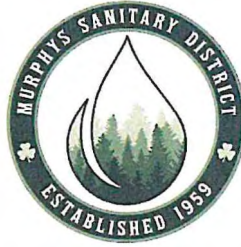


MURPHYS SANITARY DISTRICT

"Dedicated to providing a safe wastewater collection and treatment service at fair and reasonable rates for the community of Murphys, preserving and protecting our environment for future generations."

Finance Committee Meeting
Thursday November 7, 2024
10:00 a.m.



MSD District Office
15 Ernest Street, Suite A
Murphys, CA 95247

AGENDA

Finance meetings are open to the public and the following alternative is available for those who wish to participate in the meeting virtually:

Microsoft Teams [Need help?](#)

[Join the meeting now](#)

Meeting ID: 263 656 332 592

Passcode: mXtWiy

Dial in by phone

[+1 872-242-9031,,815681073#](#)

[Find a local number](#)

Phone conference ID: 815 681 073#

CALL MEETING TO ORDER/PLEDGE OF ALLEGIANCE

1. Roll Call

2. Public Comment-*(Limit 5 minutes per person) on items not appearing on agenda. At this time, members of the public may address the Board on any non-agendized item. The public is encouraged to work through staff to place items on the agenda for Board consideration. No action can be taken on matters not listed on the agenda.*

3. New Business

The Committee may consider the items below for recommendation to the Board of Directors in a public meeting. Public comment is allowed on each individual agenda item listed below.

- a) Review/Discuss Reserve Policy
- b) Review/Discuss Five Star Bank

4. Director/Staff Comments

5. Next Finance Committee Meeting: TBD

6. Adjournment

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the **Murphys Sanitary District at 209-728-3094**. Notification in advance of the meeting will enable MSD to make reasonable arrangements to ensure accessibility to this meeting. Any documents that are made available to the Board before or at the meeting, not privileged or otherwise protected from disclosure, and related to agenda items, will be made available at MSD for review by the public.

2023/2024 BOARD OF DIRECTORS

Paige McMath-Jue, President | Steve Gonzales, Vice President | Marty Meller, Secretary
Joseph Fontana, Treasurer | Bruce Miller, Parliamentarian

www.murphysd.org



Reserve Policy

Adopted May 9, 2024

To establish the procedure and level of reserve funding for:

- Replacement and major repairs for the District's physical assets
- Replacement of technology including computer hardware and software
- Special use projects not otherwise funded by grants
- Maintain minimal operation sustainability in periods of economic uncertainty

Consideration of fiscal objectives: Short and long term, operating, capital.
Identify where and how the funds are used.

Established Reserve Funds

1. Operating Reserve Fund-Shall equal three months of operating expenses.
2. Debt Service Reserve Fund-Shall equal the annual debt service of the districts obligation
3. Capital Reserve Fund-Will fund major components of WW infrastructure as documented in the District's 10 year CIP, regulatory mandates, planned replacement of assets
4. Equipment Reserve Fund-Will fund repair and replacement of equipment need to collection and ww treatment, vehicle fleet, and technology.
5. Special Use/Project Reserve-Will fund emergencies and special use projects approved by the board.

Utilizing Reserve Funds

Operating Reserves: Operating Reserves can be used any time to meet cash flow requirements of District Operations, with Board authorization.

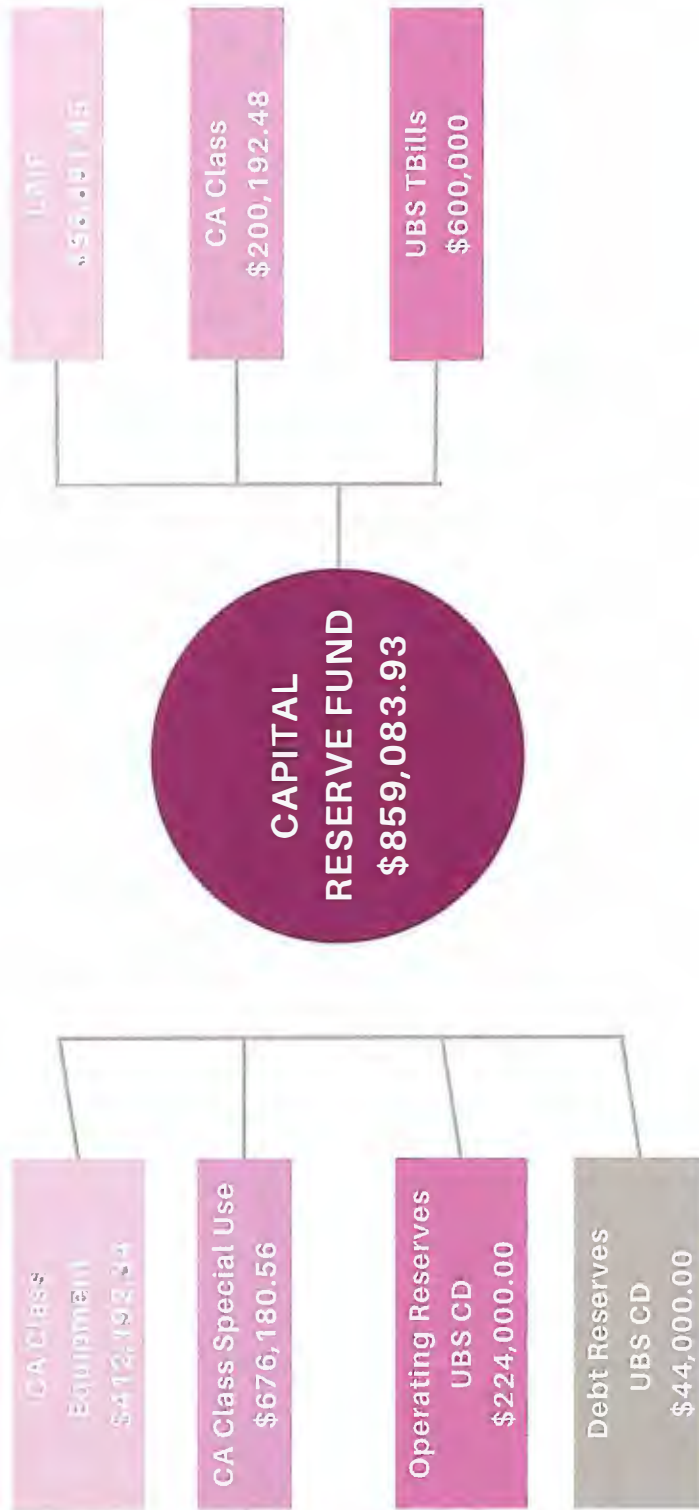
Debt Service Reserve: To fund District obligations should the District not be able to make debt service payments due to cash shortfalls.

Capital Reserves: The Board of Directors will authorize the use of capital reserves during the budget process. Capital reserves are also available unplanned (unbudgeted) capital replacement with Board authorization.

Equipment Reserves: The Board of Directors will authorize the use of Equipment reserves during the budget process. Equipment reserves are also available for unplanned (unbudgeted) equipment replacement with Board authorization.


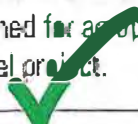
Special Use Reserves: Special use projects will be identified by District Management and authorized by the Board. Special Use reserves are also available to fund unforeseen emergencies with Board approval.

WHERE ARE THE RESERVE FUNDS TODAY?



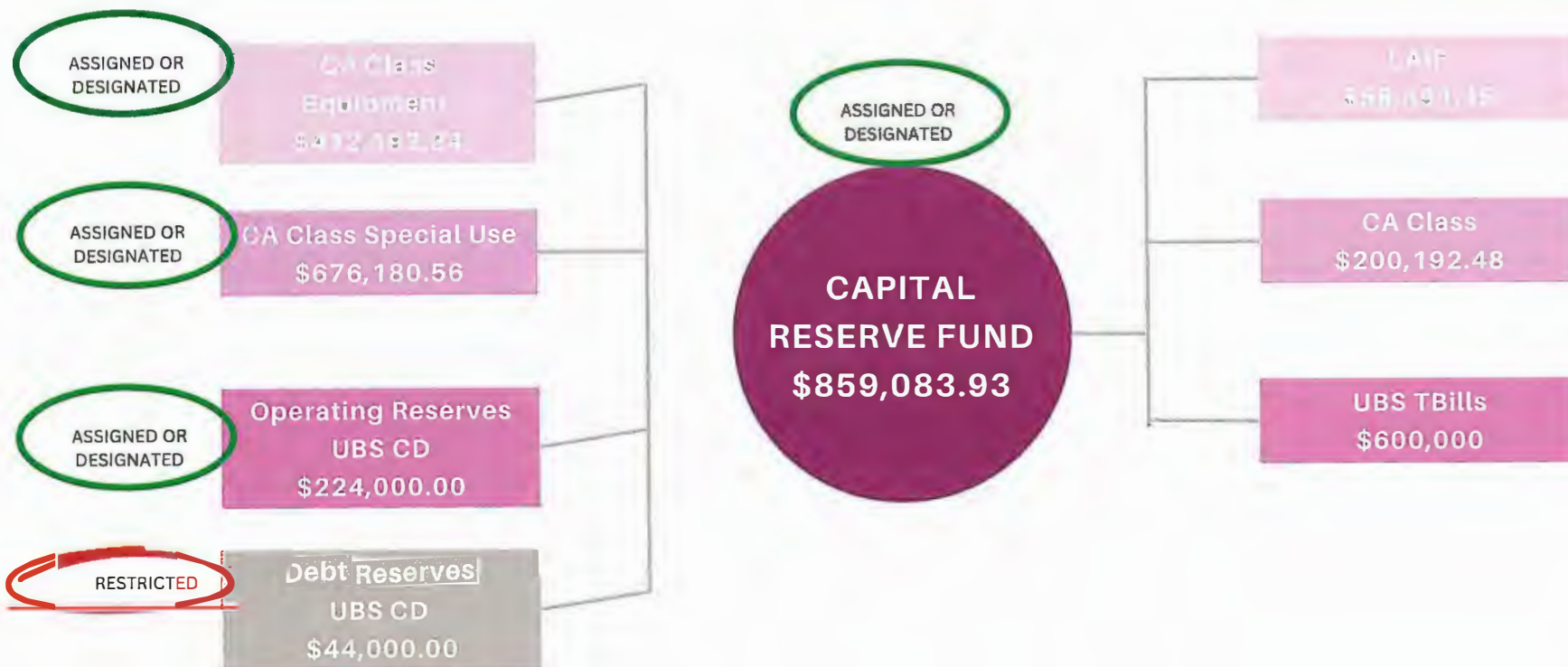
Fund Classifications

COMPONENTS OF FUND BALANCE

NONSPENDABLE FUND BALANCE	RESTRICTED FUND BALANCE	COMMITTED FUND BALANCE	ASSIGNED OR DESIGNATED FUND BALANCE	UNASSIGNED OR UNDESIGNATED FUND BALANCE
<p>This category is inherently nonspendable, such as the long-term portion of loans receivable, the principle of an endowment and inventories.</p>	<p>This classification has externally enforceable limitations on the use of fund balance, imposed by parties such as creditors, grantors or laws or regulations of other governments.</p> 	<p>This encompasses limitations imposed by the special district upon itself at its highest level of decision making (e.g., governing board through a resolution). For example, the governing board might commit a portion of fund balance to a "stabilization fund" to provide a cushion against unknown economic shocks and revenue declines.</p>	<p>This portion is earmarked for an intended use. The intent is established at either the highest level of decision making or by a body or official designated for that purpose. For example, a share of fund balance might be assigned to offset a gap in the budget stemming from a decline in revenues or an allotment could be assigned for an upcoming special project.</p> 	<p>This comprises all fund balances that are left after considering the other four categories. Use is least constrained in this category of fund balance.</p>



IDENTIFICATION OF FUND TYPES



Reserve Level Targets

Operating Reserve Fund	✓
Debt Service Reserve Fund	✓
Capital Reserve Fund	✗
Equipment Reserve Fund	✗



Current Policy

Monitoring Reserve Levels: The Administration Manager shall perform a reserve status analysis annually, to be provided to the Board during budget process. Additional information may be provided to the Board upon the occurrence of the following events:

1. When a major change in conditions threatens the reserve levels established by this policy or calls into question the effectiveness of this policy;
2. Upon District Management and/or Board Member request.

A reserve policy must set a target level of reserves to maintain. The target is typically defined in terms of unrestricted fund balance as a percentage of either regular operating revenues or regular operating expenditures.

The choice between revenue and expenditures depends on which element is more predictable.

Proposed Revisions to Current Policy

POLICY TITLE: Reserve Policy POLICY NUMBER: 2150

2150.1 Purpose: The Murphys Sanitary District (the District) shall maintain reserve funds from existing unrestricted funds as designated by the District's Reserve Policy. This policy establishes the procedure and level of reserve funding to achieve the following specific goals:

- a) Fund replacement and major repairs for the District's physical assets.
- b) Fund regular replacement of computer hardware and software.
- c) Fund designated projects/programs or other special uses not otherwise funded by grants or requiring additional monetary support;
- d) Fund capital improvements; and
- e) Maintain minimal operational sustainability in periods of economic uncertainty.

The District shall account for reserves as required by Governmental Accounting Standards Board Statement No. 54, which distinguishes reserves as among these classes: non-spendable, restricted, committed, assigned/dedicated and unassigned.

2150.2 Policy: Use of District Reserves is limited to available funds not obligated by law, contract, or agreement to other uses to meet reserve requirements defined herein. The District shall account for reserves as required by Statement 54 of the Governmental Accounting Standards Board, which defines the relative strength of the categories that controls how specific amounts can be spent. Fund types include:

- a) Operating Reserve Fund (Assigned/Designated): The target amount of operating reserves will equal three (3) months of operating expenses.
- b) Debt Service Reserve Fund (Restricted): This amount will be equal to the annual debt service of the District's obligations.
- c) Capital Reserve Fund (Assigned/Designated): Reserves will fund major components of the wastewater infrastructure (e.g. lift stations, treatment plant, pumps, facilities) as documented in the District's ten (10) year CIP, for changes to the infrastructure required to meet new regulatory mandates, or for the planned replacement of assets where the cost of replacement is greater than the current revenue available. The District shall set a target level of a minimum of \$500,000. The amount allocated annually will be determined annually by the Board.
- d) Equipment Reserve Fund (Assigned/Designated): Reserves will fund repair and replacement of equipment needed for collection and wastewater treatment, vehicle fleet and technology. General components will be listed annually in the budget for board approval. The District shall set a target level of a minimum of \$100,000. The amount allocated annually will be determined annually by the Board.
- e) Special Use Reserve (Assigned/Designated): Reserves will fund emergencies and special use projects approved by the Board. Funds accumulate from existing unrestricted funds annually. The District shall set a target level of a minimum of \$100,000. The amount allocated annually will be determined by the Board.

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2150.3 Using Reserve Funds:

- a) Operating Reserves: Operating Reserves can be used at any time to meet cash flow requirements of District Operations, with Board authorization.
- b) Debt Service Reserve: To fund District obligations should the District not be able to make debt service payments due to cash shortfalls.
- c) Capital Reserves: The Board of Directors will authorize the use of capital reserves during the budget process. Capital reserves are also available for unplanned (unbudgeted) capital replacement with Board authorization.
- d) Equipment Reserves: The Board of Directors will authorize the use of Equipment reserves during the budget process. Equipment reserves are also available for unplanned (unbudgeted) equipment replacement with Board authorization.
- e) Special Use Reserves: Special use projects will be identified by District Management and authorized by the Board. Special Use reserves are also available to fund unforeseen emergencies with Board approval.

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2150.4 Monitoring Reserve Levels and Internal Controls: The Administration Manager is responsible for monitoring and accountability of Reserve Funds. The Administration Manager shall perform a reserve analysis to be submitted to the Board of Directors upon the occurrence of the following events:

- Board of Directors' deliberation of the annual budget.
- Board of Directors' deliberation of a service charge rate increase or.
- When a major change in conditions threatens the reserve levels established within this policy.

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If the analysis indicates projected or actual reserve levels falling 10% below or above the levels outlined in this policy, at least one of the following actions shall be included with the analysis:

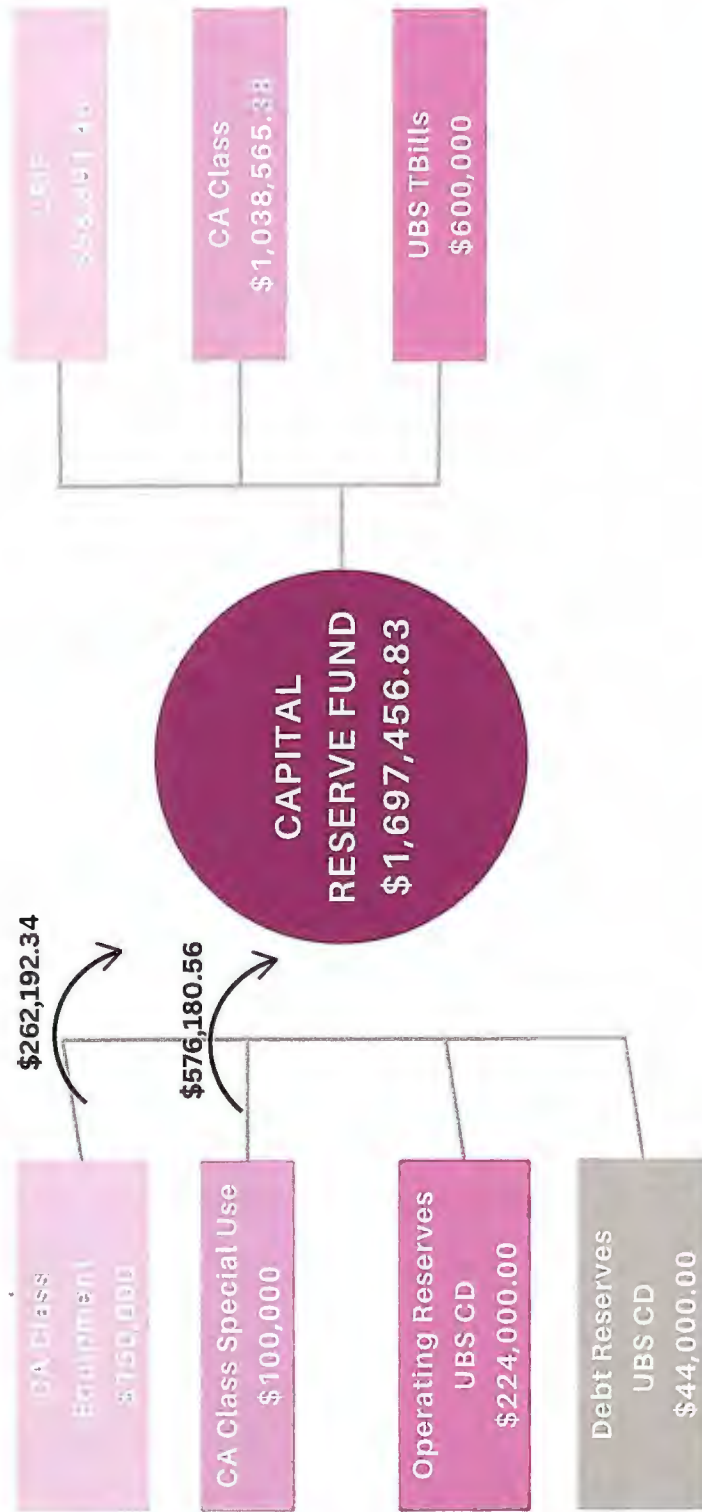
- An explanation of why the reserve levels are not at the targeted level, and/ or
- An identified course of action to bring reserve levels within the minimum and maximum levels prescribed

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1. -----

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Deleted: The Administration Manager shall perform a reserve status analysis annually, to be provided to the Board during budget process. ¶ Additional information may be provided to the Board upon the occurrence of the following events:¶ When a major change in conditions threatens the reserve levels established by this policy or calls into question the effectiveness of this policy.¶ Upon District Management and/or Board Member request.

REALLOCATATION OF FUNDS



If the board approves the revision of the reserve policy, which incorporates new language regarding target levels, reserve classification, and internal controls, the restructuring will commence immediately. This process will involve transferring reserve funds in the CA Class from the Equipment and Special Use Reserves into the Capital Reserve Fund.

When contemplating the investment of reserve funds, the Administration Manager will adhere to the Investment of District Funds policy established on April 13, 2023.

Investment of District Funds Policy Adopted April 13, 2023

Districts Primary Goals and Objectives of Investing

- Safety
- Liquidity
- Connection to Long Term Planning
- Return on Investment

Delegation of Authority: The Board delegates to the Administration Manager principal management responsibility and safeguarding of all district funds and authorization to make decisions on behalf of the District pursuant to the investment policy.

The Board authorizes the Finance committee to recommend investment decisions pursuant to the investment policy.

Source Credit:
Catherine Hansford- HEC
CSDA Policy Handbook
Special District Reserve Guidelines
MSD Reserve Policy
MSD Investment Policy



November 1, 2024

Mrs. Kristina Fillmore, Administration Manager
Mr. Dan Murphy, Operations Manager
Murphys Sanitary District
15 Ernest St Suite A,
Murphys, CA, 95247

Dear Mr. Murphy and Mrs. Fillmore,

I hope this finds you well! Thank you for the opportunity to present this proposal to the Murphys Sanitary District.

We are very excited for the opportunity to partner with Murphys Sanitary District. We believe you deserve nothing less than exceptional customer service, reliability, competitive pricing, efficient means of managing your accounts electronically, and direct access to a team of qualified banking professionals who are keenly knowledgeable with public funds and public entities.

Given our staff experience working with special districts, cities, and counties, we believe Five Star Bank is the perfect partner for the Murphys Sanitary District. That is why Five Star Bank is offering:

- **Analyzed public checking accounts with a 2.00% Earning Credit Rate. We are offering as many analyzed public checking accounts as you need all with an Earnings Credit Rate of 2.00%.¹** – Included in this proposal is a pro-forma analysis based upon September's account activity which demonstrates that the entirety of the District's banking costs would have been offset with approximately \$100,000 in deposits in the analyzed public checking account.
- **A public money market account that matches the most recently published monthly rate at LAIF currently paying 4.575%¹** – The rate is reset each month to match the most recently published monthly LAIF rate. Interest is compounded daily and posted at the end of the month.
- **Five Star Bank will provide your initial order of checks, deposit slips, and endorsement stamps at no charge.**
- **We are committed to having all key bank staff available during planning and implementation, as well as during ongoing support throughout this relationship.**

We will provide Murphys Sanitary District with all the necessary checking and savings accounts, and electronic functionality such as online banking, wire transfers, ACH, positive pay, and mobile banking. Additionally, we have the capabilities to provide the District with a Corporate Purchasing Card for District expenses or other credit facilities such as a line of credit (both of which are subject to credit approval).

Five Star Bank is very active within the special district community and serves the banking needs of public entities all throughout the state of California. In fact, we have over \$750 million in public funds on deposit as of October 28th, 2024. One of the notable associations we partner with is the California Special Districts Association. We help sponsor their Annual Conference and their General Manager Summit. Furthermore, we have sponsored scholarships to their GM Summit since 2018. These scholarships provide funding for those who may not have had the resources to attend the GM Summit otherwise and receive training on policies, procedures, and best practices. We believe that being a good community bank means supporting your community.

This opportunity to expand our partnership with the Murphys Sanitary District is very important to our Bank and, as always, we will take every measure possible to ensure your success. I can assure you that I will personally oversee the entire transition to Five Star Bank. Please let us know if you have any questions or need clarification on anything in this proposal. Five Star Bank is offering to provide these banking services to the Murphys Sanitary District at a very competitive price with unparalleled customer service and support. We can discuss the opportunity in greater detail and plan the next steps to move forward. Thank you once again for this opportunity. We are committed to providing Murphys Sanitary District with the absolute best customer service experience and look forward to building a long and sustainable relationship together.

Sincerely,




Reagan Ballo, CTP
VP/Managing Director of Government Banking

t: [916-660-5752](tel:916-660-5752) | m: [1-805-305-1882](tel:1-805-305-1882)

e: rballo@fivestarb.com

a: 3100 Zinfandel Drive, Suite 650
 Rancho Cordova, CA 95670



¹ Variable deposit rates and ECR are subject to change at any time based on market and other conditions.



FIVE STAR BANK

Five Star Bank Facts

Asset Size:
\$3.6 Billion

Website:
www.fivestarkbank.com

NASDAQ Ticker:
FSBC

National Recognition

S&P Global Market Intelligence
Top 20 Best-Performing Community Banks
2023
with assets between \$3B and \$10B

Raymond James Community Bankers Cup Winner
2023
Ranked in top 10% of community banks in the nation

Piper Sandler's Sm-All Stars
2023
Recognized for outperformance on growth, profitability, asset capital and capital

Ratings & Rankings

Bauer Financial

5 Stars (out of 5)

Findley Report

Super Premier Performing Bank

IDC

Superior Rating

Sacramento Business Journal

Best Places to Work 2023
Fastest Growing Companies 2024

About Five Star Bank

Five Star Bank was founded in 1999 by a group of entrepreneurs who wanted to create the kind of personalized banking services they desired themselves - services inspired by partnership and defined by shared vision and goals. Today, Five Star Bank is guided by purpose-driven banking, community stewardship, regional and industry expertise, a speed to serve and a commitment to economic development. As a premier business bank, we provide our clients with the highest level of service and trust.

Exceptional Products & Services

Specialized Lending

- Equipment Financing
- Business Lending & Lines of Credit
- Commercial Real Estate
- Government
- Construction
- Small Business Administration (SBA)
- Manufacturing & Distribution
- Healthcare
- Manufactured Housing, RV & Self Storage
- Nonprofit
- Agriculture, Ag-Tech & Wineries
- Practice Finance
- Venture Banking, Technology & Start-Up
- Professional Services

Treasury Management Solutions

- Automated Clearing House (ACH)
- Positive Pay
- Credit Sweep
- Zero Balance Account
- Certificate of Deposit Registry Services (CDARS)
- FDIC Insured Cash Sweep (ICS)
- Remote Deposit Capture (and Mobile)
- Merchant Services
- Bill Pay
- Wire Transfers
- Cash Vault Services

Contact a Government Banking Expert

Reagan Ballo

Vice President / Managing Director

rballo@fivestarkbank.com | 916.660.5752



“ Five Star Bank is
your bank for
Safety, Liquidity,
and Yield. ”

REAGAN BALLO

Vice President, Managing Director
Government Banking Group



What can we do for you?

SAFETY

- Funds collateralized at all times or fully FDIC insured*
- Well-capitalized under applicable regulatory guidelines
 - Common Equity Tier 1 capital ratio of 11.27% (as of 6/30/2024)
- IDC Financial Publishing Rating: Superior

LIQUIDITY

- Same day funds access with checks and wire transfers**
- Deposit accounts to match your cash flow needs from day one to five years
- Choose from Public Funds checking, money market accounts, or certificates of deposit (CDs)

YIELD

- Competitive rates on money market accounts and CDs
- Interest paid monthly for money market accounts and quarterly for CDs

RELATIONSHIP MANAGEMENT


- Direct access to your banker 24/7
- Responsive support team
- Banking solutions customized to your organization


*Using IntraFi Network LLC


**Outgoing wire transfer requests must be submitted by 2:30 PM PST for same day access, excluding weekends and holidays

REAGAN BALLO





Vice President, Managing Director
Government Banking Group

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 rballo@fivestarbanc.com

 www.fivestarbanc.com

NASDAQ: FSBC

 Member
FDIC