

**RESOLUTION NO. 2020-1**

**RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE WRIGHTWOOD COMMUNITY SERVICES DISTRICT  
ESTABLISHING ITS INVESTMENT POLICY**

**1. 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; and

**WHEREAS**, the legislative body of a local agency may invest monies not required for the immediate necessities of the local agency in accordance with the provisions of California Government Code Sections 53601 and 53635; and

**WHEREAS**, the Treasurer/General Manager or fiscal officer of the Wrightwood Community Services District ("District") must annually prepare and submit a statement of investment policy and such policy, and any changes thereto, shall be considered by the Board of Directors at a public meeting.

**NOW THEREFORE**, it shall be the policy of the District to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the District's daily cash flow demands and conforming to all statutes governing the investment of District funds.

**2. SCOPE**

This investment policy applies to all financial assets of the District. These funds are accounted for in the annual District audit.

**3. PRUDENCE**

Investments shall be made with judgment and care, under circumstances then prevailing, including, but not limited to, the general economic conditions and the 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 investment 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.

**4. OBJECTIVES**

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing District funds, the primary objectives, in priority order, of the investment activities shall be:

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1. **Safety:** Safety of principal is the foremost objective of the investment program. 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.

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

3. **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.

5. **DELEGATION OF AUTHORITY**

Authority to manage the investment program is derived from California Government Code Section 53600 et seq. Pursuant to said authority, the Board of Directors expressly retains management responsibility for the investment program set forth herein. Where appropriate, the Board of Directors may 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 such procedures that are established by the Board of Directors. Under the provisions of California Government Code Section 53600.3, the Board of Directors is subject to the prudent investor standard and the Treasurer/General Manager shall be a trustee and fiduciary responsible for reporting all transactions undertaken pursuant to this policy and shall establish controls to regulate the activities of subordinate officials.

6. **ETHICS AND CONFLICTS OF INTEREST**

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.

7. **AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS**

The Treasurer/General Manager will maintain a list of financial institutions, selected by the Board of Directors on the basis of credit worthiness, financial strength, experience, and minimal capitalization, authorized to provide investment services. In addition, a list will also be maintained of approved security broker/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 District shall select only broker/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 Board of Directors 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 Investment 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 Investment Policy.

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

## **8. AUTHORIZED AND SUITABLE INVESTMENTS**

The District is empowered by California Government Code Sections 53601 et seq. to invest in the following:

- a. Bonds issued by the District.
- b. United States Treasury Bills, Notes and Bonds (T bills).
- c. Registered state warrants or treasury notes or bonds issued by the State of California.
- d. Registered treasury notes or bonds of any of the other 49 United States in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California.
- e. Bonds, notes, warrants or other evidence of debt issued by a local agency within the State of California, including pooled investment accounts sponsored by the State of California, County Treasurer/General Managers, other local agencies or joint powers agencies. The Local Agency Investment Fund (LAIF) is an approved pooled investment account. The Investment Trust of California (CalTrust) is an approved joint powers authority.
- f. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by, or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

- g. Bankers' acceptances, otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchase of bankers' acceptances may not exceed 180 days maturity or 40% of the District's money that may be invested pursuant to this policy. However, no more than 30% of the District's money can be invested in the bankers' acceptances of any single commercial bank.
- h. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization. The entity that issues the commercial paper shall either be:
  - (1) organized and operating within the United States, shall have total assets in excess of five hundred million dollars (\$500,000,000), and shall issue debt, other than commercial paper, if any, that is rated "A" or higher by a nationally recognized statistical-rating organization; or
  - (2) organized within the United States as a special purpose corporation, trust, or limited liability company, have program wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond, and has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization.Eligible commercial paper shall have a maximum maturity of 270 days or less. The District shall invest no more than 25 percent of its money in eligible commercial paper. The District shall purchase no more than 10 percent of the outstanding commercial paper of any single corporate issue.
- i. (i) Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank; and (ii) certificates of deposit at a commercial bank, savings bank, savings and loan association or credit union that uses a private sector entity that assists in the placement of such certificates of deposit. Purchases of negotiable certificates of deposit under subdivision (i) of this subdivision (h) and certificates of deposit under subdivision (ii) of this subdivision (h) may together not exceed 30 percent of the District's money which may be invested pursuant to this policy. The Board of Directors and the Treasurer/General Manager are prohibited from investing District funds, or funds in the District's custody, in negotiable certificates of deposit issued by a state or federal credit union if a member of the Board of Directors, or any person with investment decision making authority within the District also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.
- j. Repurchase/Reverse Repurchase Agreements of any securities authorized by Section 53601. The market value of securities that underlay a repurchase

agreement shall be valued at 102% or greater of the funds borrowed against those securities, and are subject to the special limits and conditions of California Government Code 53601(i).

- k. Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated "A" or better by a nationally recognized rating service. Purchases of medium-term notes shall not include other instruments authorized by this policy and may not exceed 30 percent of the District's money which may be invested pursuant to this policy.
- l. Shares of beneficial interest issued by diversified management companies (mutual funds) investing in the securities and obligations authorized by this policy, and shares in money market mutual funds, subject to the restrictions of Government Code Section 53601(k). The purchase price of investments under this subdivision shall not exceed 20 percent of the District's money that may be invested pursuant to this policy. However, no more than 10 percent of the District's money may be invested in any one mutual fund.
- m. Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.
- n. Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by Government Code Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Government Code Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.
- o. Any mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate,

consumer receivable passthrough certificate, or consumer receivable-backed bond of a maximum of five years maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having a AAA or higher rating for the issuer's debt as provided by a nationally recognized rating service and the securities shall be rated in a rating category of AAA or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subdivision may not exceed 20 percent of the District's money that may be invested pursuant to this policy.

- p. Proposition 1A receivables, as defined in subdivision (a) of Government Code Section 53610.
- q. Any other investment security authorized under the provisions of California Government Code 5922 and 53601.

A summary of the limitations and special conditions that apply to each of the above listed investment securities is attached and is included by reference in this Investment Policy.

Pursuant to Government Code Sections 53601.6 and 53631.5, the District shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools or any investment that may result in a zero-interest accrual if held to maturity.

## **9. COLLATERALIZATION**

All certificates of deposits must be collateralized by United States Treasury Obligations. Collateral must be held by a third-party trustee and valued on a monthly basis. The percentage of collateralizations on repurchase and reverse agreements will adhere to the amount required under California Government Code 53601(i)(2).

## **10. SAFEKEEPING AND CUSTODY**

All security transactions entered into by the District shall be conducted on 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.

## **11. DIVERSIFICATION**

The District will diversify its investments by security type and institution. 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, if determined necessary to meet District goals. In establishing specific diversification strategies, the following general policies and constraints shall apply:

- a. Portfolio maturity dates 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 of investments, marketable United States Treasury bills or other cash equivalent instruments such as money market mutual funds.

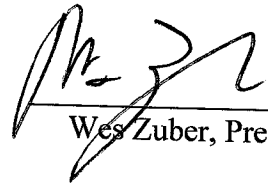
**12. REPORTING**

The Treasurer/General Manager shall submit an investment report to the Board of Directors at least quarterly. The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for District by third party contracted managers. The report will also include the source of the portfolio valuation. If all funds are placed in LAIF, FDIC-insured accounts and/or in a county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a certification that (1) all investment actions executed since the last report have been made in full compliance with the Investment Policy and, (2) the District will meet its expenditure obligations for the next six months, as required by Government Code Section 53646(b)(2) and (3), respectively. The Treasurer/General Manager shall maintain a complete and timely record of all investment transactions.

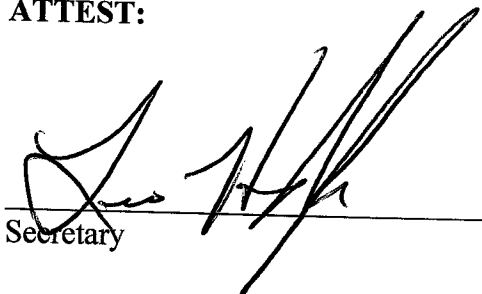
**13. INVESTMENT POLICY ADOPTION**

This Resolution shall supersede all other inconsistent investment policies of the District. This Policy shall be reviewed on an annual basis and modifications must be approved by the Board of Directors.

**PASSED, APPROVED AND ADOPTED** by the Board of Directors of Wrightwood Community Services District this 3<sup>rd</sup> day of March 2020.

  
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Wes Zuber, President

**ATTEST:**

  
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Secretary

<b>Govt. Code Section</b>	<b>Investment Type</b>	<b>Maximum Maturity</b>	<b>Authorized Limit (%)</b>	<b>Required Rating</b>
53601(a)	Bonds issued by Wrightwood Community Services District	5 years	None	None
53601(b)	U.S. Treasury Bills, Notes and Bonds	5 years	None	None
53601(c)	California Warrants, Notes or Bonds	5 years	None	None
53601(d)	Other States' Treasury Notes or Bonds	N/A	None	None
53601(e)	Local Agency Investment Fund (LAIF)	N/A	None	None
53601(f)	U.S. Agencies or Enterprises	5 years	None	None
53601(g)	Bankers' Acceptances	180 days	40% (30% in any one bank)	None
53601(h) & 53601.8	Prime Commercial Paper	270 days	25% (10% in any one entity's paper)	A
53601(i)	Negotiable Certificates of Deposit and Certificates of Deposit placed through use of a private sector entity	5 years	30%	None
53601(j)	Repurchase/Reverse Repurchase Agreements	1 year *	20%	None
53601(k)	Medium-Term Corporate Notes	5 years	30%	A
53601(l)	Money Market Mutual Funds and Mutual Funds **	5 years	20% (10% in any single fund)	***
53601(m)	Bond/COP Funds	N/A	None	None
53601(n)	Collateralized Bank Deposits	5 years	None	None
53601(o)	Mortgage Pass-Through Securities	5 years	20%	AA
53610	Proposition 1A Receivables	None	None	None

\* the one-year limitation for Repurchase/Reverse Repurchase Agreements is subject to a further limitation set forth in Government Code Section 53601(i)(4), which, if applicable, may limit the maturity to 92 days.

\*\* Mutual Funds maturity may be defined as the weighted average maturity; money market mutual funds must have an average maturity of 90 days or less, per SEC regulations. \*\*\* Highest ratings from two of the top three rating agencies.