



**WEST VALLEY WATER DISTRICT
855 W. BASE LINE ROAD, RIALTO, CA 92376
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**POLICY REVIEW AND OVERSIGHT COMMITTEE MEETING
AGENDA**

Updated 8/13/25 to add an attachment to Item 2.

Thursday, August 14, 2025, 6:00 PM

NOTICE IS HEREBY GIVEN that West Valley Water District has called a meeting of the Engineering, Operations and Planning Committee to meet in the Administrative Conference Room, 855 W. Base Line Road, Rialto, CA 92376.

BOARD OF DIRECTORS

**President Gregory Young
Vice President Daniel Jenkins**

Members of the public may attend the meeting in person at 855 W. Base Line Road, Rialto, CA 92376, or you may join the meeting using Zoom by clicking this link: <https://us02web.zoom.us/j/8402937790>. Public comment may be submitted via Zoom, by telephone by calling the following number and access code: Dial: (888) 475-4499, Access Code: 840-293-7790, or via email to administration@wvwd.org.

If you require additional assistance, please contact administration@wvwd.org.

CALL TO ORDER

PUBLIC PARTICIPATION

Any person wishing to speak to the Board of Directors on matters listed or not listed on the agenda, within its jurisdiction, is asked to complete a Speaker Card and submit it to the Board Secretary, if you are attending in person. For anyone joining on Zoom, please wait for the Board President's instruction to indicate that you would like to speak. Each speaker is limited to three (3) minutes. Under the State of California Brown Act, the Board of Directors is prohibited from discussing or taking action on any item not listed on the posted agenda. Comments related to noticed Public Hearing(s) and Business Matters will be heard during the occurrence of the item.

Public communication is the time for anyone to address the Board on any agenda item or anything under the jurisdiction of the District. Also, please remember that no disruptions from the crowd will be tolerated. If someone disrupts the meeting, they will be removed.

DISCUSSION ITEMS

1. Updates to the Policy Review and Oversight Committee
2. Personnel Policies and Procedures Proposed Changes **PG. 3**
3. Investment Policy Review **PG. 24**

ADJOURN

Please Note:

Material related to an item on this Agenda submitted to the Committee after distribution of the agenda packet are available for public inspection in the District's office located at 855 W. Baseline, Rialto, during normal business hours. Also, such documents are available on the District's website at www.wvwd.org subject to staff's ability to post the documents before the meeting.

Pursuant to Government Code Section 54954.2(a), any request for a disability-related modification or accommodation, including auxiliary aids or services, in order to attend or participate in the above-agendized public meeting should be directed to the Board Secretary, Elvia Dominguez, at least 72 hours in advance of the meeting to ensure availability of the requested service or accommodation. Ms. Dominguez may be contacted by telephone at (909) 875-1804 ext. 703, or in writing at the West Valley Water District, P.O. Box 920, Rialto, CA 92377-0920.

DECLARATION OF POSTING:

I declare under penalty of perjury, that I am employed by the West Valley Water District and posted the foregoing Agenda at the District Offices on August 7, 2025.

Elvia Dominguez

Elvia Dominguez, Board Secretary

Date Posted: August 7, 2025



WEST VALLEY WATER DISTRICT HUMAN RESOURCES PROCEDURES

APPROVAL DATE _____, 2025	HR POLICY TITLE PERSONNEL POLICIES & PROCEDURES	POLICY NO. 001
VERSION # 2	APPROVED BY Board of Directors Resolution No. #####	EFFECTIVE DATE
SUPERSEDES: Version #1		

DEPARTMENT REVIEW						
Human Resources	Finance	Administration	Engineering	Operations	Govt & Leg Affairs	I.T.

VERSION HISTORY			
Version #	Committee Reviews	Board Approval	Revisions
1	5/10/21 – HR Committee	5/20/21	
2	7/10/25 – Policy Committee 6/11/25 – Human Resources Committee		See attached table
3	8/13/2025 -Human Resources Committee 8/14/2025 Policy Committee		See attached table

Summary of Policy Revisions 2025

Section #	Policy Title	New	Major	Minor	Legal Review
	Table of Contents			X	
102	Delegation of Authority		X		X
107	Categories of Employees/Non ees				X
201	Equal Employment Opportunity		X		X
202	Reporting on Staff Vacancies et. al.	X			X
203	Policy Against Discrimination		X		X
3b	Anonymous Reporting		X		X
301	Job Announcements			X	X
303 f)	Selection Process		X		X
304. 1b	Probation			X	X
305	Anti Nepotism			X	X
306. 3	Temporary Reclassification			X	X
309	Cross Training and Employee Development Program			X	X
310	Open Door Policy			X	X
404	Educational Salary Advancements				X
406	Series Reclassification	X			X
500	Attendance		X		X
505	Accurate Time Reporting		X		X
601	Dress Code		X		X
603	Tattoos		X		X
604	Piercings		X		X
705. 1	On Call		X		X
705. 2	Call Backs		X		X
705. 3	On Call Employees		X		X
707 b-g	Compensatory Time Off		X		X
801	Look Back Measurement ACA		X		X
1003	Vacation Cash Out		X		X
1005	Management Leave		X		X
1104	Protected Leave		X		X
1300	Outside Employment		X		X

Section #	Policy Title	New	Major	Minor	Legal Review
1400	FMLA		X		X
1407. 5	Employee Benefits while on Leave		X		X
1501	Bereavement Leave		X		X
1502	Reproductive Leave		X		X
1503	Workers' Comp/Industrial Leave		X		X
1505	Paid Family Leave	X			X
1506	Military Leave/Spouse		X		X
1518	Alcohol and Drug Rehab Leave		X		X
1519	Kin Care		X		X
1602	Paid Administrative Leave		X		X
1804	Drug and Alcohol Testing		X		X
1901	Types of Counseling Reprimands		X		X
2000	Policy Against Violence		X		X
2305	Use of District Vehicles		X		X
2307	Cell Phone Use While Driving		X		X
2309	Video Surveillance Policy	X			X
2600	Reasonable Accommodations		X		X
2801	Respectful Workplace Policy	X			X
2802	Consensual Relationship	X			X

**WEST VALLEY WATER DISTRICT
PERSONNEL POLICIES & PROCEDURES**

Revised on _____

Table of Contents

100	PERSONNEL POLICIES AND PROCEDURES DISCLOSURES	16
101	SEVERABILITY	
102	DELEGATION OF AUTHORITY	
103	EFFECT AND APPLICABILITY OF POLICIES	
104	APPLICABILITY OF POLICIES	
105	EMPLOYEE ACCEPTANCE OF POLICIES AND REVISIONS	
106	MANAGEMENT RIGHTS	
107	CATEGORIES OF EMPLOYEES AND NON-EMPLOYEES	
108	EFFECTIVE DATE	
200	EQUAL EMPLOYMENT OPPORTUNITY POLICY.....	20
201	POLICY AGAINST DISCRIMINATION, HARASSMENT AND RETALIATION; COMPLAINT PROCEDURE	
202	REPORTING ON VACANCIES, RECRUITMENT, AND RETENTION EFFORTS	
203	POLICY AGAINST DISCRIMINATION, HARASSMENT AND RETALIATION; COMPLAINT PROCEDURE	
300	HIRING, APPLICATIONS, SELECTION, PROBATION, NEPOTISM, ETC	36
301	JOB ANNOUNCEMENTS	
302	APPLICATIONS	
303	SELECTION PROCESS	
304	PROBATION	
305	ANTI-NEPOTISM POLICY	
306	EMPLOYMENT CLASSIFICATION	
307	IDENTIFICATION CARDS	
308	PERFORMANCE EVALUATIONS	
309	CROSS TRAINING	
310	OPEN DOOR POLICY	
311	EXIT INTERVIEWS	

400	CLASSIFICATION AND SALARY SCHEDULE.....	45
401	SCHEDULE REVIEW BY THE BOARD	
402	PAYROLL PERIODS	
403	SEPARATION PAY	
404	ADVANCEMENTS	
405	COST-OF-LIVING TYPE SALARY ADJUSTMENTS	
500	ATTENDANCE.....	45
501	ADVANCE REQUEST PERMISSION TO DEVIATE FROM REGULAR WORK HOURS	
502	NOTIFICATION OF UNFORESEEN LATE ARRIVAL OR ABSENCE	
503	UNAUTHORIZED ABSENCE IS PROHIBITED	
504	EXCESSIVE TARDINESS/ABSENTEEISM AND ABUSE OF LEAVE	
505	ACCURATE TIME REPORTING	
506	NO VOLUNTEERING OF WORK TIME	
600	EMPLOYEE APPEARANCE AND DRESS.....	50
601	DRESS CODE	
602	FOOTWEAR	
603	TATTOOS	
604	PIERCING	
700	WORK SCHEDULES, WORK WEEK, REST BREAKS, ON CALL, OVERTIME AND COMP TIME OFF.....	54
701	WORK SCHEDULES	
702	DIFFERENT SCHEDULES	
703	WORK WEEK	
704	REST BREAKS AND MEAL PERIODS	
705	ON-CALL POLICY	
706	OVERTIME	
707	COMPENSATORY TIME OFF	
801	BENEFITS.....	60
802	LOOK-BACK MEASUREMENT AFFORDABLE CARE ACT POLICY	
803	EDUCATIONAL ASSISTANCE LOANS PROGRAM	
804	STIPEND FOR CLASS "A" DRIVERS' LICENSE	
805	BILINGUAL COMPENSATION	
806	INCENTIVES FOR CERTIFICATION	
807	COSTS FOR ATTENDING CONFERENCES, SEMINARS, WORK SHOPS ATTENDANCE	

808	LONGEVITY PAY	
900	DISTRICT HOLIDAYS.....	65
901	FLEX TIME HOLIDAY	
902	FLOATING HOLIDAYS	
903	HOLIDAY WORK	
904	HOLIDAY WHILE ON VACATION	
905	SPECIAL SIGNIFICANCE HOLIDAY	
1000	VACATION	67
1001	ACCRUAL OF VACATION TIME	
1002	APPROVAL FOR SCHEDULING VACATION TIME	
1003	VACATION CASH OUT	
1004	FLOATER HOURS	
1005	MANAGEMENT ADMINISTRATIVE LEAVE	
1100	SICK TIME.....	70
1101	PURPOSES FOR SICK LEAVE	
1102	TERMS OF SICK LEAVE	
1103	SICK LEAVE USE	
1104	PROTECTED SICK LEAVE	
1105	SICK LEAVE REQUEST	
1106	SICK LEAVE ON SEPARATION FROM EMPLOYMENT	
1107	SICK LEAVE CASH OUT	
1108	SICK LEAVE REINSTATEMENT:	
1200	PERSONNEL FILES	74
1201	PURPOSE	
1202	CONFIDENTIAL DISTRICT FILES	
1203	EMPLOYEE MEDICAL INFORMATION	
1204	EMPLOYEE ACCESS TO PERSONNEL FILE	
1300	OUTSIDE EMPLOYMENT.....	76
1301	AUTHORIZATION AND APPEAL PROCESS	
1302	PROHIBITED OUTSIDE ACTIVITIES	
1400	FAMILY AND MEDICAL LEAVE.....	79
1401	CONCURRENT WITH FMLA AND CFRA	

1402	DEFINITIONS	
1403	COVERED ACTIVE DUTY	
1404	REASONS FOR LEAVE	
1405	EMPLOYEES ELIGIBLE FOR LEAVE	
1406	AMOUNT OF LEAVE	
1407	EMPLOYEE BENEFITS WHILE ON LEAVE	
1408	MEDICAL CERTIFICATION/ RECERTIFICATION	
1409	REINSTATEMENT UPON RETURN FROM LEAVE	
1500	OTHER LEAVES	92
1501	BEREAVEMENT LEAVE	
1502	WORKERS' COMPENSATION/INDUSTRIAL INJURY LEAVE	
1503	PREGNANCY, CHILDBIRTH, OR RELATED MEDICAL CONDITION LEAVE	
1504	STATE DISABILITY INSURANCE (SDI)/PAID FAMILY LEAVE (PFL)	
1505	MILITARY LEAVE	
1506	JURY DUTY/SUBPOENAED OR COURT-ORDERED WITNESS LEAVE	
1507	REGARDING CRIME VICTIM/ VICTIM FAMILY MEMBER COURT ATTENDANCE LEAVE	
1508	REGARDING CRIME VICTIM/ FAMILY MEMBER VICTIMS' RIGHTS PROCEEDINGS LEAVE	
1509	LEAVE FOR VICTIMS OF DOMESTIC VIOLENCE, SEXUAL ASSAULT, OR STALKING TO OBTAIN RESTRAINING ORDERS OR INJUNCTIVE RELIEF	
1510	LEAVE FOR VICTIMS OF DOMESTIC VIOLENCE, SEXUAL ASSAULT, OR STALKING TO OBTAIN MEDICAL ATTENTION, COUNSELING OR SAFETY PLANNING	
1511	CIVIL AIR PATROL LEAVE – STATE OF CALIFORNIA	
1512	ORGAN AND BONE MARROW DONATION LEAVE	
1513	SCHOOL ACTIVITIES / APPEARANCE LEAVE / SUSPENSION LEAVE	
1514	CHILD SUSPENSION LEAVE	
1515	CALIFORNIA EMERGENCY RESPONDER LEAVE	
1516	VOTING LEAVE	
1600	LEAVE OF ABSENCE WITH OR WITHOUT PAY	107
1601	PAID ADMINISTRATIVE LEAVE	
1700	RESIGNATION, JOB ABANDONMENT, LAYOFF, SEPARATION AND EMPLOYMENT REFERENCES.....	108
1701	TYPES OF SEPARATION	

1702	PROBATIONARY RELEASE	
1703	RELEASE OF AT-WILL EMPLOYEES	
1704	RESIGNATION	
1705	RETIREMENT	
1706	JOB ABANDONMENT	
1707	LAYOFF	
1708	NON-DISCIPLINARY SEPARATION	
1709	DISCIPLINARY SEPARATION	
1710	RETURN OF DISTRICT PROPERTY	
1711	JOB REFERENCES/VERIFICATION OF EMPLOYMENT	
1800	POLICY AGAINST DRUGS AND ALCOHOL IN THE WORKPLACE.....	112
1801	PROPER APPLICATION OF THE POLICY	
1802	DRUG AND ALCOHOL-FREE AWARENESS PROGRAM	
1803	PROHIBITED CONDUCT	
1804	DRUG AND ALCOHOL TESTING	
1805	ADDITIONAL REQUIREMENTS FOR SAFETY-SENSITIVE EMPLOYEES	
1806	SAFETY-SENSITIVE EMPLOYEE CLASSIFICATIONS FOR DISTRICT	
1807	PROCEDURES FOR RANDOM TESTING	
1808	PROCEDURES - POST ACCIDENT	
1809	PROCEDURES - RETURN-TO-DUTY AND FOLLOW-UP	
1900	CAUSES FOR DISCIPLINE AND PROCEDURES.....	128
1901	TYPES OF COUNSELING, REPRIMANDS AND DISCIPLINE	
1902	SKELLY PROCESS	
1903	DISCIPLINE PROCEDURES	
1904	DISCIPLINE APPEAL PROCEDURES	
1905	CONDUCT OF THE HEARING	
1906	PRESENTATION OF THE CASE	
2000	POLICY AGAINST VIOLENCE IN THE WORKPLACE.....	138
2001	PROHIBITED BEHAVIOR	
2002	WORKPLACE VIOLENCE	
2003	INCIDENT REPORTING PROCEDURES	
2004	INVESTIGATION	
2005	PREVENTION	
2006	ANTI-BULLYING POLICY	
2100	COMPLAINT RIGHTS OF EMPLOYEES.....	140

2101	STATEMENT OF THE COMPLAINT	
2102	TIMELINES	
2200	REPORTING A WORKPLACE INJURY.....	143
2201	PROCEDURE	
2202	MEDICAL TREATMENT	
2300	USE OF DISTRICT VEHICLES, EQUIPMENT, AND TOOLS.....	145
2301	DISTRICT EQUIPMENT OR RESOURCES	
2302	NO EXPECTATION OF PRIVACY	
2303	APPROPRIATE USE ONLY – NO MISUSE	
2304	DISTRICT EMAIL ADDRESSES	
2305	USE OF DISTRICT VEHICLES	
2306	PERSONAL USE OF EQUIPMENT AND TOOLS	
2307	CELL PHONE USE WHILE DRIVING	
2308	ELECTRONIC TRACKING TECHNOLOGY	
2400	FITNESS FOR DUTY EXAMINATIONS.....	156
2401	APPLICANTS	
2402	ROLE OF HEALTH CARE PROVIDER	
2403	ACCESS TO MEDICAL INFORMATION REGARDING FITNESS FOR DUTY	
2500	WHISTLEBLOWER PROTECTION.....	159
2501	POLICY COVERAGE	
2502	COMPLAINT PROCEDURE	
2503	OPEN AND TRANSPARENT	
2600	REASONABLE ACCOMMODATION AND INTERACTIVE PROCESS.....	162
2601	WHEN TO INITIATE THE INTERACTIVE PROCESS	
2602	POTENTIAL ACCOMMODATIONS FOR APPLICANTS OR EMPLOYEES WITH DISABILITIES	
2603	POTENTIAL ACCOMMODATIONS FOR EMPLOYEES AFFECTED BY PREGNANCY AND RELATED MEDICAL CONDITIONS	
2604	POTENTIAL ACCOMMODATIONS FOR EMPLOYEES REQUESTING TIME FOR LACTATION	
2605	POTENTIAL ACCOMMODATIONS FOR EMPLOYEE-VICTIMS OF DOMESTIC VIOLENCE, SEXUAL ASSAULT, OR STALKING	
2606	POTENTIAL ACCOMMODATIONS FOR RELIGIOUS CREED, RELIGIOUS DRESS	

PRACTICE, OR RELIGIOUS GROOMING PRACTICE	
2607	DETERMINATION
2700	POLITICAL ACTIVITIES POLICY.....171
2701	APPLICABILITY
2702	POLICY
2800	Standard of Conduct.....172
2801	Respectful Workplace Policy
2802	Consensual Relationship
Attachment	
	Acknowledgement of Receipt of Employee Personnel Policies and Procedures.....175
Appendix A	
	CONSENSUAL RELATIONSHIP AGREEMENT.....176

SECTION 100 PERSONNEL POLICIES AND PROCEDURES DISCLOSURES

The Personnel Policies and Procedures contained in this document, in their entirety, shall be known and may be cited as the "Human Resources Policies & Procedures."

Any reference to policies contained within these Human Resources Policies & Procedures may be referred to as "Policies."

101 SEVERABILITY

If any section, subsection, sentence, clause, or phrase of these Personnel Policies & Practices Manual is for any reason held to be unconstitutional or invalid, such decision shall not affect the validity of the remaining portions of this Manual.

102 DELEGATION OF AUTHORITY

The Board of Directors ("Board") of the West Valley Water District ("District") is the governing body of the District and has the authority to exercise the powers of the District except as otherwise provided in the Water Code and subject to these Human Resources Policies & Procedures. (Water Code Section 30576)

The Board employs the General Manager. (Water Code Section 30540) The General Manager shall: (a) have full charge and control of the maintenance, operation, and construction of the water system of the District; (b) have full power and authority to employ and discharge all employees; (c) prescribe the duties of employees; and (d) fix and alter the compensation of employees subject to approval by the Board. (Water Code Section 30580) The General Manager shall also: (a) perform other duties imposed by the Board; and (b) report to the Board in accordance with the rules and regulations it adopts. (Water Code Section 30581)

As part of the General Manager's authority to prescribe the duties of employees, the General Manager may delegate aspects of the General Manager's authority to other District personnel if the General Manager deems it in the interest of the District and its effective governance. The General Manager shall clearly outline the scope and limits of the delegation. The General Manager's delegation shall be directed to positions rather than specific individuals.

As an example of the General Manager's authority to prescribe the duties of employees, the General Manager hereby delegates the following matters to the District's Department Head for Human Resources: (a) ensuring the District complies with its policies and with federal, state, and local law with respect to employment and personnel matters; (b) overseeing the administration of personnel wages and workplace benefits; (c) receiving all workplace complaints and ensuring the District takes an appropriate course of action in compliance with District policies and applicable law; and (d) administering employee disciplinary (including termination) procedures and ensuring such procedures are executed in compliance with District policies and applicable law.

The General Manager is responsible for exercising his/her powers consistent with District policy and in compliance with applicable law. All District personnel are responsible for exercising their delegated powers in compliance with District policy and applicable law.

The General Manager shall keep the Board informed of all significant District matters through regularly scheduled meetings as well as any additional meetings or communications as necessary to keep the Board timely informed. The General Manager shall take direction from the Board (if the Board acts as a majority) regarding general administration of District affairs and implementation of directives set by the Board.

In certain cases, dictated by these Human Resources Policies & Procedures and applicable law, the Department Head for Human Resources may have the authority or obligation to inform the Board of concerns regarding potential District noncompliance with District policy and federal, state, and local laws with respect to employment and personnel matters.

103 EFFECT AND APPLICABILITY OF POLICIES

These Policies do not create any contract right, or any express or implied contract of employment.

The District retains the full discretion to modify these Policies at any time in accordance with law.

104 APPLICABILITY OF POLICIES

These Policies apply to all categories of employees of the District unless a specific section or provision excludes them.

Independent contractors, volunteers, and Board members are not employees, although some provisions may apply to them through applicable law or as specified in these Policies.

105 EMPLOYEE ACCEPTANCE OF POLICIES AND REVISIONS

As a condition of employment, all employees are required to read and request necessary clarification of these Policies.

Each employee is required to sign a statement of receipt acknowledging that:

1. He or she has received a copy, or has been provided access to the Policies; and
2. Understands that he or she is responsible to read and become familiar with the contents and any revisions to the Policies.

106 MANAGEMENT RIGHTS

The District shall retain, whether exercised or not, solely and exclusively, all express and inherent rights and authority necessary to determine the level of, and the manner in which, the District's activities are conducted, managed, and administered.

All employees shall recognize the exclusive right of the District to establish and maintain District-wide rules and procedures and to manage the affairs of the District in all of its various services and other aspects, including, but not limited to the following rights:

- Direct and schedule work and/or overtime work as required in the manner most advantageous to the District.
- Direct employees to perform all job duties, including those incidental job duties not expressly stated in a job description. Every incidental duty connected with operations enumerated in job descriptions is not always specifically described; nevertheless, it is intended that the employee perform all such duties.

conduct will lead to discipline, up to and including discharge. All employees must cooperate with all investigations conducted pursuant to this policy.

The District utilizes the same complaint procedures for complaints of discrimination as it does for complaints of harassment. Please see the separate policy prohibiting employee harassment. California law and the District also prohibit retaliation against any employee for making a good faith complaint of discrimination or for cooperating, assisting, testifying, or participating in any of the discrimination complaint procedures in the separate policy prohibiting employee harassment.

202 REPORTING ON STAFF VACANCIES, AND THE DISTRICT'S RECRUITMENT AND RETENTION EFFORTS

Effective January 1, 2025, Government Code Section 3502.3 requires the West Valley Water District to present information on the status of staff vacancies of each bargaining unit and the District's recruitment and retention efforts at a public hearing before the Board of Directors of the West Valley Water District at least once per fiscal year.

Public Hearing – A formal meeting that is open to the public, where West Valley Water District representatives present information and accept public comments on specific topics, as required by law.

Vacancies – Unfilled full-time positions within the West Valley Water District's workforce that require recruitment.

Recruitment – The process of attracting, screening, and selecting qualified candidates for employment with the West Valley Water District.

Retention – The process of maintaining a stable and satisfied workforce within the West Valley Water District.

I. POLICY STATEMENT

A. In accordance with Gov. Code § 3502.3, the West Valley Water District is committed to holding a public hearing on vacancies, recruitment and retention efforts, and any issues with the West Valley Water District's policies, procedures, and recruitment activities that may lead to obstacles in the hiring process.

B. The West Valley Water District will hold a public hearing at least once each fiscal year prior to the adoption of the annual budget and provide reports on vacancies, recruitment, and retention efforts for the prior calendar year.

II. POLICY PROVISIONS

A. Public Hearing Requirements

1. The West Valley Water District shall conduct public hearings at least on an annual basis (once each fiscal year) to present information on vacancies, recruitment and retention efforts, and issues with the policies, procedures, and recruitment activities that may lead to obstacles in the hiring process.
2. Public hearings shall be announced in advance and provide an opportunity for members of the public to make comments.
3. The District will notify in writing each recognized employee organization that represents District employees of the date, time and place of the hearing at least ten (10) calendar days in advance of the hearing. West Valley Water District Personnel Policies and Procedure Section # 202
 - a. In the notice, the District will inquire whether the employee organization intends to make a presentation to the Board of Directors at the public hearing. The District will request that, for planning purposes, the employee organization provides written notice to the Human Resources Department at least five (5) working days in advance of the public hearing indicating whether the employee organization intends to make a presentation at the public hearing.
 - b. The notice will also inform the employee organization for each bargaining unit they will be allotted ten (10) minutes for their presentation at the public hearing.
 - c. Notice of the hearing to the public will be provided in accordance with the Ralph M. Brown Act. (Gov. Code §§ 54950-54963.)
4. Separate public hearings may be scheduled to address individual bargaining units or bargaining unit groupings.
5. The Board Secretary shall ensure that each public hearing is adequately documented, with minutes and recordings made publicly available.
6. The West Valley Water District presentation will be limited to 10 minutes for each bargaining unit. The District may choose to present on all bargaining units at once, or to present data for each bargaining unit separately followed by each applicable employee organization presentation.
7. Following the agency presentation, each recognized employee organization will have the opportunity to make a presentation. The recognized employee organizations shall have the right to present information, concerns, and recommendations at the public hearing regarding staff vacancies and the District's

recruitment and retention efforts. The presentation will be limited to 10 minutes. If the employee organization is engaged in bargaining, the employee organization shall not present bargaining proposals during the presentation to the Board of Directors on matters that have been or have not been presented in bargaining.

8. The Board of Directors may ask questions of the District and the employee organization presenters.
9. Final West Valley Water District comments will be limited to three minutes per bargaining unit.
10. Final employee organization comments will be limited to three minutes per bargaining unit.
11. Public comment regarding the hearing will be limited to two minutes per person.

B. Reporting Requirements.

1. The West Valley Water District shall present information on the following at the public hearing:
 - a. The status of vacancies at the District.
 - b. Information on the West Valley Water District's recruitment and retention efforts.
 - c. Identification of any obstacles in the West Valley Water District's policies, procedures, and recruitment activities that may create challenges in the hiring process.

C. Special Reporting Requirements for High Vacancy Rates

1. If the number of job vacancies within a single bargaining unit meets or exceeds 20% of the total number of authorized full-time positions, the West Valley Water District shall, upon request of the recognized employee organization, include the following information during the public hearing:
 - a. The total number of job vacancies within the bargaining unit.
 - b. The total number of applicants for vacant positions within the bargaining unit. West Valley Water District Personnel
 - c. The average number of days to complete the hiring process from when a position is posted.
 - d. Opportunities to improve compensation and other working conditions.

III MONITORING AND REVIEW

- A. The Human Resources & Risk Manager or designee may review the effectiveness of this policy and make revisions as necessary to ensure ongoing compliance with Gov. Code § 3502.3 (AB 2561) and alignment with best practices in public transparency.

IV COMPLIANCE AND ENFORCEMENT

- A. The West Valley Water District will maintain records of all public hearings, reports, and related documents in compliance with public records requirements.

203 POLICY AGAINST DISCRIMINATION, HARASSMENT AND RETALIATION; COMPLAINT PROCEDURE

The District strictly prohibits unlawful harassment, discrimination and retaliation on the basis of protected classes under applicable law as mentioned in the above "Equal Employment Opportunity Policy." Harassment may consist of verbal, physical, or visual types. This policy applies to all phases of the employment relationship including hiring, promoting, transfers, disciplinary action, etc. Management will take appropriate disciplinary action, up to and including termination, against any employee exhibiting such misconduct. Any applicant or employee who encounters any form of harassment, discrimination or retaliation should immediately report the conduct to management or Human Resources and is entitled to a prompt fair review of his or her case.

This Policy establishes a complaint procedure for investigating and resolving internal complaints of discrimination, harassment and retaliation. The District encourages all covered individuals to report any conduct they believe violates this Policy as soon as possible.

Any retaliation against an employee because they filed or supported a complaint or because they participated in the complaint resolution process is prohibited. Individuals found to have retaliated in violation of this Policy will be subject to appropriate sanction or disciplinary action, up to and including termination.

Covered Individuals and Scope of Policy

The District is committed to providing a professional workplace in which individuals are treated with respect and in a manner consistent with the District's high expectations of ethical conduct. This necessarily means that the District prohibits unlawful harassment, discrimination, and retaliation in accordance with applicable laws. The District's complaint procedure provides for an immediate, thorough, objective and confidential investigation of any claim of unlawful or prohibited discrimination, harassment and/or retaliation, appropriate disciplinary action against one found to have engaged in prohibited discrimination, harassment and/or retaliation, and appropriate remedies for any victim of discrimination, harassment and/or retaliation. A claim of harassment may exist even if the employee has not suffered an express adverse employment action.

This policy prohibits unlawful discrimination, harassment, and retaliation in the workplace and applies to all applicants, employees, interns, volunteers or agents of the District. The District prohibits discriminating against, harassing, or retaliating against any employee as well as customers, vendors, suppliers, independent contractors and others doing business with the District. In addition, the

404 ADVANCEMENTS

Salary advancements (also known as salary increases or raises) shall be made upon evidence of satisfactory performance, which is defined as meeting the work, conduct, attitude, educational requirements, and aptitude standards established by the District.

Employees may be considered eligible for salary increases on an annual basis until the employee reaches the cap level of his/her job classification.

Advancement in salary is not automatic. It should be considered a reward for meritorious service. Employees must meet goals and expectations set forth by their supervisor in a satisfactory manner before a salary advancement will be awarded.

Employees who receive a Satisfactory or above (3 -5) Annual Performance Evaluation may receive up to two steps increase.

Employees who receive below a Meets Expectation 1-2) may receive a one-step advancement increase. The Supervisor will be required to include goals and objectives to improve in the areas needed.

At no time can an employee receive more than a 2-step increase related to a single evaluation period.

405 COST-OF-LIVING TYPE SALARY ADJUSTMENTS

All cost-of-living type salary adjustments shall be approved by the Board of Directors and become effective as determined by the Board.

(To the extent there is a conflict between the Human Resources Personnel Policies & Procedures Manual and the MOU, the Union has the right to bargain the effects of the changes).

406 SERIES RECLASSIFICATION

The series reclassification is for the reclassification of employees from entry/training classifications to up to journey level classifications.

Full-time employees who have been hired into entry/training classifications (see classifications listed below) may be reclassified by the General Manager to the next higher classification upon acquiring the skills and experience (including satisfactory completion of the probationary period) required for that classification.

An employee in an entry/training classification may be considered for reclassification to the next higher-level position in his/her classification series. This progression is considered a reclassification since it is based on the fact that the employee is performing at a higher-level classification within their series. Such reclassifications are not automatic, however, and require the department to evaluate the employees' performance.

1002 APPROVAL FOR SCHEDULING VACATION TIME

Vacation leave may not be used until it is earned and vacation periods shall be taken annually with the approval of the employee's supervisor.

The scheduling of vacation time off will be based on the employee's preference and the District's operational needs.

Vacation leave shall be taken at such time as will not impair the work schedule or efficiency of the District.

Employees must provide as much notice as possible and provide two weeks' notice for vacation requests of one week or more.

1003 VACATION CASH OUT

Employees may receive a cash out of their unused accrued vacation/floater time four (4) times during a calendar year for a maximum of 160 hours of their unused accrued vacation/floater time, as long as they maintain a minimum of 80 hours of accrued vacation/floater time, and they have used 40 hours of accrued vacation/floater time in the previous 12-month period. Employees electing to cash out any of their unused accrued vacation/floater time must make an irrevocable pre-accrual election before the end of the calendar year preceding the calendar year in which the employee earns the right to take the vacation/floater time that is subject to the election.

The cash out election may specify the hours of unused vacation/floater time to be cashed out in any combination with a minimum of 20 hours and a maximum of 160 hours within the calendar year. Employees must submit their irrevocable unused accrued vacation/floater time cash out elections to the Human Resources Department by December 31 of the calendar year preceding the calendar year in which they accrue the vacation/floater time.

1004 FLOATER HOURS

The employee is allowed a maximum of 80 floater hours. Once an employee's floater accrual allowance reaches the maximum allowed, the employee will no longer continue to accrue floater time until the floater hours are used or cashed out.

Once the accrued floater balance falls below the accrued maximum, the employee will begin to accrue floater time again, up to the maximum.

1005 MANAGEMENT LEAVE

Executive Management Staff may be granted 80 hours of Management Leave per fiscal year, with exception to the General Manager, Assistant General Manager, and Chief Financial Officer may be granted 120 hours of Management Leave.

Operation Department Supervisory staff and the Senior Public Outreach & Government Affairs Representative may be granted 40 hours of Management Leave per fiscal year.

The amount of management leave hours granted will be prorated depending on the month when the employee is hired or promoted.

Executive/Management Staff includes the Public Outreach & Government Affairs Manager, Director of Engineering, Director of Operations, Human Resources & Risk Manager, Director of Technical Services, Finance Manager, Business Systems Manager, and Board Secretary.

Operation Department Supervisors includes the Chief Water Systems Operator- Distribution and Meter Services, Chief Water Systems Operator – Production, Chief Water Systems Operator – Treatment and Water Quality Supervisor.

Management Leave Cash Out

Employees entitled to Management Leave shall cash out the unused balance at the end of the fiscal year during the month of June.

Management Leave will not be carried over to the next fiscal year. The cash out request must be submitted to the Human Resources Department before the last pay period ending in June.

2306 PERSONAL USE OF EQUIPMENT AND TOOLS

District-owned equipment and tools shall not be used for personal use.

2307 CELL PHONE USE WHILE DRIVING

Employees who drive or operate District vehicles or equipment, or who drive or operate any vehicles or equipment while on District business/time, are expected to comply with all California laws and rules concerning road safety.

While employees are driving or operating District vehicles or equipment, or while driving or operating any vehicles or equipment while on District business/time, the District strictly enforces a "no touch" rule concerning cell phones. The no touch rule means that during driving/operating, an employee: 1. cannot hold a phone for any reason; 2. cannot speak on the phone, unless using a hands free device; 3. cannot text for any reason; 4. cannot manipulate, touch, or swipe a phone unless the phone is mounted, and interaction is limited to single swipes or taps; and 5. cannot look at a phone screen while holding it, even if the phone is not being actively used. Employees who are unable to comply with this no touch rule are expected to safely pull over before using their phone.

Employees who are required to keep their District-issued cell phone turned on while driving or operating equipment on District business/time are expected to comply with the no touch rule.

Failure to comply with this policy may constitute grounds for discipline.

Personal Cell Phone Use

Field personnel will use the District two-way radios to conduct daily business. In emergency situations, cell phones may be utilized for communication purposes.

2308 ELECTRONIC TRACKING TECHNOLOGY

Employees of the District may, in the course of employment, be required to drive and/or ride in an agency-owned or leased vehicle equipped with Electronic Tracking Technology.

Electronic Tracking Technology means a technological method or system used to observe, monitor, or collect information, including telematics, Global Positioning System (GPS), wireless technology, or location-based technologies.

Electronic Tracking Technology may include event data recorders (EDR), sensing and diagnostic modules (SDM), or other systems that are used for the purpose of identifying, diagnosing, or monitoring functions related to the potential need to repair, service, or perform maintenance on the District vehicle and/or to capture safety systems-related data for retrieval after a collision or similar incident has occurred.

Electronic Tracking Technology is intended to allow the District to monitor location, elevation, and velocity of its vehicles.



STAFF REPORT

DATE: August 14, 2025
TO: Policy Review and Oversight Committee
FROM: Jose Velasquez, Chief Financial Officer
SUBJECT: Investment Policy Review

STRATEGIC GOAL:

Strategic Goal 6 – Demonstrate Effective Financial Stewardship

- C. Prioritize Long-Term Financial Stability
- D. Maintain a Data Driven Approach and Financial-Based Decision-Making

MEETING HISTORY:

N/A

BACKGROUND:

Board Policy dictates that an annual review of WVWD's investment policy takes place. This stems from Government Code section 53646 requiring agencies to develop an investment policy and implement periodic changes that may occur in reporting requirement. If changes to the exiting policy are recommended, a new resolution is issued with the Board approved recommendations.

DISCUSSION:

Chandler Asset Management performed their annual review of our policy and provided the following suggested changes based on updates to either the California Government Code (CGC) or industry best practices related to the investment of public funds. The red line Investment Policy is shown as **Exhibit A**.

FISCAL IMPACT:

There is no fiscal impact for reviewing and updating the Investment Policy.

REQUESTED ACTION:

Forward a recommendation to the Board of Directors to approve the Investment Policy.

Attachments

[Exhibit A - WVWD Investment Policy FY25-26 Redline.pdf](#)

EXHIBIT A

RESOLUTION NO. 202~~52~~-X
RESOLUTION OF THE BOARD OF DIRECTORS OF
THE WEST VALLEY WATER DISTRICT
ADOPTING THE ANNUAL INVESTMENT POLICY
AMENDING RESOLUTIONS NO. 202~~21~~-315

WHEREAS, pursuant to State law, the Chief Financial Officer/or Treasurer of the West Valley Water District (“District”) shall annually prepare and submit a statement of investment policy and such policy and any changes thereto, shall be considered by the legislative body at a public meeting;

NOW, THEREFORE, the Board of Directors (“Board”) of the District does hereby resolve and determine as follows:

Section 1. Policy It is the policy of the District to invest public 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 state and local statutes governing the investment of public funds.

Section 2. Scope This investment policy applies to all financial assets of the District. These funds are accounted for in the District’s audited Annual Comprehensive Financial Report (ACFR) and include:

2.1 Funds:

- 2.1.1 General Fund
- 2.1.2 Any new fund created by the District, unless specifically exempted

2.2 Funds Excluded From This Policy

- 2.2.1 Public Employees Retirement Fund
- 2.2.2 Deferred Compensation
- 2.2.3 West Valley Water District Water Revenue Refunding Bonds, Series 2016A
- 2.2.4 Any Restricted Funds

Section 3. Prudence Pursuant to California Government Code, Section 53600.3, all persons authorized to make investment decisions on behalf of the District are trustees and therefore fiduciaries subject to the *Prudent Investor Standard*:

“...all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act

with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.”

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.

Section 4. Investment Objectives The primary objectives, in priority order, of the District’s 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, the District will diversify its investments by investing funds among independent financial institutions offering a variety of securities offering independent returns. Investments shall be made with the aim of avoiding capital losses due to issuer default, broker-dealer default or market value erosion.

4.2 Liquidity. The District’s investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements which are reasonably anticipated.

4.3 Return on Investment. The District’s investment portfolio shall be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, commensurate with the District’s investment risk constraints and the cash flow characteristics of the portfolio.

Section 5. Delegation of Authority. Authority to manage the District’s investment program is derived from California Government Code, Section 53607. Management responsibility for the investment program is hereby delegated to the General Manager and Chief Financial Officer/or Treasurer, who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials, and their procedures in their absence.

The Board of Directors, the General Manager, the Assistant General Manager, and the Chief Financial Officer/or Treasurer shall be signatories on all accounts, to access accounts for these and other authorized investments consistent with this investment policy.

The Chief Financial Officer/or Treasurer may retain the services of an outside investment advisor or manager as approved by the Board to assist with the District's investment program. Qualified outside managers will be either SEC Registered Investment Advisors or Bank Money Managers. The investment advisor shall make all investment decisions and transactions in strict accordance with State and Federal law, this Policy and such other written instructions as are provided. The performance and service levels of investment advisors and managers shall be reviewed annually.

The District's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The District recognizes that in a diversified portfolio, occasional measured losses may be inevitable and must be considered within the context of the overall portfolio's return and the cash flow requirements of the District.

5.1 Investment Procedures. The Chief Financial Officer/or Treasurer shall establish written investment policy procedures for the operation of the investment program consistent with this policy. The procedures should include reference to: safekeeping, wire transfer agreements, banking service contracts and collateral/depository agreements, and cash flow forecasting. 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 Chief Financial Officer/or Treasurer.

Section 6. Internal Controls. The Chief Financial Officer/or Treasurer shall establish a system of internal controls designed to prevent losses due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, and/or imprudent actions by employees of the District. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes the (1) cost of control should not exceed the benefits likely to be derived and (2) the value of costs and benefits requires estimates and judgements by management. Compliance with this policy and internal controls shall be reviewed annually by the District's independent, external auditors as part of its normal audit procedures.

Any investment activity outside of the District's Financial Advisor's recommendation shall require approval by both the Chief Financial Officer and the General Manager.

Written operational and investment procedures consistent with this Policy shall be established and include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under this Policy and the established procedures.

Section 7. Ethics and Conflicts of Interest Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Board any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the District. Employees and officers shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of the District.

Section 8. Authorized Broker-Dealer the Chief Financial Officer/or Treasurer will maintain a list of financial institutions 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 services in the State of California. These may include “primary” dealers, or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by California laws. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Chief Financial Officer/or Treasurer with the following:

- 8.1 Must be in business for at least three (3) years
- 8.2 Proof of Financial Industry Regulatory Authority (FINRA) certification (not applicable to Certificate of Deposit counterparties)
- 8.3 Proof of national Association of Security Dealers certification.
- 8.4 Proof of California registration
- 8.5 Certification of having read and understood and agreeing to comply with the District’s investment policy and depository contracts.
- 8.6 Evidence of adequate insurance coverage.

An annual review of the financial condition and registrations of qualified bidders will be conducted by the Chief Financial Officer/or Treasurer. A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the District invests. Broker/dealers utilized by an external investment adviser will be at the sole discretion of the adviser.

Section 9. Authorized Investments From the Board of Director’s perspective, special care must be taken to ensure that the list of instruments includes only those allowed by law and those that the District Chief Financial Officer/or Treasurer is trained and competent to handle. Concentration and credit limits apply at the time the security is purchased.

The District is empowered by statute to invest in the following types of securities:

- 9.1 United States Treasury Issues.** United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest (CGC §53601(b)) There's no limitation as to the percentage of the portfolio that may be invested in this category;
- 9.2 State of California Local Agency Investment Fund (LAIF).** The District may invest in the Local Agency Investment Fund established by the State Treasurer for the benefit of local agencies (CGC §16429.1). ~~The fund must have 24-hour liquidity.~~ There is no limitation on the percentage of the District portfolio that may be invested in this category;
- 9.3 The Investment Trust of California (CalTRUST).** The Investment Trust of California (CalTRUST) is a local government investment pool organized as a joint powers authority pursuant to California Government Code Section 6509.7 Shares of beneficial interest issued by the Investment Trust of California (CalTRUST), which invests in securities and obligations eligible for direct investment by local agencies pursuant to California Government Code Section 53601. There are four different funds that are available. They are:
1. Government Money Market Fund
 2. CalTRUST Liquidity Fund
 3. CalTRUST Short term fund
 4. CalTRUST Medium term fund
- Investment of District funds in CalTRUST shall be subject to investigation and due diligence prior to investing. No limit will be placed on the percentage total in this category
- 9.4 Negotiable Certificates of Deposit.** Negotiable Certificates of Deposit (NCDs) issued by a nationally or state chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases are limited to institutions that have a long-term debt rating of at least the "A" category or its equivalent, by a Nationally Recognized Statistical Rating Organization (NRSRO); and/or have a short-term debt rating of at least "A-1", or its equivalent, by NRSRO. NCDs for which the full amount of the principal and the interest that may be accrued during the maximum term of each certificate is insured by federal deposit insurance are exempt from rating requirements. A maximum of 30 percent of surplus funds can be invested in Certificates of Deposit (CGC §53601(h)). The maximum maturity is five years.

9.5 Federal Agency Obligations. Federal agency or United States government-sponsored enterprise obligations, participations, mortgage backed securities or other instruments, including those issued by or fully guaranteed as to principal and interest by Federal agencies or United States government-sponsored enterprises (CGC §53601 (f)). There is no limitation as to percentage of the portfolio that may be invested in this category, however, purchases of callable Federal Agency obligations are limited to a maximum of 30 percent of portfolio.

9.6 Municipal Securities. Registered state warrants or treasury notes or bonds of this state or any of the other 49 states, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of this state or any of the other 49 United States;

Bonds, notes, warrants, or other evidences of indebtedness of any local agency within this state, including the District's bonds.

Securities must have a long-term debt rating of at least the "A" category, or its equivalent, by a NRSRO; and/or have a short term debt rating of at least "A-1", or its equivalent, by a NRSRO. A maximum of 20 percent of the portfolio may be invested in this category.

9.7 Bankers' Acceptances. Banker's acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank; Purchases are limited to bankers' acceptances issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System. Purchases of bankers' acceptance may not exceed 180 days maturity. Eligible bankers' acceptances are restricted to issuing financial institutions with a short-term debt rating of at least "A-1", or its equivalent, by a NRSRO. A maximum of 25 percent of the portfolio may be invested in this category.

9.8 Commercial Paper. Commercial paper of "Prime" quality or the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2):

(1) (i) is organized and operating in the United States as a general corporation, (ii) has total assets in excess of five hundred million dollars (\$500,000,000), and (iii) has debt other than commercial paper, if any, that is rated in at least the “A” category, or its equivalent, by a NRSRO.

(2) The entity meets the following criteria: (i) is organized within the United States as a special purpose corporation, trust, or limited liability company, (ii) has programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond, (iii) has commercial paper that is rated “A-1” or the equivalent or higher by a NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less and not represent more than 10 percent of the outstanding paper of an issuing corporation. A maximum of 25 percent of the portfolio may be invested in this category. Under a provision sunseting on January 1, 2026, no more than 40% of the portfolio may be invested in Commercial Paper if the District’s investment assets under management are greater than \$100,000,000.

9.9

Repurchase Agreements. Investments in repurchase agreements or reverse repurchase agreements or securities lending agreements are to be used as short-term investments not to exceed 90 days. Repurchase agreements shall be made with counterparties that are primary dealers of the Federal Reserve Bank of New York or a nationally or state-chartered bank that has or has had a significant banking relationship with District. Furthermore, the counter-party shall have the following qualifications: (i) a long-term debt rating of at least the “A” category, or its equivalent, by a NRSRO; (ii) a short-term credit rating of at least “A-1” or its equivalent, by a NRSRO; (iii) minimum assets and capital size of \$25 billion in assets and \$350 million in capital; (iv) five years of acceptable audited financial results; and (v) a strong reputation among market participants.

The District shall have a properly executed master repurchase agreement with each counter-party for which it enters into an agreement for repurchase agreements. Collateral of at least 102 percent of market value of principal and accrued interest is required. For any repurchase agreement with a term of more than one day, the value of the underlying securities must be reviewed on an on-going basis according to market

conditions. Market value must be calculated each time there is a substitution of collateral. Collateral is limited to obligations of the United States government and its agencies. Collateral must be delivered to the District's custodian bank or handled under a properly executed master repurchase agreement. The District, or its trustee, shall have a perfected first security interest in all collateral. A maximum of 10 percent of the portfolio may be invested in this category.

9.10 Medium-Term notes. Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States (CGC §53601 (k)). Purchases are limited to securities that have a long-term debt rating of at least the "A" category, or its equivalent, by a NRSRO. A maximum of 30 percent of the portfolio may be invested in this category.

9.11 Mutual Funds and Money Market Mutual Funds. that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940, provided that:

a. Mutual Funds that invest in the securities and obligations as authorized under California Government Code, Section 53601(a) to (k) and (m) to (q) inclusive and that meet either of the following criteria: 1) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs; or 2) Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California Government Code Section 53601 and with assets under management in excess of \$500 million.

A maximum of 10% of the total portfolio may be invested in the shares of any one mutual fund.

b. Money Market Mutual Funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and issued by diversified management companies and meet either of the following criteria: 1) attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs or 2) retained an

investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years of experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000).

A maximum of 20 percent of the portfolio may be invested in the shares of any one Money Market Mutual Fund.

If the District has funds invested in a money market fund, a copy of the fund's information statement shall be maintained on file. In addition, the Chief Financial Officer/or Treasurer should review the fund's summary holdings on a quarterly basis.

c. No more than 20% of the total portfolio may be invested in these securities.

9.12 Bank Deposits. FDIC insured or fully collateralized bank deposits, including, but not limited to, demand deposit accounts, savings accounts, market rate accounts and time deposits issued by a state or national bank, savings and loan associations, or state or federal credit unions located in California (CGC §53630 et. Seq.) A written depository contract is required with all institutions that hold District deposits requiring that deposits be collateralized in accordance with CGC. The Chief Finance Officer/or Treasurer, at his/her discretion, may waive the collateralization requirements for any portion that is covered by federal deposit insurance. Securities placed in a collateral pool must provide coverage for at least 100 percent of all deposits that are placed in that institution. Acceptable pooled coverage is governed by CGC §53651. Real estate mortgages are not considered acceptable collateral by the District, even though they are permitted in CGC §53651 (m). All financial institutions holding District deposits are required to provide the District with regular statements of pooled collateral. The report will state they are meeting the 100 percent collateral rule, a listing of all collateral with location and market value, plus an accountability of the total amount of deposits secured by the pool. In accordance with CGC §53638, no deposit shall exceed the shareholder's equity of any depository bank, nor shall a deposit exceed the total net worth of any institution. No deposits shall be made at a state or federal credit union if a member of the Board or the General Manager or Chief Financial Officer/or Treasurer of the District services on the

Board of Directors or a committee of the credit union. The maturity of time deposits (TCDs) may not exceed 4 years. There is no limit on the percentage of the portfolio that may be invested in bank deposits. However, a maximum of 20% of the portfolio may be invested in TCDs.

- 9.13 Local Government Investment Pools (LGIP).** Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7. To be eligible for purchase, the pool shall meet all of the following conditions: (i) must meet the requirements of California Government Code Section 53601(p), (ii) the pool must seek to maintain a stable Net Asset Value (NAV), and (iii) the pool must be rated in at least the “AA” category, or its equivalent, by a NRSRO. A maximum of 50 percent of the portfolio may be invested in this category. Whenever the District has any funds invested in a LGIP, the Chief Financial Officer/or Treasurer shall maintain on file a copy of the pool’s current information statement. In addition, the Chief Financial Officer/or Treasurer should review the pool’s summary portfolio holdings on a quarterly basis.
- 9.14 Supranationals.** US dollar-denominated senior unsecured unsubordinated obligations or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. The securities must be rated in the “AA” category or higher by a NRSRO. No more than 30% of the portfolio may be invested in these securities and no more than 10% per issuer. The maximum maturity is five years.
- 9.15 Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations from issuers not defined in sections 9.1 and 9.5 of the Authorized Investments of this policy,** provided that the securities are rated in a rating category of “AA” or its equivalent or higher by a NRSRO. No more than 20% of the total portfolio may be invested in these securities. No more than 5% of the portfolio may be invested in a single Asset-Backed or Commercial Mortgage Security Issuer. The maximum legal final maturity may not exceed five years.

Section 10. Pooled Investment /Mutual Fund Information Requirements

Insofar as this policy allows available funds to be deposited into pooled investment accounts, a thorough investigation of the pool is required prior to investing, and on a

continual basis. There shall be a questionnaire developed which will answer the following general questions:

- A description of eligible investment securities, and a written statement of investment policy and objectives;
- A description of interest calculations and how it is distributed, and how gains and losses are treated;
- A description of how the securities are safeguarded (including the settlement processes), and how often are the securities are priced and the program audited;
- A description of who may invest in the program, how often, what size deposit and withdrawal are allowed;
- A schedule for receiving statements and portfolio listings;
- Are reserves, retained earnings, etc., utilized by the pool?
- A fee schedule, and when and how it is assessed;
- Is the pool eligible for bond proceeds and/or will it accept such proceeds?

Section 11. Collateralization will be required on Certificates of Deposit, unless they are FDIC insured. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 110% of market value of principal and accrued interest.

Collateral will always be held by an independent third party with whom the District has a current written custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the District and retained. The right of collateral substitution is granted.

Section 12. Prohibited Investments Under provisions of CGC §53601.6 and §53651.5, the District shall not invest any funds covered by this policy in equity securities, inverse floaters, range notes, interest-only strips that are derived from a pool of mortgages, or any investment that could result in zero interest earned if held to maturity. Under a provision sunsetting on January 1, 2026, securities backed by the US Government that could result in a zero- or negative-interest accrual if held to maturity are permitted. The purchase of a security with a forward settlement date exceeding 45 days from the time of purchase is prohibited.

The purchase of any investment permitted by the Government Code, but not listed as an authorized investment in this Policy is prohibited without prior approval of the Board.

Section 13. Safekeeping of Securities All security transactions entered into by the District shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third-party custodian designated by the Chief Financial Officer/or Treasurer and evidenced by safekeeping receipts. A monthly report will be received by the District from the custodian listing all securities held in safekeeping with current market data and other information.

The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit; (iii) mutual funds and money market mutual funds, since these securities are not deliverable.

Section 14. Risk Management, Diversification and Maximum Maturities

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 shall be determined and revised periodically. Adequate diversification shall be applied to the individual issuers of debt, both within each class of investments and collectively. With the exception of U. S. Treasury securities, Federal Agency securities, LGIPs, LAIF, CalTRUST 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. No more than 5% of the total portfolio may be invested in securities issued by any single issuer with the exception of US Treasuries, US Agencies, Supranationals, LAIF, CalTRUST, money market funds, mutual funds, LGIPs, or unless otherwise specified in this investment policy.

- 14.1 To the extent possible, the District will attempt to match its investments with anticipated cash flow requirements. The District will maintain a minimum of six months of budgeted operating expenditures in short-term investments to provide sufficient liquidity for expected disbursements. The District will not directly invest in securities maturing more than five years from the settlement date, with the exception of US Treasuries, Agencies and Municipal Securities.
- 14.2 The Chief Financial Officer/or Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.
- 14.3 If a security owned by the District is downgraded to a level below the requirements of this policy, making the security ineligible for additional purchases, the following steps will be taken:
 - Any actions taken related to the downgrade by the investment manager will be communicated to the Chief Financial Officer/or Treasurer in a timely manner.

If a decision is made to retain the security, the credit situation will be monitored and reported to the Finance Committee of the Board of Directors.

Section 15. Review of Investment Portfolio The Chief Financial Officer/or Treasurer shall periodically, but no less than quarterly, review the portfolio to identify

investments that do not comply with this investment policy and establish protocols for reporting major and critical incidences of noncompliance to the Finance Committee of the Board of Directors.

Section 16. Performance Standards The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs.

Section 16.1. The District's investment strategy is active. The District may sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity, or yield of the portfolio in response to market conditions or the District's risk preferences. Given this strategy, the basis used by the Chief Financial Officer/or Treasurer to determine whether market yields are being achieved shall be to identify a comparable benchmark to District's portfolio investment duration.

Section 17. Investment Reporting The Chief Financial Officer/or Treasurer shall provide to the Finance Committee of the Board of Directors monthly investment reports that provide a clear picture of the status of the current investment portfolio. The Management Report should include comments on the fixed income markets and economic conditions, discussions regarding restrictions on percentage of investment by categories, possible changes in the portfolio structure going forward, and thoughts on investment strategies.

Schedules in the monthly report should include the following:

- A listing of individual securities held at the end of the reporting period by authorized investment category
- Average life and final maturity of all investments lists
- Coupon, discount, or earnings rate
- Par value, amortized book value and market value
- Percentage of the portfolio represented by each investment category
- Transactions for the period

Section 18. Policy Adoption and Review The District's investment policy shall be adopted by resolution of the District's Board. The policy shall be reviewed annually by the Board and any modifications made thereto must be approved by the Board.

Section 19. Glossary. See attached Glossary.

Section 20. Resolution. This Resolution shall take effect immediately upon its adoption.

GLOSSARY

AGENCIES. Federal agency securities and/or Government-sponsored enterprises.

ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR). An official annual report of a local government. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory materials, and detailed Statistical Section.

ASKED. The price at which securities are offered.

ASSET-BACKED SECURITIES (ABS). Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

BANKERS' ACCEPTANCES. A money market instrument created to facilitate international trade transactions. It is highly liquid and the risk of the trade transactions is transferred to the bank which "accepts" the obligation to pay the investor.

BENCHMARK. A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

CERTIFICATE OF DEPOSIT (CD). A time deposit with a specific maturity evidenced by a certificate.

COLLATERAL. Securities, evidence of deposit, or other property that a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATION (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

COMMERCIAL PAPER. The short-term unsecured debt of corporations.

COUPON. (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DELIVERY VERSUS PAYMENT. There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DISCOUNT. The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES. Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value (U. S. Treasury Bills).

DIVERSIFICATION. Dividing investment funds among a variety of securities offering independent returns.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC). A federal agency that insures bank deposits, currently up to \$250,000 per deposit.

FEDERAL HOME LOAN BANKS (FHLB). Government sponsored wholesale banks (currently 12 regional banks) that lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FIDUCIARY. A person or organization that acts on behalf of another person(s) or organization that puts their clients' interest ahead of their own as they are bound both legally and ethically to act in the best interest of their clients.

JOINT POWERS AUTHORITY (JPA). An entity created by two or more public agencies that share a common goal in order to jointly exercise powers common to all members through a joint powers agreement or contract.

LIQUIDITY. A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT FUND (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

LOCAL GOVERNMENT INVESTMENT POOL. Investment pools that range from LAIF to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

MARKET VALUE. The price at which a security is trading and could presumably be purchased or sold.

MATURITY. The date upon which the principal of stated value of an investment becomes due and payable. An investment's term or remaining maturity is measured from the settlement date to final maturity.

MONEY MARKET. The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

MONEY MARKET MUTUAL FUND. A mutual fund that invests exclusively in short-term securities that comply with SEC Rule 2a-7. Money market mutual funds attempt to keep their net asset values at \$1 per share.

MORTGAGE PASS-THROUGH SECURITIES. A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

MUNICIPAL SECURITIES. Securities issued by state and local agencies to finance capital and operating expenses.

MUTUAL FUNDS. Entities that pool the funds of investors and invest those funds in a set of securities which are specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO). A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Moody's, S&P, and Fitch.

NEGOTIABLE CERTIFICATE OF DEPOSIT (NCD). A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market.

PORTFOLIO. Collection of securities held by an investor.

PRUDENT INVESTOR (PRUDENT PERSON) RULE. A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."~~n investment standard. In some states, the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state, the so-called legal list. In other states the trustee may invest in a security if~~

~~it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.~~

RATE OF RETURN. The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current incomes return.

REPURCHASE AGREEMENT. Short-term purchases of securities with simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

SAFEKEEPING. A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

STRUCTURED NOTES. Notes issued by Government Sponsored Enterprises (FHLB) and corporations that have imbedded options (call features, etc.,) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

SUPRANATIONAL. A multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

TREASURY BILLS. A non-interest bearing discount security issued by the U. S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS. Long-term coupon-bearing U. S. Treasury securities issued as direct obligations of the U. S. Government and having initial maturities of more than 10 years.

TREASURY NOTES. Medium-term coupon-bearing U. S. Treasury securities issued as direct obligations of the U. S. Government and having initial maturities from two to 10 years.

YIELD. The rate of annual income return on an investment, expressed as a percentage. (a) Income Yield is obtained by dividing the current dollar income by the current market price for the security, (b) Net Yield or Yield to maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.