<table>
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<tr>
<th>Section:</th>
<th>FB-4 Finance and Business Services</th>
<th>Approval Date:</th>
<th>7/29/2016</th>
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**FB-4.5 Investments**

It is the policy of the Association that the Investment Subcommittee, through the Finance Committee, will provide recommendations to the Board for the investing of Association funds pursuant to the conditions and restrictions herein.

**4.5.1 Investment Authority**

The Executive Director/Secretary and Controller/Treasurer will have the full authority to invest funds in accordance with this policy. A separate investment report showing a minimum of, if applicable, the investment type, issuing institution, date of purchase, date of maturity, cost, yield, current value and maturity value will be maintained by the Executive Director/Secretary and Controller/Treasurer and made available to the Board on a quarterly basis.

**4.5.2 General Provisions and Objectives**

The purpose of this policy is to ensure the investment of Association funds is accomplished in a safe and secure manner, particularly with respect to limiting exposure of the Association to unnecessary risk. It is also to provide for adequate liquidity to cover expenditures and other obligations as they occur. Funds not required for immediate expenditure will be invested in compliance with this policy. Criteria for selecting investments and the absolute order of priority are safety, liquidity, and yield. Investments will be made in a range of instruments and maturity dates to ensure diversification and liquidity of assets in the event of an emergency or when a large cash outlay is necessary.

**4.5.2.1 Safety of Principal**

Safety of principal is the foremost objective of the Association. Each investment transaction will seek to ensure that capital losses are avoided, whether from securities default, broker-dealer default, or erosion of market value. The Association will seek to preserve principal by mitigating the two types of risk: credit risk and market risk.

**4.5.2.1.1 Credit Risk**

Credit risk, defined as the risk of loss due to failure of the issuer of a security, will be mitigated by investing in investment grade securities and by diversifying the investment portfolio so that the failure of any one issuer does not unduly harm the Association’s capital base and cash flow.

**4.5.2.1.2 Market Risk**

Market risk, defined as market value fluctuations due to overall changes in the general level of interest rates, will be mitigated by limiting the average maturity of the Association’s investment portfolio to one year for short-term funds and a maximum maturity of five years for medium-term funds.
4.5.2.2 Liquidity
Historical cash flow trends are to be compared to current cash flow requirements on an ongoing basis in an effort to ensure that the Association’s investment portfolio will remain sufficiently liquid to meet all reasonably anticipated operating requirements. All investments should be laddered for maximum liquidity.

4.5.2.3 Return on Investment
Maximizing the return on investment is of utmost importance. Tying a benchmark to a specific index is difficult due to volatile market conditions; therefore, the objective is to seek the highest level of return consistent with the risk tolerance of the authorized investment vehicles stated in this policy.

4.5.2.4 Prudent Investor Standard
The investment process will recognize that the investment portfolio is subject to the prudent investor standard and will seek to act responsibly as fiduciary of Association members. Investments will be made with the care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Association, that a prudent person acting in a like capacity and familiar with those matters would use in the conduct of funds of like aims, to safeguard the principal and maintain the liquidity needs of the Association. In a diversified portfolio, occasional measured losses may be inevitable and must be considered within the context of the overall portfolio’s return and the cash flow requirements of the Association.

4.5.3 Authorized Investments
The Association’s approved investments are as follows:

1. Certificates of Deposit representing a deposit of funds at a commercial bank or credit union for a specified period of time and for a specified return at maturity. Eligible Certificates of Deposit will be issued by a nationally or state chartered bank or a state or federal association whose senior debt obligations are rated “AAA” or equivalent by Standard & Poor’s or Moody’s. The full amount of the principal and interest that may be accrued during the maximum term of each Certificate of Deposit will at all times be insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration, or fully collateralized.

2. Instruments fully guaranteed by the Federal Government, such as Treasury Bills, Notes, etc.

3. Savings Account or Money Market Account fully insured by the Federal Deposit Insurance Corporation, or fully collateralized.

4. Authorized Investment Institutions.
   a. State of California Local Agency Investment Fund (LAIF)
   b. CalTrust
4.5.4 Investment Funds
There will be two investment funds, operating/short-term and medium-term, as detailed below:

1. Operating/Short-term Investment Fund
   These are funds expected to be spent in the normal course of business during the current budget cycle. Authorized funds are all those specified in Policy 4.2.3.

2. Medium-term Investment Fund
   These are funds not required to meet the immediate needs of the Association. The maturities on the Medium-term Fund will be limited to five years or less. Authorized funds are all those specified in Policy 4.2.3.

4.5.5 Oversight, Monitoring and Review
The investment portfolio will be managed in accordance with the parameters specified within this policy. The objective of the portfolio should be to obtain a stable rate of return taking into consideration economic constraints commensurate with the investment risk and cash flow requirements. Portfolio performance should be compared to appropriate benchmarks on a regular basis as determined by the Controller/Treasurer.

This investment policy will be reviewed annually by the Investment Subcommittee for any necessary revisions.
References:

Previous Board Policy G.5.

See Administrative Procedure: To be determined.

Revision History:

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<tr>
<th>Revision Date</th>
<th>Description of Changes</th>
<th>Requested By</th>
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<tbody>
<tr>
<td>7/29/2016</td>
<td>Initial Release</td>
<td>ACWA Staff and Finance Committee</td>
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<tr>
<td>7/28/2017</td>
<td>Policy renumbered from FB-4.2 to FB-4.5 for organizational purposes within the section.</td>
<td>ACWA Staff and Governance Workgroup</td>
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<tr>
<td>11/22/2019</td>
<td>Minor edits to Policies FB-4.5, FB-4.5.1, and FB-4.5.2.3 to fine-tune policy language.</td>
<td>ACWA Staff and Finance Committee.</td>
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<tr>
<td>6/4/2021</td>
<td>Revised Policy 4.5.1 Investment Authority to delete reference to the Director of Finance and Business Services and replace with updated language.</td>
<td>ACWA Staff based on organizational changes approved by the Executive Committee and Board of Directors, effective January 2021.</td>
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