

EXHIBIT 4-A

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
INVESTMENT POLICY**

| Approved by the MPWMD Board on January ~~23~~5, 2020~~1~~



EXHIBIT 4-A

Table of Contents

1	Introduction.....	3
2	Prudence.....	3
3	Investment and Risk.....	3
4	Types of Investments	4
5	Prohibited Investments.....	4
6	Access to Funds	4
7	Authority.....	4
8	Reports	4
9	Audits.....	5
10	Policy Review	5
11	Attachment I.....	6

EXHIBIT 4-A

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

INVESTMENT POLICY

1 Introduction

This policy governs the investment of District funds. The purpose of the policy is to provide guidance to the District Treasurer to invest funds in a manner that provides for the protection of principal (safety), meets the cash flow (liquidity) demands of the District and earns a reasonable yield. It shall be the policy of the District to invest all funds in strict conformance with all state statutes governing the investment of public monies. Moreover, it shall be the policy to manage investments under the prudent investor rule. This rule affords the District a broad spectrum of investment opportunities so long as the investment is deemed prudent and is allowable under State of California Government Code section 53600 et. seq., the investment policy of Monterey County and Section 118-507 (West's Annotated Government Code) of the District's enabling legislation.

2 Prudence

The District Treasurer is a trustee and therefore a fiduciary subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the treasurer shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of investments of a like character and with like aims to safeguard the principal and maintain the liquidity needs of the District. Within the limitation of this policy and considering individual investments as part of an overall investment strategy, a trustee is authorized to acquire investments as authorized by law.

3 Investment and Risk

The objectives of the District's investment program in order of priority are:

- 1) Safety of invested funds – The Treasurer shall ensure the safety of the District's invested funds by limiting, as much as possible, credit and interest rate risk. Credit risk is the risk of loss due to failure of the security issuer or backer. Interest rate risk is the risk that the market value of investments will fall due to an increase in the general level of interest rates.
- 2) Maintenance of sufficient liquidity to meet cash flow requirements – Attainment of a market average rate of return during budgetary and economic cycles, taking into account the District's investment risk constraints and cash requirements. The Treasurer, acting in accordance with District procedures and this policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price change, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

EXHIBIT 4-A

4 Types of Investments

District funds may be placed in any instrument or medium approved by the State of California as enumerated in Government Code Section 53651, and not otherwise limited by the Monterey County Investment Policy. A listing of currently eligible securities shall be maintained. The Treasurer shall submit any proposed changes to the list of eligible investments to the Administrative Committee and Board of Directors. The Administrative Committee shall approve investment in a class of securities included on the list, but in which the District has not previously invested. The Board of Directors shall approve changes to the list of eligible securities. The currently approved list of securities is incorporated as Attachment I.

5 Prohibited Investments

The District shall not be authorized to invest in any security that has the possibility of returning a zero or negative yield if held to maturity except that investment in U. S. Treasury Certificates of indebtedness ("SLUGS") issued by the U. S. Bureau of Public debt is authorized. Prohibited investments shall include inverse floaters, range notes and interests only strips derived from a pool of mortgages.

6 Access to Funds

The premise underlying the District's investment policy is to ensure that money is available when needed. To this end, the District will maintain funds on deposit in a local bank or other federal or state regulated depository sufficient to meet expenditure requirements for the following six months as represented in the most recent budget adopted by the Board of Directors.

7 Authority

The Treasurer of the Board of Directors of the Monterey Peninsula Water Management District is responsible for the custody and management of District investments. Management activity will adhere to applicable state law, provisions of the District's enabling legislation and this policy. The Treasurer may delegate ministerial duties related to the investment program to other District staff, but shall retain responsibility for all transactions undertaken and shall establish a system of internal control to regulate activity of subordinate personnel.

8 Reports

Pursuant to Government Code Section 53646 the Treasurer shall provide quarterly investment reports to the Board of Directors. Each report shall include a listing of all securities held in the portfolio. It shall list investments by type, issuer, maturity, par value, market value, and dollar amount invested. The report shall contain a citation of compliance with this policy, an explanation for any non-compliance and a statement as to the ability or inability to meet expenditure requirements for the following six months. District monies over which the Treasurer does not exercise control or safekeeping e.g., does not determine how the funds are to be invested or banked, need not be included in the report. Agency contributions to the Public Employees Retirement

EXHIBIT 4-A

System need not be included. Deferred compensation funds (Section 457) held by third-party administrators and invested at the direction of program participants need not be included pursuant to PL 104-188.

9 Audits

The District's portfolio, quarterly reports, policy, internal control procedures and investment practices shall be the subject of scrutiny in the course of annual audits performed by external independent auditors selected by the Board of Directors.

10 Policy Review

The Board of Directors shall review this policy at least annually.

| [Z:\Investments\Investment Policy 2021.docx](#)~~[Z:\Investments\Investment Policy 2020.docx](#)~~

EXHIBIT 4-A

11 Attachment I

ALLOWABLE INVESTMENT INSTRUMENTS PER STATE GOVERNMENT CODE
AS OF JANUARY 1, 2020

INVESTMENT TYPE	MAXIMUM SECURITY	MAXIMUM SPECIFIED % OF PORTFOLIO	MINIMUM QUALITY REQUIREMENTS	GOVERNMENT CODE SECTION	MPWMD ALLOWED
Local Agency Bonds	5 years	None	None	53601(a)	<u>Yes</u>
U.S. Treasury Obligations	5 years	None	None	53601(b)	<u>Yes</u>
State Obligations – CA and Others	5 years	None	None	53601(d)	<u>Yes</u>
CA Local Agency Obligations	5 years	None	None	53601(e)	<u>Yes</u>
U.S. Agency Obligations	5 years	None	None	53601(f)	<u>Yes</u>
Bankers’ Acceptances	180 days	40%	None	53601(g)	<u>Yes</u>
Commercial Paper – Pooled Funds	270 days	40% of the agency’s money	Highest letter and number rating by an NRSRO	53635(a)(1)	<u>Yes</u>
Commercial Paper – Non-Pooled Funds	270 days	25% of the agency’s money	Highest letter and number rating by an NRSRO	53601(h)(2)(C)	<u>Yes</u>
Negotiable Certificates of Deposits	5 years	30%	None	53601(i)	<u>Yes</u>
Non-negotiable Certificates of Deposits	5 years	None	None	53630 et seq.	<u>Yes</u>
Placement Service Deposits	5 years	30%	None	53601.8 and 53635.8	<u>Yes</u>
Placement Service Certificates of Deposits	5 years	30%	None	53601.8 and 53635.8	<u>Yes</u>
Repurchase Agreements	1 year	None	None	53601(i)	<u>No</u>
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20% of the base value of the portfolio	None	53601(j)	<u>No</u>
Medium-Term Notes	5 years	30%	“A” rating category or its equivalent or better	53601(k)	<u>Yes</u>
Mutual Funds and Money Market Mutual Funds	N/A	20%	Multiple	53601(l) and 53601.6(b)	<u>Yes</u>
Collateralized Bank	5 years	None	None	53630 et seq. and	<u>No</u>

EXHIBIT 4-A

Deposits				53601(n)	
Mortgage Pass-Through Securities	5 years	20%	“AA” rating category or its equivalent or better	53601(o)	<u>No</u>
County Pooled Investment Funds	N/A	None	None	27133	<u>Yes</u>
Joint Powers Authority Pool	N/A	None	Multiple	53601(p)	<u>Yes</u>
Local Agency Investment Fund (LAIF)	N/A	None	None	16429.1	<u>Yes</u>
Voluntary Investment Program Fund	N/A	None	None	16340	<u>Yes</u>
Supranational Obligations	5 years	30%	“AA” rating category or its equivalent or better	53601(q)	<u>Yes</u>