

RESOLUTION NO. 2021-01

**A RESOLUTION OF THE
UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
ADOPTING A REVISED INVESTMENT POLICY**

1.0 POLICY

1.1 WHEREAS; the Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern; and

1.2 WHEREAS; the legislative body of a local agency may invest surplus monies not required for the immediate necessities of the local agency in accordance with the provisions of California Government Code Sections 53601 et seq.; and

1.3 WHEREAS; the Treasurer of the Upper Santa Clara Valley Joint Powers Authority ("Authority"), acting under the direction and authority of the Finance Committee of the Authority, shall annually prepare and submit a statement of investment policy and such policy, and any changes thereto, shall be considered by the Board of Directors at a public meeting;

1.4 NOW THEREFORE, it shall be the policy of the Authority 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 Authority and conforming to all statutes governing the investment of Authority funds.

2.0 SCOPE

This investment policy applies to all financial assets of the Authority. These funds are accounted for in the annual Authority audit. The Authority pools all cash for investment purposes. This policy is applicable, but not limited to all funds listed below:

General/Operating Fund

Special Revenue Funds

- a) One Percent Property Tax Fund
- b) Facility Capacity Fee Fund
- c) State Water Project Fund

Capital Project Fund

Debt Service Fund

Reserve Funds

Enterprise Fund

Grant Funds

3.0 PRUDENCE; RESPONSIBILITY

3.1 Prudence: Investments shall be made with judgment and care, under circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Authority, 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.

3.2 Responsibility: The Treasurer and other individuals assigned to manage the investment portfolio, acting with the intent and scope of this investment policy while exercising due diligence, shall be relieved of personal responsibility for the credit risk and market price risk for securities held in the investment portfolio, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

4.0 OBJECTIVES

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

4.1 Safety: Safety of principal is the foremost objective of the investment program. Investments of the Authority 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.

4.2 Liquidity: The investment portfolio will remain sufficiently liquid to enable the Authority to meet all operating requirements and budgeted expenditures. Investments will be undertaken with the expectation that unplanned expenses will be incurred; therefore, portfolio liquidity will be created to cover reasonable contingency costs.

4.3 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. The goal is to maximize return while ensuring that safety and liquidity objectives are not compromised.

5.0 DELEGATION OF AUTHORITY

Authority to manage the investment program is derived from California Government Code 53600, et seq. Overall accountability and authority for implementation of this policy shall remain with the Board of Directors of the Authority and overseen by the Authority's

Finance Committee. The day-to-day responsibility for management and implementation of the investment program is hereby delegated to the Treasurer, who, where and when appropriate, shall establish written procedures for the operation of the investment program consistent with this investment policy. With this delegation the Treasurer is given the authority to utilize internal staff and outside investment managers to assist in the investment program. The Treasurer shall use care to assure that those assigned responsibility to assist in the management of the Authority's portfolio do so in accordance with this policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Under the provisions of California Government Code 53600.3, the Treasurer is a trustee and a fiduciary subject to the prudent investor standard.

6.0 ETHICS AND CONFLICTS OF INTEREST

The Treasurer and 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. Officials and staff members involved with the investment function shall disclose to the Board of Directors any personal financial interest with a financial institution, broker or investment issuer conducting business with the Authority. Officials and staff members shall further disclose to the Board of Directors any personal financial interest in any entity related to the investment performance of the Authority's portfolio.

7.0 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Treasurer 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 Treasurer 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 Treasurer shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the Authority's account with that firm has reviewed the Authority's Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the Authority that are appropriate under the terms and conditions of the Investment Policy.

The Authority is a local authority authorized to invest surplus monies in the Local Authority Investment Fund (LAIF). LAIF is a special trust fund in the custody of the State Treasurer and the Local Investment Advisory Board created under Government Code

Section 16429.2, which advises the State Treasurer on the investment and reinvestment of LAIF deposits. Each local agency with LAIF deposits has a separate account within LAIF, but the total deposits in LAIF are managed as a pooled investment account. The securities eligible for LAIF investments are statutorily specified in Government Code Section 16430 and are more conservative than those investments permitted under Government Code Section 53601, which governs the management of invested surplus monies by local agencies. Accordingly, the Treasurer need not be concerned with the qualifications of those financial institutions and broker/dealers with whom LAIF transacts business.

8.0 PORTFOLIO MATURITY LIMITS

The maximum maturity for any single investment in the portfolio shall not exceed five years. The maximum weighted average maturity for the investment portfolio shall not exceed three years.

When a security has a mandatory put date, the put date should be used when calculating weighted average portfolio maturity. When a security has an optional put date, the optional put date should be used when calculating weighted average portfolio maturity so long as the put is at the discretion of the Authority and the put price is equal to or greater than the market value for the security. (A put is a contract that gives its holder the right to sell an underlying security, commodity, or currency before a certain date for a predetermined price.)

9.0 AUTHORIZED AND SUITABLE INVESTMENTS

The Authority is empowered by California Government Code 53601 et seq. to invest in the following:

9.1 Bonds issued by the Authority.

9.2 United States Treasury Bills, Notes and Bonds.

9.3 Registered state warrants or treasury notes or bonds issued by the State of California.

9.4 Registered treasury notes or bonds of any of the 49 United States in addition to California, including bonds payable solely out of revenues from 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, in addition to California.

9.5 Bonds, notes, warrants or other evidence of debt issued by a local authority within the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency; and also including pooled investment accounts sponsored by the State of California, County Treasurers, other local agencies or Joint Powers Agencies. The LAIF is an approved pooled investment account.

9.6 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.

9.7 Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances may not exceed 180 days' maturity or 40% of the Authority's money that may be invested pursuant to this policy. However, no more than 30% of the Authority's money can be invested in the bankers' acceptances of any single commercial bank.

9.8 Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally-recognized statistical-rating organization. The entity that issues the commercial paper shall either be:

9.8.1 organized and operating within the United States as a general corporation, shall have total assets in excess of Five Hundred Million Dollars (\$500,000,000), and shall issue debt, other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by a nationally-recognized statistical-rating organization; or

9.8.2 organized within the United States as a special-purpose corporation, trust, or limited liability company, have program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond, and has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally-recognized statistical-rating organization.

Eligible commercial paper shall have a maximum maturity of 270 days or less. The Authority shall invest no more than 25% of its money in eligible commercial paper; provided that if the Authority has \$100,000,000 or more of investment assets under management, the Authority may invest no more than 40% of its money in eligible commercial paper. The Authority shall invest no more than 10% of its total investment assets in the commercial paper and medium-term notes of any single issuer.

9.9 (i) 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 federal or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30% of the Authority's money which may be invested pursuant to this policy. The Board of Directors and the Treasurer are prohibited from investing Authority funds, or funds in the Authority's custody, 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 within the Authority 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.

(ii) Deposits at a commercial bank, savings bank, savings and loan association or credit union that uses a private sector entity that assists in the placement of such certificates of deposit, pursuant to Government Code Section 53601.8. Deposits shall be subject to

Government Code Section 53638 and may not exceed 50% of the Authority's money which may be invested pursuant to this policy.

9.10 Repurchase/Reverse Repurchase Agreements of any securities authorized by Section 53061. The market value of securities that underlay a repurchase agreement shall be valued at one hundred two percent (102%) or greater of the funds borrowed against those securities, and are subject to the special limits and conditions of California Government Code 53601(j).

9.11 Medium term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of 5 years or less, issued by corporations organized and operating with the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated in a rating category of "A" or its equivalent or better by a nationally recognized rating service. Purchases of medium-term notes shall not include other instruments authorized by this policy and shall not exceed 30% of the Authority's money which may be invested pursuant to this policy. The Authority may invest no more than 10% of its total investment assets in the commercial paper and the medium-term notes of any single issuer.

9.12 Shares of beneficial interest issued by diversified management companies (mutual funds) investing in the securities and obligations authorized by this policy, and shares in money market mutual funds, subject to the restrictions of California Government Code Section 53601(l). The purchase price of investments under this subdivision shall not exceed 20% of the Authority's investments under this policy. However, no more than 10% of the Authority's money may be invested in any one mutual fund.

9.13 Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

9.14 Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by California Government Code Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by California Government Code Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

9.15 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 under this subdivision shall be issued by an issuer rated in a rating category of "A" or its equivalent or better for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subdivision shall not exceed 20% of the Authority's money that may be invested pursuant to this policy.

9.16 Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized under Government Code Section 53601. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible, the joint powers authority issuing the shares must have retained an investment advisor that is registered or exempt from registration with the Securities and Exchange Commission, have not less than five years of experience in investing in the securities and obligations authorized under Government Code Section 53601, and have assets under management in excess of five hundred million dollars (\$500,000,000).

9.17 Proposition 1A receivables sold pursuant to California Government Code Section 53999. A "Proposition 1A receivable" constitutes the right to payment of moneys due or to become due to a local agency, pursuant to clause (iii) of subparagraph (B) of paragraph (1) of [subdivision \(a\) of Section 25.5 of Article XIII of the California Constitution](#) and [Section 100.06 of the Revenue and Taxation Code](#).

9.18 United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, 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 "AA" or its equivalent or better by an NRSRO and shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.

9.19 Any other investment security authorized under the provisions of California Government Code Sections 5922 and 53601.

Such investments shall be limited to securities that at the time of the investment have a term remaining to maturity of five years or less, or as otherwise provided in Government Code Section 53601.

The Authority 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.

10.0 COLLATERALIZATION

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

11.0 SAFEKEEPING AND CUSTODY

All securities owned by the Authority, except collateral for repurchase agreements, will be held in safekeeping at a third party bank trust department that will act as agent for the Authority under terms of a custody agreement.

Securities used as collateral for repurchase agreements with a term of up to seven days can be safe kept by a third party bank trust department, or by the broker/dealer's safekeeping institution, acting as agent for the Authority under the terms of a custody agreement executed by the broker/dealer and the Authority and specifying the Authority's perfected ownership of the collateral.

Payment for all transactions will be conducted on a delivery-versus-payment (DVP) basis.

12.0 LEVERAGING

Investments may not be purchased on margin. Securities can be purchased on a "When Issued" basis only when a cash balance can be maintained to pay for the securities on the purchase settlement date.

13.0 DIVERSIFICATION

The Authority will diversify its investments by security type and institution. 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 reviewed and revised periodically. In establishing specific diversification strategies, the following general policies and constraints shall apply:

13.1 Portfolio maturity dates shall be matched versus liabilities to avoid undue concentration in a specific maturity sector.

13.2 Maturities selected shall provide for stability of income and liquidity.

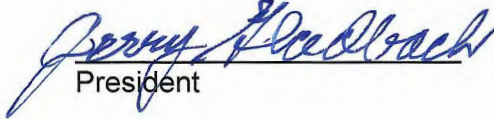
13.3 Disbursement and payroll dates shall be covered through maturities of investments, marketable United States Treasury bills or other cash equivalent instruments such as money market mutual funds.

14.0 REPORTING

The Treasurer shall submit to each member of the Board of Directors an investment report at least monthly. 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 Authority by third party contracted managers. The report will also include the source of the portfolio valuation. For funds, which are placed in LAIF, FDIC-insured accounts and/or in a county investment pool, the foregoing report elements may be replaced by 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 the Investment Policy and, (2) the Authority will meet its expenditure obligations for the next six months as required by Government Code Section 53646(b)(2) and (3), respectively. The Treasurer shall maintain a complete and timely record of all investment transactions.

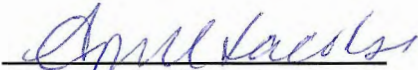
15.0 INVESTMENT POLICY ADOPTION

The Investment Policy shall be adopted by resolution of the Authority. Moreover, the Policy shall be reviewed on an annual basis, and modifications must be approved by the Board of Directors.


President

I, the undersigned, hereby certify I am the duly appointed and acting Secretary of the Upper Santa Clara Valley Joint Powers Authority and at a regular meeting of the Board of Directors of said Agency held on Tuesday, March 2, 2021, the foregoing Resolution No. 2021-01 was duly and regularly adopted by said Authority, and that said resolution has not been rescinded or amended since the date of its adoption, and it is now in full force and effect.

DATED: March 2, 2021


April Jacobs, Secretary

