



Santa Clara Valley Water District

File No.: 22-0424

Agenda Date: 5/10/2022

Item No.: 3.1.

BOARD AGENDA MEMORANDUM

SUBJECT:

Resolution Delegating Authority to Deposit and Invest Funds to the Treasurer or Their Designee and Approve the Board Investment Policy.

RECOMMENDATION:

- A. Adopt the Resolution DELEGATING AUTHORITY TO DEPOSIT AND INVEST FUNDS TO THE TREASURER OR THEIR DESIGNEE; and
- B. Approve the Board Investment Policy.

SUMMARY:

In accordance with Executive Limitation 4.9 regarding treasury and investment management, and pursuant to California Government Code (Government Code) Sections 53607 and 53608, staff recommends that the Board:

- A. Adopt the resolution delegating authority to deposit and invest funds to the Treasurer or designee (Attachment 1); and
- B. Approve the investment policy (Attachment 2).

Delegation of Authority to Deposit and Invest Public Funds

The authority to deposit and invest public funds belongs to the Board and may be delegated to the Treasurer or designee. The Treasurer is designated by the Chief Executive Officer and is currently the Chief Financial Officer, who in turn has delegated the investment duties to the Treasury and Debt Officer.

Per Government Code Sections 53607 and 53608, the delegation of authority to invest must be renewed annually by the Board. The Board's current delegation to the Treasurer to invest Santa Clara Valley Water District (Valley Water) funds expire on June 30, 2022. If the Board chooses not to delegate the authority to invest funds in Fiscal Year 2022-23, the Treasurer will be limited to making deposits only, and the Board will be responsible for the investment of Valley Water's funds.

Furthermore, Government Code Section 53608 requires the Board to delegate the authority to deposit funds for safekeeping with a federal or state association (as defined by Section 5102 of the California Financial Code), a trust company or state or national bank located within this state or with the Federal Reserve Bank of San Francisco or any branch thereof within this state, or with any

Federal Reserve bank or with any state or national bank located in any city designated as a reserve city by the Board of Governors of the Federal Reserve System. Through the Board's adoption of the resolution attached to this memorandum as Attachment 1, the Board, pursuant to Government Code Sections 53607 and 53608, will delegate to the Treasurer, designated by the Chief Executive Officer, the authority to invest or deposit such funds during Fiscal Year 2022-23 in accordance with the provisions set forth in the Government Code.

Investment Policy

The Valley Water Investment Policy is consistent with the Government Code and follows the priorities of safety, liquidity and yield. The Investment Policy applies to Valley Water's pooled investment fund which encompasses all monies under the direct oversight of the Treasurer. Included in the investment pool are Valley Water's General Fund, the Safe, Clean Water Fund, the Watershed Funds, the Water Utility Enterprise Fund, the Equipment Service Fund, the Risk Insurance Fund, and debt proceeds with special consideration given to specific provisions contained in the indentures for each debt issuance.

The Investment Policy in Attachment 2 is presented in redlined format to highlight the minor editorial changes as well as the following update to conform to the current Government Code requirements:

- Section 7.13.1 Prohibited Investments: Pursuant to the Government Code, an exception is provided such that beginning January 1, 2021, until January 1, 2026, investments are authorized in securities issued by, or backed by, the United States government that could result in zero- or negative-interest accrual if held to maturity during a period of negative market interest rates.

Climate Divestment Policy

On August 27, 2013, the Board adopted a new Executive Limitation, EL-4.9.3. No investments will be made in fossil fuel companies with significant carbon emissions potential. As a result of this action, Valley Water shall not invest in the top 200 fossil fuel companies based on the list published by the non-profit organization, 350.org. The list published by 350.org is included in Exhibit C of Attachment 2-Investment Policy.

Valley Water's investment portfolio is in full compliance with the Climate Divestment Policy and has zero investments in fossil fuel companies.

ESG Policy

At its August 11, 2020, meeting, the Board approved an update to Executive Limitation 4.7.7 to stipulate that Valley Water can only do business with banks that have an Environmental, Social and Governance (ESG) risk rating of average/medium or better from at least one professional ESG research company. Small and local banks/credit unions located within the nine Bay Area counties with total assets at or below \$10 billion are exempt from this provision.

Valley Water currently conducts commercial banking and trustee banking services with MUFG Union Bank, N.A., and US Bank. Both banks have an ESG rating of Medium from MSCI (Attachment 3).

ENVIRONMENTAL JUSTICE IMPACT:

There are no Environmental Justice impacts associated with this item.

FINANCIAL IMPACT:

Adoption of the resolution will ensure that Valley Water funds continue to be invested under the Investment Policy for Fiscal Year 2022-23. Estimated investment earnings of \$6 million have been included in the Fiscal Year 2022-23 budget.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:

Attachment 1: Resolution
Attachment 2: FY 22-23 Board Investment Policy
Attachment 3: ESG Reports

UNCLASSIFIED MANAGER:

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