

## RESOLUTION NO. 2010-02

### **SAN GORGONIO PASS WATER AGENCY INVESTMENT POLICY AND GUIDELINES RESCINDING RESOLUTION #2009-06**

**BE IT RESOLVED** by the Board of Directors of the San Gorgonio Pass Water Agency (Agency) that the following is the policy and guidelines of the Agency for Investment of funds and that adoption of this Resolution 2010-02 does hereby revise and nullify Resolution 2009-06.

#### **INTRODUCTION**

It is the policy of the San Gorgonio Pass Water Agency 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 Agency and conforming to all state and local statutes governing the investment of public funds.

The Agency operates its investment program with many federal, state and self-imposed constraints. **IT DOES NOT SPECULATE; IT DOES NOT DEAL IN FUTURES, OPTIONS, DERIVATIVES, SECURITY LOAN AGREEMENTS, OR MARGIN TRADING.**

#### **PURPOSE**

This statement is intended to provide a guideline for the prudent investment of cash not required for immediate expenditure, surplus funds and restricted monies, and to outline a policy for maximizing the efficiency of a cash management system.

#### **PRUDENCE**

Investments shall be made with judgment and care under circumstances then prevailing, 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 prudent-person policy of safety, liquidity, yield, and diversity, in that order, will prevail at all times.

#### **DELEGATION OF AUTHORITY**

In accordance with Section 53607 of the Government Code of the State of California, the authority to invest public funds is expressly delegated to the legislative body for subsequent redelegation to the Treasurer.

The Agency has expressly delegated the investment authority of the Agency to the Treasurer and the Assistant Treasurer in Resolution Nos. 1994-09 and 2005-10.

No person may engage in an investment transaction except as provided under the terms of this policy. The Treasurer and Assistant Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinates.

Agency funds not required for immediate expenditure may be invested in compliance with the governing provisions of law and as further limited by the Policy established in this resolution as from time to time amended.

### **ETHICS AND CONFLICTS OF INTEREST**

Officers and employees involved in the investment process shall not engage in any personal business activity which could conflict with the proper execution of the Agency's investment program, or which could impair their ability to make impartial investment decisions. Employees and officers shall subordinate their personal investment transactions to those of the Agency, particularly with regard to the time of purchases and sales.

### **COMPUTATION OF INTEREST**

Pursuant to Government Code Section 53645, interest shall be computed and paid by the depository as follows:

- A. For active deposits upon which interest is payable, interest shall be computed on the average daily balance for the calendar quarter.
- B. For inactive deposits, interest shall be computed on a 360-day basis

### **ACCEPTABLE INVESTMENT INSTRUMENTS**

The Agency investment portfolio is limited to investments as specified below:

1. State of California Local Agency Fund (LAIF).
2. United States Treasury Instruments not to exceed two (2) years, purchased directly from the Federal Reserve Bank.
3. Certificates of Deposit (CDs), purchased through a major and reputable bank chartered in the United States, not to exceed two (2) years. These must be either collateralized to 110% of the invested amount or otherwise insured through CDARS or other programs.
4. Repurchase agreements through a bank specifically for interest-bearing checking accounts.
5. Medium-Term Notes of a maximum of five years maturity issued by corporations organized and operating within the United States or any state. Notes eligible for investment shall be rated in a rating category of "A" or its equivalent or better by a nationally recognized rating service. No more than 15% of the market value of the portfolio may be invested in Medium-Term Notes.

6. **Bond, notes, debentures, or any other obligations of, or securities issued by, any federal government agency, instrumentality, or government-sponsored enterprise.**
7. Municipal Bonds. The Agency may invest in bonds issued by a state or local government agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency.
8. Money market mutual funds regulated by the Securities and Exchange Commission whose portfolios consist only of dollar-denominated securities.

Under Government Code Section 16429.1, a local agency having money in its treasury not required for immediate needs may remit the money to the Treasurer of the State of California for deposit in the Local Agency Investment Fund (LAIF).

The Board shall authorize in advance any transfer from LAIF for the purpose of purchasing any other authorized investment listed above.

#### **AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

The Agency shall transact business only with banks and registered investment securities dealers. The dealers shall be either primary dealers authorized to buy and sell government securities in direct dealings with the Federal Reserve Bank of New York, or regional dealers, qualifying under the Securities and Exchange Commission Rule 15c3-1. The Treasurer shall approve all dealers the Agency does business with. The Finance Manager shall send a copy of the current Investment Policy to all dealers approved to do business with the Agency. Signed Dealer/Broker Confirmation Certificates shall be kept on file documenting the dealer/broker/s understanding of the Agency's investment policy.

#### **COMPLIANCE AND CONFLICT**

All investments made by the Agency shall be in full compliance with the California Government Code that is in force at the time the investment is made. If there is a conflict between this policy and the California Government Code, the California Government Code shall prevail.

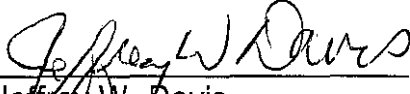
**BE IT RESOLVED** that the investment policy shall be reviewed by the Finance and Budget Committee annually, and as frequently as necessary, to enable the Treasurer and Assistant Treasurer to respond to changing market conditions; and

**BE IT FURTHER RESOLVED** that each quarter the Treasurer and Assistant Treasurer shall furnish the Board of Directors a detailed listing of the current investments. Pursuant to Government Code Section 53646, the Treasurer and Assistant Treasurer may also render a statement showing the amount of accrued interest for each investment for the preceding quarter if so required by the Board of Directors.

Resolution #2010-02 was adopted upon roll call by the following vote:

AYES:	Haring, Voigt, Morris, Workman, Dysart, Dickson and Jeter
NOES:	None
ABSTAIN:	None
ABSENT:	None

I certify that the foregoing is a true, full and correct copy of Resolution #2010-02 adopted by the Board of Directors of the San Geronio Pass Water Agency at a regular meeting of the board of directors held on February 1, 2010.

  
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Jeffrey W. Davis  
Secretary of the Board