

RESOLUTION NO. 2016-1

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE NEWHALL COUNTY WATER DISTRICT
ESTABLISHING ITS INVESTMENT POLICY**

1.0 POLICY

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

WHEREAS; the legislative body of a local agency may invest monies of the local agency in accordance with the provisions of California Government Code Sections 53601 et seq.; and

WHEREAS; the Director of Finance/Administration of the Newhall County Water District ("District"), acting under the direction and authority of the Finance Committee of the District, 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;

NOW THEREFORE, it shall be the policy of the 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 District funds.

2.0 SCOPE

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

3.0 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 District, 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.

4.0 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 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.

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

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.

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 District and overseen by the District's Finance Committee. The day-to-day responsibility for management and implementation of the investment program is hereby delegated to the Director of Finance/Administration, who, where and when appropriate, 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 terms of this policy and the procedures established by the Director of Finance/Administration. The Director of Finance/ Administration 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 Director of Finance/Administration is a trustee and a fiduciary subject to the prudent investor standard.

6.0 ETHICS AND CONFLICTS OF INTEREST

The Director of Finance/Administration 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.

7.0 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Director of Finance/Administration 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 Director of Finance/Administration 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 Director of Finance/Administration shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the District's account with that firm 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 the Investment Policy.

The District is a local agency authorized to invest surplus monies in the Local Agency 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 Director of Finance/Administration need not be concerned with the qualifications of those financial institutions and broker/dealers with whom LAIF transacts business.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS

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

- 8.1 Bonds issued by the District.**
- 8.2 United States Treasury Bills, Notes and Bonds.**

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

8.4 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.

8.5 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 or Joint Powers Agencies. The LAIF is an approved pooled investment account.

8.6 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.

8.7 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 District's money that may be invested pursuant to this policy. However, no more than 30% of the District's money can be invested in the bankers acceptances of any single commercial bank.

8.8 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:

8.8.1 organized and operating within the United States, 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 "A" or higher by a nationally-recognized statistical-rating organization; or

8.8.2 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 District shall invest no more than 25% of its money in eligible commercial paper. The District shall purchase no more than 10% of the outstanding commercial paper of any single corporate issue.

8.9 (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 state-licensed branch of a foreign bank; and (ii) certificates of deposit 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.

Purchases of negotiable certificates of deposit under (i) of this section and certificates of deposit under (ii) of this section may together not exceed 30% of the District's money which may be invested pursuant to this policy. The Board of Directors and the Director of Finance/Administration are prohibited from investing District funds, or funds in the District'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 District 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.

8.10 Repurchase/Reverse Repurchase Agreements of any securities authorized by Section 53061. Securities purchased under these agreements shall be no less than 102% of market value and are subject to the special limits in California Government Code 53601(j).

8.11 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 rate "A" or better by a nationally recognized rating service. Purchases of medium-term notes shall not include other instruments authorized by this policy and may not exceed 30% of the District's money which may be invested pursuant to this policy.

8.12 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 District's investments under this policy. However, no more than 10% of the District's money may be invested in any one mutual fund.

8.13 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.

8.14 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.

8.15 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 having an "A" or higher rating 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 may not exceed 20% of the District's money that may be invested pursuant to this policy.

8.16 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 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.

8.17 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).

8.18 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.

8.19 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 "AA" or better by an NRSRO and shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.

9.0 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).

10.0 SAFEKEEPING AND CUSTODY

All security transactions entered into by the District shall be conducted on delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the District by book entry, physical delivery or by third party custodial agreement.

11.0 DIVERSIFICATION

The District 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:

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

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

11.3 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.

12.0 REPORTING


The Director of Finance/Administration shall submit to each member of the Board of Directors an investment report at least quarterly. 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 District 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 District will meet its expenditure obligations for the next six months as required by Government Code Section 53646(b)(2) and (3), respectively. The Director of Finance/Administration shall maintain a complete and timely record of all investment transactions.

13.0 INVESTMENT POLICY ADOPTION

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

PASSED, APPROVED AND ADOPTED at a Regular Meeting of the Board of Directors of Newhall County Water District held on January 14, 2016, Resolution No. 2016-1 was adopted by the following vote:

AYES:	Directors Atkins, Colley, Gutzeit, Mortensen, Plambeck
NOES:	Directors
ABSTAIN:	Directors



BJ ATKINS, President,
Board of Directors of the
Newhall County Water District

ATTEST:



Karin J. Russell
Secretary of the Board of Directors

STATE OF CALIFORNIA)
)
COUNTY OF LOS ANGELES) ss.

I, Karin J. Russell, Secretary of the Newhall County Water District, DO HEREBY CERTIFY that the foregoing is a full, true and correct copy of Resolution No. 2016 -1 of the Board of Directors of Newhall County Water District adopted at a Regular Meeting held on January 14, 2016, and that the same has not been amended or repealed.



Karin J. Russell
Board Secretary, Newhall County Water District

DATED: January 14, 2016