



1902 - Serving Our Community for over 121 Years - 2024

WEST BAY SANITARY DISTRICT

AGENDA OF BUSINESS

SPECIAL MEETING OF THE DISTRICT BOARD

WEDNESDAY, JANUARY 3, 2024 AT 7:00 P.M.

**RONALD W. SHEPHERD ADMINISTRATION BUILDING,
500 LAUREL STREET, MENLO PARK, CALIFORNIA 94025**

Board Members

Fran Dehn, President
David Walker, Secretary
Roy Thiele-Sardiña, Treasurer
Edward P. Moritz, Member
George Otte, Member

General Manager

Sergio Ramirez

District General Counsel

Anthony Condotti, Esq.

AGENDA OF BUSINESS

To participate by telephone or Zoom meeting, public comments can be made by joining Zoom meeting at: <https://us06web.zoom.us/j/85260433712?pwd=Mczf4oIRbrIkUtX0GhOcoqR1BivYzq.1>
Meeting ID: 852 6043 3712 Passcode: 310900

1. Call to Order and Roll Call
2. Communications from the Public
3. Consider Approving Investment Policy and Resolution
4. Closed Session
 - A. PUBLIC EMPLOYEE PERFORMANCE EVALUATION/CONF. WITH LABOR NEGOTIATORS
Agency designated representatives: Board President/Legal Counsel
Unrepresented employee: General Manager
5. Comments or Reports from Members of the District Board and Consider Items to be Placed on Future Agenda
6. Adjournment

The West Bay Sanitary District does not discriminate against persons with disabilities. Upon request, the agenda and agenda packet can be provided in a format to accommodate special needs. If you require a copy of the agenda or related materials in an alternative format to accommodate a disability, or if you wish to attend this public meeting and will require special assistance or other special equipment, please call the District at (650) 321-0384 at least five days in advance and we will make every reasonable attempt to provide such an accommodation.

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WEST BAY SANITARY DISTRICT AGENDA ITEM 3

To: *Board of Directors*

From: *Debra Fisher, Finance Manager*

Subject: *Consider Approving Investment Policy and Resolution*

Background

California Government Code requires annual Board review and approval of the District's Investment policy. The District's current investment policy is established in Resolution No. 2398 (2023), revised September 22, 2021 and last approved September 27, 2023. There are no changes in the investment policy.

The resolution is updated to allow the Finance Committee to make investment decisions based on current market conditions and direct the General Manager/Chief Fiscal Officer to make such investments per the Investment Policy and Resolution. The decision by the Finance Committee would then be ratified by the full Board at the next regular board meeting.

Fiscal Impact

Would allow Finance Committee to authorize moving funds between investment accounts, increasing yields on cash holdings.

Recommendation

The Finance Manager recommends the Board approve the Investment Policy and Investment Resolution.

Attachments: 2024-01-03 Resolution Investment Policy
Investment Policy Revised 2023-09-27

RESOLUTION NO. ____ (2024)

A RESOLUTION ESTABLISHING INVESTMENT AND PROCEDURE POLICY FOR THE WEST BAY SANITARY DISTRICT AND AMENDING RESOLUTION NO. 1996 (2016), 2198 (2020), 2280 (2021), 2358 (2022), 2398 (2023)

To ensure sound investment practices, which also meet legislative guidelines, the District Board of the West Bay Sanitary District finds and determines as follows:

WHEREAS, the District's Deferred Compensation Investment Funds are specifically excluded from this Policy; and

WHEREAS, the District's operating funds and bond proceeds may be invested in securities authorized by California Government Code Section 53601 and the Local Agency Investment Fund (LAIF), and BMO Bank (formally Bank of the West) Investment Management & Trust pursuant to Government Code Section 53630; and

WHEREAS, with respect to investments with banks and/or savings and loan associations:

1. It is the policy of the District Board to satisfy the requirements of California Government Code Section 53637 by investing with those banks and savings and loan associations agreeing to pay the highest rate of interest; and
2. Investments and deposits shall comply with all requirements of California Government Code §§ 53600 et seq. and §§ 53630 et seq. Notwithstanding this section, and with the exception of those funds deposited with the Local Agency Investment Fund, the Chief Fiscal Officer shall invest only in the instruments specifically authorized and approved by the District Board and recorded in the minutes of a meeting thereof; and
3. All deposits shall be secured with eligible securities as provided in California Government Code §§ 53651, except that real estate secured promissory notes, as described in Section 53651(m), shall not be acceptable, and provided, further, that security may be waived to the extent that deposits are insured by the FDIC; and
5. The District adopted the Public Agency Retirement Service Irrevocable Trust account for the proposed pre-funding of Other Post-Employment Benefits and designated the General Manager as Plan Administrator to make deposits as directed by the Board as well as withdrawals and reimbursement of expenses paid on behalf of eligible recipients by PERS; and

WHEREAS, deposits with the Local Agency Investment Fund in the State Treasury shall be made pursuant to California Government Code § 16429.1; and

WHEREAS, the appointment of the General Manager as the Deputy Secretary/Deputy Treasurer of the District Board, as Chief Fiscal Officer of the West Bay Sanitary District and granting the General Manager the authority to transfer funds to and from the LAIF, the Bank of the West Investment Management & Trust, the Public Agency Retirement Service, and to open accounts and invest funds in approved financial institutions, and to reinvest funds at maturity of deposit is necessary to ensure continuity of the District's operations, processes and procedures; and

WHEREAS, pursuant to Health and Safety Code § 6487, the District Board acting by resolution may authorize the General Manager to sign releases, receipts and similar documents in the name of the District; and

WHEREAS, the General Manager shall be deemed the Chief Fiscal Officer for the purposes of Section 53646 of the California Government Code.

NOW, THEREFORE BE IT RESOLVED, that in consideration of the foregoing, the District Board hereby establishes the following procedures for the transfer and investment of District monies:

1. The General Manager, without the prior approval of the District Board, may transfer to and from LAIF and the BMO Bank (formally Bank of the West) Money Market funds designated by the District Board as short-term operating reserves, which are required to meet the current expenses of the District. The General Manager shall provide the District Board in the Financial Activity Report the total transfers at the next regular meeting of the District Board following the month of such transfer.
2. The General Manager shall transfer to and from BMO Bank (formally Bank of the West) Investment Management & Trust those monies designated by the District Board as long-term investment funds by the District Board. The General Manager shall make such transfers as approved in the budget or upon a specific instruction to do so, given by the District Board at a public meeting thereof or, alternatively, by the Finance Committee at a meeting thereof, subject to ratification by the District Board at a public meeting thereof. The General Manager shall provide the District Board with a statement explaining each transfer at the next regular meeting of the District Board following the date of such transfer and provide quarterly investment statements showing the details of all transactions, at the next regular meeting of the District Board following their availability.
3. The General Manager (Plan Administrator) may make deposits to PARS as directed by the Board. The General Manager (Plan Administrator), without prior approval of the District Board, may make withdrawals from PARS for the reimbursement of expenses paid on behalf of eligible recipients of PERS for Other Post-Employment Benefits.
4. The District Board shall annually review and approve the District's Investment Policy.
5. The General Manager (Chief Fiscal Officer) shall render a quarterly report to the District Board showing the type of investment, institution, date of maturity, amount of deposit, and rate of interest. The quarterly report shall specify in detail investments made pursuant to subdivision (i) of Section 53601, Section 53601.1, and subdivision (i) of Section 53635. The report shall also state its relationship to this statement of investment policy. The report shall be presented to the District Board within 30 days of the end of the quarter reported.
6. In carrying out the functions of these policies and procedures, the General Manager (Chief Fiscal Officer) shall consult regularly with the Board Treasurer and/or Board President.

BE IT FURTHER RESOLVED as follows:

1. The General Manager of West Bay Sanitary District effective July 1, 2020, Sergio Ramirez, is appointed Deputy Secretary/Deputy Treasurer of the District Board, the Chief Fiscal Officer of the West Bay Sanitary District and authorized to act for and on behalf of the District and the District Board to transfer funds to and from the Local Agency Investment Fund, the BMO Bank (formally Bank of the West) Investment Management & Trust and the Public Agency Retirement Service, in accordance with this resolution.
2. The General Manager is authorized to open Certificate of Deposit accounts in the name of the District, when instructed to do so by the District Board. Within 60 days of maturity of a Certificate of Deposit, the General Manager shall advise the Board of the rates offered for redeposit. Pursuant to

instructions by the District Board, the General Manager is authorized to liquidate or redeposit Certificates of Deposit as instructed, provided, however, that all such deposits and redeposit shall be limited exclusively to negotiable certificates of deposit meeting the requirements of Government Code §53635 (h).

3. The General Manager is expressly authorized to sign and execute on behalf of the District such applications, receipts, and other documents as may reasonably and necessarily be required to conduct these activities, and to give directions telephonically regarding these matters.

PASSED AND ADOPTED by the District Board of the West Bay Sanitary District at a regular meeting thereof held on the January 3, 2024, by the following vote:

Ayes :

Noes:

Abstain:

Absent:

President of the District Board of the
West Bay Sanitary District, San Mateo
County, State of California

Secretary of the District Board of
the West Bay Sanitary District, San
Mateo County, State of California

RESOLUTION NO. ____ (2024)

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1. It is the policy of the District Board to satisfy the requirements of California Government Code Section 53637 by investing with those banks and savings and loan associations agreeing to pay the highest rate of interest; and
2. Investments and deposits shall comply with all requirements of California Government Code §§ 53600 et seq. and §§ 53630 et seq. Notwithstanding this section, and with the exception of those funds deposited with the Local Agency Investment Fund, the Chief Fiscal Officer shall invest only in the instruments specifically authorized and approved by the District Board and recorded in the minutes of a meeting thereof; and
3. All deposits shall be secured with eligible securities as provided in California Government Code §§ 53651, except that real estate secured promissory notes, as described in Section 53651(m), shall not be acceptable, and provided, further, that security may be waived to the extent that deposits are insured by the FDIC; and
5. The District adopted the Public Agency Retirement Service Irrevocable Trust account for the proposed pre-funding of Other Post-Employment Benefits and designated the General Manager as Plan Administrator to make deposits as directed by the Board as well as withdrawals and reimbursement of expenses paid on behalf of eligible recipients by PERS; and

WHEREAS, deposits with the Local Agency Investment Fund in the State Treasury shall be made pursuant to California Government Code § 16429.1; and

WHEREAS, the appointment of the General Manager as the Deputy Secretary/Deputy Treasurer of the District Board, as Chief Fiscal Officer of the West Bay Sanitary District and granting the General Manager the authority to transfer funds to and from the LAIF, the Bank of the West Investment Management & Trust, the Public Agency Retirement Service, and to open accounts and invest funds in approved financial institutions, and to reinvest funds at maturity of deposit is necessary to ensure continuity of the District's operations, processes and procedures; and

WHEREAS, pursuant to Health and Safety Code § 6487, the District Board acting by resolution may authorize the General Manager to sign releases, receipts and similar documents in the name of the District; and

WHEREAS, the General Manager shall be deemed the Chief Fiscal Officer for the purposes of Section 53646 of the California Government Code.

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2. The General Manager shall transfer to and from BMO Bank (formally Bank of the West) Investment Management & Trust those monies designated by the District Board as long-term investment funds ~~and as approved~~ by the District Board. The General Manager shall make such transfers ~~as approved in the budget or only~~ upon a specific instruction to do so, given by the District Board at a public meeting thereof or, alternatively, by the Finance Committee at a meeting thereof, subject to ratification by the District Board at a public meeting thereof. The General Manager shall provide the District Board with a statement explaining each transfer at the next regular meeting of the District Board following the date of such transfer and provide quarterly investment statements showing the details of all transactions, at the next regular meeting of the District Board following their availability.
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4. The District Board shall annually review and approve the District's Investment Policy.
5. The General Manager (Chief Fiscal Officer) shall render a quarterly report to the District Board showing the type of investment, institution, date of maturity, amount of deposit, and rate of interest. The quarterly report shall specify in detail investments made pursuant to subdivision (i) of Section 53601, Section 53601.1, and subdivision (i) of Section 53635. The report shall also state its relationship to this statement of investment policy. The report shall be presented to the District Board within 30 days of the end of the quarter reported.
6. In carrying out the functions of these policies and procedures, the General Manager (Chief Fiscal Officer) shall consult regularly with the Board Treasurer and/or Board President.

BE IT FURTHER RESOLVED as follows:

1. The General Manager of West Bay Sanitary District effective July 1, 2020, Sergio Ramirez, is appointed Deputy Secretary/Deputy Treasurer of the District Board, the Chief Fiscal Officer of the West Bay Sanitary District and authorized to act for and on behalf of the District and the District Board to transfer funds to and from the Local Agency Investment Fund, the BMO Bank (formally Bank of the West) Investment Management & Trust and the Public Agency Retirement Service, in accordance with this resolution.
2. The General Manager is authorized to open Certificate of Deposit accounts in the name of the District, when instructed to do so by the District Board. Within 60 days of maturity of a Certificate of Deposit, the General Manager shall advise the Board of the rates offered for redeposit. Pursuant to

instructions by the District Board, the General Manager is authorized to liquidate or redeposit Certificates of Deposit as instructed, provided, however, that all such deposits and redeposit shall be limited exclusively to negotiable certificates of deposit meeting the requirements of Government Code §53635 (h).

3. The General Manager is expressly authorized to sign and execute on behalf of the District such applications, receipts, and other documents as may reasonably and necessarily be required to conduct these activities, and to give directions telephonically regarding these matters.

PASSED AND ADOPTED by the District Board of the West Bay Sanitary District at a regular meeting thereof held on the January 3, 2024, by the following vote:

Ayes:

Noes:

Abstain:

Absent:

President of the District Board of the
West Bay Sanitary District, San Mateo
County, State of California

Secretary of the District Board of
the West Bay Sanitary District, San
Mateo County, State of California

WEST BAY



West Bay Sanitary District

Investment Policy

Approved by a motion of the District Board on
September 22, 2021

[\(Review September 27, 2023\)](#)

500 Laurel Street
Menlo Park, California 94025
(650) 321-0384

INVESTMENT POLICY

Introduction

The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities.

The investment policies and practices of the West Bay Sanitary District (District) are based on state law and prudent money management. All funds will be invested in accordance with the District's investment policy and the California Government Code.

Scope

This investment policy applies to all funds and investment activities under the direction of the District.

Prudence

The standard of prudence to be used by investment officials shall be the "prudent investor" standard 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. Investments shall be made 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.

Objectives

The primary objectives, in priority order, of the investment activities of the District shall be:

- 1) **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 preservation of capital in the portfolio.
- 2) **Liquidity**. The District shall maintain sufficient investments in liquid accounts to meet anticipated cash flow needs for the next six to twelve months. Liquidity refers to the ability to sell at any given moment with a minimal chance of losing principal or interest.
- 3) **Return on Investment**. The investment portfolio of the District shall be designed with the objective of attaining a market rate of return on its investments consistent with the constraints imposed by its safety objective and cash flow considerations.

Delegation of Authority

The Board of Directors delegates day-to-day responsibility for investments to the ~~District~~ General Manager/Chief Fiscal Officer (CFO). This delegation of authority shall be in effect for a one-year period and must be reviewed, and if still applicable, renewed annually. If authority has been delegated, the District staff shall submit a quarterly report of investment transactions to the Board of Directors, as required by California Government Code, Section 53607.

The Board may delegate the authority to invest, reinvest, sell, or exchange securities on behalf of the District to a registered investment advisor. The registered investment advisor shall follow this Policy and such other written investment instructions as provided.

The Board of Directors shall monitor and review all investments for consistency with this investment policy.

Investment Procedures

The District shall establish written investment procedures for the District's investment program consistent with this Policy. The procedures should include reference to: safekeeping, wire transfer agreements, banking service contracts, cash flow forecasting, and collateral/depository agreements.

Ethics and Conflict of Interest

Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the CFO and Finance Manager any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the District.

Authorized Financial Dealers and Institutions

The CFO, Finance Manager, or the District's registered investment advisor, shall maintain a list of authorized broker/dealers and financial institutions which are approved for investment purposes, and it shall be the policy of the District to purchase securities only from those authorized institutions. The CFO, Finance Manager, or investment advisor shall have written criteria for inclusion on the approved list. The list should be reviewed by the Board of Directors annually.

Permitted Investment Instruments (in conformity with California G.C. §53601)

The District shall attempt to limit its investments in any one bank or corporation to no more than 5% of the District's total investments at the time of purchase.

- 1) United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
- 2) Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

- 3) Obligations of the State of California or any local agency within the state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled or operated by the state or any local agency or by a department, board, agency or authority of the state or any local agency, or registered treasury notes or bonds of any of the other 49 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, provided that the obligations are rated in one of the two highest categories by a Nationally Recognized Statistical Rating Organization.
- 4) Banker's Acceptances issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest category by a Nationally Recognized Statistical Rating Organization. Purchases of Banker's Acceptances may not exceed 180 days maturity or 40 percent of the District's total funds available for investment or 30 percent in the bankers' acceptances of any one commercial bank.
- 5) Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided by a Nationally Recognized Statistical Rating Organization (NRSRO). The issuing entity shall meet all of the following conditions of paragraph a or b:
 - a. The entity meets the following criteria:
 - i. Is organized and operating within the United States as a general corporation
 - ii. Has total assets in excess of \$500 million
 - iii. Has debt other than commercial paper, if any, that is rated in a rated category of "A" or higher rating by a Nationally Recognized Statistical Rating Organization.
 - b. The entity meets the following criteria:
 - i. Is organized within the United States as a special purpose corporation, trust, or limited liability company
 - ii. Has program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.
 - iii. Has commercial paper that is rated "A-1" or higher, or the equivalent, by a Nationally Recognized Statistical Rating Organization.

Purchases of eligible commercial paper shall have a maximum maturity of 270 days or less and may not exceed 25 percent of the District's total funds available for investment. Investments also may not represent more than 10 percent of the outstanding commercial paper of any single corporate issue.

- 6) Medium-term notes, defined 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. Medium-term corporate notes shall be rated in a rating category of "A" or its equivalent or better by a Nationally Recognized Statistical Rating Organization.

Purchase of medium-term corporate notes may not exceed 30 percent of the District's investment portfolio.

- 7) Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. The Board of Directors of the District, the CFO, or other officials of the District having legal custody of the money are prohibited from investing the District's funds, or funds in the custody of the District, in negotiable certificates of deposit issued by a state or federal credit union if a member of the Board of Directors or any person with investment decision making authority in the administrative office manager's office, budget office, auditor-controller's office, or CFO's office of the District also

serves on the Board of Directors, or any committee appointed by the Board of Directors, or the credit committee, or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

Purchase of negotiable certificates of deposit may not exceed 30 percent of the District's total funds available for investment, and the issuing institution must be rated in a rated category of "A" long-term or "A-1" short-term or its equivalent or better by a Nationally Recognized Statistical Rating Organization.

- 8) FDIC insured or fully collateralized time certificates of deposit in financial institutions located in California, including U.S. branches of foreign banks licensed to do business in California. All time deposits must be collateralized in accordance with California Government Code section 53652, either at 150% by promissory notes secured by first mortgages and first trust deeds upon improved residential property in California eligible under section (m) of section 53651 or at 110% by eligible marketable securities listed in subsections (a) through (l) and (n) and (o) of section 53651. Eligible securities of the class described in subsection (p) of section 53651 must be collateralized at 105% of the total amount of all deposits of a depository secured by those eligible securities. The District, at its discretion and by majority vote of the Board of Directors, on a quarterly basis, may waive the collateralization requirements for any portion of the deposit that is covered by federal insurance.

Purchases in any single bank or institution shall not exceed \$500,000 in the aggregate at any time.

- 9) State of California's Local Agency Investment Fund

Investment in LAIF may not exceed the investment limitation imposed by LAIF.

- 10) Insured checking, savings, or money market account.

Holdings in any single account shall not exceed \$1,000,000 in the aggregate at any time, with the exception of holdings account for other investments, [BMO Bank \(formally Bank of the West\)](#) Investment Management and Public Agency Retirement Services (PARS) Trust, the Sharon Heights Golf & Country Club SRF Deposit Money Market, and general accounts for timely processing of payments in normal business.

- 11) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.). To be eligible for investment pursuant to this subdivision these companies shall either: (1) attain the highest ranking letter and numerical rating provided by not less than two Nationally Recognized Statistical Rating Organizations and (2) have an investment advisor registered with the Securities and Exchange Commission with not less than five years' experience investing in securities and obligations authorized by Government Code Section 53601 and with assets under management in excess of \$500,000,000.

The purchase price of shares shall not exceed 20 percent of the District's total funds available for investment.

- 12) Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years' maturity. Securities eligible for investment shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a Nationally Recognized Statistical Rating Organization and rated in a rating

category of "AA" or its equivalent or better by a Nationally Recognized Statistical Rating Organization.

Purchase of securities authorized may not exceed 20 percent of the District's total funds available for investment.

13) The California Asset Management Program.

14) United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of at least "AA" by a Nationally Recognized Statistical Rating Organization.

Purchases of these securities shall not exceed 30 percent of the District's total funds available for investment.

Credit criteria listed in this section refers to the credit of the issuing organization at the time the security is purchased. The District may from time to time be invested in a security whose rating is downgraded. If a rating drops below a rating category of "A," the investment advisor shall notify the CFO and Finance Manager and recommend a plan of action. The CFO shall contact the Finance Committee to apprise it of the downgrade and the investment advisor's recommendation. The Committee shall report both the downgrade and any action taken to the Board of Directors at the Board of Directors' next regularly scheduled meeting.

Any percentage limitations for a particular category of investment are applicable only at the date of purchase. Percentage limitations will be applied separately to the individual portfolios.

Ineligible Investments (in conformity with California Government Code Section 53601.6)

The District shall not invest any funds in inverse floaters, range notes, mortgage-derived, interest-only strips, or in any security that could result in zero interest accrual if held to maturity.

Safekeeping and Custody

The assets of the District shall be secured through the third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions. Collateralized securities shall be purchased using the delivery vs. payment procedure.

Maximum Maturity

To the extent possible, investments will be matched to the anticipated cash flow requirements of each reserve account. No investment in any reserve account shall be made in any security that at the time of the investment has a term remaining to maturity in excess of five years, unless the Board of Directors has granted express authority to make an investment either specifically or as a part of an investment program approved by the Board of Directors no less than three months prior to the investment, as required by California Government Code §53601. Additionally, purchases of investments greater than five years will not begin until staff has provided authorization to the District's investment advisor. The maximum maturity for all other sectors is five years, or less, in conformity with Code.

Internal Controls

The CFO and/or Finance Manager shall establish a set of internal controls which will be documented and communicated to the Board of Directors. The internal controls of the District shall be reviewed by the District's independent auditor each year.

Performance Evaluation

As a reference point for the performance of the District's portfolios, the total return of each reserve account will be compared with the total return of the Merrill Lynch 1-5 Year U.S. Treasury Index.

Reporting Requirements

The Finance Manager shall render a quarterly investment report to the Board. The report shall include the following information for each individual investment:

- Type of investment instrument
- Issuer Name
- Maturity date
- Purchase price
- Par value
- Current market value and the source of the valuation
- Overall portfolio yield based on cost

The quarterly report also shall (i) state compliance of the portfolio to the investment policy, or manner in which the portfolio is not in compliance, (ii) include a description of any of the District's funds, investments, or programs that are under the management of contracted parties, including lending programs, and (iii) include a statement denoting the ability of the District to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

Investment Policy Adoption

The District's investment policy shall be adopted by resolution of its Board of Directors. The Policy shall be reviewed by the Board of Directors annually and any modifications made thereto must be approved by the Board of Directors. The annual review shall also consider revisions to the California Government Code and denote such.

The District Board of Directors shall insure that funds are invested in a manner which will provide the maximum security of principal invested, with secondary emphasis on achieving the highest rate of return while meeting the cash flow needs and conforming to all applicable State statutes governing the investment of public funds.

General Policy on Accounting for Investments

The District shall record cash in Local Agency Investment Fund (LAIF) at face value, as this is the definitive value of the District in LAIF. LAIF is exempt from Governmental Accounting Standards Board (GASB) Statement Numbers 72 and 79, requiring applying measurement at fair market value or amortized cost, since it is part of the California State Pooled Money Investment Account (PMIA).

Responsibilities (Summarized)

Board Responsibility

Annually review Investment policy and approve any modifications, review the list of authorized broker/dealers and financial institutions which are approved for investment purposes, and review and renew delegation of the day-to-day responsibility for investments to the ~~District General~~ Manager/Chief Fiscal Officer (CFO) for a one-year period.

Monitor and review all investments quarterly for consistency with this investment policy.

Staff Responsibility

The CFO, Finance Manager, or the District's registered investment advisor, shall maintain a list of authorized broker/dealers and financial institutions which are approved for investment purposes. The District's investment advisor shall provide monthly and quarterly investment reports. The purpose of the monthly report is to advise the District of the investments types held. The CFO or Finance Manager must review and submit the quarterly investment reports to the Board of Directors. In addition, the CFO or Finance Manager shall submit a quarterly investment report outlining the investment details to the Board of Directors.

The CFO and Finance Manager shall be responsible for oversight of the daily investment balances and ensure that the District investments follow the Board of Director's approved investment policy.

District staff shall be responsible for monthly reconciliation of all investment accounts and prepare in a timely manner. Staff will provide monthly summaries to the Board of Directors of all investment accounts.

The CFO or Finance Manager shall establish separate written investment procedures for the District's investment program consistent with this Policy. The procedures should include safekeeping, wire transfer arrangements, banking service contracts, cash flow forecasting, and collateral/depository agreements.