

Tahoe City Public Utility District Policy & Procedure

Investment Policy

Purpose

This policy governs the overall management and investment of funds not immediately needed for District operations (excludes operating bank accounts). It is not intended to provide an investment framework for funds accumulated to satisfy pension liabilities or other post-employment liabilities. This policy will be effective as of its adoption by the Board of Directors. It will be reviewed at least annually by the Finance Committee of the Board of Directors which may then recommend changes for approval by the full Board of Directors.

Objectives

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

Safety – Investments shall be selected to preserve capital by avoiding exposure to securities or institutional default or loss of market value.

Liquidity – Investments shall be made whose maturity date is compatible with cash flow requirements. An adequate percentage of the portfolio should be maintained in liquid short-term securities which can be converted to cash if necessary to meet disbursement requirements. Since all cash requirements cannot be anticipated, investments in securities with active secondary or retail markets are highly recommended. Emphasis is on marketable securities with low sensitivity to market risk.

Return on Investment – Yield should become a consideration only after the basic requirements of safety and liquidity have been met.

Diversification – the investment portfolio shall be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. The portfolio shall also be diversified with respect to the term of individual investments purchased by the District.

Public Trust – all participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

Prudence

The District adheres to the guidance provided by the “prudent investor rule,” which obligates a fiduciary to “act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not by way of limitation, the general economic conditions and the anticipated needs of the trust and its beneficiaries, that a prudent person acting in the like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims...”(Civil Code Sec. 2261(a)).

Delegation of Authority

The Treasurer is designated as Investment Officer of the District, under the direction of the Finance Committee of the Board of Directors.

Internal Controls

The Treasurer shall establish a system of written internal controls, which will be reviewed annually by the independent auditor as part of the annual financial audit. The controls will be designed to prevent loss of public funds due to fraud, error, misrepresentation, unanticipated market changes or imprudent actions. Controls deemed most important include: minimization of opportunities for collusion, separation of duties, separating transaction authority from accounting and record keeping, custodial safekeeping, avoidance of bearer-form securities, specific limitation regarding securities losses and remedial actions, written confirmation of all transactions, minimizing the number of authorized investment officials, documentation of transactions and strategies, and proper review and approval of brokerage accounts and investment transactions.

Reporting

The Treasurer will submit a monthly report to the Finance Committee and Board of Directors which includes the following information:

- Type of Investment
- Institution
- Date Purchased
- Maturity Date
- Amount of deposit or cost of security
- Current market value
- Rate of interest
- Projected interest income

Eligible Investments as Per Government Codes 53601 and 53635

The Treasurer shall invest District funds as directed by this policy and only in investment types authorized in this section.

<u>Permitted Investments/Deposits</u>	<u>Limit</u>
U.S. government securities (treasuries, agencies instrumentalities)	Unlimited
Certificates of deposit (FDIC insured or collateralized)	\$500,000/institution
LAIF (California Local Agency Investment Fund)	Unlimited
Placer County Treasurer’s Investment Pool	50% of Total Reserves

Term of Investments -The term of any investment may not exceed three years without express authority from the Board of Directors for each such investment.

Investment Policies/Information of Pools – The Treasurer shall review at least annually the investment policies of LAIF and the Placer County Treasurer’s Investment Pool to ascertain that funds in these pools are invested in accordance with the District’s investment objectives. The District shall not invest in pools which do not provide adequate information on their investment policies and practices.

Leveraging

No representative of the District is authorized to engage directly in margin transactions or reverse repurchase agreements or any other form of borrowing money for investment purposes under any circumstances. Investment pools may engage in a limited amount of reverse repurchase agreements.

Banks and Securities Dealers

In selecting financial institutions for the deposit or investment of District funds, the Treasurer shall consider their creditworthiness. The Treasurer shall continue to monitor financial institutions' credit characteristics and financial history throughout the period in which District funds are deposited or invested.

If a financial institution is making investment recommendations to the District, it must certify to the District in writing that it has received and read a copy of the District's investment policy and will comply with that policy in making investment recommendations.

Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Such employees and investment officials shall disclose to the Board of Directors and the General Manager any material financial interests in financial institutions that conduct business within the District, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the District's portfolio.