

TWAIN HARTE COMMUNITY SERVICES DISTRICT

Finance/Policy Committee Meeting

Chair: *Mary Dearborn*

Co-Chair: *Charlotte Bohlman*

THCSD CONFERENCE ROOM
22912 VANTAGE POINTE DR., TWAIN HARTE
January 7, 2026 1:30 p.m.

NOTICE: Public May Attend this Meeting In-Person.

The meeting will be accessible via ZOOM for anyone that chooses to participate virtually:

- Videoconference Link: <https://us02web.zoom.us/j/82209687022>
- Meeting ID: 822 0968 7022
- Telephone: (669) 900-6833

AGENDA

- 1. Review draft of Fiscal Year 2025-26 mid-year budget.**
- 2. Annual review of Policy #3015 – Investment Policy.**
- 3. Annual review of Policy #4010 – Board Duties.**
- 4. Annual review of Policy #4030 – Code of Ethics and Conduct.**
- 5. Adjourn.**

HOW TO VIRTUALLY PARTICIPATE IN THIS THIS MEETING

The public can virtually observe and participate in a meeting as follows:

- **Computer:** Join the videoconference by clicking the videoconference link located at the top of this agenda or on our website. You may be prompted to enter your name and email. Your email will remain private and you may enter “anonymous” for your name.
- **Smart Phone/Tablet:** Join the videoconference by clicking the videoconference link located at the top of this agenda OR log in through the Zoom mobile app and enter the Meeting ID# and Password found at the top of this agenda. You may be prompted to enter your name and email. Your email will remain private and you may enter “anonymous” for your name.
- **Telephone:** Listen to the meeting by calling Zoom at (4669) 900-6833. Enter the Meeting ID# listed at the top of this agenda, followed by the pound (#) key.

* NOTE: your personal video will be disabled and your microphone will be automatically muted.

SUBMITTING PUBLIC COMMENT

The public will have an opportunity to comment before and during the meeting as follows:

- **Before the Meeting:**
 - Email comments to ksilva@twainhartecsd.com, write “Public Comment” in the subject line. In the body of the email, include the agenda item number and title, as well as your comments.
 - Mail comments to THCS Board Secretary: P.O. Box 649, Twain Harte, CA 95383
- **During the Meeting:**
 - Computer/Tablet/Smartphone: Click the “Raise Hand” icon and the host will unmute your audio when it is time to receive public comment. If you would rather make a comment in writing, you may click on the “Q&A” icon and type your comment. You may need to tap your screen or click on “View Participants” to make icons visible.



Raise Hand Icon:



Q&A Icon:

- Telephone: Press *9 if to notify the host that you have a comment. The host will unmute you during the public comment period and invite you to share comments.
- In-Person: Raise your hand and the Board Chairperson will call on you.

* NOTE: If you wish to speak on an item on the agenda, you are welcome to do so during consideration of the agenda item itself. If you wish to speak on a matter that does not appear on the agenda, you may do so during the Public Comment period. Persons speaking during the Public Comment will be limited to five minutes or depending on the number of persons wishing to speak, it may be reduced to allow all members of the public the opportunity to address the Board. Except as otherwise provided by law, no action or discussion shall be taken/conducted on any item not appearing on the agenda. Public comments must be addressed to the board as a whole through the President. Comments to individuals or staff are not permitted.

MEETING ETIQUETTE

Attendees shall make every effort not to disrupt the meeting. Cell phones must be silenced or set in a mode that will not disturb District business during the meeting.

ACCESSIBILITY

Board meetings are accessible to people with disabilities. In compliance with the Americans with Disabilities Act, those requiring accommodations for this meeting should notify the District office 48 hours prior to the meeting at (209) 586-3172.

WRITTEN MEETING MATERIALS

If written materials relating to items on this Agenda are distributed to Board members prior to the meeting, such materials will be made available for public inspection on the District’s website:

www.twainhartecsd.com

Twain Harte Community Services District
2025-2026 Mid-Year Budget Adjustment

	WATER			SEWER			FIRE			PARK			ADMIN			TOTAL
	Approved	Proposed	% Diff	Approved	Proposed	% Diff	PROJECTED									
Revenue																
Service Charges	\$ 1,691,600	\$ 1,670,400	-1%	\$ 1,447,000	\$ 1,447,000	0%	\$ -	\$ -	0%	\$ -	\$ -	0%	\$ -	\$ -	0%	\$ 3,117,400
Fees	21,100	20,600	-2%	16,100	16,100	0%	-	-	0%	13,000	13,500	4%	-	-	0%	50,200
Taxes & Assessments	44,300	43,700	-1%	-	-	0%	1,414,000	1,419,100	0%	162,400	162,500	0%	-	-	0%	1,625,300
Grants & Donations	130,000	130,500	0%	-	-	0%	148,520	375,338	153%	93,700	101,000	8%	-	-	0%	606,838
Other Revenue	75,500	106,000	40%	40,000	48,000	20%	166,400	463,058	178%	5,000	14,700	194%	1,000	1,000	0%	632,758
Total Program Revenue	\$ 1,962,500	\$ 1,971,200	0%	\$ 1,503,100	\$ 1,511,100	1%	\$ 1,728,920	\$ 2,257,496	31%	\$ 274,100	\$ 291,700	6%	\$ 1,000	\$ 1,000	0%	\$ 6,032,496
Admin Revenue Allocation	470	470	0%	250	250	0%	180	180	0%	100	100	0%	(1,000)	(1,000)	0%	-
GRAND TOTAL REVENUE	\$ 1,962,970	\$ 1,971,670	0%	\$ 1,503,350	\$ 1,511,350	1%	\$ 1,729,100	\$ 2,257,676	31%	\$ 274,200	\$ 291,800	6%	\$ -	\$ -	0%	\$ 6,032,496
Operating Expenses																
Salaries	\$ 372,815	\$ 373,978	0%	\$ 200,251	\$ 198,336	-1%	\$ 689,845	\$ 856,167	24%	\$ 18,362	\$ 17,793	-3%	\$ 453,476	\$ 444,893	-2%	\$ 1,891,167
Benefits	227,018	228,328	1%	122,322	122,746	0%	397,227	407,843	3%	14,333	14,472	1%	264,214	259,474	-2%	1,032,863
Equip, Auto, Maint, & Repairs	139,900	168,600	21%	72,100	79,400	10%	143,332	160,600	12%	23,200	25,200	9%	13,200	13,900	5%	447,700
Materials & Supplies	50,200	50,400	0%	6,500	6,700	3%	13,200	11,900	-10%	1,900	2,500	32%	4,200	3,800	-10%	75,300
Outside Services	31,900	30,700	-4%	26,600	25,500	-4%	26,300	24,400	-7%	4,700	4,700	0%	42,300	43,000	2%	128,300
Other (Utilities, Prop/Liab Ins, TUD)	260,100	251,500	-3%	707,500	713,300	1%	146,400	121,300	-17%	35,800	34,900	-3%	92,500	93,600	1%	1,214,600
Debt Service	110,390	110,390	0%	16,939	-	-100%	-	-	0%	-	-	0%	-	-	0%	110,390
Total Program Expenses	\$ 1,192,322	\$ 1,213,896	2%	\$ 1,152,211	\$ 1,145,981	-1%	\$ 1,416,305	\$ 1,582,210	12%	\$ 98,295	\$ 99,565	1%	\$ 869,890	\$ 858,667	-1%	\$ 4,900,320
Administrative Cost Allocation	408,848	403,574	-1%	217,472	214,667	-1%	156,580	154,560	-1%	86,989	85,867	-1%	(869,890)	(858,667)	-1%	-
GRAND TOTAL OPERATING EXPENSES	\$ 1,601,170	\$ 1,617,470	1%	\$ 1,369,683	\$ 1,360,648	-1%	\$ 1,572,885	\$ 1,736,770	10%	\$ 185,284	\$ 185,432	0%	\$ -	\$ -	0%	\$ 4,900,321
TOTAL OPERATING BALANCE	\$ 361,800	\$ 354,200		\$ 133,667	\$ 150,702		\$ 156,215	\$ 520,906		\$ 88,916	\$ 106,368		\$ -	\$ -		
Capital Expenses																
Capital Outlay	972,200	949,576	-2%	519,800	520,755	0%	296,000	371,062	25%	224,200	220,500	-2%	-	-	0%	2,061,893
Total Capital Expenses	\$ 972,200	\$ 949,576	-2%	\$ 519,800	\$ 520,755	0%	\$ 296,000	\$ 371,062	25%	\$ 224,200	\$ 220,500	-2%	\$ -	\$ -		\$ 2,061,893
GRAND TOTAL EXPENSES	\$ 2,573,370	\$ 2,567,046	0%	\$ 1,889,483	\$ 1,881,403	0%	\$ 1,868,885	\$ 2,107,832	13%	\$ 409,484	\$ 405,932	-1%	\$ -	\$ -	0%	\$ 6,962,214
Transfer To/(From) Reserve	\$ (610,400)	\$ (595,376)		\$ (386,133)	\$ (370,053)		\$ (139,785)	\$ 149,844		\$ (135,284)	\$ (114,132)		\$ -	\$ -		\$ (929,718)

Twain Harte Community Services District
 2025-2026 Mid-Year Budget Adjustment
ADMIN - REVENUE

BUDGET ITEM	BUDGET		CHANGE		REASON FOR CHANGE
	Approved	25/26 Proposed	\$	%	
Other Revenue					
Grant Revenue			\$ -	0%	
Miscellaneous Revenue	1,000	1,000	-	0%	
Interest Revenue			-	0%	
Lease Revenue			-	0%	
Sale of Assets			-	0%	
Other			-	0%	
TOTAL OTHER REVENUE	\$ 1,000	\$ 1,000	\$ -	0%	
GRAND TOTAL REVENUE	\$ 1,000	\$ 1,000	\$ -	0%	

Twain Harte Community Services District
2025-2026 Mid-Year Budget Adjustment

ADMIN - EXPENSES

BUDGET ITEM	BUDGET		CHANGE		REASON FOR CHANGE
	Approved	25/26 Proposed	\$	%	
Salaries - 51XXX					
Regular Time	\$ 434,336	\$ 425,754	(8,582)	-2%	Employee changes different than budgeted
Uniform Allowance	0	0	0	0%	
Sick Leave/Vacation Pay	10,000	10,000	0	0%	
Director Stipends	8,880	8,880	0	0%	
Cell Phone Stipend	259	259	0	0%	
TOTAL SALARIES	\$ 453,476	\$ 444,893	\$ (8,582)	-2%	
Benefits - 52XXX					
Health & Vision Insurance	\$ 115,941	\$ 105,387	\$ (10,555)	-9%	Employee changes different than budgeted
HRA Reimbursement	31,778	28,153	(3,625)	-11%	Employee changes different than budgeted
Retirement	77,520	87,845	10,325	13%	Employee changes different than budgeted
FICA	26,359	25,827	(532)	-2%	
Medicare	7,050	6,939	(112)	-2%	
Workers Comp	4,700	4,124	(576)	-12%	
Unemployment Ins/ETT	865	1,200	335	39%	
TOTAL BENEFITS	\$ 264,214	\$ 259,474	\$ (4,739)	-2%	
Equipment, Automotive, Maintenance & Repairs					
Equipment Maintenance & Repair	\$ 1,500	\$ 800	\$ (700)	-47%	
Facilities Maintenance & Repair	4,000	4,100	100	3%	
Janitorial/Cleaning Services	700	700	0	0%	
Fuel	1,800	1,600	(200)	-11%	
Equipment Under \$5,000	5,200	6,700	1,500	29%	New Scanners needed for digitizing files
TOTAL EQUIP, AUTO, MAINT & REPAIR	\$ 13,200	\$ 13,900	\$ 700	5%	
Materials & Supplies - 54XXX					
Office Supplies	\$ 2,400	\$ 2,400	\$ -	0%	
Postage	1,400	1,000	(400)	-29%	
Janitorial Supplies	400	400	0	0%	
TOTAL MATERIALS & SUPPLIES	\$ 4,200	\$ 3,800	\$ (400)	-10%	

Twain Harte Community Services District
2025-2026 Mid-Year Budget Adjustment

ADMIN - EXPENSES

BUDGET ITEM	BUDGET		CHANGE		REASON FOR CHANGE
	Approved	25/26 Proposed	\$	%	
Outside Services - 55XXX					
Auditing/Accounting Services	\$ 29,000	\$ 31,500	\$ 2,500	9%	More accounting consulting due to late hire of accountant
Legal Fees	6,000	4,500	(1,500)	-25%	Trending lower
IT Services	4,000	3,500	(500)	-13%	
Medical Exams	0	300	300	300%	
Other Professional Services	\$ 3,300	\$ 3,200	(100)	-3%	
TOTAL OUTSIDE SERVICES	\$ 42,300	\$ 43,000	\$ 700	2%	
Other - 56XXX					
Utilities	\$ 8,900	\$ 8,600	\$ (300)	-3%	
Phone/Communications	4,800	4,400	(400)	-8%	
Software Licenses & Maintenance	24,000	26,400	2,400	10%	Added software for asset management/digitized records
Property/Liability Insurance	16,000	15,800	(200)	-1%	
Dues & Memberships	7,700	7,900	200	3%	
Licenses & Certifications	700	1,000	300	43%	
Training, Conferences & Travel	27,900	27,500	(400)	-1%	
Advertising & Public Education	1,500	1,500	0	0%	
Bank/Investment Fees	1,000	500	(500)	-50%	
TOTAL OTHER	\$ 92,500	\$ 93,600	\$ 1,100	1%	
GRAND TOTAL EXPENSES	\$ 869,890	\$ 858,667	\$ (11,222)	-1%	
Admin Transfer Out	\$ (869,890)	\$ (858,667)	\$ (11,222)		
GRAND TOTAL WITH TRANSFER	\$ -	\$ -			

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Policy and Procedure Manual

POLICY TITLE: Investment Policy
POLICY NUMBER: 3015
ADOPTED: October 10, 2013
AMENDED: 1/9/14, 12/10/15, 11/13/19
LAST AMENDED: January 12, 2022

3015.10 INTRODUCTION

The purpose of this written Investment Policy is to establish the guidelines for the prudent investment of Twain Harte Community Services District funds. The objectives of this Policy are safety, liquidity, yield, and compliance with state and federal laws and policies.

District funds are to be managed with a high degree of care and prudence. Though all investments contain a degree of risk, the proper concern for prudence, maintenance of high level of ethical standards, and proper delegation of authority reduces the potential for any realized loss.

3015.20 AUTHORITY

The investment program shall be operated in conformance with federal, state, and other legal requirements including, but not limited to, California Government Code sections 16429.1, 53600, 53601, 53607, 53635, 53638, and 53646. As provided for by Government code, the Board of Directors delegates the authority to manage the investment program to the District Treasurer. All investment portfolio decisions made by the Treasurer shall require the endorsement of the Finance Committee & General Manager. In the event of an emergency only the General Manager's endorsement shall be required. Under no circumstances is the Treasurer permitted to make an investment that is not specifically authorized by law (see Figure 1) and this policy. The treasurer may invest up to 10% of funds in securities that have a term remaining maturity in excess of five years and up to 20% of funds with Board approval.

The Treasurer may retain the services of a qualified independent investment consultant, with a fee-only arrangement (e.g., percentage of assets under management, hourly fee, or fee per service), to perform the roles and responsibilities set forth in Attachment A.

3015.30 SCOPE

The District investment portfolio shall consist of surplus money in the District's treasury not required for the immediate necessities of the District.

3015.40 OBJECTIVES

This policy is a conservative policy guided by three principles of public fund management. In specific order of importance, the three principles are:

1. **Safety of Principal** - Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.
2. **Liquidity** - The investment portfolio shall remain sufficiently liquid to meet all operating requirements. This shall be accomplished by structuring the investment portfolio so that investments mature concurrent with cash needs.
3. **Yield** - Investments shall be undertaken to produce an acceptable rate of return after first consideration for principal and liquidity.

3015.50 STANDARDS OF CARE

3015.51 Prudence - Investments will be made with the same standard of care that persons of prudence, discretion and intelligence exercise when managing their own affairs, not for speculation, but for investment with particular consideration for safety of capital as well as probable income derived.

3015.52 Conflicts of Interest - Officers and employees involved in the investment process shall perform his/her duties under this Investment Policy in accordance with the provisions of Section 1126 of the Government Code as well as any other state law referred to in this policy.

3015.60 SAFEKEEPING

All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited prior to the release of funds. Securities will be held in accordance with the provisions of Section 53601 of the Government Code.

3015.70 DIVERSIFICATION

Investments will be diversified to avoid losses that may be associated with any one investment.

3015.80 REPORTING REQUIREMENTS

Each quarter that an investment program is in place, the Treasurer shall prepare and submit a report of investment transactions to the Board of Directors. This report will be sufficiently detailed to provide information for investment evaluation.

3015.90 PERFORMANCE REVIEW

An annual appraisal of the investment portfolio shall be conducted to evaluate the effectiveness of the District's investment program once the program is implemented.

The purpose of this review, in addition to evaluation of performance, is to provide the platform for changes and improvements to the portfolio.

3015.100 APPROVAL OF INVESTMENT POLICY

The investment policy shall be formally approved and adopted by the Board and reviewed annually in January coinciding with the annual performance review and the start of new law passed through the previous State Legislative Cycle. Consideration should be given to any changes in statute or investment strategies that may impact this policy. If the District is not engaged in an investment program, the Board may choose to review this policy once prior to program implementation instead of performing an annual review.

.ATTACHMENT A

Investment Consultant/Advisor Role & Responsibilities

I. AUTHORIZED INVESTMENT CONSULTANT

The Investment Consultant must be registered with either State or Federal securities regulators pursuant to the Investment Advisers Act of 1940. The Investment Consultant will provide a copy of the ADV Form Part II for the Investment Consultant and his or her company to the District during the annual investment performance review, and will disclose whether the Investment Consultant has an ownership or other interest in any of the investment options being reviewed or recommended by the Investment Consultant. The Investment Consultant will immediately notify the District of any Securities and Exchange Commission or other regulatory investigations into its actions related to the type of services provided to the District or of any felony conviction.

II. INVESTMENT CONSULTANT RESPONSIBILITIES

The primary responsibility of the Investment Consultant is to inform and advise the District on various investment related issues with respect to the oversight of and potential enhancements to the portfolio. Such services include:

- A. Assisting the District with determining an appropriate process for constructing the structure of the investment menu.
- B. Providing timely, accurate, and unbiased quarterly reports evaluating return, risk and characteristics (where available) of each of the funds compared to appropriate indexes and/or peer group universes.
- C. Apprising the District of changes with regard to its funds in an appropriate time frame given the significance of the information.
- D. Conducting a fund review at the request of the District when, for example, noteworthy changes or significant under-performance occurs.
- E. Assisting the District in the search and replacement of existing funds when a review so merits this change.
- F. Ensuring the District's investments do not violate State or Federal law or anything set forth in Figure 1.

The Investment consultant has no discretionary control or authority over the Plan and its assets. However, in its role as an advisor to the District, the Investment Consultant acknowledges a limited fiduciary role with respect to the investment advice provided to the District.

FIGURE 1

ALLOWABLE INVESTMENT INSTRUMENTS PER STATE GOVERNMENT CODE (AS OF JANUARY 1, 2021)^a APPLICABLE TO ALL LOCAL AGENCIES^b

See "Table of Notes for Figure 1" on the next page for footnotes related to this figure.

INVESTMENT TYPE	MAXIMUM MATURITY ^c	MAXIMUM SPECIFIED % OF PORTFOLIO ^d	MINIMUM QUALITY REQUIREMENTS	GOV'T CODE SECTIONS
Local Agency Bonds	5 years	None	None	53601(a)
U.S. Treasury Obligations	5 years	None	None	53601(b)
State Obligations-- CA And Others	5 years	None	None	53601(c) 53601(d)
CA Local Agency Obligations	5 years	None	None	53601(e)
U.S Agency Obligations	5 years	None	None	53601(f)
Bankers' Acceptances	180 days	40% ^e	None	53601(g)
Commercial Paper--Non-Pooled Funds ^f (under \$100,000,000 of investments)	270 days or less	25% of the agency's money ^g	Highest letter and number rating by an NRSRO ^h	53601(h)(2)(c)
Commercial Paper--Non-Pooled Funds (min. \$100,000,000 of investments)	270 days or less	40% of the agency's money ^g	Highest letter and number rating by an NRSRO ^h	53601(h)(2)(c)
Commercial Paper--Pooled Funds ⁱ	270 days or less	40% of the agency's money ^g	Highest letter and number rating by an NRSRO ^h	53635(a)(1)
Negotiable Certificates of Deposit	5 years	30% ^j	None	53601(i)
Non-negotiable Certificates of Deposit	5 years	None	None	53630 et seq.
Placement Service Deposits	5 years	50% ^k	None	53601.8 and 53635.8
Placement Service Certificates of Deposit	5 years	50% ^k	None	53601.8 and 53635.8
Repurchase Agreements	1 year	None	None	53601(j)
Reverse Repurchase Agreements and Securities Lending Agreements	92 days ^l	20% of the base value of the portfolio	None ^m	53601(j)
Medium-Term Notes ⁿ	5 years or less	30%	"A" rating category or its equivalent or better	53601(k)
Mutual Funds And Money Market Mutual Funds	N/A	20%	Multiple ^{o,p}	53601(l) and 53601.6(b)
Collateralized Bank Deposits ^q	5 years	None	None	53630 et seq. and 53601(n)
Mortgage Pass-Through and Asset-Backed Securities	5 years or less	20%	"AA" rating category or its equivalent or better	53601(o)
County Pooled Investment Funds	N/A	None	None	27133
Joint Powers Authority Pool	N/A	None	Multiple ^o	53601(p)
Local Agency Investment Fund (LAIF)	N/A	None	None	16429.1
Voluntary Investment Program Fund ^r	N/A	None	None	16340
Supranational Obligations ^s	5 years or less	30%	"AA" rating category or its equivalent or better	53601(q)
Public Bank Obligations	5 years	None	None	53601(r), 53635(c) and 57603

FROM CA LOCAL AGENCY INVESTMENT GUIDELINES

TABLE OF NOTES FOR FIGURE 1

- ^a Sources: Sections 16340, 16429.1, 27133, 53601, 53601.6, 53601.8, 53630 et seq., 53635, 53635.8, and 57603.
- ^b Municipal Utilities Districts have the authority under the Public Utilities Code Section 12871 to invest in certain securities not addressed here.
- ^c Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceeds this five year remaining maturity limit. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.
- ^d Percentages apply to all portfolio investments regardless of source of funds. For instance, cash from a reverse repurchase agreement would be subject to the restrictions.
- ^e No more than 30 percent of the agency's money may be in bankers' acceptances of any one commercial bank.
- ^f Includes agencies defined as a city, a district, or other local agency that do not pool money in deposits or investment with other local agencies, other than local agencies that have the same governing body.
- ^g Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper and medium-term notes of any single issuer.
- ^h Issuing corporation must be organized and operating within the U.S., have assets in excess of \$500 million, and debt other than commercial paper must be in a rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, have program wide credit enhancements, and have commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical rating agency.
- ⁱ Includes agencies defined as a county, a city and county, or other local agency that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body. Local agencies that pool exclusively with other local agencies that have the same governing body must adhere to the limits set forth in Section 53601(h)(2)(C).
- ^j No more than 30 percent of the agency's money may be in negotiable certificates of deposit that are authorized under Section 53601(i).
- ^k Effective January 1, 2020, no more than 50 percent of the agency's money may be invested in deposits, including certificates of deposit, through a placement service as authorized under 53601.8 (excludes negotiable certificates of deposit authorized under Section 53601(i)). On January 1, 2026, the maximum percentage of the portfolio reverts back to 30 percent. Investments made pursuant to 53635.8 remain subject to a maximum of 30 percent of the portfolio.
- ^l Reverse repurchase agreements or securities lending agreements may exceed the 92-day term if the agreement includes a written codical guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity dates of the same security.
- ^m Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state chartered bank that has a significant relationship with the local agency. The local agency must have held the securities used for the agreements for at least 30 days.
- ⁿ "Medium-term notes" are defined in Section 53601 as "all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States."
- ^o No more than 10 percent invested in any one mutual fund. This limitation does not apply to money market mutual funds.
- ^p A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years' experience investing in instruments authorized by Sections 53601 and 53635.
- ^q A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years' experience investing in money market instruments with assets under management in excess of \$500 million.
- ^r Investments in notes, bonds, or other obligations under Section 53601(n) require that collateral be placed into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, among other specific collateral requirements.
- ^s A joint powers authority pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years' experience investing in instruments authorized by Section 53601, subdivisions (a) to (o).
- ^t Local entities can deposit between \$200 million and \$10 billion into the Voluntary Investment Program Fund, upon approval by their governing bodies. Deposits in the fund will be invested in the Pooled Money Investment Account.
- ^u Only those obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less.

TABLE OF NOTES FOR FIGURE 1

- ^A Sources: Sections 16340, 16429.1, 27133, 53601, 53601.6, 53601.8, 53630 et seq., 53635, 53635.8, and 57603.
- ^B Municipal Utilities Districts have the authority under the Public Utilities Code Section 12871 to invest in certain securities not addressed here.
- ^C Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years from the settlement date. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceeds this five year remaining maturity limit. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.
- ^D Percentages apply to all portfolio investments regardless of source of funds. For instance, cash from a reverse repurchase agreement would be subject to the restrictions.
- ^E No more than 30% of the agency's money may be in bankers' acceptances of any one commercial bank.
- ^F Applies to local agencies, other than counties or a city and county, with less than \$100 million of investment assets under management. Includes agencies defined as a city, a district, or other local agency that do not pool money in deposits or investment with other local agencies, other than local agencies that have the same governing body.
- ^G Local agencies, other than counties or a city and county, may purchase no more than 10% of the outstanding commercial paper and medium-term notes of any single issuer.
- ^H Issuing corporation must be organized and operating within the U.S., have assets in excess of \$500 million, and debt other than commercial paper must be in a rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, have program wide credit enhancements, and have commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical rating organization.
- ^I Applies to counties or a city and county, and the City of Los Angeles that have \$100 million or more of investment assets under management.
- ^J Includes agencies defined as a county, a city and county, or other local agency that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body. Local agencies that pool exclusively with other local agencies that have the same governing body must adhere to the limits set forth in Section 53601(h)(2)(C).
- ^K No more than 30% of the agency's money may be in negotiable certificates of deposit that are authorized under Section 53601(i).
- ^L Effective January 1, 2020, no more than 50% of the agency's money may be invested in deposits, including certificates of deposit, through a placement service as authorized under 53601.8 (excludes negotiable certificates of deposit authorized under Section 53601(i)). On January 1, 2026, the maximum percentage of the portfolio reverts back to 30%. Investments made pursuant to 53635.8 remain subject to a maximum of 30% of the portfolio.
- ^M Reverse repurchase agreements or securities lending agreements may exceed the 92-day term if the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity dates of the same security.
- ^N Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state chartered bank that has a significant relationship with the local agency. The local agency must have held the securities used for the agreements for at least 30 days.
- ^O "Medium-term notes" are defined in Section 53601 as "all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States."
- ^P No more than 10% invested in any one mutual fund. This limitation does not apply to money market mutual funds.
- ^Q A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years' experience investing in instruments authorized by Sections 53601 and 53635.
- ^R A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years' experience investing in money market instruments with assets under management in excess of \$500 million.
- ^S Investments in notes, bonds, or other obligations under Section 53601(n) require that collateral be placed into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, among other specific collateral requirements.
- ^T Security types authorized under Section 53601(o) that are issued or guaranteed by an issuer identified in subdivisions (b) or (f), are not subject to the limitations placed on privately issued securities authorized in Section 53601(o)(2)(A)(B).
- ^U A joint powers authority pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years' experience investing in instruments authorized by Section 53601, subdivisions (a) to (o).
- ^V Local entities can deposit between \$200 million and \$10 billion into the Voluntary Investment Program Fund, upon approval by their governing bodies. Deposits in the fund will be invested in the Pooled Money Investment Account.
- ^W Only those obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less.

to be temporary and sunset on December 31, 2010, with some remaining exceptions for certain variable rate debt subject to a qualified tender. Given the incongruity between Section 5925 and IRS rules, a local agency should seek legal guidance on the potential tax implications of purchasing its own debt especially if that debt does not clearly fall within the remaining IRS exceptions.

As a result of amendments to Government Code Sections 53601.8 and 53635.8, local agencies should review portfolio limitations for CDs and negotiable CDs in their investment policies.

Some investments, such as straight floaters or floating rate notes that are not otherwise prohibited, have the potential to result in zero-interest accrual. Before purchasing these types of investments, the local agency should evaluate all possible outcomes, and, as a safeguard, should consider including in its investment policy a statement establishing an acceptable positive spread or floor for all securities, which pay interest based on a spread to an index.

Also, while not expressly prohibited by State law, unregistered securities, such as Rule 144A securities, may not be purchased by local agencies that do not meet the threshold of \$5 million investments and \$100 million in securities. On August 26, 2020 the Securities and Exchange Commission expanded the definition of Qualified Institutional Buyers (QIB) to include any institution that qualifies as an accredited investor under Rule 501(a) under the Securities Act that are not otherwise stated in the definition of “qualified institutional buyer” provided they satisfy the \$100 million threshold.

II. B What requirements must a financial institution satisfy before a local agency may deposit its money in it? [Section 53635.2]

Section 53635.2 states that all local agency money may be invested in investments set forth in 53601 or deposited for safekeeping in state or national banks, public banks, savings associations, federal associations, credit unions, or federally insured industrial loan companies in this state. It also specifies certain requirements that such financial institutions must satisfy to hold local agency money.

MINIMUM LEGAL REQUIREMENT:

To be eligible to receive local agency money, a financial institution must receive an overall rating of not less than “satisfactory” from the appropriate federal supervisory agency for meeting the criteria specified in Section 2906 of Title 12 of the U.S. Code (Community Reinvestment Act of 1977). The Community Reinvestment Act of 1977 (Act) requires financial institutions to demonstrate their commitment to meeting the credit needs of local communities in which they are chartered to do business. For the purpose of the Act, the appropriate federal supervisory agency includes:

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Policy and Procedure Manual

POLICY TITLE: General Duties of the Board of Directors
POLICY NUMBER: 4010
ADOPTED: September 17, 1996
AMENDED: April 14, 2011
LAST AMENDED: September 15, 2021

4010.10 PURPOSE

The Board of Directors serves as the governing body for the District. This policy sets forth some of the general duties required of the Board of Directors in carrying out governance of the District.

4010.20 CORPORATE DUTIES

As a corporate governing body, the Board of Directors are responsible to:

1. Establish the District's mission, vision and strategic objectives.
2. Formulate, adopt and review policies and ordinances that govern the operations of the District.
3. Conduct District business for the public benefit in an ethical and transparent manner, abiding by the requirements of the Ralph M. Brown Act, conflict of interest laws, and ethics laws.
4. Appoint a General Manager to implement the District's policies, carry out the District's mission and accomplish strategic objectives.
5. Review and adopt an annual budget that is fiscally responsible and provides sufficient resources to accomplish the District's mission.
6. Monitor the District's financial condition and plan for long term financial sustainability.

4010.30 INDIVIDUAL DUTIES

Individual Directors are responsible to:

1. Exercise independent judgment on behalf of the interests of the entire District,

including residents, property owners, and the public as a whole.

2. Engage with the community to best understand needs and assist in building positive community relations.
3. Represent the District at public and agency meetings and gatherings.
4. Keep the General Manager informed of community reaction to the District's services.
5. Attend regular, special and emergency meetings of the Board of Directors and any assigned committee meetings of the Board of Directors.
6. Prepare themselves to effectively discuss agenda items at meetings of the Board of Directors and to seek any needed information from the General Manager.
7. Study methods of improving District services and attend training classes to build knowledge and improve performance as a Director.

4030.40 ANNUAL REVIEW

The Board of Directors shall review this policy annually for the purposes of refresher training and self-evaluation.

TWAIN HARTE COMMUNITY SERVICES DISTRICT
Policy and Procedure Manual

POLICY TITLE: Code of Ethics and Conduct
POLICY NUMBER: 4030
ADOPTED: September 17, 1996
AMENDED: 3/10/2011, 3/12/2015
LAST AMENDED: September 15, 2021

4030.10 PURPOSE

The Board of Directors of the Twain Harte Community Services District is committed to providing excellence in legislative leadership to its constituents. This policy sets forth requirements for the Board of Directors to ensure that their service to the public and staff is conducted in a professional, reliable, responsible, and transparent manner.

4030.20 PRACTICES AND VALUES

The Board of Directors shall be committed to the following practices and values:

1. At all times, conduct yourself with courtesy and respect toward other Directors, staff, agencies and members of the public.
2. Always consider the District's mission, vision, and values when evaluating and making decisions.
3. Act with independent judgment for the good of the District as a whole.
4. Focus on policy creation rather than policy implementation.
5. Maintain an open mind, looking to learn from others. Differing viewpoints are healthy in the decision-making process. Individuals have the right to disagree with ideas and opinions.
6. In meetings, be present and listen attentively to the public, staff and other Directors.
7. Always provide opportunity for all members of the public to take part in District decision-making.
8. Respect and follow the rules and procedure set forth in the Board Meeting Conduct Policy.

9. Once the Board of Directors makes a collective action, commit to supporting the decision even if you voted against it.
10. Understand that it takes a quorum to act on behalf of the District - no Director can act on behalf of the District by himself or herself.
11. Seek the knowledge, skills and information needed to improve decision-making:
 - A. Refer requests for information items to the appropriate department head or General Manager to obtain information needed to supplement, upgrade, or enhance their knowledge.
 - B. Refer requests for clarification of policy-related concerns, especially those involving personnel, legal action, land acquisition and development, finances, and programming directly to the General Manager.
 - C. Request attendance of applicable training courses by contacting the Board President and General Manager.
12. Report concerns and other important information to staff in a timely manner.
 - A. Report concerns related to safety or hazards directly to the General Manager or appropriate department head. Emergency situations should be dealt with immediately by seeking appropriate assistance.
 - B. Report community concerns to the General Manager or appropriate department head.
13. Respect the chain of command.
 - A. Direct all concerns regarding District operations and staff to the General Manager.
 - B. When presented with inquiries from District staff, direct such inquiries to the General Manager.
14. Respond to constituent requests in a courteous, professional, positive and timely manner; routing questions through the appropriate channels and to the responsible management personnel.

4030.30 ANNUAL REVIEW

The Board of Directors shall review this policy annually for the purposes of refresher training and self-evaluation.