

**TRUCKEE MEADOWS WATER AUTHORITY**  
**(TMWA)**

**RESOLUTION NO. 142**

**A RESOLUTION APPROVING AN INVESTMENT POLICY FOR THE TRUCKEE  
MEADOWS WATER AUTHORITY**

**WHEREAS**, The TMWA Board adopted the original Investment Policy in July 2005;

**WHEREAS**, the Investment Policy is to be updated periodically to include additional permitted investments and other appropriate changes as necessary;

**WHEREAS**, pursuant to Chapter 355 of NRS, TMWA is allowed to invest in permitted investments and for maturities up to ten years,

**WHEREAS**, the TMWA has developed certain requirements for investment of cash resources tailored to TMWA's requirements for preservation of principal, provision of liquidity, and obtaining a competitive return on investment as more particularly set forth in the revised Investment Policy, attached hereto as Exhibit A;

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Truckee Meadows Water Authority that the revised Investment Policy attached hereto as Exhibit A provides prudent guidance for investment of TMWA's cash resources and is hereby approved.

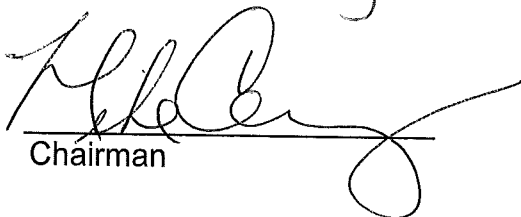
Upon motion of Aiazzi, seconded by Cate, the foregoing Resolution was passed and adopted February 19, 2009, by the following vote of the Board:

Ayes: Aiazzi, Cate, Carrigan, Martini, Young

Nays: \_\_\_\_\_

Abstain: \_\_\_\_\_ Absent: Cashell, Larkin

Approved February 19, 2009

  
Chairman

STATE OF NEVADA,     )  
  : ss.  
COUNTY OF WASHOE.    )

On this 19<sup>th</sup> day of February, 2009, Mike Carrigan, Chairman of the Board of Truckee Meadows Water Authority, personally appeared before me, a Notary Public in and for said County and State, and acknowledged that he executed the above instrument freely and voluntarily and for the purposes therein mentioned.



*Corinne Cassell*  
\_\_\_\_\_  
Notary Public



## **INVESTMENT POLICY**

TMWA BOARD OF DIRECTORS  
MARK FOREE, INTERIM GENERAL MANAGER  
JEFFREY TISSIER, CHIEF FINANCIAL OFFICER/TREASURER

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## **I INTRODUCTION**

The Truckee Meadows Water Authority (TMWA) has on balance, significant amounts of restricted and unrestricted cash resources at any one time. The goal is to invest these funds to obtain suitable rates of return on investments, in a safe and prudent manner. The purpose of this policy is to establish guidelines that will govern the investment activities of TMWA and to establish a formal reporting policy to TMWA's Technical Advisory Committee and Board of Directors. Upon final approval by the TMWA Board, this policy can only be amended by a majority vote of the TMWA Board of Directors. This policy will ensure the prudent investment of TMWA financial resources, adherence to Nevada Revised Statutes applicable to the investment of public funds, maintenance of daily liquidity requirements, anticipation of future cash requirements and realization of a competitive rate of return on investments.

## **II STEWARDSHIP**

This policy applies to all restricted and unrestricted monies held by TMWA. TMWA is authorized to use alternative investments such other governmental investment pools if the rate of return performance warrants such investment alternatives. TMWA will utilize the expertise of outside registered independent investment advisors to assist in the management of an active portfolio of permitted investments and to provide recommendations on investment alternatives.

The standard of care shall be governed by the prudent person standard, embodied in NRS 355.145, which will be applied while conducting all investment transactions:

“The TMWA General Manager, Chief Financial Officer and Treasurer who have responsibilities for investing TMWA monies shall exercise the judgment and care, under the circumstances then prevailing, which a person of prudence, discretion and intelligence exercises in the management of their own affairs, not in regard to speculation, but in regard to the investment of his money, considering the probable income as well as the probable safety of his capital.”

Authorized investment officers and staff who act in accordance with this policy and procedures in the management of TMWA monies and who exercise the proper due diligence will have no personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported and preventative action taken to control adverse developments.

## **III OBJECTIVES**

There are three major objectives in the investment of public monies which listed in the order of importance, are integral to managing various investments risks. Investment risks

include but are not limited to market risk, liquidity risk, credit risk, reinvestment risk, collateral risk, and rate volatility risk.

**Safety:** Safety of principal is the foremost objective of the investment program. Investments by TMWA shall be undertaken to ensure the preservation of principal in the portfolio.

**Liquidity:** TMWA will remain sufficiently liquid to allow for the normal withdrawals by participants. A sufficient portion of the portfolio will be maintained in overnight securities to meet immediate cash needs to cover operating expenses and capital spending for construction and outlays.

**Return on Investment:** TMWA will invest monies in a manner to obtain a reasonable rate of return on investments considering long term liquidity requirements based upon cash demand projections. TMWA will prepare a drawdown schedule at least annually to model an investment portfolio.

#### IV ETHICS

All investment staff will act responsibly as custodians of public funds. The staff will refrain from personal business activity that could conflict with the proper execution of the investment program or that could impair their ability to make impartial investment decisions.

#### V INVESTMENT PROCEDURES

TMWA will prepare a drawdown schedule at least annually for purposes of developing an investment plan for unrestricted cash to be used by operations and by the most recent capital spending plan which may be different from the annual budget and other capital spending plans. Particular to TMWA is reserving adequate amounts of cash to fund capital spending on an as needed basis. This is accomplished by closely monitoring construction activity.

This drawdown schedule will project cash inflows and outflows on a weekly basis. Special care in maintaining liquidity will be of particular importance to avoid forced liquidation of investment securities. TMWA will not invest beyond two years unless cash flow projections warrant the alternative. Due to rate volatility, investments may experience unrealized losses and gains at any given point in time. TMWA will not prematurely liquidate investments unless liquidity is required. TMWA will make every effort to hold investments to maturity. If TMWA experiences greater than planned cash resources TMWA can prepare a revised drawdown schedule and invest in such a manner to meet cash demands or invest in shorter maturities based upon breakeven analyses if investing in shorter term securities is justified.

## **VI AUTHORIZED FINANCIAL INSTITUTIONS AND ADVISORS**

TMWA will maintain relationships with banking and financial institutions that are authorized to provide investment services and custody arrangements and are organized and operating, or licensed to operate in the United States under federal or state laws.

## **VII PERMITTED INVESTMENTS**

TMWA will only invest its funds in compliance with the provisions of NRS 355.170 which sets forth investments authorized to be made by local governments. TMWA's IP as set forth herein, is more restrictive than NRS 355.170 and does not authorize all investments permitted by NRS 355.170. TMWA shall be authorized to invest only in the following:

- A United State Treasury Bills, Notes and Bonds
  - 1. Maximum maturity of two (2) years
- B United State Government Agency Securities
  - 1. Fannie Mae
  - 2. Federal Agricultural Mortgage Corporation
  - 3. Federal Farm Credit Bank
  - 4. Federal Home Loan Bank
  - 5. Federal Home Loan Mortgage Corporation
  - 6. Government National Mortgage Association
  - 7. Maximum maturity of two (2) years
- C Student Loan Marketing Association
  - 1. Maximum maturity of two (2) years
- D Corporate Notes
  - 1. Rating must be "AA" or its equivalent or better
  - 2. Maximum maturity of two (2) years
- E Money Market Mutual Funds
  - 1. Only SEC registered 2(A) 7 funds are eligible
  - 2. Rating must be "AAA" or equivalent
  - 3. Investments must only be:
    - a) United States Treasury or United States governmental agency securities

- b) Master notes, bank notes, or commercial paper rated “A-1”, “P-1” or its equivalent or better, issued by a corporation organized and operating or by a depository institution licensed by the United States, or any state, and operating in the United States.
- c) Repurchase Agreements collateralized by the securities in f-3a, and f-3b

4. Funds must maintain a \$1 Net Asset Value

F. Negotiable Certificates of Deposit

- 1. Issued by commercial banks
- 2. Issued by insured savings and loan associations
- 3. Issued by insured credit unions
- 4. Rating must be “a-1”, “P-1” or equivalent or better
- 5. Maximum maturity of one (1) year
- 6. Aggregate par value may not exceed 20% of the total par value of the total investment portfolio available to TMWA

G. Repurchase Agreements

- 1. Executed with a qualified counterparty,
- 2. Comply with other requirements of NRS 355.170(2)

H. Commercial Paper

- 1. Rating must be “A-1”, “P-1”, equivalent or better.
- 2. Maximum maturity of 270 days
- 3. Aggregate par value may not exceed 20% of the total par value of the total investment portfolio available to TMWA

I Bankers Acceptances

- 1. Rating must be “A-1”, “P-1”, equivalent or better.
- 2. Maximum maturity of 180 days
- 3. Aggregate par value may not exceed 20% of the total par value of the total investment portfolio available to TMWA

J. Long Term Forward Sale Contracts and Guaranteed Investment Contracts

- 1. The FSC or GIC is invested with a commercial bank or credit union, which is organized and operating or licensed to operate in the United State under federal or state law with a credit rating on its outstanding long term debt of not less than “A2” by Moody’s Investor Services, Inc. or “AA” by Standard & Poors Rating Services, or their equivalent



2. Maintains appropriate collateral which are securities of the Federal government or agencies of the Federal Government for the protection of principal equal to or greater than 102% of the principal invested

3. TMWA receives a security interest in the collateral that is fully perfected and the collateral is held in custody for TMWA by a third-party agent of TMWA which is a commercial bank authorized to exercise trust powers

K. Long Term and Short Term Local government Investment Pool of the State of Nevada

L. Collateralized Mortgage Obligations

1. Rating must be "A-1", "P-1", its equivalent or better

2. Final Cash flow Payment date will not exceed two (2) years assuming a zero (0) pre-payment speed

3. Underlying collateral must be United States Government Securities

4. Certain risks should be examined before investment in these instruments such as exposure to interest only mortgages and other potentially higher risk mortgage products that may make this type of investment not suitable to TMWA

M. Municipal Securities

1. Negotiable note(s) in medium-term obligations issued by local governments of the State of Nevada pursuant to NRS 350.087 to 350.095, and subject to NRS 355.177 which prohibits a local government from investing in its own securities of any kind or interim warrants from any source.

2. The interest on such obligations must be exempt from gross income for federal income tax purposes.

3. Such obligations must be rated "A" or higher by one or more nationally recognized bond credit rating agencies.

TMWA will **not** invest in Asset-Backed Securities (ABS), even though this investment is a permitted investment pursuant to NRS 355.171.

## VIII COLLATERALIZATION

A. Repurchase Agreements

1. The purchase securities will be United State Treasury or United States government agency securities with a term to maturity not exceed ten (10) years. The market value of the purchased securities must equal or exceed 102 percent of the repurchase price to be paid by the counter-party and the value of the purchased securities must be marked to market weekly. If the value of the purchased securities should fall below 102

percent, the counterparty will be required to submit additional collateral to make up the deficit. The date on which the securities are to be repurchased must not be more than 90 days after the date of purchase.

## **IX SAFEKEEPING/CUSTODY AND DELIVERY**

A. Securities purchased by TMWA as well as collateral for repurchase agreements will be delivered against payment and held in a custodial safekeeping account with an approved financial institution acting as a third party custodian.

B. If TMWA enters into Master Securities Custody Services and these services encompass the following functions:

1. The settlement of all purchase, sales, and calls through the Federal Reserve System (Fed) or the Depository Trust Company (DTC)
2. The collection and distribution of all interest payments
3. The facilitation of all trading activity conducted by investment managers and securities lending agent.
4. Provide daily accounting of all investment accounts, and month end reports that show a detailed list of holdings with market evaluations.

## **X DIVERSIFICATION**

A. Securities held by TMWA or by TMWA's custodians will be diversified to eliminate risk of loss from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The following diversification limitations shall be imposed:

1. With the exception of United States Treasury securities, United States governmental agency securities, and repurchase agreements, no more than 20 percent of the total par value of the portfolio will be invested in a single security type.
2. No more than 40 percent of the total par value of the portfolio will be invested in any combination of negotiable certificates of deposit, commercial paper, and corporate notes.

## **XI MATURITIES**

A. **Liquidity:** to the extent practical, investment of maturities must match normal cash flow requirements of TMWA. Portfolio management will require a periodic

assessment of cash flow requirements on a continual basis and also on a quarterly basis with respect to forecasting drawdown requirements.

**B. Market Risk:** Market risk relates to the constant price fluctuations of securities that may result in a loss to TMWA if cash flow requirements force a premature sale.

Portfolio maturities must be structured to avoid the forced sale of securities in any but the most severe circumstances. The projection of a “Minimum Liquidity Requirement” as defined by drawdown schedules will be enforced to ensure that money is available to meet the short-term operating needs of TMWA.

## **XII INVESTMENT PERFORMANCE**

TMWA cash will be invested to attain a reasonable return on investment consistent with cash flow requirements and risk constraints. TMWA must meet funding requirements of operating expenses, capital spending, and funding of principal and interest payments on TMWA’s outstanding debt. Rate of return on investments can be greatly influenced by prevailing economic conditions. TMWA maintains a conservative, “buy and hold” investment strategy, which incorporates the matching of maturing securities to cash requirements of TMWA. TMWA will try to achieve yields benchmarked against the 3 month United States Treasury bill yield.

## **XIII ACCOUNTING AND REPORTING**

TMWA will report investment results to the Technical Advisory Committee and the TMWA Board of Director’s within 60 days of the close of a calendar quarter beginning with the calendar quarter ending June 30, 2005. These results will include investments transactions, securities holdings, calculate yield to maturity, and average portfolio life and calculate portfolio earnings.

## **XVII INTERNAL CONTROLS**

TMWA’s investments are subject to audit by TMWA outside external financial auditors. TMWA maintains a system of internal controls to monitor investment transactions and associated activities. These controls are created to safeguard against fraud, investment decision errors, or other actions that could result in a loss of TMWA’s money.

## **XVIII SECURITIES LENDING**

TMWA has not engaged in securities lending and has no intent to engage in securities lending. Securities lending is permitted pursuant to Nevada Revised Statutes under certain conditions. If TMWA engages in securities lending TMWA will revise this investment policy to incorporate constraints on securities lending pursuant to state statute.