



## RURAL NORTH VACAVILLE WATER DISTRICT

**POLICY TITLE:** Investment of District Funds  
**POLICY NUMBER:** 2130  
**ADOPTED:** 9-11-18  
**REVISIONS:** None

### 2130.1 Premise:

- a) The State Legislature has declared the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern (Government Code (GC) § 53600.6 and § 53630.1); and,
- b) Government Code Sections 53601, et seq., allow the legislative body of a local agency to invest surplus monies not required for the immediate necessities of the local agency; and,
- c) The fiscal officer of a local agency is required to annually prepare and submit a statement of investment policy and such policy, and any changes thereto, is to be considered by the local agency's legislative body at a public meeting (GC § 53646(a)).
- d) For these reasons, and to ensure prudent and responsible management of the public's funds, it is the policy of the District to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all statutes governing the investment of District funds.

### 2130.2 Scope:

This investment policy applies to all financial assets of the District. These funds are accounted for in the annual audited financial statements of the District and include:

- a) Demand Accounts
- b) Investments
- c) General Fund
- d) Local Agency Investment Fund [others]
- e) Operation and Maintenance Fund
- f) Enterprise Funds [others]

### 2130.3 Prudence:

The Board and persons authorized to make investment decisions subject to these policies are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or 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 District.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.



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Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in the next issued quarterly treasury report and appropriate action are taken to control adverse developments. When a deviation poses a significant risk to the District's financial position, the Board shall be notified immediately.

### 2130.4 Objectives:

As specified in GC §53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives of the investment activities, in priority order, shall be:

- a) **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the whole portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

### **Delegation of Authority.**

A. The Board of Directors delegates to the General Manager principal management responsibility for the deposit of District monies, funds, and financial assets, and safeguarding all District funds and accounts, pursuant to this statement of investment policy. The Board of Directors authorizes the General Manager to make deposit decisions on behalf of the District pursuant and subject to this investment policy, applicable laws, and the prudent investor standard.

B. The Board of Directors delegates to the Treasurer principal responsibility for the investment of District monies, funds, and financial assets pursuant to this statement of investment policy. The Board of Directors authorizes the Treasurer to make investment decisions on behalf of the District pursuant and subject to this investment policy, applicable laws, and the prudent investor standard.

### **VI. Authorized Investments.**

District funds and monies may be deposited and invested in only one or a combination of the institutions and investment types authorized by California Government Code section 53600 and following and described in Figure 1 and the Table of Notes for Figure 1 in the Local Agency Investment Guidelines effective January 1, 2017 published by the California Debt and Investment Advisory Commission.

For mortgage, asset-backed, and any other permissible pass-through type securities, the expected average life (average length of time until payment of all cash flows) shall not exceed 7 years. Also, for floating rate securities the next interest adjustment date rather than the ultimate maturity date will determine the appropriateness for investment.



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**FIGURE 1**

ALLOWABLE INVESTMENT INSTRUMENTS PER STATE GOVERNMENT CODE (AS OF JANUARY 1, 2017)<sup>A</sup> APPLICABLE TO ALL LOCAL AGENCIES<sup>B</sup>

See "Table of Notes for Figure 1" on the next page for footnotes related to this figure.

INVESTMENT TYPE	MAXIMUM MATURITY <sup>C</sup>	MAXIMUM SPECIFIED % OF PORTFOLIO <sup>D</sup>	MINIMUM QUALITY REQUIREMENTS
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations—CA And Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S Agency Obligations	5 years	None	None
Bankers' Acceptances	180 days	40% <sup>E</sup>	None
Commercial Paper—Pooled Funds <sup>F</sup>	270 days	40% of the agency's money <sup>G</sup>	Highest letter and number rating by an NRSRO <sup>H</sup>
Commercial Paper—Non-Pooled Funds <sup>F</sup>	270 days	25% of the agency's money <sup>G</sup>	Highest letter and number rating by an NRSRO <sup>H</sup>
Negotiable Certificates of Deposit	5 years	30% <sup>I</sup>	None
Non-negotiable Certificates of Deposit	5 years	None	None
Placement Service Deposits	5 years	30% <sup>K</sup>	None
Placement Service Certificates of Deposit	5 years	30% <sup>K</sup>	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days <sup>L</sup>	20% of the base value of the portfolio	None <sup>M</sup>
Medium-Term Notes <sup>N</sup>	5 years	30%	"A" rating category or its equivalent or better
Mutual Funds And Money Market Mutual Funds	N/A	20%	Multiple <sup>O</sup>
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	"AA" rating category or its equivalent or better <sup>P</sup>
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple <sup>Q</sup>
Local Agency Investment Fund (LAIF)	N/A	None	None
Voluntary Investment Program Fund <sup>R</sup>	N/A	None	None
Supranational Obligations <sup>U</sup>	5 years	30%	"AA" rating category or its equivalent or better



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### Table of Notes for Figure 1.

**A** Sources: Sections 16340, 16429.1, 53601, 53601.8, 53635, 53635.2, 53635.8, and 53638.

**B** Municipal Utilities Districts have the authority under the Public Utilities Code Section 12871 to invest in certain securities not addressed here.

**C** Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceeds this five year maturity limit. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.

**D** Percentages apply to all portfolio investments regardless of source of funds. For instance, cash from a reverse repurchase agreement would be subject to the restrictions.

**E** No more than 30 percent of the agency's money may be in bankers' acceptances of any one commercial bank.

**F** "Select Agencies" are defined as a "city, a district, or other local agency that do[es] not pool money in deposits or investment with other local agencies, other than local agencies that have the same governing body."

**G** Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper of any single issuer.

**H** Issuing corporation must be organized and operating within the U.S., have assets in excess of \$500 million, and debt other than commercial paper must be in a rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, has program wide credit enhancements, and has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical rating agency.

**I** "Other Agencies" are counties, a city and county, or other local agency "that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body." Local agencies that pool exclusively with other local agencies that have the same governing body must adhere to the limits set for "Select Agencies," above.

**J** No more than 30 percent of the agency's money may be in negotiable certificates of deposit that are authorized under Section 53601(i).



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**K** No more than 30 percent of the agency's money may be invested in deposits, including certificates of deposit, through a placement service (excludes negotiable certificates of deposit authorized under Section 53601(i)).

**L** Reverse repurchase agreements or securities lending agreements may exceed the 92-day term if the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity dates of the same security.

**M** Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state chartered bank that has a significant relationship with the local agency. The local agency must have held the securities used for the agreements for at least 30 days.

**N** "Medium-term notes" are defined in Section 53601 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"

**O** No more than 10 percent invested in any one mutual fund. This limitation does not apply to money market mutual funds.

**P** A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund must retain 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 Sections 53601 and 53635.

**Q** A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five-years experience investing in money market instruments with assets under management in excess of \$500 million.

**R** Issuer must be rated in a rating category of "A" or its equivalent or better as provided by a nationally recognized statistical rating organization.

**S** A joint powers authority pool must retain 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 Section 53601, subdivisions (a) to (o).

**T** Local entities can deposit between \$200 million and \$10 billion into the Voluntary Investment Program Fund, upon approval by their governing bodies. Deposits in the fund will be invested in the Pooled Money Investment Account.



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**U** Only those obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB)

### **VII. Safekeeping and Custody.**

All District deposits and investments shall have the Rural North Vacaville Water District named as depositor and registered owner. All securities purchased or acquired shall be delivered to the District by book entry, physical delivery, or by third party custodial agreement as required by Government Code Section 53601.

### **VIII. Annual Review of Investment Policy and Quarterly Reporting and Review of Investment Report.**

The General Manager on a quarterly basis shall submit to the District Board of Directors copies of the Rural North Vacaville Water District Investment Report. The Investment Report shall include the following information required by Government Code section 53646:

- The type of investment, issuer, date of maturity, par and dollar amount invested on all securities, investments and monies held by the District (53646(b)(1));
- A description of the District's funds, investments, or programs that are under the management of contracted parties (53646(b)(1));
- A statement indicating compliance of the portfolio with this Statement of Investment Policy or the manner in which the portfolio is not in compliance (53646(b)(2));
- A statement denoting the District's ability to meet its pool's expenditure requirements for the next six months, if any, or provide an explanation as to why sufficient monies may not be available (53646(b)(3)); and
- Whatever additional data or information may be required by the Board of Directors (53646(c)).

The Board on a quarterly basis shall review the Investment Report and investment transactions made.

### **IX. Amendments.**

This statement of investment policy shall take effect only upon adoption by resolution of the Board of Directors. Any subsequent amendments or modifications shall not take effect unless expressly approved by resolution of the Board of Directors.