

TRUCKEE MEADOWS WATER AUTHORITY

RESOLUTION NO. 80

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

WHEREAS, the TMWA has cash resources to invest on an ongoing basis;

WHEREAS, the TMWA has historically invested in long term investments agreements providing guaranteed returns on investment;

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 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 Investment Policy attached hereto as Exhibit A provides prudent guidance for investment of TMWA's cash resources and is hereby approved.

Upon motion of Vice Chairman Carlo Panicari, seconded by Member Dave Aiazzi, the foregoing Resolution was passed and adopted July 13, 2005, by the following vote of the Board:

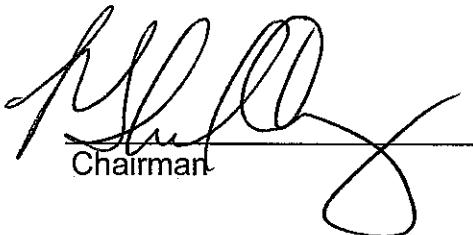
Ayes: Chairman Carrigan; Vice Chairman Panicari, Member Aiazzi, Member Geddes, Member Salerno and Member Sferrazza

Nays: None

Abstain: None

Absent: None

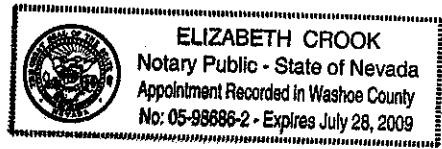
Approved July 13, 2005

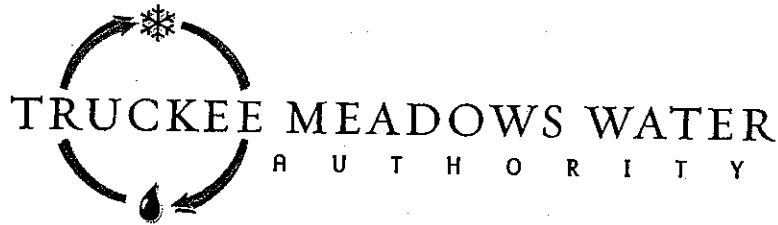

Chairman

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

On this September 8, 2005, Michael Carrigan, Chairman of the 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.

Elizabeth Crook
Notary Public





STAFF REPORT

TO: TMWA Board of Directors
FROM: Lori Williams, General Manager
 Jeff Tissier, Chief Financial Officer
DATE: July 7, 2005
SUBJECT: **REQUEST FOR BOARD INPUT, DIRECTION AND ADOPTION OF RESOLUTION 80 – A RESOLUTION APPROVING AN INVESTMENT POLICY FOR THE TRUCKEE MEADOWS WATER AUTHORITY**

RECOMMENDATION

TMWA Staff requests that the TMWA Board review and approve the proposed Investment Policy for the Truckee Meadows Water Authority (attached).

DISCUSSION

The policy governs the investment of TMWA's restricted and unrestricted cash. TMWA utilizes the expertise and experience of Public Financial Management's (PFM's) investment advisory group in Harrisburg Pennsylvania, and San Francisco, California, to guide TMWA's investment program. TMWA's Technical Advisory Committee namely the Finance Directors of the City of Reno, City of Sparks and Washoe County have provided input to this policy.

Upon formation of TMWA, restricted and unrestricted cash was invested in various Guaranteed Investment Contracts (GICs) and Forward Sale Contracts (FSCs). On June 30, 2004 one of these contracts yielding 4.25% expired. On June 30, 2005 another investment contract yielding 4.45% expired. Both of these contracts were three year contracts. Over the past year, market conditions were not acceptable to enter into these types of contracts, so TMWA has been actively managing the investments with the professional assistance of PFM. Please refer to **Attachment A** for summary of investments.

TMWA has managed its investment program in full compliance with Chapter 355 of the Nevada Revised Statutes. TMWA management felt that a formal policy regarding TMWA investments is appropriate and would set forth the guidelines and expectations for investing TMWA financial resources rather than just simply complying with state statutes. For example, TMWA believes that certain investments, although permitted by state statute, are not considered suitable for our agency. Such an investment vehicle is an Asset-Backed Security. These securities are backed by

notes and receivables against assets other than real estate, generally auto loans and credit card receivables.

Chapter 355 of the NRS also allows certain investments to be invested upwards of 10 years. TMWA believes that the maturity on its investments should be governed by liquidity requirements requiring cash flow forecasting rather than a stipulated number of years. TMWA believes that maturities greater than three years should be limited to 20% of the total portfolio if liquidity requirements and market conditions allow for such maturities. Total portfolio amounts exclude investments in GICs and FSCs.

In the past, TMWA's investments were comprised of several forward sale contracts with very attractive investment returns. In June 2004, one of these contracts placed with AMBAC expired. This contract yielded 4.25%. On June 30, 2005, another forward sale contract expired, yielding 4.45%. This contract was placed with First Union Bank in January 2002. The First Union investment contract invested monies deposited by TMWA in the principal and interest accounts held by the bond trustee, the Bank of New York Trust Department. With the expiration of these contracts staff felt it appropriate to bring forward this Investment Policy for Board consideration and approval.

TMWA still has in force the Debt Service Reserve- Forward Purchase Investment Agreement with Bank of America. This agreement invests the \$30.1 million held in the debt reserve fund. This investment contract yields 5.5% and expires July 3, 2012. Another contract invests the \$4.6 million held in the operations and maintenance reserve fund in a Forward Sale Agreement with Bear Sterns. This contract yields 4.45% and expires August 1, 2013. Both reserves are required reserves as stipulated in the bond indenture and are held as restricted cash on TMWA's balance sheet. These contracts were entered into at the time TMWA was formed.

TMWA with the assistance of PFM has been actively managing the monies originally invested with AMBAC and will now be in a position to actively manage monies formally invested with First Union as well. The reasons for the decision to actively manage these monies were rates of return on forward sale contracts are not attractive and short term interest rates are still increasing quickly due to Federal Reserve actions. Regular reviews are performed in conjunction with PFM to insure TMWA is in the best possible position to maximize returns while maintaining required liquidity.

Per the attached Investment Policy, staff recommends quarterly reports on investments to both the TAC and the Board to ensure appropriate implementation of the Investment Policy as proposed.

Truckee Meadows Water Authority
 Schedule of Investments
 June 30, 2005

	Balance	Status	ROR	Investment Maturity
Restricted Cash				
Debt Service Reserve	\$ 30,119,000	Bank of America FSC	5.50%	7/3/2012
Principal Reserve Account	6,250,000	First Union FSC	4.45%	6/30/2004
Interest Reserve Account	11,797,164	First Union FSC	4.45%	6/30/2004
O & M Reserve Account	5,733,333	Bear Sterns FSC	4.50%	8/1/2013
Renewal & Replacement Reserve (1)	7,470,000	PFM Active Management (2)	2.1%-3.2%	7/06/2005-2/15/2006
Hydro Purchase Reserve (1)	8,000,000	PFM Active Management (2)	2.1%-3.2%	7/06/2005-2/15/2006
Total Restricted Cash	\$ 69,369,497			
Unrestricted Cash (estimated)				
Revenue Fund	9,986,634	PFM Active Management (2)	2.75%-2.90%	Daily
Capital Projects Fund (1)	48,013,366	PFM Active Management (2)	2.1%-3.2%	7/19/2005-2/15/2006
Total Unrestricted cash	58,000,000			
Total Cash Resources June 30, 2005	\$ 127,369,497.33			

(1) These cash resources were formerly with AMBAC @ 4.25% return; contract expired 6/01/2004

(2) This portfolio has returns of 2.1 % to 3.2%, Federal Agency paper, and latest maturity is 2/15/2006.