

Durham Irrigation District

INVESTMENT POLICY

1. INTRODUCTION

It is the policy of Durham Irrigation District (“District”) to invest its cash assets in compliance with the California Government Code, to safeguard principal, ensure adequate liquidity, and achieve a reasonable return. The purpose of this Policy is to guide the prudent investment of District funds and to outline the responsibilities of those involved in investment activities.

2. SCOPE

This Policy applies to all District funds, including operating, reserve, capital, and any other monies held or controlled by the District.

3. OBJECTIVES

The objectives of this Investment Policy, in order of priority, are:

A. Safety

Protection of principal is the foremost objective. Investments shall be made in a manner that minimizes the risk of loss and adheres to the prudent investor standard (Gov. Code §53600.3).

B. Liquidity

The portfolio shall remain adequately liquid to meet anticipated and unanticipated cash-flow needs, with emphasis on instruments with active secondary markets.

C. Yield

Yield shall be a consideration only after safety and liquidity needs have been met. The District seeks to achieve a market rate of return consistent with statutory constraints and prudent investment practices.

4. POLICY

A. Legal Investment Authority

All investments of District funds shall comply with California Government Code §53600-53609, §53630-53686, and all other applicable statutes.

The Board of Directors delegates authority to the **District Treasurer**, who is a Board Member, to invest or reinvest District funds, sell or exchange purchased securities, and assume full fiduciary responsibility for all investment transactions (Gov. Code §53607). This delegation:

- Must be renewed annually,

- May be revoked at any time,
- Is held at the pleasure of the Board.

The Treasurer is a fiduciary under Gov. Code §53600.3 and must act with care, skill, prudence, and diligence.

B. Delegation to District Manager or Designee

Because the Treasurer is a Board Member and does not perform full-time administrative duties, the Treasurer may delegate routine operational investment functions to the:

- **District Manager, or**
- **District Manager’s designee, or**
- **Deputy Treasurer (if appointed).**

Delegated responsibilities may include:

- Executing investment transactions
- Preparing cash-flow forecasts
- Preparing investment reports
- Managing bank and LAIF balances
- Ensuring compliance with Policy requirements

Delegation must be **confirmed by the Board annually** and does not reduce or remove the Treasurer’s fiduciary responsibility.

C. External Investment Advisors

The Treasurer, District Manager, or designee may recommend engaging an external investment advisor. Any advisor must be approved by the Board, registered under the Investment Advisors Act of 1940, and experienced in managing authorized California public agency investments.

D. Persons Authorized to Invest District Funds

The following are authorized to direct and execute investment activities:

1. **District Treasurer (Board Member)** – primary fiduciary authority
2. **District Manager or designee** – operational execution and administrative support
3. **Deputy Treasurer (if appointed)**

All authorizations must be reviewed and reaffirmed annually.

E. Reports

1. Monthly Transaction Report

The Treasurer, with support from the District Manager or designee, shall provide a monthly summary of investment transactions, including purchases, sales, transfers, and changes in fund balances.

2. Quarterly Investment Report

Within 45 days after each quarter-end, the Treasurer shall present a Quarterly Investment/Cash Report including:

- Certification of compliance with this Policy and state law
- Statement of ability to meet the next six months' cash-flow needs
- For each investment:
 - Description
 - Cost and market value (with valuation source)
 - Rate of return
 - Purchase date
 - Maturity date
 - Accrued and received interest
 - Holder or custodian
- Summary by investment type
- Summary by maturity range
- Summary of beginning balance, transactions, ending balance

Preparation may be assisted by the District Manager or designee.

3. Annual Review

By January 31 each year, the Board shall:

- Review and approve or amend this Policy
- Renew delegation of investment authority to the Treasurer
- Confirm delegation to the District Manager or designee and any Deputy Treasurer

F. Sale of Securities Prior to Maturity

Securities may be sold prior to maturity only:

- To meet cash needs
- To maintain compliance
- To realign portfolio structure
- To secure improved yield when consistent with safety and liquidity

All such transactions shall be documented to support audit review.

G. Interest and Accounting

Interest shall be recorded on an accrual basis. Gains or losses are recorded on the transaction (settlement) date.

5. GUIDELINES

A. Portfolio Review

The Treasurer, District Manager, designee, or Deputy Treasurer shall periodically review the portfolio for compliance with this Policy.

B. Pooled Cash

Whenever practicable, cash balances shall be pooled for investment purposes, with interest allocated proportionally to designated funds monthly.

C. Competitive Bidding

When feasible, competitive bids or offers shall be solicited for security purchases or sales.

D. Cash-Flow Forecasting

The Treasurer, with support from the District Manager or designee, shall maintain a six-month cash-flow forecast updated quarterly or upon any material financial change.

E. Investment Limitations

Investments shall comply with California Government Code §53601 et seq. and any additional limits imposed by this Policy.

F. Liquidity

Investments should emphasize marketability, especially the portion expected to be used for operations or emergency needs.

G. Long-Term Maturities

Maturities over three years require:

- Board approval, and
- Demonstration that funds will not be needed prior to maturity.

Short-term borrowing through a line of credit may be used only with prior Board approval.

H. Broker / Dealer Requirements

Broker-dealers and investment advisors shall receive a copy of this Policy and must certify compliance with its permitted instruments and restrictions.

I. Diversification

The portfolio shall be diversified by:

- Instrument type
- Issuer
- Maturity range

Diversification reduces risk and helps maintain stable returns.

6. POLICY REVIEW AND AMENDMENT

This Policy remains in effect until amended or replaced by the Board of Directors. The Board shall conduct a formal review at least annually and may modify the Policy at any time by Board action.