



## Valley of the Moon Water District Investment Policy

### Purpose

The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment process and to organize and formalize investment-related activities. 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 goal is to enhance the economic status of the Valley of the Moon Water District (District) while protecting its pooled cash.

The investment policies and practices of the District are based on state law and prudent money management. District moneys not required for immediate expenditure will be invested in compliance with governing provisions of law (Government Code Sections 53600 *et.al.*, SB 866 and SB564) and this policy. The District will maintain adequate cash availability and maximum yield on invested funds while ensuring that the principal amount invested is protected from loss. The investment of bond proceeds is to be restricted by the provisions of relevant bond documents.

Investments will be made in a range of instruments to ensure diversification of the District's portfolio and liquidity of assets in an emergency. Deposit of funds with the State Treasurer's Local Agency Investment Fund (LAIF) in accordance with Section 16429.1 of the Government Code, or deposit of funds with the Sonoma County Pooled Investment Fund will satisfy this requirement. A policy of safety, liquidity, and yield will always prevail, with emphasis on safety.

### Objective

The District has a fiduciary responsibility to maximize the productive use of all the assets entrusted to its care and to invest and manage those public funds wisely and prudently. As such, the District shall strive to maintain the level of investment of all idle funds as near 100% as possible through projected cash flow determinations, investing in those investment vehicles deemed prudent and allowable under current legislation of the State of California and the regulations of the District.

It is the policy of the District to make investments based on the following specific objectives listed in order of priority:

1. Safety: The primary objective is to safeguard the principal of funds.
2. Liquidity: The secondary objective shall be to meet the liquidity needs of the District.
3. Yield: The third objective shall be to achieve a return on funds

## Definition and Provision of the Government Code

The District's Board of Directors will act as the investment authority of the District. Collateral established as security for District funds will be those securities specified by law as eligible for collateral for deposits of local public agencies. Investment of District moneys not required for immediate expenditure will be made in securities or other certificates of indebtedness as provided by law for the investment of public funds. Investments will be made in accordance with this policy.

## Cash Flow and Availability

The District shall maintain, in the LAIF, or the Sonoma County Treasurer's Pooled Investment Fund, or Certificate of Deposits (CDs), money available for immediate use in the amount of \$1 million or the two highest projected months of O&M expenses, whichever is higher.

## Preferred Investment Instruments

The District investment portfolio may include, but are not limited to, the following instruments:

- State Local Agency Investment Fund
- Sonoma County Pooled Investment Fund
- Certificates of Deposit purchased from banks or savings and loan institutions
- Passbook Savings Account
- Treasury Bills & Notes
- U.S. Government Agency bonds
- Additional instruments not specifically delineated in this policy require prior Board approval

## Amounts to be Invested

The District will maintain a cash flow analysis for projection of needed funds. All funds not required for immediate use will be invested.

## General Investment & Accounting Guidelines

1. As far as possible, all money shall be deposited for safekeeping in state or national banks or state or federal savings and loan associations or may be invested as provided in Section 53635 of the government code.
2. Not more than 30 percent of the District funds shall be invested in any one single institution other than the following funds:
  - The State Local Agency Investment Fund
  - The Sonoma County Pooled Investment Fund; and
  - US Treasury bonds
3. All interest, including interest on the reserve for capital outlay, capital replacements, new connections, reserve for variation in water sales, and the general reserve, shall be credited to the general fund except connection fees.
4. Accounts shall be established and maintained in the District accounting records to record the surplus and inactive funds invested at all times in accordance with the State Controller's chart of accounts as authorized by Section 53891 of the Government Code.
5. Reserve fund account balances shall be maintained separately and shall always reflect the balance in each reserve fund in a manner consistent with generally accepted accounting practices.
6. Depositories having custody of the District funds shall be directed to forward copies of all correspondence concerning the District funds to the Valley of the Moon Water District, P.O. Box

- 280, El Verano, CA 95433.
7. Verification that moneys have always been on deposit and collateralized in amounts equal to or more than funds designated by the Board of Directors as reserve funds shall be made in the annual audit records.
  8. The Board of Directors shall delegate the authority and responsibility to invest or to reinvest funds of the Valley of the Moon Water District or to sell or exchange securities so purchased in accordance with Section 53607 of the Government Code.
  9. The Board should, from time to time, determine which reserve funds are surplus and which are inactive.
  10. No investments shall be made in financial futures or financial option contracts which are otherwise allowed pursuant to Section 53601.1 of the Government Code.

### Guidelines by Type of Investment

Certificates of Deposit (CD): Cash will be invested only in FDIC or FSLIC insured or fully collateralized certificates of deposit. Collateral for a given investment must be 110% of principle for government securities collateral and 150% of principal for first mortgage collateral. No more than \$250,000 of the District's portfolio shall be invested in any one institution. An institution must meet the following criteria to be considered by the District:

- The District will not invest in any institution less than four years old.
- The institution must maintain a net worth to asset ratio of at least 2.5%, and a positive earnings record.

State Local Agency Investment Fund: The investment with LAIF may not, by State regulations, exceed \$20 million.

Sonoma County Pooled Investment Fund: The investment with the County of Sonoma is subject to the County of Sonoma Investment Policy.

### Maturity of Investment

Except for Treasury notes, CDs and Government Agency bonds, the maturity of a given investment will not exceed one year. Treasury notes, CDs and Government Agency bonds may be purchased for a period not to exceed five years.

### Use of Securities Dealer & Brokers

All investments will be placed by or under the supervision of the Board of Directors, with appropriate financial advice, as necessary.

### Investment Reports to the Board of Directors

Each month, the Finance Manager shall furnish to the Board of Directors a detailed listing of investments, date of purchase, date of maturity, institution where investment was placed, and interest rate on investment, in accordance with Section 53646(b) of the Government Code.