**Resolution 2025-07**

A Resolution of the Board of Directors of
Pajaro Valley Water Management Agency

**Amending Statement of Investment Policy**

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The Board of Directors of the Pajaro Valley Water Management Agency ("PV Water") does resolve as follows:

**WHEREAS**, PV Water's Board of Directors first adopted an Investment Policy on July 3, 2002, under Resolution 2002-19, and most recently Amended the Investment Policy on August 21, 2024, under Resolution 2024-12, and the Administration & Finance Committee reviewed the proposed amendments to the Investment Policy during its June 10, 2025, meeting, and voted in favor of recommending the Board adopt the amended Policy; and

**WHEREAS**, the Investment Policy has undergone periodic updates to comply with California Government Code; and

**WHEREAS**, PV Water's Board of Directors has the authority to invest any portion of funds in an investment fund, or excess cash flow in its treasury, not required for the immediate necessities of the Agency, which is deemed wise or expedient according to the provisions of California Government Code sections 53601 and 53635; and

**WHEREAS**, PV Water's General Manager and Finance & Administrative Services Manager ("Investment Officers") shall prepare and submit an annual statement of investment policy and such policy, and any changes thereto, shall be considered by the legislative body at a public meeting; (CGC §53646(a)); and

**WHEREAS**, it shall be the policy of PV Water to invest such surplus funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of PV Water and conforming to all statutes governing the investment of PV Water funds.

**NOW, THEREFORE, BE IT RESOLVED** that pursuant to section 53646 of the California Government Code, Pajaro Valley Water Management Agency hereby adopts the amended Investment Policy, attached hereto, and incorporated by reference herein.

**PASSED AND ADOPTED** by the Pajaro Valley Water Management Agency, County of Santa Cruz, State of California, the **18th** day of **June, 2025**, by the following vote:

**AYES: Rider, Bannister, Newell, Broz, Hernandez. Miller**
**NOES: None**
**ABSENT: Culbertson**
**ABSTAIN: None**

**Stephen Rider, Chair**

**Attest:**

**Asia Valdivia, Board Secretary**

PAJARO VALLEY WATER MANAGEMENT AGENCY

# Statement of Investment Policy

*Recommended for approval by the Administration & Finance Committee on June 10, 2025.*
*Last Adopted by the Board of Directors on August 21, 2024.*

The Pajaro Valley Water Management Agency ("PV Water") Board of Directors ("Board") has the authority to invest any portion of funds in an investment fund, or excess cash flow in its treasury, not required for the immediate necessities of the Agency, which is deemed wise or expedient according to Government Code Sections 53601 and 53635. The authority to invest public funds is expressly delegated to the Board of Directors for subsequent re-delegation to PV Water's Administration & Finance Committee, which provides direction to PV Water's General Manager and Finance & Administrative Services Manager ("Investment Officers"). Investments are limited to those instruments specified by the Board.

1. Scope

This investment policy applies to all financial assets of PV Water. These funds are accounted for in the annual financial audit and include: All funds.

Funds not included in the policy: none.

2. Basic Policy and Statement of Objectives

As specified in California Government Code §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 of Principal - Safety of principal is the foremost objective of the
investment program. Investments of PV Water 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 - Investments shall be made whose maturity date is compatible with cash flow requirements and which will permit easy and rapid conversion into cash without substantial loss of value, and which will enable PV Water to meet all operating requirements which might be reasonably anticipated.

c) Return on Investment - Investments shall be undertaken to produce an

acceptable rate of return after first considering safety of principal and liquidity.

3. Prudent Person

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 (California Government Code §53600.3) and shall be applied in the context of managing an overall portfolio. Investment Officers acting in accordance with 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. Maturity Limitations

a) The Investment Officers are authorized to invest PV Water funds for terms set forth below except bond proceeds may be invested for a term no longer than the final maturity of the bond.

b) For certain instruments, the term of the investment is limited by market convention or as otherwise prescribed herein.

5. Time Deposits

The Investment Officers may invest in certificates of deposit issued by bank, savings association, or federal association chartered by the United States of America (United States) or the State of California.

The following criteria will be used in evaluating financial institutions and form of collateral to determine eligibility for deposits:

a) The terms of investment shall not exceed five years.

b) The financial institution must have been in existence for at least five years.

c) Eligibility for deposits shall be limited to those financial institutions, which maintain a rating equivalent to the highest letter and number rating as provided by a nationally recognized statistical rating organization (NRSRO)

d) The deposit shall not exceed the shareholders' equity of any depository

bank. For the purposes of this constraint, shareholders' equity shall be deemed to include capital notes and debentures. (Government Code Section 53638(a))

e) The deposit shall not exceed the total net worth of any depository savings association or federal association. Deposits not exceeding a total of $500,000 may be made to a savings association or federal association without regard to the net worth of that depository, if such deposits are insured or secured as required by law (Government Code Section 53638 (b)).

f) The deposit to the share accounts of any regularly chartered credit union shall not exceed the total unimpaired capital and surplus of the credit union, as defined by rule of the Commissioner of Financial Institutions, except that the deposit to any credit union share account in an amount not exceeding $500,000 may be made if the share accounts of that credit union are insured or guaranteed pursuant to Section 14858 of the Financial Code or are secured as required by law. The deposit in investment certificates of a federally insured industrial loan company shall not exceed the total of the unimpaired capital and surplus of the insured industrial loan company. (Government Code Section 53638 (d).

g) To secure such deposits, the financial institution shall maintain in the collateral pool, marketable securities having a market value of at least 10 percent in excess of the total amount deposited. (Government Code Section 53652(a))

h) First trust deed real estate mortgages may be accepted as collateral providing they have a market value of at least 100 percent in excess of total amount deposited and comply with California Government Code Section 53651.2.

i) When other factors are equal, appropriate consideration will be given to a financial institution that contributes service or offers significant assistance to PV Water.

6. Local Agency Investment Fund Deposits

Deposits for the purpose of investment in the Local Agency Investment Fund of the State Treasury may be made up to the maximum amount permitted by State Treasury policy.

7. Negotiable Certificates of Deposit

The Investment Officers may invest in negotiable certificates of deposit as follows:

a) Investment in negotiable certificates of deposit shall not exceed 30 percent of the total portfolio in effect immediately after any such investment is made.

b) To be eligible, a certificate of deposit must be 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 branch of a foreign bank as well as any state licensed foreign bank. (Government Code Section 53601(i).)

c) Eligibility for deposits shall be limited to those financial institutions, which maintain a rating equivalent to the highest ranking, or the highest letter and number rating, as provided by a nationally recognized statistical rating organization ("NRSRO").

d) The investment shall not exceed the shareholders' equity of any depository bank. For the purposes of this constraint, shareholders' equity shall be deemed to include capital notes and debentures. (Government Code Section 53638(a))

e) The investment shall not exceed 25 percent of the total net worth of any depository savings association or federal association.

f) The total investment in an eligible financial institution shall not exceed 25 percent of the total portfolio available for investment in this investment category.

j) The maximum maturity shall be limited to 5 years. All certificates of deposits must be collateralized by U.S. Treasury Obligations. Collateral must be held by a third-party trustee and valued on a monthly basis. The percentage of collateralization on repurchases and reverse repurchase agreements will adhere to the amount required under California Government Code §53601(j)(2).

8. Bankers' Acceptances

The Investment Officers may invest in bankers' acceptances as follows:

a) Investment in prime bankers' acceptance shall not exceed 40 percent of the portfolio in effect immediately after any such investment is made.

b) Eligibility shall be limited to those financial institutions which maintain a rating equivalent to the highest letter and number rating as provided by a nationally recognized statistical rating organization (NRSRO) and "III/III"

for foreign banks if a rating service is utilized.

c) No more than 30 percent of this category of investments may be invested in any one commercial bank's acceptances.

d) The maximum maturity shall be limited to 180 days. (Government Code Section 53601 (g))

9. Commercial Paper

The Investment Officers may invest in commercial paper as follows:

a) Only commercial paper of prime quality of the highest ranking or of the highest letter and numerical rating as provided by the highest letter and number rating as provided by a nationally recognized statistical rating organization (NRSRO) may be purchased. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2) (Government Code Section 53601 (h)):

(1) The entity meets the following criteria:

(A) Is organized and operating within 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 "A" 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 program wide 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.

b) Investments in commercial paper shall not exceed 20 percent of the portfolio.

c) No more than 10 percent of the outstanding commercial paper of an issuing corporation may be purchased. (Government Code Sections 53601 (h) and 53635 (a)(1))

d) The total investment in an eligible financial institution shall not exceed 10 percent of the total portfolio available for investment in this investment category.

e) The term shall not exceed 270 days. (Government Code Section 53601 (h))

10. U.S. Government and Agencies

The Investment Officers may invest in debts issued by governmental agencies as follows:

a) The concentration of investments in federal agency obligations shall not exceed 50 percent of all investments in effect immediately after any such investment is made.

b) Investments in U.S. Treasury obligations shall not be subject to any limitations.

c) Investments in direct obligations of the U.S. Government shall not be subject to any limitations.

11. Bond Funds

a) Notwithstanding anything to the contrary contained in these Guidelines, 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 PV Water, 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, resolutions, indenture, or agreement of PV Water providing for the issuance, all in accordance with Section 53601 of the Government Code.

b) Investments may be made of bond proceeds and surplus funds in collateralized guaranteed investment agreements or contracts, fully secured by government securities or by obligations guaranteed by the U.S. Government provided, however, that (a) PV Water or its agent shall have received a perfected first security interest in the obligation securing such investment agreement or contract, (b) PV Water or its agent shall hold the obligations securing such investment agreements or contracts, (c) PV Water or its agent shall hold such obligations free and clear of the claims of third parties, and, (d) the investment agreements

or contracts are collateralized at 104 percent by the government securities or obligations guaranteed by the U.S. Government and market valued at least monthly.

12. Exchange of Securities

An exchange of securities is a shift of assets from one instrument to another and may be done for a variety of reasons, such as to increase yield, lengthen or shorten maturities, to take a profit, or to increase investment quality. In no instance shall an exchange be used for speculative purposes. Any such exchange shall be simultaneous (same day execution of sale and purchase) and shall require the approval of the Investment Officers.

13. Safekeeping

a) All security transactions entered into by PV Water shall be conducted on delivery-versus-payment ("DVP") basis. All securities purchased or acquired shall be delivered to PV Water by book entry, physical delivery or by third party custodial agreement as required by California Government Code §53601.

b) All financial institutions shall be instructed to mail confirmation and safekeeping receipts directly to the PV Water's Investment Officers for audit.

14. Portfolio Adjustments

Any reference to portfolio shall mean the total of PV Water's cash and securities under management by the Investment Officers.

a) Should any investment percentage-of-portfolio limitation be exceeded due to an incident such as a fluctuation in portfolio size, the affected securities may be held to maturity to avoid losses.

b) When no loss is indicated, the Investment Officers shall consider restructuring the portfolio basing their decision in part on the expected length of time the portfolio will be imbalanced.

15. Purchase and Sales of Securities

a) Information concerning investment opportunities and market developments may be gained by maintaining contact with the financial community together with information provided by PV Water's Board approved financial consultant.

b) The purchase of any investment other than those purchased directly from the issuer shall be, to the extent possible, from a firm designated as a Primary Dealer by the Federal Reserve Bank of New York.

c) When practicable, the Investment Officers shall solicit more than one quotation on each trade.

16. Reporting Requirements

In accordance with California Government Code §53607, the Finance & Administrative Services Manager shall submit to each member of the Board of Directors a monthly investment report. The report shall include a complete listing of transactions. Also in accordance with California Government Code §53646(b)(1), the Finance & Administrative Services Manager shall submit to each member of the Board of Directors a quarterly investment report with a description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for PV Water by third party contracted managers. The report will also include the source of the portfolio valuation. As specified in California Government Code §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) PV Water will meet its expenditure obligations for the next six months as required by California Government Code §53646 (b)(2) and (3) respectively. The Finance & Administrative Services Manager shall maintain a complete and timely record of all investment transactions.

17. Prohibited Investments

Under the provisions of California Government Code §53601.6, PV Water shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools or any investment that may result in a zero interest accrual if held to maturity.

18. Investment Policy Administration

The Investment Officers may, at any time, further restrict the securities approved for investment as deemed appropriate. This policy shall be reviewed at least annually.

19. Ethics and Conflict of Interest

Directors and PV Water 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.

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