



**WEST VALLEY WATER DISTRICT  
855 W. BASE LINE ROAD, RIALTO, CA 92376  
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WWW.WVWD.ORG**

**POLICY REVIEW AND OVERSIGHT COMMITTEE MEETING  
AGENDA**

**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](mailto:administration@wvwd.org).**

**If you require additional assistance, please contact [administration@wvwd.org](mailto: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
3. Investment Policy Review

## **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](http://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*



## STAFF REPORT

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

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### **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.

The foregoing Resolution was duly adopted at a Regular Meeting of the Board of Directors of West Valley Water District by motion made, seconded, and duly carried on

**ROLL CALL:**

<b>AYES:</b>	<b>DIRECTORS:</b>
<b>NOES:</b>	<b>DIRECTORS:</b>
<b>ABSENT:</b>	<b>DIRECTORS:</b>
<b>ABSTAIN:</b>	<b>DIRECTORS:</b>

**WEST VALLEY WATER DISTRICT**

\_\_\_\_\_  
Greg Young~~Channing Hawkins~~  
President of the Board

**ATTEST:**

\_\_\_\_\_  
, Board Secretary

## 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.