

RESOLUTION NO. 19R-06

RESOLUTION OF THE BOARD OF DIRECTORS OF
THE BIGHORN-DESERT VIEW WATER AGENCY
ESTABLISHING ITS INVESTMENT POLICY

1. POLICY

WHEREAS, the Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern (California Government Code Section 53600.6); and

WHEREAS, the legislative body of a local agency may invest surplus monies not required for the immediate necessities of the local agency in accordance with the provisions of California Government Code Sections 5920 and 53600; and

WHEREAS, the Treasurer or fiscal officer of the Bighorn-Desert View Water Agency ("Agency") must annually prepare and submit a statement of investment policy and such policy, and any changes thereto, shall be considered by the Board of Directors at a public meeting; and

NOW THEREFORE, BE IT RESOLVED by the Board of Directors of the Agency that it shall be the policy of the Agency to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the Agency's daily cash flow demands and conforming to all statutes governing the investment of Agency funds.

2. SCOPE

This investment policy applies to all financial assets of the Agency. These funds are accounted for in the annual Agency audit.

3. PRUDENCE

Investments shall be made with judgment and care, under circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Agency, 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. The standard of prudence to be used by investment officials shall be the "prudent investor" standard (California Government Code Section 53600.3) and shall be applied in the context of managing an overall portfolio. 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 a timely fashion and appropriate action is taken to control adverse developments.

4. OBJECTIVES

As specified in California Government Code Section 53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling and managing Agency funds, the primary objectives, in priority order, of the investment activities shall be:

- a. **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the Agency shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall 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.
- b. **Liquidity:** The investment portfolio will remain sufficiently liquid to enable the Agency to meet all operating requirements which might be reasonably anticipated.
- c. **Return on Investments:** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

5. DELEGATION OF AUTHORITY

Authority to manage the investment program is derived from California Government Code Sections 53600, et seq. Management responsibility for the investment program is hereby delegated to the Treasurer, who, where appropriate, shall establish written procedures for the operation of the investment program consistent with this investment policy. No person may engage in an investment transaction except as provided under the terms of this policy and such procedures as may be established by the Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish controls to regulate the activities of subordinate officials. Under the provisions of California Government Code Section 53600.3, the Treasurer is a trustee and a fiduciary subject to the prudent investor standard. The Treasurer shall be limited to investments in LAIF except in instances where specifically authorized by Board action to invest in other areas.

6. ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall fully comply with the Agency's Conflict of Interest Code in the execution of this policy, and shall refrain from personal business activity that could conflict or appear to conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

7. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Treasurer may maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience and minimal capitalization authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment and financial advisory services in the State of California. No public deposit shall be made except in a qualified public depository as established by state laws.

For brokers/dealers of government securities and other investments, the Agency shall select only broker/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organizations.

Before engaging in investment transactions with a broker/dealer, the Treasurer shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the Agency's account with that firm has reviewed the Agency's Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the Agency that are appropriate under the terms and conditions of the Investment Policy.

Where all funds of the Agency not placed in FDIC-insured accounts are invested through the Local Agency Investment Fund (LAIF), the Treasurer need not be concerned with the qualifications of those financial institutions and broker/dealers with whom LAIF transacts business.

8. AUTHORIZED AND SUITABLE INVESTMENTS

a. Permitted Investments: Agency funds may be invested as authorized by, and subject to the limitations and special conditions of California Government Code Section 53601 et. seq.

b. Prohibited Investments: Under the provisions of California Government Code Section 53601.6 and 53631.5, the Agency shall not invest any funds covered by this Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools or any investment that may result in a zero interest accrual if held to maturity.

9. AUTHORIZED SIGNATORIES

Every financial transaction shall require two authorized signatures. Each transaction shall require one Authorized Board Member and one Authorized Agency Staff Member to complete the transaction or two authorized Board Members. The aforementioned are authorized to transfer funds between the Local Agency Investment Fund accounts of the Agency with the approval and signature of any two of them. The Bank is authorized to honor all such transactions.

10. COLLATERALIZATION

All certificates of deposits must be collateralized by United States Treasury Obligations. Collateral must be held by a third party trustee and valued on a monthly basis. The percentage of collateralizations on repurchase and reverse agreements will adhere to the amount required under California Government Code 53601(j)(2).

11. SAFEKEEPING AND CUSTODY

All security transactions entered into by the Agency shall be conducted on delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the Agency by book entry, physical delivery or by third party custodial agreement, as required in California Government Code 53601 (i) (2).

12. DIVERSIFICATION

The Agency will diversify its investments by security type and institution. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. Diversification strategies shall be determined and revised periodically, if determined necessary to meet Agency goals. In establishing specific diversification strategies, the following general policies and constraints shall apply:

- a. Portfolio maturity dates shall be matched versus liabilities to avoid undue concentration in a specific maturity sector.
- b. Maturities selected shall provide for stability of income and liquidity.
- c. Disbursement and payroll dates shall be covered through maturities of investments, marketable United States Treasury bills or other cash equivalent instruments such as money market mutual funds.

13. REPORTING

In accordance with California Government Code Section 53646(b)(1), the Treasurer shall submit an investment report to the Board of Directors at least quarterly. The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for Agency by third party contracted managers. The report will also include the source of the portfolio valuation. If all funds are placed in LAIF, FDIC-insured accounts and/or in a county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a certification that (1) all investment actions executed since the last report have been made in full compliance with the Investment Policy and, (2) the Agency will meet its expenditure obligations for the next six months, as required by Government Code Section 53646(b)(2) and (3), respectively. The Treasurer shall maintain a complete and timely record of all investment transactions.

14. INVESTMENT POLICY ADOPTION

The Investment Policy shall be adopted by resolution of the Board of Directors. Moreover, the Policy shall be reviewed on an annual basis, and modifications must be approved by the Board of Directors.

15. RESCISSION

This Investment Policy adopted pursuant to Resolution No. 13R-01 is hereby superseded by this Resolution and of no further force and effect.

PASSED, APPROVED AND ADOPTED by the Board of Directors of Bighorn-Desert View Water Agency this 28 day of May, 2019.

By *Michael H. McBride*
Michael McBride, Board President

Attest:

John R. Burkhardt
John R. Burkhardt, Board Secretary



| <u>Govt. Code Section</u> | <u>Investment Type</u> | <u>Maximum Maturity</u> | <u>Authorized Limit (%)</u> | <u>Required Rating</u> |
|---------------------------|--|-------------------------|-------------------------------------|------------------------|
| 53601(a) | Bonds issued by Bighorn-Desert View Water Agency | 5 years | None | None |
| 53601(b) | U.S. Treasury Bills, Notes and Bonds | 5 years | None | None |
| 53601(c) | State Warrants or Bonds | 5 years | None | None |
| 53601(d) | Local Agency Investment Fund (LAIF) | N/A | None | None |
| 53601(e) | U.S. Agencies or Enterprises | 5 years | None | None |
| 53601(f) | Bankers Acceptances | 180 days | 40% (30% in any one bank) | None |
| 53601(g) | Prime Commercial Paper | 270 days | 25% (10% in any one entity's paper) | A |
| 53601(h) | Negotiable Certificates of Deposit | 5 years | 30% | None |
| 53601(i) | Repurchase/Reverse Repurchase Agreements | 1 year * | 20% | None |
| 53601(j) | Medium-Term Corporate Notes | 5 years | 30% | A |
| 53601(k) | Money Market Mutual Funds and Mutual Funds ** | 5 years | 20% (10% in any single fund) | *** |
| 53601(l) | Bond/COP Funds | N/A | None | None |
| 53601(m) | Collateralized Bank Deposits | 5 years | None | None |
| 53601(n) | Mortgage Pass-Through Securities | 5 years | 20% | AA |

* the one year limitation for Repurchase/Reverse Repurchase Agreements is subject to a further limitation set forth in Government Code Section 53601(i)(4), which, if applicable, may limit the maturity to 92 days.

** Mutual Funds maturity may be defined as the weighted average maturity; money market mutual funds must have an average maturity of 90 days or less, per SEC regulations.

*** Highest ratings from two of the top three rating agencies.