

HEBER PUBLIC UTILITY DISTRICT REPORT TO BOARD OF DIRECTORS

MEETING DATE: September 15, 2022

FROM: Laura Fischer, General Manager

SUBJECT: Adopt Resolution 2022-14 Amending Heber Public Utility District Policy Number 3035 Investment of District Funds

ISSUE: Shall the Board Adopt Resolution 2022-14 Amending Heber Public Utility District Policy Number 3035 Investment of District Funds?

General Manager's Recommendation:

Adopt Resolution 2022-14 Amending Heber Public Utility District Policy Number 3035 Investment of District Funds as follows:

MODIFIED DATE: Addition – September 15, 2022

The Investment Policy attached will be included in its entirety in the Heber Policy Manual under Section 3035.

FISCAL IMPACT: The District will earn greater interest and revenue.

BACKGROUND:

The HPUD adopted the Investment of District Fund Policy which addresses how District reserves are generated and used. The policy falls short of addressing how the District's cash, reserves, trust funds and restricted monies should be invested.

After discussion with our auditors and financial advisors, staff has determined the need to establish policy that ensures these monies are invested in a manner that will provide the highest investment return with the maximum security while meeting the cash flow demands of the District and conforming to all provisions of California Government Code Section 53600.

CONCLUSION:

Staff recommends adopting Resolution 2022-14 Amending Heber Public Utility District Policy Number 3035 Investment of District Funds.

ALTERNATIVES:

1. Do not modify Policy Number 3035.
2. Adopt Resolution 2022-14 with changes and edits.

Respectfully Submitted,

Laura Fischer, General Manager

Attachments: Resolution 2022-14

Investment of District Fund Policy 3035

RESOLUTION NO. 2022-14

**A RESOLUTION OF THE HEBER PUBLIC UTILITY
DISTRICT AMENDING POLICY MANUAL TO
INCLUDE MODIFY POLICY NUMBER 3035
INVESTMENT OF DISTRICT FUNDS**

WHEREAS, the Heber Public Utility District desires to provide guidelines for Investment of the District's surplus cash, reserves, trust and restricted monies; and

WHEREAS, the Heber Public Utility District adopted Policy Number 3035 Titled Investment of District Funds; and

WHEREAS, Policy Number 3035 Titled Investment of District Funds does not provide specific investment guidelines for surplus cash, reserves, trust and restricted monies;

WHEREAS, the District desires to adopt a policy that ensures compliance with laws, and establishes guidelines for the investment of surplus cash, reserves, trust funds and restricted monies in a manner that will provide the highest investment return with the maximum security while meeting the cash flow demands of the District; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Heber Public Utility District:

- 1) The District's Policy Number 3035 Titled Investment of District, which is attached hereto and incorporated herein as though fully set forth, is hereby approved.
- 2) Amended Policy 3035 Titled Investment of District Funds, attached hereto and incorporated herein as though fully set forth, will be made part of and incorporated herein the Heber Public Utility District Policy Manual.

PASSED AND ADOPTED THIS 15th day of September 2022, by the following vote:

AYES:

NOES:

ABSENT:

Kaine Garcia, President
Board of Directors

ATTEST:

Moises Cardenas, Clerk of the Board

APPROVE AS TO FORM:

Steven M. Walker, General Counsel

STATE OF CALIFORNIA)
COUNTY OF IMPERIAL)
HEBER PUBLIC UTILITY)
DISTRICT)

I, MOISES CARDENAS, Clerk of the Board of the Heber Public Utility District, County of Imperial, State of California, DO HEREBY CERTIFY that the foregoing resolution was dully passed, approved and adopted by the Board of Directors of the Heber Public Utility District at its regularly scheduled meeting held on the 15th day of September, 2022.

By _____
Moises Cardenas, Clerk of the Board



Heber Public Utility District Investments Policy

Policy No.: 3035

Type of Policy: Finance

Policy Title: Investment of District Funds

Description: Establishes guidelines for investment of the District's surplus cash, reserves, trust and restricted monies.
funds

Adopted Date: 09/15/22

Adoption Resolution No.: 2022-14

The Heber Public Utility District invests its surplus cash, reserves, trust funds and restricted monies in a manner that will provide the highest investment return with the maximum security while meeting the cash flow demands of the District and conforming to all provisions of California Government Code Section 53600, et seq.

1. **PRUDENCE:** Heber Public Utility District funds will be invested under the "prudent investor standard" in California Government Code Section 53600.3.
2. **DELEGATION OF AUTHORITY:** Authority to manage the Heber Public Utility District investment program is derived from the California Government Code Section 53600, et seq. The authority to invest public funds is expressly delegated to the Board of Directors for the subsequent re-delegation to the District General Manager. The District General Manager will establish written procedures for the operation of the investment program consistent with this investment policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the District General Manager.
3. **OBJECTIVES:** The primary objectives of the Heber Public Utility District's investment activities in priority order will be as follows:
 - A. **SAFETY** - Safety of principal is the foremost objective of the investment program. The District's investment portfolio will be designed and undertaken in a manner that seeks to ensure the preservation of the principal invested.
 - B. **LIQUIDITY** - The District's investment portfolio will be designed to remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated.
 - C. **RETURN ON INVESTMENTS** - The District's investment portfolio will be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, commensurate with the District's investment risk constraints and the cash flow characteristics of the portfolio.

4. PERFORMANCE STANDARDS: The Heber Public Utility District's investment strategy is passive. Given this strategy, the basis used by the General Manager to determine whether market yields are being achieved will be the 6-month U.S. Treasury Bill and the Federal Funds rate. These indices are considered benchmarks for low risk investment transactions and therefore comprise a minimum standard for the portfolio's rate of return.
5. AUTHORIZED AND ACCEPTABLE INVESTMENTS: Investments will only be made as allowable by law with specific reference to California Government Code Section 53600, et seq., and any other applicable provisions of law. District funds will only be invested in the following investment instruments within any limits indicated.
 - A. LAIF – The Local Agency Investment Fund (LAIF) was created by California Government Code Section 16429.1 through 16429.3. LAIF is an investment pool established and controlled by the State of California to afford smaller agencies the benefits of a large investment portfolio such as higher interest rates and greater diversification. Funds are completely liquid except for a limitation of ten (10) transactions per month.
 - B. CALTRUST – The Investment Trust of California (CalTRUST) is a program established by public agencies in California for the purpose of pooling and investing local agency funds. This joint investment pool is authorized by California statute and organized as a Joint Powers Authority (JPA) where all investments comply with the limits and restrictions placed on local investments by the applicable California statutes.
 - C. CERTIFICATES OF DEPOSIT – These are receipts for funds deposited in a bank, savings and loan or credit union for a specific term and rate of interest. The total principal and accrued interest per account and institution will not exceed the account or institution maximum statutory limits for full insurance coverage by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA). Further, the financial institution must be a nationally or state chartered commercial bank, savings bank, savings and loan association, or credit union.
 - D. PASSBOOK SAVINGS ACCOUNTS – This is a regular liquid savings account at a bank, savings and loan or credit union. The total principal and accrued interest per account and institution will not exceed the account or institution maximum statutory limits for full insurance coverage by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA) or meet the collateralization requirements for Public Funds accounts. Further, the financial institution must have a branch located in the United States.
 - E. U.S. TREASURY AND AGENCY SECURITIES – Government securities and debt obligations issued by the U.S. Government or its agencies which are secured by the full faith and credit of the federal government. Among these are Treasury Bills and Notes; Government National Mortgage Association (Ginnie Mae); Federal National Mortgage Association (Fannie Mae); Federal Land Bank (FLB) and Federal Farm Credit Banks (FFCB). Securities will be held by third party custodial agreement in an acceptable safekeeping account in the District's name. All confirmation and safe-keeping receipts are to be mailed or transmitted directly to the District General Manager for audit.

- F. Any other investment not specifically specified here but which is allowable by all applicable provisions of the law, meets every objective and criteria of this policy and is duly approved by the District Board of Directors.
6. **DIVERSIFICATION:** The purpose of diversification is to reduce overall portfolio risk while attaining market or benchmark yields. The District will make an effort to diversify its investments by security type and institution, especially when there is no decrease in yield. With the exception of U.S. Treasury/Agency/FDIC insured securities and authorized pools, no more than 50% of the District's total investment portfolio will be invested in any single security type. The purchases of certificates of deposit will not, in total, exceed 30 percent of the agency's funds that may be invested for this purpose (California Government Code Section 53601.1).
7. **MATURITY OF INVESTMENTS:** In order to minimize the impact of market risk, to the maximum extent possible, all investments will be held until maturity. Projected cash flow requirements are the primary factor to be used in determining investment maturity terms. After cash flow needs, have been met, yield considerations will be the next factor in determining maturity terms, with the expectations that longer maturity periods will generally yield greater returns on investments. Investments may be sold before maturity if required for cash flow or appreciation purposes. The maximum maturity term of any investment will not exceed five (5) years, unless prior expressed authority has been granted by the Board of Directors. The District will diversify its investments by maturity date in order to avoid over concentration in any one specific maturity sector. Investments will be made so that the maturity date is compatible with cash flow needs.
8. **REPORTING:** The District's Board of Directors will receive investment reports at least quarterly. The District General Manager will provide to the Board of Directors investment reports which provide a clear picture of the status of the current investment portfolio as required by law (California Government Code Section 53646).
Elements of the report will include the following:
- A. Listing of investments held at the end of the reporting period by authorized investment category to include investment type, issuer names, "days to" maturity, par value amounts, dollar amounts, and market values including the source of valuation.
 - B. A listing and description of funds or programs that are under the management of contracted parties.
 - C. Percentage of the portfolio represented by each investment category.
 - D. Current yield on each investment.
 - E. A statement of compliance with the investment policy or an explanation for non-compliance.
 - F. A statement of the ability or inability to meet expenditure requirements for six months.

9. ETHICS AND CONFLICTS OF INTEREST: Officers and employees involved in the District's investment process will refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Officers, employees and investment officials involved in the District's investment process will disclose to the District General Manager any material financial interests in financial institutions that conduct business within the jurisdiction of the Heber Public Utility District, and they will further disclose any large personal/investment positions that could be related to the performance of the District's investment portfolio. Additionally, the District's officers and employees will annually file the applicable financial disclosures as required by the Fair Political Practices Commission.
10. INVESTMENT POLICY ADOPTION: The District's investment policy will be adopted by resolution of the Heber Public Utility District's Board of Directors and reviewed no less frequently than every three years.