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Providing Outstanding Service Since 1963

January 23, 2023

Board of Directors
Triunfo Water & Sanitation District
Ventura County, California

RESOLUTION NO. TWSD 2023-003 STATEMENT OF INVESTMENT POLICY

Summary

At the January 2023 Board meeting, the Board requested staff to bring back a revised Investment Policy to include other authorized investment options in addition to the Ventura County Treasurer's Investment Pool (VCTIP) and California State Treasurer's Local Agency Fund (LAIF). Attached is the revised District Investment Policy (Attachment A) which includes authorized investment securities permitted by the California Government Code Sections 53600 et. seq.

The District is currently investing its funds in VCTIP and LAIF. Both VCTIP and LAIF invest in the various authorized investment securities currently included in the District's revised District Investment Policy. Both investment pools are safe, liquid, and enables the District to be part of "pooled investments". This type of investment provides the District with a larger opportunity because of enhanced purchasing power when compared to small individual purchases, and are managed by a team of investment professionals. In addition, this investment strategy allows the District to take advantage of economies of scale, enhancing buying power, optimizes cost efficiency, and provide portfolio diversification benefits which lowers risk.

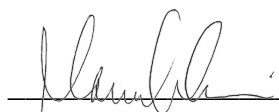
If the Board is interested in investing the District funds in other investment securities, staff recommends hiring a registered financial advisor for the day-to-day placement of District investments and a third party custodian responsible to hold the District investments for safekeeping.

Please contact me at 805-658-4649 or email vickiedragan@trunfowsd.com if you have any questions or need additional information regarding this item.

Recommendation

Staff recommends staying with the current investment strategy based on the advantages of being part of a pooled investment with the Ventura County Treasurer's Investment Pool and California State Treasurer's Local Agency Fund.


VICKIE DRAGAN – DIRECTOR OF FINANCE

REVIEWED AND APPROVED 
MARK NORRIS – GENERAL MANAGER

Attachment: TWSD Resolution No. 2023-003 Investment Policy

RESOLUTION NO. TWSO 2023-003

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE TRIUNFO WATER & SANITATION DISTRICT
APPROVING STATEMENT OF INVESTMENT POLICY**

WHEREAS, the Legislature of the State of California in California Government Code (CGC) Sections 53600.6 and 53630.1 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 Board of Directors of the Triunfo Water & Sanitation District may invest cash not required for the immediate necessities of the District in accordance with the provisions of CGC Sections 5921 and 53601 et. seq.; and

WHEREAS, Government Code Section 53646(a)(2) provides that the treasurer or chief fiscal officer of each local agency may submit to said agency's governing body any change in the statement of said agency's investment policy; and

WHEREAS, Triunfo Sanitation District authorizes the Director of Finance of the Triunfo Water & Sanitation District, acting as Treasurer of the District to direct the collection and disbursement of all monies into and out of the District treasury, make investments and open & close bank accounts as necessary to conduct the business of the District; and

WHEREAS, Government Code Section 53601 provides that each local agency may not invest in securities with maturity in excess of five (5) years, unless said agency's governing body grants express authority to make that investment as part of an investment program approved by said agency's governing body no less than three months prior to the investment; and

WHEREAS, Government Code Section 53601(o) and (q) lists permissible investments that may be made of said agency's surplus funds and/or deposits in its custody and are not currently part of the investment policy statement; and

WHEREAS, the Board of Director of TRIUNFO WATER & SANITATION DISTRICT wish to add the permissible investments to the policy, authorize maturities in excess of five years for those securities permissible by the California Government Code.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of TRIUNFO WATER & SANITATION DISTRICT that the Statement of Investment Policy as documented in Exhibit A, attached hereto and incorporated herein as though fully set forth, is hereby approved as the investment policy of the TRIUNFO WATER & SANITATION DISTRICT.

PASSED, APPROVED AND ADOPTED this 27th day of February, 2023, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

TRIUNFO WATER & SANITATION DISTRICT

Jane Nye, Chair

ATTESTED:

Fidela Garcia, Clerk of the Board

APPROVED AS TO FORM:

John Mathews, General Counsel



Finance Policy

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Section	FIN-1 Finance	Approval Date	01/23/2017
Policy	FIN-1.1 Investment Policy	Revised Date	

Policy

It shall be the policy of the Triunfo Water & Sanitation District to invest funds in a manner, which will provide the highest investment return possible with maximum security while meeting the daily cash flow demands of the District. All investments conforms to all applicable Federal and State laws governing the investment of public funds. In such instances where the Policy if more restrictive than Federal or State law, the Policy will supersede.

Scope

This investment policy covers all funds and investment activities under the authority of the District, as set forth in the State Government Code, Sections 53600 et seq., with the following exceptions:

- Proceeds of debt issuance shall be invested in accordance with the terms and conditions of debt issue agreements.
- Monies placed in pools operated by other government agencies shall be invested in accordance with the investment policy of the pool.
- 401(a) Retirement Plan

With the exception of cash in restricted or special funds, the District will consolidate cash balances from all funds to the extent practicable in order to maximize investment earnings and minimize fees.

Prudence

The Treasurer and all persons authorized to make investment decisions on behalf of the District 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 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.”

The District's Treasurer and other individuals assigned to managing the investment portfolio acting in accordance with written procedures and the investment policy and exercising due diligence will be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that the Treasurer or other authorized persons acted in good faith and such deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

Objectives

The primary objectives, in priority order, of the District's investment activities shall be:

- 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 by issuer and type and maturity of securities will be made to avoid or minimize loss on individual securities.
- Liquidity: The District's investment portfolio will remain sufficiently liquid to enable the District to meet all operating and capital cash requirements that might be reasonably anticipated.
- Return: The District's investment portfolio shall be designed with the objective of providing a market rate of return throughout budgetary and economic cycles while conforming to the safety and liquidity criteria above.

Delegation of Authority

Authority to manage the investment program is derived from CGC Sections 53600 et seq. The Finance Director is hereby designated as the "Treasurer" in charge of managing the District's investment program. The Treasurer may delegate the day-to-day placement of investments to a registered investment advisor. The investment advisor shall make all investment decisions and transactions in strict accordance with State law and this Policy. The Treasurer shall establish a system of written internal controls to regulate the District's investment activities, including the activities of the investment advisor and any subordinate officials acting on behalf of the District.

Ethics and Conflicts of Interest

All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. Thus, employees and officials involved in the investment process shall refrain from personal business activity that could create a conflict of interest or the appearance of a 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 General Manager any material interests in financial institutions with which they conduct business, and they shall further

disclose any large personal financial/investment positions that could be related to the performance of the investment portfolio. 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.

Internal Controls

The Treasurer is responsible for establishing and maintaining an internal control structure designed to prevent loss, theft or misuse of District funds. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Delivery vs. Payment

All investment transactions, including collateral for repurchase agreements, entered into by the District shall be conducted on a delivery-versus payment (DVP) basis. Investments will be held in safekeeping by a third party custodian and evidenced by safekeeping receipts.

Authorized Investments

The Districts' investments are governed by California Government Code, Sections 53600 et seq. Within the investments permitted by the Government Code, the District seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the Government Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the time the security is purchased.

Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity, and shall be exempt from the current policy. At the time of the investment's maturity or liquidation, such funds shall be reinvested only as provided in the current policy.

Rating requirements and percentage limitations, where indicated, apply at the time of purchase. In the event a security held by the District is subject to a rating change that brings it below the minimum specified rating requirement, the Treasurer shall notify the Board of Directors of the change as required by this policy. The course of action to be followed will then be decided on a case-by-case basis, considering such factors as the reason for the ratings change, prognosis for recovery or further ratings changes, and the market price of the security.

An appropriate risk level shall be maintained by primarily purchasing securities that are of high quality, liquid, and marketable. The portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual issuers.

The following investments may be purchased in accordance with the provisions of Section

53601 et. seq. of the California Government Code:

Certificates of Deposit (CD)

Federally Insured Time Deposits are Non-negotiable Certificates of Deposit in state or federally chartered banks, savings and loans, or credit unions, provided that the amount per institution is limited to the maximum covered under Federal Deposit Insurance Corporation (FDIC). The maximum term to maturity shall not exceed one year and shall be fully insured by the FDIC.

All time deposits exceeding \$250,000 must be collateralized with government securities in accordance with Section 53652 of the California Government Code. No more than 20% of the investment portfolio will be invested in a combination of federally insured and collateralized time deposits,

U.S. Agencies

Instruments of or issued by a federal agency or a United States government-sponsored enterprise. The purchase of U.S. agency securities shall be limited to issues of the Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corp. (Fannie Mae/FNMA), Federal Farm Credit Banks (FFCB) or obligations, participation, or other instruments of, or issued by a federal agency or a United States government-sponsored enterprise. No more than 25% of the portfolio may be invested in any single Agency issuer. The maximum percent of agency callable securities in the portfolio will be 20%. The maximum maturity of any one agency investment shall not exceed three years.

U.S. Government

United States Treasury Notes, Bonds, Bills or other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest. There are no limits on the dollar amount or percentage in which the District may invest in United State Treasuries. The maturity of a security is limited to a maximum of three years.

State Municipal Securities

Obligations of the State of California or any local agency within the state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled or operated by the state or any local agency or by a department, board, agency, or authority of the state or any local agency, provided such obligations are rated in a rating category of "A" or its equivalent or better by at least one nationally recognized statistical rating organization ("NRSRO"). California and local California agency obligations combined with the municipal obligations of the other 49 United States may not exceed 30% of the District's funds at the time of purchase and the maturity may not exceed three years. No more than 5% of the portfolio may be invested in any single issuer.

Registered treasury notes or bonds of any of the other 49 United States in addition to California, 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 any of the other 49 United States, in addition to California; provided such obligations are rated in a rating category of "A" or its equivalent or better by at least one

NRSRO. Municipal obligations of the other 49 United States combined with California and local California agency obligations may not exceed 30% of the District's surplus funds. No more than 5% of the portfolio may be invested in any single issuer.

Banker's Acceptances

Bill of exchange accepted by a bank or trust company and brokered to investors in the secondary market. Banker's Acceptances may be purchased for a period of up to 180 days and in an amount not to exceed 40% of the District funds. Eligible banker's acceptances are restricted to issuing financial institutions with short-term paper rated "A-1" or its equivalent or better by at least one NRSRO; or long-term debt obligations which are rated in a rating category of "A" or its equivalent or better by at least one NRSRO. No more than 5% of the portfolio may be invested in any single issuer.

Commercial Paper

Short term unsecured promissory note issued to finance short term credit needs. Commercial Paper eligible for investment must be of "prime" quality of the highest ranking or of the highest short-term letter and numerical rating as provided for by the three Nationally Recognized Statistical Rating Organizations (NRSROs), Standard and Poor's Ratings Services, Moody's Investor Service, and Fitch Ratings (S&P A-1+, A-1; Moody's P-1; Fitch F1+, F1). The issuing entity shall meet all of the following conditions in either paragraph (1) or paragraph (2) below:

- 1 Issuing corporations must be organized and operating within the United States as a general corporation, have total assets in excess of \$500 million, and must have outstanding debt, other than commercial paper, rated in the rating category of "A" or its equivalent or better by at least one NRSRO.
- 2 Issuing entity is organized within the United States as a special purpose corporation, trust, or limited liability company, has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond, and has commercial paper that is rated in a rating category of A-1 or its equivalent or higher by a NRSRO.

Purchase of eligible Commercial Paper may not exceed 270 days maturity. Commercial paper holdings may not represent more than 10% of the outstanding paper of an issuing corporation. No more than 5% of the portfolio may be invested in one single issuer. Additionally, Commercial paper cannot exceed 25% of the District's surplus funds.

Negotiable Certificates of Deposit

Negotiable Certificates of Deposit (NCD) are issued by a nationally or state chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Negotiable certificates of deposit may not exceed 30% of the District's funds. Any amount insured up to the FDIC limit does not require any credit ratings. Any amount above the FDIC insured limit must be issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term

obligations rated in a rating category of “A” or its equivalent or better by at least one NRSRO. No more than 5% of District funds may be invested in any single issuer.

Medium-Term Notes

Medium-Term Notes are 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 provided that the senior debt obligations of the issuing institution is in a rating category of “A” or its equivalent or better by at least NRSRO. Medium-term corporate notes may not exceed 30% of the District's total surplus funds. No more than 5% of the portfolio may be invested in any single issuer and the maximum maturity does not exceed five (3) years.

Local Agency Investment Fund

State of California Local Agency Investment Fund (LAIF) as authorized by Gov. Code Section 16429.1(b). The District may invest up to the maximum amount permitted by LAIF. LAIF's investments in instruments prohibited by or not specified in the District's policy do not exclude the investment in LAIF itself from the District's list of allowable investments, provided LAIF's reports allow the Treasurer to adequately judge the risk inherent in LAIF's portfolio.

Ventura County Treasurer's Investment Pool

Ventura County Investment Pool as authorized by Gov. Code Section 53684. The District may invest up to the maximum amount permitted by the Ventura County Investment Pool. County Pool's investments in instruments prohibited by or not specified in the District's policy do not exclude the investment in the County Pool itself from the District's list of allowable investments, provided County Pool's reports allow the Treasurer to adequately judge the risk inherent in the County Pool's portfolio.

Mutual Funds and Money Market Mutual Funds

Mutual Funds and 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 meets the following criteria:

- (1) 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:
 - Attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or 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.
 - No more than 10% of the total portfolio may be invested in shares of any one mutual fund.

(2) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S. C. Sec. 80a-1, et seq.). The company must have met either of the following criteria:

- attained the highest ranking letter and numerical rating provided by not less than two NRSROs or
- have an investment advisor registered with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of \$500 million.
- No more than 20% of the total portfolio may be invested in the shares of any one Money Market Mutual Fund.

The purchase price of shares may not exceed 20% of the District's total surplus funds.

Asset-Backed Security

Any Mortgage-Backed, Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations from Issuers not defined in sections on US Treasuries and Federal Agencies provided that the securities are rated in a rating category of "AA" or its equivalent or better 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 any single Asset-Backed or Commercial Mortgage security issuer; and the maximum legal final maturity does not exceed five (5) years.

Supranational

The District may invest surplus funds to include US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. The securities are rated in a rating category of "AAA" or its equivalent or better by a NRSRO; no more than 30% of the total portfolio may be invested in these securities; no more than 5% of the portfolio may be invested in any single issuer. The maximum maturity does not exceed five (5) years.

Prohibited Investments

State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options. In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited. Investment in any security that could result in a zero interest accrual if held to maturity is prohibited. Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited. Purchasing or selling securities on margin is prohibited. The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited. The purchase of foreign currency denominated securities is prohibited.

Investment Policy Adoption

The Investment Policy shall be adopted by Resolution of the Triunfo Water & Sanitation

District. The Treasurer of the Triunfo Water & Sanitation District shall annually prepare and submit a statement of the District's investment policy, along with any recommended changes to that policy, to the Board of Directors for review and approval at a public meeting.

Reporting

The Treasurer shall submit to each member of the Board a monthly investment (cash balances) report of all funds held at the end of each month which are directly controlled and managed by the Treasurer. Each investment (cash balances) report shall be submitted within 30 days following the end of the period covered by the report.