

HERLONG PUBLIC UTILITY DISTRICT  
POLICY HANDBOOK – SERIES 3000

**POLICY TITLE:** Investment of District Funds  
**POLICY NUMBER:** 3120

3120.1 PURPOSE

It is the policy of the Herlong Public Utility District to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flows demands of the District and conforming to all statues governing the investment of Herlong Public Utility District funds, specifically California Government Code §53600 and all its subsections.

3120.2 SCOPE

The investment policy applies to all financial assets of Herlong Public Utility District. These funds are accounted for in the Independent Annual Financial Report.

3120.3 PRUDENCE

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 (CGC § 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers acting accordance with written procedures and this investment policy and exercising due diligence shall be relived of personal responsibility for an individual security's credit risk or market prices changes, provided deviations for expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

3120.4 OBJECTIVES

As specified in CGC § 536000.5, when investing, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives of the investment activities, in priority order, shall be:

3120.4.1 Safety: Safety of principal is the foremost objective of the investment program. Investments of Herlong Public District 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.

3120.4.2 Liquidity: The investment portfolio will remain sufficiently liquid to enable Herlong Public Utility District to meet all operating requirements which might be reasonably anticipated.

3120.4.3 Return on Investments: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, considering the investment risk constraints and the cash flow characteristics of the portfolio.

3120.5 DELAGATION OF AUTHORITY

Authority to manage the investment program is derived from California Government Code Sections 53600, et seq. Management responsibility for the investment program is hereby delegated to the General Manager (GM), who shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, PSA repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the

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procedures established by the General Manager. The GM shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Under the provisions of California Government Code §53600.3, the fiscal officer is a trustee and a fiduciary subject to the prudent investor standard.

### 3120.6 ETHICS AND CONFLICTS OF INTEREST

Officers and 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.

### 3120.7 AUTHORIZED AND SUITABLE INVESTMENTS

The Herlong Public Utility District is empowered by California Government Code §53600, et seq., to invest as outlined in the California Government Code. Funds held under the terms of a trust indenture or other contract, or agreement may be invested according to the provisions of those indentures or agreements.

### 3120.8 REPORTING

In accordance with CGC 53646 (b)(1), the General Manger or Finance Manager will prepare and submit to the Board a quarterly investment report that also includes the certification statements referenced by CGC 53646(b)(2) and CGC 53646(b)(3)

### 3120.9 INVESTMENT POLICY REVIEW

This investment policy shall be reviewed on an annual basis, and the Board of Directors must approve modifications.