

Crestline Village Water District Investment Policy

1) POLICY

It shall be the policy of the Crestline Village Water 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 Crestline Village Water District funds.

2) SCOPE

This investment policy applies to all financial assets of the Crestline Village Water District. These funds are accounted for in the annual District audit.

3) PRUDENCE

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. The standard of prudence to be used by investment officials shall be the "prudent investor" standard (California Government Code §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 §53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public 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 Crestline Village Water District 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 Crestline Village Water District to meet all operating requirements that might reasonably be 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 §53600, *et seq.* Management responsibility for the investment program is hereby delegated to the General Manager, who shall establish written procedures for the operation of the investment program consistent with this investment policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the General Manager. The General Manager shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Under provisions of California Government Code §53600.3, the General Manager is a trustee and a fiduciary subject to the prudent investor standard.

6) **ETHICS AND CONFLICTS OF INTEREST**

Officers and employees involved in the investment process shall refrain from personal business activity that could 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 General Manager will 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 designated official 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 General Manager shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the Crestline Village Water District's account with that firm has reviewed the Crestline Village Water District's Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the Crestline Village Water District that are appropriate under the terms and conditions of the Investment Policy.

8) **AUTHORIZED AND SUITABLE INVESTMENTS**

The Crestline Village Water District is empowered by California Government Code Sections 53630 *et seq.* to invest surplus funds at a commercial bank, savings bank, savings and loan association, or credit union, and by California Government Code Sections 16429.1 *et seq.* to invest surplus funds in the Local Agency Investment Fund (LAIF). Under California Government Code Sections 53601 *et seq.* the District is also empowered to invest in the following.

- a) Bonds issued by the Crestline Village Water District.
- b) United States treasury bills, notes or bonds.
- c) Registered state warrants or treasury notes or bonds issued by the State of California.
- d) Bonds, notes, warrants or other evidence of debt issued by a local agency within the State of California, including pooled investment accounts sponsored by the State of California, County Treasurers, or other local agencies or joint powers agencies.
- e) Any other investment security authorized under the provisions of California Government Code §5922 and §53601.

California Government Code §53601 is incorporated by reference in this investment policy.

Prohibited Investments. Under the provisions of California Government Code §53601.6, the Crestline Village Water District shall not invest any funds covered by this Investment 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) **COLLATERALIZATION**

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

10) SAFEKEEPING AND CUSTODY

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

11) DIVERSIFICATION

The Crestline Village Water District will diversify its investments by security type and institution. It is the policy of the Crestline Village Water District to diversify its investment portfolio. 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. In establishing specific diversification strategies, the following general policies and constraints shall apply.

- a) Portfolio maturities 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) Disbursements and payroll dates shall be covered through maturities investments, marketable U.S. Treasury Bills or other cash equivalent instruments such as money market mutual funds.

12) REPORTING

In accordance with California Government Code §53646(b)(1), General Manager shall submit to each member of the Board of Directors a quarterly investment report. 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 Crestline Village Water District by third party contracted managers. The report will also include the source of the portfolio valuation. As specified in California Government Code §53646 (e), for all funds placed in LAIF, FDIC-insured accounts and/or in a county investment pool, the foregoing reporting requirement may be met by providing the Board with copies of the latest statements from such institutions. The report must also include a certification that all investment actions executed since the last report have been made in full compliance with this Investment Policy and that the Crestline Village Water District will meet its expenditure obligations for the next six months as required by California Government Code §53646(b)(2) and (3) respectively. The General Manager shall maintain a complete and timely record of all investment transactions.

13) INVESTMENT POLICY ADOPTION

This Investment Policy shall be adopted by resolution of the Crestline Village Water District. Moreover, this Investment Policy shall be reviewed on an annual basis, and any modifications hereto must be approved by subsequent resolution of the Board of Directors.