

MEETING NOTES

BOARD OF DIRECTORS FINANCE COMMITTEE MEETING

DELTA DIABLO

(a California Special District)

2500 PITTSBURG-ANTIOCH HIGHWAY, ANTIOCH, CA 94509

TUESDAY, FEBRUARY 5, 2019

10:00 A.M.

The meeting was called to order by Committee Chair, Sean Wright, on Tuesday, February 5, 2019 at 10:13 a.m. at 2500 Pittsburg-Antioch Highway, Antioch, California. Present at the meeting were Vince De Lange, General Manager; Carol Margetich, Business Services Director; and Cecelia Nichols-Fritzler, Office Manager/Secretary to the Board.

PUBLIC COMMENTS

None

REVIEW AND COMMENT ON PROPOSED MODIFICATIONS TO ADMINISTRATIVE HANDBOOK POLICY NO. 3020, INVESTMENT OF DISTRICT FUNDS

Ms. Margetich provided an overview of the policy review and approval process by the Board of Directors and the District's engagement with an outside consultant (PFM Asset Management) to conduct an annual review to ensure compliance with legal requirements. She highlighted the primary policy objectives—safety, liquidity, yield, benchmarking performance, and diversification, which the District uses to manage financial risks.

Ms. Margetich noted that the policy governs \$46.7 million in investments, which includes \$41.6 million invested in Local Agency Investment Fund and \$5.1 million managed by PFM. She highlighted the range of authorized instruments available for cash investments. Ms. Margetich discussed the proposed recommendation to add "supranational" debt to further diversify investment options, consistent with the stated policy objectives. She also proposed changing the minimum rating for investment in corporate bonds from "AA" to "A" to reflect changes in the methodology used by rating agencies, which has reduced the number of "AAA" and "AA" ratings issued. Ms. Margetich noted that this revision would allow optimal portfolio diversification and investment in broader market opportunities without adding undue risk.

Director Wright inquired regarding the overall rate-of-return for the District's investments and how it compared to the inflation rate. Ms. Margetich responded that the rate-of-return is approximately 2.0 percent. Director Wright questioned whether the District could adjust investments to achieve a higher overall rate-of-return. Ms. Margetich commented that she will work with PFM to review the investment portfolio for potential opportunities.

Director Wright commented that perhaps higher returns could be achieved with funds that the District could commit to investments for a longer term. Mr. De Lange noted that the Advanced



Treatment Fund, which was established to meet a long-term future regulatory requirement, may represent a potential opportunity to achieve higher returns. Mr. De Lange noted that a portion of these funds may be required during potential implementation of the East County Bioenergy Project to remove nutrients from the plant effluent. Director Wright inquired as to whether the District was continuing to collect AT funds, which was confirmed by Mr. De Lange, who also stated that the District would be preparing a Resource Recovery Master Plan over the next two years. This plan would assist in confirming capital cost estimates and the timeline for implementation. Ms. Margetich stated that she would follow up with PFM regarding investment of funds with a long-term commitment.

ADJOURNMENT

Chair Wright adjourned the meeting at 10:30 am.

Recording Secretary: Cecelia Nichols-Fritzler

