

Marina Coast Water District
Staff Report

Agenda Item: 9-A

Meeting Date: October 11, 2011

Prepared By: Kelly Cadiente

Presented By: Kelly Cadiente

Reviewed By: Carl Niizawa

Subject: Receive Information on the District's Investment Policy

Summary: It has been requested that the District's Investment Policy be brought before the Board for discussion and review. Given the extent of this item, staff recommends that it first be presented at the next Budget and Personnel Committee meeting for review and discussion. Following review, the Budget and Personnel Committee can make recommendations to the full Board regarding the policy at the November 8, 2011 Board meeting

Exhibit "A"

MARINA COAST WATER DISTRICT ANNUAL STATEMENT OF INVESTMENT POLICY

BACKGROUND AND PURPOSE

All investments and deposits of District funds for FY 2002-2003 shall be made only as set forth in this Annual Statement of Investment Policy in accordance with the Government Code.

I. APPLICABLE LAW

The District's Investment Policy is based on provisions of the Government Code set forth in Title 5, Division 2, Part 1, Chapter 4, Articles 1 and 2 (commencing at Section 53600) of the California Government Code governing the investment of local agency funds and deposits of public monies. All references to code sections in this Statement, unless otherwise specified, are from the California Government Code. The District adopted this Policy at the August 28, 2002 meeting of the Board of Directors.

Investments shall be made as if by a prudent person using the same discretion and intelligence a person would use in managing personal affairs and certainly not for speculation. The District intends to invest prudently in order to safeguard the invested principal and accrued interest and to produce an acceptable rate of return after first considering safety and liquidity. As far as possible, all money belonging to or in the custody of the District, including money paid to the treasurer or other official to pay the principal, interest, or penalties of bonds, shall be deposited for safekeeping in an institution as described in Section 53635.2, observing the limitations specified in Sections 53601 and 53635.

II. INVESTMENT PROCEDURES

A. The Administrative Services Officer for Finance & Technology may invest monies not required for expenditure during the terms of the investment without first securing further Board approval if the investment is one of the following types:

- (1) Local Agency Investment Fund of the State of California.
- (2) Time certificates of deposits issued by a nationally or state chartered bank or a state or federal association located within the State of California if fully secured by federal insurance or approved collateral at the required percentage of market value.

- B. The Administrative Services Officer for Finance & Technology may invest monies not required for expenditure during the term of the investment only after securing further Board approval if the investment is one of the following types:
- (1) Bonds issued by the District.
 - (2) Registered State warrants or treasury notes or bonds of the State of California or by a department board, agency or authority of the State.
 - (3) Bonds, notes, warrants for other evidence of indebtedness of any local agency within this state.
 - (4) Obligations issued by banks or cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board, the Tennessee Valley Authority, or in obligations, participation or other instrument of or issued by or fully guaranteed as to principal and interest by the Federal National Mortgage Association; or in guaranteed portions of Small Business Administration notes; or in obligations, participation or other instruments of, or issued by a federal agency, or a United States Government sponsored enterprise.
 - (5) Repurchase agreements for securities.
 - (6) Time certificates of deposit issued by a nationally or state chartered bank or a state or federal association located outside of the State of California if secured by federal insurance.
- C. No investment shall be purchased:
- (1) On margin.
 - (2) "Forward" or "in the future."
 - (3) Based on foreign currency.
 - (4) Which are specified in Government Code Section 53601.6.

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- D. No investment shall be made with a maturity date greater than five years from the date of purchase unless specifically authorized by the Board or as a part of a program no less than three months prior to the date of purchase.

III. USE OF SECURITIES DEALERS AND BROKERS

When not purchasing an investment directly from the issuer, the District shall purchase it from an institution licensed by the State as a broker-dealer, as defined in Section 25004 of the Corporation Code, or from a member of a federally regulated securities exchange, from a national or state-chartered bank, from savings association or a federal association, or from a brokerage firm designated as a primary government dealer by the Federal Reserve Bank, as required by Section 53601.5.

IV. INVESTMENT AUTHORITY AND REPORTING REQUIREMENTS

- A. Administrative Services Officer for Finance & Technology: To the extent consistent with law, the Administrative Services Officer for Finance & Technology ("ASO") shall perform the duties of "treasurer" under Sections 53630 through Sections 53686. District funds deposited in any account are deemed to be in the treasury of the District, pursuant to Section 53636. The ASO is responsible for the safekeeping of money in his or her custody and shall enter into any contract with a depository relating to any deposit, which in his or her judgment is to the public advantage, as provided by Section 53649. The ASO is responsible for compliance with all state laws governing the day-to-day management of deposits as set forth in Sections 53630 through 53686.
- B. Borrowing Funds: In making any decision that involves borrowing in the amount of one hundred thousand (\$100,000) or more, the Board shall discuss, consider, and deliberate each decision as a separate item of business on the agenda of its meeting as prescribed in the Government Code, commencing at Section 54950.
- C. ASO's Quarterly Report: The ASO shall present quarterly reports on investments to the General Manager and Board. The report shall show: the type of investment, how title is held, institution, date of maturity, amount of deposit, current market value for all securities with a maturity of more than 12 months, rate of interest, the relationship of each investment to this investment policy, information showing that expenditure requirements can be met in the following quarter and specify investments made pursuant to Government Code Section 53601(i), and

C. ASO's Quarterly Report: (continued)

53601.1. The quarterly reports shall also show whatever additional information the Board may require.

D. In Lieu Statements: For District investments placed in the Local Agency Investment Fund, created by Section 16429.1, in FDIC-Insured accounts in a bank or savings and loan association, in a county investment pool, or any combination of these, the ASO may supply the most recent statement or statements received by the District from these institutions in lieu of the information required by Paragraph C.

E. Investment Committee: The Budget & Personnel Committee shall periodically review the investments held by the District, the cash flow requirements of the District and the compliance of its investments with this Statement. The Committee shall make an annual report and recommendation to the Board concerning implementation or changes in this policy.

F. Annual Board Review: The Board shall meet annually to review the District Investment Policy portfolio, monthly reports prepared pursuant to Section 53646 of the Government Code, and any other relevant information regarding anticipated cash requirements for the purpose of selecting investment instruments for District funds. This investment policy shall be reviewed annually or more often, as necessary.