



**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

9-7

February 24, 1997

**To:** Board of Directors (Budget and Finance Committee -- Information)

**From:** General Manager

*Edward S. Meas III*

**Submitted by:** Lambertus H. Becker  
Chief Financial Officer

*Lambertus H. Becker*

**Subject:** Local Agency and Investment Guidelines

## RECOMMENDATION

---

For information only.

## EXECUTIVE SUMMARY

---

Recently, the California Debt and Investment Advisory Commission (CDAC) issued a publication titled "Local Agency and Investment Guidelines." This publication is intended to assist local agencies in complying with recent changes in the State Code Agency's investment process. Based upon a review of the publication, staff has concluded that Metropolitan is not only in compliance with, but in most cases exceeds the requirements of the State Code. A video entitled "How Safe Is Your Money" was also provided by CDAC and will be presented at the March Budget and Finance Committee meeting. The video and publication are available for viewing by Board members in the Office of the Chief Financial Officer.

## DETAILED REPORT

---

Recently, the California Debt and Investment Advisory Commission (CDAC) issued a publication titled "Local Agency and Investment Guidelines." This publication is intended to assist local agencies in complying with recent changes in the State Code Agency's investment process. Based upon a review of the publication, staff has concluded that Metropolitan is not only in compliance with, but in most cases exceeds the requirements of the State Code. A video entitled "How Safe Is Your Money" was also provided by CDAC and will be presented at the March Budget and Finance

Committee meeting. The video and publication are available for viewing by Board members in the Office of the Chief Financial Officer.

**Some of the more significant legal requirements and Metropolitan's status on these requirements are:**

**Requirement:** Annual review of Investment Policy by the Board

**Response:** This is performed annually, the most recent Policy was approved at the June 1996 Board Meeting. This fiscal year, staff will provide a green board letter on the Statement of Investment Policy at the May Board meeting and will request adoption at the June Board meeting.

**Requirement:** Annual delegation of the investment authority to the Treasurer

**Response:** As part of the adoption of the Statement of Investment Policy, the Board delegates investment authority to the Treasurer. The most recent Statement of Investment Policy was adopted at the June 1996 Board meeting.

**Requirement:** Prohibit purchase of derivatives, defined as investments whose value is based upon an index or benchmark

**Response:** This is already prohibited in Metropolitan's current Statement of Investment Policy.

**In addition to the requirements noted above, Metropolitan must make the following reports available to the Board on at least a quarterly basis:**

**Requirement:** Investment position reports including market value

**Response:** Monthly, the Treasurer provides an oral and written report to the Board on Metropolitan's investment portfolio including cost and market values.

**Requirement:** A citation of compliance with the Investment Policy

**Response:** Metropolitan's General Counsel provides a monthly written report on compliance to the Board.

**Requirement:** A statement of Metropolitan's ability to meet expenditure requirements for the next six months

**Response:** This will be included in the Treasurer's Monthly Report to the Budget and Finance Committee beginning with the March 1997 meeting.