MWD
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

July 28, 1992

To: Board of Directors (Finance and Insurance Committee--Action)

From: General Manager

Subject: Amendment to MWD Administrative Code to Incorporate Reference to Water Revenue Bonds, Issue of 1992

Report

At the July 14, 1992 meeting, your Board adopted Resolution 8371, authorizing the sale and issuance of $550,000,000 Revenue Bonds, Issue of 1992. The Resolution established three new funds necessary to implement and administer this junior lien revenue bond program. These funds are the Water Revenue Bonds, Issue of 1992 Construction Fund (No. 61); the Water Revenue Bonds, Issue of 1992 Reserve Fund (No. 62); and the Water Revenue Bonds, Issue of 1992 Excess Earnings Fund (No. 63). These funds should be added to the MWD Administrative Code, Section 5200, Funds Established, and except for the Excess Earnings Fund, to Section 5201, Restricted Funds.

Section 5101 should also be amended to incorporate reference to the Water Revenue Bonds, Issue of 1992 Reserve Fund to enable the Treasurer to invest reserve funds over a period greater than 24 months. This practice would be consistent with current Board policy relating to Prior Lien Waterworks Revenue Bond Reserve Fund investments.

Modifications to the Administrative Code are shown by underscoring and strikeovers in Attachment B. Any other funds, such as an optional redemption fund, may be added in the future, as required.

Board Committee Assignment

This letter was referred for action to the Finance and Insurance Committee because the committee shall study, advise, and make recommendations with regard to form and contents of accounts, financial reports, and financial statements, pursuant to Administrative Code Section 2441(k).

Recommendation

FINANCE AND INSURANCE COMMITTEE FOR ACTION

That the Board amend MWD Administrative Code Sections 5101, 5200, and 5201 to read as set forth in Attachment A hereto, to provide reference to the new funds established by the Board in connection with the sale and issuance of the Water Revenue Bonds, Issue of 1992.

Carl Boronkay

DIF/mjw

Attachments

ATTACHMENT A

5101. Investment of Surplus Funds.

(a) Pursuant to Government Code Section 53607, this Board hereby does delegate to the Treasurer of the District the authority to invest or to reinvest funds of the District subject to the terms and conditions set forth in this Section 5101. The Treasurer shall report each month transactions made pursuant to this delegation.

(b) The terms and conditions of this delegation to the Treasurer are as follows:

(1) The Treasurer shall assume full responsibility for all transactions hereby delegated.

(2) The Treasurer may invest such portion of any money in any sinking fund of the District, or any surplus moneys in the District's treasury not required for the immediate necessities of the District, as the Treasurer deems wise or expedient, in the following securities, if they mature not later than 24 months from date of purchase, or such longer period upon Board approval for each such investment, unless at the time of purchase there is an agreement with the seller to repurchase such securities within 24 months; provided, however, that such 24-month restriction shall not apply to investments of moneys in the Waterworks Revenue Bond Reserve Fund, the Water Revenue Bonds, Issue of 1991 Reserve Fund, the Water Revenue Bonds, Issue of 1992 Reserve Fund, the Iron Mountain Landfill Closure/Postclosure Maintenance Fund, and the Employees' Deferred Compensation Funds:

(i) Bonds of the District.

(ii) 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.

(iii) Registered State warrants or treasury notes or bonds of this State for which the faith and credit of this State are pledged for the payment of principal and interest.

(iv) Farm loan bonds, consolidated farm loan bonds, collateral trust debentures, or other obligations issued under the Farm Credit Act of 1971, or in obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board, the Tennessee Valley Authority, or in obligations, participations, or other instruments of or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association; or in participation certificates evidencing beneficial interests in obligations, or in the right to receive interest and principal collections therefrom, which obligations have been subjected by one or more government agencies to a trust or trusts for which any executive department, agency, or instrumentality of the United States (or the head thereof) has been named to act as trustee; provided that investments in securities listed in this Section 5101(b)(2)(iv) shall not exceed one-third of all investments in effect immediately after any such investment is made.

(v) Any other securities in which investment is authorized pursuant to Government Code Section 53601, upon approval of this Board.

(vi) Repurchase agreements of any securities authorized in subsections 5101(b)(2)(ii), 5101(b)(2)(iv), or 5101(b)(2)(vii) (other than commercial paper) provided that such investments in purchased securities shall not exceed 30 percent of all investments in effect immediately after any such investment is made, shall not exceed one year in length, and shall be made only with primary dealers in government securities or financial institutions with a Keefe Bank Watch Service, or equivalent, rating of B/C or better; provided further that investments in repurchase agreements with maturities of less than six months, or six months to one year, shall provide for purchased securities with a market value at least 101 percent and 102 percent, respectively, of the amount of the invested funds; provided further that such investments shall provide for transfer of ownership and possession of the purchased securities, either to the District directly or to a custodian depository institution which shall take record title and shall establish and maintain a subaccount in its financial records for the securities in the District's name. Such custodian shall not be the dealer from which the securities were purchased. The repurchase agreement shall also provide a contractual right to liquidation of the purchased securities upon the bankruptcy, insolvency or other default of the counter party. Purchased securities shall include only securities maturing within 60 months of the inception of the investment.

(vii) Commercial paper, bankers' acceptances, and negotiable certificates of deposit; provided that investments in such securities shall not exceed 20 percent, 30 percent and 20 percent respectively of all investments in effect immediately after any such investment is made and subject to the provisions of Government Code Sections 53601 and 53635 as they existed on January 1, 1987; provided further, that investments in negotiable certificates of deposit shall not exceed six months in length, and shall be made only in financial institutions with a Keefe Bank Watch Service, or equivalent, rating of B/C or better; provided further, that investments in institutions rated B/C shall not exceed 15 percent of all investments in effect immediately after any such investment is made.

(viii) Deposits for purposes of investment in the Local Agency Fund of the State Treasury to the maximum amount permitted by State Treasury policy.

(ix) One registered bond or note, in the minimum denomination available, of any series of bonds or notes issued for purposes related to the State Water Project.

(x) Shares of beneficial interest issued by eligible diversified management companies investing exclusively in (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, or (2) repurchase agreements exclusively involving such treasury obligations. To be eligible, any such company shall attain the highest ranking or the highest letter and numerical rating provided by at least two of the three largest nationally recognized rating services. The purchase price of the shares of beneficial interest purchased shall not include any commission, and the total amount of the investment in such companies shall not exceed 15 percent of the funds of the District.

(3) The Treasurer may make any investment by direct purchase of any issue of the specified securities at their original sale or after they have been issued.

(4) The available cash amount and maximum period for any such investment by the Treasurer shall be determined by the General Manager. The Treasurer shall not liquidate any such investment except:

(i) To meet the District's cash requirements, which shall be determined by the General Manager; or

(ii) To generate cash for reinvestment whenever the General Manager determines that such reinvestment is in the District's interest.

The Treasurer shall not exchange any such investment unless the General Manager determines that such exchange is in the District's interest.

Subject to the above provisions of this subsection 5101(b)(4), the Treasurer may enter into a reverse repurchase agreement, so long as the proceeds of the reverse repurchase agreement are invested solely to supplement the income normally received from the securities involved in the agreement.

(5) The General Counsel shall review monthly and, if appropriate, approve as to eligibility the securities invested in by the Treasurer in the preceding month and report the determinations to the Board.

(6) Investment of Deferred Compensation Fund.

(i) The Treasurer may invest funds held by the District pursuant to the District's deferred compensation plan in accordance with this Section 5101, and may liquidate such investments to comply with the provisions of the plan in accordance with the determinations of the General Manager.

(ii) The Treasurer may also deposit for purposes of investment funds held by the District, pursuant to the District's deferred compensation plans, in the Metropolitan Water District Federal Credit Union to the limit insured by the National Credit Union Share Insurance Fund.

(c) The Treasurer is authorized to enter into safekeeping agreements, in form approved by the General Counsel, and thereafter may deposit for safekeeping the bonds, notes, bills, debentures, obligations, certificates of indebtedness, warrants or other evidences of indebtedness in which the money of the District is invested pursuant to the terms and conditions of this Section 5101 with any state or national bank in this state with which there is a safekeeping agreement and in which the District maintains an active deposit supported by sufficient security, as required by law, to secure the amount of any collections which may be made by the bank from time to time

pursuant to said safekeeping agreement and which are credited to such active deposits. Such bank may arrange for safekeeping of such securities in correspondent bank in New York City, designated by such bank and approved by the Treasurer. The Treasurer shall take from such California bank a receipt for securities so deposited either in definitive form in such bank or held in book-entry form on the books of the Federal Reserve Bank. All securities purchased shall be held in safekeeping under such agreements and shall only be released from safekeeping pursuant to such agreements.

§ 5200. Funds Established.

To provide for accountability of public moneys in accordance with applicable federal and state law and regulations, bond covenants, tax and non-arbitrage certificates, bond counsel letters of instruction and Board policies, the following active or prospectively active funds have been established in the Treasury of the District:

(a) General Fund (Fund No. 01, established 1929). Moneys not specifically allocated or appropriated may be placed in this fund and used for general purposes of the District. Expenditures for reimbursable work and water conservation capital and indirect costs under the contract with Imperial Irrigation District are paid from this fund.

(b) Pay-As-You-Go Fund (Fund No. 02, established 1988). Used to finance certain capital program expenditures from current revenues in accordance with Section 5109, subject to the conditions contained in Section 5202.

(c) 1931 General Obligation Bond Interest and Redemption Fund (Fund No. 04, established 1932). Used to pay debt service on 1931 authorization general obligation bonds of the District from ad valorem property taxes subject to the conditions contained in Section 5201.

(d) State Contract Fund (Fund No. 05, established 1960). Used for the payment of capital charges under the State Water Contract, including the capital charges for off-aqueduct power facilities, subject to the conditions contained in Section 5201.

(e) Special Tax Fund (Fund No. 06, established 1951). Annexation fees (cash payments and special tax collections) are deposited in this fund and transferred to the State Contract Fund to pay a portion of State Water Contract capital charges.

(f) Replacement Reserve Fund (Fund No. 40, established 1960, inactive as of 1967). May be used to set aside funds for the purchase of replacements.

(g) 1966 General Obligation Bond Construction Fund (Fund No. 08, established 1967). Proceeds from the sale of District general obligation bonds are deposited in this fund and are applied exclusively to the purposes for which the bonds were authorized.

(h) 1966 General Obligation Bond Interest and Principal Fund (Fund No. 11, established 1967). Used to pay debt service on District 1966 authorization general obligation bonds from ad valorem property taxes subject to the conditions contained in Section 5201.

(i) Optional Redemption Fund (Fund No. 15, established 1980). Used for the purpose of redeeming the untendered refunded Series C general obligation bonds which were called in 1980.

(j) Waterworks Revenue Bond Construction Fund (Fund No. 20, established 1975). Proceeds from the sale of revenue bonds issued prior to 1987 (the Prior Lien Waterworks Revenue Bonds) were are deposited in this fund and are applied exclusively to the purposes for which the bonds were authorized.

(k) Water Revenue Fund (Fund No. 21, established 1975). All revenues received by the District from charges for the sale or availability of water are deposited in this fund and are transferred to various other funds in accordance with revenue bond covenants to pay in order of priority:

(1) Operation and maintenance expenditures;

(2) Principal of, premium, if any, and interest on outstanding revenue bonds the Prior Lien Waterworks Revenue Bonds and any required deposits into any reserve funds or accounts therefore;

(3) The interest on and bond obligation of Subordinate Lien Water Revenue Bonds and Parity Obligations issued pursuant to Master Resolution 8329 (the Master Resolution) adopted by the Board on July 9, 1991 and any Supplemental Resolutions thereto;

(4) Deposits into the Water Revenue Bond Reserve Fund; and all other payments required for compliance with the Master Resolution, and any Supplemental Resolutions;

(5) Principal of and interest on the Commercial Paper Notes and other amounts due a provider of a liquidity facility; and

(6) Any other obligations which are charges, liens, or encumbrances upon or payable from net operating revenues.

Moneys remaining at the end of the each month, after the foregoing transfers, are transferred to the Revenue Remainder Fund.

(l) Operation and Maintenance Fund (Fund No. 22, established 1975). Used to pay all operation and maintenance expenditures, including State Water Contract operation, maintenance, power and replacement charges, subject to the conditions contained in Section 5201.

(m) Waterworks Revenue Bond Interest and Principal Fund (Fund No. 23, established 1975). Used to pay the debt service on revenue bonds Prior Lien Waterworks Revenue Bonds of the District, subject to the conditions contained in Section 5201.

(n) Waterworks Revenue Bond Reserve Fund (Fund No. 24, established 1975). Used to maintain debt service reserves for Prior Lien Waterworks Revenue Bonds, subject to the conditions contained in requirements under Section 5201.

(o) Revenue Remainder Fund (Fund No. 25, established 1975). Used to maintain working capital and certain designated funds in accordance with Section 5200(k), and may be used for any lawful purpose by the District, subject to the conditions contained in Section 5202.

(p) Note Interest and Principal Fund (Fund No. 28, established 1981). Used to pay debt service on District revenue bond anticipation notes, in accordance with covenants for such notes.

(q) Optional Revenue Bond Redemption Fund 1975 (Fund No. 30, established 1985). Used for the purpose of redeeming the untendered refunded 1975 revenue bonds which were called in 1985.

(r) Optional Revenue Bond Redemption Fund 1976 (Fund No. 31, established 1986). Used for the purpose of redeeming the untendered refunded 1976 revenue bonds which were called in 1986.

(s) Water Rate Stabilization Fund (Fund No. 33, established 1987). Used to reduce future water revenue requirements or, as directed by the Board, for other lawful purposes, in accordance with Section 5202.

(t) Water Treatment Surcharge Stabilization Fund (Fund No. 34, established 1988). Used to mitigate required increases in the surcharge for water treatment or, as directed by the Board, for other lawful purposes, in accordance with Section 5202.

(u) Revolving Construction Fund (Fund No. 35, established 1988). Capital expenditures made from this fund are to be reimbursed from proceeds of security sales to the extent such expenditures are authorized uses of debt proceeds under the Act, subject to the conditions and restrictions contained in Section 5201.

(v) Series G 1966 General Obligation Bond Construction Fund (Fund No. 36, established 1989). Proceeds from the sale of the District's Series G 1966 General Obligation bonds are deposited in this fund and applied exclusively to the purposes for which the bonds were authorized.

(w) Series G 1966 General Obligation Bond Interest and Principal Fund (Fund No. 37, established 1989). Used to pay debt service on the District's Series G 1966 General Obligation bonds from ad valorem taxes subject to the conditions contained in Section 5201.

(x) Series G 1966 General Obligation Bond Excess Earnings Fund (Fund No. 38, established 1990). Used to separately hold rebatable arbitrage interest earnings transferred from the Series G 1966 General Obligation Bond Construction Fund, computed on an annual basis in accordance with federal regulations.

(y) Series G 1966 General Obligation Bond Reserve for Interest and Principal Fund (Fund No. 39, established 1990). Used to satisfy debt service requirements if there are insufficient funds available in the Series G 1966 General Obligation Bond Interest and Principal Fund.

(z) Employee Deferred Compensation Fund (Fund No. 50, established 1976). Compensation deferred by employees under Section 457 of the Internal Revenue Code of 1986, as amended, is deposited in this fund and is withdrawn in accordance with Articles 2 and 3 of Chapter 7 of Division VI.

(aa) San Joaquin Reservoir Fund (Fund No. 51, established 1980). Used for the purposes contained in the San Joaquin Reservoir Trust Agreement between the District and the other entities who share joint ownership of the facility.

(bb) Iron Mountain Landfill Closure/Postclosure Maintenance Fund (Fund No. 52, established 1990). Used as a trust fund to maintain monies sufficient to cover the costs of closure and postclosure maintenance of the District's solid waste landfill facility at Iron Mountain, in accordance with regulations of the California Integrated Waste Management Board.

(cc) Commercial Paper Note Construction Fund (Fund No. 53, established 1991). Proceeds from the sale of commercial paper are deposited in this fund and are applied exclusively to the purposes for which the notes were authorized.

(dd) Commercial Paper Note Payment Fund (Fund No. 54, established 1991). Used to pay debt service on commercial paper of the District, subject to the conditions contained in Section 5201.

(ee) Commercial Paper Note Excess Earnings Fund (Fund No. 55, established 1991). Used to separately hold rebatable arbitrage interest earnings transferred from the Commercial Paper Note Construction Fund, computed on an annual basis in accordance with federal regulations.

(ff) Water Revenue Bonds, Issue of 1991 Construction Fund (Fund No. 56, established 1991). Net proceeds from the sale of these subordinate revenue bonds were deposited in this fund and are used exclusively for the purposes for which the bonds were authorized.

(gg) Water Revenue Bond Service Fund (Fund No. 57, established 1991). Used to pay debt service on subordinate water revenue bonds after payment of Prior Lien Waterworks Revenue Bonds, including reimbursement of any payments made by providers of credit as liquidity enhancement for the bonds.

(hh) Water Revenue Bonds, Issue of 1991 Reserve Fund (Fund No. 58, established 1991). Proceeds from the sale of these subordinate bonds, in an amount equal to the 1991 Bond Reserve Requirement, were deposited into this fund. Used to satisfy debt service requirements if there are insufficient funds available in the Water Revenue Bond Service Fund.

(ii) Water Revenue Bonds, Issue of 1991 Excess Earnings Fund (Fund 59, established 1991). Used to separately hold in trust for payment to the Federal Government amounts deposited in accordance with the provisions of the Tax and Nonarbitrage Certificate and the First Supplemental Resolution for these subordinate bonds.

(jj) Water Revenue Bonds, Issue of 1992 Construction Fund (Fund No. 61, established 1992). Net proceeds from the sale of these subordinate revenue bonds were deposited in this fund and are used exclusively for the purposes for which the bonds were authorized.

(kk) Water Revenue Bonds, Issue of 1992 Reserve Fund (Fund No. 62, established 1992). Proceeds from the sale of these subordinate bonds, in an amount equal to the 1992 Bond Reserve Requirement, were deposited into this fund. Used to satisfy debt service requirements if there are insufficient funds available in the Water Revenue Bond Service Fund.

(ll) Water Revenue Bonds, Issue of 1992 Excess Earnings Fund (Fund 63, established 1992). Used to separately hold in trust for payment to the Federal Government amounts deposited in accordance with the provisions of the Tax and Nonarbitrage Certificate and the Second Supplemental Resolution for these subordinate bonds.

§ 5201. Restricted Funds.

Cash and securities to be held in the various ledger funds shall be as follows:

(a) For the 1931 General Obligation Bond Interest and Redemption Fund and the 1966 General Obligation Bond Interest and Principal Fund and the Series G 1966 General Obligation Bond Interest and Principal Fund, the cash and securities in each as of June 30, shall be at least equal to the debt service for the ensuing 18 months, less revenues anticipated to be derived from the next succeeding tax levy specifically for such debt service.

(b) For the Waterworks Revenue Bond Interest and Principal Fund, the Water Revenue Bond Service Fund, and the Waterworks Revenue Bond Reserve Fund, the Water Revenue Bonds, Issue of 1991 Reserve Fund, and the Water Revenue Bonds, Issue of 1992 Reserve Fund, cash and securities in each shall be at least equal to the minimums required by the resolutions of issuance for such bonds.

(c) For the 1966 General Obligation Bond Construction Fund, the Series G 1966 General Obligation Bond Construction Fund, the Waterworks Revenue Bond Construction Fund, and the Commercial Paper Note Construction Fund, and the Water Revenue Bonds, Issue of 1991 Construction Fund, and the Water Revenue Bonds, Issue of 1992 Construction Fund, there shall be no minimum requirements; provided that any cash and securities in such funds shall be restricted to use for the purposes such finances were required.

(d) For the State Contract Fund, cash and securities on hand June 30 and December 31 shall equal the capital payments to the State Department of Water Resources that are due on July 1 of the same year and January 1 of the following year, respectively.

(e) For the Special Tax Fund, there shall be no minimum requirement.

(f) For the Operation and Maintenance Fund, cash and securities shall be at least equal to the minimum required by the resolutions of issuance for revenue bonds.

(g) For the Revolving Construction Fund, there shall be no minimum requirement. Cash and securities in this fund, unless restricted as to use by resolution of the Board, shall be available for transfer to the Water Rate Stabilization Fund and the Water Treatment Surcharge Stabilization Fund at the discretion of the Board.

(h) For the Commercial Paper Note Payment Fund, the District shall deposit amounts sufficient to pay principal of, and interest on, the Commercial Paper Notes as the same become due.

ATTACHMENT B

5101. Investment of Surplus Funds.

(a) Pursuant to Government Code Section 53607, this Board hereby does delegate to the Treasurer of the District the authority to invest or to reinvest funds of the District subject to the terms and conditions set forth in this Section 5101. The Treasurer shall report each month transactions made pursuant to this delegation.

(b) The terms and conditions of this delegation to the Treasurer are as follows:

(1) The Treasurer shall assume full responsibility for all transactions hereby delegated.

(2) The Treasurer may invest such portion of any money in any sinking fund of the District, or any surplus moneys in the District's treasury not required for the immediate necessities of the District, as the Treasurer deems wise or expedient, in the following securities, if they mature not later than 24 months from date of purchase, or such longer period upon Board approval for each such investment, unless at the time of purchase there is an agreement with the seller to repurchase such securities within 24 months; provided, however, that such 24-month restriction shall not apply to investments of moneys in the Waterworks Revenue Bond Reserve Fund, the Water Revenue Bonds, Issue of 1991 Reserve Fund, the Water Revenue Bonds, Issue of 1992 Reserve Fund, the Iron Mountain Landfill Closure/Postclosure Maintenance Fund, and the Employees' Deferred Compensation Funds:

(i) Bonds of the District.

(ii) 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.

(iii) Registered State warrants or treasury notes or bonds of this State for which the faith and credit of this State are pledged for the payment of principal and interest.

(iv) Farm loan bonds, consolidated farm loan bonds, collateral trust debentures, or other obligations issued under the Farm Credit Act of 1971, or in obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board, the Tennessee Valley Authority, or in obligations, participations, or other instruments of or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association; or in participation certificates evidencing beneficial interests in obligations, or in the right to receive interest and principal collections therefrom, which obligations have been subjected by one or more government agencies to a trust or trusts for which any executive department, agency, or instrumentality of the United States (or the head thereof) has been named to act as trustee; provided that investments in securities listed in this Section 5101(b)(2)(iv) shall not exceed one-third of all investments in effect immediately after any such investment is made.

(v) Any other securities in which investment is authorized pursuant to Government Code Section 53601, upon approval of this Board.

(vi) Repurchase agreements of any securities authorized in subsections 5101(b)(2)(ii), 5101(b)(2)(iv), or 5101(b)(2)(vii) (other than commercial paper) provided that such investments in purchased securities shall not exceed 30 percent of all investments in effect immediately after any such investment is made, shall not exceed one year in length, and shall be made only with primary dealers in government securities or financial institutions with a Keefe Bank Watch Service, or equivalent, rating of B/C or better; provided further that investments in repurchase agreements with maturities of less than six months, or six months to one year, shall provide for purchased securities with a market value at least 101 percent and 102 percent, respectively, of the amount of the invested funds; provided further that such investments shall provide for transfer of ownership and possession of the purchased securities, either to the District directly or to a custodian depository institution which shall take record title and shall establish and maintain a subaccount in its financial records for the securities in the District's name. Such custodian shall not be the dealer from which the securities were purchased. The repurchase agreement shall also provide a contractual right to liquidation of the purchased securities upon the bankruptcy, insolvency or other default of the counter party. Purchased securities shall include only securities maturing within 60 months of the inception of the investment.

(vii) Commercial paper, bankers' acceptances, and negotiable certificates of deposit; provided that investments in such securities shall not exceed 20 percent, 30 percent and 20 percent respectively of all investments in effect immediately after any such investment is made and subject to the provisions of Government Code Sections 53601 and 53635 as they existed on January 1, 1987; provided further, that investments in negotiable certificates of deposit shall not exceed six months in length, and shall be made only in financial institutions with a Keefe Bank Watch Service, or equivalent, rating of B/C or better; provided further, that investments in institutions rated B/C shall not exceed 15 percent of all investments in effect immediately after any such investment is made.

(viii) Deposits for purposes of investment in the Local Agency Fund of the State Treasury to the maximum amount permitted by State Treasury policy.

(ix) One registered bond or note, in the minimum denomination available, of any series of bonds or notes issued for purposes related to the State Water Project.

(x) Shares of beneficial interest issued by eligible diversified management companies investing exclusively in (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, or (2) repurchase agreements exclusively involving such treasury obligations. To be eligible, any such company shall attain the highest ranking or the highest letter and numerical rating provided by at least two of the three largest nationally recognized rating services. The purchase price of the shares of beneficial interest purchased shall not include any commission, and the total amount of the investment in such companies shall not exceed 15 percent of the funds of the District.

(3) The Treasurer may make any investment by direct purchase of any issue of the specified securities at their original sale or after they have been issued.

(4) The available cash amount and maximum period for any such investment by the Treasurer shall be determined by the General Manager. The Treasurer shall not liquidate any such investment except:

(i) To meet the District's cash requirements, which shall be determined by the General Manager; or

(ii) To generate cash for reinvestment whenever the General Manager determines that such reinvestment is in the District's interest.

The Treasurer shall not exchange any such investment unless the General Manager determines that such exchange is in the District's interest.

Subject to the above provisions of this subsection 5101(b)(4), the Treasurer may enter into a reverse repurchase agreement, so long as the proceeds of the reverse repurchase agreement are invested solely to supplement the income normally received from the securities involved in the agreement.

(5) The General Counsel shall review monthly and, if appropriate, approve as to eligibility the securities invested in by the Treasurer in the preceding month and report the determinations to the Board.

(6) Investment of Deferred Compensation Fund.

(i) The Treasurer may invest funds held by the District pursuant to the District's deferred compensation plan in accordance with this Section 5101, and may liquidate such investments to comply with the provisions of the plan in accordance with the determinations of the General Manager.

(ii) The Treasurer may also deposit for purposes of investment funds held by the District, pursuant to the District's deferred compensation plans, in the Metropolitan Water District Federal Credit Union to the limit insured by the National Credit Union Share Insurance Fund.

(c) The Treasurer is authorized to enter into safekeeping agreements, in form approved by the General Counsel, and thereafter may deposit for safekeeping the bonds, notes, bills, debentures, obligations, certificates of indebtedness, warrants or other evidences of indebtedness in which the money of the District is invested pursuant to the terms and conditions of this Section 5101 with any state or national bank in this state with which there is a safekeeping agreement and in which the District maintains an active deposit supported by sufficient security, as required by law, to secure the amount of any collections which may be made by the bank from time to time

pursuant to said safekeeping agreement and which are credited to such active deposits. Such bank may arrange for safekeeping of such securities in correspondent bank in New York City, designated by such bank and approved by the Treasurer. The Treasurer shall take from such California bank a receipt for securities so deposited either in definitive form in such bank or held in book-entry form on the books of the Federal Reserve Bank. All securities purchased shall be held in safekeeping under such agreements and shall only be released from safekeeping pursuant to such agreements.

§ 5200. Funds Established.

To provide for accountability of public moneys in accordance with applicable federal and state law and regulations, bond covenants, tax and non-arbitrage certificates, bond counsel letters of instruction and Board policies, the following active or prospectively active funds have been established in the Treasury of the District:

(a) General Fund (Fund No. 01, established 1929). Moneys not specifically allocated or appropriated may be placed in this fund and used for general purposes of the District. Expenditures for reimbursable work and water conservation capital and indirect costs under the contract with Imperial Irrigation District are paid from this fund.

(b) Pay-As-You-Go Fund (Fund No. 02, established 1988). Used to finance certain capital program expenditures from current revenues in accordance with Section 5109, subject to the conditions contained in Section 5202.

(c) 1931 General Obligation Bond Interest and Redemption Fund (Fund No. 04, established 1932). Used to pay debt service on 1931 authorization general obligation bonds of the District from ad valorem property taxes subject to the conditions contained in Section 5201.

(d) State Contract Fund (Fund No. 05, established 1960). Used for the payment of capital charges under the State Water Contract, including the capital charges for off-aqueduct power facilities, subject to the conditions contained in Section 5201.

(e) Special Tax Fund (Fund No. 06, established 1951). Annexation fees (cash payments and special tax collections) are deposited in this fund and transferred to the State Contract Fund to pay a portion of State Water Contract capital charges.

(f) Replacement Reserve Fund (Fund No. 40, established 1960, inactive as of 1967). May be used to set aside funds for the purchase of replacements.

(g) 1966 General Obligation Bond Construction Fund (Fund No. 08, established 1967). Proceeds from the sale of District general obligation bonds are deposited in this fund and are applied exclusively to the purposes for which the bonds were authorized.

(h) 1966 General Obligation Bond Interest and Principal Fund (Fund No. 11, established 1967). Used to pay debt service on District 1966 authorization general obligation bonds from ad valorem property taxes subject to the conditions contained in Section 5201.

(i) Optional Redemption Fund (Fund No. 15, established 1980). Used for the purpose of redeeming the untendered refunded Series C general obligation bonds which were called in 1980.

(j) Waterworks Revenue Bond Construction Fund (Fund No. 20, established 1975). Proceeds from the sale of revenue bonds issued prior to 1987 (the Prior Lien Waterworks Revenue Bonds) were are deposited in this fund and are applied exclusively to the purposes for which the bonds were authorized.

(k) Water Revenue Fund (Fund No. 21, established 1975). All revenues received by the District from charges for the sale or availability of water are deposited in this fund and are transferred to various other funds in accordance with revenue bond covenants to pay in order of priority:

(1) Operation and maintenance expenditures;

(2) Principal of, premium, if any, and interest on outstanding revenue bonds the Prior Lien Waterworks Revenue Bonds and any required deposits into any reserve funds or accounts therefore;

(3) The interest on and bond obligation of Subordinate Lien Water Revenue Bonds and Parity Obligations issued pursuant to Master Resolution 8329 (the Master Resolution) adopted by the Board on July 9, 1991 and any Supplemental Resolutions thereto;

(4) Deposits into the Water Revenue Bond Reserve Fund; and all other payments required for compliance with the Master Resolution, and any Supplemental Resolutions;

(5) Principal of and interest on the Commercial Paper Notes and other amounts due a provider of a liquidity facility; and

(6) Any other obligations which are charges, liens, or encumbrances upon or payable from net operating revenues.

Moneys remaining at the end of the each month, after the foregoing transfers, are transferred to the Revenue Remainder Fund.

(l) Operation and Maintenance Fund (Fund No. 22, established 1975). Used to pay all operation and maintenance expenditures, including State Water Contract operation, maintenance, power and replacement charges, subject to the conditions contained in Section 5201.

(m) Waterworks Revenue Bond Interest and Principal Fund (Fund No. 23, established 1975). Used to pay the debt service on revenue bonds Prior Lien Waterworks Revenue Bonds of the District, subject to the conditions contained in Section 5201.

(n) Waterworks Revenue Bond Reserve Fund (Fund No. 24, established 1975). Used to maintain debt service reserves for Prior Lien Waterworks Revenue Bonds, subject to the conditions contained in requirements under Section 5201.

(o) Revenue Remainder Fund (Fund No. 25, established 1975). Used to maintain working capital and certain designated funds in accordance with Section 5200(k), and may be used for any lawful purpose by the District, subject to the conditions contained in Section 5202.

(p) Note Interest and Principal Fund (Fund No. 28, established 1981). Used to pay debt service on District revenue bond anticipation notes, in accordance with covenants for such notes.

(q) Optional Revenue Bond Redemption Fund 1975 (Fund No. 30, established 1985). Used for the purpose of redeeming the untendered refunded 1975 revenue bonds which were called in 1985.

(r) Optional Revenue Bond Redemption Fund 1976 (Fund No. 31, established 1986). Used for the purpose of redeeming the untendered refunded 1976 revenue bonds which were called in 1986.

(s) Water Rate Stabilization Fund (Fund No. 33, established 1987). Used to reduce future water revenue requirements or, as directed by the Board, for other lawful purposes, in accordance with Section 5202.

(t) Water Treatment Surcharge Stabilization Fund (Fund No. 34, established 1988). Used to mitigate required increases in the surcharge for water treatment or, as directed by the Board, for other lawful purposes, in accordance with Section 5202.

(u) Revolving Construction Fund (Fund No. 35, established 1988). Capital expenditures made from this fund are to be reimbursed from proceeds of security sales to the extent such expenditures are authorized uses of debt proceeds under the Act, subject to the conditions and restrictions contained in Section 5201.

(v) Series G 1966 General Obligation Bond Construction Fund (Fund No. 36, established 1989). Proceeds from the sale of the District's Series G 1966 General Obligation bonds are deposited in this fund and applied exclusively to the purposes for which the bonds were authorized.

(w) Series G 1966 General Obligation Bond Interest and Principal Fund (Fund No. 37, established 1989). Used to pay debt service on the District's Series G 1966 General Obligation bonds from ad valorem taxes subject to the conditions contained in Section 5201.

(x) Series G 1966 General Obligation Bond Excess Earnings Fund (Fund No. 38, established 1990). Used to separately hold rebatable arbitrage interest earnings transferred from the Series G 1966 General Obligation Bond Construction Fund, computed on an annual basis in accordance with federal regulations.

(y) Series G 1966 General Obligation Bond Reserve for Interest and Principal Fund (Fund No. 39, established 1990). Used to satisfy debt service requirements if there are insufficient funds available in the Series G 1966 General Obligation Bond Interest and Principal Fund.

(z) Employee Deferred Compensation Fund (Fund No. 50, established 1976). Compensation deferred by employees under Section 457 of the Internal Revenue Code of 1986, as amended, is deposited in this fund and is withdrawn in accordance with Articles 2 and 3 of Chapter 7 of Division VI.

(aa) San Joaquin Reservoir Fund (Fund No. 51, established 1980). Used for the purposes contained in the San Joaquin Reservoir Trust Agreement between the District and the other entities who share joint ownership of the facility.

(bb) Iron Mountain Landfill Closure/Postclosure Maintenance Fund (Fund No. 52, established 1990). Used as a trust fund to maintain monies sufficient to cover the costs of closure and postclosure maintenance of the District's solid waste landfill facility at Iron Mountain, in accordance with regulations of the California Integrated Waste Management Board.

(cc) Commercial Paper Note Construction Fund (Fund No. 53, established 1991). Proceeds from the sale of commercial paper are deposited in this fund and are applied exclusively to the purposes for which the notes were authorized.

(dd) Commercial Paper Note Payment Fund (Fund No. 54, established 1991). Used to pay debt service on commercial paper of the District, subject to the conditions contained in Section 5201.

(ee) Commercial Paper Note Excess Earnings Fund (Fund No. 55, established 1991). Used to separately hold rebatable arbitrage interest earnings transferred from the Commercial Paper Note Construction Fund, computed on an annual basis in accordance with federal regulations.

(ff) Water Revenue Bonds, Issue of 1991 Construction Fund (Fund No. 56, established 1991). Net proceeds from the sale of these subordinate revenue bonds were deposited in this fund and are used exclusively for the purposes for which the bonds were authorized.

(gg) Water Revenue Bond Service Fund (Fund No. 57, established 1991). Used to pay debt service on subordinate water revenue bonds after payment of Prior Lien Waterworks Revenue Bonds, including reimbursement of any payments made by providers of credit as liquidity enhancement for the bonds.

(hh) Water Revenue Bonds, Issue of 1991 Reserve Fund (Fund No. 58, established 1991). Proceeds from the sale of these subordinate bonds, in an amount equal to the 1991 Bond Reserve Requirement, were deposited into this fund. Used to satisfy debt service requirements if there are insufficient funds available in the Water Revenue Bond Service Fund.

(ii) Water Revenue Bonds, Issue of 1991 Excess Earnings Fund (Fund 59, established 1991). Used to separately hold in trust for payment to the Federal Government amounts deposited in accordance with the provisions of the Tax and Nonarbitrage Certificate and the First Supplemental Resolution for these subordinate bonds.

(jj) Water Revenue Bonds, Issue of 1992 Construction Fund (Fund No. 61, established 1992). Net proceeds from the sale of these subordinate revenue bonds were deposited in this fund and are used exclusively for the purposes for which the bonds were authorized.

(kk) Water Revenue Bonds, Issue of 1992 Reserve Fund (Fund No. 62, established 1992). Proceeds from the sale of these subordinate bonds, in an amount equal to the 1992 Bond Reserve Requirement, were deposited into this fund. Used to satisfy debt service requirements if there are insufficient funds available in the Water Revenue Bond Service Fund.

(ll) Water Revenue Bonds, Issue of 1992 Excess Earnings Fund (Fund 63, established 1992). Used to separately hold in trust for payment to the Federal Government amounts deposited in accordance with the provisions of the Tax and Nonarbitrage Certificate and the Second Supplemental Resolution for these subordinate bonds.

§ 5201. Restricted Funds.

Cash and securities to be held in the various ledger funds shall be as follows:

(a) For the 1931 General Obligation Bond Interest and Redemption Fund and the 1966 General Obligation Bond Interest and Principal Fund and the Series G 1966 General Obligation Bond Interest and Principal Fund, the cash and securities in each as of June 30, shall be at least equal to the debt service for the ensuing 18 months, less revenues anticipated to be derived from the next succeeding tax levy specifically for such debt service.

(b) For the Waterworks Revenue Bond Interest and Principal Fund, the Water Revenue Bond Service Fund, and the Waterworks Revenue Bond Reserve Fund, ~~and~~/the Water Revenue Bonds, Issue of 1991 Reserve Fund, and the Water Revenue Bonds, Issue of 1992 Reserve Fund, cash and securities in each shall be at least equal to the minimums required by the resolutions of issuance for such bonds.

(c) For the 1966 General Obligation Bond Construction Fund, the Series G 1966 General Obligation Bond Construction Fund, the Waterworks Revenue Bond Construction Fund, and the Commercial Paper Note Construction Fund, and the Water Revenue Bonds, Issue of 1991 Construction Fund, and the Water Revenue Bonds, Issue of 1992 Construction Fund, there shall be no minimum requirements; provided that any cash and securities in such funds shall be restricted to use for the purposes such finances were required.

(d) For the State Contract Fund, cash and securities on hand June 30 and December 31 shall equal the capital payments to the State Department of Water Resources that are due on July 1 of the same year and January 1 of the following year, respectively.

(e) For the Special Tax Fund, there shall be no minimum requirement.

(f) For the Operation and Maintenance Fund, cash and securities shall be at least equal to the minimum required by the resolutions of issuance for revenue bonds.

(g) For the Revolving Construction Fund, there shall be no minimum requirement. Cash and securities in this fund, unless restricted as to use by resolution of the Board, shall be available for transfer to the Water Rate Stabilization Fund and the Water Treatment Surcharge Stabilization Fund at the discretion of the Board.

(h) For the Commercial Paper Note Payment Fund, the District shall deposit amounts sufficient to pay principal of, and interest on, the Commercial Paper Notes as the same become due.