



## **RESOLUTION NO. 3516**

### **RESOLUTION OF THE BOARD OF PORT COMMISSIONERS OF THE VENTURA PORT DISTRICT UPDATING ITS INVESTMENT POLICY**

#### **1.0 POLICY**

WHEREAS, the Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern.

WHEREAS, the legislative body of a local agency may invest surplus monies not required for the immediate necessities of the local agency in accordance with the provisions of California Government Code Sections 53601 et seq. and 53635.

WHEREAS, the General Manager of the Ventura Port District ("District") must annually prepare and submit a statement of investment policy and such policy, and any changes thereto, shall be considered by the Board of Port Commissioners ("Board") at a public meeting.

WHEREAS, the Board finds it desirable and in the best interest of the District to rescind the existing Investment Policy, Resolution No. 3488, dated December 6, 2023 and adopt Resolution No. 3516.

NOW THEREFORE, it shall be the policy of the District to invest funds in a manner which will provide minimum acceptable risk and maximize potential returns while meeting the District's daily cash flow demands and conforming to all statutes governing the investment of District funds.

#### **2.0 SCOPE**

This investment policy ("Policy") applies to all financial assets of the District. These funds are accounted for in the annual district audit.

#### **3.0 PRUDENCE**

Investments shall be made with judgment and care, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived, under circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the District. The standard of prudence to be used by investment officials shall be the "prudent investor" standard (California Government Code Section 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers

acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

#### 4.0 OBJECTIVES

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing District funds, the primary objectives, in priority order, of the investment activities shall be:

1. Safety: Safety of principal is the foremost objective of the investment program. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

2. Liquidity: The investment portfolio shall remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated.

3. Return on Investments: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

#### 5.0 DELEGATION OF AUTHORITY

Authority to manage the investment program is derived from California Government Code Section 53600 et seq. Overall accountability and authority for implementation of this policy shall remain with the Board of Port Commissioners and overseen by the General Manager. Management responsibility for the investment program is hereby delegated to the General Manager who, where and when appropriate, shall establish written procedures for the operation of the investment program consistent with this investment policy. No person may engage in an investment transaction except as provided under the terms of this policy and such procedures that are established by the General Manager. The General Manager shall be responsible for all transactions undertaken and shall establish controls to regulate the activities of subordinate officials. Under the provisions of California Government Code Section 53600.3, the General Manager is a trustee and a fiduciary subject to the prudent investor standard.

The District may engage the services of one or more external investment managers to assist in the management of the District's investment portfolio in a manner consistent with the District's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such managers must be registered under the Investment Advisers Act of 1940.

## 6.0 ETHICS AND CONFLICTS OF INTEREST

The General Manager and officers and employees involved in the investment process shall refrain from personal business activity that could conflict or appear to conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. The General Manager, officers and employees involved with the investment function shall disclose to the Board of Port Commissioners any personal financial interest with a financial institution, broker or investment issuer conducting business with the District. The General Manager, officers and employees shall further disclose to the Board of Port Commissioners any personal financial interest in any entity related to the investment performance of the District's portfolio.

## 7.0 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The General Manager shall maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience and minimal capitalization authorized to provide investment services. In addition, a list shall also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment and financial advisory services in the State of California. No public deposit shall be made except in a qualified public depository as established by state laws.

For brokers/dealers of government securities and other investments, the General Manager shall select only broker/dealers who are licensed and in good standing with the California Department of Financial Protection and Innovation, Securities Regulation Division; the Securities and Exchange Commission; the National Association of Securities Dealers or other applicable self-regulatory organizations.

Before engaging in investment transactions with a broker/dealer, the General Manager shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the District's account with that firm has reviewed the District's Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the District that are appropriate under the terms and conditions of the Investment Policy.

The District is a local agency authorized to invest surplus monies in the Local Agency Investment Fund (LAIF). LAIF is a special trust fund in the custody of the State Treasurer and the Local Investment Advisory Board created under Government Code Section 16429.2 advises the State Treasurer on the investment and reinvestment of LAIF deposits. Each local agency with LAIF deposits has a separate account within LAIF, but the total deposits in LAIF are managed as a pooled investment account. The securities eligible for LAIF investments are statutorily specified in Government Code Section 16430 and are more conservative than those investments permitted under Government Code Section 53601, which governs the management of invested surplus monies by local agencies. Accordingly, the General Manager need not be concerned with the qualifications of those financial institutions and broker/dealers with whom LAIF transacts business.

Selection of broker/dealers used by an external investment adviser retained by the District will be at the sole discretion of the investment adviser.

## 8.0 AUTHORIZED AND SUITABLE INVESTMENTS

The District's investments are governed by California Government Code Section 53600 et seq. Within the investments permitted by the Code, the District seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters shall take precedence. Percentage holding limits and credit rating requirements listed in this section apply at the time the security is purchased.

Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity and shall be exempt from the current policy. At the time of the investment's maturity or liquidation, such funds shall be reinvested only as provided in the current policy.

The District is empowered by California Government Code Section 53601 et seq. to invest in the following:

- a. Bonds issued by the District.
- b. United States Treasury Bills, Notes, Bonds, and Certificate of Indebtedness.
- c. Registered state warrants or treasury notes or bonds issued by the State of California.
- d. Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of revenues from revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.
- e. Bonds, notes, warrants or other evidence of debt issued by a local agency within the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency. LAIF is an approved pooled investment account.
- f. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by, or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- g. Bankers' acceptances, otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchase of bankers' acceptances may not exceed one hundred eighty (180) days' maturity or forty percent (40%) of the District's money that may be invested pursuant to this policy. However, no more than thirty percent (30%) of the District's money can be invested in the bankers' acceptances of any single commercial bank.
- h. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization ("NRSRO"). The entity that issues the commercial paper shall either be:
  - (1) organized and operating within the United States as a general corporation, shall have total assets in excess of Five Hundred Million Dollars (\$500,000,000), and shall

issue debt, other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by an NRSRO; or

(2) organized within the United States as a special purpose corporation, trust, or limited liability company, have program-wide credit enhancements including, but not limited to, over-collateralization, letters of credit, or surety bond, and has commercial paper that is rated "A-1" or higher, or the equivalent, by an NRSRO.

Eligible commercial paper shall have a maximum maturity of two hundred seventy (270) days or less. The District shall invest no more than twenty-five percent (25%) of its money in eligible commercial paper. The District shall purchase no more than ten percent (10%) of the outstanding commercial paper of any single corporate issue.

- i. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association, or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federal or state licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed thirty percent (30%) of the District's money which may be invested pursuant to this policy, subject to the limitations of Government Code Sections 53601(i) and 53638. The Board of Port Commissioners and the General Manager are prohibited from investing District funds, or funds in the District's custody, in negotiable certificates of deposit issued by a state or federal credit union if a member of the Board of Port Commissioners, or any person with investment decision making authority within the District also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.
- j. Repurchase/Reverse Repurchase Agreements of any securities authorized by Section 53601. The market value of securities that underlay a repurchase agreement shall be valued at one hundred two percent (102%) or greater of the funds borrowed against those securities and are subject to the special limits and conditions of California Government Code 53601(j), including that Repurchase Agreements are limited to a maturity of one year and Reverse Repurchase Agreements are limited to a maximum maturity of ninety-two (92) days.
- k. Placement service deposits, including certificates of deposit, at a commercial bank, savings bank, savings and loan association or credit union that uses a private sector entity that assists in the placement of such deposits shall not in total exceed 50 percent (50%) of the District's money, subject to the limitations and requirements of Government Code Sections 53601.8 and 53638.
- l. Medium term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five (5) 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. Notes eligible for investment under this subdivision shall be rated in a rating category of "A" or its equivalent or better by an NRSRO. Purchases of medium-term notes shall not include other instruments authorized by this policy and shall not exceed thirty percent (30%) of the District's money which may be invested pursuant to this policy.

- m. Shares of beneficial interest issued by diversified management companies (mutual funds) investing in the securities and obligations authorized by this policy, and shares in money market mutual funds, subject to the restrictions of Government Code Section 53601(l). The purchase price of investments under this subdivision shall not exceed twenty percent (20%) of the District's investments under this policy. However, no more than ten percent (10%) of the District's money may be invested in any one mutual fund, except in the case of money market mutual funds. No more than twenty percent (20%) of the District's money may be invested in a single money market mutual fund that either:
- (1) has attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
- (2) has retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five (5) years' experience investing in the securities and obligations authorized by California Government Code, Section 53601 and with assets under management in excess of \$500 million.
- n. Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.
- o. Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by Government Code Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Government Code Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.
- p. Any mortgage pass-through security, collateralized mortgage obligation, mortgage backed or other pay-through bond, equipment lease backed certificate, consumer receivable pass-through certificate, or consumer receivable backed bond of a maximum of five (5) years maturity. Securities eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO. Purchase of securities authorized by this subdivision shall not exceed twenty percent (20%) of the District's money that may be invested pursuant to this policy.

- q. Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized under Government Code Section 53601. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible, the joint powers authority issuing the shares must have retained an investment advisor that is registered or exempt from registration with the Securities and Exchange Commission, have not less than five (5) years of experience in investing in the securities and obligations authorized under Government Code Section 53601, and have assets under management in excess of five hundred million dollars (\$500,000,000.00).
- r. United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five (5) years or less, and eligible for purchase and sale within the United States. These types of investments must be rated in a rating category of "AA" or its equivalent or better by an NRSRO and cannot exceed thirty percent (30%) of the District's moneys that may be invested pursuant to Section 53601.
- s. Proposition 1A receivables sold pursuant to California Government Code Section 53999. A "Proposition 1A receivable" constitutes the right to payment of moneys due or to become due to a local agency, pursuant to clause (iii) of subparagraph (B) of paragraph (1) of subdivision (a) of Section 25.5 of Article XIII of the California Constitution and Section 100.06 of the Revenue and Taxation Code.
- t. Commercial paper, debt securities or other obligations of a public bank, as defined in California Government Code Section 57600.
- u. Any other investment security authorized under the provisions of California Government Code Sections 5922 and 53601.

A summary of the limitations and special conditions that apply to each of the above listed investment securities is attached and included by reference in this Investment Policy.

The District shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools or any investment that may result in a zero-interest accrual if held to maturity. Under a provision sunseting on January 1, 2026, securities backed by the U.S. Government that could result in a zero or negative interest accrual if held to maturity are permitted. Additional prohibited investments shall include: (i) investment in futures and options; (ii) trading securities for the sole purpose of speculating on the future direction of interest rates; (iii) purchasing or selling securities on margin; (iv) the use of reverse repurchase agreements as a form of leverage, securities lending or any other form of borrowing or leverage; (v) the purchase of foreign currency denominated securities; and (vi) the purchase of a security with a forward settlement date exceeding forty-five (45) days from the time of the investment.

## 9.0 COLLATERALIZATION

All certificates of deposits must be collateralized by United States Treasury Obligations. Collateral must be held by a third-party trustee and valued on a monthly basis. The percentage of collateralizations on repurchase and reverse agreements shall adhere to the amount required under California Government Code Section 53601(j)(2).

## 10.0 SAFEKEEPING AND CUSTODY

All security transactions entered into by the District shall be conducted on delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the District by book entry, physical delivery or by third party custodial agreement. The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools (e.g., LAIF); (ii) time certificates of deposit; and, (iii) mutual funds and money market mutual funds, since these securities are not deliverable.

## 11.0 DIVERSIFICATION

The District shall diversify its investments by security type and institution. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. Diversification strategies shall be reviewed and revised periodically. In establishing specific diversification strategies, the following general policies and constraints shall apply:

- a. Portfolio maturity dates shall be matched versus liabilities to avoid undue concentration in a specific maturity sector.
- b. Maturities selected shall provide for stability of income and liquidity.
- c. Disbursement and payroll dates shall be covered through maturities of investments, marketable United States Treasury bills or other cash equivalent instruments such as money market mutual funds.

## 12.0 MITIGATING CREDIT RISK IN THE PORTFOLIO

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The District shall mitigate credit risk by adopting the following strategies:

- a. No more than five percent (5%) of the total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and enterprises, LAIF, or unless otherwise specified in this Policy.
- b. The District may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity or yield of the portfolio in response to market conditions or District's risk preferences.
- c. If securities owned by the District are downgraded by either Moody's or S&P to a level below the quality required by this Investment Policy, the District shall review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.



1. If a security is downgraded, the General Manager shall use discretion in determining whether to sell or hold the security based on its current maturity, the economic outlook for the issuer, and other relevant factors.
2. If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio shall be monitored and as deemed necessary reported to the Board of Directors.

### 13.0 REPORTING

The General Manager shall submit a monthly transaction report to the Board of Port Commissioners within thirty (30) days of the end of the reporting period in accordance with California Government Code Section 53607. In addition, the General Manager shall submit an investment report to the Board of Port Commissioners at least quarterly, which shall be submitted within thirty (30) days following the end of the reporting period covered by the report, and shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for District by third party contracted managers. The report shall also include the source of the portfolio valuation. For all funds that are placed in LAIF, FDIC-insured accounts and/or in a county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a certification that (1) all investment actions executed since the last report have been made in full compliance with the Investment Policy and, (2) the District shall meet its expenditure obligations for the next six (6) months, as required by Government Code Section 53646(b)(2) and (3), respectively. The General Manager shall maintain a complete and timely record of all investment transactions.

### 14.0 INVESTMENT POLICY ADOPTION

This policy shall be reviewed on an annual basis, and modifications must be approved by the Board of Port Commissioners. This Investment Policy replaces that which was set forth in Resolution No. 3488 on December 6, 2023.


PASSED, APPROVED AND ADOPTED at a regular meeting of the Board of Port Commissioners of the Ventura Port District this 18<sup>th</sup> day of December 2024, by the following vote:

AYES: Commissioners Blumenberg, Gardina, Rainey, Stephens, Howell

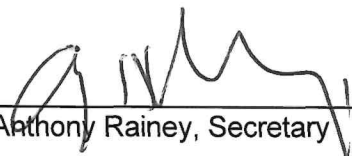
NOES:

ABSTAINED:

ABSENT:

  
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Michael Blumenberg, Chair

ATTEST:

  
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Anthony Rainey, Secretary

