

MEETING MINUTES

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT

March 4, 2020

A regular meeting of the Board of Directors of the Santa Ynez River Water Conservation District was held on Wednesday, March 04, 2020, at the Buellton City Council Chambers, 140 West Highway 246, Buellton, California.

Directors Present: Cynthia Allen Mark Altshuler Art Hibbits Steve Jordan Brett Marymee

Others Present: General Manager Kevin Walsh, Groundwater Program Manager Bill Buelow, Board Secretary Amber Thompson, Legal Counsel Steve Torigiani, and 1 member of the public

I. CALL TO ORDER AND ROLL CALL

President Allen called the meeting to order at 6:30 p.m. Ms. Thompson called the roll. All Directors were present providing a quorum.

II. PLEDGE OF ALLEGIANCE

President Allen led the Pledge of Allegiance.

III. ADDITIONS, IF ANY, TO THE AGENDA

There were no additions to the agenda.

IV. PUBLIC COMMENT

There was no public comment.

V. APPROVAL OF MINUTES

Director Allen submitted the minutes of the special meeting of December 4, 2019 for Board approval. Director Marymee made a MOTION to approve the minutes. Director Hibbits seconded the motion and it passed unanimously.

VI. GENERAL MANAGER REPORT

A. Receive and File Fiscal Year 2018-19 Audit

Director Jordan MOVED to receive and file the Fiscal Year 2018-19 Independent Auditor's Report and Report on Internal Controls presented to the Board on December 4, 2019 by Ms. Nina Pisani of Bartlett, Pringle & Wolf, LLP. The motion was seconded by Director Marymee and passed by the following roll call vote:

AYES, Directors: Cynthia Allen
Mark Altshuler
Art Hibbits
Steve Jordan
Brett Marymee
NOES, Directors: None
ABSENT, Directors: None

B. Surface Water Report

Mr. Walsh presented the Surface Water Report section of the General Managers Report dated March 04, 2020. He advised that the District is anticipating the need to make a longer water rights release in late July or early August 2020 to both Above and Below Narrows Accounts. The rate, timing, and amounts of releases may be subject to the recent SWRCB Order. Current, weather predictions indicate that 2020 likely will not be an above average or wet year, which is needed to recharge the Lompoc Plain.

Discussion followed.

C. Financial Report

a. FY 2019-20 Financial Reports

Mr. Walsh presented, and the Board reviewed the financial reports for January 2020. Discussion followed.

b. Quarterly Investment Report

The Board received the Quarterly Investment Report for the second quarter of FY 2019-20 (October, November, December 2019).

c. The Board Warrants

The Board reviewed the Warrant Lists for December 2019, January and February 2020. Director Jordan made a MOTION to ratify the Warrants as presented (nos. 4922-5011). Director Marymee seconded and the motion was passed unanimously.

Mr. Walsh presented a Memorandum dated January 02, 2020 regarding changes to the District's payroll processing and payment via direct deposit. Discussion followed.

D. Consider Resolution No. 696 – Investment Policy

The Board reviewed and briefly discussed the Investment Policy.

Director Hibbits waived reading of the Resolution. Director Hibbits MOVED to adopt Resolution No. 696: RE-ADOPTING AN INVESTMENT POLICY.

The motion was seconded by Director Jordan and the resolution was adopted and passed by the following roll call vote:

AYES, Directors:	Cynthia Allen Mark Altshuler Art Hibbits Steve Jordan Brett Marymee
NOES, Directors:	None
ABSENT, Directors:	None

E. Draft Preliminary Budget FY 2020-21

Mr. Walsh presented a Draft Preliminary Budget for Fiscal Year 2020-21. Discussion followed.

F. Required Ethics Training and Conflict of Interest

Mr. Walsh reviewed required training and Conflict of Interest filings for Board of Directors. Discussion followed.

VII. GROUNDWATER PROGRAM MANAGER REPORT

A. Sustainable Groundwater Management Act (SGMA) Update

Mr. Buelow reviewed the District's SGMA efforts. Individual plans are being developed for the three Management Areas, Eastern, Central and Western areas. The progress on plans for all three areas are tracking similarly and are due in January 2022. A separate website (www.SantaYnezWater.org) for communication of SGMA activities in all three GSAs is live and maintained by the District. There is also a link from the District's website.

For both the Central Management Area (CMA) and Western Management Area (WMA), Stetson Engineers' Team (Stetson) finalized the Outreach and Engagement and Data Management System Plans as DRAFT FINAL. The documents will be incorporated into the Final Groundwater Sustainability Plans for the CMA and WMA. Stetson will prepare a Draft Technical Memorandum summarizing the data compilation for the CMA/WMA and begin work on the numeric groundwater model. The DMS upload process is taking longer than anticipated because there is so much data available for these areas, much of the data exists only in paper form which needs to be input to a digital format.

For the Eastern Management Area (EMA), GSI's Team (GSI) finalized the Communication and Engagement and the Data Management System Plans as DRAFT FINAL. The documents will be incorporated into the Final Groundwater Sustainability Plan for the EMA. The County of Santa Barbara, County Water Agency is funding the GSP effort in the EMA. To ensure coordination between the three GSAs, the District, on behalf of ID No. 1 and the City of Solvang hired the CMA/WMA consultant, Stetson

Engineers, to coordinate with the County's consultant team.

The Stetson and GSI Teams have coordinated on the 3D visualization model and are using the same software, the same colors to represent lithologic units and the same approach to interpreting geologic logs to ensure consistency between the three Management Areas in the Basin. They have held monthly meetings with staff in attendance.

Discussion followed.

B. DWR Grant Updates

Mr. Buelow reported that the District is involved with two grant efforts with DWR. The District was awarded a \$1 million grant through Prop 1 funds as well as tentative \$400K through Prop 68.

For the Prop 1 Grant, the District on behalf of the GSAs, has prepared and submitted three invoices to DWR with over \$1.1M in cost share receipts and billable hours. All participating GSA member agencies have participated in providing invoices for the local cost share component as required by the grant. To date, the total expected reimbursement for submitted invoices is \$376K.

For the Prop 68 Grant, the District and its consultants on behalf of the WMA and CMA, prepared and submitted a \$400K grant proposal for Aerial Electro-Magnetic (AEM) surveys of the WMA and CMA to compliment an AEM survey for the EMA to be conducted by the County of Santa Barbara. The grant has a 25% cost share, with the GSAs responsible for the first \$100K of the project. Staff received notification that the District's proposal was tentatively accepted with the final funding amount expected to be announced in March. Staff and consultants are attempting to combine efforts for AEM surveys of the EMA and CMA/WMA to lower costs for all.

Discussion followed.

C. Intra-Basin Administrative Agreement Update

Mr. Buelow announced that all eight GSA participating agencies have approved the Intra-Basin Administrative Agreement (IBAA). This document will help with on-going coordination efforts to prepare the three GSPs in the Basin and formalize how grant funds and expenses will be shared.

Mr. Buelow reported that Staff will now initiate work on the SGMA coordination agreement and a Draft Joint Powers Agreement (JPA). The Coordination agreement is required if more than one GSP is submitted for a Basin, as is planned for the Santa Ynez River Valley Groundwater Basin. The JPA is necessary to implement SGMA post GSP submittal.

D. Confidentiality Agreement for Eastern Management Area Groundwater Sustainability Agency

Mr. Buelow reported the legal counsels for agencies of the EMA have prepared a Confidentiality Agreement (Agreement) for the EMA. The parties to the Agreement are the District, the County Water Agency, ID No. 1, and the City of Solvang. This agreement supersedes previous Confidentiality Agreements between the District and the other agencies.

Director Marymee made a MOTION to authorize the General Manager and General Counsel for the District to sign the Agreement. Director Jordan seconded and the motion was passed unanimously.

E. Preliminary 42nd Annual Engineering Survey and Report, FY 2019-2020

Mr. Buelow presented the Preliminary 42nd Annual Engineering Survey and Report on Water Supply Conditions of the Santa Ynez River Water Conservation District, Fiscal Year 2019-2020 dated March 4, 2020. He further stated that data collection is to be completed in March, the final report will be written in April and presented to the Board in May.

Discussion followed.

F. Semi-annual Groundwater Pump Charge Program Update

Mr. Buelow presented an update on the District's Semi-Annual Groundwater Pump Charge Program. For the period of July 1, 2019 through December 31, 2019, the District has received to date approximately \$273K in groundwater pump charges. To make payments of groundwater pumping charges easier, the District is now set up to accept payments by Credit Card in addition to cash or checks. Presently, processing fees incurred for credit card payments will be absorbed by the groundwater rates.

Discussion followed.

VIII. ATTORNEY REPORT

Mr. Steve Torigiani of Young Wooldridge reported the State Board Order 2019-0148, became effective October 25, 2019 and all entities are currently operating under the Order. The State of California has 90 days to accept or reject the Petition for Reconsideration filed by the Federal Bureau of Reclamation shortly after the Order was released.

Mr. Torigiani advised that he anticipates an increased amount of California legislation coming out soon regarding Water Bond, SGMA funding, and water quality issues, to name a few.

IX. REPORTS, ACTS BY BOARD MEMBERS, QUESTIONS OF STAFF, STATUS REPORTS, ANNOUNCEMENTS, OBSERVATIONS AND OTHER MATTERS, AND/OR COMMUNICATIONS NOT REQUIRING ACTION

Director Allen reported that her term as Alternate on the LAFCO Board is ending soon and she will be running for reelection. She was also recently elected as Secretary to the Santa Barbara County CSDA which now meets quarterly.

Director Marymee reported that he drove past the California Aqueduct recently and it is full and flowing.

Director Hibbits requested clarification on the post storm Lake Cachuma inflow numbers reported in a recent Santa Barbara News Press article. Discussion followed regarding surface and formation inflow.

Mr. Buelow reported he was asked by We Watch to be one of six panelist to discuss water for “How Does Climate Change Threaten the Santa Ynez Valley?” co-hosted by Citizens Planning Association and WE Watch on Thursday, March 5, 2020 7-9 PM at St. Mark’s Church in Los Olivos.

Ms. Thompson announced Special District Leadership Academy through SDRMA is hosting two conferences for Elected Officials. She will email link to all Directors.

X. REQUEST FOR ITEMS TO BE INCLUDED ON THE NEXT AGENDA

Correction was made to this Agenda Item. The next Board meeting will be a Special meeting (not Regular) and will be held May 6, 2020 (not March 4, 2020). No requests were made for items to be included in the next agenda.

XI. CLOSED SESSION

The Board adjourned into Closed Session at 8:35 p.m. to discuss the following topics:

- A. Conference with Legal Counsel – Existing litigation (Government Code section 54956.9, subd. (d)(1)) relating to quasi-adjudicatory and other proceedings pending before the State Water Resources Control Board (SWRCB) regarding Permits 11308 and 11310 issued on Applications 11331 and 11332 of the United States Bureau of Reclamation for the Cachuma Project, and complaints filed by the California Sport Fishing Protection Alliance regarding the operation of the Cachuma Project and SWRCB Order WR 89-18; and proposed changes to the place and purpose of use of waters obtained through aforementioned permits for the Cachuma Project; and proceedings related to SWRCB Permit No. 15878 held by the City of Solvang.
- B. Conference with Legal Counsel - Anticipated Litigation: Significant exposure to litigation (Government Code section 54956.9, subd. (d)(2)): One Claim

- C. Conference with Legal Counsel – Anticipated Litigation: Possible initiation of litigation (Government Code section 54956.9, subd. (d)(4) (one item).
- D. Conference with Legal Counsel – Labor Negotiations

XII. RECONVENE OPEN SESSION/REPORT FROM CLOSED SESSION

Open session reconvened at 9:34 p.m. President Allen stated there is nothing to report.

XIII. ADJOURNMENT

There being no further business, Director Jordan MOVED to adjourn the meeting at 9:35 p.m. The motion was seconded by Director Marymee.


Cynthia Allen, President


Amber M. Thompson, Secretary

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT
December 2019 WARRANT LIST FOR BOARD APPROVAL

<u>NUMBER</u>	<u>DATE</u>	<u>PAYEE</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
4922	12/11/2019	William Buelow	November 2019 Reimburseables	\$ 414.15
4923	12/11/2019	Comcast	December 2019 Internet Service	\$ 158.21
4924	12/11/2019	Guardian	December 2019-Life, LTD & ADD Insurance	\$ 293.01
4925	12/11/2019	Jim Heyerly	December 2019 Rent	\$ 1,500.00
4926	12/11/2019	Art Hibbits	12/4/19 Board Meeting; replace check #4476	\$ 150.00
4927	12/11/2019	Humana Insurance Co.	December 2019 Dental Insurance	\$ 109.80
4928	12/11/2019	Inklings Printing Co.	SGMA: Copy & scan large map of well locations	\$ 196.79
4929	12/11/2019	Steve Jordan	12/4/19 Board Meeting; replace check #4632	\$ 225.00
4930	12/11/2019	Brett Marymee	12/4/19 Board Meeting	\$ 75.00
4931	12/11/2019	Moniot Consulting	November 2019 G.W. Admin. Service	\$ 360.00
4932	12/11/2019	R. Brian Nelson	Office & Conference Room remodel	\$ 1,380.00
4933	12/11/2019	Onsite Computers & Design	Email protection software (4 users)	\$ 180.00
4934	12/11/2019	Pacific Gas & Electric	New Account Deposit: Electric Service	\$ 191.00
4935	12/11/2019	Shirley Scales Bookkeeping	November 2019 G.W. Admin Service	\$ 1,552.00
4936	12/11/2019	Stetson Engineers	October 2019 Engineering Service	\$ 5,303.88
4937	12/11/2019	Amber Thompson	November 2019 Reimburseables	\$ 6.96
4938	12/11/2019	US Bank Corp	November 2019 CalCard	\$ 3,161.31
4939	12/11/2019	Vision Service Plan	December 2019 Vision Insurance	\$ 20.76
4940	12/11/2019	Young Wooldridge	October & November 2019 Legal Service	\$ 5,335.96
4942	12/11/2019	Lincoln Financial Group	457 Plan Employee Contributions	\$ 4,500.00
4945	12/11/2019	Employment Development Dept.	Tax Deposit	\$ 1,225.03
4946	12/11/2019	Mechanics Bank	Tax Deposit	\$ 7,975.04
4947	12/11/2019	Pacific Gas & Electric	November 2019 Electric Service (final bill)	\$ 76.62
4948	12/11/2019	Valley Bookkeeping Services	November 2019 Bookkeeping Service	\$ 250.00
	12/11/2019	Payroll	November 2019 Salary	\$ 16,353.39
			TOTAL	\$ 34,640.52

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT

January 2020 WARRANT LIST FOR BOARD APPROVAL

<u>NUMBER</u>	<u>DATE</u>	<u>PAYEE</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
4949	1/9/2020	William Buelow	December 2019 Reimburseables	\$ 75.40
4950	1/9/2020	Comcast	January 2019 Internet Service	\$ 159.83
4951	1/9/2020	Guardian	January 2019-Life, LTD & ADD Insurance	\$ 293.01
4952	1/9/2020	Jim Heyerly	January 2019 Rent	\$ 1,500.00
4953	1/9/2020	Humana Insurance Co.	January 2019 Dental Insurance	\$ 109.80
4954	1/9/2020	Inklings Printing Co.	Newsletter, Producer Letter & Information Pamphlet	\$ 223.98
4955	1/9/2020	Onsite Computers & Design	Tenant Improvements / IT Upgrades	\$ 3,191.71
4956	1/9/2020	Pacific Gas & Electric	December 2019 Electric Service	\$ 77.32
4957	1/9/2020	Shirley Scales Bookkeeping	December 2019 G.W. Admin Service	\$ 2,224.00
4958	1/9/2020	Staples Credit Plan	Office Supplies	\$ 634.22
4959	1/9/2020	Stetson Engineers	Nov. 2019 & Partial Aug. 2019 Engineering Service	\$ 15,361.93
4960	1/9/2020	Amber Thompson	December 2019 Reimburseables	\$ 58.00
4961	1/9/2020	US Bank Corp	December 2019 CalCard	\$ 542.18
4962	1/9/2020	Valley Bookkeeping Services	December 2019 Bookkeeping Service	\$ 250.00
4963	1/9/2020	Vision Service Plan	January 2019 Vision Insurance	\$ 20.76
4964	1/9/2020	Kevin Walsh	December 2019 Reimburseables	\$ 85.84
4965	1/9/2020	Young Wooldridge	December 2019 Legal Service	\$ 1,288.00
4966-4968	1/9/2020	Payroll	December 2019 Salary	\$ 17,984.79
4969	1/9/2020	VOID	VOID - printer error	\$ -
4970	1/9/2020	VOID	VOID - printer error	\$ -
4971	1/9/2020	Employment Development Dept.	EDD Tax Deposit	\$ 1,478.20
4972	1/9/2020	Mechanics Bank (Payroll Acct)	Payroll Tax Deposit	\$ 9,442.26
4973	1/9/2020	Lincoln Financial Group	457 Plan Employer Match (Jan.-Dec. 2019)	\$ 8,823.60
4974	1/9/2020	Lincoln Financial Group	457 Plan Combined Contributions (#1 January)	\$ 2,013.31
4975-4977	1/17/2020	Payroll	January 1-15, 2020 Salary	\$ 8,448.39
4978	1/17/2020	Employment Development Dept.	EDD Tax Deposit	\$ 660.22
4979	1/17/2020	Lincoln Financial Group	457 Plan Combined Contributions (#2 January)	\$ 2,013.23
4980	1/17/2020	Mechanics Bank (Payroll Acct)	Payroll Tax Deposit	\$ 4,549.89
4981	1/22/2020	Employment Development Dept.	EDD Tax Deposit (pre-pay for 1/31 payroll)	\$ 660.22
TOTAL				\$ 82,170.09

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT
February 2020 WARRANT LIST FOR BOARD APPROVAL

<u>NUMBER</u>	<u>DATE</u>	<u>PAYEE</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
4982-4984	2/3/2020	Payroll	January 16-31, 2020 Salary	\$ 8,448.39
4985	2/3/2020	Lincoln Financial Group	457 Plan Combined Contributions (#1 February)	\$ 2,013.23
4986	2/3/2020	Mechanics Bank (Payroll Acct)	Payroll Tax Deposit	\$ 4,549.89
4987	2/11/2020	Bartlett, Pringle & Wolf	SGMA Accounting Consult, Nov. 2019	\$ 84.00
4988	2/11/2020	William Buelow	January 2020 Reimburseables	\$ 156.37
4989	2/11/2020	Comcast	February 2020 Internet Service	\$ 159.83
4990	2/11/2020	Dept. of Consumer Affairs	Professional License Renewal - K. Walsh	\$ 115.00
4991	2/11/2020	Employment Development Dept.	Unemployment Claim - FY 2019-20, 2nd Quarter	\$ 5,400.00
4992	2/11/2020	Guardian	February 2020-Life, LTD & ADD Insurance	\$ 293.01
4993	2/11/2020	Jim Heyerly	February 2020 Rent	\$ 1,500.00
4994	2/11/2020	Humana Insurance Co.	February 2020 Dental Insurance	\$ 109.80
4995	2/11/2020	Moniot Consulting	Dec. 2019 & Jan. 2020 G.W. Admin. Service	\$ 405.00
4996	2/11/2020	Onsite Computers & Design	IT Services/Repair	\$ 924.38
4997	2/11/2020	Alexander Pappas	Jan. 2020 G.W. & SGMA Admin. Service	\$ 1,008.00
4998	2/11/2020	Pacific Gas & Electric	January 2020 Electric Service	\$ 102.27
4999	2/11/2020	Shirley Scales Bookkeeping	January 2020 G.W. & SGMA Admin Service	\$ 2,651.25
5000	2/11/2020	Staples Credit Plan	Office Supplies	\$ 424.73
5001	2/11/2020	Stetson Engineers	December 2019 Engineering Service	\$ 4,277.61
5002	2/11/2020	US Bank Corp	January 2020 CalCard	\$ 2,725.49
5003	2/11/2020	Valley Bookkeeping Services	January 2020 Bookkeeping Service & 2020 Payroll Software (annual fee)	\$ 357.00
5004	2/11/2020	Vision Service Plan	February 2020 Vision Insurance	\$ 20.76
5005	2/11/2020	Young Wooldridge	January 2020 Legal Service	\$ 1,982.20
5006-5008	2/18/2020	Payroll	February 1-15, 2020 Salary	\$ 8,448.39
5009	2/18/2020	Employment Development Dept.	EDD Tax Deposit	\$ 660.22
5010	2/18/2020	Lincoln Financial Group	457 Plan Combined Contributions (#2 February)	\$ 2,013.23
5011	2/18/2020	Mechanics Bank (Payroll Acct)	Payroll Tax Deposit	\$ 4,549.89
TOTAL				\$ 53,379.94

RESOLUTION NO. 696

**RESOLUTION OF THE BOARD OF DIRECTORS OF
THE SANTA YNEZ RIVER WATER CONSERVATION DISTRICT
RE-ADOPTING AN INVESTMENT 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 (California Government Code Sections 53600.6 and 53630.1); 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 5921 and 53601 et seq.; and

WHEREAS, the Santa Ynez River Water Conservation District invests its monies in accordance with the provisions described above; and

WHEREAS, the Investment Policy shall be reviewed by the Board of Directors annually and any modifications must be approved in a public meeting; and

WHEREAS, the Board of Directors determined that no modifications are needed in the Investment Policy.

NOW, THEREFORE, BE IT RESOLVED, that the Investment Policy, as attached to this resolution, is hereby approved and re-adopted by the Board of Directors.

WE, THE UNDERSIGNED, being the fully qualified and acting President and Secretary, respectively, of the Board of Directors of the Santa Ynez River Water Conservation District, County of Santa Barbara, California, do hereby certify that the above and foregoing resolution was duly adopted and passed by the Board of Directors of said District at a special meeting duly held on the 4th day of March, 2020 by the following roll call vote:

AYES, and in favor thereof, Directors:

Cynthia Allen
Mark Altshuler
Art Hibbits
Steve Jordan
Brett Marymee

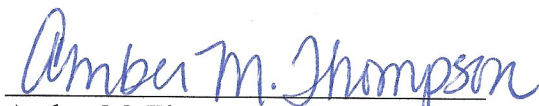
NOES, Directors:

None

ABSENT/ABSTAINING, Directors:

None


Cynthia Allen, President


Amber M. Thompson, Secretary

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT
INVESTMENT POLICY

(Adopted by Resolution No. 688 dated March 6, 2019)

1.0 INTRODUCTION

The deposit and investment of public funds by local officials and local agencies is an issue of statewide concern. (Gov. Code, §§ 53600.6, 53630.1). As representatives of a local agency, the Board of Directors of the Santa Ynez River Water Conservation District (SYRWCD or District) may invest surplus monies not required for the immediate necessities of the District in accordance with the provisions of Government Code sections 5921 and following and 53601 and following. The Treasurer of the District shall 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. (Gov. Code, § 53646(a).) It shall be the policy of the SYRWCD to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all statutes governing the investment of the District's funds.

2.0 SCOPE

This Investment Policy applies to all financial assets and investment activities under the direct control of the SYRWCD. It does not apply to the District's employee retirement plans.

3.0 PRUDENCE

Investments shall be made with judgment and care, under circumstances then prevailing, 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 (Gov. Code, § 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.

4.0 OBJECTIVES

As specified in Government Code 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 SYRWCD 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.

B. Liquidity: The investment portfolio will remain sufficiently liquid to enable to the SYRWCD 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.

5.0 DELEGATION OF AUTHORITY

Authority to manage the investment program is derived from California Government Code sections 53600 and following. Management responsibility for the investment program is hereby delegated by the Board of Directors to the General Manager/Treasurer, who shall establish written procedures for the operation of the investment program consistent with this Investment Policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the General Manager/Treasurer. The General Manager/Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Under the provisions of Government Code section 53600.3, the General Manager/Treasurer is a trustee and a fiduciary subject to the prudent investor standard.

6.0 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.

7.0 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The SYRWCD will maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience, and a minimal capitalization authorized to provide investment services. No public deposit shall be made except in a qualified public depository as established by state laws.

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. The SYRWCD 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 General Manager/Treasurer shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the SYRWCD's account with that firm has reviewed the SYRWCD's Investment Policy and that the firm understands the Policy and intends to present investment recommendations and transactions to the SYRWCD that are appropriate under the terms and conditions of the Investment Policy.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS

The SYRWCD is empowered by Government Code sections 53601 and following to invest in the types of investments shown in Figure 1. However, it has authorized its General Manager/Treasurer to invest only in the following:

1. Collateralized Bank Deposits, in accordance with Government Code sections 53601(m), 53652, and 53653, including waiver of collateralization in amounts up to the amount insured by the Federal Deposit Insurance Corporation (FDIC).
2. Non-negotiable CDs, offered by a depository institution that is a participant in a private CD placement service, which allocates funds to other institutions such that all accounts are insured by the FDIC (CDARS) in accordance with Government Code sections 53601.8 and 53635.8 (limited to 30% of portfolio).
3. Local Agency Investment Fund (LAIF) (Gov. Code, § 53601(d))
4. County Pooled Investment Funds (SBIF) (Gov. Code, § 53601(d))
5. Any investment authorized by Government Code section 53601 that is approved in advance by the Board of Directors.

9.0 SAFEKEEPING AND CUSTODY

All security transactions entered into by the SYRWCD shall be conducted on delivery-versus-payment basis. All securities purchased or acquired shall be delivered to the SYRWCD by book entry, physical delivery, or by third party custodial agreement as required by Government Code section 53601.

10.0 DIVERSIFICATION

The SYRWCD will diversify its investments by security type and institution. It is the policy of the SYRWCD to diversify its investment portfolio. 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. In establishing specific diversification strategies, the following general policies and constraints shall apply:

- A. Portfolio maturities 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 securities investments, marketable U.S. Treasury bills or other cash equivalent instruments such as money market mutual funds.

11.0 REPORTING

In accordance with Government Code section 53646(b)(1), the General Manager/Treasurer shall submit to each member of the SYRWCD Board a quarterly investment report. The report shall include a complete description of the portfolio, the type of investments, issuers, maturity dates, par values and current market values of each component of the portfolio, including funds managed for SYRWCD by third party contracted managers. The report will also include the source of the portfolio valuation. As specified in Government Code 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 SYRWCD will meet its expenditure obligations for the next six months as required by Government Code section 53646(b)(2) and (3), respectively. The General Manager/Treasurer shall maintain a complete and timely record of all investment transactions.

12.0 INVESTMENT POLICY ADOPTION

The Investment Policy shall be adopted by resolution of the SYRWCD. Moreover, the Policy shall be reviewed on an annual basis, and modifications must be approved by the SYRWCD Board.

Attachments:

Figure 1

Operating Procedures

Government Code sections 53600 through 53610

FIGURE 1

**ALLOWABLE INVESTMENT INSTRUMENTS PER STATE GOVERNMENT CODE
(AS OF JANUARY 1, 2019)^A APPLICABLE TO ALL LOCAL AGENCIES^B**

See "Table of Notes for Figure 1" on the next page for footnotes related to this figure.

INVESTMENT TYPE	MAXIMUM REMAINING MATURITY ^C	MAXIMUM SPECIFIED % OF PORTFOLIO ^D	MINIMUM QUALITY REQUIREMENTS	GOVERNMENT CODE SECTIONS
Local Agency Bonds	5 years	None	None	53601(a)
U.S. Treasury Obligations	5 years	None	None	53601(b)
State Obligations: CA and Others	5 years	None	None	53601(d)
CA Local Agency Obligations	5 years	None	None	53601(e)
U.S. Agency Obligations	5 years	None	None	53601(f)
Bankers' Acceptances	180 days	40% ^E	None	53601(g)
Commercial Paper: Non-pooled Funds ^F	270 days or less	25% of the agency's money ^G	Highest letter and number rating by an NRSRO ^H	53601(h)(2)(C)
Commercial Paper: Pooled Funds ^I	270 days or less	40% of the agency's money ^G	Highest letter and number rating by an NRSRO ^H	53635(a)(1)
Negotiable Certificates of Deposit	5 years	30% ^J	None	53601(i)
Non-negotiable Certificates of Deposit	5 years	None	None	53630 et seq.
Placement Service Deposits	5 years	30% ^K	None	53601.8 and 53635.8
Placement Service Certificates of Deposit	5 years	30% ^K	None	53601.8 and 53635.8
Repurchase Agreements	1 year	None	None	53601(j)
Reverse Repurchase Agreements and Securities Lending Agreements	92 days ^L	20% of the base value of the portfolio	None ^M	53601(j)
Medium-term Notes ^N	5 years or less	30%	"A" rating category or its equivalent or better	53601(k)
Mutual Funds and Money Market Mutual Funds	N/A	20% ^O	Multiple ^{P,Q}	53601(l) and 53601.6(b)
Collateralized Bank Deposits ^R	5 years	None	None	53630 et seq. and 53601(n)
Mortgage Pass-through and Asset Backed Securities	5 years or less	20%	"AA" rating category or its equivalent or better	53601(o)
County Pooled Investment Funds	N/A	None	None	27133
Joint Powers Authority Pool	N/A	None	Multiple ^S	53601(p)
Local Agency Investment Fund (LAIF)	N/A	None	None	16429.1
Voluntary Investment Program Fund ^T	N/A	None	None	16340
Supranational Obligations ^U	5 years or less	30%	"AA" rating category or its equivalent or better	53601(q)

TABLE OF NOTES FOR FIGURE 1

- A Sources: Sections 16340, 16429.1, 27133, 53601, 53601.6, 53601.8, 53630 et seq., 53635, and 53635.8.
- B Municipal Utilities Districts have the authority under the Public Utilities Code Section 12871 to invest in certain securities not addressed here.
- C Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceeds this five year remaining maturity limit. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.
- D Percentages apply to all portfolio investments regardless of source of funds. For instance, cash from a reverse repurchase agreement would be subject to the restrictions.
- E No more than 30 percent of the agency's money may be in bankers' acceptances of any one commercial bank.
- F Includes agencies defined as a city, a district, or other local agency that do not pool money in deposits or investment with other local agencies, other than local agencies that have the same governing body.
- G Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper of any single issuer.
- H Issuing corporation must be organized and operating within the U.S., have assets in excess of \$500 million, and debt other than commercial paper must be in a rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, have program wide credit enhancements, and have commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical rating agency.
- I Includes agencies defined as a county, a city and county, or other local agency that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body. Local agencies that pool exclusively with other local agencies that have the same governing body must adhere to the limits set forth in Section 53601(h)(2)(C).
- J No more than 30 percent of the agency's money may be in negotiable certificates of deposit that are authorized under Section 53601(i).
- K No more than 30 percent of the agency's money may be invested in deposits, including certificates of deposit, through a placement service (excludes negotiable certificates of deposit authorized under Section 53601(i)).
- L Reverse repurchase agreements or securities lending agreements may exceed the 92-day term if the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity dates of the same security.
- M Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state chartered bank that has a significant relationship with the local agency. The local agency must have held the securities used for the agreements for at least 30 days.
- N "Medium-term notes" are defined in Section 53601 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."
- O No more than 10 percent invested in any one mutual fund. This limitation does not apply to money market mutual funds.
- P A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years' experience investing in instruments authorized by Sections 53601 and 53635.
- Q A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years' experience investing in money market instruments with assets under management in excess of \$500 million.
- R Investments in notes, bonds, or other obligations under Section 53601(n) require that collateral be placed into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, among other specific collateral requirements.
- S A joint powers authority pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years' experience investing in instruments authorized by Section 53601, subdivisions (a) to (o).
- T Local entities can deposit between \$200 million and \$10 billion into the Voluntary Investment Program Fund, upon approval by their governing bodies. Deposits in the fund will be invested in the Pooled Money Investment Account.
- U Only those obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less.

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT

OPERATING PROCEDURES

INVESTMENT PROGRAM (REFERENCE INVESTMENT POLICY)

1. This program shall be implemented in accordance with the District's Investment Policy.
2. General Manager/Treasurer (GM/T) shall monitor and manage funds between investments and institutions in order to maximize return from such accounts while providing for safety of principal, diversification of investment/maturities, and cash flow available to meet District obligations.
3. Authorized financial institutions include Rabobank, Union Bank, and Montecito Bank and Trust (MBT). Public money contracts are in place at these institutions. SYRWCD does not retain a broker/dealer for investment purposes.
4. GM/T and the Board President are authorized to conduct LAIF and/or SBIF transactions. Such transactions are accomplished through wire transfers between the LAIF and SBIF accounts and the Rabobank accounts. These transfers can be accomplished only with appropriate bank contacts and passwords known to authorized individuals. Transfers between Rabobank and other institutions are by double-signature District checks or cashier's checks in the name of the District.

Government Code

Title 5. Local Agencies

Division 2. Cities, Counties, and Other Agencies

Part 1. Powers and Duties Common to Cities, Counties, and Other Agencies

Chapter 4. Financial Affairs

Article 1. Investment of Surplus

§ 53600. "Local agency" defined

As used in this article, "local agency" means county, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

(Added by Stats.1949, c. 81, p. 289, § 1. Amended by Stats.1984, c. 124, § 2; Stats.1984, c. 1226, § 1; Stats.1987, c. 887, § 2.)

§ 53600.3. Prudent investor standard; investments on behalf of local agencies

Except as provided in subdivision (a) of Section 27000.3, all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, 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 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 agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

(Added by Stats.1995, c. 784 (S.B.866), § 11. Amended by Stats.1996, c. 749 (S.B.109), § 4.)

§ 53600.5. Objectives; managing public funds

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the primary objective of a trustee shall be to safeguard the principal of the funds under its control. The secondary objective shall be to meet the liquidity needs of the depositor. The third objective shall be to achieve a return on the funds under its control.

(Added by Stats.1995, c. 784 (S.B.866), § 12. Amended by Stats.1996, c. 749 (S.B.109), § 5.)

§ 53600.6. Legislative findings and declarations; solvency and creditworthiness

The Legislature hereby finds that the solvency and creditworthiness of each individual local agency can impact the solvency and creditworthiness of the state and other local agencies within the state. Therefore, to protect the solvency and creditworthiness of the state and all of its political subdivisions, the Legislature hereby declares that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern.

(Added by Stats.1995, c. 784 (S.B.866), § 13.)

§ 53601. Local agencies; authorized investments

This section shall apply to a local agency that is a city, a district, or other local agency that does not pool money in deposits or investments with other local agencies, other than local agencies that have the same governing body. However, Section 53635 shall apply to all local agencies that pool money in deposits or investments with other local agencies that have separate governing bodies. The legislative body of a local agency having moneys in a sinking fund or moneys in its treasury not required for the immediate needs of the local agency may invest any portion of the moneys that it deems wise or expedient in those investments set forth below. A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered, or nonregistered format, shall require delivery of the securities to the local agency, including those purchased for the agency by financial advisers, consultants, or managers using the agency's funds, by book entry, physical delivery, or by third-party custodial agreement. The transfer of securities to the counterparty bank's customer book entry account may be used for book entry delivery.

For purposes of this section, "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. Where this section does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment:

- (a) Bonds issued by the local agency, including 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.
- (b) United States 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.

(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.

(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.

(e) Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including 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.

(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. Purchases of bankers' acceptances shall not exceed 180 days' maturity or 40 percent of the agency's moneys that may be invested pursuant to this section. However, no more than 30 percent of the agency's moneys may be invested in the bankers' acceptances of any one commercial bank pursuant to this section.

This subdivision does not preclude a municipal utility district from investing moneys in its treasury in a manner authorized by the Municipal Utility District Act (Division 6 (commencing with Section 11501) of the Public Utilities Code).

(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 (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2):

(1) The entity meets the following criteria:

(A) Is organized and operating in the United States as a general corporation.

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

(C) Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by an NRSRO.

(2) The entity meets the following criteria:

(A) Is organized within the United States as a special purpose corporation, trust, or limited liability company.

(B) Has programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.

(C) Has commercial paper that is rated "A-1" or higher, or the equivalent, by an NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city and county, may invest no more than 25 percent of their moneys in eligible commercial paper. Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper of any single issuer. Counties or a city and county may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Section 53635.

(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 federally licensed or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposit do not come within Article 2 (commencing with Section 53630), except that the amount so invested shall be subject to the limitations of Section 53638. The legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the moneys are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or a person with investment decisionmaking authority in the administrative office manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency 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)

(1) Investments in repurchase agreements or reverse repurchase agreements or securities lending agreements of securities authorized by this section, as long as the agreements are subject to this subdivision, including the delivery requirements specified in this section.

(2) Investments in repurchase agreements may be made, on an investment authorized in this section, when the term of the agreement does not exceed one year. The market value of securities that underlie a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.

(3) Reverse repurchase agreements or securities lending agreements may be utilized only when all of the following conditions are met:

(A) The security to be sold using a reverse repurchase agreement or securities lending agreement has been owned and fully paid for by the local agency for a minimum of 30 days prior to sale.

(B) The total of all reverse repurchase agreements and securities lending agreements on investments owned by the local agency does not exceed 20 percent of the base value of the portfolio.

(C) The agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.

(D) Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counterparty using a reverse repurchase agreement or securities lending agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement or securities lending agreement, unless the reverse repurchase agreement or securities lending agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.

(4)

(A) Investments in reverse repurchase agreements, securities lending agreements, or similar investments in which the local agency sells securities prior to purchase with a simultaneous agreement to repurchase the security may be made only upon prior approval of the governing body of the local agency and shall be made only with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency.

(B) For purposes of this chapter, "significant banking relationship" means any of the following activities of a bank:

(i) Involvement in the creation, sale, purchase, or retirement of a local agency's bonds, warrants, notes, or other evidence of indebtedness.

(ii) Financing of a local agency's activities.

(iii) Acceptance of a local agency's securities or funds as deposits.

(5)

(A) "Repurchase agreement" means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third-party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery.

(B) "Securities," for purposes of repurchase under this subdivision, means securities of the same issuer, description, issue date, and maturity.

(C) "Reverse repurchase agreement" means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date and includes other comparable agreements.

(D) "Securities lending agreement" means an agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.

(E) For purposes of this section, the base value of the local agency's pool portfolio shall be that dollar amount obtained by totaling all cash balances placed in the pool by all pool participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements, securities lending agreements, or other similar borrowing methods.

(F) For purposes of this section, the spread is the difference between the cost of funds obtained using the reverse repurchase agreement and the earnings obtained on the reinvestment of the funds.

(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 in a rating category of "A" or its equivalent or better by an NRSRO. Purchases of medium-term notes shall not include other instruments authorized by this section and shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.

(l)

(1) Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (k),

inclusive, and subdivisions (m) to (q), inclusive, and that comply with the investment restrictions of this article and Article 2 (commencing with Section 53630). However, notwithstanding these restrictions, a counterparty to a reverse repurchase agreement or securities lending agreement is not required to be a primary dealer of the Federal Reserve Bank of New York if the company's board of directors finds that the counterparty presents a minimal risk of default, and the value of the securities underlying a repurchase agreement or securities lending agreement may be 100 percent of the sales price if the securities are marked to market daily.

(2) 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.).

(3) If investment is in shares issued pursuant to paragraph (1), the company shall have met either of the following criteria:

(A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.

(B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (q), inclusive, and with assets under management in excess of five hundred million dollars (\$500,000,000).

(4) If investment is in shares issued pursuant to paragraph (2), the company shall have met either of the following criteria:

(A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.

(B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000).

(5) The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include commission that the companies may charge and shall not exceed 20 percent of the agency's moneys that may be invested pursuant to this section. However, no more than 10 percent of the agency's funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).

(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 Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by 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 that 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) A 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. Securities eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less. Purchase of securities authorized by this subdivision shall not exceed 20 percent of the agency's surplus moneys that may be invested pursuant to this section.

(p) 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 (q), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

(1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.

(2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive.

(3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

(q) United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, 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" or its equivalent or better by an NRSRO and shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.

(Added by Stats.1949, c. 81, p. 289, § 1. Amended by Stats.1951, c. 1643, p. 3697, § 1; Stats.1953, c. 537, p. 1798, § 2; Stats.1954, 1st Ex.Sess., c. 10, p. 257, § 1, eff. April 6, 1954; Stats.1967, c. 275, p. 1433, § 1; Stats.1967, c. 1316, p. 3140, § 2; Stats.1974, c. 1354, p. 2938, § 1; Stats.1975, c. 649, p. 1406, § 1; Stats.1977, c. 1138, p. 3657, § 1.5; Stats.1978, c. 65, p. 181, § 1; Stats.1979, c. 158, p. 354, § 1; Stats.1979, c. 275, p. 942, § 2.5; Stats.1981, c. 185, § 2; Stats.1982, c. 508, § 2; Stats.1983, c. 550, § 1; Stats.1983, c. 567, § 1.5; Stats.1984, c. 659, § 2; Stats.1984, c. 741, § 1; Stats.1985, c. 983, § 14, eff. Sept. 26, 1985; Stats.1985, c. 983, § 15, eff. Sept. 26, 1985, operative Jan. 1, 1988; Stats.1985, c. 1526, § 1; Stats.1985, c. 1526, § 1.5, operative Jan. 1, 1988; Stats.1986, c. 784, § 1; Stats.1986, c. 784, § 2, operative Jan. 1, 1988; Stats.1986, c. 853, § 1, eff. Sept. 17, 1986; Stats.1986, c. 853, § 2, operative Jan. 1, 1987; Stats.1986, c. 853, § 1.5; Stats.1986, c. 853, § 2.5, operative Jan. 1, 1988; Stats.1987, c. 446, § 1; Stats.1987, c. 887, § 3.5; Stats.1988, c. 294, § 1, eff. July 7, 1988; Stats.1988, c. 491, § 1; Stats.1992, c. 173 (A.B.3576), § 1; Stats.1994, c. 705 (S.B.1804), § 10; Stats.1995, c. 784 (S.B.866), § 14; Stats.1996, c. 156 (S.B.864), § 7, eff. July 12, 1996; Stats.1998, c. 588 (S.B.1793), § 1; Stats.1999, c. 643 (A.B.1679), § 9; Stats.1999, c. 644 (A.B.530), § 1.5; Stats.2000, c. 135 (A.B.2539), § 80; Stats.2000, c. 339 (A.B.2220), § 1; Stats.2001, c. 57 (A.B.609), § 1; Stats.2002, c. 664 (A.B.3034), § 120; Stats.2002, c. 454 (S.B.1326), § 20; Stats.2003, c. 197 (S.B.787), § 1; Stats.2004, c. 470 (A.B.969), § 4; Stats.2007, c. 340 (A.B.1745), § 1; Stats.2008, c. 179 (S.B.1498), § 106; Stats.2008, c. 709 (S.B.1124), § 10.5; Stats.2010, c. 328 (S.B.1330), § 91; Stats.2011, c. 382 (S.B.194), § 3; Stats.2014, c. 59 (A.B.1933), § 1, eff. Jan. 1, 2015; Stats.2016, c. 366 (S.B.974), § 12, eff. Jan. 1, 2017; Stats.2018, c. 271 (A.B.1770), § 1, eff. Jan. 1, 2019.)

§ 53601.1. Investment in financial futures or financial option contracts

The authority of a local agency to invest funds pursuant to Section 53601 includes, in addition thereto, authority to invest in financial futures or financial option contracts in any of the investment categories enumerated in that section.

(Added by Stats.1983, c. 534, § 3.)

§ 53601.2. Corporation; limited liability company

As used in this article, “corporation” includes a limited liability company.

(Added by Stats.2004, c. 118 (S.B.1165), § 18.)

§ 53601.5. Investments; qualified purchase agent

The purchase by a local agency of any investment authorized pursuant to Section 53601 or 53601.1, not purchased directly from the issuer, shall be purchased either from an institution licensed by the state as a broker-dealer, as defined in Section 25004 of the Corporations Code, or from a member of a federally regulated securities exchange, from a national or state-chartered bank, from a savings association or federal association (as defined by Section 5102 of the Financial Code) or from a brokerage firm designated as a primary government dealer by the Federal Reserve bank.

(Added by Stats.1984, c. 929, § 1. Amended by Stats.1985, c. 983, § 16, eff. Sept. 26, 1985; Stats.2001, c. 57 (A.B.609), § 2.)

§ 53601.6. Prohibited investments

(a) A local agency shall not invest any funds pursuant to this article or pursuant to Article 2 (commencing with Section 53630) in inverse floaters, range notes, or mortgage-derived, interest-only strips.

(b) A local agency shall not invest any funds pursuant to this article or pursuant to Article 2 (commencing with Section 53630) in any security that could result in zero interest accrual if held to maturity. However, a local agency may hold prohibited instruments until their maturity dates. The limitation in this subdivision shall not apply to local agency investments in shares of beneficial interest issued by diversified management companies registered under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.) that are authorized for investment pursuant to subdivision (l) of Section 53601.

(Added by Stats.1995, c. 784 (S.B.866), § 15. Amended by Stats.1996, c. 156 (S.B.864), § 8, eff. July 12, 1996; Stats.2001, c. 57 (A.B.609), § 4; Stats.2009, c. 332 (S.B.113), § 68.1.)

§ 53601.7. Repealed by Stats.2006, c. 164 (A.B.1794), § 1, operative Jan. 1, 2011

§ 53601.8. Investment in deposits

<Section operative until Jan. 1, 2021. See, also, section operative Jan. 1, 2021.>

Notwithstanding Section 53601 or any other provision of this code, a local agency that has the authority under law to invest funds, at its discretion, may invest a portion of its surplus funds in deposits 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 deposits. The following conditions shall apply:

(a) The local agency shall choose a nationally or state chartered commercial bank, savings bank, savings and loan association, or credit union in this state to invest the funds, which shall be known as the "selected" depository institution.

(b) The selected depository institution may use a private sector entity to help place local agency deposits with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States and are within the network used by the private sector entity for this purpose.

(c) Any private sector entity used by a selected depository institution to help place its local agency deposits shall maintain policies and procedures requiring both of the following:

(1) The full amount of each deposit placed pursuant to subdivision (b) and the interest that may accrue on each such deposit shall at all times be insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.

(2) Every depository institution where funds are placed shall be capitalized at a level that is sufficient, and be otherwise eligible, to receive such deposits pursuant to regulations of the Federal Deposit Insurance Corporation or the National Credit Union Administration, as applicable.

(d) The selected depository institution shall serve as a custodian for each such deposit.

(e) On the same date that the local agency's funds are placed pursuant to subdivision (b) by the private sector entity, the selected depository institution shall receive an amount of insured deposits from other financial institutions that, in total, are equal to, or greater than, the full amount of the principal that the local agency initially deposited through the selected depository institution pursuant to subdivision (b).

(f) Notwithstanding subdivisions (a) to (e), inclusive, a credit union shall not act as a selected depository institution under this section or Section 53635.8 unless both of the following conditions are satisfied:

(1) The credit union offers federal depository insurance through the National Credit Union Administration.

(2) The credit union is in possession of written guidance or other written communication from the National Credit Union Administration authorizing participation of federally insured credit unions in one or more deposit placement services and affirming that the moneys held by those credit unions while participating in a deposit placement service will at all times be insured by the federal government.

(g) It is the intent of the Legislature that this section shall not restrict competition among private sector entities that provide placement services pursuant to this section.

(h) The deposits placed pursuant to this section and Section 53635.8 shall not, in total, exceed 30 percent of the agency's funds that may be invested for this purpose.

(i) This section shall remain in effect only until January 1, 2021, and as of that date is repealed.

(Added by Stats.2006, c. 459 (A.B.2011), § 1. Amended by Stats.2009, c. 332 (S.B.113), § 68.3; Stats.2010, c. 112 (S.B.1344), § 1; Stats.2013, c. 228 (A.B.279), § 1; Stats.2015, c. 181 (A.B.283), § 1, eff. Jan. 1, 2016.)

§ 53602. Investment in legal investments for savings banks; securities of public districts

The legislative body shall invest only in notes, bonds, bills, certificates of indebtedness, warrants, or registered warrants which are legal investments for savings banks in the State, provided, that the board of supervisors of a county may, by a four-fifths vote thereof, invest in notes, warrants or other evidences of indebtedness of public districts wholly or partly within the county, whether or not such notes, warrants, or other evidences of indebtedness are legal investments for savings banks.

(Added by Stats.1949, c. 81, p. 289, § 1. Amended by Stats.1953, c. 537, p. 1799, § 3; Stats.1954, 1st Ex.Sess., c. 10, p. 257, § 2, eff. April 6, 1954.)

§ 53602.1. Repealed by Stats.1990, c. 216 (S.B.2510), § 40

§ 53603. Direct purchase of securities

The legislative body may make the investment by direct purchase of any issue of eligible securities at their original sale or after they have been issued.

(Added by Stats.1949, c. 81, p. 289, § 1. Amended by Stats.1953, c. 537, p. 1799, § 4.)

§ 53604. Sale or exchange of securities; reinvestment of proceeds

The legislative body may sell, or exchange for other eligible securities, and reinvest the proceeds of, the securities purchased.

(Added by Stats.1949, c. 81, p. 289, § 1. Amended by Stats.1953, c. 537, p. 1799, § 5.)

§ 53605. Sale of securities; application of proceeds to original purposes

From time to time, the legislative body shall sell the securities so that the proceeds may be applied to the purposes for which the original purchase money was placed in the sinking fund or the treasury of the local agency.

(Added by Stats.1949, c. 81, p. 289, § 1. Amended by Stats.1953, c. 537, p. 1799, § 6.)

§ 53606. Cancellation of bonds issued by purchaser; resale

The bonds purchased, which were issued by the purchaser, may be canceled either in satisfaction or sinking fund obligations or otherwise. When canceled, they are no longer outstanding, unless in its discretion, the legislative body holds them uncanceled. While held uncanceled, the bonds may be resold.

(Added by Stats.1949, c. 81, p. 289, § 1.)

§ 53607. Delegation of duties to treasurer; monthly report

The authority of the legislative body to invest or to reinvest funds of a local agency, or to sell or exchange securities so purchased, may be delegated for a one-year period by the legislative body to the treasurer of the local agency, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires, and shall make a monthly report of those transactions to the legislative body. Subject to review, the legislative body may renew the delegation of authority pursuant to this section each year.

(Added by Stats.1957, c. 220, p. 882, § 1. Amended by Stats.1996, c. 749 (S.B.109), § 6.)

§ 53608. Deposit of securities; receipt; delegation of authority

The legislative body of a local agency may deposit for safekeeping with a federal or state association (as defined by Section 5102 of the Financial Code), a trust company or a state or national bank located within this state or with the Federal Reserve Bank of San Francisco or any branch thereof within this state, 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 bonds, notes, bills, debentures, obligations, certificates of indebtedness, warrants, or other evidences of indebtedness in which the money of the local agency is invested pursuant to this article or pursuant to other legislative authority. The local agency shall take from such financial institution a receipt for securities so deposited. The authority of the legislative body to deposit for safekeeping may be delegated by the legislative body to the treasurer of the local agency; the treasurer shall not be responsible for securities delivered to and receipted for by a financial institution until they are withdrawn from the financial institution by the treasurer.

(Added by Stats.1959, c. 1392, p. 3670, § 1. Amended by Stats.1967, c. 582, p. 1928, § 1; Stats.1980, c. 689, p. 2080, § 1; Stats.1985, c. 983, § 17, eff. Sept. 26, 1985.)

§ 53609. Eligible securities for investment of funds held by local agency pursuant to deferred compensation plans

Notwithstanding the provisions of this chapter or any other provisions of this code, funds held by a local agency pursuant to a written agreement between the agency and employees of the agency to defer a portion of the compensation otherwise receivable by the agency's employees and pursuant to a plan for such deferral as adopted by the governing body of the agency, may be invested in the types of investments set forth in Sections 53601 and 53602 of this code, and may additionally be invested in corporate stocks, bonds, and securities, mutual funds, savings and loan accounts, credit union accounts, life insurance policies, annuities, mortgages, deeds of trust, or other security interests in real or personal property. Nothing herein shall be construed to permit any type of investment prohibited by the Constitution.

Deferred compensation funds are public pension or retirement funds for the purposes of Section 17 of Article XVI of the Constitution.

(Added by Stats.1971, c. 1629, p. 3511, § 2. Amended by Stats.1972, c. 1370, p. 2736, § 12; Stats.1974, c. 544, p. 1254, § 26; Stats.1975, c. 822, p. 1874, § 1; Stats.1979, c. 373, p. 1320, § 162.)

§ 53610. Proposition 1A receivables; purchase by local agency

(a) For purposes of this section, "Proposition 1A receivable" means the right to payment of moneys due or to become due to a local agency, pursuant to clause (iii) of subparagraph (B) of paragraph (1) of subdivision (a) of Section 25.5 of Article XIII of the California Constitution and Section 100.06 of the Revenue and Taxation Code.

(b) Notwithstanding any other law, a local agency may purchase, with its revenue, Proposition 1A receivables sold pursuant to Section 53999.

(c) A purchaser of Proposition 1A receivables pursuant to this section shall not offer them for sale pursuant to Section 6588.

(Added by Stats.2009, c. 634 (S.B.67), § 5, eff. Oct. 19, 2009.)