

RESOLUTION NO. 11-07

RESOLUTION OF THE BOARD OF DIRECTORS OF THE MARIANA RANCHOS COUNTY WATER DISTRICT ADDING DIVISION XII, "INVESTMENTS" TO THE MARIANA RANCHOS COUNTY WATER DISTRICT ADMINISTRATION CODE

IT IS HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE MARIANA RANCHOS COUNTY WATER DISTRICT, as follows:

1. Scope and Purpose.

To add new DIVISION XII, INVESTMENTS, Sections 12.01 thru 12.10, to the Administration Code and rescind Resolution #343 entitled "...Adopting an Investment Policy" dated April 23, 1996.

2. Amendment.

Administration Code DIVISION XII, entitled INVESTMENTS, is added and reenacted to read as follows:

DIVISION XII INVESTMENTS

Section 12.01 INVESTMENT POLICY

The District shall invest surplus money in a manner providing maximum security while meeting the cash flow demands and conforming to statutes governing the investment of public funds. This investment policy governs investments except funds generated by debt issues controlled by the issuance documents, and money deposited pursuant to deferred compensation program which is directed by individual employees.

Section 12.02 BASIC POLICY AND STATEMENT OF OBJECTIVES

(a) Investments shall be made with judgment and care under circumstances then prevailing that a person of prudence, discretion and intelligence would exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital and probable income.

(b) Investment officials shall use the prudent person standard in the context of managing an overall portfolio. Investment officers who act in accordance with written procedures and the investment policy and exercising due diligence may be relieved of the 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.

(c) Everyone involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or impair their ability to make impartial investment decisions. Each employee involved in the investment process will receive a copy of this investment policy and certify that they have read and will follow the policy.

(d) The primary investment objectives are:

Safety of principal is the foremost objective of the investment program. The District shall seek to ensure the preservation of capital in the overall portfolio.

The District's investment portfolio will remain sufficiently liquid to enable the District to meet reasonably anticipated requirements.

The District's investment portfolio shall be designed for a rate of return throughout budgetary and economic cycles, commensurate with investment risk and the cash flow characteristics.

Section 12.03 PRUDENT PERSON

Investment shall be made as if it is one which would be purchased by a prudent person using the same discretion and intelligence a person would use in managing personal affairs and not for speculation.

Section 12.04 CRITERIA FOR INVESTMENT

Financial institutions which are eligible for investments and deposits shall be evaluated as follows:

(a) Federally insured and have total assets of at least \$10 billion and a net worth ratio of at least three percent.

(b) Collateral shall be deposited in accordance with the Government Code, consisting of one of the following:

(1) Mortgages/trust deeds must be at all times at least fifty percent in excess of the amount deposited.

(2) Eligible securities other than mortgages/trust deeds must be valued at least one hundred and ten percent of the amount deposited.

(c) The Board of Directors may waive collateral security to the extent the institution is insured pursuant to Federal law.

(d) When the above factors are equal, appropriate consideration will be given to a financial institution that bids on or makes a substantial investment in District bonds; or contributes service or significant assistance to the District.

Section 12.05 TERM OF INVESTMENT

The District will match investments with anticipated cash flow requirements. The maximum allowed maturity shall be five years.

Section 12.06 DELEGATION OF AUTHORITY

(a) The Board of Directors is responsible for the investments.

(b) Daily management responsibility for the investment program is delegated to the General Manager, who shall establish written procedures for the operation of the investment program consistent with this investment policy. No person may engage in an investment transaction except as

provided under the terms of this policy and the procedures established by the General Manager. The General Manager shall establish a system of controls to regulate the activities of subordinate officials.

Section 12.07 AUTHORIZED INVESTMENTS

(a) The following investments are authorized.

(1) United States Treasury Bills, Bonds and Notes, or those mutual funds for which the full faith and credit of the United States is pledged for payment of principal and interest.

(2) Obligations issued by the United States Government Agencies such as the Government National Mortgage Association (GNMA), the Federal Farm Credit Bank System (FFCB), the Federal Home Loan Bank Board (FHLB), the Federal National Mortgage Association (FNMA) and the Student Loan Marketing Association (SLMA) and mutual funds that consist of these obligations.

(3) Bankers' Acceptances, which are bills of exchange or time drafts drawn on and accepted by commercial banks. These shall have a term not to exceed 180 days. No more than 10% of the market value of the portfolio may be invested in banker's acceptances.

(4) Time deposits, non-negotiable and collateralized in accordance with the Government Code, in those U.S. banks and saving and loan associations that meet the requirements as evaluated by a nationally recognized statistical rating organization (NSRO) as designated by the Securities and Exchange Commission, for the qualitative and quantitative analysis of financial institutions. The issuer firm should have been in existence for at least five years. The District may waive the first \$100,000 of collateral security for such deposits if the institution is insured pursuant to federal law. To secure such deposits, an institution shall maintain in the collateral pool securities having a market value of at least 10% in excess of the total amount deposited. Real estate mortgages may not be accepted as collateral. The maximum term for deposits shall be one year. In general, the issuer must have a minimum tier one risk-based capital ratio of 6% as determined by the FDIC and their operation must have been profitable during their last reporting period. No more than 25% of the market value of the portfolio may be vested in time deposits.

(5) Repurchase agreements with banks and dealers with which the District has entered into a master repurchase contract that specifies terms and conditions of repurchase agreements. The transactions shall be limited to primary dealers and the top twenty-five U.S. banking institutions according to asset size. The maturity of repurchase agreements shall not exceed thirty days. The market value of the securities used as collateral for repurchase agreements shall be monitored daily by the investment staff and will not be allowed to fall below 100% of the value of the repurchase agreement. In order to conform with provisions of the Federal Bankruptcy Code, which provides for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be certificates of deposit, eligible banker's acceptances, or securities that are either direct obligations of, or that are fully guaranteed as to principal and interest, by the United States or any agency of the United States. A perfected security interest shall always be maintained in the securities subject to a repurchase agreement. No more than 10% of the market value of the portfolio may be invested in repurchase agreements.

(6) Commercial paper ranked P1 by Moody's Investor Services and A1 by Standard and Poor's, and issued by a domestic corporation having assets in excess of \$500 million and having an A or better rating on its long-term debentures as provided by Moody's or Standard and Poor's. Purchases of commercial paper may not exceed 180 days to maturity. The market value of the commercial paper shall not exceed 10% of the market value of the portfolio.

(7) Local Agency Investment Fund (LAIF) established by the State Board of Directors for the benefit of local agencies, up to the maximum amount permitted by law.

(8) Negotiable Certificates of Deposit issued by federally or state chartered banks or associations. Not more than 30% of surplus funds can be invested in certificates of deposit.

(9) Bank rates guaranteed by FDIC with board approval.

(b) Ineligible investments include, but are not limited to, common stocks and corporate bonds, inverse floaters, range notes, interest-only strips that are derived from a pool of mortgages and mutual funds. The use of derivatives, options, futures or buying on margin is prohibited. Securities that could result in zero interest accrual if held to maturity are ineligible.

(c) Security transactions shall be conducted on delivery-versus-payment basis. Securities purchased or acquired by the District shall be held in safekeeping by a third party pursuant to a custodial agreement as required by Government Code §53601.

Section 12.08 REPORTING REQUIREMENTS

(a) The District shall maintain a complete and timely record of investment transactions.

(b) The General Manager shall prepare and submit a monthly investment report of funds directly controlled and managed by the District including a detailed listing of transactions opened and closed during a report period or, if none, a statement to that effect. The report shall be submitted monthly to each director. The report shall include the rating for each banker's acceptance and commercial paper.

(c) Each calendar quarter the General Manager shall submit a report showing a description of the portfolio, the type of investments, the issuers, maturity dates, par values and current market values of each component of the portfolio. The report will include the source of the portfolio valuation. This report shall be submitted to each director.

(d) Each report shall be submitted within thirty days following the end of the period covered by the report and must also include certification by the General Manager that investment actions executed since the last report are in compliance with the investment policy or state areas of noncompliance; and the District will meet its expenditure obligations for the next six months or state why sufficient money shall, or may, not be available as required by law.

Section 12.09 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

(a) The General Manager will maintain a list of financial institutions authorized to provide investment services. A list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services in 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 state laws.

(b) Financial institutions, brokers and dealers who desire to become qualified bidders for investment transactions must supply the District with the following:

- *Audited financial statements*
- *Proof of National Association of Security Dealers (NASD) certification*
- *Proof of California registration*

(c) Each financial institution must certify to the District in writing that it has received and read a copy of the District's Investment Policy and that it will comply with that policy in its investment recommendations to the District.

(d) A current audited financial statement is required to be on file for each financial institution, brokers and dealers through which the District invests.

Section 12.10 REVIEW AND REVISION

During January of each year, the board shall review this investment policy, including the delegation of authority to invest funds or to sell and/or exchange securities.

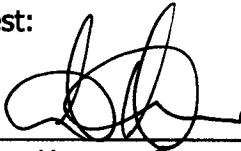
3. Other,

This Resolution is hereby effective on June 14, 2011.

PASSED, APPROVED AND ADOPTED on June 14, 2011.

Ayes: 3 Noes: 1 Abstain: 1 Absent:

Attest:



James Hansen, Secretary to the Board



Ronald Dodge, President of the Board