RESOLUTION NO. 16-18

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT ESTABLISHING ITS INVESTMENT POLICY

1.0 POLICY

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

WHEREAS; the legislative body of a local agency may invest monies not required for the immediate necessities of the local agency in accordance with the provisions of California Government Code Sections 5922 and 53601 et seq.; and

WHEREAS; the Deputy Treasurer of the Palmdale Water District ("District") shall annually prepare and submit a statement of investment policy and such policy, and any changes thereto, and report same to the Finance Committee, and it shall be considered by the Board of Directors at a public meeting;

NOW THEREFORE; it shall be the policy of the District to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all statutes governing the investment of District funds.

2.0 SCOPE

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

3.0 PRUDENCE

Investments shall be made with judgment and care, under circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the District, which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent investor" standard (California Government Code 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.0 OBJECTIVES

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

1. Safety: Safety of principal is the foremost objective of the investment program. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

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

3. Return on Investments: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

5.0 DELEGATION OF AUTHORITY

The authority to invest public funds is expressly delegated to the Board of Directors. The Board re-delegates the investment function to the Board President or Vice President and the Deputy Treasurer. The Board President or Vice President designate the District's Financial Advisor as the Deputy Treasurer who shall have the authority to act on behalf of the District with the concurrence of the Board Finance Committee.

The investment of the District's monies is annually delegated by the Board of Directors to the Board President or Vice President and Deputy Treasurer (District Financial Advisor) who shall thereafter assume full responsibility for those transactions until the delegation is revoked or expires. The Board President or Vice President shall delegate the day-to-day operations of investing to the Deputy Treasurer, but not the responsibility for the overall investment program. All transactions will be reviewed by the Finance Committee on a monthly basis to assure compliance with the Investment Policy. (California Government Code Section 53607.)

6.0 ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

7.0 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Deputy Treasurer will maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience and minimal capitalization authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment and financial advisory services in the State of California. No public deposit shall be made except in a qualified public depository as established by state laws.

For brokers/dealers of government securities and other investments, the District shall select only broker/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the Financial Industry Regulatory Authority (FINRA) or other applicable self-regulatory organizations.

Before engaging in investment transactions with a broker/dealer, the Deputy Treasurer shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the District's account with that firm has reviewed the District's Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the District that are appropriate under the terms and conditions of the Investment Policy.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS

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

a. Bonds issued by the District.

b. United States Treasury Bills, Notes and Bonds.

c. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by, or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

d. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 40% of the District’s money which may be invested pursuant to this policy.

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

with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

f. Bonds, notes, warrants or other evidence of debt issued by a local agency within the State of California, including pooled investment accounts sponsored by the State of California, County Treasurers, other local agencies or Joint Powers Agencies.

Such investments shall be limited to securities that at the time of the investment have a term remaining to maturity of five years or less, or as provided above.

The District shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools or any investment that may result in a zero interest accrual if held to maturity.

9.0 COLLATERALIZATION

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

10.0 SAFEKEEPING AND CUSTODY

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

11.0 DIVERSIFICATION

The District will diversify its investments by security type and institution. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities.

Diversification strategies shall be reviewed and revised periodically. In establishing specific diversification strategies, the following general policies and constraints shall apply:

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

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

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

12.0 REPORTING

The Deputy Treasurer, after review by the Finance Committee, shall submit to each member of the Board of Directors an investment report at least quarterly. The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for District by third party contracted managers. The report will also include the source of the portfolio valuation. For funds which are placed in LAIF, FDIC-insured accounts and/or in a county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a certification that (1) all investment actions executed since the last report have been made in full compliance with the Investment Policy, and (2) the District will meet its expenditure obligations for the next six months. The Deputy Treasurer shall maintain a complete and timely record of all investment transactions.

13.0 INVESTMENT POLICY ADOPTION

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

PASSED, APPROVED, AND ADOPTED at a Regular Meeting of the Board of Directors of Palmdale Water District held on December 14, 2016. Resolution No. 16-18 was adopted by the following vote:

AYES:

NOES:

ABSTAIN:

_____
President, Board of Directors
Palmdale Water District

ATTEST:

_____
Secretary of the Board of Directors

APPROVED AS TO FORM:

_____
Aleshire & Wynder, General Counsel

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

I, Joe Estes, Secretary of the Palmdale Water District, DO HEREBY CERTIFY that the foregoing is a full, true and correct copy of Resolution No. 16-18 of the Board of Directors of Palmdale Water District adopted at a Regular Meeting held on December 14, 2016 and that the same has not been amended or repealed.

_____

Secretary, Board of Directors
Palmdale Water District

DATED: _____

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