

SOUTH PLACER MUNICIPAL UTILITY DISTRICT POLICIES

Policy Name:	3120 – INVESTMENT OF DISTRICT FUNDS		
Approval Authority:	SPMUD BOARD OF DIRECTORS	Adopted:	12/03/2015
Resolution No.	15-27, 18-15, 20-33, 22-45	Revised:	12/01/2022

PURPOSE

This policy provides direction to the Board of Directors, General Manager, and Secretary of the District for the prudent and beneficial investment of all funds and monies of the District without regard to source or restrictions.

POLICY STATEMENT

Section 1. Basic Policy and Objectives

The investment policy of the District is a conservative policy guided by three principles of public fund management.

In specific order of importance, the three principles are:

- a) Safety of Principal: Investments shall be undertaken in a manner which first seeks to preserve portfolio principal.
- b) Liquidity: Investments shall be made with maturity dates that are compatible with cash flow requirements and which will permit easy and rapid conversion into cash, at all times, without a substantial loss of value.
- c) Return on Investment (ROI): Investments shall be undertaken to produce an acceptable rate of return after first consideration for principal and liquidity.

Consistent with the three primary principals of public fund investment enumerated above, Safety, Liquidity, and ROI, in that order of priority, the District may utilize a “dual portfolio” approach to its investments consisting of a “Liquidity Portfolio” and a “Long-Term Portfolio.” The Liquidity Portfolio shall consist of funds necessary for the District’s operation and capital needs for a period of not less than one-year, plus prudent reserves in accordance with Policy 3130. Funds determined by the District in excess of the amount necessary to fund the Liquidity Portfolio may be allocated to the Long-Term Portfolio. Any reference to a portfolio or portfolios shall mean the total of District cash and securities under management by the District.

Section 2. Authority

The State of California Public Utilities Code (PUC) §12871 and Government Code (GC) §53601 and related subsections, authorize the types of investments in which the District may invest any surplus funds in its treasury. The investment vehicles emphasize preservation of capital and are a conservative set of investments. The authority to invest as defined in GC §53601 is delegated to the local agency’s legislative body. Under no circumstances is the local agency permitted to purchase an investment that

is not specifically authorized by law and within the scope of investments designated by the local agency's governing board.

Section 3. Diversification

The District shall maintain a portfolio of authorized investments with diversified maturities, issuers, and security types to avoid the risk inherent in overinvesting in any one sector. The District shall evaluate or cause to be evaluated each potential investment, seeking quality of issuer, underlying security or collateral, potential negative effects of market volatility on the investment and shall diversify the portfolio to reduce exposure and assure adherence to the Basic Policy and Objectives of Section 1 of this policy.

Section 4. Prohibited Purchases

The District shall not invest any funds pursuant to Government Code §53601.6 such as inverse floaters, range notes, or interest only strips that are derived from a pool of mortgages. The District shall not invest any funds pursuant to the law in any security that could result in a zero interest accrual if held to maturity. However, the District may hold prohibited instruments until their maturity dates.

Investments in repurchase agreements may be made, on any investment authorized by code, when the term of that agreement does not exceed one year. The market value of securities that underlay a repurchase agreement shall be valued at one hundred two per cent (102%) or greater of the funds borrowed against those securities, and the value shall be adjusted no less than quarterly.

The District, when purchasing any securities as described in Government Code §53601, shall require delivery of the securities to the District, including those purchased for the District by financial advisors, consultants, or managers using the District's funds by book entry, physical delivery, or by third-party custodial agreement. The transfer of securities to the counterparty bank's customer book entry account may be used for book entry delivery. For purposes of this policy, "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the District. Purchases of commercial paper may not exceed fifteen percent (15%) of the District's surplus money that may be invested pursuant to the law.

Section 5. Delegation of Authority

The Board of Directors delegates the authority to manage the District's investments to the General Manager or their assigns. Transfers or investments in excess of \$5 million require a Resolution of the Board of Directors authorizing such a transaction.

Section 6. Prudent Person Clause

Investments will be made with the same standard of care that persons of prudence, discretion, and intelligence exercise when managing their own affairs; not for speculation, but for investment with particular consideration for safety of capital, as well as probable income derived.

Section 7. Reporting Requirements

Each month the Secretary shall include a list of investment transactions per Government Code §53607 in the Administrative Services Department Monthly Board Report. This list shall include all transfers and withdrawals that occurred in the reportable month. In addition to the monthly transaction report, the Secretary shall prepare a quarterly investment report that contains sufficient detail to provide information for the evaluation of investment performance. This report shall also contain a statement of compliance of the portfolio with the District investment policy and a statement of the local agency's ability to meet its expenditure requirements for the next six (6) months.

Section 8. Grandfather Clause

Any investment held by the District at the time this policy is adopted shall not be sold to conform to any part of this policy unless its sale is judged to be prudent by the General Manager and with the consent of the Board of Directors.

Section 9. Conflicts

In the event any provision of this Investment Policy is in conflict with any of the statutes referred to herein or any other state or federal statute, the provisions of each statute shall govern.

Section 10. Annual Review

An annual review and appraisal of the investment portfolio shall be made for the purpose of evaluating the District's investment program and such annual review and appraisal shall be considered by the staff and the Board of Directors for the purpose of recommending or making any changes or amendments to the District's Investment Policy.

Section 11. Permitted Investments

Permissible investments shall be limited to those investments included in the Liquidity Portfolio or the Long-Term Portfolio pursuant to the limitations in GC §53601.