



SAWPA

SANTA ANA WATERSHED PROJECT AUTHORITY

11615 Sterlina Avenue. Riverside. California 92503 • (951) 354-4220

This meeting will be conducted in person at the addresses listed below. As a convenience to the public, members of the public may also participate virtually using one of the options set forth below. Any member of the public may listen to the meeting or make comments to the Commission using the call-in number or Zoom link. However, in the event there is a disruption of service which prevents the Authority from broadcasting the meeting to members of the public, the meeting will not be postponed or rescheduled but will continue without remote participation. The remote participation option is provided as a convenience to the public and is not required. Members of the public are welcome to attend the meeting in-person.

Meeting Access Via Computer (Zoom):	Meeting Access Via Telephone:
<ul style="list-style-type: none">• https://sawpa.zoom.us/j/83073507066	<ul style="list-style-type: none">• 1 (669) 900-6833
<ul style="list-style-type: none">• Meeting ID: 830 7350 7066	<ul style="list-style-type: none">• Meeting ID: 830 7350 7066

REGULAR COMMISSION MEETING TUESDAY, SEPTEMBER 2, 2025 – 9:30 A.M.

at

San Bernardino Valley Municipal Water District
Board Room
380 E. Vanderbilt Way
San Bernardino, CA 92408

and

601 N. Ross Street, Room 327
Santa Ana, CA 92701

AGENDA

1. CALL TO ORDER/PLEDGE OF ALLEGIANCE (Mike Gardner, Chair)
2. ROLL CALL
3. PUBLIC COMMENTS

Members of the public may address the Commission on items within the jurisdiction of the Commission; however, no action may be taken on an item not appearing on the agenda unless the action is otherwise authorized by Government Code §54954.2(b).

Members of the public may make comments in-person or electronically for the Commissions' consideration by sending them to publiccomment@sawpa.gov with the subject line "Public Comment". Submit your electronic comments by 5:00 p.m. on Monday, September 1, 2025. All public comments will be provided to the Chair and may be read into the record or compiled as part of the record. Individuals have a limit of three (3) minutes to make comments and will have the opportunity when called upon by the Commission.

4. ITEMS TO BE ADDED OR DELETED

Pursuant to Government Code §54954.2(b), items may be added on which there is a need to take immediate action and the need for action came to the attention of the SAWPA Commission subsequent to the posting of the agenda.

5. **CONSENT CALENDAR**

All matters listed on the Consent Calendar are considered routine and non-controversial and will be acted upon by the Commission by one motion as listed below.

- A. **APPROVAL OF MEETING MINUTES: AUGUST 19, 2025**.....7
Recommendation: Approve as posted.
- B. **TREASURER'S REPORT: JULY 2025**.....13
Recommendation: Approve as posted.

6. **NEW BUSINESS**

- A. **CLOUD BASED FINANCIAL SOFTWARE AND IMPLEMENTATION SERVICES REQUEST FOR PROPOSALS (CM#2025.63)**.....19
Presenter: Dean Unger
Recommendation: To Authorize the release of the Request for Proposals for Cloud Based Financial Software and Implementation Services to replace the current Microsoft Dynamics Great Plains System Software.
- B. **STATEMENT OF INVESTMENT POLICY (CM#2025.64)**.....59
Presenter: Karen Williams
Recommendation: To Adopt Resolution No. 2025-3, approving the Statement of Investment Policy and delegate authority to the General Manager and/or the Chief Financial Officer to manage investments in accordance with the Statement of Investment Policy.
- C. **APPROVAL OF EMPLOYMENT AGREEMENT | GENERAL MANAGER AND CHIEF FINANCIAL OFFICER**119
Presenter: Thomas S. Bunn
Recommendation: To Approve the Employment Agreement with Karen Williams, effective August 19, 2025, for the position of General Manager and Chief Financial Officer, and authorize the Commission Chair to execute the agreement.

7. **INFORMATIONAL REPORTS**

Recommendation: Receive for information.

- A. **COMMUNICATIONS REPORT**125
Presenter: Karen Williams
- B. **GENERAL MANAGER REPORT**
Presenter: Karen Williams
- C. **CHAIR'S COMMENTS/REPORT**
- D. **COMMISSIONERS' COMMENTS**
- E. **COMMISSIONERS' REQUEST FOR FUTURE AGENDA ITEMS**

8. **CLOSED SESSION**

- A. **CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION – SIGNIFICANT EXPOSURE TO LITIGATION PURSUANT TO PARAGRAPH (2) OF SUBDIVISION (d) OF SECTION 54956.9**
Claim of Mary Ann Voarasky against Santa Ana Watershed Project Authority, Claim for Personal Injury, date of Claim August 14, 2025.

9. CLOSED SESSION REPORT

10. ADJOURNMENT

PLEASE NOTE:

Americans with Disabilities Act: If you require any special disability related accommodations to participate in this meeting, call (951) 354-4220 or email svilla@sawpa.gov 48-hour notification prior to the meeting will enable staff to make reasonable arrangements to ensure accessibility for this meeting. Requests should specify the nature of the disability and the type of accommodation requested.

Materials related to an item on this agenda submitted to the Commission after distribution of the agenda packet are available for public inspection during normal business hours at the SAWPA office, 11615 Sterling Avenue, Riverside, and available at www.sawpa.gov, subject to staff's ability to post documents prior to the meeting.

Declaration of Posting

I, Sara Villa, Clerk of the Board of the Santa Ana Watershed Project Authority declare that on August 28, 2025, a copy of this agenda has been uploaded to the SAWPA website at www.sawpa.gov and posted at the following locations: SAWPA's office at 11615 Sterling Avenue, Riverside, CA 92503 | SBVMWD's Office at 380 E. Vanderbilt Way, San Bernardino, CA 92408 | 601 N. Ross Street, Room 327, Santa Ana, CA 92701.

2025 SAWPA Commission Meetings/Events

First and Third Tuesday of the Month

(NOTE: All meetings begin at 9:30 a.m., and are held at SAWPA, unless otherwise noticed.)

January		February	
1/7/25	Commission Workshop [cancelled]	2/4/25	Commission Workshop
1/21/25	Regular Commission Meeting	2/18/25	Regular Commission Meeting
March		April	
3/4/25	Commission Workshop	4/1/25	Commission Workshop
3/18/25	Regular Commission Meeting	4/15/25	Regular Commission Meeting
May		June	
5/6/25	Commission Workshop	6/3/25	Commission Workshop - EMWD
5/20/25	Regular Commission Meeting - IEUA	6/17/25	Regular Commission Meeting - EMWD
5/13 – 5/15/25 ACWA Spring Conference, Monterey, CA			
July		August	
7/1/25	Commission Workshop - WMWD	8/5/25	Commission Workshop - SBVMWD
7/15/25	Regular Commission Meeting - WMWD	8/19/25	Regular Commission Meeting - SBVMWD
September		October	
9/2/25	Commission Workshop - SBVMWD	10/7/25	Commission Workshop
9/16/25	Regular Commission Meeting	10/21/25	Regular Commission Meeting
November		December	
11/4/25	Commission Workshop	12/2/25	Commission Workshop
11/18/25	Regular Commission Meeting	12/16/25	Regular Commission Meeting
		12/2 – 12/4/25 ACWA Fall Conference, San Diego, CA	

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SAWPA COMPENSABLE MEETINGS

In addition to Commission meetings, Commissioners and Alternate Commissioners will receive compensation for attending the meetings listed below, pursuant to the Commission Compensation, Expense Reimbursement, and Ethics Training Policy.

IMPORTANT NOTE: These meetings are subject to change. Prior to attending any meetings listed below, please confirm meeting details by viewing the website calendar using the following link:

<https://sawpa.gov/sawpa-calendar/>

MONTH OF: SEPTEMBER 2025

DATE	TIME	MEETING DESCRIPTION	LOCATION
9/2/25	10:00 AM	PA 24 Committee Mtg	Hybrid (San Bernardino Valley Municipal Water District, 380 East Vanderbilt Way, San Bernardino, CA 92408 & Virtual/Teleconference)
9/9/25	8:30 AM	PA 22 Committee Mtg	CANCELLED
9/25/25	11:00 AM	OWOW Steering Committee Mtg	Hybrid (SAWPA & Virtual/Teleconference)

MONTH OF: OCTOBER 2025

DATE	TIME	MEETING DESCRIPTION	
10/7/25	8:30 AM	PA 23 Committee Mtg	Hybrid (SAWPA & Virtual/Teleconference)
10/7/25	10:00 AM	PA 24 Committee Mtg	Hybrid (SAWPA & Virtual/Teleconference)
10/8/25	9:00 AM	Lake Elsinore/Canyon Lake TMDL Task	Virtual/Teleconference
10/16/25	4:00 PM	LESJWA Board of Directors Mtg	CANCELLED

Please Note : We strive to ensure the list of Compensable Meetings set forth above is accurate and up-to-date; the list is compiled based on input from SAWPA staff and Department Managers regarding meeting purpose and content.

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**SAWPA COMMISSION
REGULAR MEETING MINUTES
AUGUST 19, 2025**

COMMISSIONERS PRESENT

Mike Gardner, Chair, Western Municipal Water District
Gil Botello, Vice Chair, San Bernardino Valley Municipal Water District
Philip E. Paule, Eastern Municipal Water District
Jasmin Hall, Inland Empire Utilities Agency [9:41 a.m.]
Denis Bilodeau, Orange County Water District [via – zoom, 9:42 a.m.]

COMMISSIONERS ABSENT

None

**COMMISSIONERS PRESENT;
NON-VOTING**

T. Milford Harrison, Alternate, San Bernardino Valley Municipal Water District
Fred Jung, Alternate, Orange County Water District [via – zoom]

STAFF PRESENT

Karen Williams, David Ruhl, Shavonne Turner, Dean Unger, John Leete, Ian Achimore, Sara Villa, Alison Lewis, Natalia Gonzalez, Marie Jauregui, Emily Fuentes, Haley Gohari, Zyanya Ramirez

OTHERS PRESENT

Thomas S. Bunn [9:55 a.m.], Lagerlof, LLP; Lisa Haney, Orange County Water District; Carly Pierce, Western Municipal Water District; Mallory O'Connor, Western Municipal Water District; Adekunle Ojo, San Bernardino Valley Municipal Water District; Aaron Echols, Inland Empire Resource Conservation District; Valerie Amezcua, City of Santa Ana

The Regular Meeting of the Santa Ana Watershed Project Authority Commission was called to order at 9:30 a.m. by Chair Mike Gardner on behalf of San Bernardino Valley Municipal Water District's Board Room, 380 E. Vanderbilt Way, San Bernardino, CA 92408 and Commissioner Denis Bilodeau at 601 N Ross Street, Room 327, Santa Ana, CA 92701.

1. CALL TO ORDER

2. ROLL CALL

An oral roll call was duly noted and recorded by the Clerk of the Board.

3. PUBLIC COMMENTS

There were no public comments.

4. ITEMS TO BE ADDED OR DELETED

There were no items to be added or deleted.

5. CONSENT CALENDAR

A. APPROVAL OF MEETING MINUTES: AUGUST 5, 2025

Recommendation: Approve as posted.

B. INLAND EMPIRE BRINE LINE RESERVE FUNDS REVIEW (CM#2025.58)

Recommendation: That the Commission approve the following:

1. R-01 Brine Line Operating Reserve

Set the target balance at \$2,548,941, representing 25% of total operating expenses of \$10,195,765 for Fiscal Year Ending (FYE) 2025, an increase of \$257,833, and continue to accrue interest.

2. R-07 Brine Line Replacement and Capital Investment Reserve

Establish the minimum and target funding levels at \$19,870,091 and \$48,830,227, respectively, based on the revised Capital Improvement Plan (CIP) total of \$69.2 million, as determined through Engineering's review.

3. Other Reserve Funds

Approve the continued accrual of interest in FYE 2026 for the following reserve funds, with funding levels (as of June 30, 2025) above their respective targets:

- R-02 Brine Line Debt Service Reserve
- R-04 Pipeline Capacity Management Reserve
- R-05 OC Future Treatment & Disposal Capacity Reserve

4. Surplus Allocation

From the projected \$3,834,230 surplus for FYE 2025:

- Transfer \$161,694 to the R-01 Brine Line Operating Reserve to reach its target balance.
- Allocate the remaining balance to the R-07 Brine Line Replacement and Capital Investment Reserve.

MOVED, to approve the Consent Calendar as posted.

Result:	Adopted by Roll Call Vote
Motion/Second:	Botello/Paule
Ayes:	Botello, Gardner, Paule
Nays:	None
Abstentions:	None
Absent:	Bilodeau, Hall

6. NEW BUSINESS

A. ARUNDO DONAX REMOVAL IN THE SANTA ANA RIVER BASIN HEADWATERS PROJECT (CM#2025.59)

Ian Achimore provided a presentation on the Arundo Donax Removal in the Santa Ana River Basin Headwaters Project, contained in the agenda packet on pages 45-52.

Mr. Achimore emphasized that this agenda item is a follow-up from the previous meeting, recommending that the Commission approve Change Order No. 1 to Task Order No. IERCD387-01 with Inland Empire Resource Conservation District (IERCD). This change would increase the contract amount by \$468,268, raising it from \$147,777 to a new total of \$616,045 and approve a General Services Agreement (GSA) with IERCD.

This change order would enable treatment at 14 project sites in the upper watershed. Currently, about 29% of the target vegetation (window stands) has been removed.

The proposed budget hasn't changed since previous meetings. The \$468,000 will come from Proposition 13 funding, sourced from the Santa Ana River Mitigation Bank. The fund balance was \$703,933 this summer, and if the change order is approved, about \$200,000 would remain. This balance will increase as more credits are sold.

The current GSA expires on December 31, 2027. Since the Change Order extends the project through December 31, 2029, a new GSA is required. The updated GSA replaces the term “consultant” with “partner,” per IERCD’s request to reflect a collaborative rather than contractor relationship. It also clarifies the independent status of both parties in Section 4. SAWPA’s legal counsel has reviewed and approved these changes.

Lastly, in response to a previous question: *Does the surfactant, Rainier-EA, used in this project contain PFAS?* Mr. Achimore stated, no, the surfactant is made of several active ingredients; 1) Polyoxyethylene polyol fatty acid ester, and 2) Butyl lactate. The surfactant is a formulation consisting of different combinations of Carbon (C), Hydrogen (H) and Oxygen (O). The key element in PFAS is Fluorine (F) or Fluorinated compounds. The Rainier-EA label does not mention Fluorine.

Commissioner Botello asked if the change order isn’t approved today and continues to delay, is there a risk that it might be questioned why the funds were allocated to us in the first place, given that they are not being put to use? It was noted that the funds originated from the state through Proposition 13, they are SAWPA funds. Riverside County has no control or authority over the use of funds.

Commissioner Jasmin Hall attended the meeting at 9:41 a.m., during the discussion of Agenda Item No. 6.A.

Commissioner Denis Bilodeau attended the meeting at 9:42 a.m., during the discussion of Agenda Item No. 6.B.

MOVED, to authorize the Interim General Manager to execute the following:

1. Change Order 1 to Task Order IERCD387-01, which increases the Project budget from \$147,777 to \$616,045 (a change of \$468,268), and
2. General Services Agreement (GSA) with Inland Empire Resource Conservation District (IERCD).

Result:	Adopted by Roll Call Vote (4-1)
Motion/Second:	Botello/Hall
Ayes:	Botello, Gardner, Hall, Paule
Nays:	Bilodeau
Abstentions:	None
Absent:	None

B. REQUEST FOR QUALIFICATIONS ON GROUNDWATER TECHNICAL ASSISTANCE AND SURFACE WATER REPORTING (CM#2025.60)

Ian Achimore provided a presentation on the Request for Qualifications on Groundwater Technical Assistance and Surface Water Reporting, contained in the agenda packet on pages 85-101.

SAWPA staff is requesting approval to release a Request for Qualifications (RFQ) covering both service water and groundwater projects, on behalf of the Basin Monitoring Program Task Force. This effort is funded by 20 water agencies that are task force members.

The task force was established under the 2004 Basin Plan by the Santa Ana Regional Board to oversee watershed monitoring. It supports 20 agencies named in the regulatory document, assisting them with regulatory compliance for treatment plants and water recycling projects. The task force serves as a collaborative forum for watershed-wide efforts focused primarily on salt and nutrient pollutants (TDS and nitrogen).

The task force manages three key tasks from the Basin Plan: groundwater quality averaging in 35 groundwater zones, surface water monitoring in four Santa Ana River reaches, and a

decadal modeling exercise to estimate pollutant concentrations. The RFQ includes four monitoring projects: three for groundwater zones (data consolidation, water quality recomputation, and groundwater averaging implementation) and one for surface water monitoring in the river.

A major component is ambient water quality recomputation averaging groundwater data over 20-year periods across all wells in the zones. This has been conducted through consultants and informs regulatory decisions like permits and discharge requirements.

Mr. Achimore noted that an important task is annual data compilation, now required by the 2019 state recycled water policy, which the RFQ includes. This involves compiling data every year, rather than every few years as done previously. The RFQ also covers the annual Santa Ana River report and may include new EPA data requirements.

Proposals will be evaluated based on qualifications, understanding of the RFQ and services, and any exceptions taken. If approved, the RFQ will be released today, with proposals due by September 30, interviews in October, and consultant selection by late October or early November. There was no discussion.

MOVED, to authorize the release of the Request for Qualifications for Groundwater Technical Assistance and Surface Water Reporting services, on behalf of the Basin Monitoring Program Task Force.

Result:	Adopted by Roll Call Vote
Motion/Second:	Paule/Botello
Ayes:	Bilodeau, Botello, Gardner, Hall, Paule
Nays:	None
Abstentions:	None
Absent:	None

7. INFORMATIONAL REPORTS

Recommendation: Receive for Information.

A. CASH TRANSACTIONS REPORT – JUNE 2025

Presenter: Karen Williams

B. INTER-FUND BORROWING – JUNE 2025 (CM#2025.61)

Presenter: Karen Williams

C. PERFORMANCE INDICATORS/FINANCIAL REPORTING – JUNE 2025 (CM#2025.62)

Presenter: Karen Williams

D. PROJECT AGREEMENT 25 – OWOW FUND – FINANCIAL REPORT, MAY 2025

Presenter: Karen Williams

E. PROJECT AGREEMENT 26 – ROUNDTABLE FUND – FINANCIAL REPORT, MAY 2025

Presenter: Karen Williams

F. STATE LEGISLATIVE REPORT

Presenter: Karen Williams

G. GENERAL MANAGER REPORT

Karen Williams reported that SAWPA's Lobby renovations are almost complete, however, it is anticipated to hold the September 2nd meeting at Inland Empire Utilities Agency (IEUA). It is expected to hold the September 16th Commission meeting at SAWPA.

Regarding a question raised during the last meeting about commission compensation, the compensation was increased on February 4, 2025. We've already informed Commissioner Biladeau and provided him with all the relevant information, as he was the one who inquired.

H. CHAIR'S COMMENTS/REPORT

There were no Chair comment received.

I. COMMISSIONERS' COMMENTS

Commissioner Paule commended Ms. Emily Fuentes on the email updates of the lobby progress and looks forward to returning to SAWPA once the work is complete. She does an excellent job keeping the commission informed about where we are in the process.

J. COMMISSIONERS' REQUEST FOR FUTURE AGENDA ITEMS

There were no requests for future agenda items.

Chair Gardner recessed the meeting at 9:51 a.m. for Closed Session.

8. CLOSED SESSION

A. PURSUANT TO GOVERNMENT CODE SECTION 54957 – PUBLIC EMPLOYEE APPOINTMENT

Title: General Manager

General Counsel Thomas S. Bunn, attended the meeting at 9:55 a.m., during the discussion of Agenda Item No. 8.A.

9. CLOSED SESSION REPORT

Chair Gardner resumed the Open Session at 10:29 a.m. and announced that the Commission unanimously appointed Karen Williams as SAWPA's General Manager and designated Chair Mike Gardner to negotiate the terms of salary and compensation. Legal Counsel will draft the employment contract for consideration and approval in open session at the next Commission meeting.

10. ADJOURNMENT

There being no further business for review, Chair Gardner adjourned the meeting at 10:31 a.m.

Approved at a Regular Meeting of the Santa Ana Watershed Project Authority Commission on Tuesday, September 2, 2025.

Mike Gardner, Chair

Attest:

Sara Villa, Clerk of the Board

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Santa Ana Watershed Project Authority



Finance Department

Santa Ana Watershed Project Authority **TREASURER'S REPORT**

July 2025

During the month of July 2025, the Agency's actively managed temporary idle cash earned a return of 3.807%, representing interest earnings of \$41,591. Additionally, the Agency's position in overnight funds L.A.I.F. generated \$236,937 in interest, resulting in \$278,528 of interest income from all sources. Please note that this data represents monthly earnings only and does not indicate actual interest received. There were zero (0) investment positions purchased, zero (0) positions sold, one (1) position matured, and zero (0) positions were called.

This Treasurer's Report is in compliance with SAWPA's Statement of Investment Policy. Based upon the liquidity of the Agency's investments, this report demonstrates the ability to meet customary expenditures during the next six months.

August 13, 2025

Prepared and submitted by:

A handwritten signature in black ink, reading 'Karen Williams', is positioned above a horizontal line.

Karen L. Williams, Deputy GM/Chief Financial Officer

Santa Ana Watershed Project Authority
INVESTMENT PORTFOLIO - MARKED TO MARKET - UNREALIZED GAINS & LOSSES
July 31, 2025

SAWPA primarily maintains a "Buy and Hold" investment philosophy, with all investments held by US Bank via a third-party safekeeping contract.

Investment Type	Security Type	CUSIP	Dealer	Purchase Date	Maturity Date	Call Date (if appl)	Par Value	Yield To Maturity	Investment Cost	Market Value Current Month	Unrealized Gain / (Loss)	Coupon Rate	Interest Earned
Agency	FHLB	3130ATHWO	WMS	11-04-22	09-10-27	No Call	\$ 1,000,000.00	4.125%	\$ 991,965.00	\$ 1,002,824.10	\$ 10,859	4.125%	\$ 3,503.42
Agency	FHLB	3130AWC24	MBS	06-06-23	06-09-28	No Call	\$ 500,000.00	3.889%	\$ 502,505.00	\$ 501,137.01	\$ (1,368)	4.000%	\$ 1,651.49
Agency	FHLB	3130AWN63	WMS	01-25-24	06-30-28	No Call	\$ 1,000,000.00	4.020%	\$ 999,170.00	\$ 1,002,295.88	\$ 3,126	4.000%	\$ 3,414.29
Agency	FHLB	3130ATUT2	MBS	01-09-25	12-14-29	No Call	\$ 500,000.00	4.451%	\$ 501,058.00	\$ 507,158.31	\$ 6,100	4.500%	\$ 1,890.15
Agency	FNMA	3135G05X7	WMS	10-30-20	08-25-25	No Call	\$ 1,000,000.00	0.460%	\$ 995,952.00	\$ 997,027.80	\$ 1,076	0.375%	\$ 390.68
Agency	USTN	91282CAZ4	WMS	04-19-21	11-30-25	No Call	\$ 1,000,000.00	0.761%	\$ 982,500.00	\$ 986,953.12	\$ 4,453	0.375%	\$ 646.04
Agency	USTN	91282CMD0	MBS	01-14-25	12-31-29	No Call	\$ 1,000,000.00	4.577%	\$ 991,100.00	\$ 1,017,343.75	\$ 26,244	4.375%	\$ 3,887.45
CD	Beal Bank USA	07371DEV5	MBS	08-17-22	08-12-26	No Call	\$ 245,000.00	3.200%	\$ 245,000.00	\$ 242,558.89	\$ (2,441)	3.200%	\$ 665.86
CD	Synchrony Bank	87164XP34	MBS	08-12-22	08-12-25	No Call	\$ -	0.000%	\$ -	\$ -	\$ -	0.000%	\$ 74.44
CD	Capital One Bank USA NA	14042TGJ0	MBS	05-25-22	05-25-27	No Call	\$ 246,000.00	3.200%	\$ 246,000.00	\$ 242,500.90	\$ (3,499)	3.200%	\$ 668.58
CD	Morgan Stanley Private Bank	61768UAT4	MBS	11-15-22	11-15-27	No Call	\$ 248,000.00	5.000%	\$ 248,000.00	\$ 248,614.22	\$ 614	5.000%	\$ 1,053.15
CD	Cooperative Center FSU	21686MAA6	MBS	12-29-22	12-29-25	No Call	\$ 249,000.00	4.650%	\$ 249,000.00	\$ 249,351.71	\$ 352	4.650%	\$ 983.38
CD	Affinity Bank	00833JQA4	MBS	03-17-23	03-17-28	No Call	\$ 248,000.00	4.900%	\$ 248,000.00	\$ 253,777.85	\$ 5,778	4.900%	\$ 1,032.09
CD	Discover Bank	2546732V7	MBS	03-22-23	03-23-27	No Call	\$ 243,000.00	5.050%	\$ 243,000.00	\$ 246,784.38	\$ 3,784	5.050%	\$ 1,042.24
CD	Global Fed CR UN Alaska	37892MAF1	MBS	05-12-23	05-12-27	No Call	\$ 249,000.00	4.600%	\$ 249,000.00	\$ 251,533.38	\$ 2,533	4.600%	\$ 972.81
CD	UBS Bank USA	90355GDJ2	MBS	05-17-23	05-17-27	No Call	\$ 249,000.00	4.550%	\$ 249,000.00	\$ 251,352.15	\$ 2,352	4.550%	\$ 962.23
CD	BMW Bank of North Americ	05580A2G8	MBS	06-16-23	06-16-26	No Call	\$ 244,000.00	4.600%	\$ 244,000.00	\$ 244,638.89	\$ 639	4.600%	\$ 953.27
CD	Farmers Insurance Group	30960QAS6	MBS	07-26-23	07-27-26	No Call	\$ 248,000.00	5.100%	\$ 248,000.00	\$ 250,128.06	\$ 2,128	5.100%	\$ 1,074.21
CD	Chartway Federal Credit Union	16141BAQ4	MBS	09-08-23	09-08-27	No Call	\$ 248,000.00	5.000%	\$ 248,000.00	\$ 253,229.63	\$ 5,230	5.000%	\$ 1,053.15
CD	Greenstate Credit Union	39573LEM6	MBS	09-26-23	09-26-28	No Call	\$ 248,000.00	5.000%	\$ 248,000.00	\$ 255,500.04	\$ 7,500	5.000%	\$ 1,053.15
CD	Empower Fed Cedit Union	291916AA2	MBS	09-29-23	09-29-27	No Call	\$ 248,000.00	5.100%	\$ 248,000.00	\$ 253,875.89	\$ 5,876	5.100%	\$ 1,074.21
CD	US Alliance Fed Credit Union	90352RDF9	MBS	09-29-23	09-29-28	No Call	\$ 248,000.00	5.100%	\$ 248,000.00	\$ 256,252.80	\$ 8,253	5.100%	\$ 1,074.21
CD	Numerica Credit Union	67054NBN2	MBS	11-10-23	11-10-26	No Call	\$ 248,000.00	5.550%	\$ 248,000.00	\$ 252,351.26	\$ 4,351	5.550%	\$ 1,169.00
CD	Heritage Community Cr Un	42728MAB0	MBS	11-15-23	11-16-26	No Call	\$ 248,000.00	5.450%	\$ 248,000.00	\$ 252,143.48	\$ 4,143	5.450%	\$ 1,147.93
CD	Members Trust of SW FCU	585899AG2	MBS	01-19-24	01-19-29	No Call	\$ 249,000.00	4.000%	\$ 249,000.00	\$ 249,098.60	\$ 99	4.000%	\$ 845.92
CD	Hughes FCU	444425AL6	MBS	01-29-24	01-29-27	No Call	\$ 249,000.00	4.400%	\$ 249,000.00	\$ 250,177.72	\$ 1,178	4.400%	\$ 930.51
CD	Farmers & Merchants TR	308693BG4	MBS	01-30-24	02-01-27	No Call	\$ 249,000.00	4.150%	\$ 249,000.00	\$ 249,283.91	\$ 284	4.150%	\$ 877.64
CD	Nicolet National Bank	654062LP1	MBS	03-08-24	03-08-29	No Call	\$ 249,000.00	4.250%	\$ 249,000.00	\$ 251,157.29	\$ 2,157	4.250%	\$ 898.79
CD	Medallion Bank	58404DUP4	MBS	03-13-24	03-15-27	No Call	\$ 249,000.00	4.600%	\$ 249,000.00	\$ 251,096.63	\$ 2,097	4.600%	\$ 972.81
CD	Wells Fargo Bank	949764MZ4	MBS	03-12-24	03-12-27	No Call	\$ 249,000.00	4.500%	\$ 249,000.00	\$ 250,746.66	\$ 1,747	4.500%	\$ 951.66
CD	Toyota Financial SGS Bank	89235MPN5	MBS	05-24-24	05-24-29	No Call	\$ 244,000.00	4.600%	\$ 244,000.00	\$ 249,054.73	\$ 5,055	4.600%	\$ 953.27
CD	First Foundation Bank	32026U5U6	MBS	05-22-24	05-22-29	No Call	\$ 244,000.00	4.600%	\$ 244,000.00	\$ 249,049.04	\$ 5,049	4.600%	\$ 953.27
CD	Citizens Bank	173477CF5	MBS	01-10-25	01-10-30	No Call	\$ 249,000.00	3.850%	\$ 249,000.00	\$ 247,567.80	\$ (1,432)	3.850%	\$ 814.20
CD	Morgan Stanley Bank NA	61690D5F1	MBS	05-28-25	05-28-30	No Call	\$ 244,000.00	4.250%	\$ 244,000.00	\$ 246,753.91	\$ 2,754	4.250%	\$ 880.74
CD	Alliant Credit Union	01882MAD4	MBS	12-30-22	12-30-25	No Call	\$ 248,000.00	5.100%	\$ 248,000.00	\$ 248,816.84	\$ 817	5.100%	\$ 1,074.21

Total Actively Invested Funds	\$ 12,680,000.00	\$ 12,644,250.00	\$ 12,762,136.63	\$ 117,887	3.807%	\$ 41,590.47
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Total Local Agency Investment Fund		\$ 65,486,985.94		4.260%	\$ 236,937.30
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Total Invested Cash	\$ 12,680,000.00	\$ 78,131,235.94		4.186%	\$ 278,527.77
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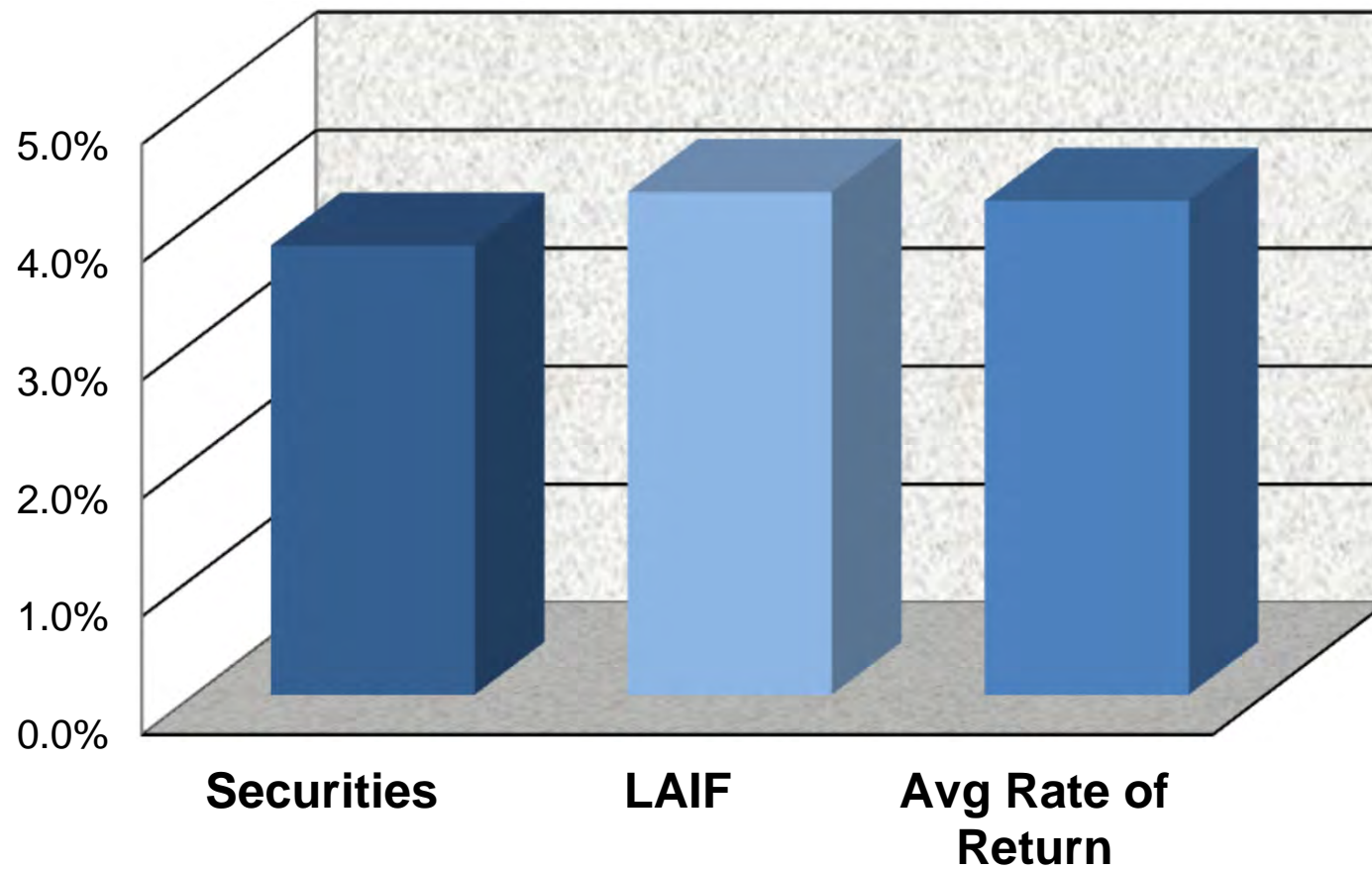
Key to Security Type:

FHLB	= Federal Home Loan Bank
FHLMC	= Federal Home Loan Mortgage Corporation
FNMA	= Federal National Mortgage Association
USTN	= US Treasury Note
CORP	= Corporate Note
CD	= Certificate of Deposit
GDB	= Goldman Sachs Bank
AEC	= American Express Centurion

Key to Dealers:

FCS	= FinaCorp Securities
MBS	= Multi-Bank Securities
MS	= Mutual Securities
RCB	= RBC Dain Rauscher
SA	= Securities America
TVI	= Time Value Investments
WMS	= Wedbush Morgan Securities

Interest Rate Analysis

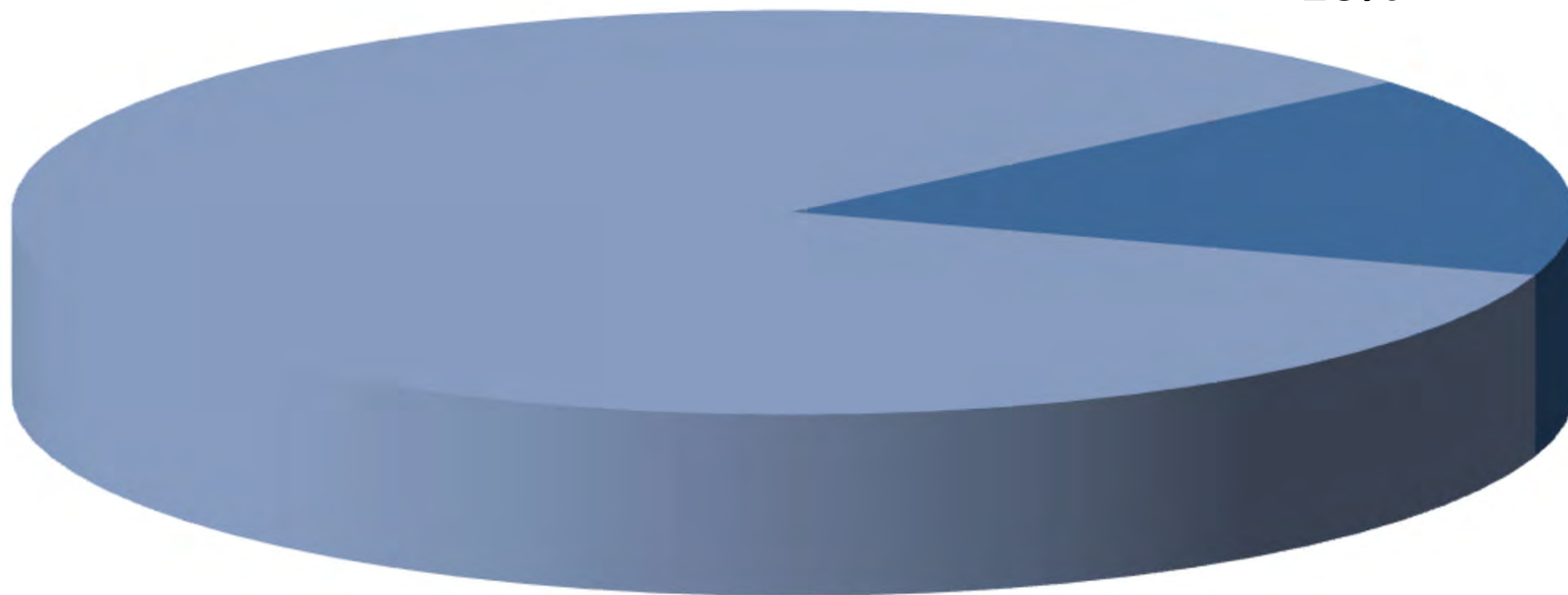


Aug'25

Investments

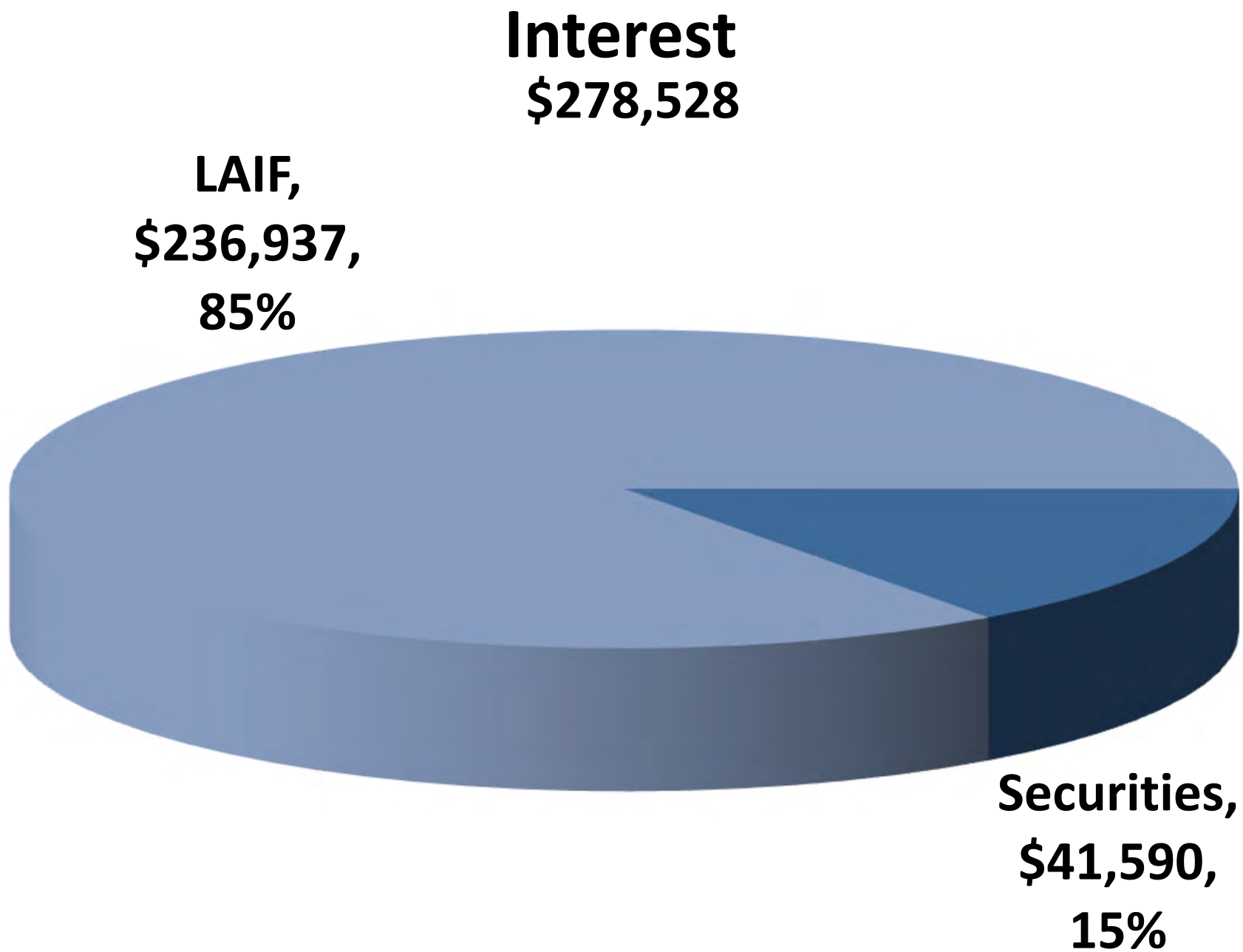
\$78,131,236

**Securities,
\$12,644,250,
16%**



**LAIF,
\$65,486,986,
84%**

Aug'25



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COMMISSION MEMORANDUM NO. 2025.63

DATE: September 2, 2025

TO: SAWPA Commission

SUBJECT: Cloud Based Financial Software and Implementation Services Request for Proposals

PREPARED BY: Dean Unger, Information Systems and Technology Manager

RECOMMENDATION

That the SAWPA Commission authorize the release of the Request for Proposals (RFP) for Cloud Based Financial Software and Implementation Services to replace the current Microsoft Dynamics Great Plains System Software.

DISCUSSION

The purpose of the RFP is to obtain a Cloud Based Financial System to replace the current system that will no longer be supported after December of 2029. SAWPA's Finance department has used Microsoft Dynamics GP Software since 2004. Microsoft Dynamics GP is being sunsetted by Microsoft in December of 2029. Microsoft will no longer provide technical support, bug fixes, or new features, which could hinder SAWPA's ability to adapt to changing business needs and leverage modern technology advancements. Migrating to a more current, supported solution ensures improved security, enhanced functionality, better integration capabilities, and ongoing vendor support. This proactive approach helps SAWPA maintain stability, efficiency, and competitiveness in an evolving digital landscape, avoiding potential costs and risks associated with outdated software. A copy of the RFP is attached.

Tentative Schedule:

Issue RFP	September 2, 2025
Receive Proposals	October 16, 2025
Contract Award	November 2025
Finalize Agreement, Begin Work	December 1, 2025

RESOURCE IMPACTS

Funds to cover the software are included in the Fiscal Year (FY) 2025-26 and FY 2026-27 Budget Fund 100.

Attachments:

1. RFP
2. PowerPoint Presentation

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SANTA ANA WATERSHED PROJECT AUTHORITY

REQUEST FOR PROPOSALS

FOR

Cloud Based Financial Software and Implementation Services

September 2025

**REQUEST FOR PROPOSALS
FOR
SANTA ANA WATERSHED PROJECT AUTHORITY
ERP SOFTWARE AND IMPLEMENTATION SERVICES**

NOTICE TO SUBMITTING FIRMS

Proposals submitted in response to this RFP as described herein, will be submitted to Planet Bids at: <https://pbsystem.planetbids.com/portal/52676/portal-home>

Submit electronically, as a single Adobe Acrobat (PDF) file, with search capability to ensure readability and compatibility, **not more than 25 pages long** (not including cover letter, exhibits, and resumes), and **not more than 10 megabytes in size**.

1. All proposals must be received by **4:00 p.m. (PST) on Thursday, October 16, 2025**.
2. Prospective Offerors are required to submit all RFP questions, clarifications, or comments through Planet Bids' Q&A system at:

<https://pbsystem.planetbids.com/portal/52676/portal-home>

3. Questions, clarifications, or comments must be received no later than **Monday, September 26, 2025 at 4:00 pm PST**.
4. Any changes to this RFP are invalid unless specifically modified by SAWPA and issued as a separate addendum document. Should there be any question as to changes to the content of this document, SAWPA's copy shall prevail. It is the submitting firm's sole responsibility to ensure that their submittal, inclusive of any or all addenda, is received at the proper place at the proper time. SAWPA will not accept submittals after the due date/time listed above.

REQUEST FOR PROPOSALS FOR CLOUD BASED FINANCIAL SOFTWARE AND IMPLEMENTATION SERVICES

1) Introduction

Agency Background

The Santa Ana Watershed Project Authority (SAWPA) was formed in 1972 to plan and build facilities to protect water quality in the Santa Ana River Watershed. SAWPA is a Joint Powers Authority (JPA) comprised of five (5) member agencies: Eastern Municipal Water District (EMWD), Inland Empire Utilities Agency (IEUA), Orange County Water District (OCWD), San Bernardino Valley Municipal Water District (SBVMWD), and Western Municipal Water District (WMWD). To learn more about SAWPA please visit www.sawpa.gov

Background

The Santa Ana Watershed Project Authority (SAWPA) has used Microsoft Great Plains since 2002. The Information Systems and Technology department is responsible for maintaining the Microsoft Dynamic Great Plains (GP) software and is hosted on premise. The Finance Department currently uses Microsoft Dynamic Great Plains (GP) 2018.6 for maintaining the financial, project accounting, sales, purchasing, and HR & Payroll modules in Great Plains (GP) 2018.6. The accounting software system is used to create and implement adequate internal controls, prepare financial statements and reports, manage cash, track budgets, process accounts payable invoices and payments, process accounts receivable invoices and cash receipts, process payroll, and manage purchase orders for procurement of goods and services. The Finance Department uses Microsoft Dynamics Great Plains (GP) 2018.6 for accounting, Project accounting (including grants), Procure-To-Pay (Purchase Orders and Accounts Payable) and Revenue (Cash Receipts), with integrations with Journyx for timesheets and Greenshades for self-service Human Resource and benefits.

In addition to the above modules, there is a custom action called the "LAIF button". SAWPA has over 27 different funds where cash is accounted for. Each of those funds keeps a cash balance in an investment account called LAIF. Only 1 of those funds, Fund 100 – General Fund, has an actual checking account. All payments are made from, and all deposits go into, that checking account. The LAIF button is designed to distribute payments and deposits into or out of the correct funds.

In the beginning of this year SAWPA's GP service provider (Endeavour) worked with SAWPA to provide a study in how SAWPA uses GP. It provides insight into how SAWPA's current GP environment is setup and how SAWPA staff utilizes the software. The study document is "Attachment B"

Scope

SAWPA is seeking a cloud based financial software that will manage and integrate some of SAWPA's core business processes, finance and human resources. The solution includes the following GP module functionality:

Modules

General Ledger	Accounts Receivable/Cash Receipts
Budgeting	Fixed Assets/Inventory
Project and Grant Accounting	Human Resources
Purchasing	Payroll
Accounts Payable	Reporting

SAWPA will select an ERP system that most closely meets its requirements for functionality, flexibility, configurability and provides an open system architecture that supports integration with other systems in use by SAWPA. The proposed ERP may replace Bi360, Journyx and/or Greenshades. The following table lists some of the key applications used by SAWPA today that may need to interface with the new ERP solution.

The Consultant's services shall include the following tasks:

Software	Function	Integrate/Interface
Journyx	Timekeeping	Yes
OnBase	Document Management	Yes
Greenshades	Human Resources	Yes
Mikorma	Check Printing	Yes
Bi360	Reporting	Yes

The solution selected will be implemented as recommended by the selected Vendor and approved by SAWPA. SAWPA expects process improvement through implementation of new systems and intends to adopt the best practices offered by the selected Vendor. Vendors who are invited to demonstrate their product should be prepared to discuss the application's best practices and the system's ability to adapt to user preferences. Vendors should be able to demonstrate functionality as described in the GP Study Document (Attachment B).

2) Timeline

September 2, 2025	Issue Request for Proposals
October 16, 2025	Proposals due (4:00 p.m.)
October 24, 2025	Selection of Finalists
November 3, 2025	Software Demonstrations
November 18, 2025	Recommend Award

3) **Proposal Instructions and Conditions**

- a) **Pre-Contractual Expenses** - Pre-Contractual expenses are defined as expenses incurred by prospective bidders in:

- Preparing a proposal in response to the RFP
- Submitting that proposal to SAWPA
- Negotiating with SAWPA in any matter related to this RFP, proposal, and/or contractual agreement.
- Any other expenses incurred by the prospective bidder prior to the date of an executed contract.

SAWPA will not, in any event, be liable for any pre-contractual expenses incurred by any prospective bidder. In addition, no prospective bidder shall include any such expenses as part of the price proposed to perform the requested services.

- b) **Authority to Withdraw RFP and/or Not Award Contract** – SAWPA reserves the right to withdraw the RFP at any time without prior notice. Further, SAWPA makes no representations that any agreement will be awarded to any prospective bidder responding to this RFP. SAWPA expressly reserves the right to postpone the opening of proposals for its own convenience and to reject any and all proposals in response to this RFP without indicating any reasons for such rejection(s).
- c) **Right to Reject Proposal** – SAWPA reserves the right to reject any or all proposals submitted. Any award made for this engagement will be made to the firm/s, which, in the opinion of SAWPA, is best qualified to perform the services and represents the best value and effectiveness.
- d) **Discrepancies in Proposal Documents** – Should prospective firms find discrepancies in, or omissions from the RFP, or if the intent of the RFP is not clear, and if provisions of the specifications restrict any prospective firm from proposing, they may request in writing that the deficiency(s) be modified. Such request must be received by SAWPA at least ten (10) working days before the proposal due date. All registered firms will be notified by addendum of any approved changes in the request for proposal documents.
- e) **Oral Statements** - SAWPA is not responsible for oral statements made by any of its employees or agents concerning the RFP. If the prospective firm requires specific information, a written request must be submitted to SAWPA.

4) Scope of Services

The purpose of this project is to install, configure, and implement an financial system that will streamline and integrate business processes within the finance department and its associated functions. The scope of work will include, but not be limited to the following tasks:

Pre-Implementation Activities

- Conduct business requirements analysis and gap assessment.
- Define project governance and assign roles/responsibilities.
- Develop detailed project plan, timelines, and milestones.
- Prepare infrastructure assessment (servers, cloud readiness, networking, security).

System Installation & Configuration

- Install Financial applications on designated servers or cloud environment.
- Configure system modules as per business needs (Finance, HR, etc.).
- Set up user roles, permissions, and security protocols.
- Establish system integrations (OnBase, payroll, legacy apps, etc.).
- Migrate existing data to Financial system (with cleansing, mapping, and validation).

Customization & Development

- Customize workflows and reports to align with organizational processes.
- Develop additional features if identified during gap analysis.
- Configure dashboards, alerts for business monitoring.

Testing & Quality Assurance

- Conduct unit testing of configured modules.
- Execute integration testing with third-party systems.
- Facilitate user acceptance testing (UAT) with key stakeholders.
- Implement fixes for defects and ensure performance tuning.

Training & Knowledge Transfer

- Provide training sessions for end-users, super-users, and administrators.
- Deliver user manuals, process documentation, and support guides.
- Conduct workshops to build internal Financial system competency.

Go-Live & Post-Implementation Support

- Execute final data migration and system cutover.
- Monitor Financial system performance during go-live phase.
- Provide hyper care support (stabilization period).
- Transition to ongoing support and maintenance team.

Deliverables

- Business Requirements Document (BRD)
- Configured Financial System environment
- Data migration reports and validation sign-off
- Customized workflows and reports
- User training materials and session records
- Final implementation report

5) Project Schedule

The Consultant shall conduct a kick-off meeting within one (1) week from notice to selection. The Consultant will work with SAWPA to establish a timeline and milestones.

- Requirements Gathering
- System Installation & Configuration
- Customization & Testing
- Training & User Acceptance Testing
- Go-Live
- Post-Implementation Support

6) Fee Proposal Requirements

In preparing the fee schedule for the services identified under the scope of work, the Consultant shall take into consideration the following:

- i) Compensation for Consultant direct services provided in completing the tasks shall be based upon an hourly billing rate up to a not-to-exceed amount.
- ii) Support Services will be billed at an hourly rate. A yearly estimate will be required for budgetary requirements. Business Analysis and recommendations costs will be provided by consultant and will be billed upon agreed tasks.
- iii) The Consultant's billing rates for all classifications of staff likely to be involved in the project shall be included with the fee proposal.
- iv) SAWPA will review the fee proposal of the Consultant deemed most qualified after completing a review of the proposals and conducting interviews. The final scope and fee will be negotiated with the top-ranked Consultant.
- v) Reimbursable expenses will not be allowed unless included in the proposal and negotiated prior to a contract. Billing rate escalations during the contract term are disfavored and shall be approved in negotiations prior to execution of a contract.

7) Proposal Requirements

Responses to this RFP must be made according to the requirements set forth in this section for content and sequence. Firms must demonstrate their capabilities, background, and expertise, for SAWPA to effectively evaluate the submittals, and select the firm(s) that provide the best value to SAWPA based on the selection criteria. Failure to adhere to these requirements or the inclusion of conditions, limitations, or misrepresentations may be cause for rejection of the proposal. Any correction and resubmission by the proposer will not extend the time for evaluation of the proposal.

Responses to this RFP shall be prepared as concisely as possible. The proposal should be formatted for legibility by the reviewers, and **no more than twenty (25) pages long** (not including cover letter, exhibits and resumes), and **not more than 10 megabytes in size**.

All proposals must include at a minimum the following information:

- **Cover letter**, including **Proposer's Signature Block**, as outlined in [Exhibit A](#).
- **Proposal Table of Contents**
- **Understanding of the Project** – The Proposer shall provide a brief description of its approach and understanding of the important Project elements, as well as technical considerations of the Project.
- The Proposer shall provide the following:
 - **Scope of Work** describing work tasks proposed to implement the Project. Identify any materials and/or equipment to be used to implement the Project.
 - **Cost proposal** in tabular format, as outlined in [Exhibit B](#), indicating tasks, task hours by labor category, hourly billing rates for each labor category, costs for sub-consultants, and reimbursable expenses. The rates shall be valid for the term of the contract. Note SAWPA will not pay for travel time. In addition to the summary cost proposal shown in Exhibit B, proposers must provide a detailed cost estimate of the project scope of work.
 - **Schedule** for implementing the Project. The schedule shall show each scope of work task and its activity duration.
- **Project Team & Qualifications** – The Proposer shall provide an organization chart showing proposed management and project team including a complete list of personnel, including subcontractors that will be dedicated to this project. The Proposer may include resumes of key team members. The Proposer may be required to furnish statements of their financial resources.
- **Experience** – The Proposer shall provide a description of similar projects, services and/or relevant work experience undertaken by the proposer. Projects must be within the last five (5) years, and preferably involve the staff identified in the list of personnel.
- **References** – The Proposer shall provide references from a minimum of three (3) former clients, as outlined in [Exhibit C](#), for whom comparable services have been performed within the last five years.
- Consultant and Sub-consultant Business Information, as outlined in [Exhibit D](#).
- Additions, Deletions and/or Exceptions, as outlined in [Exhibit E](#), compliance with SAWPA's contractual terms and/or RFP requirements. The firm shall note any additions, deletions and/or exceptions to the contractual terms and/or RFP requirements. If there are no exceptions taken, note in writing that there are none. An Agreement for Services template is attached to this RFP ([Attachment A](#)) that the consultant/firm will be required to sign; the respondent must identify any exceptions to that draft agreement as an element of the proposal submitted for review and consideration.

8) Submittals

Submit only an electronic copy of the proposal and related information as a single .pdf file to Planet Bids at:

<https://pbsystem.planetbids.com/portal/52676/portal-home>

Proposals must be received by **4:00 p.m. PST on Thursday, October 16, 2025**. Proposals received after the stated time will be deleted and not considered. SAWPA is not responsible for any failure to receive files transmitted electronically or which fail to open properly upon receipt.

9) Proposed Schedule

The following table identifies the estimated dates for receipt, evaluation, and award of this RFP. Please note the following key dates when preparing your response to this RFP.

September 2, 2025	Issuance of Request for Proposals
September 26, 2025 (4:00 pm PST)	Deadline to submit questions
October 3, 2025 (4:00 pm PST)	Deadline to respond to questions
October 16, 2025 (4:00 pm PST)	Proposal must be received by SAWPA
October 24, 2025	Selection of Finalist
November 3, 2025	Software Demonstrations
November 18, 2025	Recommend Award
December 1, 2025	Finalize Agreement, Begin Work

10) Selection Criteria

The criteria for selection shall be based on, but not limited to, the following:

- Responsiveness to the RFP
- Project approach and understanding of project needs
- Qualifications and experience of the firm(s) in performing similar projects
- Cost Proposal (**Exhibit B**) and detailed cost breakdown
- References (**Exhibit C**)
- Exceptions Taken to RFP (**Exhibit E**)
- Anticipated value and quality of services received

A panel composed of SAWPA staff and other agency staff members will review and rate proposals. If additional information is needed, submit questions clarifications, or comments through Planet Bids': <https://pbsystem.planetbids.com/portal/xxx/portal-home> Responses will be provided through Planet Bids'.

SAWPA reserves the sole right to evaluate and select the successful proposal(s) and may choose to award a contract to one or more qualified consultants.

11) General Requirements

1. All proposers are hereby advised that this RFP is an informal solicitation and is not a commitment or offer to enter into an agreement or engage into any competitive bidding or negotiation pursuant to any statute, ordinance, rule, or regulation. SAWPA reserves the right to negotiate with any qualified source. SAWPA reserves the right to reject any or all proposals for any reason or for no reason at all.
2. SAWPA reserves the right to request further information from the proposer either in writing or orally. Such request will be addressed to that person or persons authorized by the proposer to represent the proposer.
3. SAWPA reserves the sole right to judge the proposers' representations, either written or oral.
4. Proposers understand and agree that submission of a proposal constitutes acknowledgement and acceptance of, and a willingness to comply with, the terms, conditions, and criteria contained in this RFP.
5. False, incomplete, or unresponsive statements in connection with a proposal may be sufficient cause for the rejection of the proposal. The valuation and determination of the fulfillment of the above requirement will be SAWPA's responsibility and its decision shall be final.
6. SAWPA reserves the right to interpret or change any provisions of this RFP at any time prior to the proposal submission date. Such interpretations or changes will be in the form of addenda to this RFP. Such an addenda will become part of this RFP and may become part of any resultant contract. Such addenda will be made available to each person or organization that has received an RFP to the extent known. Should such addenda require additional information not previously requested, a proposer's failure to address the requirements of such addenda might result in the proposal not being considered.
7. All proposals submitted in response to this RFP will become the exclusive property of SAWPA. At such time as SAWPA's recommendation to the SAWPA Board relative to proposal selection appears on the Board Agenda, all such proposals become a matter of public record, and shall be regarded as public records, with the exception of those parts of each proposal which are defined by the proposer as business or trade secrets, and so marked, as "confidential" or "proprietary." SAWPA shall not in any way be liable or responsible for the disclosure of any such proposals or any part thereof if disclosure of any such proposals or any part thereof if disclosure is required under the Public Records Act.
8. SAWPA shall not in any way be liable for any costs incurred in connection with the preparation of any proposal submitted in response to this RFP.

EXHIBIT A
PROPOSER'S SIGNATURE BLOCK

Name of Firm:		Title:	
Authorized Signature:		Date:	
Printed/Typed Name:		Mailing Address:	
Phone:		City, State, Zip	
Fax:		E-Mail Address:	

Your signature on this document, should you be awarded a contract as defined in this RFP, signifies that you have fully read and understood this proposal and will comply with all specifications, conditions, unit prices, terms, and delivery of the proposal unless otherwise noted in the "exceptions" portion of the proposal.

EXHIBIT B
COST PROPOSAL

Task		
1		
2		
3		
4		
5		
6		
7		
Total		

The Project shall begin immediately upon receipt of order or notice to proceed.

For each Task include costs for **all** labor, equipment, materials, transportation, overhead, travel, profit, insurance, sales and other taxes, licenses, incidentals, and all other related costs necessary to meet the work requirements. Note SAWPA will not pay for travel time. In addition to the summary cost proposal shown in Exhibit B, proposers must provide a detailed cost estimate for the project scope of work.

EXHIBIT C

REFERENCES

Proposer shall provide a **minimum of three (3)** Customer References for whom comparable services have been performed within the last five (5) years. Local and similar size contract references are preferred.

REFERENCE #1

NAME OF FIRM	
ADDRESS	
CITY, STATE, ZIP CODE	
TELEPHONE #	()
E-MAIL ADDRESS	
CONTACT	
PROJECT NAME	
COMPLETION DATE	
APPROX. COST	

REFERENCE #2

NAME OF FIRM	
ADDRESS	
CITY, STATE, ZIP CODE	
TELEPHONE #	()
E-MAIL ADDRESS	
CONTACT	
PROJECT NAME	
COMPLETION DATE	
APPROX. COST	

REFERENCE #3

NAME OF FIRM	
ADDRESS	
CITY, STATE, ZIP CODE	
TELEPHONE #	()
E-MAIL ADDRESS	
CONTACT	
PROJECT NAME	
COMPLETION DATE	
APPROX. COST	

EXHIBIT D

**PROPOSER'S BUSINESS
INFORMATION**

All proposers shall submit the information as requested below.

1. Length of time your firm has been in business:

2. Length of time at current location:

3. List types and business license number(s):

4. California State Contractor's License number:

5. Names and titles of all officers of the firm:

6. Is your firm a sole proprietorship doing business under a different name? YES ☐ or NO ☐

7. If yes, please indicate sole proprietorship name and the name you are doing business under:

8. Please indicate your Federal Tax Number:

9. Is your firm incorporated? YES ☐ or NO ☐

10. Name and remittance address that will appear on invoices:

11. Physical Address:

EXHIBIT E

ADDITIONS, DELETIONS AND/OR EXCEPTIONS

Please state any and all Additions, Deletions and Exceptions that you are taking to any portion of this proposal and General Services Agreement (GSA) and Task Order (Attachment A). If not addressed below, then Santa Ana Watershed Project Authority assumes that the vendor will adhere to all terms and conditions listed.

SAWPA will issue an Agreement in its standard form to the successful firm(s) for the services contemplated herein; a copy of which is attached hereto and incorporated herein. Any deletion, exception, or modification taken to Agency contract terms and conditions will be evaluated, in addition to the specified criteria; and may, itself, result in non-acceptance by the Agency. Any request for deletion, exception, or modification, if so taken, must be submitted at the time of proposal.

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



Attachment A
Agreement for Services Template

**SANTA ANA WATERSHED PROJECT AUTHORITY
GENERAL SERVICES AGREEMENT FOR SERVICES BY INDEPENDENT
CONSULTANT**

This Agreement is made this ___ day of ___, **20__** by and between the Santa Ana Watershed Project Authority ("SAWPA") located at 11615 Sterling Ave., Riverside, California, 92503 and _____ ("Consultant") whose address is _____.

RECITALS

This Agreement is entered into on the basis of the following facts, understandings, and intentions of the parties to this Agreement:

- SAWPA desires to engage the professional services of Consultant to perform such professional consulting services as may be assigned, from time to time, by SAWPA in writing;
- Consultant agrees to provide such services pursuant to, and in accordance with, the terms and conditions of this Agreement and has represented and warrants to SAWPA that Consultant possesses the necessary skills, qualifications, personnel, and equipment to provide such services; and
- The services to be performed by Consultant shall be specifically described in one or more written Task Orders issued by SAWPA to Consultant pursuant to this Agreement.

AGREEMENT

Now, therefore, in consideration of the foregoing Recitals and mutual covenants contained herein, SAWPA and Consultant agree to the following:

ARTICLE I

TERM OF AGREEMENT

1.01 This agreement shall become effective on the date first above written and shall continue until **December 31, 20__**, unless extended or sooner terminated as provided for herein.

ARTICLE II

SERVICES TO BE PERFORMED

2.01 Consultant agrees to provide such professional consulting services as may be assigned, from time to time, in writing by the Commission and the General Manager of SAWPA. Each assignment shall be made in the form of a written Task Order. Each such Task Order shall include, but shall not be limited to, a description of the nature and scope of the services to be performed by Consultant, the amount of compensation to be paid, and the expected time of completion.

2.02 Consultant may at Consultant's sole cost and expense, employ such competent and qualified independent professional associates, subcontractors, and consultants as Consultant deems necessary to perform each assignment; provided that Consultant shall not subcontract any work to be performed without the prior written consent of SAWPA.

ARTICLE III

COMPENSATION

3.01 In consideration for the services to be performed by Consultant, SAWPA agrees to pay Consultant as provided for in each Task Order.

3.02 Each Task Order shall specify a total not-to-exceed sum of money and shall be based upon the regular hourly rates customarily charged by Consultant to its clients.

3.03 Consultant shall not be compensated for any services rendered nor reimbursed for any expenses incurred in excess of those authorized in any Task Order unless approved in advance by the Commission and General Manager of SAWPA, in writing.

3.04 Unless otherwise provided for in any Task Order issued pursuant to this Agreement, payment of compensation earned shall be made in monthly installments after receipt from Consultant of a timely, detailed, corrected, written invoice by SAWPA's Project Manager, describing, without limitation, the services performed, when such services were performed, the time spent performing such services, the hourly rate charged therefore, and the identity of individuals performing such services for the benefit of SAWPA. Such invoices shall also include a detailed itemization of expenses incurred. Upon approval by an authorized SAWPA employee, SAWPA will pay within 30 days after receipt of a valid invoice from Consultant.

ARTICLE IV

CONSULTANT OBLIGATIONS

4.01 Consultant agrees to perform all assigned services in accordance with the terms and conditions of this Agreement including those specified in each Task Order. In performing the services required by this Agreement and any related Task Order Consultant shall comply with all local, state, and federal laws, rules, and regulations. Consultant shall also obtain and pay for any permits required for the services it performs under this Agreement and any related Task Order.

4.02 Except as otherwise provided for in each Task Order, Consultant will supply all personnel and equipment required to perform the assigned services.

4.03 Consultant shall be solely responsible for the health and safety of its employees, agents, and subcontractors in performing the services assigned by SAWPA.

4.04 Insurance Coverage: Consultant shall procure and maintain for the duration of this Agreement insurance against claims for injuries or death to persons or damages to property which may arise from or in connection with the performance of the work hereunder and the results of that work by the Consultant, its agents, representatives, employees, or sub-contractors.

4.04(a) Coverage - Coverage shall be at least as broad as the following:

- 1. Commercial General Liability (CGL)** - Insurance Services Office (ISO) Commercial General Liability Coverage (Occurrence Form CG 00 01) including products and completed operations, property damage, bodily injury, personal and advertising injury with limit of at least two million dollars (\$2,000,000) per occurrence or the full per occurrence limits of the policies available, whichever is greater. If a general aggregate limit applies, either the general aggregate limit shall apply

separately to this project/location (coverage as broad as the ISO CG 25 03, or ISO CG 25 04 endorsement provided to SAWPA) or the general aggregate limit shall be twice the required occurrence limit.

2. **Automobile Liability** – (if necessary) Insurance Services Office (ISO) Business Auto Coverage (Form CA 00 01), covering Symbol 1 (any auto) or if Consultant has no owned autos, Symbol 8 (hired) and 9 (non-owned) with limit of one million dollars (\$1,000,000) for bodily injury and property damage each accident.
3. **Workers' Compensation Insurance** - as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limit of no less than \$1,000,000 per accident for bodily injury or disease.
4. **Professional Liability** - (Also known as Errors & Omission) Insurance appropriate to the Consultant profession, with limits no less than \$1,000,000 per occurrence or claim, and \$2,000,000 policy aggregate.
5. **Cyber Liability Insurance (Technology Professional Liability – Errors and Omissions)** – If Consultant will be providing technology services, limits not less than \$2,000,000 per occurrence or claim, and \$2,000,000 aggregate or the full per occurrence limits of the policies available, whichever is greater. Coverage shall be sufficiently broad to respond to the duties and obligations as is undertaken by Consultant in this Agreement and shall include, but not be limited to, claims involving infringement of intellectual property, including but not limited to infringement of copyright, trademark, trade dress, invasion of privacy violations, information theft, damage to or destruction of electronic information, release of private information, alteration of electronic information, extortion and network security. The policy shall provide coverage for breach response costs as well as regulatory fines and penalties as well as credit monitoring expenses with limits sufficient to respond to these obligations.

If the Consultant maintains broader coverage and/or higher limits than the minimums shown above, SAWPA requires and shall be entitled to the broader coverage and/or higher limits maintained by the Consultant. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to SAWPA.

4.04(b) If Claims Made Policies:

1. The Retroactive Date must be shown and must be before the date of the contract or the beginning of contract work.
2. Insurance must be maintained and evidence of insurance must be provided **for at least five (5) years after completion of the contract of work.**
3. If coverage is canceled or non-renewed, and not **replaced with another claims-made policy form with a Retroactive Date** prior to the contract effective date, the Consultant must purchase "extended reporting" coverage for a minimum of **five (5) years after completion of contract work.**

4.04(c) Waiver of Subrogation: The insurer(s) named above agree to waive all rights of subrogation against SAWPA, its elected or appointed officers, officials, agents, authorized volunteers and employees for losses paid under the terms of this policy which arise from work performed by the Named Insured for the Agency; but this provision applies

regardless of whether or not SAWPA has received a waiver of subrogation from the insurer.

4.04(d) Other Required Provisions - The general liability policy must contain, or be endorsed to contain, the following provisions:

1. **Additional Insured Status:** SAWPA, its directors, officers, employees, and authorized volunteers are to be given insured status (at least as broad as ISO Form CG 20 10 10 01), with respect to liability arising out of work or operations performed by or on behalf of the Consultant including materials, parts, or equipment furnished in connection with such work or operations.
2. **Primary Coverage:** For any claims related to this project, the Consultant's insurance coverage shall be primary at least as broad as ISO CG 20 01 04 13 as respects to SAWPA, its directors, officers, employees, and authorized volunteers. Any insurance or self-insurance maintained by the Member Water Agency its directors, officers, employees and authorized volunteers shall be excess of the Consultant's insurance and shall not contribute with it.

4.04(e) Notice of Cancellation: Each insurance policy required above shall provide that coverage shall not be canceled, except with notice to SAWPA.

4.04(f) Self-Insured Retentions - Self-insured retentions must be declared to and approved by SAWPA. SAWPA may require the Consultant to provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within the retention. The policy language shall provide, or be endorsed to provide, that the self-insured retention may be satisfied by either the named insured or SAWPA.

4.04(g) Acceptability of Insurers - Insurance is to be placed with insurers having a current A.M. Best rating of no less than A: VII or as otherwise approved by SAWPA.

4.04(h) Verification of Coverage – Consultant shall furnish SAWPA with certificates and amendatory endorsements or copies of the applicable policy language effecting coverage required by this clause. All certificates and endorsements are to be received and approved by SAWPA before work commences. However, failure to obtain the required documents prior to the work beginning shall not waive the Consultant's obligation to provide them. SAWPA reserves the right to require complete, certified copies of all required insurance policies, including policy Declaration pages and Endorsement pages.

4.04(i) Subcontractors - Consultant shall require and verify that all subcontractors maintain insurance meeting all the requirements stated herein, and Consultant shall ensure that SAWPA, its directors, officers, employees, and authorized volunteers are additional insureds on Commercial General Liability Coverage.

4.05 Consultant hereby covenants and agrees that SAWPA, its officers, employees, and agents shall not be liable for any claims, liabilities, penalties, fines or any damage to property, whether real or personal, nor for any personal injury or death caused by, or resulting from, or claimed to have been caused by or resulting from, any negligence, recklessness, or willful misconduct of Consultant. To the extent permitted by law, Consultant

shall hold harmless, defend at its own expense, and indemnify SAWPA, its directors, officers, employees, and authorized volunteers, against any and all liability, claims, losses, damages, or expenses, including reasonable attorney's fees and costs, arising from all acts or omissions of Consultant or its officers, agents, or employees in rendering services under this Agreement and any Task Order issued hereunder; excluding, however, such liability, claims, losses, damages or expenses arising from SAWPA's sole negligence or willful acts.

4.06 In the event that SAWPA requests that specific employees or agents of Consultant supervise or otherwise perform the services specified in each Task Order, Consultant shall ensure that such individual(s) shall be appointed and assigned the responsibility of performing the services.

4.07 In the event Consultant is required to prepare plans, drawings, specifications and/or estimates, the same shall be furnished with a registered professional engineer's number and shall conform to local, state, and federal laws, rules, and regulations. Consultant shall obtain all necessary permits and approvals in connection with this Agreement, any Task Order or Change Order. However, in the event SAWPA is required to obtain such an approval or permit from another governmental entity, Consultant shall provide all necessary supporting documents to be filed with such entity, and shall facilitate the acquisition of such approval or permit.

4.08 Consultant shall comply with all local, state, and federal laws, rules and regulations including those regarding nondiscrimination and the payment of prevailing wages, if required by law.

ARTICLE V

SAWPA OBLIGATIONS

5.01 SAWPA shall:

5.01a Furnish all existing studies, reports, and other available data pertinent to each Task Order that are in SAWPA's possession;

5.01b Designate a person to act as liaison between Consultant and the General Manager and Commission of SAWPA.

ARTICLE VI

ADDITIONAL SERVICES, CHANGES AND DELETIONS

6.01 During the term of this Agreement, the Commission of SAWPA may, from time to time and without affecting the validity of this Agreement or any Task Order issued pursuant thereto, order changes, deletions, and additional services by the issuance of written Change Orders authorized and approved by the Commission of SAWPA.

6.02 In the event Consultant performs additional or different services than those described in any Task Order or authorized Change Order without the prior written approval of the Commission of SAWPA, Consultant shall not be compensated for such services.

6.03 Consultant shall promptly advise SAWPA as soon as reasonably practicable upon gaining knowledge of a condition, event, or accumulation of events, which may affect the scope and/or cost of services to be provided pursuant to this Agreement. All proposed

changes, modifications, deletions, and/or requests for additional services shall be reduced to writing for review and approval or rejection by the Commission of SAWPA.

6.04 In the event that SAWPA orders services deleted or reduced, compensation shall be deleted or reduced by a comparable amount as determined by SAWPA and Consultant shall only be compensated for services actually performed. In the event additional services are properly authorized, payment for the same shall be made as provided in Article III above.

ARTICLE VII

CONSTRUCTION PROJECTS: CONSULTANT CHANGE ORDERS

7.01 In the event SAWPA authorizes Consultant to perform construction management services for SAWPA, Consultant may determine, in the course of providing such services, that a Change Order should be issued to the construction contractor, or Consultant may receive a request for a Change Order from the construction contractor. Consultant shall, upon receipt of any requested Change Order or upon gaining knowledge of any condition, event, or accumulation of events, which may necessitate issuing a Change Order to the construction contractor, promptly consult with the liaison, General Manager and Commission of SAWPA. No Change Order shall be issued or executed without the prior approval of the Commission of SAWPA.

ARTICLE VIII

TERMINATION OF AGREEMENT

8.01 In the event the time specified for completion of an assigned task in a Task Order exceeds the term of this Agreement, the term of this Agreement shall be automatically extended for such additional time as is necessary to complete such Task Order and thereupon this Agreement shall automatically terminate without further notice.

8.02 Notwithstanding any other provision of this Agreement, SAWPA, at its sole option, may terminate this Agreement at any time by giving 10 day written notice to Consultant, whether or not a Task Order has been issued to Consultant.

8.03 In the event of termination, the payment of monies due Consultant for work performed prior to the effective date of such termination shall be paid after receipt of an invoice as provided in this Agreement.

ARTICLE IX

CONSULTANT STATUS

9.01 Consultant shall perform the services assigned by SAWPA in Consultant's own way as an independent contractor, in pursuit of Consultant's independent calling and not as an employee of SAWPA. Consultant shall be under the control of SAWPA only as to the result to be accomplished and the personnel assigned to perform services. However, Consultant shall regularly confer with SAWPA's liaison, General Manager, and Commission as provided for in this Agreement.

9.02 Consultant hereby specifically represents and warrants to SAWPA that the services to be rendered pursuant to this Agreement shall be performed in accordance with the standards customarily applicable to an experienced and competent professional

consulting organization rendering the same or similar services. Furthermore, Consultant represents and warrants that the individual signing this Agreement on behalf of Consultant has the full authority to bind Consultant to this Agreement.

ARTICLE X

AUDIT AND OWNERSHIP OF DOCUMENTS

10.01 All draft and final reports, plans, drawings, specifications, data, notes, and all other documents of any kind or nature prepared or developed by Consultant in connection with the performance of services assigned to it by SAWPA are the sole property of SAWPA, and Consultant shall promptly deliver all such materials to SAWPA. Consultant may retain copies of the original documents, at its option and expense. Use of such documents by SAWPA for project(s) not the subject of this Agreement shall be at SAWPA's sole risk without legal liability or exposure to Consultant. SAWPA agrees to not release any software "code" without prior written approval from the Consultant.

10.02 Consultant shall retain and maintain, for a period not less than four years following termination of this Agreement, all time records, accounting records, and vouchers and all other records with respect to all matters concerning services performed, compensation paid and expenses reimbursed. At any time during normal business hours and as often as SAWPA may deem necessary, Consultant shall make available to SAWPA's agents for examination of all such records and will permit SAWPA's agents to audit, examine and reproduce such records.

ARTICLE XI

MISCELLANEOUS PROVISIONS

11.01 This Agreement supersedes any and all previous agreements, either oral or written, between the parties hereto with respect to the rendering of services by Consultant for SAWPA and contains all of the covenants and agreements between the parties with respect to the rendering of such services in any manner whatsoever. Any modification of this Agreement will be effective only if it is in writing signed by both parties.

11.02 Consultant shall not assign or otherwise transfer any rights or interest in this Agreement without the prior written consent of SAWPA. Unless specifically stated to the contrary in any written consent to an assignment, no assignment will release or discharge the assignor from any duty or responsibility under this Agreement.

11.03 In the event Consultant is an individual person and dies prior to completion of this Agreement or any Task Order issued hereunder, any monies earned that may be due Consultant from SAWPA as of the date of death will be paid to Consultant's estate.

11.04 Time is of the essence in the performance of services required hereunder. Extensions of time within which to perform services may be granted by SAWPA if requested by Consultant and agreed to in writing by SAWPA. All such requests must be documented and substantiated and will only be granted as the result of unforeseeable and unavoidable delays not caused by the lack of foresight on the part of Consultant.

11.05 SAWPA expects that Consultant will devote its full energies, interest, abilities, and productive time to the performance of its duties and obligations under this Agreement, and shall not engage in any other consulting activity that would interfere with the performance of Consultant's duties under this Agreement or create any conflicts of interest. If required by law, Consultant shall file a Conflict of Interest Statement with SAWPA.

11.06 Any dispute which may arise by and between SAWPA and the Consultant, including the Consultants, its employees, agents, and subcontractors, shall be submitted to binding arbitration. Arbitration shall be conducted by a neutral, impartial arbitration service that the parties mutually agree upon, in accordance with its rules and procedures. The arbitrator must decide each and every dispute in accordance with the laws of the State of California, and all other applicable laws. Unless the parties stipulate to the contrary prior to the appointment of the arbitrator, all disputes shall first be submitted to non-binding mediation conducted by a neutral, impartial mediation service that the parties mutually agree upon, in accordance with its rules and procedures.

11.07 During the performance of the Agreement, Consultant and its subcontractors shall not unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of sex, race, color, ancestry, religious creed, national origin, physical disability (including HIV and AIDS), mental disability, medical condition (cancer), age (over 40), marital status and denial of family care leave. Consultant and its subcontractors shall insure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. Consultant and its subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code, Section 12290 et seq.) and the applicable regulations promulgated there under (California Code of Regulations, Title 2, Section 7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code Section 12990 et seq., set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. Consultant and its subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement. Consultant shall include the non-discrimination and compliance provisions of this clause in all subcontracts to perform work under the Agreement.

11.08 Contractor's employees, agents and subcontractors shall adhere to, and comply with, the California Drug Free Workplace Act at Government Code, Sections 8350 through 8357.

In witness whereof, the parties hereby have made and executed this Agreement as of the day and year first above-written.

SANTA ANA WATERSHED PROJECT AUTHORITY

Karen Williams, General Manager

Date

(CONSULTANT NAME)

(Signature) _____

Date

Typed/Printed Name _____

Attachment B
GP Study Document



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Cloud Based Financial Software and Implementation Services Request for Proposal

SAWPA Commission

Agenda Item No. 6.A

Dean Unger

Information Systems and Technology Manager

September 2, 2025

Recommendation

- That the SAWPA Commission authorize the release of the Request for Proposals for Cloud Based Financial Software and Implementation Services to replace the current Microsoft Dynamics Great Plains System Software.

SAWPA Current Financial Software Summary

Current Financial System Overview

- **Platform:** Microsoft Dynamics Great Plains (GP) 2018.6
- **Hosting:** On-premise (hosted onsite)

Modules In Use

- Financial Management
- Project Accounting (including grant tracking)
- Sales & Purchasing
- HR & Payroll
- Procure-to-Pay (Purchase Order & Accounts Payable)
- Revenue Management (Cash Receipts)

Integrations

- **Journyx:** Timesheet tracking
- **Greenshades:** Self-service HR and benefits management
- **BI360:** Reporting

Financial Systems Program Summary

- GP Modules

General Ledger	Accounts Receivable/Cash Receipts
Budgeting	Fixed Assets/Inventory
Project and Grant Accounting	Human Resources
Purchasing	Payroll
Accounts Payable	Reporting

- Additional Integrated Software Systems

Software	Function	Integrate/Interface
Journyx	Timekeeping	Yes
OnBase	Document Management	Yes
Greenshades	Human Resources	Yes
Mikorma	Check Printing	Yes
Bi360	Reporting	Yes

Current Financial Systems Summary

Functional Management	Number
Annual Accounts Payable Payments Processed	1300
Annual Accounts Payable Invoices Processed	1500
Annual Managed Grants	27
Annual Accounts Receivable Invoices Entered	362
Annual Checks Received	281
Annual Deposits Processed	80
W2's Processed Annually	40
Payroll Checks Processed Bi-Weekly	30

- Finance has been using GP for 23 years (Microsoft has announced end of life for Microsoft Dynamic is currently set for 2027)

- GP integrates with OnBase for stored copies of financial records
- GP integrates with Journyx for time management
- GP integrates with Greenshades for self service Human Resources and benefits

Cloud Based Financial System- RFP

Technical Specifications

- System should be part of an Enterprise Resource Planning system.
- The system will support current functionality.
- The system will integrate or replace current 3rd party software
- Accessible across the internet with high levels of security

Chosen Vendor will Provide:

- Software development and configuration
- Installation and application testing
- Training and documentation
- Ongoing technical support.

Tentative Schedule

September 2, 2025	Issuance of Request for Proposals
September 26, 2025 (4:00 pm PST)	Deadline to submit questions
October 3, 2025 (4:00 pm PST)	Deadline to respond to questions
October 16, 2025 (4:00 pm PST)	Proposal must be received
October 24, 2025	Selection of Finalist
November 3, 2025	Software Demonstrations
November 18, 2025	Recommend Award
December 1, 2025	Finalize Agreement, Begin Work

Recommendation

- That the SAWPA Commission authorize the release of the Request for Proposals for Cloud Based Financial Software and Implementation Services to replace the current Microsoft Dynamics Great Plains System Software.

Questions?

Dean Unger
Santa Ana Watershed Project Authority
Office (951) 354-4224 | Cell (951) 538-9112
Dunger@sawpa.gov
sawpa.gov



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COMMISSION MEMORANDUM NO. 2025.64

DATE: September 2, 2025
TO: SAWPA Commission
SUBJECT: Statement of Investment Policy
PREPARED BY: Karen Williams, General Manager

RECOMMENDATION

It is recommended that the Commission adopt Resolution No. 2025-3, approving the Statement of Investment Policy and delegate authority to the General Manager and/or the Chief Financial Officer to manage investments in accordance with the Statement of Investment Policy.

DISCUSSION

The investment policies and practices of the Santa Ana Watershed Project Authority (SAWPA) are guided by Federal and State laws, as well as by principles of prudent financial management. In accordance with California law, the Commission is required to annually adopt a Statement of Investment Policy. The law also permits the Commission to delegate authority to the Chief Financial Officer (CFO) to invest or reinvest SAWPA's funds, or to sell or exchange securities, for a period of up to one year. Upon delegation, the CFO assumes full responsibility for such transactions and is required to provide monthly reports of all investment activities to the Commission. All investments must fully comply with the most recently adopted Statement of Investment Policy.

On July 15, the Commission approved the selection of Chandler Asset Management as the Authority's investment advisor. Following their engagement, Chandler conducted a thorough review of SAWPA's current Investment Policy. They have found the Policy to be well-written and effective in supporting the Authority's investment objectives and fiduciary responsibilities. However, Chandler has recommended a few minor revisions to further strengthen the policy. These suggested changes are outlined in their letter dated August 15, 2025, which is included as an attachment. Also attached are two versions of the revised policy: a red-lined version that highlights the proposed changes, and a clean version for ease of review.

Recommended Changes to the Statement of Investment Policy

As part of Chandler Asset Management's review of SAWPA's Investment Policy, the following updates are recommended to improve clarity, ensure alignment with current regulations, and support prudent portfolio management:

Section 5.0 – Delegation of Authority

- Clarifies the potential to recognize occasional, measured investment losses as part of a prudent, long-term strategy.

Section 6.0 – Ethics and Conflicts of Interest

- Emphasizes that all participants must act as custodians of the public trust, reinforcing accountability and integrity.

Section 7.0 – Authorized Financial Institutions and Dealers

- Adds a list of eligible financial institutions authorized to conduct investment business with the Authority.
- Includes language requiring competitive bids to ensure transparency and fairness.

Section 8.0 – Authorized and Suitable Investments

- Updates to reflect changes in sector limits and types of allowable investments:
 - **B. U.S. Agency Obligations:**
 - Limits any single agency issuer to 30% of the portfolio.
 - Limits callable agency securities to 20%.
 - **H. Commercial Paper:**
 - Clarifies requirements for commercial paper issued by corporations versus other entities.
 - **J. Local Government Investment Pools (LGIP):**
 - Consolidates LAIF, JPAs, and other LGIPs (e.g., County Pools) into one section.
 - Adds further limitations on JPAs to manage risk.
 - **M. Supranationals & N. Asset-Backed/Mortgage-Backed Securities:**
 - Integrates these two investment types allowed by law to help diversify the portfolio.
 - **O. Prohibited Investments:**
 - Expands the list of prohibited investments to reflect 2024 code updates and align with industry best practices.

Section 14.0 – Risk Management and Diversification

- New section added to formally address how the Authority manages credit and market risk across its investment portfolio.

Section 16.0 – Performance Standards

- Notes that the Authority's benchmark may be adjusted over time based on market conditions or changes in cash flow needs.

Glossary of Investment Terms

- Revised to add, remove, and refine definitions to support clearer understanding of key investment terms.

RESOURCE IMPACTS

No additional staff or costs are anticipated at this time.

Attachments:

1. Resolution No. 2025-3
2. Statement of Investment Policy 2026
3. Chandler Asset Management Investment Policy Recommendations 08-15-2025
4. Presentation

RESOLUTION NO. 2025-3

A RESOLUTION OF THE COMMISSION OF THE SANTA ANA WATERSHED PROJECT AUTHORITY ANNUALLY APPROVING A STATEMENT OF INVESTMENT POLICY AND DELEGATING AUTHORITY TO THE CHIEF FINANCIAL OFFICER TO INVEST OR REINVEST FUNDS CONSISTENT WITH THE STATEMENT OF INVESTMENT 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 (Government Code, Section 53600.6 and 53630.1);

WHEREAS, the Commission of the Santa Ana Watershed Project Authority ("SAWPA") may invest surplus monies not required for the immediate necessities of SAWPA in accordance with the provisions of Government Code, Sections 53600 et seq.;

WHEREAS, the Chief Fiscal Officer, hereby identified as the Chief Financial Officer, is required to annually prepare and submit a Statement of Investment Policy, and any changes thereto, which shall be reviewed and approved by the Commission (Government Code, Section 53646(a));

WHEREAS, Section 6505.6 of the Government Code permits a joint powers authority to delegate the duties and responsibilities of a treasurer to another SAWPA position;

WHEREAS, the Chief Financial Officer is the employee that has been designated by SAWPA to comply with the duties and responsibilities of the treasurer's office as set forth in Sections 6505 and 6505.5 of the Government Code;

WHEREAS, Section 53607 of the Government Code permits the Commission to delegate its authority to invest or reinvest SAWPA's funds to the Chief Financial Officer; and

WHEREAS, all such investments, whether authorized by the Commission or delegated to the Chief Financial Officer, must comply with the requirements of SAWPA's Statement of Investment Policy.

NOW, THEREFORE, the SAWPA Commission hereby resolves as follows:

1. The attached Statement of Investment Policy is hereby approved and shall govern the investment of SAWPA's funds.

2. The Chief Financial Officer shall comply with the duties and responsibilities of the office of the treasurer as set forth in Sections 6505 and 6505.5 of the Government Code.

3. As permitted under Section 53607 of the Government Code, the authority of the Commission to invest or reinvest SAWPA's funds, or to sell or exchange securities so purchased, is hereby delegated for a period of one year by the Commission to SAWPA's Chief Financial Officer who shall assume full responsibility for those transactions until the delegation of authority, and shall make a monthly report of those transactions to the Commission. Subject to review, the Commission may renew the delegation of authority each year pursuant to Section 53607 of the Government Code.

4. All such investments made by the Chief Financial Officer shall strictly comply with SAWPA's Statement of Investment Policy adopted annually pursuant to Section 53646 of the Government Code.

ADOPTED this 2nd day of September, 2025.

SANTA ANA WATERSHED PROJECT AUTHORITY

By:

Mike Gardner, Chair

Attest:

Sara Villa, Clerk of the Board

Attachment: Statement of Investment Policy

SANTA ANA WATERSHED PROJECT AUTHORITY

STATEMENT OF INVESTMENT POLICY

1.0 POLICY

The purpose of this Investment Policy (“Policy”) is to provide guidelines for the prudent investment of the Santa Ana Watershed Project Authority (“Authority”) funds in conformance with California Government Code (CGC) requirements governing the investment of public funds. Funds will be managed to provide for daily cash flow requirements and to meet the objectives of this Policy.

2.0 SCOPE

This Policy applies to all operating funds of the Authority, which are under the control of the General Manager and/or the Chief Financial Officer. These funds are accounted for in the Authority’s Annual Comprehensive Financial Report (ACFR).

This Policy, however, specifically excludes the employees’ retirement and deferred compensation funds and the retiree health benefit trust. Additionally, funds held by a trustee or fiscal agent pledged to the payment or security of bonds or other indebtedness, shall comply with CGC Section 53601 (L).

Except for cash in certain restricted and special funds, the Authority will consolidate cash and reserve balances from all funds to maximize investment 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 accounting principles.

3.0 PRUDENCE

The standard of prudence to be used by designated representative shall be the “prudent investor” standard (CGC Section 53600.3) and shall be applied in the context of managing an overall portfolio. Persons authorized to make investment decisions on behalf of local agencies investing public funds are trustees and therefore fiduciaries subject to the prudent investor standard which states, “When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.”

4.0 OBJECTIVES

As specified in CGC Section 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 Authority’s foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the Authority will diversify its investments by investing funds among independent financial institutions

offering a variety of securities with independent returns. Investments shall be made with the aim of avoiding capital losses due to issuer default, broker-dealer default, or market value erosion.

- B. *Liquidity*: The investment portfolio will remain sufficiently liquid to enable the Authority to meet all operating requirements which might be reasonably anticipated.
- C. *Return on Investment (Yield)*: The Authority's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, as long as it does not diminish the objectives of Safety and Liquidity.

5.0 DELEGATION OF AUTHORITY

The authority of the Santa Ana Watershed Project Authority's Board of Commissioners (Commission) to invest or reinvest funds of the Authority is delegated by Resolution in conjunction with the annual investment policy review. Authority to manage the Authority's investment program is derived from California Government Code, Section 53600 et seq. Management responsibility for the investment program is hereby delegated to the Chief Financial Officer who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials, and their procedures in the absence of the Chief Financial Officer. The Chief Financial Officer shall establish procedures for the management of investment activities, including the activities of staff consistent with this Policy.

The Chief Financial Officer may retain the services of an outside investment advisor or manager as approved by the Commission to assist with the Authority's investment program. Qualified outside managers will be either Securities and Exchange Commission (SEC) Registered Investment Advisors or Bank Money Managers. The investment advisor shall make all investment decisions and transactions in strict accordance with State and Federal law, this Policy and such other written instruction as are provided. The performance and service levels of investment advisors and managers shall be reviewed annually.

The Authority's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The Authority recognizes that in a diversified portfolio, occasional measured losses may be inevitable and must be considered within the context of the overall portfolio's return and the cash flow requirements of the Authority.

6.0 ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Authority's General Manager any material financial interest in the financial institutions that conduct business with the Authority, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Authority.

All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. Thus, employees and officials involved in the investment process shall refrain from personal business activity that could create a conflict of interest or the appearance of a conflict with 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 Authority will maintain a list of authorized broker/dealers and financial institutions that are approved for investment purposes. Broker/dealers will be selected for credit worthiness and must be authorized to provide investment services in the State of California. These may include “primary” dealers or regional dealers that qualify under the SEC Rule 15(C)3-1 (uniform net capital rule).

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

- A. Institutions licensed by the state as a broker-dealer, as defined in Section 25004 of the Corporations Code, with proof of FINRA certification.
- B. Institutions that are members of a federally regulated securities exchange.
- C. Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
- D. Nationally or state-chartered banks.
- E. Savings association or federal association (as defined in Section 5102 of the Financial Code).
- F. The Federal Reserve Bank.
- G. Direct issuers of securities eligible for purchase.

No public deposit will be made by the broker/dealer except in a qualified public depository as established by the established state laws. Before a financial institution or broker/dealer is used, they are subject to investigation and approval by the Chief Financial Officer or his/her designated representative, and must submit the following:

- A. Certification of having read and understood this investment policy and agreeing to comply with the Authority’s investment policy;
- B. Proof of Financial Industry Regulatory Authority (FINRA) certification;
- C. Proof of State of California registration;
- D. Audited financial statements for the institution’s three most recent fiscal years;
- E. Completed broker/dealer questionnaire; and
- F. Evidence of adequate insurance coverage.

If the Authority has contracted with an investment advisor to provide investment services, the investment advisor may use their own list of approved issuers, broker/dealers, and financial institutions to conduct transactions on the Authority’s behalf.

Where possible, transactions with broker/dealers shall be selected on a competitive basis

and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS

The Authority's investments are governed by the California Government Code (CGC), Sections 53600 *et seq.* Within the investments permitted by the CGC, the Authority seeks to further restrict eligible investments to the investments listed below. In the event an apparent discrepancy is found between this Policy and the CGC, the more restrictive parameters will take precedence. Percentage holding limits and minimum credit requirements listed in this section apply at the date an investment is purchased. Credit ratings, as shown, specify the minimum credit rating category required at purchase without regard to +/- or 1, 2, 3 modifiers, if any.

An appropriate risk level shall be maintained by primarily purchasing securities that are of high quality, liquid and marketable. The portfolio shall be diversified by security type and issuer to avoid incurring unreasonable and avoidable risk regarding specific security types or individual issuers.

- A. **United States Treasury Issues.** 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. There is no limitation on the percentage of the portfolio that may be invested in this category.
- B. **United States Agency Obligations.** Federal agency or United States Government-Sponsored Enterprise (GSE) senior debt obligations, participations, mortgaged-backed securities, or other instruments, including those issued by or fully guaranteed as to principal and interest by Federal agencies or United States government-sponsored enterprises. There is no limitation on the percentage of the portfolio that may be invested in this category. A maximum of 30% of the portfolio may be invested in any single Agency/GSE issuer with a 20% maximum on callable agency securities.
- C. **Municipal Debt.** Registered treasury notes or bonds of this state or any of the other 49 United States, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of this state or any of the other 49 United States.

Bonds, notes, warrants, or other evidence of indebtedness of any local agency, including the Authority's own bonds, within this state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

Purchases are limited to securities that have a long-term debt rating of at least "A", or its equivalent, by a Nationally Recognized Statistical Rating Organization (NRSRO); and/or have a short-term debt rating of at least "A-1", or its equivalent by a NRSRO. A maximum of 30% of the portfolio may be invested in this category.

- D. **Medium-Term Notes.** Medium-term notes are defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Purchases are limited to securities that have a long-term debt rating of at least “A”, or its equivalent, by a NRSRO. A maximum of 30% of the portfolio may be invested in this category.
- E. **Negotiable Certificates of Deposit.** Negotiable certificates of deposits (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 that have a long-term debt rating of at least “A”, or its equivalent, by a NRSRO; and/or have a short-term debt rating of at least “A-1”, or its equivalent, by a NRSRO. NCDs for which the full amount of the principal and interest that may be accrued during the maximum term of each certificate is insured by federal deposit insurance are exempt from the rating requirements. All purchases shall not exceed the Federal Deposit Insurance Corporation (FDIC) insured limit. The current FDIC Negotiable CD insured limit is \$250,000 (principal and interest). A maximum of 30% of the portfolio may be invested in this category.
- F. **Placement Service Certificates of Deposit.** Certificates of deposits placed through a deposit placement service shall meet the requirements under CGC Section 53601.8. The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall, at all times, be insured by the FDIC or the National Credit Union Administration (NCUA). In combination with negotiable certificates of deposit, a maximum of 30% of the portfolio may be invested in this category.
- G. **Bank Deposits.** FDIC insured or fully collateralized bank deposits, including, but not limited to, demand deposit accounts, savings accounts, market rate accounts, time deposits, and certificates of deposits in financial institutions located in California. Bank deposits are required to be collateralized as specified under CGC Section 53630 et. seq. Agreements allowing for the waiver of the collateral requirement for that amount of deposit covered by the FDIC may be implemented provided the remainder of the deposit is secured by collateral as required by the CGC. The Authority shall have a signed agreement with any depository accepting Authority funds per CGC Section 53649. The maturity of time deposits (TCDs) may not exceed one year. A maximum of 20% of the portfolio may be invested in this category.
- H. **Commercial Paper.** Commercial paper of “prime” quality of the highest ranking or 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 if a corporation: (i) is organized and operating in the United States with assets in excess of \$500 million, (ii) the securities are rated at least “A-1”, or its equivalent by a NRSRO, and (iii) has debt other than commercial paper, if any, that is rated at least “A”, or its equivalent, by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions if any other entity aside from a corporation: (i) is organized and operating in the United States as a special purpose corporation, trust, or limited liability company, (ii) the securities must have program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond, and (iii) the securities are rated at least “A-1”, or its equivalent, by a NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less and not represent more than 10 percent of the outstanding paper of an issuing corporation. A maximum of 25% of the portfolio may be invested in this category.

- I. **Bankers' Acceptances.** Bankers' acceptances, otherwise known as bills of exchange or time drafts, that are drawn on and accepted by a commercial bank. Purchases are limited to bankers' acceptances issued by domestic banks, which are eligible for purchase by the Federal Reserve System. Purchases of bankers' acceptances may not exceed 180 days maturity. Eligible bankers' acceptances are restricted to issuing financial institutions with a short-term debt rating of at least "A-1", or its equivalent, by a NRSRO or a long-term debt rating of at least "A", or its equivalent, by a NRSRO. A maximum of 30% of the portfolio may be invested in this category.
- J. **Local Government Investment Pools (LGIP).**
 1. **State of California Local Agency Investment Fund (LAIF).** The LAIF is a special fund in the California State Treasury and an investment alternative for California's local governments and special districts created and governed pursuant to CGC 16429.1 et seq. and managed by the State Treasurer's Office. There is no limitation on the percentage of the portfolio that may be invested in this category. However, the amount invested may not exceed the current maximum allowed by LAIF.
 2. **Shares of Beneficial Interest Issued by a Joint Powers Authority (JPA).** Shares of beneficial interest issued by a joint powers authority organized pursuant to CGC Section 6509.37 and invests in the securities and obligations authorized in subdivisions (a) to (r), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the JPA. The JPA has retained an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years' experience investing in instruments authorized by CGC Section 53601, subdivisions (a) to (q). To be eligible for purchase, the pool shall meet all of the following conditions: (i) must meet the requirements of CGC Section 53601(p), (ii) the pool must seek to maintain a stable Net Asset Value ("NAV"), and (iii) the pool must be rated at least "AAm", or its equivalent, by a NRSRO.

Whenever the Authority has any funds invested in a Local Government Investment Pool, the Chief Financial Officer shall maintain on file a copy of the pool's current information statement. In addition, the Chief Financial Officer should review the pool's summary portfolio holdings on a quarterly basis.
 3. **Other Local Government Investment Pools.** Other LGIPs permitted by the agency (such as a County Pool as defined by CGC, Section 27000.3). No more than 20% of the total portfolio may be invest in LGIPs other than LAIF and JPAs.
- K. **Money Market Mutual Funds.** Shares of beneficial interest issued by diversified management companies that are money market funds registered with the SEC under the Investment Company Act of 1940.

The company shall have met either of the following criteria: (i) attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs

and (ii) retained an investment adviser registered or exempt from registration with the SEC with not less than five years of experience managing money market mutual funds with assets under management in excess of \$500 million. A maximum of 20% of the portfolio may be invested in this category.

If the Authority has funds invested in a money market fund, a copy of the fund's information statement shall be maintained on file. In addition, the Chief Financial Officer should review the fund's summary holdings on a quarterly basis.

- L. **Repurchase Agreements.** Repurchase agreements are to be used as short-term investments not to exceed one year. Repurchase agreements shall only be made with counterparties that are primary dealers of the Federal Reserve Bank of New York or a nationally or state-chartered bank that has had a significant banking relationship with the Authority. Furthermore, the counterparty shall have the following qualifications: (i) a long-term debt rating of at least "A", or its equivalent, by a NRSRO; (ii) a short-term credit rating of at least "A-1", or its equivalent, by a NRSRO; (iii) minimum assets and capital size of \$25 billion in assets and \$350 million in capital; (iv) five years acceptable audited financial results; and (v) a strong reputation among market participants.

The Authority shall have a properly executed master repurchase agreement with each counterparty which will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA). Collateral of at least 102% of market value of principal and accrued interest is required. For any repurchase agreement with a term of more than one day, the value of the underlying securities must be reviewed on an on-going basis according to market conditions. Market value must be calculated each time there is a substitution of collateral. Collateral is limited to obligations of the United States government and its agencies. Collateral must be delivered to the Authority's custodian bank or handled under a properly executed master repurchase agreement. The Authority, or its trustee, shall have a perfected first security interest in all collateral. A maximum of 10% of the portfolio may be invested in this category.

- M. **Supranationals.** Issues are US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank of Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, the securities are rated at least "AA", or its equivalent, by a NRSRO. No more than 30% of the total portfolio may be invested in these securities with no more than 10% of the portfolio invested in any single issuer.
- N. **Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations (from issuers not defined in sections A and B of the Authorized and Suitable Investments section of this policy).** The securities are rated at least "AA", or its equivalent, by a NRSRO. No more than 20% of the portfolio may be invested in these securities.
- O. **Prohibited Investments.** Section 53601.6 of the CGC lists the investments that are prohibited. State law notwithstanding, any investment not specifically described herein are prohibited, including, but not limited to futures and options. Prohibited investments shall include, but are not limited to, equity securities, inverse floaters, range notes, interest-only strips that are derived from a pool of mortgages, or any investment that could result in zero interest earned if held to maturity. Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited. Purchasing or selling securities on margin is prohibited. The use of reverse repurchase agreements, securities

lending or any other form of borrowing or leverage is prohibited. The purchase of foreign currency denominated securities is prohibited. The purchase of a security with a forward settlement date exceeding 45 days from the time of the investment is prohibited.

9.0 REVIEW OF INVESTMENT PORTFOLIO

This Policy is intended to conform to all applicable statutes at the time of adoption. The Policy shall be reviewed and approved annually by the Commission at a public meeting to ensure consistency with the overall objectives of the preservation of capital, liquidity, and return of the portfolio. The Policy also shall be reviewed to ensure its compliance and relevance to the current law, financial and economic trends, and to meet the cash flow requirements of the Authority. Investment operations are reviewed monthly during the reconciliation process of investment transactions to the third-party statements, and by the Finance Department in the proof of cash process.

10.0 INVESTMENT POOLS/ MUTUAL FUNDS

A thorough investigation of any investment pool or mutual fund is required prior to investing, and on a continual basis. The investigation will, at a minimum, obtain the following information:

- A. A description of eligible investment securities, and a written statement of investment policy and objectives;
- B. A description of interest calculations and how it is distributed, as well as how gains and losses are treated;
- C. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited;
- D. A description of who may invest in the program, how often, and what size deposit and withdrawals are allowed;
- E. A schedule for receiving statements and portfolio listings;
- F. Whether reserves, retained earnings, etc. are utilized by the pool/fund;
- G. A fee schedule along with when and how they are assessed; and
- H. Whether the pool/fund is eligible for bond proceeds and/or whether it accept such proceeds.

11.0 COLLATERALIZATION

Collateralization is required for investments of public deposits in Certificates of Deposits (in excess of the FDIC insured amount) and all Repurchase Agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 110% of market value for Certificates of Deposit and 102% for repurchase agreements of principal and accrued interest.

In order to conform with provisions of 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 eligible Negotiable Certificates of Deposit, eligible Banker's Acceptances, or securities that are fully guaranteed as to principal and interest by the United States or by any agency of the United States government. All securities held as collateral shall

have a maximum maturity of five years.

12.0 SAFEKEEPING AND CUSTODY

To protect against potential losses by collapse of individual securities dealers, all trades will be executed on a delivered versus payment basis with the securities to be held in safekeeping by a third-party custodian, acting as agent for the Authority under terms of a custody agreement or a Master Repurchase Agreement. The only exception to the foregoing shall be depository accounts and securities purchases made with: (i) LAIF and local government investment pools (LGIPs); (ii) placement certificates of deposit, and, (iii) money market mutual funds, since the purchased securities are not deliverable. Evidence of each of these investments will be held by the Chief Financial Officer.

No outside broker/dealer or advisor may have access to the Authority's funds, accounts, or investments. Any transfer of funds handled through a broker/dealer must be approved by persons identified in the "Delegation of Authority" section of this Policy.

13.0 DIVERSIFICATION AND MAXIMUM MATURITIES

The Authority will diversify its investments by security type and institution. With the exception of U.S. Treasuries, U.S. Agency Securities, FDIC Insured Certificates of Deposit, Supranationals and authorized pools, no more than 5% of the Authority's total investment portfolio will be invested in a single security type or with a single financial institution.

To the extent possible, the Authority will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow and approved in advance by the Board of Commissioners, the Authority will not directly invest in securities maturing more than five years from the date of trade settlement.

14.0 RISK MANAGEMENT AND DIVERSIFICATION

A. **Mitigating Credit Risk in the Portfolio.** Credit risk is the risk that a security or a portfolio will lose some or all its value due to a real or perceived change in the ability of the issuer to repay its debt. The Agency will mitigate credit risk by adopting the following strategies:

- The diversification requirements included in the "Authorized Investments" section of this policy are designed to mitigate credit risk in the portfolio.
- No more than 5% of the total portfolio may be deposited with or invested in securities issued by any single issuer unless otherwise specified in this policy.
- The Authority may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or the Authority's risk preferences.
- If a security owned by the Authority is downgraded to a level below the requirements of this policy, making the security ineligible for additional purchases, the following steps will be taken:

- Any actions taken related to the downgrade by the investment manager will be communicated to the Chief Financial Officer in a timely manner.
- If a decision is made to retain the security, the credit situation will be monitored and reported to the Board of Commissioners.

B. Mitigating Market Risk in the Portfolio. Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The Authority recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The Authority will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

The Authority further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The Authority, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- The Authority will maintain a minimum of six months of budgeted operating expenditures in short-term investments to provide sufficient liquidity for expected disbursements.
- The maximum stated final maturity of individual securities in the portfolio will be five (5) years, except as otherwise stated in this policy.
- The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by the Authority based on the Authority's investment objectives, constraints and risk tolerances.

15.0 INTERNAL CONTROLS

The Chief Financial Officer shall establish a system of internal controls designed to prevent losses due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, and/or imprudent actions by employees of the Authority. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (i) the cost of a control should not exceed the benefits likely to be derived, and (ii) the valuation of costs and benefits require estimates and judgements by management. Compliance with this Policy and internal controls shall be reviewed annually by the Authority's independent, external auditor.

16.0 PERFORMANCE STANDARDS

The investment portfolio will be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints, the cash flow needs, and state and local laws, ordinances or resolutions that restrict investments.

The performance of the Authority's investment portfolio will be evaluated and compared to an appropriate, readily available benchmark in order to assess the success of the investment portfolio relative to the Authority's Safety, Liquidity, and Return on Investments objectives. Benchmarks may change over time based on changes in market conditions or cash flow requirements. The review will be conducted annually by the Chief Financial Officer.

17.0 REPORTING

Under provision of Section 53646 of the CGC, the Chief Financial Officer shall render a monthly report to the Commission, providing the type of investment, financial institution from which the investment was purchased, the date of maturity, the date upon which the investment becomes subject to redemption provisions, amount (to include both par and book value) of the investment, and the current market value of all investments. The report also shall include the source of the market value. Additionally, the report shall include the rate of interest, accrued interest earned, the amortized portion of the investment purchased at a premium or discount, and other data so required by the Commission or by amendment to the above section of CGC and its successors. The report shall include a statement denoting the Authority's ability to meet its expenditure requirements for the following six-month period, or an explanation as to why sufficient funding will not be available. Additionally, the Chief Financial Officer shall state whether the agency is in compliance with its investment policy by signature required on the Treasurers' Report.

18.0 INVESTMENT POLICY ADOPTION

The Authority's Investment Policy shall be adopted by Resolution of the Board of Commissioners. The Policy shall be reviewed on an annual basis and modifications, if any, must be approved by the Commission.



Karen L Williams

Chief Financial Officer

Santa Ana Watershed Project Authority

August 19, 2025

Date

GLOSSARY OF INVESTMENT TERMS

AGENCY SECURITIES: Securities issued by any of several U. S. government-sponsored entity (GSE) and federally related institutions. Agencies including, but not limited to the Federal Home Loan Bank (FHLB), the Federal Farm Credit Bank (FFCB), and the Federal National Mortgage Association (FNMA or “Fannie Mae”).

ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR): The official annual report of the Santa Ana Watershed Project Authority. It includes financial statements for each individual fund prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provision, extensive introductory material, and a detailed Statistical Section.

ASKED PRICE: The price at which securities are offered for sale; also known as offering price.

ASSET BACKED SECURITIES (ABS): Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BASIS POINT: One-hundredth of one percent (i.e., 0.01%).

BID PRICE: The price offered for securities.

BOND PROCEEDS: The money paid to the issuer by the purchaser or underwriter of a new issue of municipal securities. These funds 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 brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides.

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

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Certificate of Deposit may be issued in either negotiable or nonnegotiable form. Nonnegotiable certificates cannot be resold on the secondary market and may face penalties for early redemption whereas a negotiable CD may be resold.

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 funds.

COMMERCIAL PAPER: Short-term, unsecured, negotiable 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.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

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 transactions, buying and selling for his own account.

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.

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest-bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., U.S. Treasury bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns with the goal of spreading risk throughout the portfolio holdings.

DURATION: A measure of the sensitivity of the price (the value of principal) of a fixed- income investment to a change in interest rates. Duration is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices.

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 liquidation sale. If a market price is available, the fair value is equal to the market value.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S & L's, small business firms, students, farmers, farm cooperatives, and exporters.

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 considered to be 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 Banks 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 of 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 also are highly liquid and are widely accepted. FNMA securities do not carry direct U.S. Government guarantees.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the 12 Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, D.C., 12 regional Banks and about 5,700 commercial banks that are members of the system.

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.

FIDUCIARY: A person or organization that acts on behalf of another person(s) or organization that puts their clients' interest ahead of their own as they are bound both legally and ethically to act in the best interests of their clients.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by FHA, VA, or FMHM mortgages.

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 a portfolio's 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.

JOINT POWERS AUTHORITY (JPA): An entity created by two or more public agencies that share a common goal in order to jointly exercise powers common to all members through a joint powers agreement or contract.

LEVERAGE: Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value.

LOCAL AGENCY INVESTMENT FUND (LAIF): A voluntary program created by state statute as an investment alternative for California's local governments and Special Districts under the administration of the California State Treasurer's Office. All securities are purchased under the authority of the Government Code Section 16430 and 16480.4.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): A state or local government pool offered to public entities for the investment of public funds.

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

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 trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties that establishes each party's rights in the transaction. 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 upon which the principal or stated value of an investment becomes due and payable. An investment's term or remaining maturity is measured from the settlement date to final maturity.

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.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

MORTGAGE PASS-THROUGH SECURITIES: A securitized participation in the interest and principal cash flows from a specified pool or mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

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 30 years. The difference between corporate bonds and MTNs is that corporate bonds are underwritten.

MUNICIPAL BONDS: Offered by state and local governments, these bonds are primarily issued to finance infrastructure improvements, such as highways or sewers.

NATIONAL RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): A credit rating agency that provides credit ratings that are used by the U.S. Government and investors as benchmarks. Examples include Moody's, Standard & Poor's, and Fitch Ratings.

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

OFFER: The price asked by a seller of securities.

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 FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are 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.

PAYDOWN: A reduction in the principal amount owed on a bond, loan, or other debt.

PLACEMENT SERVICE DEPOSITS: A private service that allows local agencies to invest in FDIC-insured deposits with one or more banks, savings and loans, and credit unions located in the United States, IntraFi (formerly known as CDARS) is an example of an entity that provides this services.

PORTFOLIO: The collection of securities held by an individual or institution.

PREMIUM: The difference between the par value of a bond and the cost of the bond, when the cost is above par.

PRIMARY DEALER: A group of government securities dealers that 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 regulated firms.

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

PRUDENT INVESTOR (PRUDENT PERSON) RULE: A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like

character and with like aims to accomplish similar purposes.”

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

REPURCHASE AGREEMENT (REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security “buyer” 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.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO): A reverse-repurchase agreement (reverse repo) involves an investor borrowing cash from a financial institution in exchange for securities. The investor agrees to repurchase the securities at a specified date for the same cash value plus an agreed upon interest rate. Although the transaction is similar to a repo, the purpose of entering into a reverse repo is quite different. While a repo is a straightforward investment of public funds, the reverse repo is a borrowing.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank’s vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale 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.

SECURITIES & EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15(C)3-1: See Uniform Net Capital Rule.

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.

SUPRANATIONAL: A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

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.

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 coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than ten years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to ten years.

UNDERWRITER: A dealer that purchased a new issue of municipal securities for resale.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

U. S. TREASURY OBLIGATIONS: Debt obligations of the U.S. Government sold by the Treasury Department in the form of bills, notes, and bonds. Bills are short-term obligations that mature in one year or less and are sold at a discount. Notes are obligation that mature between two and ten years. Bonds are long-term debt that generally mature in ten years or more.

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.

ZERO-INTEREST BOND: A bond on which interest is not payable until maturity (or early redemption), but compounds periodically to accumulate to a stated maturity amount. Zero- interest bonds are typically issued at a discount and repaid at par upon maturity.

CERTIFICATION OF UNDERSTANDING

I hereby certify that I have personally read the Santa Ana Watershed Project Authority's (the Authority) Investment Policy and the California Government Code pertaining to the investments of the Authority.

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

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

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

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

NOTE: Completion of the attached questionnaire is only part of the Santa Ana Watershed Project Authority's certification process and DOES NOT guarantee that your financial institution will be guaranteed any portion of the investment business with the Santa Ana Watershed Project Authority.

FIRM NAME _____

SIGNED _____

DATE _____

SANTA ANA WATERSHED PROJECT AUTHORITY
BROKERS/DEALERS QUESTIONNAIRE AND CERTIFICATION

Please fill out form and return to the Santa Ana Watershed Project Authority

- | | | | |
|----|---|-----------------------------------|--------------------------------|
| 1. | Name of Firm_____ | | |
| 2. | Address_____ | | |
| | <i>(Local)</i> | | <i>(National Headquarters)</i> |
| | _____ | | |
| | _____ | | |
| 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 <u>DO NOT</u> 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 |
|--------|----------------|-----------|--------------|
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
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. (Copy of a Published Financial Statement)
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.
24. Attach proof of adequate insurance coverage.
25. Are you listed under GFOA Yield Advantage? Yes No

August 15, 2025

Karen Williams, Interim General Manager
Santa Ana Watershed Project Authority

RE: Santa Ana Watershed Project Authority's Investment Policy Recommendations

Dear Ms. Williams,

Chandler Asset Management has completed a review of Santa Ana Watershed Project Authority's (SAWPA) investment policy for compliance with the statutes of California Government Code (Code) that govern the investment of public funds, as well as for inclusion of current industry best practices. SAWPA's investment policy is well-written and effective for the management of the Authority's funds. Chandler Asset Management is recommending modifications to the investment policy with a brief summary of the main changes below:

- **5.0 Delegation of Authority:** Discussed the potential to recognize occasional measured losses.
- **6.0 Ethics and Conflicts of Interest:** Stated that all participants are to act as custodians of public trust.
- **7.0 Authorized Financial Institutions and Dealers:** Included the list of entities eligible to transact investment business with the Authority as well as language around competitive bids.
- **8.0 Authorized and Suitable Investments:** Refined section to incorporate updates to limits and sectors:
 - **B. United States Agency Obligations:** Limited agency securities a maximum of 30 percent in any single Agency issuer and a maximum of 20 percent on callable agency securities.
 - **H. Commercial Paper:** Clarified the requirements for commercial paper (CP) issued by a corporation and CP issued by other entities.
 - **J. Local Government Investment Pools (LGIP):** Restructured the section to include Local Agency Investment Fund (LAIF), Joint Powers Authority (JPAs) and Other LGIPs (inclusive of County Pools) under one header and provide further limitations on JPAs.
 - **M. Supranationals & N. Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities and Collateralized Mortgage Obligations:** Integrated two investment types permitted in Code to assist in diversifying the portfolio.
 - **O. Prohibited Investments:** Expanded the section to include additional prohibited investments inline with industry best practices and an update to Code enacted in 2024.
- **14.0 Risk Management and Diversification:** Incorporated a new section to address mitigating credit and market risk within the Authority's portfolio.
- **16.0 Performance Standards:** Stated that the Authority's benchmark may change over time based on changes in the market or cash flow requirements.
- **Glossary of Investment Terms:** Removed and inserted terms to refine glossary.

Please do not hesitate to contact me with any questions you may have, or if further review is needed.

Sincerely,
Kara Hooks, CTP, Portfolio Strategist
Chandler Asset Management

SANTA ANA WATERSHED PROJECT AUTHORITY

STATEMENT OF INVESTMENT POLICY

1.0 POLICY

The purpose of this Investment Policy (“Policy”) is to provide guidelines for the prudent investment of the Santa Ana Watershed Project Authority (“Authority”) funds in conformance with California Government Code (CGC) requirements governing the investment of public funds. Funds will be managed to provide for daily cash flow requirements and to meet the objectives of this Policy.

2.0 SCOPE

This Policy applies to all operating funds of the Authority, which are under the control of the General Manager and/or the Chief Financial Officer. These funds are accounted for in the Authority’s Annual Comprehensive Financial Report (ACFR).

This Policy, however, specifically excludes the employees’ retirement and deferred compensation funds and the retiree health benefit trust. Additionally, funds held by a trustee or fiscal agent pledged to the payment or security of bonds or other indebtedness, shall comply with CGC Section 53601 (L).

Except for cash in certain restricted and special funds, the Authority will consolidate cash and reserve balances from all funds to maximize investment 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 accounting principles.

3.0 PRUDENCE

The standard of prudence to be used by designated representative shall be the “prudent investor” standard (CGC Section 53600.3) and shall be applied in the context of managing an overall portfolio. Persons authorized to make investment decisions on behalf of local agencies investing public funds are trustees and therefore fiduciaries subject to the prudent investor standard which states, “When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.”

4.0 OBJECTIVES

As specified in CGC Section 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 Authority’s foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the Authority will diversify its investments by investing funds among independent financial institutions

offering a variety of securities with independent returns. Investments shall be made with the aim of avoiding capital losses due to issuer default, broker-dealer default, or market value erosion.

- B. *Liquidity*: The investment portfolio will remain sufficiently liquid to enable the Authority to meet all operating requirements which might be reasonably anticipated.
- C. *Return on Investment (Yield)*: The Authority's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, as long as it does not diminish the objectives of Safety and Liquidity.

5.0 DELEGATION OF AUTHORITY

The authority of the Santa Ana Watershed Project Authority's Board of Commissioners (Commission) to invest or reinvest funds of the Authority is delegated by Resolution in conjunction with the annual investment policy review. Authority to manage the Authority's investment program is derived from California Government Code, Section 53600 et seq. Management responsibility for the investment program is hereby delegated to the Chief Financial Officer who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials, and their procedures in the absence of the Chief Financial Officer. The Chief Financial Officer shall establish procedures for the management of investment activities, including the activities of staff consistent with this Policy.

The Chief Financial Officer may retain the services of an outside investment advisor or manager as approved by the Commission to assist with the Authority's investment program. Qualified outside managers will be either Securities and Exchange Commission (SEC) Registered Investment Advisors or Bank Money Managers. The investment advisor shall make all investment decisions and transactions in strict accordance with State and Federal law, this Policy and such other written instruction as are provided. The performance and service levels of investment advisors and managers shall be reviewed annually.

The Authority's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The Authority recognizes that in a diversified portfolio, occasional measured losses may be inevitable and must be considered within the context of the overall portfolio's return and the cash flow requirements of the Authority.

6.0 ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Authority's General Manager any material financial interest in the financial institutions that conduct business with the Authority, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Authority.

All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. Thus, employees and officials involved in the investment process shall refrain from personal business activity that could create a conflict of interest or the appearance of a conflict with 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 Authority will maintain a list of authorized broker/dealers and financial institutions that are approved for investment purposes. Broker/dealers will be selected for credit worthiness and must be authorized to provide investment services in the State of California. These may include “primary” dealers or regional dealers that qualify under the SEC Rule 15(C)3-1 (uniform net capital rule).

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

- A. Institutions licensed by the state as a broker-dealer, as defined in Section 25004 of the Corporations Code, with proof of FINRA certification.
- B. Institutions that are members of a federally regulated securities exchange.
- C. Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
- D. Nationally or state-chartered banks.
- E. Savings association or federal association (as defined in Section 5102 of the Financial Code).
- F. The Federal Reserve Bank.
- G. Direct issuers of securities eligible for purchase.

No public deposit will be made by the broker/dealer except in a qualified public depository as established by the established state laws. Before a financial institution or broker/dealer is used, they are subject to investigation and approval by the Chief Financial Officer or his/her designated representative, and must submit the following:

- A. Certification of having read and understood this investment policy and agreeing to comply with the Authority’s investment policy;
- B. Proof of Financial Industry Regulatory Authority (FINRA) certification;
- C. Proof of State of California registration;
- D. Audited financial statements for the institution’s three most recent fiscal years;
- E. Completed broker/dealer questionnaire; and
- F. Evidence of adequate insurance coverage.

If the Authority has contracted with an investment advisor to provide investment services, the investment advisor may use their own list of approved issuers, broker/dealers, and financial institutions to conduct transactions on the Authority’s behalf.

Where possible, transactions with broker/dealers shall be selected on a competitive basis

and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS

The Authority's investments are governed by the California Government Code (CGC), Sections 53600 et seq. Within the investments permitted by the CGC, the Authority seeks to further restrict eligible investments to the investments listed below. In the event an apparent discrepancy is found between this Policy and the CGC, the more restrictive parameters will take precedence. Percentage holding limits and minimum credit requirements listed in this section apply at the date an investment is purchased. Credit ratings, as shown, specify the minimum credit rating category required at purchase without regard to +/- or 1, 2, 3 modifiers, if any. ~~In the event a security held by the Authority is subject to a credit rating change that brings it below the minimum credit ratings specified in the Policy, the Chief Financial Officer should notify the Commission of the change. The course of action to be followed will then be decided on a case-by-case basis, considering such factors as the reason for the change, prognosis for recovery or further rate drops, and the market price of the security.~~

An appropriate risk level shall be maintained by primarily purchasing securities that are of high quality, liquid and marketable. The portfolio shall be diversified by security type and issuer to avoid incurring unreasonable and avoidable risk regarding specific security types or individual issuers.

- A. **United States Treasury Issues.** 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. There is no limitation on the percentage of the portfolio that may be invested in this category.
- B. **United States Agency Obligations.** Federal agency or United States ~~g~~Government-~~s~~Sponsored ~~e~~Enterprise (GSE) senior debt obligations, participations, mortgaged-backed securities, or other instruments, including those issued by or fully guaranteed as to principal and interest by Federal agencies or United States government-sponsored enterprises. ~~Examples of these securities include the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Farm Credit Bank, the Federal Home Loan Mortgage Corporation, and the Federal Home Loan Bank.~~ There is no limitation on the percentage of the portfolio that may be invested in this category. A maximum of 30% of the portfolio may be invested in any single Agency/GSE issuer with a 20% maximum on callable agency securities.
- C. **Municipal Debt.** Registered treasury notes or bonds of this state or any of the other 49 United States, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of this state or any of the other 49 United States.

Bonds, notes, warrants, or other evidence of indebtedness of any local agency, including the Authority's own bonds, within this state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

Purchases are limited to securities that have a long-term debt rating of at least "A", or its equivalent, by a Nationally Recognized Statistical Rating Organization (NRSRO); and/or have a short-term debt rating of at least "A-1", or its equivalent by a NRSRO. A maximum of 30% of the portfolio may be invested in this category.

- D. **Medium-Term Notes.** Medium-term notes are defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Purchases are limited to securities that have a long-term debt rating of at least "A", or its equivalent, by a NRSRO. A maximum of 30% of the portfolio may be invested in this category.
- E. **Negotiable Certificates of Deposit.** Negotiable certificates of deposits (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 that have a long-term debt rating of at least "A", or its equivalent, by a NRSRO; and/or have a short-term debt rating of at least "A-1", or its equivalent, by a NRSRO. NCDs for which the full amount of the principal and interest that may be accrued during the maximum term of each certificate is insured by federal deposit insurance are exempt from the rating requirements. All purchases shall not exceed the Federal Deposit Insurance Corporation (FDIC) insured limit. The current FDIC Negotiable CD insured limit is \$250,000 (principal and interest). ~~A In combination with placement service CDs,~~ a maximum of 30% of the portfolio may be invested in this category.
- F. **Placement Service Certificates of Deposit.** Certificates of deposits placed through a deposit placement service shall meet the requirements under CGC Section 53601.8. The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall, at all times, be insured by ~~the FDIC~~federal deposit insurance or the National Credit Union Administration (NCUA). In combination with negotiable certificates of deposit, a maximum of 30% of the portfolio may be invested in this category.
- G. **Bank Deposits.** FDIC insured or fully collateralized bank deposits, including, but not limited to, demand deposit accounts, savings accounts, market rate accounts, time deposits, and certificates of deposits in financial institutions located in California. Bank deposits are required to be collateralized as specified under CGC Section 53630 et. seq. Agreements allowing for the waiver of the collateral requirement for that amount of deposit covered by the FDIC may be implemented provided the remainder of the deposit is secured by collateral as required by the CGC. The Authority shall have a signed agreement with any depository accepting Authority funds per CGC Section 53649. The maturity of time deposits (TCDs) may not exceed one year. ~~There is no A maximum of 20% limit on the percentage of the portfolio that may be invested in bank deposits this category. However, a maximum of 20 percent of the portfolio may be invested in TCDs.~~

- H. **Commercial Paper.** Commercial paper of “prime” quality of the highest ranking or 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 if a corporation: (i) is organized and operating in the United States ~~as a general corporation~~, (ii) ~~has total with assets in excess of \$500 five hundred million dollars (\$500,000,000)~~, (ii) the securities are rated at least “A-1”, or its equivalent by a NRSRO, and (iii) has debt other than commercial paper, if any, that is rated at least “A”, or its equivalent, by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions if any other entity aside from a corporation: (i) is organized and operating in the United States as a special purpose corporation, trust, or limited liability company, (ii) the securities must have program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond, and (iii) the securities are rated at least “A-1”, or its equivalent, by a NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less and not represent more than 10 percent of the outstanding paper of an issuing corporation. A maximum of ~~21~~5% of the portfolio may be invested in this category.

- I. **Bankers’ Acceptances.** Bankers’ acceptances, otherwise known as bills of exchange or time drafts, that are drawn on and accepted by a commercial bank. Purchases are limited to bankers’ acceptances issued by domestic banks, which are eligible for purchase by the Federal Reserve System. Purchases of bankers’ acceptances may not exceed 180 days maturity. Eligible bankers’ acceptances are restricted to issuing financial institutions with a short-term debt rating of at least “A-1”, or its equivalent, by a NRSRO or a long-term debt rating of at least “A”, or its equivalent, by a NRSRO. A maximum of 30% of the portfolio may be invested in this category.

I. Local Government Investment Pools (LGIP).

1. **State of California Local Agency Investment Fund (LAIF).** The LAIF is a special fund in the California State Treasury and an investment alternative for California’s local governments and special districts created and governed pursuant to CGC 16429.1 et seq. and managed by the State Treasurer’s Office. There is no limitation on the percentage of the portfolio that may be invested in this category. However, the amount invested may not exceed the current maximum allowed by LAIF.
2. ~~Local Government Investment Pools (LGIP)~~**Shares of Beneficial Interest Issued by a Joint Powers Authority (JPA).** Shares of beneficial interest issued by a joint powers authority organized pursuant to CGC Section 6509.37 and invests in the securities and obligations authorized in subdivisions (a) to (r), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the JPA. The JPA has retained an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years’ experience investing in instruments authorized by CGC Section 53601, subdivisions (a) to (q). To be eligible for purchase, the pool shall meet all of the following conditions: (i) must meet the requirements of CGC Section 53601(p), (ii) the pool must seek to maintain a stable Net Asset Value (“NAV”), and (iii) the pool must be rated at least “AAm”, or its equivalent, by a NRSRO. ~~A maximum of 30 percent of the portfolio may be invested in this category.~~

Whenever the Authority has any funds invested in a Local Government Investment Pool, the Chief Financial Officer shall maintain on file a copy of the pool's current information statement. In addition, the Chief Financial Officer should review the pool's summary portfolio holdings on a quarterly basis.

3. **Other Local Government Investment Pools.** Other LGIPs permitted by the agency (such as a County Pool as defined by CGC, Section 27000.3). No more than 20% of the total portfolio may be invest in LGIPs other than LAIF and JPAs.

- K. **Money Market Mutual Funds.** Shares of beneficial interest issued by diversified management companies that are money market funds registered with the SEC under the Investment Company Act of 1940.

The company shall have met either of the following criteria: (i) attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs and (ii) retained an investment adviser registered or exempt from registration with the SEC with not less than five years of experience managing money market mutual funds with assets under management in excess of ~~\$500~~five hundred million (~~\$500,000,000~~). A maximum of ~~15~~20% of the portfolio may be invested in this category.

If the Authority has funds invested in a money market fund, a copy of the fund's information statement shall be maintained on file. In addition, the Chief Financial Officer should review the fund's summary holdings on a quarterly basis.

- L. **Repurchase Agreements.** Repurchase agreements are to be used as short-term investments not to exceed ~~90 days~~one year. Repurchase agreements shall only be made with counterparties that are primary dealers of the Federal Reserve Bank of New York or a nationally or state-chartered bank that has had a significant banking relationship with the Authority. Furthermore, the counterparty shall have the following qualifications: (i) a long-term debt rating of at least "A", or its equivalent, by a NRSRO; (ii) a short-term credit rating of at least "A-1", or its equivalent, by a NRSRO; (iii) minimum assets and capital size of \$25 billion in assets and \$350 million in capital; (iv) five years acceptable audited financial results; and (v) a strong reputation among market participants.

The Authority shall have a properly executed master repurchase agreement with each counterparty which will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA). Collateral of at least 102% of market value of principal and accrued interest is required. For any repurchase agreement with a term of more than one day, the value of the underlying securities must be reviewed on an on-going basis according to market conditions. Market value must be calculated each time there is a substitution of collateral. Collateral is limited to obligations of the United States government and its agencies. Collateral must be delivered to the Authority's custodian bank or handled under a properly executed master repurchase agreement. The Authority, or its trustee, shall have a perfected first security interest in all collateral. A maximum of 10% of the portfolio may be invested in this category.

- M. **Supranationals.** Issues are US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank of Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. The securities are rated at least "AA", or its equivalent, by a NRSRO. No more~~ea~~ than 30% of the total portfolio may be invested in these securities with no more than 10% of the portfolio invested in any single issuer.

N. Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations (from issuers not defined in sections A and B of the Authorized and Suitable Investments section of this policy). The securities are rated at least “AA”, or its equivalent, by a NRSRO. No more than 20% of the portfolio may be invested in these securities.

M.O. Prohibited Investments. Section 53601.6 of the CGC lists the investments that are prohibited. State law notwithstanding, any investment not specifically described herein are prohibited, including, but not limited to futures and options. Prohibited investments shall include, but are not limited to, equity securities, inverse floaters, range notes, interest-only strips that are derived from a pool of mortgages, or any investment that could result in zero interest earned if held to maturity. Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited. Purchasing or selling securities on margin is prohibited. The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited. The purchase of foreign currency denominated securities is prohibited. The purchase of a security with a forward settlement date exceeding 45 days from the time of the investment is prohibited.

9.0 REVIEW OF INVESTMENT PORTFOLIO

This Policy is intended to conform to all applicable statutes at the time of adoption. The Policy shall be reviewed and approved annually by the Commission at a public meeting to ensure consistency with the overall objectives of the preservation of capital, liquidity, and return of the portfolio. The Policy also shall be reviewed to ensure its compliance and relevance to the current law, financial and economic trends, and to meet the cash flow requirements of the Authority. Investment operations are reviewed monthly during the reconciliation process of investment transactions to the third-party statements, and by the Finance Department in the proof of cash process.

10.0 INVESTMENT POOLS/ MUTUAL FUNDS

A thorough investigation of any investment pool or mutual fund is required prior to investing, and on a continual basis. The investigation will, at a minimum, obtain the following information:

- A. A description of eligible investment securities, and a written statement of investment policy and objectives;
- B. A description of interest calculations and how it is distributed, as well as how gains and losses are treated;
- C. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited;
- D. A description of who may invest in the program, how often, and what size deposit and withdrawals are allowed;
- E. A schedule for receiving statements and portfolio listings;
- F. Whether reserves, retained earnings, etc. are utilized by the pool/fund;
- G. A fee schedule along with when and how they are assessed; and
- H. Whether the pool/fund is eligible for bond proceeds and/or whether it accept such

proceeds.

11.0 COLLATERALIZATION

Collateralization is required for investments of public deposits in Certificates of Deposits (in excess of the FDIC insured amount) and all Repurchase Agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 110% of market value for Certificates of Deposit and 102% for repurchase agreements of principal and accrued interest.

In order to conform with provisions of 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 eligible Negotiable Certificates of Deposit, eligible Banker's Acceptances, or securities that are fully guaranteed as to principal and interest by the United States or by any agency of the United States government. All securities held as collateral shall have a maximum maturity of five years.

12.0 SAFEKEEPING AND CUSTODY

To protect against potential losses by collapse of individual securities dealers, all trades will be executed on a delivered versus payment basis with the securities to be held in safekeeping by a third-party custodian, acting as agent for the Authority under terms of a custody agreement or a Master Repurchase Agreement. The only exception to the foregoing shall be depository accounts and securities purchases made with: (i) LAIF and local government investment pools (LGIPs); (ii) placement certificates of deposit, and, (iii) money market mutual funds, since the purchased securities are not deliverable. Evidence of each of these investments will be held by the Chief Financial Officer.

No outside broker/dealer or advisor may have access to the Authority's funds, accounts, or investments. Any transfer of funds handled through a broker/dealer must be approved by persons identified in the "Delegation of Authority" section of this Policy.

13.0 DIVERSIFICATION AND MAXIMUM MATURITIES

The Authority will diversify its investments by security type and institution. With the exception of U.S. Treasuries, U.S. Agency Securities, FDIC Insured Certificates of Deposit, Supranationals and authorized pools, no more than ~~30~~5% of the Authority's total investment portfolio will be invested in a single security type or with a single financial institution.

To the extent possible, the Authority will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow and approved in advance by the Board of Commissioners, the Authority will not directly invest in securities maturing more than five years from the date of ~~purchase~~trade settlement.

14.0 RISK MANAGEMENT AND DIVERSIFICATION

A. Mitigating Credit Risk in the Portfolio. Credit risk is the risk that a security or a portfolio will lose some or all its value due to a real or perceived change in the ability of the issuer to repay its debt. The Agency will mitigate credit risk by adopting the following strategies:

- The diversification requirements included in the "Authorized Investments" section of this policy are designed to mitigate credit risk in the portfolio.

- No more than 5% of the total portfolio may be deposited with or invested in securities issued by any single issuer unless otherwise specified in this policy.
- The Authority may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or the Authority's risk preferences.
- If a security owned by the Authority is downgraded to a level below the requirements of this policy, making the security ineligible for additional purchases, the following steps will be taken:
 - Any actions taken related to the downgrade by the investment manager will be communicated to the Chief Financial Officer in a timely manner.
 - If a decision is made to retain the security, the credit situation will be monitored and reported to the Board of Commissioners.

B. Mitigating Market Risk in the Portfolio. Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The Authority recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The Authority will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

The Authority further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The Authority, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- The Authority will maintain a minimum of six months of budgeted operating expenditures in short-term investments to provide sufficient liquidity for expected disbursements.
- The maximum stated final maturity of individual securities in the portfolio will be five (5) years, except as otherwise stated in this policy.
- The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by the Authority based on the Authority's investment objectives, constraints and risk tolerances.

14-015.0 INTERNAL CONTROLS

The Chief Financial Officer shall establish a system of internal controls designed to prevent losses due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, and/or imprudent actions by employees of the Authority. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The

concept of reasonable assurance recognizes that (i) the cost of a control should not exceed the benefits likely to be derived, and (ii) the valuation of costs and benefits require estimates and judgements by management. Compliance with this Policy and internal controls shall be reviewed annually by the Authority's independent, external auditor.

16.0 PERFORMANCE STANDARDS

The investment portfolio will 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,~~ and state and local laws, ordinances or resolutions that restrict investments.

~~The Authority's investment strategy is passive.~~ The performance of the Authority's investment portfolio will be evaluated and compared to an appropriate, readily available benchmark in order to assess the success of the investment portfolio relative to the Authority's Safety, Liquidity, and Return on Investments objectives. Benchmarks may change over time based on changes in market conditions or cash flow requirements. The review will be conducted annually by the Chief Financial Officer.

17.0 REPORTING

Under provision of Section 53646 of the CGC, the Chief Financial Officer shall render a monthly report to the Commission, providing the type of investment, financial institution from which the investment was purchased, the date of maturity, the date upon which the investment becomes subject to redemption provisions, amount (to include both par and book value) of the investment, and the current market value of all investments. The report also shall include the source of the market value. Additionally, the report shall include the rate of interest, accrued interest earned, the amortized portion of the investment purchased at a premium or discount, and other data so required by the Commission or by amendment to the above section of CGC and its successors. The report shall include a statement denoting the Authority's ability to meet its expenditure requirements for the following six-month period, or an explanation as to why sufficient funding will not be available. Additionally, the Chief Financial Officer shall state whether the agency is in compliance with its investment policy by signature required on the Treasurers' Report.

18.0 INVESTMENT POLICY ADOPTION

The Authority's Investment Policy shall be adopted by Resolution of the Board of Commissioners. The Policy shall be reviewed on an annual basis and modifications, if any, must be approved by the Commission.



Karen L. Williams

Chief Financial Officer

Santa Ana Watershed Project Authority

August 19, 2025

Date

GLOSSARY OF INVESTMENT TERMS

AGENCY SECURITIES: Securities issued by any of several U. S. government-sponsored entity (GSE) and federally related institutions. Agencies including, but not limited to the Federal Home Loan Bank (FHLB), the Federal Farm Credit Bank (FFCB), and the Federal National Mortgage Association (FNMA or “Fannie Mae”).

ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR): The official annual report of the Santa Ana Watershed Project Authority. It includes financial statements for each individual fund prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provision, extensive introductory material, and a detailed Statistical Section.

ASKED PRICE: The price at which securities are offered for sale; also known as offering price.

ASSET BACKED SECURITIES (ABS): Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BASIS POINT: One-hundredth of one percent (i.e., 0.01%).

BID PRICE: The price offered for securities.

BOND PROCEEDS: The money paid to the issuer by the purchaser or underwriter of a new issue of municipal securities. These funds 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 brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides.

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

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Certificate of Deposit may be issued in either negotiable or nonnegotiable form. Nonnegotiable certificates cannot be resold on the secondary market and may face penalties for early redemption whereas a negotiable CD may be resold.

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 funds.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report of the Santa Ana Watershed Project Authority. It includes financial statements for each individual fund prepared

~~in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provision, extensive introductory material, and a detailed Statistical Section.~~

COMMERCIAL PAPER: Short-term, unsecured, negotiable 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.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

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 transactions, buying and selling for his own account.

~~**DEBENTURE:** A bond secured only by the general credit of the issuer.~~

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.

~~**DERIVATIVES:** (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose values is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).~~ **DISCOUNT:** The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest-bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., U.S. Treasury bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns with the goal of spreading risk throughout the portfolio holdings.

DURATION: A measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices.

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 liquidation sale. If a market price is available, the fair value is equal to the market value.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S & L's, small business firms, students, farmers, farm cooperatives, and exporters.

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 considered to be 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 Banks 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 of 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 also are highly liquid and are widely accepted. FNMA securities do not carry direct U.S. Government guarantees.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the 12 Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, D.C., 12 regional Banks and about 5,700 commercial banks that are members of the system.

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.

FIDUCIARY. A person or organization that acts on behalf of another person(s) or organization that puts their clients' interest ahead of their own as they are bound both legally and ethically to act in the best interests of their clients.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan

associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by FHA, VA, or FMHM mortgages.

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 a portfolio's 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.

JOINT POWERS AUTHORITY (JPA). An entity created by two or more public agencies that share a common goal in order to jointly exercise powers common to all members through a joint powers agreement or contract.

LEVERAGE. Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value.

LOCAL AGENCY INVESTMENT FUND (LAIF): A voluntary program created by state statute as an investment alternative for California's local governments and Special Districts under the administration of the California State Treasurer's Office. All securities are purchased under the authority of the Government Code Section 16430 and 16480.4.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): A state or local government pool offered to public entities for the investment of public funds.

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

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 trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties that establishes each party's rights in the transaction. 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 upon which the principal or stated value of an investment becomes due and

payable. An investment's term or remaining maturity is measured from the settlement date to final maturity.

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.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

MORTGAGE PASS-THROUGH SECURITIES. A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

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 30 years. The difference between corporate bonds and MTNs is that corporate bonds are underwritten.

MUNICIPAL BONDS: Offered by state and local governments, these bonds are primarily issued to finance infrastructure improvements, such as highways or sewers.

NATIONAL RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): A credit rating agency that provides credit ratings that are used by the U.S. Government and investors as benchmarks. Examples include Moody's, Standard & Poor's, and Fitch Ratings.

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

OFFER: The price asked by a seller of securities.

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 FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are 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.

PAYDOWN. A reduction in the principal amount owed on a bond, loan, or other debt.

PLACEMENT SERVICE DEPOSITS. A private service that allows local agencies to invest in FDIC-insured deposits with one or more banks, savings and loans, and credit unions located in the United States. IntraFi (formerly known as CDARS) is an example of an entity that provides this services.

PORTFOLIO: The collection of securities held by an individual or institution.

PREMIUM. The difference between the par value of a bond and the cost of the bond, when the cost is above par.

PRIMARY DEALER: A group of government securities dealers that 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 regulated firms.

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

PRUDENT PERSON-INVESTOR (PRUDENT PERSON) RULE: ~~A standard of responsibility which applies to fiduciaries. In California, the rule is stated as “Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes.” 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.~~

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

REPURCHASE AGREEMENT (REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security “buyer” 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.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO): A reverse-repurchase agreement (reverse repo) involves an investor borrowing cash from a financial institution in exchange for securities. The investor agrees to repurchase the securities at a specified date for the same cash value plus an agreed upon interest rate. Although the transaction is similar to a repo, the purpose of entering into a reverse repo is quite different. While a repo is a straightforward investment of public funds, the reverse repo is a borrowing.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank’s vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale 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.

SECURITIES & EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15(C)3-1: See Uniform Net Capital Rule.

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.

SUPRANATIONAL. ~~A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.~~

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.

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 coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than ten years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to ten years.

UNDERWRITER: A dealer that purchased a new issue of municipal securities for resale.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

U. S. TREASURY OBLIGATIONS: Debt obligations of the U.S. Government sold by the Treasury Department in the form of bills, notes, and bonds. Bills are short-term obligations that mature in one year or less and are sold at a discount. Notes are obligation that mature between two and ten years. Bonds are long-term debt that generally mature in ten years or more.

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.

ZERO-INTEREST BOND: A bond on which interest is not payable until maturity (or early redemption), but compounds periodically to accumulate to a stated maturity amount. Zero- interest bonds are typically issued at a discount and repaid at par upon maturity.

CERTIFICATION OF UNDERSTANDING

I hereby certify that I have personally read the Santa Ana Watershed Project Authority's (the Authority) Investment Policy and the California Government Code pertaining to the investments of the Authority.

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

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

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

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

NOTE: Completion of the attached questionnaire is only part of the Santa Ana Watershed Project Authority's certification process and **DOES NOT** guarantee that your financial institution will be guaranteed any portion of the investment business with the Santa Ana Watershed Project Authority.

FIRM NAME _____

SIGNED _____

DATE _____

SANTA ANA WATERSHED PROJECT AUTHORITY
BROKERS/DEALERS QUESTIONNAIRE AND CERTIFICATION

Please fill out form and return to the Santa Ana Watershed Project 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 <u>DO NOT</u> 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 |
|--------|----------------|-----------|--------------|
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
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. (Copy of a Published Financial Statement)
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.
24. Attach proof of adequate insurance coverage.
25. Are you listed under GFOA Yield Advantage? Yes No

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SANTA ANA WATERSHED
PROJECT AUTHORITY

Statement of Investment Policy Update

Karen Williams, General Manager

Recommendation

- Adopt Resolution No. 2025-3
- Approve the Statement of Investment Policy
- Delegate authority to the General Manager and/or Chief Financial Officer to manage investments in accordance with the Policy

Investment Policy Overview

- Guided by Federal and State laws
- Requires annual adoption by the Commission
- Allows Commission to delegate investment authority to CFO for up to one year
- CFO provides monthly reports to the Commission
- All investments must comply with the adopted Investment Policy

Advisor Review

- Chandler Asset Management selected as SAWPA investment advisor on July 15, 2025
- Conducted review of current Investment Policy
- Found policy to be well-written and effective
- Recommended minor revisions for clarity, compliance, and best practices

Key Recommended Changes

- Align with current laws and best practices
- Clarify roles, standards, and constraints
- Improve risk management and transparency

Recommended Changes by Section

Section 5.0 - Delegation of Authority

- Adds language recognizing measured investment losses as part of a prudent long-term strategy

Section 6.0 – Ethics and Conflict of Interest

- Reinforces responsibility to act as custodians of public trust
- Emphasizes accountability and integrity

Section 7.0 – Financial Institutions and Dealers

- List authorized financial institutions
- Requires competitive bidding for transparency and fairness

Recommended Changes by Section

Section 9.0 – Authorized Investments

- **U.S. Agency Obligations:**
 - ✓ Limit single agency issuer to 30%
 - ✓ Limit callable securities to 20%
- **Commerical Paper:**
 - ✓ Clarifies issuer requirements
- **Local Government Investment Pools (LGIPs):**
 - ✓ Consolidates types (LAIF, JPAs, County Pools)
 - ✓ Adds JPA-specific limitations
- **Supranationals & Asset/Mortgage-Backed Securities:**
 - ✓ Integrates for diversification
- **Prohibited Investments:**
 - ✓ Expanded per 2024 code update

Recommended Changes by Section

Section 14.0 – Risk Management

- New section on managing credit and market risk
- Supports portfolio stability and diversification

Section 16.0 – Performance Standards

- Allows benchmark adjustments for:
 - ✓ Market conditions
 - ✓ Cash flow needs

Glossary of Terms

- Updated glossary:
 - ✓ Adds and refines definitions
 - ✓ Improves clarity of investment terminology

Recommendation

- Adopt Resolution No. 2025-3
- Approve the Statement of Investment Policy
- Delegate authority to the General Manager and/or Chief Financial Officer to manage investments in accordance with the Policy

Questions?

Karen Williams
Santa Ana Watershed Project Authority
Office (951) 354-4231
kwilliams@sawpa.gov
sawpa.gov



EMPLOYMENT AGREEMENT

THIS AT-WILL EMPLOYMENT AGREEMENT is effective as of August 19, 2025 (the “Effective Date”), between the SANTA ANA WATERSHED PROJECT AUTHORITY, a joint powers public agency (hereinafter “SAWPA” or “Employer”), and KAREN WILLIAMS, an individual (hereinafter, “WILLIAMS” or “Employee”). SAWPA and WILLIAMS are sometimes individually referred to as “Party” and collectively referred to as the “Parties.”

1. Duties and Authority. SAWPA, by and through SAWPA’s Commission, hereby employs WILLIAMS as the General Manager and Chief Financial Officer of SAWPA, with full power and authority to perform all duties set forth in SAWPA’s Joint Powers Agreement, the Municipal Water District Law, and SAWPA ordinances and resolutions. WILLIAMS shall serve at the pleasure of the Commission. As General Manager, WILLIAMS’s duties include, but are not limited to, supervising SAWPA personnel and operations, attending meetings of SAWPA’s Commission and its Committees, managing and conducting the business of SAWPA, and implementing policies set by the Commission, as well as performing any special duties assigned or delegated by the Commission. As Chief Financial Officer, WILLIAMS shall plan, direct, and oversee SAWPA’s finance, purchasing, budgeting, accounting, debt and project financial management, reserve policy, and treasury services and activities; coordinate such activities with other SAWPA departments and outside agencies; and provide administrative support to the Commission in financial matters.
2. Restrictions on Outside Business Activities. During her employment, WILLIAMS shall devote her full energies, interest, abilities, and productive time to the performance of this Agreement and shall not, without SAWPA’s Commission’s prior written consent, render to others services of any kind for compensation, or engage in any other business activity that would interfere with the performance of her duties as SAWPA’s General Manager and Chief Financial Officer.
3. Reasonable Time Effort Required. During her employment, WILLIAMS shall devote such time, interest, and effort to the performance of this Agreement as may be fairly and reasonably necessary. The Parties agree that the General Manager’s position at SAWPA is a full-time position.
4. Place of Employment. Unless the Parties agree otherwise in writing, WILLIAMS shall perform the services she is required to perform under this Agreement at SAWPA’s offices, located in Riverside, California; provided however, that SAWPA may, from time-to-time, require WILLIAMS to travel temporarily to other locations on SAWPA’s business.
5. Termination of Employment.
 - a. By Employer Not for Cause. At any time, Employer may terminate Employee without cause. In the event Employer terminates Employee without cause, Employer shall pay Employee all compensation due and owing through the last

day actually worked, including but not limited to accrued sick leave in accordance with Section 7(e) below, plus a sum equal to six (6) months of Employee's salary, contingent on Employee executing a settlement and release, releasing any claims Employee may have against Employer. Employer may discipline or dismiss Employee as provided in this Section 5 notwithstanding anything to the contrary contained in or arising from any statement, policies, or practices of Employer relating to the employment, discipline, or termination of its employees. If Employee is subsequently convicted of a crime involving an abuse of her office or position (as defined in Government Code Section 53243.4 or its successor), Employee shall reimburse Employer the full amount of the cash settlement or severance described above. Payment for accumulated and unused leave will be addressed in the same manner as for other management employees, per Section 7, below.

- b. By Employer for Cause. At any time, and without prior notice, Employer may terminate Employee for cause. If Employee is terminated for cause, she shall not be entitled to any severance pay. Employer shall pay Employee all compensation then due and owing, including but not limited to accrued sick leave in accordance with Section 7(e) below; thereafter, all of Employer's obligations under this Agreement shall cease. Termination shall be for cause if based on: (i) willful and intentional misappropriation or theft of Authority funds or property; (ii) possession, use or sale of illegal drugs on Authority property or reporting for duty under the influence of alcohol or illegal drugs (including, but not limited to marijuana which remains illegal under federal law); (iii) pleading guilty or being convicted of a felony or conviction of a crime involving dishonesty, breach of trust, or physical or emotional harm to any person; (a plea or verdict of guilty or finding of guilt by a court in a trial without a jury is deemed to be a conviction within the meaning of this clause irrespective of a subsequent order under provisions of Section 1203.4 of the Penal Code allowing withdrawal of a plea of guilty and entering a plea of not guilty, or setting aside the verdict of guilty, or dismissing accusations or information); (iv) willful or malicious violation of the Authority's Policies and Procedures; (v) willful or malicious breach of recognized professional standards; (vi) breach of any material term of this Agreement; (vii) willful or persistent material breach of duties; (viii) engaging in unlawful discrimination or harassment of employees or any third party while on SAWPA premises or time; or (ix) unauthorized absence for more than three days.
- c. By Employee. At any time, Employee may terminate this Agreement and resign her employment by providing Employer thirty (30) days advance written notice. Employer shall have the option, in its complete discretion, to terminate Employee at any time prior to the end of such notice period, provided Employer pays Employee all compensation due and owing through the last day actually worked, plus an amount equal to the base salary Employee would have earned through the balance of the above notice period; thereafter all of Employer's obligations under this Agreement shall cease.

d. Termination Obligations.

- i. Employee agrees that all property, including without limitation, all equipment, tangible proprietary information, documents, books, records, reports, notes, contracts, lists, computer discs (and other computer generated files and data), and copies thereof, created on any medium and furnished to, obtained by, or prepared by Employee in the course of or incident to her employment, belongs to Employer and shall be returned promptly to Employer upon termination of employment.
- ii. All benefits to which Employee is otherwise entitled shall cease upon Employee's termination, unless explicitly continued under this Agreement, under any specific written policy of benefit plan of Employer, or pursuant to California or Federal law.
- iii. The representations and warranties contained in this Agreement and Employee's obligations under this Section 5(d) on Termination Obligations shall survive the termination of employment.
- iv. Following any termination of Employment, Employee shall fully cooperate with Employer in all matters relating to the winding up of pending work on behalf of Employer and the orderly transfer of work to other employees of Employer. Employee shall also cooperate in the defense of any action brought by any third party against Employer that relates in any way to Employee's acts or omissions while employed by the Employer.

6. Salary and Salary Increases.

- a. SAWPA shall pay WILLIAMS for services rendered pursuant hereto an annual base salary of \$350,000.00. This salary will be paid in installments at the same time as other executive management employees of SAWPA are paid.
- b. In addition, SAWPA agrees to undertake an annual performance review of WILLIAMS for each year. Pursuant to said review, SAWPA may make salary adjustments as deemed appropriate by the Board of Commissioners. For the purposes of adjustments due to cost of living (COLA) changes, WILLIAMS will receive the adjustments offered by SAWPA to other executive management employees unless the Commission decides otherwise at the time of each COLA approval.
- c. WILLIAMS shall be eligible for an annual performance award. Said award shall be based upon an annual review by SAWPA and shall be offered at the sole discretion of SAWPA. Should a performance award be issued by SAWPA to WILLIAMS, WILLIAMS may elect to take said performance award in the form of a lump sum cash payment, equal installments over a one-year period, deferred

compensation or, alternatively, vacation time, although the part of the award taken as vacation may not exceed five days.

- d. SAWPA shall establish for WILLIAMS a 401(a) retirement savings plan, to which SAWPA may contribute per Commission action in conjunction with each annual performance review.
 - e. WILLIAMS may, at her option, require that such portion of the basic salary as she may designate be put into tax-sheltered investments as deferred income.
 - f. WILLIAMS shall be enrolled in the CalPERS pension program on the same basis as other SAWPA employees.
7. Benefits. During her employment at SAWPA, WILLIAMS shall be entitled to receive all other standard benefits (including, but not limited to, vacation, health, major medical, dental and vision insurance benefits) and employee-paid benefits of employment available to SAWPA's other executive and managerial employees, except as provided below:
- a. WILLIAMS will also be entitled to 45 hours paid management leave each year. Any unused management leave shall be treated in accordance with applicable SAWPA policy;
 - b. WILLIAMS will also be entitled to 12 days of compensated sick leave each year, to be taken, if required, whenever necessary throughout the year. Accrual and use of unused sick leave shall be subject to the current policy for all SAWPA employees, except as otherwise provided in subsection (e) below regarding payout of accumulated sick leave;
 - c. SAWPA will pay WILLIAMS a monthly automobile allowance of \$1,000.00, representing full compensation for all costs, mileage, expenses, depreciation, maintenance, repairs, insurance, gas, tires, oil and all other incidental expenses associated with the use of WILLIAMS's personal auto on SAWPA business;
 - d. Subject to the availability of funds, SAWPA agrees to pay or to reimburse WILLIAMS, for any budgeted, reasonable and necessary membership dues in professional organizations.
 - e. Notwithstanding the foregoing, accumulated sick leave shall be payable to WILLIAMS at one hundred percent (100%) of its value, provided that WILLIAMS remains employed with SAWPA through December 31, 2027. In the event WILLIAMS's employment is terminated by SAWPA prior to December 31, 2027 for reasons other than "cause" (as defined Section 5(b) above), accumulated sick leave shall likewise be paid at one hundred percent (100%) of its value. In the event WILLIAMS's employment is terminated by SAWPA for cause prior to December 31, 2027, accumulated sick leave shall be paid at the rate specified in

the SAWPA Employee Manual as in effect at the time of termination (sixty percent (60%) as of the Effective Date first set out above, subject to change).

8. Expenses. During the employment term, SAWPA shall reimburse WILLIAMS for budgeted and reasonable out-of-pocket expenses for travel, food, and lodging while away from home in Southern California, on SAWPA business, subject to such policies as SAWPA may from time-to-time reasonably establish for its employees. Additionally, WILLIAMS shall be entitled to Commission-approved or budgeted and reasonable reimbursement for continuing education expenses, for attendance at conventions, conferences and annual meetings and selected committee meetings of water resources related organizations, and for meetings with representatives of organizations and agencies relevant to SAWPA's business.
9. Miscellaneous Provisions.
 - a. Integration. Subject to all applicable Government and Water Code sections, this Agreement contains the entire agreement between the Parties, and supersedes all prior oral and written agreements, understandings, commitments, and practices between the Parties, including all prior employment agreements, whether or not fully performed by either Party before the date of this Agreement. No amendments to this Agreement may be made except by writing signed by the Parties.
 - b. Severability. If any provision of this Agreement is held invalid or unenforceable, the remainder of this Agreement shall nevertheless remain in full force and effect. If any provision is held invalid or unenforceable with respect to particular circumstances it shall nevertheless remain in full force and effect in all other circumstances.
 - c. Arbitration. Any dispute which may arise by and between SAWPA and WILLIAMS in connection with this Agreement shall be conducted by the Judicial Arbitration and Mediation Services, Inc. ("JAMS") at its Inland Empire office, or its successor, in accordance with its rules that are in effect for employment matters at the time of the commencement of the arbitration proceeding, and as set forth in this Subparagraph. The arbitrator must decide each and every dispute in accordance with the laws of the State of California, and all other applicable laws. Limited discovery may be conducted in the arbitration proceeding upon a showing of good cause and approval of the arbitrator. Unless the Parties stipulate to the contrary, prior to the appointment of the arbitrator, all disputes shall first be submitted to nonbinding mediation, conducted by JAMS in accordance with its rules and procedures for such mediation. SAWPA shall pay all fees charged by JAMS for such mediation and arbitration proceedings. If the dispute relates to whether SAWPA had cause to terminate WILLIAMS's employment and the arbitrator finds that there was not cause to terminate her employment as required by the contract, the remedy shall be limited to six months of WILLIAMS's salary.

- d. Agreement is Binding. This Agreement shall be binding upon and inure to the benefit of SAWPA, its successors and assigns, and shall be binding upon WILLIAMS, her administrators, executors, legatees, heirs and assigns.
- e. Waiver. The failure of either Party to insist on strict compliance with any of the terms, covenants or conditions of this Agreement by the other Party shall not be deemed a waiver of that term, covenant or condition, nor shall any waiver or relinquishment of any right or power for all or any other times.

IN WITNESS WHEREOF, the Parties have executed this Agreement effective as of the date and year first above written.

SANTA ANA WATER PROJECT
AUTHORITY, a Joint Powers Public Agency

GENERAL MANAGER

By: _____
_____, Chair

Karen Williams



SAWPA Communications Report

Date: September 2, 2025

To: Commission

From: Emily Fuentes

Subject: **Communications Highlights**

Communications

- Staff created digital tools for the CARP (Climate Adaptation and Resilience Plan) survey including marketing materials with unique QR code that will track how many surveys each Community Based Organization (CBO) completes.
- Staff partnered with the Planning Department and IT to create a draft website for the Residential Parcel Level Landscape Measurement Data project.
- Staff spoke to the Norco Area Chamber of Commerce about CARP and participants were among the first to take the CARP Survey.
- Staff worked with the Associate Project Manager and UCR to do continue one-on-one meetings with the Community Based Organizations (CBOs) to go over surveys, needed resources, and strategies for implementing the sub-grantee agreement.
- Staff attended and tabled a booth with staff from the Planning Department to share about CARP at the 19th BIASC (Building Industry Association of Southern California) Annual Southern California Water Conference.
- Staff worked with staff from Admin Services and IT to test into an ADA software solution for PDFs on the SAWPA website. This technology can help ensure that the SAWPA website remains ADA compliant as new ADA legislation is introduced in the future.
- Updates were posted to the Authority's social media channels. Follow SAWPA on social media:
 - X: https://twitter.com/SAWPA_Water
 - Instagram: https://www.instagram.com/sawpa_water/
 - LinkedIn: <http://www.linkedin.com/company/santa-ana-watershed-project-authority>
 - YouTube: <https://www.youtube.com/@SAWPATUBE>