

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

**MARCH 20, 2019 AGENDA
6:00 p.m.**

**CITY OF INDUSTRY
COUNCIL CHAMBER
15651 E. STAFFORD STREET
CITY OF INDUSTRY, CALIFORNIA**

**Cory Moss, Chair
Carol Herrera, Vice-Chair
Catherine Marcucci, Board Member
Ray Marquez, Board Member
Peter Rogers, Board Member
Newell Ruggles, Board Member
Steve Tye, Board Member**

1. CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL

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

3. CONSENT CALENDAR:

3.1 Consideration of the Minutes of the February 7, 2019 special meeting and the February 20, 2019 special meeting.

Recommended Action: Approve as submitted.

Copies of staff reports or other written documentation relating to agenda items are on file in the Office of the City Clerk at Industry City Hall, and are available for public inspection. If requested, the agenda will be made available in an alternative format to a person with disability as required by Section 202 of the Americans with Disabilities Act of 1990. If you have questions regarding an agenda item, please contact the Authority Secretary at (626) 333-2211 during regular business hours.

In an effort to comply with the requirements of Title II of the Americans with Disabilities Act of 1990, the Tres Hermanos Conservation Authority requires that any person in need of any type of special equipment, assistance or accommodation(s) in order to communicate at a public meeting, must inform the Authority Secretary a minimum of 72 hours prior to the scheduled meeting.

- 3.2 Consideration to approve the check register from February 1, through February 28, 2019.

Recommended Action: Approve the check register.

- 3.3 Consideration to approve the Treasurer's Report for the month of February 2019. check register from February 1, through February 28, 2019.

Recommended Action: Approve the Treasurer's Report.

4. OLD BUSINESS:

- 4.1 Update discussion regarding insurance.

Recommended Action: Discuss and provide direction to Staff.

- 4.2 Provide direction regarding process for retaining General Counsel Services.

Recommended Action: Discuss and provide direction to Staff.

5. NEW BUSINESS:

- 5.1 Appoint an independent Audit Firm for Fiscal Year 2018-2019.

Recommended Action: Discuss and provide direction to Staff.

- 5.2 Consideration to adopt Resolution No. THCA 2019-03 establishing a Statement of Investment Policy for the 2018-2019 Fiscal Year.

Recommended Action: Adopt Resolution No. THCA 2019-03 establishing a Statement of Investment Policy for the 2018-2019 Fiscal Year.

- 5.3 Consideration to adopt Resolution No. THCA 2019-04 authorizing the Investment of Monies in the Local Agency Investment Funds.

Recommended Action: Adopt Resolution No. THCA 2019-04 authorizing the Investment of Monies in the Local Agency Investment Funds.

6. AUTHORITY DIRECTOR COMMENTS:

7. CLOSED SESSION:

- 7.1 Conference with Legal Counsel pursuant to Government Code Section 54956.9—Existing Litigation.
San Gabriel Valley Water and Power, LLC v. City of Chino Hills, et al.
San Bernardino Superior Court Case No: CIVDS 1904434

- 8. ADJOURNMENT:** The next regular Tres Hermanos Conservation Authority Meeting will be Wednesday, April 17, 2019 at 6:00 p.m.

TRES HERMANOS CONSERVATION AUTHORITY

ITEM NO. 3.1

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SPECIAL BOARD OF DIRECTORS MEETING MINUTES
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1. CALL TO ORDER

The Special Meeting of the Tres Hermanos Conservation Authority, Special Board of Directors Meeting, City of Industry, California, was called to order by Ray Marquez at 6:01 p.m. in the City of Industry Council Chamber, 15651 East Stafford Street, California.

FLAG SALUTE

The flag salute was led by Steve Tye.

ROLL CALL

PRESENT: Carol Herrera, Board Member
Catherine Marcucci, Board Member
Ray Marquez, Board Member
Cory Moss, Board Member
Peter Rogers, Board Member
Newell Ruggles, Board Member
Steve Tye, Board Member

STAFF PRESENT: Troy Helling, Executive Director; David DeBerry, General Counsel; Dan Fox, Deputy Executive Director; and Julie Robles, Authority Secretary.

2. SPECIAL ORDER OF BUSINESS

2.1 REORGANIZATION OF THE BOARD OF DIRECTORS

MOTION BY BOARD MEMBER TYE, AND SECOND BY BOARD MEMBER MARQUEZ TO APPOINT CAROL HERRERA AS CHAIR. MOTION FAILED BECAUSE IT DID NOT RECEIVE TWO VOTES FROM INDUSTRY AS REQUIRED BY JOINT POWERS AGREEMENT.

MOTION BY BOARD MEMBER RUGGLES, AND SECOND BY BOARD MEMBER MARCUCCI TO APPOINT CORY MOSS AS CHAIR. MOTION FAILED BECAUSE IT DID NOT RECEIVE AT LEAST ONE VOTE FROM

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CHINO HILLS AND ONE VOTE FROM DIAMOND BAR, AS REQUIRED BY JOINT POWERS AGREEMENT.

David DeBerry, General Counsel of the Tres Hermanos Conservation Authority, stated there must be two votes from the City of Industry and one vote each from the City of Chino Hills and the City of Diamond Bar for the motion to pass.

MOTION BY BOARD MEMBER HERRERA, AND SECOND BY BOARD MEMBER MARQUEZ TO APPOINT CORY MOSS AS CHAIR. MOTION CARRIED 7-0, BY THE FOLLOWING VOTE:

AYES:	BOARD MEMBERS:	HERRERA, MARCUCCI, MARQUEZ, MOSS, ROGERS, RUGGLES, TYE
NOES:	BOARD MEMBERS:	NONE
ABSENT	BOARD MEMBERS:	NONE
ABSTAIN	BOARD MEMBERS:	NONE

MOTION BY BOARD MEMBER ROGERS, AND SECOND BY BOARD MEMBER TYE TO APPOINT CAROL HERRERA AS VICE CHAIR. MOTION CARRIED 7-0, BY THE FOLLOWING VOTE:

AYES:	BOARD MEMBERS:	HERRERA, MARCUCCI, MARQUEZ, MOSS, ROGERS, RUGGLES, TYE
NOES:	BOARD MEMBERS:	NONE
ABSENT	BOARD MEMBERS:	NONE
ABSTAIN	BOARD MEMBERS:	NONE

3. PUBLIC COMMENTS

Lee Genvieuere, a 27 year resident of Chino Hills, spoke about his love for the Tres Hermanos property and thanked the Authority for preserving the open space and offered to step up in any way needed to maintain the property as is.

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4. CONSENT CALENDAR

- 4.1 Check Register from March 10, 2018 through January 31, 2019 in the amount of \$1,970.00
- 4.2 Treasurer's Statements for the Months of February, 2018 through January 2019.
- 4.3 Bank Signature Authorization Cards
- 4.4 Overview of the Amended and Restated Tres Hermanos Conservation Authority Joint Powers Agreement
- 4.5 Independent Auditor's Report for the Fiscal Year Ending June 30, 2018

MOTION BY BOARD MEMBER MARQUEZ, AND SECOND BY BOARD MEMBER MARCUCCI TO APPROVE THE CONSENT CALENDAR AS SUBMITTED. MOTION CARRIED 7-0, BY THE FOLLOWING VOTE:

AYES:	BOARD MEMBERS:	HERRERA, MARCUCCI, MARQUEZ, MOSS, ROGERS, RUGGLES, TYE
NOES:	BOARD MEMBERS:	NONE
ABSENT	BOARD MEMBERS:	NONE
ABSTAIN	BOARD MEMBERS:	NONE

5. OLD BUSINESS

There was none.

6. NEW BUSINESS

- 6.1 **CONSIDERATION OF A PURCHASE AND SALE AGREEMENT/JOINT ESCROW INSTRUCTIONS TRANSFERRING THE TRES HERMANOS RANCH FROM THE CITY OF INDUSTRY TO THE TRES HERMANOS CONSERVATION AUTHORITY.**

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A staff report was presented to the Authority by Executive Director Troy Helling and made himself available to answer any questions.

MOTION BY BOARD MEMBER MARQUEZ, AND SECOND BY VICE CHAIR HERRERA TO A) ADOPT RESOLUTION NO. 2019-01 APPROVING, AND AUTHORIZING THE DEPUTY EXECUTIVE DIRECTOR TO EXECUTE THE PURCHASE AND SALE AGREEMENT/JOINT ESCROW INSTRUCTIONS FOR TRES HERMANOS RANCH (TRES HERMANOS PSA) TRANSFERRING THE TRES HERMANOS RANCH FROM THE CITY OF INDUSTRY TO THE TRES HERMANOS CONSERVATION AUTHORITY ("CONSERVATION AUTHORITY"), AND FINDING THAT APPROVAL OR RESOLUTION NO. 2019-01 IS CATEGORICALLY EXEMPT FROM THE CALIFORNIA ENVIRONMENTAL QUALITY ACT PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTIONS 15325(A) AND 15301; AND B) AUTHORIZE THE DEPUTY EXECUTIVE DIRECTOR TO EXECUTE SUCH OTHER DOCUMENTS AND TAKE SUCH OTHER ACTIONS NECESSARY TO IMPLEMENT THE TRES HERMANOS PSA. MOTION CARRIED 7-0, BY THE FOLLOWING VOTE:

AYES:	BOARD MEMBERS:	HERRERA, MARCUCCI, MARQUEZ, MOSS, ROGERS, RUGGLES, TYE
NOES:	BOARD MEMBERS:	NONE
ABSENT	BOARD MEMBERS:	NONE
ABSTAIN	BOARD MEMBERS:	NONE

6.2 DISCUSSION OF REGULAR BOARD OF DIRECTOR MEETING TIMES

DISCUSSION ENSURED AND A COLLECTIVE DECISION WAS MADE TO HAVE REGULAR MEETINGS ON THE THIRD WEDNESDAY OF EACH MONTH AT 6:00 P.M. IN THE CITY OF INDUSTRY COUNCIL CHAMBER, 15651 EAST STAFFORD STREET, CALIFORNIA. MOTION CARRIED 7-0, BY THE FOLLOWING VOTE:

AYES:	BOARD MEMBERS:	HERRERA, MARCUCCI, MARQUEZ, MOSS, ROGERS, RUGGLES, TYE
NOES:	BOARD MEMBERS:	NONE
ABSENT	BOARD MEMBERS:	NONE
ABSTAIN	BOARD MEMBERS:	NONE

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7. AUTHORITY DIRECTOR COMMENTS

Multiple Board Members (Moss, Rogers, Marquez, Herrera and Tye.) spoke in favor of the agreement and the Authority and are pleased and excited with the outcome and the future of Tres Hermanos.

8. ADJOURNMENT

There being no further business, the Tres Hermanos Conservation Authority (THCA) Special Board of Directors meeting adjourned at 6:24 p.m.

CORY MOSS
CHAIR

JULIE ROBLES
AUTHORITY SECRETARY

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1. CALL TO ORDER

The Special Meeting of the Tres Hermanos Conservation Authority, Special Board of Directors, was called to order by Chair Cory Moss at 6:00 p.m. in the City of Industry Council Chamber, 15651 East Stafford Street, California.

FLAG SALUTE

The flag salute was led by Board Member Marquez.

ROLL CALL

PRESENT: Cory Moss, Chair
 Carol Herrera, Vice Chair
 Catherine Marcucci, Board Member
 Ray Marquez, Board Member
 Peter Rogers, Board Member
 Newell Ruggles, Board Member
 Steve Tye, Board Member

STAFF PRESENT: Troy Helling, Executive Director; David DeBerry, General Counsel; Dan Fox, Deputy Executive Director; and Julie Robles, Authority Secretary.

2. PUBLIC COMMENTS

There were none.

3. CONSENT CALENDAR

3.1 CONSIDERATION TO ADOPT RESOLUTION THCA NO. 2019-02 ESTABLISHING REGULAR MEETING TIMES FOR THE TRES HERMANOS CONSERVATION AUTHORITY ON THE THIRD WEDNESDAY OF THE MONTH AT 6:00 PM AT THE CITY OF INDUSTRY CITY COUNCIL CHAMBERS LOCATED AT 15651 STAFFORD STREET IN THE CITY OF INDUSTRY.

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MOTION BY BOARD MEMBER ROGERS, AND SECOND BY BOARD MEMBER MARCUCCI TO ADOPT RESOLUTION THCA NO. 2019-02 ESTABLISHING REGULAR MEETING TIMES ON THE THIRD WEDNESDAY OF THE MONTH AT 6:00 PM AT CITY OF INDUSTRY CITY HALL. MOTION CARRIED 7-0, BY THE FOLLOWING VOTE:

AYES:	BOARD MEMBERS:	HERRERA, MARCUCCI, MARQUEZ, MOSS, ROGERS, RUGGLES, TYE
NOES:	BOARD MEMBERS:	NONE
ABSENT	BOARD MEMBERS:	NONE
ABSTAIN	BOARD MEMBERS:	NONE

3.2 AGREEMENT FOR GENERAL COUNSEL SERVICES AND CONFLICT OF INTEREST WAIVER

Discussion ensued and General Counsel DeBerry was asked to explain the Conflict of Interest Waiver.

MOTION BY BOARD MEMBER MARQUEZ, AND SECOND BY BOARD MEMBER TYE TO AUTHORIZE THE CHAIR TO APPROVE THE SERVICE AGREEMENT AND CONFLICT OF INTEREST WAIVER. MOTION CARRIED 7-0, BY THE FOLLOWING VOTE:

AYES:	BOARD MEMBERS:	HERRERA, MARCUCCI, MARQUEZ, MOSS, ROGERS, RUGGLES, TYE
NOES:	BOARD MEMBERS:	NONE
ABSENT	BOARD MEMBERS:	NONE
ABSTAIN	BOARD MEMBERS:	NONE

4. OLD BUSINESS

None

5. NEW BUSINESS

5.1 Discussion regarding insurance.

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Assistant City Manager from the City of Industry, Hyun began the discussion on the current insurance and the discussion resulted in direction to review existing agreements and insurance levels and present the Board with an insurance proposal at a subsequent meeting.

MOTION BY BOARD MEMBER MARQUEZ, AND SECOND BY CHAIR MOSS TO LOOK INTO THE EXISTING AGREEMENTS AND COME UP WITH A PROPOSAL FOR A LATER MEETING. MOTION CARRIED 7-0, BY THE FOLLOWING VOTE:

AYES:	BOARD MEMBERS:	HERRERA, MARCUCCI, MARQUEZ, MOSS, ROGERS, RUGGLES, TYE
NOES:	BOARD MEMBERS:	NONE
ABSENT	BOARD MEMBERS:	NONE
ABSTAIN	BOARD MEMBERS:	NONE

5.2 Discussion regarding the possibility of creating a Tres Hermanos Conservation Authority Website.

Executive Director Helling received from Josh Nelson some possible domain names that were currently available (TresHermanos.org, TresHermanosConservationAuthority.org, and THAuthority.org).

A determination was made that this would be considered in the future but that for now it was not the most important issue to address. It was determined to be brought back at a later date. No vote was necessary

6. CLOSED SESSION

Authority Secretary Robles announced there was a need for Closed Session as follows:

6.1 CONFERENCE WITH LEGAL COUNCIL – EXISTING LITIGATION

Pursuant to Government Code section 54956.9(d)(1).

Case Name: San Gabriel Valley Water and Power, LLC v. City of Chino Hills; City of Chino Hills City Council; City of Diamond Bar; City of Diamond City Council; City of Industry; City of Industry City Council; Successor Agency to the Industry Urban-

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Development Agency; Board of Directors of the Successor Agency to the Industry
Urban-Development Agency; Tres Hermanos Conservation Authority.
Case No.: San Bernardino Superior Court Case No.: CIVDS 1904434

There were no public comments on the Closed Session item.

Chair Moss recessed the meeting into Closed Session at 6:17 p.m.

RECONVENE CITY COUNCIL MEETING

Chair Moss reconvened the meeting at 6:32 a.m. All members of the Tres Hermanos
Conservation Authority were present.

Chair Moss reported out of Closed Session.

With regard to Closed Session items 6.1, nothing to report out.

7. AUTHORITY DIRECTOR COMMENTS

No comments.

8. ADJOURNMENT

There being no further business, the Tres Hermanos Conservation Authority (THCA)
Special Board of Directors meeting adjourned at 6:32 p.m.

CORY MOSS
CHAIR

JULIE ROBLES
AUTHORITY SECRETARY

TRES HERMANOS CONSERVATION AUTHORITY

ITEM NO. 3.2

**TRES HERMANOS CONSERVATION AUTHORITY
STAFF REPORT**

AGENDA NO. 3.2

Date: March 20, 2019
To: Chair and Board of Directors
From: Troy Helling, Executive Director
Subject: Check Register

Recommendation:

That the Authority approve the check register from February 1, 2019, through February 28, 2019.

Background/Analysis:

In order to maintain good accounting practices, the check register of the Authority should be periodically reviewed and approved by the Authority. During the time period from February 1, 2019, through February 28, 2019, only one check was written for \$100.00. The check was written in order to pay the City of Industry to satisfy the "Independent Consideration" clause per Exhibit B, Section 2(B), of the Form of Authority Purchase Agreement (Tres Hermanos Purchase and Sale Agreement and Joint Escrow Instructions).

Respectfully submitted,



Christina Buhagiar
Treasurer

Reviewed by,



Troy Helling
Executive Director

Attachments

PREPARED 03/12/2019, 9:08:10

PROGRAM: GM172L

CITY OF CHINO HILLS

BANK: 04 Tres Hermanos Conservation Authority

ALL CHECKS REGISTER
SELECTED BY CHECK DATE
FROM: 02/01/2019 TO: 02/28/2019

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ACCOUNTING PERIOD 08/2019
REPORT NUMBER 345

CHECK NO	VENDOR NO	VENDOR NAME	CHECK DATE	CHECK AMOUNT	DATE CLEARED	BANK CODE	STATUS	ORIGINAL AMOUNT
1008	4747	CITY OF INDUSTRY	02/08/2019	100.00	02/15/2019	04	RECONCILED	

NO. OF CHECKS: 1
 OUTSTANDING CHECKS: .00
 RECONCILED CHECKS: 1
 TOTAL CHECKS: 1
 VOID CHECKS: 1
 100.00 ***
 .00
 .00

TRES HERMANOS CONSERVATION AUTHORITY

ITEM NO. 3.3

**TRES HERMANOS CONSERVATION AUTHORITY
STAFF REPORT**

AGENDA NO. 3.3

Date: March 20, 2019
To: Chair and Board of Directors
From: Troy Helling, Executive Director
Subject: Treasurer's Report for the Month of February 2019

Recommendation:

That the Authority receive and file the Treasurer's Report for the month of February 2019.

Background/Analysis:

Pursuant to the Amended and Restated Tres Hermanos Conservation Authority Joint Powers Agreement Section 5.3 Accounts, the Treasurer must verify and report in writing, at least quarterly, the amount of money held for the Authority, the amount of interest earnings, revenues, and expenditures since the last report.

Attached for your information is the Treasurer's Report for the month of February 2019.

Respectfully submitted,



Christina Buhagiar
Treasurer

Reviewed by,



Troy Helling
Executive Director

Attachments

**TRES HERMANOS CONSERVATION AUTHORITY
TREASURER'S REPORT
February 28, 2019**

I. Funds Held by Authority:

	<u>Cost</u>	<u>Market Value</u>	<u>Interest Rate</u>
Cash			
Citizens Business Bank - Premium Money Market	\$ 90,409	\$ 90,409	0.15%
Total Funds Held by Authority	<u>\$ 90,409</u>	<u>\$ 90,409</u>	

II. Cash Flow Transactions:

<u>Fund</u>	<u>Beginning Cash Balance 02/01/19</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance 02/28/19</u>
General Fund	<u>\$ 90,498</u>	<u>\$ 11</u>	<u>\$ (100)</u>	<u>\$ 90,409</u>

III. Certifications:

In accordance with the California Government Code, the Treasurer certifies that sufficient liquidity is available to meet the Authority's anticipated expenditure requirements for the six months ending August 31, 2019.

Christina Buhagiar
Treasurer

Tres Hermanos Conservation Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
February 28, 2019

	<u>Fiscal Year 18/19</u>	<u>Fiscal Year 17/18</u>
Revenues:		
Investment Interest	\$ 92	\$ 139
Total Revenues	<u>92</u>	<u>139</u>
Expenditures:		
Financial services	-	-
Professional/Audit services	2,070	1,910
Total Expenditures	<u>2,070</u>	<u>1,910</u>
Excess of revenues over (under) expenditures	<u>\$ (1,978)</u>	<u>\$ (1,771)</u>
Fund Balances:		
Beginning of fiscal year	\$ 92,387	\$ 94,158
Excess of revenues over (under) expenditures	(1,978)	(1,771)
End of fiscal year	<u>\$ 90,409</u>	<u>\$ 92,387</u>

TRES HERMANOS CONSERVATION AUTHORITY

ITEM NO. 4.1

DISCUSSION ONLY – NO BACK-UP

TRES HERMANOS CONSERVATION AUTHORITY

ITEM NO. 4.2

Date: March 20, 2019
To: Board of Directors
From: David DeBerry, General Counsel
Subject: Process for Retaining General Counsel

Recommendation:

Direct that the process for retaining general counsel be streamlined and that request for proposals be sent to specified legal counsel recommended by the City Attorneys for Chino Hills, Diamond Bar and Industry.

Background/Discussion:

As set forth in the Amended and Restated Joint Powers Agreement, the Diamond Bar City Attorney is to serve as the Authority's interim general counsel, but the Board is to appoint a general counsel who is not providing any other legal services to any of the Members without the express written approval of the Board. The City Attorneys for the Member cities are in agreement that a full-blown request for proposal process is not warranted, as once the Authority has been established, the need for general counsel services will likely be limited and firms may be unwilling to prepare time-consuming proposals. In addition, many of the larger public agency law firms will have conflicts due to past and present representations of the three cities.

It is proposed that General Counsel work with acting Authority staff to prepare a limited request for proposal that would be issued to approximately six firms and/or attorneys agreed upon by the City Attorneys for the Member cities. This limited RFP process should also expedite the retention of General Counsel.

Respectfully submitted,

Reviewed by,

David DeBerry
General Counsel



Troy Helling
Executive Director

TRES HERMANOS CONSERVATION AUTHORITY

ITEM NO. 5.1

**TRES HERMANOS CONSERVATION AUTHORITY
STAFF REPORT**

AGENDA NO. 5.1

Date: March 20, 2019
To: Chair and Board of Directors
From: Troy Helling, Executive Director
Subject: Appoint an Independent Audit Firm for Fiscal Year 2018-19

Recommendation:

That the Board of Directors appoint Lance, Soll & Lunghard, LLP as the independent audit firm for Fiscal Year 2018-19.

Background/Discussion:

Per the Amended and Restated Tres Hermanos Conservation Authority Joint Powers Agreement Section 3.8 Treasurer, the Board shall annually appoint the certified public accountant to perform the independent audit. On January 14, 2016, the City of Chino Hills issued a Request for Proposal (RFP). On April 26, 2016, the Chino Hills City Council authorized a professional services agreement with Lance, Soll & Lunghard, LLP, for financial auditing and report preparation services for a term not to exceed five years (Fiscal Year 2015-16 thru 2019-20). The Tres Hermanos Report was included in the scope of services; therefore, staff is recommending the Board appoint Lance, Soll & Lunghard, LLP, as the independent audit firm for Fiscal Year 2018-19. The cost for the FY 2018-19 audit will be \$2,029.

Respectfully submitted,



Christina Buhagiar
Treasurer

Reviewed by,



Troy Helling
Executive Director

TRES HERMANOS CONSERVATION AUTHORITY

ITEM NO. 5.2

**TRES HERMANOS CONSERVATION AUTHORITY
STAFF REPORT**

AGENDA NO. 5.2

Date: March 20, 2019
To: Chair and Board of Directors
From: Troy Helling, Executive Director
Subject: Adopt the Statement of Investment Policy

Recommendation:

That the Board of Directors adopt Resolution No. THCA 2019-03 adopting the Statement of Investment Policy for the 2018-19 Fiscal Year.

Background/Discussion:

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

Respectfully submitted,



Christina Buhagiar
Treasurer

Reviewed by,



Troy Helling
Executive Director

Attachments

RESOLUTION No. THCA 2019-03

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TRES HERMANOS CONSERVATION AUTHORITY ADOPTING THE STATEMENT OF INVESTMENT POLICY FOR THE 2018-19 FISCAL YEAR

WHEREAS, the Tres Hermanos Conservation Authority (Authority) requests to adopt the Statement of Investment Policy for the 2018-19 fiscal year; and

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

NOW, THEREFORE, BE IT RESOLVED,

Section 1. Investments of the Authority's funds for the 2018-19 fiscal year shall be made in accordance with the Authority's Statement of Investment Policy attached to this Resolution as Exhibit "A".

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

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

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

PASSED, APPROVED, AND ADOPTED this 20th day of March, 2019.

Troy Helling
Executive Director
Tres Hermanos Conservation Authority

Resolution No. THCA 2019-03

ATTEST:

I, Julie Gutierrez-Robles, Secretary of the Tres Hermanos Conservation Authority, do hereby certify that the foregoing Resolution was duly and regularly passed, approved and adopted by the Board of Directors of the Tres Hermanos Conservation Authority, at its regular meeting held on the 20th day of March, 2019, by the following Roll Call vote:

AYES: BOARD MEMBERS:

NOES: BOARD MEMBERS:

ABSENT: BOARD MEMBERS:

ABSTAIN: BOARD MEMBERS:

Julie Gutierrez-Robles
Authority Secretary
Tres Hermanos Conservation Authority

Exhibit A

TRES HERMANOS CONSERVATION AUTHORITY Statement of Investment Policy Fiscal Year 2018-19

I. POLICY

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

II. SCOPE

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

III. DELEGATION OF AUTHORITY

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

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

IV. PRUDENCE

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

V. OBJECTIVE

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

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

A. Safety of Principal

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

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

B. Liquidity

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

C. Return on Investments

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

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

VI. ETHICS AND CONFLICTS OF INTEREST

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

VII. SAFEKEEPING OF SECURITIES

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

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

VIII. REPORTING

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

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

IX. INTERNAL CONTROLS

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

X. AUTHORIZED INVESTMENTS

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

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

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

XI. PROHIBITED INVESTMENTS AND TRANSACTIONS

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

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

XII. POLICY REVIEW

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

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

- 1 Name of Firm: _____
- 2 Address: _____
- 3 Telephone No. () _____ () _____
(Local) (Nat. Headquarters)
- 4 Primary Representative: Manager:
Name: _____ Name: _____
Title: _____ Title: _____
Tel. No. () _____ Tel. No. () _____
- 5 What are the Total Assets of the Bank/Savings and Loan?

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

- 7 What was the Net Worth Ratio for the Previous Year?

- 8 What is your required Capital Ratios?
A. Tangible Capital Ratio _____
B. Core Capital Ratio _____
C. Risk-Based Capital Ratio _____
- 9 What are your Ratings (i.e., S&P, Moody's, Thompson, Fitch)?

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

- 11 Have you read the California Government Code Section 53630 through 53684 pertaining to the State's requirements governing the deposit of monies by Local Agencies? YES NO
- 12 Amounts above the FDIC insurance coverage must be collateralized as specified in the Government Code. Where is the collateral for Deposits held?

- Has there ever been a failure to fully collateralize? If Yes, please attach explanation.
- 13 What is the education level of the Primary Contact(s)?

- 14 How many years of related experience does the Primary Contact(s) have?

- 15 What transaction documents and reports would we receive?

- 16 What information would you provide to our Treasurer?

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

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

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

- CERTIFICATION -

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

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

SIGNED: _____

DATE: _____

COUNTERSIGNED: _____

DATE: _____

Glossary of Investment Terms

- AGENCIES.** Shorthand market terminology for any obligation issued by a *government-sponsored entity (GSE)*, or a *federally related institution*. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:
- FFCB.** The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.
- FHLB.** The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.
- FHLMC.** Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called "FreddieMac" issues discount notes, bonds and mortgage pass-through securities.
- FNMA.** Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as "FannieMae," issues discount notes, bonds and mortgage pass-through securities.
- GNMA.** The Government National Mortgage Association, known as "GinnieMae," issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.
- PEFCO.** The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.
- TVA.** The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.
- BROKER.** A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.
- COLLATERAL.** Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.
- CREDIT RISK.** The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.
- DEALER.** A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.
- DURATION.** The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).
- LIQUIDITY.** The speed and ease with which an asset can be converted to cash.
- LOCAL AGENCY INVESTMENT FUND (LAIF).** A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.
- MARGIN.** The difference between the market value of a security and the loan a broker makes using that security as collateral.

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

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

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

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

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

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

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

TRES HERMANOS CONSERVATION AUTHORITY

ITEM NO. 5.3

TRES HERMANOS CONSERVATION AUTHORITY AGENDA NO.5.3
STAFF REPORT

Date: March 20, 2019
To: Chair and Board of Directors
From: Troy Helling, Executive Director
Subject: Authorize the Investment of Monies in the Local Agency Investment Fund

Recommendation:

That the Board of Directors adopt Resolution No. THCA 2019-04 authorizing the investment of monies in the State of California Local Agency Investment Funds.

Background/Discussion:

California Government Code, Chapter 730 was amended to add §Section 16429.1. §Section 16429.1 which created a State of California Local Agency Investment Funds (LAIF) in the State Treasury for the deposit of Local Agency money for the purposes of investment by the State Treasurer. §Section 16429.1 requires the local agency to file with the State Treasurer a Resolution authorizing the investment of funds for Tres Hermanos Conservation Authority by the State Treasurer. The State of California LAIF qualifies under the State Municipal Investment Regulations.

Approval of this Resolution will provide Tres Hermanos Conservation Authority with an alternative for investing excess funds with minimal risk and administration costs.

Respectfully submitted,



Christina Buhagiar
Treasurer

Reviewed by,



Troy Helling
Executive Director

Attachments

PASSED, APPROVED, AND ADOPTED this 20th day of March, 2019.

Troy Helling
Executive Director
Tres Hermanos Conservation Authority

Resolution No. THCA 2019-04

ATTEST:

I, Julie Gutierrez-Robles, Authority Secretary of the Tres Hermanos Conservation Authority, do hereby certify that the foregoing Resolution was duly and regularly passed, approved and adopted by the Board of Directors of the Tres Hermanos Conservation Authority, at its regular meeting held on the 20th day of March, 2019, by the following Roll Call vote:

AYES: BOARD MEMBERS:

NOES: BOARD MEMBERS:

ABSENT: BOARD MEMBERS:

ABSTAIN: BOARD MEMBERS:

Julie Gutierrez-Robles
Authority Secretary
Tres Hermanos Conservation Authority