



Budget & Finance Committee Meeting
Tuesday, July 6, 2021 at 1:00 PM
Valley Sanitary District Board Room
45-500 Van Buren Street, Indio, CA 92201

*******SPECIAL NOTICE – Via Videoconference*******

Pursuant to the Governor’s Executive Order N-25-20 issued on March 4, 2020 and N-29-20 issued on March 18, 2020; the Budget & Finance Committee regular meeting will be conducted remotely through Zoom. **Members of the public wanting to participate in the open session of the meeting may do so via the following Zoom registration link:**<https://zoom.us/j/95342075709> Meeting ID: 953 4207 5709 or by calling 669-900-9128 or 253-215-8782. Members of the public wanting to address the Board, either during public comment or for a specific agenda item, or both, are requested to send an email notification no later than 12:30 p.m. on the day of the meeting to the Valley Sanitary District’s Clerk of the Board at hgould@valley-sanitary.org.

Page

1. CALL TO ORDER

- 1.1. Roll Call
- 1.2. Pledge of Allegiance

2. PUBLIC COMMENT

This is the time set aside for public comment on any item not appearing on the agenda. Please notify the Secretary in advance of the meeting if you wish to speak on a non-hearing item.

3. DISCUSSION / ACTION ITEMS

Consent calendar items are expected to be routine and noncontroversial, to be acted upon by the Board of Directors at one time, without discussion. If any Board

member requests that an item be removed from the consent calendar, it will be removed so that it may be acted upon separately.

- 3.1. Discussion on the Valley Sanitary District Investment Policy 3 - 19
[3.1 Discussion Investment Policy.pdf](#) 
[3.1 Attachment A Investment Policy.pdf](#) 
[3.1 Attachment B Draft Investment Policy.pdf](#) 
- 3.2. Discussion Resolution of Notice of Intent to Proceed with Loan Application (NIPLA) IBank 20 - 25
[3.2 Intent to Apply For IBank Loan.pdf](#) 
[3.2 Attachment A ISRF Borrower Resolution for Borrower's Governing Body.pdf](#) 

4. FUTURE MEETING ITEMS

5. ADJOURNMENT

Pursuant to the Brown Act, items may not be added to this agenda unless the Secretary to the Board has at least 72 hours advance notice prior to the time and date posted on this notice.



**Valley Sanitary District
Budget & Finance Committee
July 06, 2021**

TO: Budget & Finance Committee
FROM: Jeanette Juarez, Business Services Manager
SUBJECT: Discussion of the Valley Sanitary District Investment Policy

<input type="checkbox"/> Board Action	<input type="checkbox"/> New Budget Approval	<input type="checkbox"/> Contract Award
<input checked="" type="checkbox"/> Board Information	<input type="checkbox"/> Existing FY Approved Budget	<input type="checkbox"/> Closed Session

Executive Summary

The purpose of this report is for the Budget & Finance Committee to review and discuss the District’s current investment policy before it is brought to the Board of Directors for annual approval on August 13, 2021.

Strategic Plan Compliance

This item complies with VSD Strategic Plan Objective 6.3.1: Review 10% of policies annually and update as needed.

Fiscal Impact

There is no fiscal impact from this report.

Background

California Government Code Section 53646 requires that all public agencies adopt an investment policy and that the policy be reviewed and approved annually. On April 14, 2015, the District adopted Resolution No. 2015-1063 adopting the VSD Investment Policy and no amendments have been executed.

Local Agency Investment Guidelines highly recommend that the internal treasury staff conduct a review annually. According to the California Debt and Investment Advisory Commission (2020), “an update in the investment policy is warranted if treasury staff’s review results in a material change in policy due to either a change in statute or a change in the agency’s goals and objectives for safety, liquidity and yield” (P.14).

Examination and analysis of the policy by the committee will allow ample time for recommendations before it is presented to the full Board of Directors.

Recommendation

Recommend that the Budget and Finance Committee receive this report for information.

Attachments

Attachment A: Valley Sanitary District Investment Policy

Attachment B: Draft Revised Investment Policy



Adopted: 4/14/2015

I. PURPOSE

The purpose of this policy is to provide guidelines for the prudent investment of the Valley Sanitary District's (the "District") surplus monies not required for the immediate necessities of the District in accordance with the provisions of California Government Code Sections 5921 and 53601 et seq. Effective January 1, 1996, the California Legislature modified state law pertaining to deposit and investment of public funds and this Investment Policy conforms to the model provided by the state for local public agencies (California Government Code (CGC) Sections 53600 et seq.).

It is the duty of the General Manager of the District to annually prepare and submit a statement of investment policy and such policy changes deemed necessary to said policy to the Board of Directors for their review and approval at a public meeting

II. SCOPE

The investment policy applies to all financial assets of the District. These funds are accounted for in the Annual Audit Report and include: General Fund #11; Capital Project Funds #12 and #13.

Funds not included in this policy include: retirement funds, deferred compensation funds, operating cash kept in local checking accounts, monies held by the Riverside County Treasurer during tax collection and user fee collection periods.

Proceeds of debt issuance shall be invested in accordance with the general investment philosophy of the District as set forth in this policy; however, such proceeds are invested in accordance with permitted investment provisions of their specific bond indentures.

III. POLICY

There is a broad spectrum of investment opportunities allowed by State law; however, it is the policy of the Board of Directors to limit the range of investments for ease of administration and control by the Board of investment options. For purposes of this policy, the following rules shall govern as the District's investment policy:

1. Prudence: Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercised 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 (CGC 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 the deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

2. Objectives: As specified in CGC 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 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 from the remainder of the portfolio.
 - b. Liquidity: The investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements which 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.
3. Delegation of Authority: Authority to manage the investment program is derived from California Government Code Sections 53600, et seq. Limited management responsibility for the investment program is hereby delegated to the Treasurer of the District. The investment program shall be consistent with this investment policy. For purposes of management of the District's investment program, the following shall apply:
 - a. 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 as required by CGC Section 53601.

- b. Wire transfers, withdrawal of funds et cetera: The officers of the Board and management of the District shall abide by this Investment Policy, which limits the authority for making wire transfers and withdrawing funds from the District's accounts to the Treasurer, President, or Vice President of the Board of Directors.
- c. Investment Decisions: All investment decisions outside of deposits in the Local Agency Investment Fund (LAIF) shall be made by the Board of Directors. The investment options presented to the Board by the General Manager and Treasurer shall be limited as follows, as permitted by CGC Section 53601 et seq.:
- 1) Local Agency Investment Fund (LAIF) managed by the Treasurer of the State of California.
 - 2) Bonds issued by the District: 5-year maximum maturity.
 - 3) United States Treasury Bills, Notes & Bonds: 5-year maximum maturity.
 - 4) Federally Insured Certificates of Deposit: 5-year maximum maturity.
 - 5) Collateralized bank deposits: 5-year maximum maturity.
 - 6) Fixed income instruments with an average maturity of one year or less including: Mortgage-backed securities; asset-backed securities; banker's acceptances; commercial paper; certificates of deposits; repurchase agreements backed by 102% U.S. agency securities and U.S. Treasury obligations; medium- term notes; and rated money-market funds. All securities must be rated A- or better at the time of purchase.
 - 7) United States Government Agency Notes & Bonds: 5-year maximum maturity.
 - 8) Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (o) as provided, provided that:
 - the pool's investment advisor meets the requirements of 53601(p);
 - the pool is rated "AA" or better by a Nationally Recognized Statistical Rating Organization (NRSRO);
 - the pool maintains a minimum volatility rating of "S or better"; and
 - if the District has funds invested in a pool, a copy of the pool's information statement shall be maintained on file for due diligence. In addition, the Treasurer should review the pool's summary holdings on a quarterly basis.

In no event shall the District invest any funds 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 (CGC Section 53601.6 and 53631.5).

- d. Diversification: The District will diversify its investments by security type and institution. It is the policy of the District to diversify its investment portfolio. The District's diversification strategy shall be:

- 1) LAIF is a diversified investment pool; and therefore, meets the requirements for diversification. LAIF also offers liquidity of funds for operations; therefore, LAIF deposits can be counted in an assessment of cash reserves.
 - 2) Cash flow projections for current operations and obligations for the current fiscal year, and any contractual obligations beyond, shall be made before investing in time limited investments.
- e. Ethics and conflicts of interest: Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.
- f. Authorized financial institutions and dealers: The Administration and Finance Manager will 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 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 (SEC), the Financial Industry Regulatory Authority (FINRA) 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 Investment Policy and that firm understands the policy and intends to present investment recommendations and transaction to the District that are appropriate under the terms and conditions of the Investment Policy.

4. Reporting: In accordance with CGC Section 53646(b)(1), the Treasurer shall submit to each member of the Board of Directors a quarterly investment report. 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 the District by third party contractors. The report will also include the source of the portfolio valuation. As specified in CGC Section 53646(e), 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 CGC Section 53646(b)(2) and (3), respectively. The Treasurer shall maintain complete and timely record of all investment transactions.



Investment Policy

I. Purpose

The purpose of this policy is to provide guidelines for the prudent investment of the Valley Sanitary District's (the "District") surplus monies not required for the immediate necessities of the District in accordance with federal, state, and other legal requirements, including applicable portions of California Government Code Sections 53600 through 53686 and the Valley Sanitary District Resolution as adopted by its Board of Directors.

It is the duty of the General Manager of the District to annually prepare and submit a statement of investment policy and such policy changes deemed necessary to said policy to the Board of Directors for their review and approval at a public meeting.

II. Scope

This policy applies to the investment of all District funds, excluding CalPERS, OPEB Trusts, the investment of employees' deferred compensation funds invested pursuant to Government Code Section 53609, and bond proceeds invested pursuant to their bond documents. Except for cash in certain restricted and special funds, Valley Sanitary District will consolidate cash balances for all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping of assets, and administration. Investment income will be allocated to the various funds based on their respective cash balances and in accordance with generally accepted accounting principles.

Proceeds of debt issuance shall be invested in accordance with the general investment philosophy of the District as set forth in this policy; however, such proceeds are invested in accordance with permitted investment provisions of their specific bond indentures.

III. General Objectives

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

1. Safety

Safety of principal is the foremost objective of the District's investment program. Investments shall be undertaken in a manner that seeks to avoid capital losses

from financial institution default, broker-dealer default or the erosion of market value. The objective is to mitigate credit risk and interest rate risk.

a) Credit Risk

Valley Sanitary District will minimize credit risk, which is the risk of loss due to issuer default by doing the following:

- i. Limiting investments to the types of securities listed in Section VII of this Investment Policy.
- ii. Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which Valley Sanitary District will do business in accordance with Section V of this policy.
- iii. Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

b) Interest Rate Risk

Valley Sanitary District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

2. Liquidity

Liquidity is the second most important objective of the District's investment program. The investment portfolio shall remain sufficiently liquid to meet all operating and capital requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrently with cash needs to meet anticipated demands.

3. Yield

Valley Sanitary District's cash management portfolio shall be designed with the objective of attaining a market rate of return at all times, which is defined as the 1 to 3 year Government and AAA-A Corporate rate or better.

IV. Standard of Care

The District's investment program is a fiduciary responsibility, and shall be conducted using the following standards of care:

1. Prudence

The standard of prudence to be used by District investment officials shall be the "prudent investor standard" as required by California Government Code Section 53600.3. The "prudent investor standard" states that when investing, reinvesting,

purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skills, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the District.

2. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the District.

3. Delegation of Authority

California Government Code Section 53607 provides the authority for the legislative body to delegate the full responsibility to the treasurer of the local agency. Investments will be directed under the authority of the General Manager of the Valley Sanitary District. Other authorized staff includes the Business Services Manager, or other authorized delegee. These other staff may direct investments in the absence of the General Manager or at other times as deemed appropriate.

Whenever possible, investment transactions to be entered into during the absence of the General Manager should be discussed and approved in advance of the General Manager's absence. This approval should include the staff member who is going to initiate the investment transactions and the staff member who is going to approve them, and the associated disbursement of funds to complete the purchase.

The Board may delegate day-to-day investment decision making and execution authority to an investment advisor. The advisor shall follow the policy and such other written instructions as are provided.

V. Authorized Financial Institutions, Depositories, and Broker/Dealers

1. For District Directed Investments

A list will be maintained of financial institutions and depositories authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected by creditworthiness (e.g., a minimum capital requirement of \$10,000,000 and at least 5 years of operation). These may

include Primary Dealers, as designated by the Federal Reserve, or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- a) Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines
- b) Proof of Financial Industry Regulatory Authority (FINRA) certification (not applicable to Certificate of Deposit counterparties)
- c) Proof of state registration
- d) Completed broker/dealer questionnaire (not applicable to Certificate of Deposit issues)
- e) Certification of having read and understood and agreeing to comply with the District's investment policy

All Time Certificates of Deposit will be purchased directly from the institution receiving the deposit. An annual review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the General Manager or Business Services Manager. This list will be reported annually to the Board of Directors at the same time that the Board reviews and approves the District's investment policy.

2. For Investments Executed by an Investment Advisor

Upon approval of the Board, an investment advisor engaged by the District may use its list of approved issuers and broker/dealers for transactions on behalf of the District. For investments not purchased directly from the issuer, the Advisor will ensure that it has confirmed each broker/dealer's:

- a) Securities Exchange Commission (SEC) registration as a broker-dealer
- b) Membership in Financial Industry Regulatory Authority (FINRA)
- c) FINRA State registration or licensure

VI. Safekeeping and Custody

1. Safekeeping

Securities will be held by an independent third-party custodian selected by the entity as evidenced by safekeeping receipts in Valley Sanitary District's name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls (Statement of Auditing Standards No. 70).

2. Internal Controls

The Administration Department is responsible for ensuring compliance with the Policy as well as establishing systems of internal control to prevent losses due to

fraud, employee error, misrepresentations by third parties, imprudent actions by staff, etc. The internal control structure shall be designed to provide reasonable assurance that these objectives are met.

Compliance with these internal control procedures will be assured through the District's annual independent audit and reported to the District's General Manager and Board of Directors.

These internal controls include the following:

- a) The employee who initiates the investment transaction cannot approve the disbursement of funds.
- b) The record keeping of investment transactions should be performed by staff not involved in the investment process.
- c) All marketable securities purchased shall be held by a third-party custodian on a Delivery vs. Payment basis. The term "third-party custodian" refers to an institution other than the parties that the District purchases investments from. The arrangement will be formalized by written agreement. The use of a third-party ensures that no funds are released until the securities are delivered. Additionally, by having a third party serve as the custodian, the District will be notified if the security purchased is not delivered on time. "Failed" trades such as this occasionally occur. The District shall take from the third-party custodian institution a receipt for securities so deposited.
- d) Pursuant to Government Code Section 53608, the District may deposit for safekeeping with a federal or state association, a trust company or a state or national bank located within California or with the Federal Reserve Bank of San Francisco or any branch thereof within California, or with any Federal Reserve bank or with any state or national bank located in any city designated as a reserve city by the Board of Governors of the Federal Reserve System.

The Administration Department shall establish and update, as needed, written Investment procedures for the operation of the investment program consistent with this Policy. Procedures will include steps to be taken in preparation for investing, authorized financial institutions, authorized investments, selecting investment maturities and cash flow forecasting, investment safekeeping, wire transfer procedures, investing in the Riverside County Treasurer's Pooled Investment Fund (TPIF), minimum dollar amounts to be kept in TPIF or other Local Government Investment Pool Shares (LGIPs) for liquidity purposes, banking service contracts, and other business functions associated with maintaining the investment program.

VII. Suitable and Authorized Investments

1. Investment Types

In accordance with Government Code Section 53601, the following investments will be authorized by this Policy:

- a) U.S. Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
- b) Federal agency or United States government-sponsored enterprise obligations or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- c) Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state. Obligations eligible for investment under this subdivision must be rated in a rating category of "A" or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO).
- d) Registered treasury notes or bonds of any of the other 49 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 states, in addition to California. Obligations eligible for investment under this subdivision must be rated in a rating category of "A" or its equivalent or better by a NRSRO.
- e) Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, include bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency. Obligations eligible for investment under this subdivision must be rated in a rating category of "A" or its equivalent or better by a NRSRO.
- f) Certificates of deposit and other evidences of deposit issued by a federally or state-chartered bank or savings and loan. These require full collateralization and a contract with the depository for the deposit of public funds, pursuant to Government Code Section 53649. No more than 30% of the District's investment portfolio may be invested in the certificates of deposit of any one commercial bank, at any one time. Certificates of Deposit will be purchased directly from the institution receiving the deposit.
- g) 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 federally- or state-licensed branch of a foreign bank. Purchases are limited to securities rated in a rating category of "A" (long-term) or "A-1" (short-term) or their equivalents or better by a NRSRO. No more than 30% of the District's investment portfolio may be invested in negotiable certificates of deposit.
- h) Bankers' acceptances that are drawn on and accepted by a commercial bank. Eligible bankers' acceptances shall have the highest ranking or the highest letter and number rating as provided for by a nationally recognized statistical-rating organization and a maximum maturity of 180 days. No more than 40% of the District's investment portfolio may be invested in bankers' acceptances.
- i) 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 meet all of the following conditions in either paragraph i. or paragraph ii:

- i. The entity meets the following criteria:
 1. Is organized and operating in the United States as a general corporation.
 2. Has total assets in excess of five hundred million dollars (\$500,000,000).
- ii. Has debt other than commercial paper, if any, that is rated in a rating category of "A" its equivalent, or better by a NRSRO. The entity meets the following criteria:
 1. Is organized within the United States as a special purpose corporation, trust, or limited liability company.
 2. Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.
 3. Has commercial paper that is rated "A-1" or higher by a NRSRO.

No more than 25% of the District's investment portfolio may be invested in commercial paper. Eligible commercial paper shall have a maximum maturity of 270 days. Investments may not represent more than 10% of the outstanding commercial paper of any single corporate issue.

- j) Medium-term corporate notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of 5 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. Medium-term corporate notes shall be rated in a rating category of "A" or its equivalent or better by a NRSRO. No more than 30% of the District's investment portfolio may be invested in medium-term notes.
- k) Riverside County Treasurer's Pooled Investment Fund (TPIF).
- l) Funds may be invested in the District's own bonds.
- m) Money Market Funds. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.). To be eligible for investment pursuant to this subdivision these companies shall either: attain the highest ranking letter or numerical rating provided by not less than two of the three largest nationally recognized statistical-rating organization, or have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than 5 years' experience managing money market mutual funds and with assets under management in excess of \$500,000,000. The purchase price of shares shall not exceed 20% of the investment portfolio of the District.
- n) Local Government Investment Pools (LGIPs). Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in Government Code. The District will limit investments to LGIPs that seek to maintain a stable net asset value and have a rating of AAA or the equivalent by an NRSRO.
- o) Supranationals which are United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the

International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA", its equivalent, or better by at least one NRSRO. Purchases of supranationals shall not exceed 30% of the investment portfolio of the District.

- p) Asset-Backed Securities (ABS) including mortgage pass-through securities, collateralized mortgage obligations, mortgage-backed or other pay-through bonds, equipment lease-backed certificates, consumer receivable pass-through certificates, or consumer receivable-backed bonds of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having a rating in a rating category of "A" its equivalent, or higher rating for the issuer's debt as provided and rated in a rating category of "AA" or its equivalent or better by at least one NRSRO. Purchase of securities authorized by this subdivision may not exceed 20% of the District's total portfolio.

Non-government investments other than Riverside County TPIF or other LGIPs may only be purchased by the District's Investment Advisor.

Credit criteria and maximum percentages apply at the time a security is purchased. If an investment's credit rating falls below the minimum rating required at the time of purchase, the District's investment advisor will take appropriate action regarding the disposition of the investment and will notify the Director of Finance and General Manager.

2. Collateralization

Collateralization of District investments will be directed pursuant to Government Code Section 53652. Full collateralization will be required on all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit (including FDIC insurance). It will be the District's policy to regularly verify that all active deposits (checking accounts) and inactive deposits (certificates of deposit) are properly collateralized.

VIII. Investment Parameters

1. Diversification

The District's investment program shall be diversified by:

- a) Limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury and Federal Agency securities)
- b) Limiting investment in securities that have higher credit risks
- c) Investing in securities with varying maturities
- d) Investing a portion of the portfolio in readily available funds such as Riverside County Treasurer's Pooled Investment Fund (TPIF), LGIPs, AAA rated money

market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations

The following diversification limitations shall be imposed on the portfolio:

- i. Non-government investments, other than TPIF or LGIPs, will be restricted to no more than 5% of the District's portfolio in any one institution at any one time regardless of security type.
- ii. Maturity: The maximum maturity of any single investment in the portfolio shall be limited to 5 years unless the Board determines that there is a specific purpose to make an investment with a maturity longer than 5 years and provides approval no less than three months prior to the investment. Investment maturities shall take into consideration the anticipated cash flow needs of the District.
- iii. Liquidity risk: A portion of the portfolio will be continuously invested in readily available funds such as TPIF, LGIPs, or money market funds to ensure that appropriate liquidity is maintained to meet the District's ongoing obligations.
- iv. Whenever practical, investments with a minimum par value of \$1 million will be made, in order to efficiently and effectively manage the District's portfolio.

To the extent possible, Valley Sanitary District shall attempt to match its investments with anticipated cash flow requirements.

2. Competitive Bids

At least three (3) competitive bids/offers shall be obtained and recorded on all investment transactions conducted for securities in the secondary market. The bids/offers shall be retained with other related investment documentation.

IX. Reporting

The Business Services Manager shall prepare a monthly investment report within 30 days following the end of the month. This report will include a management summary that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the last month. This management summary will be prepared in a manner which will allow the District to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report will be provided in the General Manager's monthly report. The report will include the following:

1. List of all investments held at end of month, including the name of the institution, type of investment, issuer, effective interest rate, maturity date, cost, par value, and current market value for each investment, and for the portfolio as a whole.
2. Investment transactions

3. The weighted average yield to maturity of the portfolio as of the end of the month.
4. Certification from the General Manager that the portfolio is in compliance with the Policy and that sufficient liquidity is available to meet the District's expenditure requirements within the next six (6) months.

X. Policy Considerations

The investment policy shall be reviewed and adopted by the District Board of Directors annually. The General Manager may approve necessary revisions that may arise during the year, which will be later reported to the Board of Directors.

DRAFT



**Valley Sanitary District
Budget & Finance Committee
July 06, 2021**

TO: Budget & Finance Committee

FROM: Jeanette Juarez, Business Services Manager

SUBJECT: Discussion Resolution of Notice of Intent to Proceed with Loan Application (NIPLA) IBank.

<input type="checkbox"/> Board Action	<input type="checkbox"/> New Budget Approval	<input type="checkbox"/> Contract Award
<input checked="" type="checkbox"/> Board Information	<input type="checkbox"/> Existing FY Approved Budget	<input type="checkbox"/> Closed Session

Executive Summary

The purpose of this report is for the Budget & Finance Committee to review and discuss the resolution for the NIPLA with Infrastructure and Economic Development Bank (“IBANK”).

Strategic Plan Compliance

This item complies with VSD Strategic Plan Objective 3.1: Facilities are managed using comprehensive long-range plans that are integrated with the financial plan.

Fiscal Impact

There is no fiscal impact from this report.

Background

The NIPLA is a letter signed by the loan applicants to inform the lender of their intention to proceed with the loan application and their acceptance of the terms, fees, and conditions.

The 10-year Capital Improvement Program (CIP) has various projects that require funding. The loans from IBank will assist in funding the following three (3) projects:

1. Laboratory Building
2. Training Building
3. Collections System/Rehabilitation/Replacement/Design

The estimated cost for all three (3) projects is \$28 million. The District has reviewed various financing options and has determined IBank to be the most fiscally prudent choice for these three (3) CIP projects.

By having the Budget and Finance Committee review the resolution for the NIPLA allow for further questions and clarification before it is presented to the full Board for approval.

Recommendation

Recommend that the Budget and Finance Committee receive this report for information.

Attachments

Attachment A: Draft Resolution of Notice of Intent to Proceed with Loan Application (NIPLA) iBank.

[IDENTIFY APPLICANT] RESOLUTION NO. _____

A RESOLUTION OF THE [IDENTIFY GOVERNING BODY OF APPLICANT] AUTHORIZING THE SUBMISSION OF AN APPLICATION TO THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK ("IBANK") FOR FINANCING A CAPITAL IMPROVEMENT PROJECT, AUTHORIZING THE INCURRING OF AN OBLIGATION PAYABLE TO IBANK FOR THE FINANCING OF A CAPITAL IMPROVEMENT PROJECT IF IBANK APPROVES SAID APPLICATION, DECLARATION OF OFFICIAL INTENT TO REIMBURSE CERTAIN EXPENDITURES FROM THE PROCEEDS OF AN OBLIGATION, AND APPROVING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH

WHEREAS, the California Infrastructure and Economic Development Bank ("IBank") administers a financing program to assist local governments with the financing of eligible projects in accordance with Section 63000 *et seq.* of the California Government Code (the "Act"); and

WHEREAS, IBank created the Infrastructure State Revolving Fund Program ("ISRF Program") pursuant to the provision of the Act; and

WHEREAS, IBank has instituted an application process for financing under its ISRF Program; and

WHEREAS, IBank's Criteria, Priorities and Guidelines for the Selection of Projects for Financing under the ISRF Program, dated February 23, 2016, and as may thereafter be amended from time to time (the "Criteria"), establishes requirements for the financing of projects under the ISRF Program; and

WHEREAS, the [Identify Applicant] ("Applicant") desires to submit an application ("Financing Application") to IBank under the ISRF Program for financing and refinancing the costs of [Describe project briefly] ("Project") in an amount not to exceed \$ _____; and

WHEREAS, the Act and the Criteria require the Applicant to make, by resolution of its governing body, certain findings prior to a project being selected for financing by IBank; and

WHEREAS, the Applicant expects to incur or pay certain expenditures in connection with the Project from its [General Fund/Identify Special Fund] that are reimbursable with the proceeds of tax exempt bonds or other tax exempt securities under Federal Tax Law (defined below) prior to incurring indebtedness for the purpose of financing costs associated with the Project on a long-term basis (the "Reimbursement Expenditures"); and

WHEREAS, the Applicant reasonably expects that a financing arrangement (“Obligation”) in an amount not expected to exceed \$_____ will be entered into under and memorialized by one or more financing agreements and related documents (collectively, the “Financing Agreement”) and that certain proceeds of such Obligation will be used to reimburse the Applicant for Reimbursement Expenditures incurred or paid prior to incurring the Obligation; and

WHEREAS, the Applicant acknowledges that IBank funds the ISRF Program, in part, with the proceeds of tax exempt bonds and, as such, has certain compliance obligations that may require it to have the Applicant enter into one or more new financing agreements to replace the Financing Agreement (collectively, the “Replacement Agreement”) on terms and conditions substantially identical to the original Financing Agreement.

NOW, THEREFORE, be it resolved by the [Governing Body] of the [Applicant] (the “[short name for Governing Body]”) as follows:

Section 1. The [short name of Governing Body] hereby approves confirms, ratifies, and affirms all actions of the Applicant’s representatives, employees and officers heretofore taken in connection with, or with respect to, submitting the Financing Application, and the consideration and approval of the Obligation and the Financing Agreement, if IBank approves the Financing Application and the Obligation, and in connection therewith the [short name for Governing Body] finds and certifies:

- a. The Project facilitates the effective and efficient use of existing and future public resources so as to promote both economic development and conservation of natural resources;
- b. The Project develops and enhances public infrastructure in a manner that will attract, create, and sustain long-term employment opportunities;
- c. That the Project is consistent with the General Plan of the [City the Project is located in, if any], and the General Plan of the [County the Project is located in];
- d. The proposed financing is appropriate for the Project;
- e. The Project is consistent with the Criteria; and
- f. It has considered (i) the impact of the Project on California’s land resources and the need to preserve such resources; (ii) whether the Project is economically or socially desirable; and (iii) whether the project is consistent with, and in furtherance of the State Environmental Goals and Policy Report (as defined in the Criteria).

Section 2. The Applicant hereby declares its official intent to use proceeds of the Obligation to reimburse itself for the Reimbursement Expenditures with the proceeds of tax exempt bonds or other tax exempt securities issued under the provisions of the Internal Revenue Code of 1986, as amended, and those Treasury Regulations implementing such provisions (collectively, “Federal Tax Law”). This declaration is made solely for purposes of establishing compliance with applicable requirements of

Federal Tax Law and its date is controlling for purposes of reimbursement under Federal Tax Law. This declaration does not bind the Applicant to make any expenditure, incur any indebtedness, or proceed with the Project.

Section 3. All of the Reimbursement Expenditures were made no earlier than 60 days prior to the date of this Resolution. The Applicant will allocate proceeds of the Obligation to pay Reimbursement Expenditures within eighteen (18) months of the later of the date the original expenditure was paid or the date the Project was placed in service or abandoned, but in no event more than three (3) years after the original expenditure was paid.

Section 4. The [authorized official] and his or her designee is hereby authorized and directed to act on behalf of the Applicant in all matters pertaining to the Financing Application, and if IBank approves the Financing Application and the Obligation, the execution of related financial documents, including but not limited to, [For Installment Sale Agreements: “the authority to: (i) pledge the revenues of the [identify the fund] and all legally available amounts in the [identify the fund],[on a parity basis with the Applicant’s obligations in connection with the [existing debt]], to the repayment of the Obligation, (ii) provide covenants relating to, among other things, maintaining the debt service coverage ratio required by IBank, rates and charges to be pledged, and as to any other security or collateral securing the Obligation, and (iii) take any other action necessary or desirable to enable the Applicant to enter into the Financing Agreement and incur the Obligation”] [For Financing Leases: “the authority to make payments from general fund revenues and other legally available sources of funds for the repayment of the Obligation and to provide covenants relating to the Obligation and as to any security or collateral securing the Obligation”].

Section 5. If the Financing Application and the Obligation is approved by IBank, the [authorized official] and his or her designee is authorized to negotiate, enter into and sign financing documents and any amendments thereto, including, but not limited to the Financing Agreement and the Replacement Agreement, with IBank for the purposes of financing the Obligation.

Section 6. This Resolution shall become effective immediately upon adoption.

* * * *

I, the undersigned, hereby certify that the foregoing Resolution was duly and regularly adopted and passed by the [Governing Body] of the [Applicant] in a regular meeting assembled on the xx day of xxxxx 20__, by the following vote:

AYES

NOES:

ABSENT:

ABSTENTIONS:

IN WITNESS, WHEREOF, I have hereunto set my hand and affixed the seal of said [Applicant entity, i.e., City or County] this xx day of xxxxx 20__.

[Name], [Clerk or Secretary]
[Applicant's full name]

DRAFT