

RESOLUTION NO. 23-01
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 Sections 53600.6 and 53630.1); and

WHEREAS, the legislative body of the District may invest surplus monies not required for the immediate necessities of the District in accordance with the provisions of California Government Code Sections 5920 and 53600 *et seq.*, and California Water Code Section 31335 *et seq.*; and

WHEREAS, the General Manager of the Twentynine Palms Water District ("District") may annually prepare and submit to the Board of Directors of the District ("Board") a statement of investment policy which shall be considered by the Board at a public meeting pursuant to California Government Code Section 53646(a)(2); and

WHEREAS, pursuant to California Government Code Section 53646(a)(2), any changes to the District's Investment Policy (the "Policy") shall be considered by the Board at a public meeting; and

WHEREAS, the Board has been presented with an annual statement of investment policy, attached hereto as Exhibit A and incorporated herein by this reference, and the Board now wishes to consider and approve said statement of investment policy at this public meeting.

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

Section 1. Recitals. All of the foregoing recitals are true and correct and the Board hereby finds and determines.

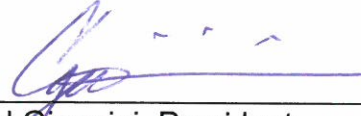
Section 2. Statement of Investment Policy. The statement of investment policy, attached hereto as Exhibit A and incorporated herein by this reference, has been considered by the Board at this meeting and is hereby approved and adopted.

Section 3. Delegation of Authority. The Board hereby renews its delegation of authority to the General Manager, as chief fiscal officer of the District, to invest or reinvest funds of the District, or to sell or exchange securities so purchased for a one-year period.

Section 4. Immediate Effect. This Resolution shall take effect immediately after its adoption on the date hereof.

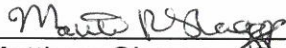
PASSED, APPROVED AND ADOPTED by the Board of Directors of Twentynine Palms Water District this 25th day of January 2023, by the following vote:

AYES: Directors Arthur, Coghill, Horn, Leazer, and Giannini
NOES: None
ABSTAIN: None
ABSENT: None



Carol Giannini, President
Board of Directors

Attest:



Matthew Shragge, Secretary
Board of Directors



EXHIBIT A
STATEMENT OF INVESTMENT POLICY

Twentynine Palms Water District Investment Policy

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

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 funds of the District, 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 of the District will remain sufficiently liquid to enable the District to meet all operating requirements that might be reasonably anticipated and meet its cash flow requirements.

c. **Return on Investments:** The investment portfolio of the District 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. The objective of maximizing return on investments should be done only after ensuring safety and liquidity.

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 of the District (the "Board") 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 and the law.

All funds of the District not placed in FDIC-insured accounts are invested through the State of California Local Agency Investment Fund (LAIF) or California Cooperative Liquid Assets Securities System (California CLASS), the District need not investigate the qualifications of those financial institutions and broker/dealers with whom LAIF or California CLASS transacts business. The District may invest in LAIF and/or California CLASS

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. Bond proceeds shall be invested in securities permitted by the applicable bond documents. If the bond documents are silent as to permitted investments, bond proceeds will be invested in securities permitted by this Policy.

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 overconcentration 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, as chief fiscal officer, shall submit to 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 and dollar amount invested on all securities, investments and moneys held by the District, and a description of any of the District's funds, investments, or programs that are under the management of contracting parties, including lending programs. Additionally, the report shall include the current market values of each component of the portfolio as of the date of the report, including funds managed for the District by third party contracted managers, if applicable, and the source of the valuation. 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 or described the manner in which it is not in compliance, and **(2)** the ability of the District to meet its pool's expenditure obligations for the next six months or an explanation as to why sufficient money may not be available, 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.

For District investments that have been placed in the LAIF, in National Credit Union Share Insurance Fund-insured accounts in a credit union, in accounts insured or guaranteed pursuant to Section 14858 of the California Financial Code, in FDIC-insured accounts in a bank or savings and loan association, in a county investment pool, or any combination thereof, the most recent statement or statements received by the District from these institutions may be provided to the Board in lieu of the information required in the above paragraph.

Upon the delegation detailed in Section 4 above, the General Manager shall provide to the Board a portfolio report, on a monthly basis, in accordance with the requirements of the Government Code Section 53607.

Section 12. Investment Policy Adoption: The Policy shall be adopted by resolution of the Board. The Policy shall be reviewed on an annual basis, and the General Manager may annually render to the Board a statement of investment policy, which the Board must consider at a public meeting. Any modifications to this Policy must be approved by the Board at a public meeting.