction documents and reports would we receive?~~

~~_____~~

~~16 What information would you provide to our Treasurer?~~

~~_____~~

~~17 Describe the precautions taken by your Bank/Savings and Loan to protect the
interest of the public when dealing with government agencies as depositors or
investors.~~

~~_____~~

~~18 Please provide your Contract of Deposit of Moneys pre-signed and sealed by your
institution, as well as, any signature cards that you may require.~~

~~19 Please provide your Wiring Instructions: _____~~

~~_____~~

~~20 Please provide your Bank/Savings and Loan most recent certified financial
statement. In addition, an audited financial statement must be provided within 120
days of your fiscal year-end.~~

~~- CERTIFICATION -~~

~~I hereby certify that I have personally read the Authority's Investment Policy and the California Government Codes pertaining to the investments and deposits of the Authority, and have implemented reasonable procedures and a system of controls designed to preclude imprudent investment activities arising out of transactions conducted between our firm and the Authority. I understand however, that our firm is not obligated to monitor the percentage limits on the investments as described in the policy. All sales personnel will be routinely informed of the Authority's investment objectives, horizon, outlook, strategies and risk constraints whenever we are so advised. We pledge to exercise due diligence in informing the Authority's Treasurer of all foreseeable risks associated with financial transactions conducted with our firm. I attest to the accuracy of our responses to your questionnaire.~~

~~NOTE: Completion of Questionnaire is only part of the Authority's Certification process and **DOES NOT** guarantee that the applicant will be approved to do business with the Authority.~~

SIGNED: _____ DATE: _____

COUNTERSIGNED: _____ DATE: _____

Glossary of Investment Terms

~~**AGENCIES.** Shorthand market terminology for any obligation issued by a government-sponsored entity (GSE), or a federally related institution. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:~~

~~**FFCB.** The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.~~

~~**FHLB.** The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.~~

~~**FHLMC.** Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called "FreddieMac" issues discount notes, bonds and mortgage pass-through securities.~~

~~**FNMA.** Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as "FannieMae," issues discount notes, bonds and mortgage pass-through securities.~~

~~**GNMA.** The Government National Mortgage Association, known as "GinnieMae," issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.~~

~~**PEFCO.** The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.~~

~~**TVA.** The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.~~

BROKER. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

~~**COLLATERAL.** Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.~~

CREDIT RISK. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

DEALER. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

DURATION. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).

LIQUIDITY. The speed and ease with which an asset can be converted to cash.

LOCAL AGENCY INVESTMENT FUND (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

MARGIN. The difference between the market value of a security and the loan a broker makes using that security as collateral.

MODIFIED DURATION. The percent change in price for a 100 basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

~~**PRIMARY DEALER.** A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.~~

REPURCHASE AGREEMENT. Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

SAFEKEEPING. A service to bank customers whereby securities are held by the bank in the customer's name.

~~**TREASURY BILLS.** All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury bills. The Treasury currently issues three and six month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.~~

~~**TREASURY NOTES.** All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.~~

~~**TREASURY BONDS.** All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.~~

RESOLUTION THCA NO. 2023-

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
TRES HERMANOS CONSERVATION AUTHORITY,
ADOPTING THE STATEMENT OF INVESTMENT POLICY
FOR FISCAL YEAR 2023-24

WHEREAS, the Statement of Investment Policy provides the Board of Directors (Board) shall annually review the Statement of Investment Policy; and

WHEREAS, the Tres Hermanos Conservation Authority (Authority) requests to adopt the Statement of Investment Policy for the Fiscal Year 2023-24.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE TRES HERMANOS CONSERVATION AUTHORITY DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. Investments of the Authority's funds for the Fiscal Year 2023-24 shall be made in accordance with the Authority's Statement of Investment Policy attached to this Resolution as Exhibit A.

SECTION 2. The policy adopted by this Resolution is in addition to and supplements any other legal requirements.

SECTION 3. The Statement of Investment Policy adopted by this Resolution supersedes all investment policies previously adopted by the Board.

SECTION 4. The Treasurer must make a monthly report of any investment transactions to the Board as required by Government Code Section 53607.

SECTION 5. This Resolution will take effect on July 1, 2023.

PASSED, APPROVED, AND ADOPTED this 8th day of March 2023.

Stan Liu, Chair
Tres Hermanos Conservation Authority

ATTEST:

I, Cheryl Balz, Secretary of the Tres Hermanos Conservation Authority, do hereby certify that the foregoing Resolution was duly and regularly passed, approved, and adopted by the Board of Directors of the Tres Hermanos Conservation Authority, at its regular meeting held on the 8th day of March 2023, by the following Roll Call vote:

AYES: DIRECTORS:

NOES: DIRECTORS:

ABSENT: DIRECTORS:

ABSTAIN: DIRECTORS:

Cheryl Balz, Secretary
Tres Hermanos Conservation Authority

Exhibit A

TRES HERMANOS CONSERVATION AUTHORITY Statement of Investment Policy Fiscal Year 2023-24

I. POLICY

It is the policy of the Tres Hermanos Conservation Authority ("Authority") to meet the short and long-term cash flow demands of the Authority in a manner which will provide for the safety of principal and sufficient liquidity while providing an investment return. The purpose of this Statement of Investment Policy ("Investment Policy") is to outline a process of the investment of Authority funds in a prudent manner in order to meet Authority objectives.

II. SCOPE

This Investment Policy applies to all investment activities and financial assets of the Authority held by the Authority and its agents and trustees.

III. DELEGATION OF AUTHORITY

Pursuant to the Authority's By-Laws the Treasurer shall perform the duties as authorized in Section 6506 et seq. of the Government Code.

Where the Board of Directors delegates the responsibility for investing the Authority's funds to the Treasurer, if the Treasurer is absent or otherwise unavailable to make investments, the Treasurer delegates those responsibilities to the Finance Manager at the City of Chino Hills. Investments made by the Finance Manager will be restricted to the State of California Local Agency Investment Fund ("LAIF"). The Treasurer may delegate to subordinates the execution of daily investment transactions. These investment transactions shall be approved by the Treasurer.

IV. PRUDENCE

All investments purchased shall have daily liquidity or a final stated maturity date upon which the full principal value of the security will be received. Although the investment will mature at full principal value, it is recognized that the market will vary throughout the life of the security.

V. OBJECTIVE

The objective of the investment portfolio is to meet the short and long-term cash flow demands of the Authority. To achieve this objective, the portfolio will be structured to provide safety of principal and liquidity while then providing a return on investments.

The following criteria, in priority order, shall govern all investment decisions.

A. Safety of Principal

Investments of the Authority shall be undertaken in a manner that seeks to ensure that capital losses are minimized, whether from institution default or erosion of the market value of securities. The Authority shall seek to preserve principal by mitigating the two types of risk in order of importance: 1) credit risk, and 2) market or interest rate risk.

1. Credit Risk. Credit risk, defined as the risk of loss due to failure of an issuer of a security, shall be mitigated by purchasing Treasuries or high-grade securities. All investments beyond Treasury securities will be diversified so that the failure of any one issuer would not unduly harm the Authority's cash flow. Credit risk shall also be mitigated by pre-qualifying financial institutions, broker/dealers, intermediaries and advisors with which the Authority does business.
2. Market or Interest Rate Risk. Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. Interest rate risk may be mitigated by structuring the funds so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in shorter-term securities. The cash flow is updated on a daily basis and will be considered prior to the investment of securities, which will reduce the necessity to sell investments for liquidity purposes. Long-term securities shall not be purchased for the sole purpose of short-term speculation. Securities shall not be sold prior to maturity with the following exceptions: 1) a declining credit security would be sold early to minimize loss of principal, 2) a security swap would improve the quality, yield, or target duration in the portfolio, or 3) liquidity needs of the portfolio require that the security be sold. Purchases of investments will be restricted to securities with a final stated maturity not to exceed five (5) years.

B. Liquidity

The funds shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

C. Return on Investments

The funds shall be designed to attain a return on investments through budgetary and economic cycles, taking into account the investment risk

constraints and liquidity needs. Return on investment is of least importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

VI. ETHICS AND CONFLICTS OF INTEREST

The Treasurer and other employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. The Treasurer and investment employees shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio and shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of their entity. The Treasurer and investment employees are required to file annual disclosure statements as required by the Fair Political Practices Commission (FPPC). During the course of the year, if there is an event subject to disclosure that could impair the ability of the Treasurer or investment employees to make impartial decisions, the Board of Directors will be notified in writing within 10 days of the event.

VII. SAFEKEEPING OF SECURITIES

Investments in LAIF are undeliverable and are not subject to delivery or third-party safekeeping. The Treasurer shall not be responsible for securities delivered to and received for by a financial institution until they are withdrawn from the financial institution by the Treasurer.

On a monthly basis, the custodial asset statement shall be reconciled with the month end portfolio holdings. On an annual basis, the external auditor confirms investment holdings.

VIII. REPORTING

Pursuant to Section 53607 and Section 53646 of the Government Code, the Treasurer shall render a report to the Board of Directors containing detailed information on all investments and moneys of the Authority. The report will be submitted on a monthly basis and be provided to the Board of Directors within 45 days following the end of the month.

The report will contain the following information on the funds that are subject to this Investment Policy: 1) the type of investment, name of the insurer, date of maturity, cost in each investment, 2) the market value and source of the valuation, 3) a description of the compliance with the statement of Investment Policy, and 4) a statement denoting the Authority's ability to meet its pool's expenditure requirements for the next six months, and 5) transactions for the period.

IX. INTERNAL CONTROLS

The Treasurer shall develop a system of internal investment controls and a segregation of responsibilities of investment functions in order to assure an adequate system of internal control over the investment function. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected.

X. AUTHORIZED INVESTMENTS

The Authority's investments are governed by California Government Code, Sections 53600 *et seq.* Within the investments permitted by the Code, the Authority seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence. Percentage holding limits and credit limits listed in this section apply at the time the security is purchased.

STATE OF CALIFORNIA LOCAL AGENCY INVESTMENT FUND (LAIF), provided that:

- The Authority may invest up to the maximum amount permitted by LAIF.
- LAIF's investments in instruments prohibited by or not specified in the Authority's policy do not exclude the investment in LAIF itself from the Authority's list of allowable investments, provided LAIF's reports allow the Treasurer to adequately judge the risk inherent in LAIF's portfolio.

XI. PROHIBITED INVESTMENTS AND TRANSACTIONS

- A. The Authority shall not invest any funds in inverse floaters, range notes, or mortgage derived, interest-only strips.
- B. The Authority shall not invest any funds in any security that could result in zero interest accrual if held to maturity. However, the Authority may hold prohibited instruments until their maturity dates. The limitation in this subdivision shall not apply to Authority investments in shares of beneficial interest issued by diversified management companies registered under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, and following) that are authorized for investment pursuant to Section XIV, above.
- C. No credit union may act as a selected depository institution under Section 53601.8 or Section 53635.8 for certificates of deposit.
- D. The Authority shall not purchase or sell securities on margin.

- E. Reverse Repurchase Agreements shall not be directly used by the Authority.
- F. The purchase of foreign currency denominated securities is prohibited.

XII. POLICY REVIEW

In accordance with amended Section 53646 of the Government Code, the Treasurer will annually render a Statement of Investment Policy for review and adoption by the Board of Directors to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return, and its relevance to current law, financial and economic trends, and to meet the needs of the Authority.

Glossary of Investment Terms

- BROKER.** A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.
- CREDIT RISK.** The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.
- DEALER.** A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.
- DURATION.** The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).
- LIQUIDITY.** The speed and ease with which an asset can be converted to cash.
- LOCAL AGENCY INVESTMENT FUND (LAIF).** A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.
- MARGIN.** The difference between the market value of a security and the loan a broker makes using that security as collateral.
- MODIFIED DURATION.** The percent change in price for a 100 basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.
- REPURCHASE AGREEMENT.** Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.
- SAFEKEEPING.** A service to bank customers whereby securities are held by the bank in the customer's name.



Chino Hills · Diamond Bar · Industry

Date: March 8, 2023
To: Chair and Board of Directors
From: Benjamin Montgomery, Executive Director
Subject: Mid-Year Budget Review for Fiscal Year 2022-23

Recommendation:

Adopt a resolution entitled: A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TRES HERMANOS CONSERVATION AUTHORITY, ADOPTING A BUDGET AMENDMENT FOR FISCAL YEAR 2022-23 INCREASING THE EXPENDITURE BUDGET BY \$124,236 AND INCREASING THE FUND BALANCE RESERVE BY \$14,457 FOR A TOTAL REVENUE INCREASE OF \$138,693 BASED ON THE MID-YEAR BUDGET REVIEW.

Background/Analysis:

Pursuant to the Amended and Restated Tres Hermanos Conservation Authority (Authority) Joint Powers Agreement Section 5.4, all expenditures shall be within the limitations of the approved annual budget, and as required for emergency repairs, or as such budget is amended by the Board of Directors (Board).

Upon review of expenditures through the second quarter of Fiscal Year 2022-23, staff is proposing to appropriate \$124,236 for contractual services and security services. Overall, there has been a significant increase in seasonal fire weed abatement and year-round fire road weed management.

A 10% reserve policy was established by the Board at the February 17, 2021, meeting. The proposed budget amendment includes funding of \$14,457 to ensure an ending fund balance of \$34,874, which is in compliance with the Authority's fund balance reserve policy.

Fiscal Impact:

The proposed budget amendment will increase the expenditure budget by \$124,236 and increase the revenue budget by \$138,693. An additional contribution of \$46,231 will be needed from each member city.

Respectfully Submitted,


Benjamin Montgomery
Executive Director

Recommended By:


Christa Buhagiar
Finance Director

Attachments Mid-Year Budget Review
Resolution
Exhibit No. 1 - BA# 23B004

**TRES HERMANOS CONSERVATION AUTHORITY
MID-YEAR BUDGET REVIEW
FISCAL YEAR 2022-23**

| Proposed Budget for Fiscal Year (FY) 2022-23 Mid-Year Budget Review | | | | |
|--------------------------------------------------------------------------------|-------------------|--------------------|--------------------|-------------------|
| | Total | Chino Hills | Diamond Bar | Industry |
| AUDITED BEGINNING FUND BALANCE | \$ 38,307 | \$ 13,274 | \$ 8,379 | \$ 16,654 |
| REVENUES | | | | |
| Rental Income | \$ 13,743 | \$ 4,581 | \$ 4,581 | \$ 4,581 |
| Other Revenues | 4,920 | 1,640 | 1,640 | 1,640 |
| Membership Contribution | 326,636 | 108,374 | 113,268 | 104,994 |
| TOTAL REVENUES | \$ 345,299 | \$ 114,595 | \$ 119,489 | \$ 111,215 |
| EXPENDITURES | | | | |
| Contractual Services | \$ 248,724 | \$ 82,908 | \$ 82,908 | \$ 82,908 |
| Banking | 180 | 60 | 60 | 60 |
| Audit Services | 2,040 | 680 | 680 | 680 |
| Legal Services | 6,168 | 2,056 | 2,056 | 2,056 |
| Security Services | 45,000 | 15,000 | 15,000 | 15,000 |
| Professional Services | 15,000 | 5,000 | 5,000 | 5,000 |
| Liability and Insurance | 19,737 | 6,579 | 6,579 | 6,579 |
| Office Supplies | 1,518 | 506 | 506 | 506 |
| Utilities | 4,920 | 1,640 | 1,640 | 1,640 |
| Permits & Fees | 5,445 | 1,815 | 1,815 | 1,815 |
| TOTAL EXPENDITURES | \$ 348,732 | \$ 116,244 | \$ 116,244 | \$ 116,244 |
| PROJECTED ENDING FUND BALANCE | \$ 34,874 | \$ 11,625 | \$ 11,624 | \$ 11,625 |

RESOLUTION THCA NO. 2023-

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TRES HERMANOS CONSERVATION AUTHORITY, ADOPTING A BUDGET AMENDMENT FOR FISCAL YEAR 2022-23 INCREASING THE EXPENDITURE BUDGET BY \$124,236 AND INCREASING THE FUND BALANCE RESERVE BY \$14,457 FOR A TOTAL REVENUE INCREASE OF \$138,693 BASED ON THE MID-YEAR BUDGET REVIEW.

WHEREAS, Section 5.4 of the Tres Hermanos Conservation Authority Joint Powers Agreement requires that all expenditures shall be within the limitations of the approved annual budget, and as required for emergency repairs, or as such budget is amended by the Board of Directors (Board); and

WHEREAS, at a public meeting on March 16, 2022, the Executive Director presented and the Board adopted a budget for the Fiscal Year 2022-23 commencing July 1, 2022, and ending June 30, 2023; and

WHEREAS, amendments must periodically be made to the budget to conform to changed circumstances following adoption of the budget.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE TRES HERMANOS CONSERVATION AUTHORITY DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. Budget Amendment No. 23B004 is hereby approved as reflected on Exhibit No. 1, attached hereto.

SECTION 2. This resolution shall take effect immediately upon its passage and adoption.

PASSED, APPROVED, AND ADOPTED this 8th day of March 2023.

Stan Liu, Chair
Tres Hermanos Conservation Authority

Resolution THCA No. 2023-

ATTEST:

I, Cheryl Balz, Secretary of the Tres Hermanos Conservation Authority, do hereby certify that the foregoing Resolution was duly and regularly passed, approved, and adopted by the Board of Directors of the Tres Hermanos Conservation Authority, at its regular meeting held on the 8th day of March 2023, by the following Roll Call vote:

AYES: DIRECTORS:

NOES: DIRECTORS:

ABSENT: DIRECTORS:

ABSTAIN: DIRECTORS:

Cheryl Balz, Secretary
Tres Hermanos Conservation Authority



Tres Hermanos Conservation Authority JPA

BUDGET AMENDMENT

Chino Hills · Diamond Bar · Industry

BA # 23B004

| | |
|-------------------------------------|-------------------------------------|
| Description: <u>Mid-year review</u> | Date: <u>3/8/2023</u> |
| Requested by: <u>Brenda Ramirez</u> | Total Expend: \$ <u>124,236.00</u> |
| Dept/Div: <u>Treasurer</u> | Total Revenue: \$ <u>138,693.00</u> |
| | Net Effect: \$ <u>(14,457.00)</u> |

EXPENDITURES

| GL String/Project String | Account Description | Current Budget | Proposed Amendment | Amended Budget |
|-------------------------------|---------------------------------------|----------------|--------------------|----------------|
| 7100-00-80-810-000000-610015- | Tres Hermanos - Contractual Services | \$ 113,972.50 | \$ 134,750.00 | \$ 248,722.50 |
| 7100-00-80-810-000000-610040- | Tres Hermanos - Legal Services | 6,720.00 | (552.50) | 6,167.50 |
| 7100-00-80-810-000000-610052- | Tres Hermanos - Security Services | 42,501.00 | 2,499.00 | 45,000.00 |
| 7100-00-80-810-000000-610060- | Tres Hermanos - Professional Svcs | 27,397.50 | (12,397.50) | 15,000.00 |
| 7100-00-80-810-000000-620045- | Tres Hermanos - Liability & Insurance | 19,800.00 | (63.00) | 19,737.00 |
| | | | | - |
| | | | | - |
| | | | | - |
| | | | | - |
| | | | | - |
| | | | | - |
| | | | | - |

REVENUES

| GL String/Project String | Account Description | Current Budget | Proposed Amendment | Amended Budget |
|-------------------------------|-----------------------------------------|----------------|--------------------|----------------|
| 7100-00-80-810-000000-478000- | Tres Hermanos - Contrib from PropOwners | \$ 187,943.00 | \$ 138,693.00 | \$ 326,636.00 |
| | | | | - |
| | | | | - |
| | | | | - |
| | | | | - |
| | | | | - |

REASON/JUSTIFICATION

To appropriate for mid-year review.



Chino Hills · Diamond Bar · Industry

Date: March 8, 2023
To: Chair and Board of Directors
From: Benjamin Montgomery, Executive Director
Subject: Budget for Fiscal Year 2023-24

Recommendation:

Adopt a resolution entitled: A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TRES HERMANOS CONSERVATION AUTHORITY, ADOPTING A BUDGET FOR FISCAL YEAR 2023-24.

Background/Analysis:

Per the Amended and Restated Tres Hermanos Conservation Authority (Authority) Joint Powers Agreement Section 5.1 Annual Budget, the Board of Directors (Board) shall adopt an annual budget. The proposed budget for Fiscal Year 2023-24 is \$366,462. The proposed budget requires a contribution of \$90,330 from each member City. The remainder of the budget is funded by \$20,766 in anticipated revenue and a grant of \$80,000 awarded from the State of California Natural Resources Agency.

A 10% reserve policy was established by the Board at the February 17, 2021, meeting. The proposed budget includes an ending fund balance of \$40,169, which is in compliance with the Authority's fund balance reserve policy. Attached to the staff report is a consolidated proposed budget for the fiscal year.

Respectfully Submitted,

Recommended By:

Benjamin Montgomery
Executive Director

Christa Buhagiar
Finance Director

Attachments Proposed Budget for Fiscal Year 2023-24
Resolution

**TRES HERMANOS CONSERVATION AUTHORITY
PROPOSED BUDGET
FISCAL YEAR 2023-24**

| Proposed Budget for Fiscal Year (FY) 2023-24 | | | | |
|-----------------------------------------------------|-------------------|--------------------|--------------------|-------------------|
| | Total | Chino Hills | Diamond Bar | Industry |
| ESTIMATED BEGINNING FUND BALANCE | \$ 34,874 | \$ 11,625 | \$ 11,624 | \$ 11,625 |
| REVENUES | | | | |
| Rental Income | \$ 15,474 | \$ 5,158 | \$ 5,158 | \$ 5,158 |
| Interest Income | - | - | - | - |
| Other Revenues | 85,293 | 28,431 | 28,431 | 28,431 |
| Membership Contribution | 270,990 | 90,330 | 90,330 | 90,330 |
| TOTAL REVENUES | \$ 371,757 | \$ 123,919 | \$ 123,919 | \$ 123,919 |
| EXPENDITURES | | | | |
| Contractual Services | \$ 261,000 | \$ 87,000 | \$ 87,000 | \$ 87,000 |
| Banking | 300 | 100 | 100 | 100 |
| Audit Services | 2,082 | 694 | 694 | 694 |
| Legal Services | 7,101 | 2,367 | 2,367 | 2,367 |
| Security Services | 48,561 | 16,187 | 16,187 | 16,187 |
| Professional Services | 15,000 | 5,000 | 5,000 | 5,000 |
| Liability and Insurance | 21,000 | 7,000 | 7,000 | 7,000 |
| Office Supplies | 342 | 114 | 114 | 114 |
| Utilities | 5,301 | 1,767 | 1,767 | 1,767 |
| Permits & Fees | 5,775 | 1,925 | 1,925 | 1,925 |
| TOTAL EXPENDITURES | \$ 366,462 | \$ 122,154 | \$ 122,154 | \$ 122,154 |
| PROJECTED ENDING FUND BALANCE | \$ 40,169 | \$ 13,390 | \$ 13,389 | \$ 13,390 |

RESOLUTION THCA NO. 2023-

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
TRES HERMANOS CONSERVATION AUTHORITY, ADOPTING
A BUDGET FOR FISCAL YEAR 2023-24

WHEREAS, the Executive Director has presented to the Board of Directors (Board) a proposed budget for Fiscal Year 2023-24; and

WHEREAS, the Board has conducted a public meeting on March 8, 2023, to consider the Fiscal Year 2023-24 budget; and

WHEREAS, the Board has concluded its review and intends to approve and adopt the Fiscal Year 2023-24 budget.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF TRES HERMANOS CONSERVATION AUTHORITY DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. The Tres Hermanos Conservation Authority Fiscal Year 2023-24 Operating Budget of \$366,462, as prepared and submitted by the Executive Director and as modified by the Board, is hereby approved, adopted and appropriated.

SECTION 2. At the end of Fiscal Year 2022-23, certain purchase orders exist as outstanding encumbrances representing contractual obligations of previously budgeted funds. In addition, certain amounts have been included in the Fiscal Year 2022-23 budget that related to one-time allocations for specific projects and services but remain unspent. Outstanding encumbrances and unspent one-time allocations may be carried forward to Fiscal Year 2023-24 upon review by the Treasurer and approval of the Executive Director.

SECTION 3. The Executive Director is authorized to appropriate from reserves for each expenditure line item not exceeding \$15,000 per transaction. The total of appropriations by the Executive Director from reserves may not exceed \$15,000 in a fiscal year until ratified by the Board. Any appropriations from reserves for each expenditure line item exceeding \$15,000 per transaction must be approved by the Board.

SECTION 4. The Executive Director is authorized to transfer appropriations between accounts without limitation.

SECTION 5. The Secretary is instructed to forward a copy of the Resolution and the Fiscal Year 2023-24 Budget to the Auditor/Controller of the County of San Bernardino, in accordance with Section 53901 of the Government Code.

SECTION 6. The Secretary shall certify as to the adoption of this Resolution.

Resolution THCA No. 2023-

PASSED, APPROVED, AND ADOPTED this 8th day of March 2023.

Stan Liu, Chair
Tres Hermanos Conservation Authority

ATTEST:

I, Cheryl Balz, Secretary of the Tres Hermanos Conservation Authority, do hereby certify that the foregoing Resolution was duly and regularly passed, approved and adopted by the Board of Directors of the Tres Hermanos Conservation Authority, at its regular meeting held on the 8th day of March 2023, by the following Roll Call vote:

AYES: DIRECTORS:

NOES: DIRECTORS:

ABSENT: DIRECTORS:

ABSTAIN: DIRECTORS:

Cheryl Balz, Secretary
Tres Hermanos Conservation Authority