



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

7-1

December 26, 1996

To: Board of Directors (Budget and Finance Committee--Action)
From: General Counsel *W. Gregory Taylor*
Subject: Changes to Administrative Code Regarding Delegation of Investment Authority

RECOMMENDATION:

That your Board approve amendments to Sections 5101 and 5114 of the Administrative Code, as shown in Attachment A.

EXECUTIVE SUMMARY:

Your Board currently delegates its authority to invest Metropolitan funds to the Treasurer, as permitted under the California Government Code. Legislation which becomes effective January 1, 1997, provides that this delegation must be renewed annually. Staff recommends that Sections 5101 and 5114 of the Administrative Code be amended to conform to the new requirements, as shown on Attachment A. The proposed new language is compared to the existing Administrative Code language in underline and strikeout format on Attachment B.

DETAILED REPORT:

Your Board currently delegates its authority to invest Metropolitan funds to the Treasurer, as permitted under Section 53607 of the California Government Code. SB 109, sponsored by Senator Quentin L. Kopp, provided amendments to certain Government Code provisions specifying the reporting responsibilities, duty of care and authorization of local agency treasurers. In particular, it amended Section 53607 to provide a one-year limit on the delegation of investment authority by a local agency board to its treasurer. Under prior law, this delegation was effective until revoked or rescinded. SB 109 was approved by the Legislature and Governor and becomes effective January 1, 1997.

While Metropolitan's Administrative Code and Statement of Investment Policy already comply with many of the provisions of SB 109, staff recommends that your Board amend the Administrative Code to provide for annual delegation of investment authority to the Treasurer. Proposed changes to the Administrative Code are shown on Attachment A. The proposed new language is compared to the existing Administrative Code language in underline and strikeout format on Attachment B.

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§ 5101. Investment of Surplus Funds.

(a) Pursuant to Government Code Section 53607, this Board shall delegate to the Treasurer of the District annually 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 any of the securities authorized for investment by local agencies pursuant to Government Code Section 53601 or any successor statute; provided that such investments meet the requirements of the most current Statement of Investment Policy approved by the Board, pursuant to Section 5114 below.

(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.

§ 5114. Reporting Requirements of the Treasurer.

The Treasurer shall:

(a) Render annually, not later than the June Board meeting, a Statement of Investment Policy for the following fiscal year, to be considered for approval by the Board.

(b) Render a monthly report to the General Manager, the Auditor and to the Board, showing the type of investment, issuer, date of maturity, par and dollar amount invested, current market value and source of such valuation, and rate of interest. The report shall additionally include a description of the funds, investments or investment

programs of this District under the management of contracted parties (including lending programs), if any. The report shall also state compliance of the portfolio with the statement of investment policy, or the manner in which the portfolio is not in compliance. A subsidiary ledger of investments may be used in the report in accordance with accepted accounting practices.

Attachment B

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programs), if any. The report shall also state compliance of the portfolio with the statement of investment policy, or the manner in which the portfolio is not in compliance. A subsidiary ledger of investments may be used in the report in accordance with accepted accounting practices.