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| Policy Title: Investment | |
| Policy Description: Authorized investment of public funds | |
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The purpose of this policy of the Board of Directors of Dublin San Ramon Services District is to invest public funds in a prudent manner in conformance with state and local statutes, specifically California Government Code (CGC) Section 53600 et seq.

1.0 Policy

It is the policy of Dublin San Ramon Services District (hereafter, the “District”) to invest public funds in a manner which will provide the maximum security (safety), meet daily cash flow demands of the entity (liquidity), and obtain the highest investment return (yield), while conforming to all state and local statutes governing the investment of public funds, and other legal investment requirements.

2.0 Scope

This Investment policy applies to all financial assets of the District under its direct control and authority. It does not cover deferred compensation plan investments, long-term debt proceeds and reserves held by a trustee and invested pursuant to contractual agreement, or retirement investments held by a trustee (such as CalPERS).

3.0 Prudence (Due Diligence)

The District operates its investment portfolio in conformance with governing legislation and other legal requirements, and under the Prudent Investor Standard (CGC Section 53600.3) which states, in essence, that “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 need of the District, that a prudent person in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the District.”

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This standard shall be applied in the context of managing the overall portfolio. Investment officers, acting in accordance with written procedures and this investment policy and exercising the above standard of diligence shall be relieved of personal responsibility for an individual security's credit risk, interest rate 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 Objective

The primary objectives, in priority order, of the District's investment activities shall be:

4.1 Safety: Safety of principal is the foremost objective of the investment program. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the District will diversify its investments by investing among a variety of securities offering independent returns and financial institutions.

4.2 Liquidity: The District's investment portfolio will remain sufficiently liquid to enable the District to meet all operating cash flow requirements which might be reasonably anticipated. Securities should mature concurrent with cash need to meet anticipated demands. To eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalent assets in all District funds shall be diversified by maturity, issuer, and security type. Diversification strategies shall be determined and revised periodically by the Treasurer for all funds except for the employee retirement fund.

In establishing specific diversification strategies, the following general policies and constraints shall apply: Portfolio maturities shall be strategically staggered to avoid undue concentration of assets in a specific maturity range. Maturities selected shall provide for stability of income and reasonable liquidity.

4.3 Return on Investments: The District's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, shall commensurate with the District's investment risk constraints and the cash flow characteristics of the portfolio, and shall not diminish the objectives of safety and liquidity defined in Section 1.0 of this policy.

5.0 Delegation of Authority

Pursuant to CGC Section 53601, the District's Board of Directors has primary responsibility for the investment of all funds in the District treasury. As authorized under CGC Section 53607, the Board hereby delegates its authority to invest or reinvest the funds of the District, and to sell or exchange securities so purchased, to the Treasurer and/or designee for a one-year period of time and subject to annual renewal who shall assume full responsibility for all such transactions until such time as this delegation of authority may be revoked by the Board.

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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 proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Staff authorized to execute investment transactions shall disclose to the General Manager any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any material personal financial and/or investment positions that could be related to the performance of the District.

7.0 Authorized Financial Dealers and Institutions

The Treasurer will maintain an approved list of financial institutions authorized to provide investment services. In addition, a list will also be maintained for approved or security broker/dealers that are authorized to provide investment services in the State of California. These may include “primary” dealers or regional dealers that qualify under United States Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state law. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Treasurer with the following: a completed broker/dealer questionnaire, audited financial statements and certification of having read the District’s investment policy.

In accordance with CGC Section 53601.5, institutions eligible to transact investment business with the District include:

- Institutions licensed by the state as a broker-dealer.
- Institutions that are members of a federally regulated securities exchange.
- Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
- Nationally or state-chartered banks.
- The Federal Reserve Bank.
- Direct issuers of securities eligible for purchase.

To the extent practicable, the Treasurer shall endeavor to complete investment transactions using a competitive bid process whenever possible. Selection of broker/dealers used by an external investment adviser retained by the District will be at the sole discretion of the adviser. Where possible, investment advisor transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original

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issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

8.0 Authorized and Suitable Investments

The District is empowered by CGC Section 53600 et seq. to invest public monies. Within the investments permitted by the CGC, the District seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the CGC, the more restrictive parameters will take precedence. Percentage holding limits and minimum credit quality requirements listed in this section apply at the time the security is purchased.

- Municipal securities which include bonds issued by the District, when in the best interest of and a prudent investment for the District; registered state warrants or treasury notes or bonds of this state; and bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state. The securities must be rated in a rating category of "A" of its equivalent or better by at least one nationally recognized statistical rating organization ("NRSRO"). No more than five percent (5%) of the portfolio may be invested in any single issuer. No more than thirty percent (30%) of the portfolio may be in municipal securities. The maximum maturity shall not exceed seven (7) years. [53601(a), 53601(c), 53601(e)]
- Municipal securities which include registered treasury notes or bonds of any of the other 49 states in addition to California in the United States, 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. The securities must be rated in a rating category of "A" or its equivalent or better by at least one NRSRO. No more than five percent (5%) of the portfolio may be invested in any single issuer. No more than thirty percent (30%) of the portfolio may be in municipal securities. The maximum maturity shall not exceed seven (7) years. [53601(d)]
- United States Treasury securities which include 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. There are no limits on the dollar amount or percentage that the District may invest in United States Treasury securities, provided that the maximum maturity does not exceed seven (7) years. [53601(b)]
- Federal agency or United States government-sponsored enterprise (GSE) obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States GSEs. No more than thirty percent (30%) of the portfolio may be invested in any single agency or GSE issuer, and no more than twenty percent (20%) of the portfolio may be invested in agency callable securities. The maximum maturity shall not exceed seven (7) years. [53601(f)]
- Negotiable certificates of deposit issued by a nationally or state-chartered bank or a savings association or federal association or a state or federal credit union or by a federal- or state-

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licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30% of the agency's surplus money. Amounts invested in negotiable certificates of deposit insured up to the Federal Deposit Insurance Corporation (FDIC) limit do not require any credit ratings. Any amount above the FDIC insured limit must be issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO, or have long-term obligations rated in a rating category of "A" or its equivalent or better by at least one NRSRO. No more than five percent (5%) of the portfolio may be invested in any single issuer. [53601(i)]

- Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five (5) 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 at least one NRSRO at the time of purchase. No more than 30% of the District's surplus money may be invested pursuant to this section. No more than five percent (5%) of the District's surplus money may be invested in any single issuer. [53601(k)]
- Shares of beneficial interest issued by diversified management companies that are money market funds registered with the SEC under the Investment Company Act of 1940 (15 U.S. C. Sec. 80a-1, et seq.). [53601(l)(2)]
 1. The company must have met either of the following criteria [53601(l)(4)(a-b)]:
 - a. Attained the highest ranking letter and numerical rating provided by not less than the two NRSROs or,
 - b. Have an investment advisor registered with the SEC with not less than five (5) years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000).
 2. The purchase price of shares may not exceed twenty percent (20%) of the District's total surplus funds. [53601(l)(5)]
 3. Money market funds must have a Net Asset Value (NAV) of one dollar (\$1.00).
 4. Money market funds must have daily liquidity.
- Deposits with bank and savings and loan associations, including certificates of deposit, where the deposits are insured by the FDIC. Deposits in institutions in excess of FDIC insurance shall be fully collateralized as defined in CGC Section 53652.
- The Local Agency Investment Fund (LAIF) established by the California State Treasurer for the benefit of local agencies and identified under the CGC Section 16429.1.

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- Shares of beneficial interest issued by a joint powers authority organized pursuant to CGC Section 6509.7 that invests in the securities and obligations authorized in CGC Section 53601, inclusive of subdivisions (a) to (r). Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. [53601(p)]

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 SEC.
2. The adviser has not less than five (5) 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).

- Bankers acceptances that are issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO, or have long-term debt obligations which are rated in a rating category of "A" or its equivalent or better by at least one NRSRO. No more than 40% of the portfolio may be invested in banker's acceptances. No more than five percent (5%) of the portfolio may be invested in any single issuer. The maximum maturity shall not exceed 180 days. [53601(g)]
- Commercial paper, provided that the securities are issued by an entity that meets all of the following conditions in either paragraph (1) or (2) and other requirements specified below: [53601(h)]
 1. Securities issued by corporations:
 - a. A corporation organized and operating in the United States with assets more than five hundred million dollars (\$500,000,000).
 - b. The securities are rated "A-1" or its equivalent or better by at least one NRSRO.
 - c. If the issuer has other debt obligations, they must be rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
 2. Securities issued by other entities:
 - a. The issuer is organized within the United States as a special purpose corporation, trust, or limited liability company.
 - b. The securities must have program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.

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- c. The securities are rated "A-1" or its equivalent or better by at least one NRSRO.

Moreover, investments may comprise of no more than ten percent (10%) of the outstanding commercial paper of any single issuer. No more than twenty-five percent (25%) of the District's investment assets under management may be invested in commercial paper. Under a provision sunsetting on January 1, 2026, no more than forty percent (40%) of the District's surplus funds may be invested in commercial paper if the District's surplus funds are greater than one hundred million dollars (\$100,000,000). No more than five percent (5%) of the portfolio may be invested in any single issuer. Maximum maturity for commercial paper shall not exceed 270 days.

- Asset-backed, mortgage-backed, mortgage passthrough securities, and collateralized mortgage obligations from issuers that are not the federal government or its agencies or a GSE. The securities shall be rated in a rating category of "AA" or its equivalent or better by one NRSRO. No more than twenty percent (20%) of the total portfolio may be invested in these securities. No more than five percent (5%) of the portfolio may be invested in any single asset-backed or commercial mortgage security issuer. The maximum legal final maturity shall not exceed five (5) years. [53601(o)]
- Supranational securities that are U.S. 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. The securities shall be rated in a rating category of "AA" or its equivalent or better by one NRSRO. No more than thirty percent (30%) of the District's surplus funds may be invested in supranational obligations. No more than ten percent (10%) of the District's surplus funds may be invested in any single issuer. The maximum maturity shall not exceed five (5) years. [53601(q)]
- Repurchase agreements collateralized with securities authorized under the California Government Code, maintained at a level of at least 102 percent (102%) of the market value of the repurchase agreement. There are no limits on the dollar amount or percentage that the District may invest, provided that securities used as collateral for repurchase agreements will be delivered to an acceptable third-party custodian. Repurchase agreements are subject to a Master Repurchase Agreement between the District and the provider of the repurchase agreement. The Master Repurchase Agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA). The maximum maturity shall not exceed one (1) year. [53601(j)]

9.0 Prohibited Investment Vehicles and Practices

- State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.
- In accordance with CGC Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.

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- Investment in any security that could result in a zero-interest accrual if held to maturity is prohibited.
- Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
- Purchasing or selling securities on margin is prohibited.
- The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.
- The purchase of foreign currency denominated securities is prohibited.
- Local governments that are not Qualified Institutional Buyers (QIB) as defined by the SEC are prohibited from purchasing Private Placement Securities. The SEC defines a QIB as having at least one hundred million dollars (\$100,000,000) in securities owned and invested.

10.0 Investment Pools and Mutual Funds

The District shall conduct a thorough investigation of any pool or mutual fund prior to making an investment, and on a continual basis thereafter. The Treasurer shall develop a questionnaire which will answer the following general questions:

- 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, what size deposit and withdrawal are allowed.
- A schedule for receiving statements and portfolio listings.
- Are reserves, retained earnings, etc. utilized by the pool/fund?
- A fee schedule, and when and how is it assessed.
- Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

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Uninsured time deposits including certificates of deposit with banks and/or savings and loans shall be collateralized in the manner prescribed by law for depositories accepting local agency funds. The District requires that repurchase agreements be collateralized only by securities authorized in accordance with the California Government Code:

1. The securities which collateralize the repurchase agreement shall be priced at market value, including any accrued interest plus a margin. The market value of the securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities.
2. Financial institutions shall mark the value of the collateral to market at least monthly and increase or decrease the collateral to satisfy the ratio requirement described above.
3. The District shall receive monthly statements of collateral.

12.0 Safekeeping and Custody

All security transactions entered into by the District shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third-party custodian designated by the Treasurer and evidenced by safekeeping receipts.

13.0 Diversification

The District will diversify its portfolio by investment type, issuer and maturity dates. Limits, if any, for security types are set forth in Section 8.0 of this policy.

14.0 Maximum Maturities

The District will match its investments with anticipated cash flow requirements. No single investment shall exceed a term of five (5) years, except the long-term portion of the portfolio at seven (7)-year maturity limited to 10% of the portfolio and to United States Treasury notes, et al., and federal agency or GSE obligations, or municipal securities as described in Section 8. Portfolio maturities shall be strategically staggered to avoid undue concentration of assets in a specific maturity sector.

15.0 Conformance with Policy

At the time of purchase, all permitted investments shall conform in all respects with this policy. If a percentage restriction is adhered to at the time of purchase, a later increase or decrease in percentage resulting from a change in values or assets will not constitute a violation of that restriction. Furthermore, if a credit rating standard is adhered to at the time of purchase; a later downgrade in credit rating will not constitute a violation of that standard. If securities are downgraded below the minimum acceptable rating levels the Treasurer shall advise the Board of Directors of the change at the

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next regular meeting, and use his/her best professional judgment concerning the retention of that security in the portfolio.

16.0 Internal Controls

The Treasurer shall establish and implement a system of internal controls, which shall be documented in writing. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by employees and officers of the District.

17.0 Review of Investment Portfolio

The Treasurer shall periodically, but no less than quarterly, review the portfolio to identify investments that do not comply with this Investment policy and establish protocols for reporting major and critical incidences of noncompliance to the Board of Directors.

18.0 Performance Evaluation

The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the District's risk constraints, the cash flow characteristics of the portfolio, and state and local laws, ordinances or resolutions that restrict investments. The Treasurer shall monitor and evaluate the portfolio's performance relative to the chosen market benchmark(s), which will be included in the Treasurer's quarterly report. The Treasurer shall select an appropriate, readily available index to use as a market benchmark.

19.0 Performance Standards

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs.

20.0 Reporting

The Treasurer shall provide the Board of Directors a quarterly investment report. The report shall include the type of investment, issuer, maturity date, par and cost/book values of all securities, investments and monies held by the District. It shall also include the rate of interest, the current market value as of the report date and the source of the valuation. The report shall state compliance of the portfolio to the Investment policy as well as the California Government Code and it shall state the District's ability to meet its estimated expenditures for the next six (6) months.

21.0 Investment Policy Adoption

The District's Investment policy shall be adopted by resolution of the District's Board of Directors. The policy is reviewed annually and any changes are presented to the Board of Directors for consideration.