

RESOLUTION NO. 1540

RESOLUTION OF THE MESA WATER DISTRICT BOARD OF DIRECTORS DELEGATING AUTHORITY RELATIVE TO INVESTMENT OR REINVESTMENT OF SPECIFIED FUNDS, AND ADOPTING A REVISED STATEMENT OF INVESTMENT POLICY, SUPERSEDING RESOLUTION NO. 1506

WHEREAS, the Mesa Water District (Mesa Water) is a county water district organized and operating pursuant to the provisions of the laws of the State of California (State or California); and

WHEREAS, Mesa Water from time to time has money held by its District Treasurer/Chief Financial Officer (Treasurer/CFO) not required for the immediate necessities of Mesa Water (Investment Portfolio) and is authorized by law including, but not by way of limitation, Section 53601, *et. seq.*, of the California Government Code (CGC), to invest moneys in the Investment Portfolio in a manner consistent with applicable State law; and

WHEREAS, Section 53607 of the Government Code authorizes the Board of Directors of Mesa Water (Board) to delegate such authority to the Treasurer/CFO to invest, reinvest, sell, or exchange securities until such time as such delegation of authority is revoked; and

WHEREAS, Mesa Water has previously adopted Resolution No. 1506, delegating authority relative to investment and reinvestment of moneys in the Investment Portfolio and providing for a Statement of Investment Policy; and

WHEREAS, it is the desire of the Board to renew the delegation of such authority and provide for a revised Statement of Investment Policy.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE MESA WATER DISTRICT DOES HEREBY RESOLVE, DETERMINE, AND ORDER AS FOLLOWS:

Section 1. That the Board does hereby delegate authority to the Treasurer/CFO to invest and reinvest funds pursuant to all applicable laws, statutes, and regulations of the State as set forth in this Resolution. The Board reserves the right to provide for delegation of investment authority in the future by way of resolution or by motion.

Section 2. That the revised Statement of Investment Policy of Mesa Water is hereby adopted as set forth in Exhibit "A" attached to this Resolution, which is incorporated by this reference and shall be deemed to be effective as of April 27, 2021 and every fiscal year hereafter unless changed or modified by further action of this Board.

Section 3. That Resolution No. 1506 of Mesa Water is superseded effective April 27, 2021.

ADOPTED, SIGNED, and APPROVED this 27th day of April 2021 by a roll call vote.

AYES: DIRECTORS: Atkinson, Fisler, Dewane, DePasquale
NOES: DIRECTORS: Bockmiller
ABSENT: DIRECTORS:
ABSTAIN: DIRECTORS:


Marice H. DePasquale
President, Board of Directors
Denise Garcia
District Secretary

RESOLUTION NO. 1540

EXHIBIT A

RESOLUTION OF THE MESA WATER DISTRICT BOARD OF DIRECTORS DELEGATING AUTHORITY RELATIVE TO INVESTMENT OR REINVESTMENT OF SPECIFIED FUNDS, AND ADOPTING A REVISED STATEMENT OF INVESTMENT POLICY, SUPERSEDING RESOLUTION NO. 1506

Statement of Investment Policy
FY21

1.0 Policy

It is the policy of Mesa Water District (Mesa Water) to invest public funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District. The investment policies and practices of Mesa Water are based upon prudent money management and shall conform to all federal, state and other applicable laws governing the investment of public funds.

Although no longer required by California Government Code (CGC) Section 53646, the District Treasurer/Chief Financial Officer (Treasurer/CFO) will render to the Board of Directors (Board) a Statement of Investment Policy for consideration and approval at a public meeting. Any investment currently held at that time that does not meet the guidelines of this policy, as changed from time to time by the Board, shall be exempt from the requirements of this policy. However, at the investment's maturity or liquidation, such funds shall be reinvested only as provided by this policy.

2.0 Scope

This Statement of Investment Policy (SIP) applies to all financial assets of Mesa Water except the California Public Employees Retirement System (CalPERS) (which has its own investment policy), Public Agencies Post-Employment Benefits Trust (which is administered by Mesa Water Resolution No. 1499), deferred compensation plan (governed by a separate Plan Document) and Certificate of Participation (COP) funds (governed by the applicable Trust Indentures), which are administered separately.

This SIP is set forth by Mesa Water for the following purposes:

- a. To establish a clear understanding for the Board, Finance Committee, Mesa Water management and responsible employees, citizens and third parties, of the objectives, policies and guidelines for the investment of Mesa Water's excess funds that are not required for immediate use.
- b. To offer guidance to investment staff, brokers and any external investment advisors on the investment of Mesa Water funds.

3.0 Objectives

Subject to the overriding requirement of compliance with all federal, state and other applicable laws governing the investment of moneys under the control of the Treasurer/CFO, and as specified in the CGC Section 53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

3.1 Safety of Principal

Safety of principal is the foremost objective. Investments of Mesa Water shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall Investment Portfolio. To attain this objective, diversification is advisable in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Each investment transaction shall seek to ensure that capital losses are avoided, whether from issuer default, broker/dealer default or erosion of market value. Mesa Water shall seek to preserve capital by mitigating credit risk and market risk, as identified below:

3.1. A Credit Risk

Credit risk is the risk of loss due to failure of the issuer to repay an obligation. It shall be mitigated by investing in only very safe institutions and by diversifying the Investment Portfolio so that the failure of any one issuer would not unduly harm Mesa Water's cash flow.

3.1. B Market Risk

Market risk is the risk of market value fluctuations due to overall changes in the general level of interest rates and shall be mitigated by:

- 1) Structuring the Investment Portfolio so that securities mature at the same time major cash outflows occur, thereby eliminating the need to sell securities prior to their maturity; and
- 2) Prohibiting the selling of securities that Mesa Water does not own (taking short positions); and
- 3) Limiting the maximum maturity of any one security in the Investment Portfolio to five years.

It is explicitly recognized that, in a diversified investment portfolio, occasional market value losses may be inevitable even in investments to be held to maturity. Such losses must be considered within the context of overall investment return.

3.2 Liquidity

Mesa Water's Investment Portfolio will remain sufficiently liquid to enable the District to meet all operating and emergency requirements, which might be reasonably anticipated.

An amount equal to the adopted levels of the Operating Fund and Working Capital Cash will be kept fully liquid at all times.

3.3 Return on Investments

State of California (State) law requires that the objective of return on investments be subordinate to the objectives of safety and liquidity. Mesa Water's Investment Portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, taking into account Mesa Water's investment risk constraints and the cash flow characteristics and requirements of Mesa Water's funds and of the portfolio.

Whenever possible, consistent with risk limitations and prudent investment principles, Mesa Water shall make an effort to achieve returns at the market average rate of return, defined, for the purpose of this SIP, as the average rate of return on three-month United States Treasury Bills or other benchmarks, as appropriate, depending on the make-up of the portfolio.

4.0 Delegation of Authority

Authority to manage Mesa Water's investment program is derived from Section 53607 of the CGC, which authorizes the Board of Mesa Water to delegate authority to invest, reinvest, sell or exchange securities for a period of one year. This responsibility may be delegated to the Treasurer/CFO (by Board action), who shall establish written procedures for the administration of this SIP. The Board may renew this delegation pursuant to state law each year.

The Board of Mesa Water, the General Manager, Treasurer/CFO and the District Secretary shall be signatories on all accounts at commercial banks, the Orange County Treasurer's Money Market Investment Pool (OCIP) and at the State managed Local Agency Investment Fund (LAIF), to access accounts for these and other authorized investments consistent with this SIP.

5.0 Prudence

Investments shall be made in the context of the "Prudent Investor" standard pursuant to CGC Section 53600.3, which states in relevant part:

"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."

Mesa Water employees, acting in accordance with the provisions of the written policies and procedures and this SIP, and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported to the Finance Committee at the next regularly

scheduled Finance Committee meeting, but within 30 days, and that appropriate action is taken to control adverse developments.

6.0 Ethics and Conflicts of Interest

The Treasurer/CFO and other Mesa Water Officers and employees involved in the investment process shall 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. The Treasurer/CFO and investment employees shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the Investment Portfolio and shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of Mesa Water.

During the course of the year, if there is an event subject to disclosure that could impair the ability of the Treasurer/CFO or investment employees to make impartial decisions, Mesa Water's General Manager and Board will be notified as soon as practicable upon discovery of the event.

The Treasurer/CFO is required to file annual disclosure statements as required by the Fair Political Practices Commission (FPPC).

7.0 Authorized Financial Dealers and Institutions

Mesa Water shall transact business only with commercial banks, savings and loans, LAIF, OCIP and registered investment securities dealers. The purchase of any investment, other than those 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, who is a member of the National Association of Securities Dealers, or a member of a Federally regulated securities exchange, a National or State-Chartered Bank, or a savings association or Federal Association (as defined by Section 5102 of the Financial Code).

The Treasurer/CFO shall investigate all institutions that wish to do business with Mesa Water in order to determine if they are adequately capitalized, make markets in securities appropriate to Mesa Water's needs and agree to abide by the conditions set forth in this SIP.

The Treasurer/CFO shall maintain a list of broker/dealers and institutions authorized to provide investment services and shall conduct an annual review of the financial condition of qualified institutions. In addition, a current financial statement is required to be on file for each qualified institution.

8.0 Authorized and Suitable Investments

Authorized investments are stated in the CGC Sections 16429.1, 53601, 53635 and 53649. Mesa Water's authorized investments are more restrictive than the investments authorized by law.

The following investments are authorized under this Statement of Investment Policy:

- 8.1** 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.
- 8.2** Bonds issued by Mesa Water, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by Mesa Water or by a department, board, agency, or authority of Mesa Water.
- 8.3** 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.
- 8.4** 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 these bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with 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.
- 8.5** United States agencies, 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.
- 8.6** 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.
- 8.7** Bonds, notes, warrants, or other evidences of indebtedness of any 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.
- 8.8** Purchases of Banker Acceptances, which may not exceed 180 days maturity or 40 percent of the agency's money and no more than 30 percent of the agency's money, may be invested in the banker's acceptances of any one commercial bank.
- 8.9** Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by a Nationally Recognized Statistical Rating Organization (NRSRO). Issuing entities must meet the

following criteria in either (1) or (2): (1) entities that are organized and operating within the United States as a general corporation and have total assets in surplus of five hundred million dollars (\$500,000,000) and have an “A” or higher rating (or equivalent) for the issuer’s debt, other than commercial paper, if any, as provided for by a NRSRO; or (2) entities that are organized within the United States as a special purpose corporation, trust, or limited liability company and have program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or a surety bond, and have commercial paper that is rated “A-1” or higher, or equivalent, by an NRSRO. Purchases of eligible commercial paper may not exceed 270 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation. Purchases of commercial paper may not exceed 25 percent of Mesa Water’s Investment Portfolio at any time.

8.10 Negotiable certificates of deposits issued by a nationally or state-chartered bank, a savings association or federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federal or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30 percent of the Investment Portfolio and the maximum maturity date shall not exceed five years, and are subject to the limitations of CGC Section 53601(i).

8.11 Investments in repurchase agreements may be made, on any investment authorized in this section, when the term of the agreement does not exceed one year. The market value of the securities used as collateral for the repurchase agreements shall be monitored by the investment staff and shall not be allowed to fall below 102 percent of the value of the repurchase agreement.

Reverse repurchase agreements or securities lending agreements may be utilized only when all the conditions in CGC Section 53601(j) are met.

8.12 Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by a corporation 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 “A” or better by a NRSRO. Purchases of medium-term notes shall not include other instruments authorized by this section and may not exceed 30 percent of Mesa Water’s money that may be invested pursuant to CGC Section 53601 and Mesa Water’s SIP. Mesa Water may invest no more than 10 percent of its total investment assets in the commercial paper and the medium-term notes of any single issuer.

8.13 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 CGC Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by CGC 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.

- 8.14** Any mortgage pass through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass through certificate, or consumer receivable-backed bond of a maximum of five years maturity. Securities eligible for investment under this subdivision shall be issued by an issuer in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus money that may be invested.
- 8.15** Shares of beneficial interest issued by a joint powers authority organized pursuant to CGC Section 6509.7. 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 advisor that meets all of the following criteria:
- 8.15. A.** The advisor is registered or exempt from registration with the Securities and Exchange Commission.
- 8.15. B.** The advisor has not less than five years of experience investing in the securities and obligations authorized in CGC Section 6509.7.
- 8.15. C.** The advisor has assets under management in excess of five hundred million dollars (\$500,000,000).
- 8.16** 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 Mesa Water's moneys that may be invested pursuant to this section.
- 8.17** Notwithstanding CGC Section 53601 or any other provision of this code, a local agency, at its discretion, may invest a portion of its surplus funds in Certificates of Deposit Account Registry Service (CDARS) 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 certificates of deposit, provided that the purchases of certificates of deposit pursuant to this section, CGC Section 53601.8, and subdivision (h) of Section 53601 do not,

in total, exceed 30 percent of the agency's funds that may be invested for this purpose. 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 the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration; and

(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 CGC Section 53601.8 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 certificate of 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) The deposits placed pursuant to this section and CGC Section 53635.8 shall not, in total, exceed 50 percent of Mesa Water's funds that may be invested for this purpose.

8.18 The Local Agency Investment Fund, established by the California State Treasurer for the benefit of local agencies and identified under the CGC Section 16429.1. The maximum investment authorized is the maximum

amount permitted by the State Treasurer, currently at \$75,000,000 per account.

- 8.19** Time deposits, non-negotiable and collateralized in accordance with the CGC, may be purchased through banks or savings and loan associations. The maximum maturity date shall not exceed five years.
- 8.20** The Orange County Treasurer's Money Market Investment Pool, established by the County of Orange. Mesa Water's investments will be made in accordance with the CGC Section 53684.
- 8.21** Shares of beneficial interest issued by diversified management companies (otherwise known as "mutual funds"), as defined in Section 23701 of the Revenue and Taxation Code, investing in the securities and obligations stated in the CGC Sections 16429.1, 53601 and 53649. No more than 20 percent of Mesa Water's Investment Portfolio shall be invested in this option at any time. No more than 10 percent of Mesa Water's portfolio may be invested in shares of a beneficial interest of any one mutual fund.

To be eligible for investment by Mesa Water, diversified management companies shall:

- 8.21. A.** Attain the highest ranking or the highest letter and numerical rating provided by not less than two of the three largest NRSRO's; and
- 8.21. B.** Have an investment advisor registered with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations stated in the CGC Sections 16429.1, 53601 and 53649, and with assets under management in excess of five hundred million dollars (\$500,000,000); and
- 8.21. C.** Shall not include in the purchase price of shares of beneficial interest purchased any commission that these companies may charge.

9.0 Investment Pools

A thorough investigation of the pool/fund is required prior to investing, and on a continual basis. A questionnaire shall be developed by the Treasurer/CFO that will address the following general considerations:

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.

- A description of who may invest in the program, how often and what size deposit and withdrawal.
- A schedule for receiving statements and portfolio listings.
- Are reserves, retained earnings, etc., used by the pool/fund?
- A fee schedule and when and how it is assessed.
- Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

10.0 Prohibited Investment Vehicles and Practices

Investment staff is prohibited from investing Mesa Water's portfolio in the following:

- State laws notwithstanding, any investments not specifically described herein under Sections 8.0 through 9.0 are prohibited.
- Borrowing for investment purposes (Leverage) is prohibited.
- Buying or selling securities "on Margin" is prohibited.
- Investing in any instrument that is commonly known as a "derivative" instrument (options, futures, swaps, caps, floors, collars, U.S. Treasury zero coupon bonds, U.S. Treasury strips, interest-only bonds, interest-only strips derived from mortgage pools), or any investment that may result in a zero interest accrual, even if held to maturity, is prohibited.
- Under the provisions of CGC Section 53601.6, Mesa Water shall not invest any funds covered by this SIP in instruments known as Structured Notes (e.g., inverse floaters, leverage floaters, structured CD's, range notes, equity-linked securities). Any such investments are prohibited.
- Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.

11.0 Collateralization

The CGC Sections 53652 through 53667, inclusive, requires depositories to post certain types and levels of collateral for public funds above the Federal Deposit Insurance Corporation (FDIC) insurance amounts. The collateral requirements apply to bank deposits, both active (checking and savings accounts) and inactive (non-negotiable time certificates of deposit).

12.0 Safekeeping and Custody

All investment transactions, including collateral for repurchase agreements, entered into by Mesa Water shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian, acting as an agent for Mesa Water under the terms of the custody agreement, designated by the Treasurer/CFO and evidenced by safekeeping receipts.

13.0 Diversification

Mesa Water will diversify its investments by security type and institution. With the exception of U.S Treasuries, the LAIF, or the OCIP, no more than 50 percent of Mesa Water's total Investment Portfolio will be invested in a single security type or with a single financial institution.

14.0 Maximum Maturities

To the extent practical, Mesa Water will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, Mesa Water will not directly invest in securities maturing more than five years from the date of purchase.

15.0 Internal Controls and External Review

The Treasurer/CFO shall maintain a system of internal controls in order to assure compliance with Mesa Water's written policies and procedure, this SIP, and also including but not limited to prior authorization and approvals, properly designed records, security of assets and records, segregation of incompatible duties, periodic reconciliations, periodic verification and timely preparation of reports in conformance with Section 17.0.

As part of Mesa Water's annual audit, the external auditor retained by the Board shall review the internal controls. The external audit shall provide those reviews and opinions as are required for the independent auditor's reports. The Board reserves the right to request additional reviews or opinions as to this SIP as the Board shall determine and direct.

16.0 Performance Standards

The Investment Portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles commensurate with Mesa Water's investment risk constraints and cash flow needs.

17.0 Reporting

17.1 Monthly Transaction Report

The Treasurer/CFO shall submit a monthly report of investment transactions through the Finance Committee to Mesa Water's Board of Directors in conformance with the CGC Section 53607.

17.2 Quarterly Investment Report

The Treasurer/CFO shall submit quarterly investment reports, through the Finance Committee, to Mesa Water's Board, the General Manager, and Mesa Water's internal auditor (Controller/Auditor) within 30 days following the end of the quarter covered by the report although no longer required by CGC Section 53646(b). For each specific investment, security, and money held by Mesa Water, these reports shall contain the following information:

- The type of investment
- Name of issuer
- Date of maturity
- Market value
- Cost of acquisition

Description of any of Mesa Water's funds, investment, or programs that are under management of contracted parties, including lending programs. With respect to all securities held by Mesa Water, and under management of an outside agency that is not also a local agency or the LAIF, the report shall also include the current market value as of the date of the report, and shall include the source of this same valuation.

For local agency investments that have been placed in LAIF, created by CGC Section 16429.1, in National Credit Union Share Insurance Fund-insured accounts in a credit union, in accounts insured or guaranteed pursuant to Financial Code Section 14858, or in Federal Deposit Insured Corporation—insured accounts in a bank or savings and loan association, in a county investment pool, or any combination of these, the Treasurer/CFO may supply the Board, the General Manager and Mesa Water's outside auditor with the most recent statement or statements received by Mesa Water from these institutions in lieu of the specific investment, security, and money information required under this section.

A description of compliance with this SIP or an explanation of why it is not in compliance.

A statement indicating Mesa Water's ability to meet its cash flow needs for the next six months or an explanation as to why sufficient money may not be available.

18.0 Investment Policy Adoption and Periodic Review

This SIP shall be adopted by resolution of the Board. This policy shall be reviewed on an annual basis by the Treasurer/CFO and Mesa Water's Finance Committee and approved annually by the Board.

GLOSSARY

AGENCIES: Federal agency securities and/or Government – sponsored enterprises.

ASK: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BENCHMARK: A comparative base for measuring the performance of risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit, or other property that a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public moneys.

COMMERCIAL PAPER: Short-term, negotiable unsecured promissory notes of corporations.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report for Mesa Water District. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

CUSIP (COMMITTEE ON UNIFORM SECURITIES IDENTIFICATION PROCEDURES): A unique nine-character identification number which serves as a "DNA" for securities and is assigned to all U.S. Government Bonds, Municipal Bonds, Negotiable Certificates of Deposit and other Securities. A CUSIP uniquely identifies the type of security and the issuer.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT (DVP): There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery

of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value; e.g., U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FEDERAL CREDIT AGENCIES: Agencies of the federal government set up to supply credit to various classes of institutions and individuals; e.g., S&L's, small-business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to \$100,000 per deposit.

FEDERAL FUNDS RATE: The rate of interest at which federal funds are traded. The Federal Reserve through open-market operations currently pegs this rate.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks) that lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions, and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA, was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporations' purchases include a variety of adjustable mortgages and second loans in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, DC, 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage banks, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. The FHA, VA, or FMHM mortgages back Ginnie Mae securities. The term “pass-throughs” is often used to describe Ginnie Maes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL AGENCY INVESTMENT FUND (LAIF): A pooled investment vehicle for local agencies in California sponsored by the State of California and administered by the State Treasurer.

MARKET CYCLE: A market cycle is defined as a period of time, which includes a minimum of two consecutive quarters of falling interest rates followed by a minimum of two consecutive quarters of rising interest rates.

MARKET VALUE: The price at which a security is traded and could presumably be purchased or sold.

MATURITY: The date upon which the principal or states value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers’ acceptances, etc.) are issued and traded.

NATIONALLY RECOGNIZED STATISTICAL-RATING ORGANIZATION (NRSRO): The credit rating agencies whose ratings are permitted to be used for investment purposes such as Moody’s Investor Service, Standard & Poor’s, and Fitch Rating.

NEGOTIABLE CERTIFICATE OF DEPOSIT: A large denomination certificate of deposit that can be sold in the open market prior to maturity.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See ASK and BID.

ORANGE COUNTY INVESTMENT POOL (OCIP): A pooled investment vehicle for Orange County California agencies administered by the Orange County Treasurer.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: Group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states, the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected

by the custody state – the so-called legal list. In other states, the trustee may invest in a security if it is one, which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital. Governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to CGC Section 53600 et seq. are trustees and therefore fiduciaries subject to the prudent person rule. Within the limitations of the CGC Section 53600 et seq. and considering individual investments as part of an overall strategy, a trustee is allowed to acquire investments as authorized by law.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this State, which has aggregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

TIME CERTIFICATE OF DEPOSIT: A non-negotiable certificate of deposit that cannot be sold prior to maturity.

TOTAL RATE OF RETURN: Represents growth (or decline) in the value of a portfolio, including both capital appreciation and income, as a proportion of the starting market value.

TIME-WEIGHTED RATE OF RETURN: A modified measurement of Total Rate of Return that eliminates the effect of the timing of funds flows to and/or from a security or portfolio.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BOND: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of 2 to 10 years.

YIELD: The rate of annual income return on an investment, expressed as a percentage.

YIELD TO MATURITY: The calculated rate of return based upon the present value of the cash flow from each interest payment, plus the present value of the cash flow from the investment's redemption value at maturity vs. the purchase price.

RESOLUTION NO. 1540

EXHIBIT B

**RESOLUTION OF THE
MESA WATER DISTRICT BOARD OF DIRECTORS
DELEGATING AUTHORITY RELATIVE TO INVESTMENT OR
REINVESTMENT OF SPECIFIED FUNDS, AND ADOPTING A REVISED
STATEMENT OF INVESTMENT POLICY,
SUPERSEDING RESOLUTION NO. 1506**

Summary of Investments Authorized Under California
Government Code Sections 53601, 53684, 16429.1

Statement of Investment Policy
FY21

**SUMMARY OF INVESTMENTS AUTHORIZED UNDER CALIFORNIA
GOVERNMENT CODE SECTIONS 53601, 53684, 16429.1
MESA WATER DISTRICT FY21 STATEMENT OF INVESTMENT POLICY**

CGC Section	Investment Type	ALLOWED BY STATUTE			AUTHORIZED BY MESA WATER DISTRICT		
		Maximum Maturity	Authorized Limit (%)	Required Rating	Maximum Maturity	Authorized Limit	Required Rating
53601(a)	Local Agency Bonds	5 Years	None	None	5 Years	None	None
53601(b)	U.S. Treasury Obligations	5 Years	None	None	5 Years	None	None
53601(c)	State of California Obligations	5 Years	None	None	5 Years	None	None
53601(d)	Other State Obligations	5 Years	None	None	5 Years	None	None
53601(e)	California Local Agency Obligations	5 Years	None	None	5 Years	None	None
53601(f)	Federal Agency or U.S. Government Obligations (GSE's)	5 Years	None	None	5 Years	None	None
53601(g)	Bankers' Acceptances	180 Days	40%/30% ⁽¹⁾	None	180 Days	40%/30% ⁽¹⁾	None
53601(h)	Commercial Paper	270 Days	25% or 10% ⁽²⁾	A1/P1/F1	270 Days	25% or 10% ⁽²⁾	A1/P1/F1
53601(i)	Negotiable Certificates of Deposit ⁽⁸⁾	5 Years	30% ⁽⁷⁾	None	5 Years	30% ⁽⁷⁾	None
53601(j)	Repurchase Agreements	1 Year	None	None	1 Year	None	None
53601(j)	Reverse Repurchase Agreements	92 Days	20% of base	Various ⁽³⁾	92 Days	20% of base	Various ⁽³⁾
53601(k)	Medium-Term Notes	5 Years	30%	A	5 Years	30%	A
53601(l)	Mutual Funds	N/A	20%/10% ⁽⁴⁾	Various ⁽⁵⁾	N/A	20%/10% ⁽⁴⁾	Various ⁽⁵⁾
53601(l)	Money Market Mutual Funds	N/A	20%/10% ⁽⁴⁾	Various ⁽⁵⁾	N/A	20%/10% ⁽⁴⁾	Various ⁽⁵⁾
53601(m)	Trust Indenture or Other Contract	Per Contract	Per Contract	Per Contract	Per Contract	Per Contract	Per Contract
53601(n)	Collateralized Bank Deposits ⁽⁸⁾	5 Years	None	None	5 Years	None	None
53601 (o)	Mortgage Pass-Through Securities	5 Years	20%	AA	5 Years	20%	AA
53601 (p)	Shares of beneficial interest in JPA's	N/A	None	None	N/A	None	None
53601.8	Certificates of Deposits (CDAR's) ⁽⁸⁾	5 Years	30% ⁽⁷⁾	None	5 Years	30% ⁽⁷⁾	None
16429.1	Local Agency Investment Fund (LAIF)	N/A	None	None	N/A	None ⁽⁶⁾	None
53684	County Pooled Investment Funds	N/A	None	None	N/A	None	None
	Time Deposits ⁽⁸⁾	5 Years	None	None	5 Years	None	None

(1) 30% limit for one commercial bank.

(2) 10% limit for the outstanding commercial paper of any single corporate issue.

(3) Securities used for the agreement must have been held by the issuer for 30 days, investments can only be made with primary dealers of the Federal Reserve Bank of New York.

(4) No more than 10% can be invested in any one fund.

(5) Highest ranking by 2 of 3 of the nationally recognized rating agencies, and retain an investment advisor who is registered with the SEC and has at least 5 years' experience investing in securities authorized in CGC Section 53601 and 53635 with assets in excess of \$500 million.

(6) LAIF currently allows a maximum of \$75 million per account.

(7) No more than 30% of total funds may be invested in these CD's.

(8) Subject to FDIC limitations. Also, subject to other limits with investments in credit unions.