

TO: BOARD OF DIRECTORS  
FROM: BRUCE BUEL *BB*  
DATE: MAY 22, 2009

**AGENDA ITEM  
E-5  
MAY 27, 2009**

REVIEW CURRENT INVESTMENT POLICY AND DETERMINE FUTURE USAGE OF LAIF

**ITEM**

Review current Investment Policy and determine future usage of LAIF [PROVIDE POLICY GUIDANCE]

**BACKGROUND**

On February 25, 2009, the Board of Directors adopted Resolution 2009-1124, the 2009 District Investment Policy. Section 6 (A) lists for the permitted investments and Section 6 (B) lists the prohibited investments.

NCSD currently has the following investments:

- Rabobank Money Market Account
- Rabobank Savings Account
- State of California Local Agency Investment Fund (LAIF)
- Mission Community Bank Certificate of Deposit Account Registry Service (CDARS)

Director Eby has requested the Board of Directors review the investment of funds in LAIF. Additional information about LAIF can be found at their web site (copy of home page is attached for your reference). Also, attached is the Government Code Sections relating to the Local Agency Investment Fund.

**FISCAL IMPACT**

None

**RECOMMENDATION**

Provide policy guidance to Staff.

**ATTACHMENTS**

- Resolution 2009-1124 – 2009 Investment Policy
- Home Page from LAIF web site
- Government Code relating to Local Agency Investment Fund

t:\documents\board matters\board meetings\board letter 2009\laif investment.doc

**NIPOMO COMMUNITY SERVICES DISTRICT  
RESOLUTION NO. 2009-1124**

**A RESOLUTION OF THE  
BOARD OF DIRECTORS OF THE  
NIPOMO COMMUNITY SERVICES DISTRICT  
ADOPTING THE YEAR 2009 DISTRICT INVESTMENT POLICY**

**WHEREAS**, the Board of Directors of the Nipomo Community Services District ("District") believes that public funds should, so far as is reasonably possible, be invested in financial institutions to produce revenue for the District rather than to remain idle, and

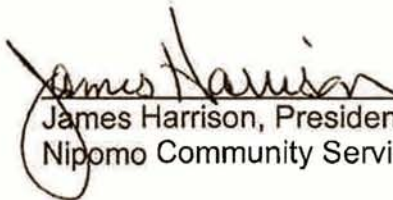
**WHEREAS**, from time to time there are District funds which for varying periods of time will not be required for immediate use by the District, and which will, therefore, be available for the purpose of investing in financial institutions with the objectives of safety, liquidity, yield and compliance with state and federal laws and policies.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Nipomo Community Services District as follows:

1. The District hereby adopted the Investment Policy attached hereto as Exhibit "A" as the District's Investment Policy;
2. The District General Manager shall act as Treasurer/Finance Officer of the District and is authorized to invest and re-invest funds in accordance with the Investment Policy for the succeeding twelve (12) month period or until such time as the delegation of authority is revoked.

**PASSED AND ADOPTED** by the Board of Directors of the Nipomo Community Services District this 25<sup>th</sup> day of February, 2009, on the following roll call vote:

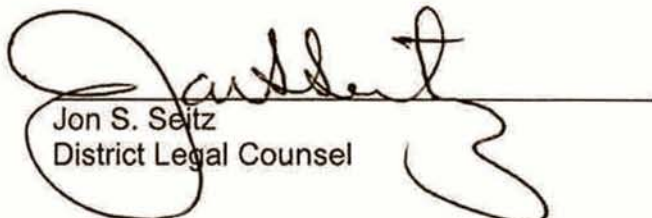
AYES: Directors Winn, Vierheilig, Trotter, and Harrison  
NOES: Director Eby  
ABSENT: None  
ABSTAIN: None

  
\_\_\_\_\_  
James Harrison, President  
Nipomo Community Services District

ATTEST:

  
\_\_\_\_\_  
Donna K. Johnson  
Secretary to the Board

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Jon S. Seitz  
District Legal Counsel



**RESOLUTION 2009-1124  
EXHIBIT A**

**YEAR 2009 INVESTMENT POLICY**  
**NIPOMO COMMUNITY SERVICES DISTRICT**

**1. INTRODUCTION**

The purpose of this written *Investment Policy* is to establish the guidelines for the prudent investment of Nipomo Community Services District funds (herein referred to as District's funds). The objectives of this policy are safety, liquidity, yield, and compliance with state and federal laws and policies.

District funds are to be managed with a high degree of care and prudence. Though all investments contain a degree of risk, the proper concern for prudence, maintenance of high level of ethical standards and proper delegation of authority reduces the potential for any realized loss.

This policy establishes the standards under which the District's Finance Officer will conduct business with financial institutions with regard to the investment process.

**2. FINANCE OFFICER**

The Board of Directors appoints the General Manager as the District Finance Officer and Treasurer. The District's Assistant General Manager shall serve as the District's Finance Officer and Treasurer in the absence of the District's General Manager.

**3. SCOPE**

The District investment portfolio shall consist of money held in a sinking fund of, or surplus money in, the District's treasury not required for the immediate necessities of the District. The District's investment portfolio shall be invested in accordance with this policy.

**4. OBJECTIVES**

The primary objectives are safety, liquidity, yield, and compliance.

**A. SAFETY**

The investment portfolio shall be managed in a manner that ensures the preservation of capital. The objective is to minimize credit risk and interest rate risk.

**B. LIQUIDITY**

The investment portfolio shall remain sufficiently liquid to meet all operating requirements. This shall be accomplished by structuring the investment portfolio so that investments mature concurrent with cash needs.

**C. YIELD**

Yield shall be a consideration only after the requirements of safety and liquidity have been met.

**D. COMPLIANCE**

This Investment Policy is written to be in compliance with California and Federal law.

**RESOLUTION 2009-1124  
EXHIBIT A**

**YEAR 2009 INVESTMENT POLICY  
NIPOMO COMMUNITY SERVICES DISTRICT**

**5. STANDARDS OF CARE**

**A. PRUDENCE**

The Finance Officer will manage the portfolio pursuant to the "Prudent Investor Standard." When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds in the District's investment portfolio, the Finance Officer shall act with 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 funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the District.

**B. DISCLOSURES**

Finance Officer shall disclose any material interest in financial institutions with which he/she conducts the District business.

**6. INVESTMENTS AUTHORITY**

**A. PERMITTED INVESTMENTS**

The District Finance Officer is authorized to invest in the following institutions:

1. County pooled funds (California Government Code § 61730)
2. The Local Agency Investment Fund created by the California State Treasury (California Government Code § 16429.1)
3. One or more FDIC insured Banks and/or Savings and Loan Associations that are designated as District depositories by resolution of the Board of Directors (California Government Code § 61053).
4. Such other financial institutions or securities that may be designated by the Board of Directors from time to time in compliance with California and Federal law.

**B. PROHIBITED INVESTMENTS**

The District's Finance Officer shall not invest in:

1. Inverse floaters, range notes or interest only strips that are derived from a pool of mortgages.
2. Any security that could result in a zero interest accrual if held to maturity.
3. A state or federal credit union, if a member of the District's Board of Directors or an administrative officer also serves on the Board of Directors, or any committee appointed by the Board of Directors, or the credit committee or supervisory committee, of the state or federal credit union.

**C. DIVERSIFIED INVESTMENTS**

Investments, other than investments referenced in paragraphs **A** (1) and (2) above, will be diversified to avoid losses that may be associated with any one investment.



**RESOLUTION 2009-1124  
EXHIBIT A**

**YEAR 2009 INVESTMENT POLICY**  
**NIPOMO COMMUNITY SERVICES DISTRICT**

**7. REPORTS**

**A. MONTHLY REPORT**

Finance Officer/Treasurer shall make monthly reports to the Board of investments made or retired during the preceding month.

**B. QUARTERLY REPORT**

Finance Officer shall file a quarterly report that identifies the District's investments and their compliance with the District's Investment Policy. The quarterly report must be filed with the District's auditor and considered by the District's Board of Directors within thirty (30) days after the end of each quarter (i.e., by May 1, August 1, November 1, and February 1) (California Government Code § 53646). Required elements of the quarterly report are as follows:

1. Type of Investment
2. Institution
3. Date of Maturity (if applicable)
4. Amount of deposit or cost of the security
5. Current market value of securities with maturity in excess of twelve months (if applicable)
6. Rate of Interest
7. Statement relating the report to the Statement of Investment Policy
8. Statement of the District's ability to meet cash flow requirements for the next six months.
9. Accrued Interest (if applicable)

**C. ANNUAL REPORT**

Prior to February 1, of each year, the Finance Officer shall file and submit an annual report to the District's auditor and Board of Directors which will contain the same information required in the quarterly report.

The annual report will include a recommendation to the Board of Directors to either:

1. Readopt the District's then current annual Investment Policy; or
2. Amend the District's then current Investment Policy.

**D. LIMITED QUARTERLY REPORT**

If the District has placed all of its investments in the Local Agency Investment Fund (LAIF), created by California Government Code § 16429.1, or in Federal Deposit Insurance Corporation, insured accounts in a bank or savings and loan association, in a County investment pool, or any combination of these, the Finance Officer may submit to the Board of Directors, and the auditor of the District the most recent statement or statements received by the District from these institutions in lieu of the information required in paragraph 7.B, above. This special reporting policy does not relieve the Finance Officer of the obligation to prepare an annual investment report as identified in paragraph 7.C, above.



*Bill Lockyer*  
California State Treasurer

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## Pooled Money Investment Account and Local Agency Investment Fund

### About PMIA

- [PMIA Overview](#)
- [Board Members](#)
- [Contact Information](#)
- [Meeting Dates for 2009](#)
- [Meeting Agendas and Minutes](#)
- [Time Deposit Program](#)
- [PMIA Approved Investments](#)
  - [Commercial Paper Issuers](#)
  - [Corporate Bond Issuers](#)
  - [List of Approved Banks](#)

### Performance Reports

- [PMIA Summary of Investment Data](#)
- [PMIA/LAIF Performance](#)
- [LAIF Monthly Balances](#)

### Historical Rates and Costs

- [PMIA Average Monthly Yields](#)
- [PMIA Average Annual Yields](#)
- [LAIF Quarterly Apportionment Rates](#)
- [LAIF Administrative Costs](#)

### About LAIF

- [LAIF Overview](#)
- [Board Members](#)
- [Contact Information](#)
- [Meeting Agendas and Minutes](#)
- [LAIF 2009 Calendar](#)
- [LAIF Answer Book](#)
- [LAIF Account Update Forms](#)

### Reporting Documents

- [Online Statements](#)
- [PMIA Disclosure Statements](#)
- [PMIA Market Valuation](#)
- [PMIA Maturity Schedule](#)
- [PMIB Monthly Reports](#)
- [PMIB Quarterly Reports](#)
- [PMIB Annual Reports](#)
- [LAIF Interest Statement](#)  
Link to State Controller's Office Quarterly Interest Earnings Statement
- [Independent Auditor's Report by Bureau of State Audits](#)  
Excerpt from State Financial Report for the Fiscal Year Ending June 30, 2008

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**LEGAL RESEARCH NCSD**

**LOCAL AGENCY INVESTMENT FUND**

**GOVERNMENT CODE**

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**TITLE 2. GOVERNMENT OF THE STATE OF  
CALIFORNIA**

**Division 4. Fiscal Affairs**

**Part 2. State Funds**

**Chapter 1. General**

**Chapter 2. Special Funds**

**Article 11. Local Agency Investment Fund**

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**§ 16429.1. Creation, maintenance, and operation of Local Agency Investment Fund** (a) There is in trust in the custody of the Treasurer the Local Agency Investment Fund, which fund is hereby created. **The Controller shall maintain a separate account for each governmental unit having deposits in this fund.**



(b) Notwithstanding any other provisions of law, a local governmental official, with the consent of the governing body of that agency, having money in its treasury not required for immediate needs, may remit the money to the Treasurer for deposit in the Local Agency Investment Fund for the purpose of investment.

(c) Notwithstanding any other provisions of law, an officer of any nonprofit corporation whose membership is confined to public agencies or public officials, or an officer of a qualified quasi-governmental agency, with the consent of the governing body of that agency, having money in its treasury not required for immediate needs, may remit the money to the Treasurer for deposit in the Local Agency Investment Fund for the purpose of investment.

(d) Notwithstanding any other provision of law or of this section, a local agency, with the approval of its governing body, may deposit in the Local Agency Investment Fund proceeds of the issuance of bonds, notes, certificates of participation, or other evidences of indebtedness of the agency pending expenditure of the proceeds for the authorized purpose of their issuance. In connection with these deposits of proceeds, the Local Agency Investment Fund is authorized to receive and disburse moneys, and to provide information, directly with or to an authorized officer of a trustee or fiscal agent engaged by the local agency, the Local Agency Investment Fund is authorized to hold investments in the name and for the account of that trustee or fiscal agent, and the Controller shall maintain a separate account for each deposit of proceeds.

(e) The local governmental unit, the nonprofit corporation, or the quasi-governmental agency has the exclusive determination of the length of time its money will be on deposit with the Treasurer.

(f) The trustee or fiscal agent of the local governmental unit has the exclusive determination of the length of time proceeds from the issuance of bonds will be on deposit with the Treasurer.

(g) The Local Investment Advisory Board shall determine those quasi-governmental agencies which qualify to participate in the



Local Agency Investment Fund.

(h) The Treasurer may refuse to accept deposits into the fund if, in the judgment of the Treasurer, the deposit would adversely affect the state's portfolio.

**(i) The Treasurer may invest the money of the fund in securities prescribed in Section 16430. The Treasurer may elect to have the money of the fund invested through the Surplus Money Investment Fund as provided in Article 4 (commencing with Section 16470) of Chapter 3 of Part 2 of Division 4 of Title 2. (RELEVANT SECTIONS QUOTED BELOW)**

(j) Money in the fund shall be invested to achieve the objective of the fund which is to realize the maximum return consistent with safe and prudent treasury management.

(k) All instruments of title of all investments of the fund shall remain in the Treasurer's vault or be held in safekeeping under control of the Treasurer in any federal reserve bank, or any branch thereof, or the Federal Home Loan Bank of San Francisco, with any trust company, or the trust department of any state or national bank.

(l) Immediately at the conclusion of each calendar quarter, all interest earned and other increment derived from investments shall be distributed by the Controller to the contributing governmental units or trustees or fiscal agents, nonprofit corporations, and quasi-governmental agencies in amounts directly proportionate to the respective amounts deposited in the Local Agency Investment Fund and the length of time the amounts remained therein. An amount equal to the reasonable costs incurred in carrying out the provisions of this section, not to exceed a maximum of one-half of 1 percent of the earnings of this fund, shall be deducted from the earnings prior to distribution. The amount of this deduction shall be credited as reimbursements to the state agencies, including the Treasurer, the Controller, and the Department of Finance, having incurred costs in carrying out the provisions of this section.



**(m) The Treasurer shall prepare for distribution a monthly report of investments made during the preceding month.**

(n) As used in this section, "local agency," "local governmental unit," and "local governmental official" includes a campus or other unit and an official, respectively, of the California State University who deposits moneys in funds described in Sections 89721, 89722, and 89725 of the Education Code.

**§ 16429.2. Local investment advisory board** There is created the Local Investment Advisory Board consisting of five members. The chairman shall be the State Treasurer or his or her designated representative. Two members who are qualified by training and experience in the field of investment or finance, shall be appointed by the State Treasurer. Two members who are treasurers, finance or fiscal officers or business managers, employed by any county, city or local district or municipal corporation of this state, shall be appointed by the Treasurer. The term of office of each appointed member of the board is two years, but each appointed member serves at the pleasure of the appointing authority. A vacancy in the appointed membership, occurring other than by expiration of term, shall be filled in the same manner as the original appointment, but for the unexpired term only.

Members of the board who are not state officers or employees shall not receive a salary, but shall be entitled to a per diem allowance of fifty dollars (\$50) for each day's attendance at a meeting of the board, not to exceed three hundred dollars (\$300) in any month.

All members shall be entitled to reimbursement for expenses incurred in the performance of their duties under this part, including travel and other necessary expenses.

The board's primary purpose shall be to advise and assist the State Treasurer in formulating the investment and reinvestment of moneys in the Local Agency Investment Fund, and the acquisition, retention, management, and disposition of investments of the fund. The board, from time to time, shall review those policies and



advise therein as it considers necessary or desirable. The board shall advise the State Treasurer in the management of the fund and consult the State Treasurer on any matter relating to the investment and reinvestment of moneys in the fund.

**§ 16429.3. Deposits; prohibited transfers and loans; impoundment or seizure** Moneys placed with the Treasurer for deposit in the Local Agency Investment Fund by cities, counties, special districts, nonprofit corporations, or qualified quasi-governmental agencies shall not be subject to either of the following:

- (a) Transfer or loan pursuant to Sections 16310, 16312, or 16313.
- (b) Impoundment or seizure by any state official or state agency.

**§ 16429.4. Right of withdrawal** The right of a city, county, city and county, special district, nonprofit corporation, or qualified quasi-governmental agency to withdraw its deposited moneys from the Local Agency Investment Fund, upon demand, may not be altered, impaired, or denied, in any way, by any state official or state agency based upon the state's failure to adopt a State Budget by July 1 of each new fiscal year.

## Chapter 3. Investments

### Article 1. General

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**§ 16430. Eligible securities for investment of surplus moneys** Eligible securities for the investment of surplus moneys shall be any of the following:

- (a) Bonds or interest-bearing notes or obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

(b) Bonds or interest-bearing notes on obligations that are guaranteed as to principal and interest by a federal agency of the United States.

(c) Bonds and notes of this state, or those for which the faith and credit of this state are pledged for the payment of principal and interest.

(d) Bonds or warrants, including, but not limited to, revenue warrants, of any county, city, metropolitan water district, California water district, California water storage district, irrigation district in the state, municipal utility district, or school district of this state.

(e) Bonds, consolidated bonds, collateral trust debentures, consolidated debentures, or other obligations issued by federal land banks or federal intermediate credit banks established under the Federal Farm Loan Act, as amended, in debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended, in bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, in stock, bonds, debentures and other obligations of the Federal National Mortgage Association established under the National Housing Act as amended, and in the bonds of any federal home loan bank established under that act, obligations of the Federal Home Loan Mortgage Corporation, in bonds, notes, and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act as amended, and bonds, notes, and other obligations guaranteed by the Commodity Credit Corporation for the export of California agricultural products under the Commodity Credit Corporation Charter Act as amended.

(f)(1) Commercial paper of "prime" quality as defined by a nationally recognized organization that rates these securities. Eligible paper is further limited to issuing corporations, trusts, or limited liability companies approved by the Pooled Money Investment Board that meet the conditions in either subparagraph



(A) or subparagraph (B):

(A) Both of the following:

(i) Organized and operating within the United States.

(ii) Having total assets in excess of five hundred million dollars (\$500, 000,000).

(B) Both of the following:

(i) Organized within the United States as a special purpose corporation, trust, or limited liability company.

(ii) Having programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond.

(2) Purchases of eligible commercial paper may not exceed 180 days' maturity, represent more than 10 percent of the outstanding paper of an issuing corporation, trust, or limited liability company, nor exceed 30 percent of the resources of an investment program.

At the request of the Pooled Money Investment Board, this investment shall be secured by the issuer by depositing with the Treasurer securities authorized by Section 53651 of a market value at least 10 percent in excess of the amount of the state's investment.

(g) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System.

(h) Negotiable certificates of deposits issued by a federally or state- chartered bank or savings and loan association, a state-licensed branch of a foreign bank, or a federally or state-chartered credit union. For the purposes of this section, negotiable certificates of deposits do not come within the provisions of Chapter 4 (commencing with Section 16500) and Chapter 4.5 (commencing with Section 16600).

(i) The portion of bank loans and obligations guaranteed by the United States Small Business Administration or the United States Farmers Home Administration.

(j) Bank loans and obligations guaranteed by the Export-Import Bank of the United States.

(k) Student loan notes insured under the Guaranteed Student Loan

Program established pursuant to the Higher Education Act of 1965, as amended (20 U.S. C. Sec. 1001 and following) and eligible for resale to the Student Loan Marketing Association established pursuant to Section 133 of the Education Amendments of 1972, as amended (20 U.S.C. Sec. 1087-2).

(l) Obligations issued, assumed, or guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the International Finance Corporation, or the Government Development Bank of Puerto Rico.

(m) Bonds, debentures, and notes issued by corporations organized and operating within the United States. Securities eligible for investment under this subdivision shall be within the top three ratings of a nationally recognized rating service.

#### **Article 4. Special Fund Investments**

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**§ 16474. Investments** The money in the Surplus Money Investment Fund, shall be invested and reinvested by the State Treasurer as a part of the Pooled Money Investment Account.

#### **Article 4.5. Treasury Pooled Money Investments**

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**§ 16480.4. Securities eligible for investment; sale, exchange or repurchase** (a) Amounts available for investment under this article may be invested and reinvested by the State Treasurer in any securities described in Section 16430 of this code or in loans to the General Fund as provided in Section 16310 of this code. Such securities may be sold by the State Treasurer or exchanged by him for other securities of the kind authorized to be purchased hereunder, if, in his discretion, such sale or exchange appears to be in the best interests of the state. The State Treasurer



may enter into repurchase agreements or reverse repurchase agreements of any securities described in Section 16430.

(b) The State Treasurer may hire or engage the services of an investment analyst to assist in such investment decisions.

(c) For purposes of this section, the term "repurchase agreement" means a purchase of securities by the State Treasurer pursuant to an agreement by which the seller will repurchase such securities on or before a specified date and for a specified amount.

(d) For purposes of this section, the term "reverse repurchase agreement" means a sale of securities by the State Treasurer pursuant to an agreement by which the State Treasurer will repurchase such securities on or before a specified date and for a specified amount.