

May 24, 2022 Board Meeting Handout

Re: Item 9.2. Adopt the Resolution Authorizing the Execution and Delivery of a Tax-Exempt Tax and Revenue Anticipation Note and a Taxable Tax and Revenue Anticipation Note to Support a Commercial Paper Program and Other Short-Term Obligations, Adopt the Resolution Regarding Intention to Issue Tax-Exempt Obligations for Water Utility Enterprise, and Adopt the Resolution Regarding Intention to Issue Tax-Exempt Obligations for Safe, Clean Water and Natural Flood Protection Program. (Continued from May 12, 2022)

Purpose

To provide supplementary information to the Board of Directors based on feedback received at the May 10, 2022, Board meeting.

Community Bank Investments

At its meeting on May 10, 2022, the Board requested information regarding Valley Water's efforts to engage small and local banks and credit unions.

Pursuant to Board direction and governance policies (Executive Limitation 4.7.7) regarding investments in small local banks and credit unions located within the nine Bay Area counties with total assets at or below \$10 billion ("community banks"), staff has expanded business with community banks, and limited business with large banks, as summarized below:

- Letters of Credit – Technology Credit Union, based in San Jose, provides three separate standby letters of credit totaling \$841,000 to Valley Water to meet the U.S. Army Corp's financial assurance requirements for the operations of Upper Penitencia, Coyote Ridge, and Rancho Cañada de Pala Preserve watershed projects.
- Investments – Valley Water's investment portfolio includes over \$40 million, or 6%, in deposits at community banks:

Bank of San Francisco	\$ 14,325,197
Community Bank of the Bay	5,400,087
Excite Credit Union	249,059
Meriwest Bank	5,024,815
Provident Credit Union	247,833
Technology Credit Union	15,696,665
Total	\$ 40,943,656

- Revolving Line of Credit – a syndication of three community banks provides up to \$20 million in loan capacity:

Bank of San Francisco	\$ 7,000,000
Community Bank of the Bay	5,000,000
First Foundation Bank	8,000,000
Total	\$ 20,000,000

- Underwriting – Eight small investment banks located in California are included in Valley Water’s underwriting pool; four of these firms are veteran, minority or women owned.
- Large Bank Limitation - Valley Water only conducts business with large banks with total assets greater than \$10 billion that have satisfactory Environmental, Social and Governance (ESG) ratings provided by an independent professional rating firm.