

## **INVESTMENT POLICY**

This Investment Policy for the Bear Valley Water (“the District”) establishes procedures that are formulated in compliance with governing provisions of law (Government Code Sections 53600 et seq.) for a prudent and systemic investment program in support of the District’s overall mission. The District’s General Manager shall, if so directed by the Board of Directors, periodically prepare or cause to be prepared a statement of investment policy and such policy, and any changes thereto, shall be considered by the Board at a public meeting; (CGC 53646(a)).

This Policy covers all funds and investment activities under the direct authority of the District with the exception of deferred compensation assets.

The District’s investment process and Policy is subject to annual review and evaluation at a public forum.

### **OBJECTIVES**

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

1. Safety. The safety of principal is the foremost objective of the District’s investment program. The District’s investments shall be undertaken in a manner that shall strive to preserve the District’s capital.
2. Liquidity - The District’s secondary objective shall be to meet its liquidity needs. The investment portfolio shall maintain sufficient liquidity to enable the District to meet all operating requirements which might be reasonably anticipated.
3. Yield - Yield shall become a consideration only after the basic requirements of safety and liquidity have been met. 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.

### **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.

### **DELEGATION OF AUTHORITY**

Authority of the District’s Board to delegate the management of the District’s investment program is derived from California Government Code Sections 53600, et seq which states:

*“The authority of the legislative body to invest or to reinvest funds of a local agency, or to sell or exchange securities so purchased, may be delegated for a one-year period by the legislative body to the treasurer of the local agency, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires, and shall make a monthly report of those transactions to the legislative body. Subject to review, the legislative body may renew the delegation of authority pursuant to this section each year.”*

Management responsibility for the investment program is hereby delegated by the Board to the General Manager, for a period of one-year, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked. Subject to review, the Board may renew the delegation of authority each year. The General Manager may delegate the day-to-day operations of investing to his/her designee(s) but not the responsibility for the overall investment program. The General Manager and/or his/her designee(s) shall make all investment decisions and transactions in strict accordance with state law and with this Policy.

If authorized by the Board, the General Manager and/or his/her designee(s) may utilize an external investment advisor to assist with investment decision-making and trade execution authority. The investment advisor shall be under the supervision of the General Manager and/or his/her designee(s) and shall follow this Policy and such other written instructions as are provided.

The General Manager, his/her designee(s) and/or the designated investment officers, acting in accordance with written procedures and policies 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.

#### **INTERNAL CONTROLS**

The General Manager and/or his/her designee(s) shall establish a system of written internal controls to regulate the District's investment activities, including the activities of any subordinate officials acting on behalf of the District. Procedures should include references to individuals authorized to execute transactions or transfers, safekeeping agreements, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. As part of the annual financial audit, the District's external auditor will perform a review of investment transactions to verify compliance with policies and procedures.

#### **AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS**

It shall be the District's policy to purchase securities only from authorized institutions and firms.

No deposit of public funds shall be made except in a qualified public depository as established by state laws. If an external investment advisor is authorized to conduct investment transactions on the District's behalf, the investment advisor may use its own list of approved broker/dealers and financial institutions for investment purposes consistent with the District's policies and existing laws.

For broker/dealers of government securities and other investments, the District shall select only broker/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the Financial Industry Regulatory Authority or other applicable self-regulatory organizations.

Before engaging in investment transactions with a broker/dealer, the General Manager and/or his/her designee(s) shall have received from said firm written acknowledgement attesting that the individual responsible for the District's account has reviewed the District's Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the District that are appropriate under the terms and conditions of this Investment Policy.

#### **AUTHORIZED AND SUITABLE INVESTMENTS**

The type, quality and percent composition within the portfolio shall be in full compliance with Government Code Section 53601 et seq., as amended by periodic action of the State Legislature. All investment types and the limitations under this policy are listed in Appendix A.

In the event a security held by the District is subject to a rating change that brings it below the minimum credit ratings specified in this policy, the General Manager and/or his/her designee(s) shall notify the Board of the change.

Subject to extraordinary circumstances and after review by the board, the General Manager and/or his/her designee(s) shall strive to liquidate and/or otherwise remove any such security from the District's investment portfolio in a timely manner. In some extraordinary circumstances, the District may have to accept some delays in order to minimize additional losses tied to expedited liquidation. In all cases, though, the focus should remain on avoiding loss of principal, forward-looking safety and liquidity.

#### **SAFEKEEPING AND CUSTODY**

All deliverable security transactions entered into by the District shall be conducted on a delivery-versus-payment (DVP) basis. To protect against potential losses by collapse of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all securities owned by the District shall be held in safekeeping by a third party bank trust department, acting as agent for the District under the terms of a custody agreement executed by the bank and by the District. The only exception to the foregoing shall be depository accounts and securities purchases made with: (i) LAIF and government investment pools and, (ii) money market funds, since the purchased investments are not deliverable. Evidence of each these investments will be held by the District.

#### **MAXIMUM MATURITIES**

The General Manager and/or his/her designee(s) shall maintain a system to monitor and forecast revenues and expenditures so that funds can be invested to the fullest extent possible. Maturities of investments will be selected to provide necessary liquidity, manage interest rate risk, and optimize earnings. Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds.

#### **REPORTING AND REVIEW**

The General Manager and/or his/her designee(s) shall maintain a complete and timely record of all investments and transactions. The General Manager and/or his/her designee(s) shall submit a monthly investment report to the District.