

**SAN LORENZO VALLEY WATER DISTRICT
STATEMENT OF INVESTMENT POLICY**

Adopted: December 3, 2009
Resolution No. 17 (09-10)

INTRODUCTION

The purpose of this document is to establish formal policies for the prudent investment of the District's unexpended cash. The main objective of this policy is the establishment of guidelines for the investment of all San Lorenzo Valley Water District funds or funds in the custody of the District, in a manner which conforms to all state and local statutes governing the investment of public funds and provides for an optimal combination of safety, liquidity and yield. This policy is in compliance with the provisions of California Government Code Section 53600, et seq.

BASIC POLICIES

1. **PRUDENCE:** San Lorenzo Valley Water District funds shall be invested under the "prudent investor standard" (California Civil Code, Section 2261, et seq.) which essentially states that all 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.
2. **DELEGATION OF AUTHORITY:** Authority to manage the San Lorenzo Valley Water District investment program is delegated to the District Manager. This authority is derived from Resolution 79 (87-88) adopted February 1, 1988 by the San Lorenzo Valley Water District Board of Directors. (See Appendix 1). The District Manager 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 term of this policy and the procedures established by the District Manager.
3. **OBJECTIVES:** The primary objectives of the San Lorenzo Valley Water District's investment activities in priority order shall be as follows:
 - A. **SAFETY** – Safety of principal is the foremost objective of the investment program. The District's investment portfolio shall be designed and undertaken in a manner that seeks to ensure the preservation of the principal invested.
 - B. **LIQUIDITY** – The District's investment portfolio shall be designed to remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated. The liquid needs of the District shall be commensurate with the constraints of anticipated cash flow requirements.

- C. RETURN ON INVESTMENTS – The District’s investment portfolio shall be designed with the objective of attaining the maximum possible rate of return commensurate with the District’s investment risk constraints and the cash flow characteristics of the portfolio.
- 4. PERFORMANCE STANDARDS: Investments shall only be made as allowable by law with specific reference to California Government Code Section 53600, et seq., and any other applicable provisions of law.
- 5. AUTHORIZED AND ACCEPTABLE INVESTMENTS: District funds shall be invested only in the following investment instruments and within any limits indicated.
 - A. LAIF – The Local Agency Investment Fund (LAIF) was created by California Government Code Section 16429.1 through 16429.3. LAIF is an investment pool established and controlled by the State of California to afford smaller agencies the benefits of a large investment portfolio such as higher interest rates and greater diversification. Deposits are limited to \$30,000,000 per account. Funds are completely liquid except for a limitation of ten (10) transactions per month.
 - B. CERTIFICATES OF DEPOSIT – These are receipts for funds deposited in a bank or savings and loan for a specific term and rate of interest. The principal and accrued interest shall be insured by the Federal Deposit Insurance Corporation (FDIC) and shall not exceed the insured FDIC limit in any one single account.
 - C. PASSBOOK SAVINGS ACCOUNTS – This is a regular liquid savings account. The principal and accrued interest shall be insured by the Federal Deposit Insurance Corporation (FDIC) and shall no exceed the insured FDIC limit in any one single account.
 - D. U.S. TREASURY AND AGENCY SECURITIES - Government securities and debt obligations issued by the US Government or its agencies which are secured by the full faith and credit of the federal government. Among these are Treasury Bills and Notes; Government National Mortgage Association (Ginnie Mae); Federal National Mortgage Association (Fannie Mae); Federal Land Bank (FLB) and Federal Farm Credit Banks (FFCB). The District will require safe keeping documentation of the treasury instruments in an acceptable safekeeping account in the District's name.
- 6. DIVERSIFICATION: The purpose of diversification is to reduce overall portfolio risks while attaining market yields. The District will diversify its investments by security type and institution, especially when there is no decrease in yield. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the District’s total investment portfolio will be invested in a single security type or with a single financial institution.
- 7. MATURITY OF INVESTMENTS: In order to minimize the impact of market risk, it is intended to the maximum extent possible, that all investments will be held until maturity. Projected cash flow requirements are the primary factor to be used in determining

investment maturity terms. After cash flow needs have been met, yield considerations will be the next factor in determining maturity terms, with the expectations that longer maturity periods will generally yield greater returns on investments. Investments may be sold before maturity if required for cash flow or appreciation purposes. However, no investment shall be made solely on earnings anticipated from capital gains.

The maximum maturity term of any investment shall not exceed seven (7) years, unless prior expressed authority has been granted by the Board of Directors. The District will diversify its investment by maturity date in order to avoid over concentration in any one specific maturity sector.

8. **REPORTING:** The District's Board of Directors shall receive investment reports at least quarterly. The District Manager shall provide to the Board of Directors quarterly investment reports which provide a clear picture of the status of the current investment portfolio as required by law (California Government Code Section 53646).
9. **ETHICS AND CONFLICTS OF INTEREST:** Officers and employees involved in the District's investment process shall not conduct personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. Officers and employees involved in the District's investment process shall disclose to the District Secretary any material financial interests in financial institutions that conduct business within the jurisdiction of the San Lorenzo Valley Water District and they shall further disclose any large personal financial/investment positions that could be related to the performance of the District's investment portfolio.
10. **INVESTMENT POLICY ADOPTION:** The District's investment policy shall be adopted by resolution of the San Lorenzo Valley Water District's Board of Directors. The District's investment policy shall be reviewed annually thereafter, and any modifications made thereto must be approved by the Board of Directors. The District's Statement of Investment Policy shall be adopted annually by resolution of the Board of Directors at a public meeting.