

**RESOLUTION NO. 22-02**  
**RESOLUTION OF THE BOARD OF DIRECTORS**  
**OF TWENTYNINE PALMS WATER DISTRICT**  
**ADOPTING ANNUAL STATEMENT OF INVESTMENT POLICY**

**WHEREAS**, the Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern (California Government Code Section 53600.6); and

**WHEREAS**, the legislative body of a local agency may invest surplus monies not required for the immediate necessities of the local agency in accordance with the provisions of California Government Code Sections 5920 and 53600 *et. seq.*; and

**WHEREAS**, the General Manager of the Twentynine Palms Water District ("District") shall annually prepare and submit a statement of investment policy and such policy, and any changes thereto, shall be considered by the legislative body at a public meeting (California Government Code Section 53646[a]).

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Twentynine Palms Water District as follows:

**Section 1. Scope of Policy:** This Investment Policy ("Policy") applies to all financial assets of the District. Funds in any deferred compensation plan and/or in a trust for retiree benefits are not included.

**Section 2. Prudence:** Investments shall be made with judgment and care, under circumstances then prevailing, including, but not limited to, the general economic conditions and anticipated needs of the District, 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 standard of prudence to be used by investment officials shall be the "prudent investor" standard (California Government Code Section 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the Policy and exercising due diligence shall be relieved of 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.

**Section 3. Objectives:** As specified in California Government Code Section 53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

a. **Safety:** Safety of principal is the foremost objective of the Policy. 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 is required in order

that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

b. **Liquidity:** The investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements that might be reasonably anticipated.

c. **Return on Investments:** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

**Section 4. Delegation of Authority:** Authority to manage the Policy is derived from California Government Code Section 53600, *et. seq.* Management responsibility for the Policy is hereby delegated to the General Manager. No person may engage in an investment transaction except as provided under the terms of this Policy. The Board of Directors shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of the General Manager or any other subordinate officials. Under the provisions of California Government Code Section 53600.3, the General Manager is a trustee and a fiduciary subject to the prudent investor standard.

**Section 5. Ethics and Conflicts of Interest:** Officers and employees involved in the investment process shall fully comply with the District's Conflict of Interest Code in the execution of this Policy. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict or appear to conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

**Section 6. Authorized Financial Institutions and Dealers:** The General Manager may maintain a list of financial institutions, selected on the basis of credit worthiness financial strength, experience and minimal capitalization authorized to provide investment services. In addition, a list may also be maintained of approved security brokers/dealers selected by credit worthiness who are authorized to provide investment and financial advisory services in the State of California. No public deposit shall be made except in a qualified public depository as established by state laws.

For brokers/dealers of government securities and other investments, the General Manager shall select only brokers/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organizations.

Before engaging in investment transactions with a broker/dealer, the General Manager shall have received from said firm a signed certification form. This form shall attest that the individual responsible for the District's account with that firm has reviewed the District's Policy and that the firm understands the Policy and intends to present

investment recommendations and transactions to the District that are appropriate under the terms and conditions of the Policy.

Where all funds of the District not placed in FDIC -insured accounts are invested through the State of California Local Agency Investment Fund (LAIF), the District need not investigate the qualifications of those financial institutions and broker/dealers with whom LAIF transacts business.

### **Section 7. Authorized and Suitable Investments:**

a. **Permitted Investments:** District funds may be invested as authorized by, and subject to the limitations and special conditions of California Government Code Section 53601 *et. seq.*

b. **Prohibited Investments:** Under the provisions of California Government Code Section 53601.6 and 53635, the District shall not invest any funds covered by this Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools. In addition, and more generally, investments are further restricted as follows:

- No investment will be made that has either (1) an embedded option or characteristic which could result in a loss of principal if the investment is held to maturity, or (2) an embedded option or characteristic which could seriously limit accrual rates or which could result in zero interest accrual periods.
- No investment will be made that could cause the portfolio to be leveraged.

**Section 8. Collateralization:** All certificates of deposits must be collateralized by U. S. Treasury obligations. Collateral must be held by a third party trustee and valued on a monthly basis. The percentage of collateralization on repurchase and reverse repurchase agreements will adhere to the amount required under California Government Code Section 53601(j)(2).

**Section 9. Safekeeping and Custody:** All security transactions entered into by the District shall be conducted on a delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the District by book entry, physical delivery or by third party custodial agreement as required by California Government Code Section 53601.

**Section 10. Diversification:** The District will diversify its investments by security type and institution. It is the policy of the District to diversify its investment portfolio. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. Diversification strategies shall be determined and revised periodically. In establishing specific diversification strategies, the following general policies and constraints shall apply:

a. Portfolio maturities shall be matched versus liabilities to avoid undue concentration in a specific maturity sector.

b. Maturities selected shall provide for stability of income and liquidity.


c. Disbursement and payroll dates shall be covered through maturities investments, marketable U. S. Treasury Bills or other cash equivalent instruments such as money market mutual funds.

**Section 11. Reporting:** In accordance with California Government Code Section 53646(b) (1), the General Manager shall submit to each member of the Board a quarterly investment report. The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values on current market values of each component of the portfolio, including funds managed for the District by third party contracted managers, if applicable. The report will also include a certification that **(1)** all investment actions executed since the last report have been made in full compliance with the Policy and, **(2)** the District will meet its expenditure obligations for the next six months as required by California Government Code Sections 53646(b)(2) and (3), respectively. The General Manager shall maintain a complete and timely record of all investment transactions.

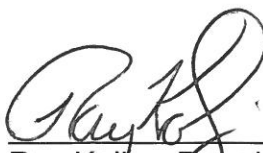
**Section 12. Investment Policy Adoption:** The Policy shall be adopted by resolution of the Board of Directors. The Policy shall be reviewed on an annual basis, and modifications must be approved by the Board of Directors.

**PASSED, APPROVED AND ADOPTED** this 26th day of January 2022, by the following vote:

Ayes:	Directors Coghill, Leazer, and Giannini
Noes:	None
Abstain:	None
Absent:	Directors Arthur and Horn

  
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Carol Giannini, President  
Board of Directors

Attest:

  
\_\_\_\_\_  
Ray Kofsz, Board Secretary  
Twentynine Palms Water District



# **TWENTYNINE PALMS WATER DISTRICT INVESTMENT POLICY**

Ray Kolisz  
General Manager

January 2022



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