



Memo

To: Board of Directors
From: Larrie Ann Davis
Date: January 13, 2017
Subject: Annual Review of Investment Policy

Attached is the District's Investment Policy that was adopted in February 1996. The Board is to review the policy annually and make changes to it as necessary.

The policy is broad brush and allows most types of acceptable investments. The District currently has all of its investments with the Local Agency Investment Fund, which is administered by the State Treasurer's Office.

We have no recommendations for changes to the District's Investment Policy.

RESOLUTION NO. 296

RESOLUTION OF THE BOARD OF DIRECTORS OF
CRESTLINE VILLAGE WATER DISTRICT
ADOPTING AN INVESTMENT POLICY FOR
THE DISTRICT

WHEREAS, the Crestline Village Water District is a county water district organized and operating under the County Water District Law (California Water Code Sections 30000 *et seq.*); and

WHEREAS, the Legislature of the State of California has declared that the deposit and investment of public funds by local agencies is a matter of statewide concern; and

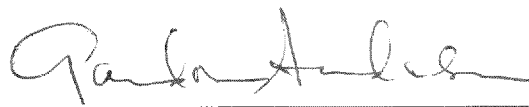
WHEREAS, recent amendments to the California Government Code require the District to adopt a formal investment policy and to review that policy each year in a public meeting;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Crestline Village Water District as follows:

Section 1. The District Board of Directors hereby adopts the Investment Policy attached hereto as Exhibit "A" as the investment policy of the District.

Dated: February 20, 1996

CRESTLINE VILLAGE WATER DISTRICT

By: 

President

ATTEST:




Secretary

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN BERNARDINO)

I, NORMAN L. HUNT, Secretary of the Board of Directors of the Crestline Village Water District, do hereby certify that the foregoing Resolution was duly adopted by the Board of Directors of said District at a regular meeting of said Board held on the 20th day of February, 1996, and that it was adopted by the following roll call vote:

AYES: Directors Anderson, Huckell, McGehee, Myers and Valko
NOES: None
ABSENT: None
ABSTAINED: None



Secretary of the Board of Directors
of Crestline Village Water District

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN BERNARDINO)

I, NORMAN L. HUNT, Secretary of the Board of Directors of the Crestline Village Water District, do hereby certify that the above and foregoing is a full, true and correct copy of Resolution No. 296 of said Board, and that the same has not been amended or repealed.

DATED: _____

Secretary of the Board of Directors
of Crestline Village Water District

Crestline Village Water District Investment Policy

I. 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 entity and conforming to all statutes governing the investment of Crestline Village Water District funds.

II. 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.

III. 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.

IV. 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:

1. **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.

2. **Liquidity:** The investment portfolio will remain sufficiently liquid to enable the Crestline Village Water District to meet all operating requirements which might reasonably be anticipated.

3. **Return of 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.

V. 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.

VI. 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.

VII. 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.

VIII. AUTHORIZED AND SUITABLE INVESTMENTS

The Crestline Village Water District is empowered by California Government Code §53601 et seq. to invest in the following:

- A. Bonds issued by the Crestline Village Water District.
- B. United States Treasury Bills, Notes & 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, other local agencies of Joint Powers Agencies.
- E. Obligations issued by Agencies of Instrumentality of the US Government.
- F. Bankers Acceptances with a term not to exceed 270 days. Not more than 40% of surplus funds can be invested in Bankers Acceptances and not more than 30% of surplus funds can be invested in the bankers acceptances of any single commercial bank.
- G. Prime Commercial Paper of U.S. Corporations with assets greater than \$500 million with a term not to exceed 180 days and the highest ranking issued by Moody's Investors Service or Standard & Poor's Corp. Commercial paper cannot exceed 15% of total surplus funds, provided, that if the average maturity of all Commercial paper does not exceed 31 days, up to 30% of surplus funds can be invested in Commercial paper.
- H. Negotiable Certificates of Deposit issued by federally or state chartered banks or associations. Not more than 30% of surplus funds can be invested in certificates of deposit.

- I. Repurchase/Reverse Repurchase Agreements of any securities authorized by this Section. Securities purchased under these agreements shall be no less than 102% of market value. (See special limits in California Government Code §53601(i).)
- J. Medium term notes (not to exceed 5 Years) of US corporations rated "A" or better by Moody's ' or S&P. Not more than 30% of surplus funds can be invested in medium term notes.
- K. Shares of beneficial interest issued by diversified management companies (Money Market Mutual Funds) investing in the securities and obligations authorized by this Section. Such Funds must carry the highest rating of at least two of the three largest national rating agencies. Not more than 15% of surplus funds can be invested in Money Market Mutual Funds.
- L. Funds held under the terms of a Trust Indenture or other contract or agreement may be invested according to the provisions of those indentures or agreements.
- M. Collateralized bank deposits with a perfected security interest in accordance with the Uniform Commercial Code (UCC) or applicable federal security regulations.
- N. Any mortgage pass-through security, collateralized mortgage obligation, mortgaged backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate or consumer receivable backed bond of a maximum maturity of five years. Securities in this category must be rated AA or better by a nationally recognized rating service. Not more than 30% of surplus funds may be invested in this category of securities.
- O. Any other investment security authorized under the provisions of California Government Code §5922 and §53601.

Also, see California Government Code §53601 for a detailed summary of the limitations and special conditions that apply to each of the above listed investment securities. California Government Code §53601 is attached and included by reference in this investment policy.

Prohibited Investments. Under the provisions of California Government Code §53601.6 and §53631.5, 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.

IX. 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(i)(2).

X. 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.

XI. 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.

XII. 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 (1) all investment actions executed since the last report have been made in full compliance with this Investment Policy and, (2) 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.

XIII. 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.



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The policy is broad brush and allows most types of acceptable investments. The District currently has all of its investments with the Local Agency Investment Fund, which is administered by the State Treasurer's Office.

We have no recommendations for changes to the District's Investment Policy.

**INVESTMENTS AUTHORIZED UNDER CALIFORNIA
GOVERNMENT CODE SECTION 53601**

California Government Code Section	INVESTMENT TYPE	Maximum Maturity	Authorized Limit (%)	Required Rating
53601(a)	Local Agency Bonds	5 Years	None	None
53601(b)	U.S. Treasury Bills, Notes or Bonds	5 Years	None	None
53601(c)	State Registered Warrants, Notes or Bonds	5 Years	None	None
53601(d)	Notes & Bonds of other Local Calif. Agencies	5 Years	None	None
53601(e)	U.S. Agencies	5 Years	None	None
53601(f)	Bankers Acceptances ¹	270 Days	40%	None
53601(g)	Prime Commercial Paper ²	180 Days	15% or 30%	AI/PI
53601(h)	Negotiable Certificates of Deposit	5 Years	30%	None
53601(i)	Repurchase & Reverse Repurch. Agreements*	1yr./92 days	None/20%	None
53601(j)	Medium Term Corporate Notes	5 Years	30%	A
53601(k)	Money Market Mutual Funds & Mutual Funds**	5 Years	15%	2-AAA
53601(m)	Collateralized Bank Deposits	5 Years	None	None
53601(n)	Mortgage Pass-Through Securities	5 Years	20%	AA
53601(d)	Local Agency Investment Fund (LAIF)	N/A	None	None
53601(d)	County Pooled Investment Funds	N/A	None	None

* See California Government Code Section §53601(l) for limits on use of reverse repurchase agreements.

** 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

¹ No more than 30% of surplus funds may be invested in Bankers Acceptances of any one commercial bank.

² 30% if dollar weighted average maturity of all commercial paper does not exceed 31 days. Commercial paper issuers must be organized and operating w/ U.S. and have total assets in excess of \$500 million, and have "A" or higher rating for issuer's debt, other than commercial paper, by Moody's or Standard and Poor's. Purchases may not exceed 10% of outstanding paper of an issuing corporation.

Municipal Utility District Investments are controlled by Municipal Utilities District Act (Div. 6 (commencing with Section 11501) of the Public Utilities Code)