

TO: BOARD OF DIRECTORS

FROM: MARIO E. IGLESIAS  
GENERAL MANAGER 

DATE: APRIL 21, 2023

## AGENDA ITEM

### E-1

APRIL 26, 2023

## ADOPT RESOLUTION AMENDING INVESTMENT POLICY AND REVIEW PROPOSED POLICY GUIDELINES FOR INVESTING

### ITEM

Consider adopting resolution amending Nipomo Community Services District's ("District") Investment Policy ("Policy") and review proposed Policy Guidelines. [RECOMMEND ADOPT RESOLUTION AMENDING DISTRICT INVESTMENT POLICY]

### BACKGROUND

The District has historically invested funds not needed in the short-term in the Local Agency Investment Fund (LAIF) administered by the California State Treasurer. Due to current market conditions, short-term interest rates are higher than long-term interest rates creating what is known as the inverted yield curve. This provides the District with a unique investing opportunity whereby investing in securities such as Treasury bills (T-Bills) and Certificates of Deposit (CD's), the District may be able to achieve higher rates of return than LAIF.

On February 15, 2023, the Finance and Audit Committee met and reviewed investment options and policies in accordance with Government codes. Staff was directed to research the methodologies for investing and holding investments such as T-Bills and CD's within the parameters of the California Government Code and the Districts adopted Investment Policy.

On March 16, 2023, the Finance and Audit Committee met and received a presentation from Peter Yanez of Multi-Bank Securities, Inc. (MBS). MBS is a broker-dealer of fixed income securities for municipal institutions and utilizes Pershing LLC (a subsidiary of BNY Mellon) as the custodial safekeeping agent. MBS also made a presentation to the Board of Directors at the March 22, 2023 Board Meeting. The District would need to retain the services of MBS or similar in order to initiate the investment purchasing activities.

On April 19, 2023, the Finance and Audit Committee met and reviewed the proposed edits to the District's Policy and Policy Guidelines, provided comments and directed staff to present the updated Policy to the Board at the April 26, 2023 Board Meeting.

Prior to the District investing in T-Bills or CD's, the District's Investment Policy will need to be amended as attached. District Legal Counsel has suggested changes to the Investment Policy to provide for these types of investing (Attachment A), including:

- Internal Controls and Procedures Section 6(C)
- Permitted Investments 7(A)(4),(5) and (6)

In addition to amending the Investment Policy, a proposed Policy Guideline has been developed to guide staff, in coordination with the Board of Directors, in evaluating and initiating investments that meet the goals and criteria (Attachment B), which include:

- Basic Strategy
- Internal Controls
- Performance Benchmarks
- Determination of Amount of Funds to be Invested
- Investment Criteria
- Investment-Opportunity Evaluation and Purchase Authorization
- Internal Controls Checklist

**FISCAL IMPACT**

The District has a significant amount of monies currently invested in LAIF. While these funds earn a return, the returns are currently less than returns paid on T-Bills and CD's. LAIF has the advantage of liquidity and security, but with the right strategy the District may be able to increase the return on its investments by directing some of these funds to short-term Treasury Bills and CDs. Currently, Treasury Bills are returning nearly twice what LAIF funds are returning. This may not always be the case, but establishing guidance for investing District funds will aid the District in maximizing its returns on investment in a timely manner when defined conditions are met.

**STRATEGIC PLAN**

Goal 4. FINANCE. Maintain conservative, long-term financial management to minimize rate impacts on customers while meeting program financial needs.

- B.1 Evaluate, plan for and maintain finances that are adequate for all needs, stable, and reliable over the long-term.
- B.6 Maintain sound investment policy and investments.

**RECOMMENDATION**

Staff recommends your Board review the Policy modifications and, if appropriate, adopt the resolution to amend the District's Investment Policy.

**ATTACHMENTS**

- A. NCSA Resolution 2023 – XXXX Amending the District's Investment Policy
- B. Amending the District's Investment Policy (Blackline Version)
- C. Proposed Investment Policy Guidelines

APRIL 26, 2023

ITEM E-1

ATTACHMENT A

**NIPOMO COMMUNITY SERVICES DISTRICT  
RESOLUTION NO. 2023-XXXX**

**A RESOLUTION OF THE  
BOARD OF DIRECTORS OF THE  
NIPOMO COMMUNITY SERVICES DISTRICT  
AMENDING THE DISTRICT'S INVESTMENT POLICY**

**WHEREAS**, the Board of Directors of the Nipomo Community Services District ("District") believes that public funds should, so far as is reasonably possible, be invested in financial institutions to produce revenue for the District rather than to remain idle; and

**WHEREAS**, from time to time there are District funds which for varying periods of time will not be required for immediate use by the District, and which will, therefore, be available for the purpose of investing in financial institutions with the objectives of safety, liquidity, yield and compliance with state and federal laws and policies; and

**WHEREAS**, the District's investments are governed by an investment policy, originally adopted in 2014, that is reviewed annually and requires updating from time to time.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Nipomo Community Services District as follows:

1. The District's Board has determined it may be advisable to add certain categories of permitted investments to the list of permitted investments in the District's 2023 Investment Policy to increase investment yield while still protecting safety and liquidity of the District's funds;
2. The District's 2023 Investment Policy is hereby amended as shown in underline in Exhibit A.

**PASSED AND ADOPTED** by the Board of Directors of the Nipomo Community Services District this 26<sup>th</sup> day of April 2023, on the following roll call vote:

**AYES:**            *Directors*  
**NOES:**            *NONE*  
**ABSENT:**        *NONE*  
**CONFLICTS:**   *NONE*

\_\_\_\_\_  
RICHARD MALVAROSE, President  
Nipomo Community Services District

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
MARIO IGLESIAS  
Secretary to the Board

\_\_\_\_\_  
CRAIG A. STEELE  
District Legal Counsel

**RESOLUTION 2023-XXXX**  
**EXHIBIT A**

**INVESTMENT POLICY**  
**NIPOMO COMMUNITY SERVICES DISTRICT**

1. INTRODUCTION

This policy establishes the standards under which the District's Finance Officer/Treasurer will conduct business with financial institutions with regard to the investment process.

2. PURPOSE AND SCOPE

This investment policy is intended to outline the guidelines and practices to be used in effectively managing the District's available cash and investment portfolio. It applies to all cash and investment assets of the District except those funds maintained in deferred compensation accounts for employees. Proceeds of debt issuance that shall be invested in accordance with the permitted investment provisions of their specific bond indentures. District monies not required for immediate expenditure will be invested in compliance with governing provisions of law (Government Code Sections 53600 et seq.) and this policy. Investments shall be made in judgment and with care, skill, prudence, and diligence under circumstances then prevailing, including but not limited to the general economic conditions and the anticipated needs of the District, which persons of prudence, discretion and intelligence acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims; not for speculation, but to safeguard the principal of their capital and maintain the liquidity 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 (Finance Officer/Treasurer) acting in accordance with written procedures and the investment policy and exercising prudence and 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.

3. FINANCE OFFICER/TREASURER

The Board of Directors appoints the General Manager as the District Finance Officer and Treasurer. The District's Assistant General Manager shall serve as the District's Finance Officer and Treasurer in the absence of the District's General Manager. The services of any investment or financial advisor to the District shall be governed by the terms and standards set forth in this Policy.

4. SCOPE

The District investment portfolio shall consist of money held in a sinking fund of, or surplus money in, the District's treasury not required for the immediate necessities of the District. The District's investment portfolio shall be invested in accordance with this policy.

5. OBJECTIVES

The primary objectives are safety, liquidity, yield, and compliance.

A. SAFETY

The investment portfolio shall be managed in a manner that ensures the preservation of capital. The objective is to minimize credit risk and interest rate risk. To protect against fraud or

**RESOLUTION 2023-XXXX**  
**EXHIBIT A**

**INVESTMENT POLICY**  
**NIPOMO COMMUNITY SERVICES DISTRICT**

embezzlement or losses caused by the collapse of an individual securities dealer, all securities owned by the District shall be held in safekeeping by a third party bank trust department designated by the District. This designated third party shall act as agents for the District under the terms of a custody agreement. All trades executed by a dealer will settle delivery vs. payment (DVP) through the District's safekeeping agent. Investment advisors, dealers and others entrusted with holding and managing District funds shall be bonded and insured to protect the District against embezzlement or fraud. Securities held in custody for the District shall be independently audited by the District annually to verify investment holdings and the other factors required by this policy and applicable law.

**B. 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 in advance of cash needs.

**C. YIELD**

Yield shall be a consideration only after the requirements of safety and liquidity have been met.

**D. COMPLIANCE**

This Investment Policy is written to be in compliance with applicable California and Federal law.

**6. STANDARDS OF CARE**

**A. PRUDENCE**

The Finance Officer/Treasurer will manage the portfolio pursuant to the "Prudent Investor Standard." When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds in the District's investment portfolio, the Finance Officer/Treasurer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to the general economic conditions and the anticipated needs of the District, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the District.

**B. DISCLOSURES**

Finance Officer/Treasurer shall disclose any material interest in financial institutions or professionals with which he/she conducts the District business, and shall comply with all applicable laws relating to conflicts of interest.

**C. INTERNAL CONTROLS AND PROCEDURES**

The Finance Officer/Treasurer shall establish, maintain, and comply with a system of written internal controls, which shall be reviewed at least annually with the District's independent (external) auditor. The controls are designed to prevent loss of public funds due to fraud, employee error, misrepresentation by

**RESOLUTION 2023-XXXX**  
**EXHIBIT A**

**INVESTMENT POLICY**  
**NIPOMO COMMUNITY SERVICES DISTRICT**

third parties, unanticipated market changes, or imprudent actions of employees of the District or third parties. The Finance Officer/Treasurer shall evaluate any audit reports in a timely manner with the Board. The quarterly reports of the District shall be provided to the Board as required by this Policy and applicable law. Daily compliance of the investment portfolio shall be performed by the Finance Officer/Treasurer or designee. Compliance will be determined on a fair market value basis. All agreements, statements, and trade packets will be subject to review annually by the District's auditors in conjunction with their audit.

7. INVESTMENTS AUTHORITY

A. PERMITTED INVESTMENTS

The District Finance Officer/Treasurer is authorized to deposit or invest District funds only in the following institutions and investments, and only in compliance with applicable state law:

1. County pooled funds (California Government Code §§ 27133(g), 53635, 61053)
2. The Local Agency Investment Fund created by the California State Treasury (California Government Code §§ 16429.1, 61053)
3. One or more FDIC insured Banks and/or Savings and Loan Associations that are designated as District depositories by resolution of the Board of Directors (California Government Code §§ 53630 et seq., 61053).
4. U.S. Treasuries and other government obligations for which the full faith and credit of the United States are pledged for payment of principle and interest, provided that the maximum maturity is five (5) years. There shall be no limits on the dollar amount or percentage that the District may invest in U.S. Treasuries.
5. Federally insured time deposits ("Certificates of Deposit") in state or federally chartered banks, savings and loans or credit unions, provided that all such investments shall be federally insured, fully collateralized in accordance with California law. The maximum maturity of such deposits shall not exceed five (5) years.
6. Negotiable Certificates of Deposit ("NCD") issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, provided that not more than 30% of the portfolio invested shall be invested in a combination of federally insured non-negotiable certificates of deposit, and the maximum maturity does not exceed five (5) years.
7. Such other financial institutions or securities that may be designated by the Board of Directors from time to time in compliance with California and Federal law.
8. Proceeds of bond issuance shall be invested in accordance with the permitted investment provisions of their specific bond indentures or other instrument providing for the bond issuance. (California Government Code §§ 5922(d), 53601(m))

B. PROHIBITED INVESTMENTS

The District's Finance Officer/Treasurer shall not invest in:

1. Inverse floaters, range notes or interest only strips that are derived from a pool of mortgages.
2. Any security that could result in a zero interest accrual if held to maturity.
3. A state or federal credit union, if a member of the District's Board of Directors or an administrative officer also serves on the Board of Directors, or any committee appointed by the Board of Directors, or the credit committee or supervisory committee, of the state or federal credit union.

**RESOLUTION 2023-XXXX**  
**EXHIBIT A**

**INVESTMENT POLICY**  
**NIPOMO COMMUNITY SERVICES DISTRICT**

4. Those investments or institutions not permitted by this Policy, or by action of the Board of Directors.

**C. DIVERSIFIED INVESTMENTS**

Investments, other than investments referenced in paragraphs 7-A (1) and (2) above, will be diversified to avoid losses that may be associated with any one investment, and shall be allocated in amounts that maximize the availability of FDIC insurance.

**8. REPORTS**

**A. MONTHLY REPORT**

The Finance Officer/Treasurer shall make monthly reports to the Board with the following information:

- Investments made or retired during the preceding month.
- Single transfers between permitted institutions of greater than \$500,000.

**B. QUARTERLY REPORT**

The Finance Officer/Treasurer shall file a quarterly report that identifies the District's investments and their compliance with the District's Investment Policy. The quarterly report must be filed with the District's auditor and considered by the District's Board of Directors within forty-five (45) days after the end of each quarter (i.e., by May 1, August 1, November 1, and February 1) (California Government Code § 53646). Required elements of the quarterly report are as follows:

1. Type of Investment
2. Institution/issuer
3. Date of Maturity (if applicable)
4. Amount of deposit or cost of the security, including par and dollar amount invested on all securities, investments, and moneys held by the District
5. Current market value of securities, with identification of the source of the valuation, for all securities held by the District as well as securities under the management of any outside party that is not also a local agency or the State of California Local Agency Investment Fund
6. Rate of Interest
7. Statement of compliance with the Statement of Investment Policy or the manner in which the portfolio is not in compliance
8. Statement of the District's ability to meet cash flow requirements, including any pool expenditure requirements, for the next six months, or an explanation as to why sufficient money may not be available
9. Accrued Interest (if applicable)
10. Description of any of the District's funds, investments, or programs that are under the management of contracted parties, including lending programs

**RESOLUTION 2023-XXXX**  
**EXHIBIT A**

**INVESTMENT POLICY**  
**NIPOMO COMMUNITY SERVICES DISTRICT**

**C. ANNUAL REPORT**

Prior to February 1, of each year, the Finance Officer/Treasurer shall file and submit an annual report to the District's auditor and Board of Directors which will contain the same information required in the quarterly report.

The annual report will include a recommendation to the Board of Directors to either:

1. Readopt the District's then current annual Investment Policy; or
2. Amend the District's then current Investment Policy.

**D. LIMITED QUARTERLY REPORT**

If the District has placed all of its investments in the Local Agency Investment Fund (LAIF) created by California Government Code § 16429.1, or in Federal Deposit Insurance Corporation, insured accounts in a bank or savings and loan association, in a County investment pool, or any combination of these, the Finance Officer/Treasurer may submit to the Board of Directors and the auditor of the District the most recent statement or statements received by the District from these institutions in lieu of the information required in paragraph 8.B, above. This special reporting policy does not relieve the Finance Officer/Treasurer of the obligation to prepare an annual investment report as identified in paragraph 8.C, above.

APRIL 26, 2023

ITEM E-1

ATTACHMENT B

**RESOLUTION 2023-XXXX**  
**EXHIBIT A**

**INVESTMENT POLICY**  
**NIPOMO COMMUNITY SERVICES DISTRICT**

1. INTRODUCTION

This policy establishes the standards under which the District's Finance Officer/Treasurer will conduct business with financial institutions with regard to the investment process.

2. PURPOSE AND SCOPE

This investment policy is intended to outline the guidelines and practices to be used in effectively managing the District's available cash and investment portfolio. It applies to all cash and investment assets of the District except those funds maintained in deferred compensation accounts for employees. Proceeds of debt issuance that shall be invested in accordance with the permitted investment provisions of their specific bond indentures. District monies not required for immediate expenditure will be invested in compliance with governing provisions of law (Government Code Sections 53600 et seq.) and this policy. Investments shall be made in judgment and with care, skill, prudence, and diligence under circumstances then prevailing, including but not limited to the general economic conditions and the anticipated needs of the District, which persons of prudence, discretion and intelligence acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims; not for speculation, but to safeguard the principal of their capital and maintain the liquidity 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 (Finance Officer/Treasurer) acting in accordance with written procedures and the investment policy and exercising prudence and 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.

3. FINANCE OFFICER/TREASURER

The Board of Directors appoints the General Manager as the District Finance Officer and Treasurer. The District's Assistant General Manager shall serve as the District's Finance Officer and Treasurer in the absence of the District's General Manager. The services of any investment or financial advisor to the District shall be governed by the terms and standards set forth in this Policy.

4. SCOPE

The District investment portfolio shall consist of money held in a sinking fund of, or surplus money in, the District's treasury not required for the immediate necessities of the District. The District's investment portfolio shall be invested in accordance with this policy.

5. OBJECTIVES

The primary objectives are safety, liquidity, yield, and compliance.

A. SAFETY

The investment portfolio shall be managed in a manner that ensures the preservation of capital. The objective is to minimize credit risk and interest rate risk. To protect against fraud or

**RESOLUTION 2023-XXXX**  
**EXHIBIT A**

**INVESTMENT POLICY**  
**NIPOMO COMMUNITY SERVICES DISTRICT**

embezzlement or losses caused by the collapse of an individual securities dealer, all securities owned by the District shall be held in safekeeping by a third party bank trust department designated by the District. This designated third party shall act as agents for the District under the terms of a custody agreement. All trades executed by a dealer will settle delivery vs. payment (DVP) through the District's safekeeping agent. Investment advisors, dealers and others entrusted with holding and managing District funds shall be bonded and insured to protect the District against embezzlement or fraud. Securities held in custody for the District shall be independently audited by the District annually to verify investment holdings and the other factors required by this policy and applicable law.

**B. 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 in advance of cash needs.

**C. YIELD**

Yield shall be a consideration only after the requirements of safety and liquidity have been met.

**D. COMPLIANCE**

This Investment Policy is written to be in compliance with applicable California and Federal law.

**6. STANDARDS OF CARE**

**A. PRUDENCE**

The Finance Officer/Treasurer will manage the portfolio pursuant to the "Prudent Investor Standard." When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds in the District's investment portfolio, the Finance Officer/Treasurer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to the general economic conditions and the anticipated needs of the District, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the District.

**B. DISCLOSURES**

Finance Officer/Treasurer shall disclose any material interest in financial institutions or professionals with which he/she conducts the District business, and shall comply with all applicable laws relating to conflicts of interest.

**C. INTERNAL CONTROLS AND PROCEDURES**

The Finance Officer/Treasurer shall establish, maintain, and comply with a system of written internal controls, which shall be reviewed at least annually with the District's independent (external) auditor. The controls are designed to prevent loss of public funds due to fraud, employee error, misrepresentation by

**RESOLUTION 2023-XXXX**  
**EXHIBIT A**

**INVESTMENT POLICY**  
**NIPOMO COMMUNITY SERVICES DISTRICT**

third parties, unanticipated market changes, or imprudent actions of employees of the District or third parties. The Finance/Officer Treasurer shall evaluate any audit reports in a timely manner with the Board. The quarterly reports of the District shall be provided to the Board as required by this Policy and applicable law. Daily compliance of the investment portfolio shall be performed by the Finance Officer/Treasurer or designee. Compliance will be determined on a fair market value basis. All agreements, statements, and trade packets will be subject to review annually by the District's auditors in conjunction with their audit.

7. INVESTMENTS AUTHORITY

A. PERMITTED INVESTMENTS

The District Finance Officer/Treasurer is authorized to deposit or invest District funds only in the following institutions and investments, and only in compliance with applicable state law:

1. County pooled funds (California Government Code §§ 27133(g), 53635, 61053)
2. The Local Agency Investment Fund created by the California State Treasury (California Government Code §§ 16429.1, 61053)
3. One or more FDIC insured Banks and/or Savings and Loan Associations that are designated as District depositories by resolution of the Board of Directors (California Government Code §§ 53630 et seq., 61053).
4. U.S. Treasuries and other government obligations for which the full faith and credit of the United States are pledged for payment of principle and interest, provided that the maximum maturity is five (5) years. There shall be no limits on the dollar amount or percentage that the District may invest in U.S. Treasuries.
5. Federally insured time deposits ("Certificates of Deposit") in state or federally chartered banks, savings and loans or credit unions, provided that all such investments shall be federally insured, fully collateralized in accordance with California law. The maximum maturity of such deposits shall not exceed five (5) years.
6. Negotiable Certificates of Deposit ("NCD") issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, provided that not more than 30% of the portfolio invested shall be invested in a combination of federally insured [ 1 ] non-negotiable certificates of deposit, and the maximum maturity does not exceed five (5) years.
7. Such other financial institutions or securities that may be designated by the Board of Directors from time to time in compliance with California and Federal law.
8. Proceeds of bond issuance shall be invested in accordance with the permitted investment provisions of their specific bond indentures or other instrument providing for the bond issuance. (California Government Code §§ 5922(d), 53601(m))

B. PROHIBITED INVESTMENTS

The District's Finance Officer/Treasurer shall not invest in:

1. Inverse floaters, range notes or interest only strips that are derived from a pool of mortgages.
2. Any security that could result in a zero interest accrual if held to maturity.
3. A state or federal credit union, if a member of the District's Board of Directors or an administrative officer also serves on the Board of Directors, or any committee appointed by the Board of Directors, or the credit committee or supervisory committee, of the state or federal credit union.

**RESOLUTION 2023-XXXX**  
**EXHIBIT A**

**INVESTMENT POLICY**  
**NIPOMO COMMUNITY SERVICES DISTRICT**

4. Those investments or institutions not permitted by this Policy, or by action of the Board of Directors.

C. DIVERSIFIED INVESTMENTS

Investments, other than investments referenced in paragraphs 7-A (1) and (2) above, will be diversified to avoid losses that may be associated with any one investment, and shall be allocated in amounts that maximize the availability of FDIC insurance.

8. REPORTS

A. MONTHLY REPORT

The Finance Officer/Treasurer shall make monthly reports to the Board with the following information:

- Investments made or retired during the preceding month.
- Single transfers between permitted institutions of greater than \$500,000.

B. QUARTERLY REPORT

The Finance Officer/Treasurer shall file a quarterly report that identifies the District's investments and their compliance with the District's Investment Policy. The quarterly report must be filed with the District's auditor and considered by the District's Board of Directors within forty-five (45) days after the end of each quarter (i.e., by May 1, August 1, November 1, and February 1) (California Government Code § 53646). Required elements of the quarterly report are as follows:

1. Type of Investment
2. Institution/issuer
3. Date of Maturity (if applicable)
4. Amount of deposit or cost of the security, including par and dollar amount invested on all securities, investments, and moneys held by the District
5. Current market value of securities, with identification of the source of the valuation, for all securities held by the District as well as securities under the management of any outside party that is not also a local agency or the State of California Local Agency Investment Fund
6. Rate of Interest
7. Statement of compliance with the Statement of Investment Policy or the manner in which the portfolio is not in compliance
8. Statement of the District's ability to meet cash flow requirements, including any pool expenditure requirements, for the next six months, or an explanation as to why sufficient money may not be available
9. Accrued Interest (if applicable)
10. Description of any of the District's funds, investments, or programs that are under the management of contracted parties, including lending programs

**RESOLUTION 2023-XXXX**  
**EXHIBIT A**

**INVESTMENT POLICY**  
**NIPOMO COMMUNITY SERVICES DISTRICT**

**C. ANNUAL REPORT**

Prior to February 1, of each year, the Finance Officer/Treasurer shall file and submit an annual report to the District's auditor and Board of Directors which will contain the same information required in the quarterly report.

The annual report will include a recommendation to the Board of Directors to either:

1. Readopt the District's then current annual Investment Policy; or
2. Amend the District's then current Investment Policy.

**D. LIMITED QUARTERLY REPORT**

If the District has placed all of its investments in the Local Agency Investment Fund (LAIF) created by California Government Code § 16429.1, or in Federal Deposit Insurance Corporation, insured accounts in a bank or savings and loan association, in a County investment pool, or any combination of these, the Finance Officer/Treasurer may submit to the Board of Directors and the auditor of the District the most recent statement or statements received by the District from these institutions in lieu of the information required in paragraph 8.B, above. This special reporting policy does not relieve the Finance Officer/Treasurer of the obligation to prepare an annual investment report as identified in paragraph 8.C, above.

APRIL 26, 2023

ITEM E-1

ATTACHMENT C

**NIPOMO COMMUNITY SERVICES DISTRICT  
INVESTMENT POLICY GUIDELINES**

**INVESTMENT-OPPORTUNITY EVALUATION AND PURCHASE  
and  
INTERNAL CHECKLIST**

---

The investment-opportunity evaluation and purchase activities shall be in accordance with the adopted Investment Policy of the Nipomo Community Services District (“District”).

**BASIC STRATEGY**

The basic investment strategy will be to safeguard the principal of all investments, maintain sufficient liquidity to meet the regular cash flow needs of the District while reserving contingent liquidity to meet unanticipated cash flow demands, and utilize various investment approaches to take advantage of current market yield opportunities. A maximum rate of return will be sought in a manner consistent with the safeguarding of principal and meeting liquidity needs.

**INTERNAL CONTROLS**

The District has established a system of written internal controls and checklist (pages 3-6), which is reviewed annually by the District’s independent auditor. The controls are designed to provide a reasonable assurance that loss, theft, or misuse can be prevented.

**PERFORMANCE BENCHMARK**

The investment portfolio is constructed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, matching the investment risks controls and cash flow requirements, thus preserving capital, meeting liquidity and providing yield. The District’s investment strategy is to manage the portfolio with less credit risk and interest rate risk than a benchmark comparable index. The District’s portfolio benchmark is the California Local Agency Investment Fund (LAIF).

**DETERMINATION OF AMOUNT OF FUNDS TO BE INVESTED-ANNUALLY IN JULY**

Prior to performing an investment-opportunity evaluation, the District shall determine the amount of funds available for investment annually in July after the budget has been adopted for the new fiscal year. Below is the matrix to determine the amount available:

**TEMPLATE EXAMPLE (high level cash flow model)**

Fiscal Year 2022-2023 Budgeted Operating Expenses	\$10,640,000	
	X 50%	
		\$5,320,000
Fiscal Year 2022-2023 Budgeted Funded Replacement Projects		\$3,630,000
Fiscal Year 2022-2023 Budgeted Capital Projects		\$4,327,000
<b>FISCAL YEAR 2022-2023 LIQUID CASH FLOW REQUIRED – MAINTIAN FUNDS IN LAIF</b>		<b>\$13,277,000</b>
<b>CASH AVAILABLE JULY 2022</b>		<b>\$18,878,000</b>
<b>FUNDS AVAILABLE TO INVEST</b>		<b>\$5,601,000</b>

**NIPOMO COMMUNITY SERVICES DISTRICT  
INVESTMENT POLICY GUIDELINES**

**INVESTMENT-OPPORTUNITY EVALUATION AND PURCHASE  
and  
INTERNAL CHECKLIST**

---

**INVESTMENT CRITERIA** (in accordance with Investment Policy)

- Once the amount of funds available to invest has been determined, the investment-opportunity evaluation will be made by in coordination with the Finance and Audit Committee.
- Investments shall be purchased in accordance with established internal controls.
- The District's policy is to hold investments until maturity.
- Investments will only be liquidated prior to maturity if an emergency exists, as determined by the General Manager.
- Investments shall be purchased in the new issue market unless it is deemed advantageous by the General Manager to purchase in the secondary market.
- The ladder approach to investment should be used not to exceed 5 years in maturity. Ladder approach provides the following:
  - i) Funds distributed over a range of maturities
  - ii) Portfolio less affected by negative trending change of interest rates
  - iii) Reduces risk of buying at market highs and selling at market lows
  - iv) Can reduce interest rate risk
  - v) Low maintenance "buy and hold" strategy

**INVESTMENT-OPPORTUNITY EVALUATION AND PURCHASE AUTHORIZATION**

- Annually, in July, the Finance and Audit Committee meet.
- Establish the benchmark LAIF rate of return
- Establish rates of return approved investment types
- Compare the rates of return and if the rate of return on approved investment types exceeds 100 basis points (1%) or higher, funds should be evaluated for strategic investment shift to the higher yielding instrument.
- Establish a ladder approach to capitalize on a positive yield curve and assure consistent cash availability.
- Obtain approval by Board of Directors prior to purchase that exceeds \$500,000.
- Report to the Board of Directors quarterly, pursuant to Investment Policy.

**Internal Controls**

As public servants, it is our responsibility to safeguard Nipomo Community Services District's ("District") funds while adhering to laws and regulations governing processes over investing activities. Developing good internal controls for investing activities is important for the prudent investment of public funds as well as to prevent mishandling of funds and to safeguard against loss. Strong internal controls also protect employees by defining responsibilities in the investing process. Entities can use internal controls to protect against embezzlement, theft, fraud, and poor decision making.

*This document does not address all possible circumstances that need to be considered when establishing internal controls or assessing risk.*

**NIPOMO COMMUNITY SERVICES DISTRICT  
INVESTMENT POLICY GUIDELINES**

**INVESTMENT-OPPORTUNITY EVALUATION AND PURCHASE  
and  
INTERNAL CHECKLIST**

---

**Control Objectives:**

1. Controls are in place in the process to ensure accountability is established as early as possible at all points along the accountability chain.
2. Assets are safeguarded from loss through watchful and responsible care and reconciliation functions.
3. Segregation of duties, or mitigating controls, exists within transaction processes, custody, and recording functions.
4. Transactions, current secondary market value and events are properly recorded and reported.
5. Staff understands their duties, responsibilities, and accountabilities.
6. Investment practices are documented and in compliance with current NCS D Investment Policy state laws and regulations.
7. Transaction activities are properly authorized.

**Segregation of Duties:**

Segregation of duties is one of the most important features of an internal control plan. The fundamental premise of segregated duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same action. These are called incompatible duties when performed by the same individual. Examples of incompatible duties include situations where the same individual (or small group of people) is responsible for:

- Managing both the operation of and record keeping for the same activity.
- Managing custodial activities and record keeping for the same assets.
- Authorizing transactions and managing the custody or disposal of the related assets or records.

Stated differently, there are four kinds of functional responsibilities that should be performed by different persons within the same department.

1. Custody of assets involved: This duty refers to the actual physical possession or effective physical control/safekeeping of property. The District will use a qualified third-party custodian.
2. Recording transactions: This duty refers to the accounting or record keeping function, which in most organizations, is accomplished by entering data into a computer system.
3. Authorization to execute transactions: This duty belongs to persons with authority and responsibility to initiate and execute transactions.
4. Periodic reviews and reconciliation of existing assets to recorded amounts: This duty refers to making market rate comparisons at regular intervals and taking action to resolve differences.

The advantage derived from proper segregation of duties is twofold:

- Fraud is more difficult to commit because it would require collusion of two or more persons, and most people hesitate to seek the help of others to conduct wrongful acts.
- By handling different aspects of the transaction, innocent errors are more likely to be prevented.

**NIPOMO COMMUNITY SERVICES DISTRICT  
INVESTMENT POLICY GUIDELINES**

**INVESTMENT-OPPORTUNITY EVALUATION AND PURCHASE  
and  
INTERNAL CHECKLIST**

---

**Segregation of Duties Controls Questions:**

<b>A.</b>	<b>Segregation of Duties:</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Comments</b>
1	Are responsibilities for initiating transactions segregated from approval authority?				
3.	Are responsibilities for monitoring investment market values and performance segregated from acquisition activities?				
6.	Is access to investment applications and functions within programs limited to those who have a legitimate need?				
7.	Are all investment bank wire transfers independently reviewed and approved?				

**Procedural Controls Questions:**

<b>B.</b>	<b>Procedural Controls:</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Comments</b>
1.	Is there a complete listing of all investments that are under the entity's control?				
3.	Is there a written investment policy available?				
4.	Do approval procedures include formal establishment and periodic review of investment policies?				
5.	Do approval procedures ensure only investments permitted by law or policies are acquired?				
6.	Do approval procedures include integration of the investment program with the cash management program and with expenditure requirements?				
7.	Is due diligence of broker-dealer and other financial institutions completed before business is conducted?				
8.	Is there an established authority and responsibility for investment-opportunity evaluation and purchase?				
9.	Is there a periodic evaluation of the performance of the investment portfolio by persons independent of investment portfolio management activities?				
10.	Do approval procedures include verification that all income due from investments has been received?				
11.	Are there formal procedures governing the level and nature of approvals required to purchase, exchange, or sell an investment?				
12.	Do approval procedures include competitive bidding for certificate-of-deposit purchases?				
13.	Is the authority to purchase, exchange, or sell investments clearly defined?				
14.	For investments in government securities, does the investment officer appear to understand the types of securities owned?				
15.	Do custodial procedures include registering all securities in the name of the entity?				

**NIPOMO COMMUNITY SERVICES DISTRICT  
INVESTMENT POLICY GUIDELINES**

**INVESTMENT-OPPORTUNITY EVALUATION AND PURCHASE  
and  
INTERNAL CHECKLIST**

17.	Do custodial procedures include authorization by the appropriate body of authority with access to securities?				
18.	Do custodial procedures include bonding of individuals with access to securities?				
19.	Are dual signatures or authorizations required to obtain or release securities from safekeeping?				
20.	Do detail accounting procedures include the maintenance of detail accounting records for investments by the investment department?				
21.	Is an accounting record/register maintained for each investment, including; cost, description, date purchased, interest rate, maturity date and identifying number?				
22.	Are there procedures to ensure transactions arising from investments are properly processed, including income and amortization entries?				
23.	Do detail accounting procedures include controls to ensure investment earnings are credited to the fund from which resources for the investment were provided?				
24.	Do detail accounting procedures include a periodic comparison between income received and the amount specified by the terms of the security, or from publicly available investment information?				
25.	Are there controls to ensure transactions are recorded on a timely basis?				
26.	If current market value (or fair value) is used to value investments, is this basis applied consistently for all investments in all funds?				
27.	Are procedures in place to reconcile the detail accounting records with the general ledger control?				
28.	Do procedures include a periodic review of the nature of investments included in general ledger balances?				
29.	Do general ledger procedures include monthly verification, provided by the custodian of principal and market values, of all investments and collateral?				
30.	Is the principal and market values provided by the custodian compared to internal (general ledger) records?				
31.	Are comparisons of book balances used in reconciliations with balances in the general ledger accounts?				
32.	Do general ledger procedures include a review and approval of all reconciliations by an official not responsible for receipts and disbursements?				

**NIPOMO COMMUNITY SERVICES DISTRICT  
INVESTMENT POLICY GUIDELINES**

**INVESTMENT-OPPORTUNITY EVALUATION AND PURCHASE  
and  
INTERNAL CHECKLIST**

-----

33.	Do general ledger procedures include an investigation of unusual reconciling items by an official not responsible for receipts and disbursements?				
34.	Is evidence of reviews and reconciliations signed by an official not responsible for receipts and disbursements?				

TO: BOARD OF DIRECTORS

FROM: MARIO IGLESIAS  
GENERAL MANAGER

DATE: April 21, 2023

**AGENDA ITEM**

**E-2**

**APRIL 26, 2023**

**CONSIDER ENTERING INTO AN AGREEMENT WITH  
MULITI-BANK SECURITIES, INC. (MBS) AND OPENING A  
CUSTODIAL ACCOUNT WITH PERSHING LLC**

**ITEM**

Consider entering into an agreement with Multi-Bank Securities, Inc. (MBS) and opening a custodial account with Pershing LLC [RECOMMEND APPROVAL AND AUTHORIZE GENERAL MANAGER TO SIGN AGREEMENTS AND ADOPT RESOLUTION]

**BACKGROUND**

Nipomo Community Services District (District) has historically invested funds not needed in the short-term in the Local Agency Investment Fund (LAIF) administered by the California State Treasurer. The LAIF is a pooled fund with 2,373 participants and \$27.4 billion fund balance report at the end of February 2023 (<https://www.treasurer.ca.gov/pmia-laif/laif/program.asp>). As of March 8, 2023, the LAIF daily effective yield was 2.79% with an average maturity of 283 days. The District currently has approximately \$20 million on deposit with LAIF.

Due to current market conditions, short-term interest rates are higher than long-term interest rates creating what is known as the inverted yield curve. This provides the District with a unique investing opportunity whereby investing in securities such as Treasury Bills (T-Bill) and Certificate of Deposits (CDs), the District may be able to achieve higher rates of return than LAIF. The interest rate on a three month T-Bill and CD is currently around 5%. T-Bills are a short-term U.S. government debt obligation backed by the Treasury Department with a maturity date of one year or less.

On February 15, 2023, the Finance and Audit Committee met and reviewed investment options and policies in accordance with Government Codes. Staff was directed to research the methodologies for investing and holding investments such as T-Bills and CDs within the parameters of the California Government Code and the District's adopted Investment Policy.

On March 16, 2023, the Finance and Audit Committee met and received a presentation from Peter Yanez, of MBS and asked questions. MBS has been serving the investment needs of municipalities since 1988 and is a broker-dealer of fixed income securities. For securities purchased through MBS, Pershing LLC (a subsidiary of BNY Mellon) will act as the securities custodial safekeeping agent.

District legal counsel has reviewed the agreements and found it acceptable. Staff is requesting authorization to open an account with MBS which will allow the District to purchase authorized investments and establish a separate custodial account with Pershing LLC.

**FISCAL IMPACT**

There is no direct cost to the District from either MBS for purchasing or Pershing LLC for hold investments. MBS and Pershing LLC are compensated for the transactions with the District from their underwriters.

**STRATEGIC PLAN**

Goal 4. FINANCE. Maintain conservative, long-term financial management to minimize rate impacts on customers while meeting program financial needs.

- B.1 Evaluate, plan for and maintain finances that are adequate for all needs, stable, and reliable over the long-term.
- B.6 Maintain sound investment policy and investments.

**RECOMMENDATION**

- A. Staff recommends that your Honorable Board approve the agreement and authorize the General Manager to sign on behalf of the District and pass a resolution authorizing the District to open an account with Multi-Bank Securities, Inc.

**ATTACHMENT**

- B. MBS User Agreement
- C. 2023-XXXX, Resolution Authorizing Account with Multi-Bank Securities, Inc.

APRIL 26, 2023

ITEM E-2

ATTACHMENT A

Proudly Veteran-Owned!



# eConnectDirect<sup>®</sup>

## User Agreement

### Contact Information

Primary Point of Contact	Peter Yanez	pyanez@mbssecurities.com	(855) 928-0111
Product Specialist	Alexis Zehnder	azehnder@mbssecurities.com	(888) 354-7534
Senior Vice President	Tim Peacock	tpeacock@mbssecurities.com	(800) 967-9041

Powered by



**MULTI-BANK SECURITIES, INC.\***

(800) 967-9052 • support@eConnectDirect.com • www.eConnectDirect.com

*Please send all correspondence to Corporate Headquarters:*

Multi-Bank Securities, Inc. • 1000 Town Center, Suite 2300 • Southfield, MI 48075 • www.mbssecurities.com

For institutional investors only, not intended for the investing public. Copyright © 2017, Multi-Bank Securities, Inc.  
Member of FINRA & SIPC, MSRB Registered. eConnectDirect is a registered trademark of Multi-Bank Securities, Inc. All rights reserved.  
eCD User Agreement.pdf 05.25.17



### LICENSING AGREEMENT

**This Agreement is between:**

Multi-Bank Securities, Inc. (MBS)  
1000 Town Center, Suite 2300  
Southfield, Michigan 48075

and

NIPOMO COMMUNITY SERVICES DISTRICT  
Account Holder  
148 SOUTH WILSON STREET / P.O. BOX 326  
Street Address  
NIPOMO, CA 93444  
City, State, Zip

This contract governs your use of services, ability to post deposit rates, and access to inventory offered by eConnectDirect®, a registered trademark of Multi-Bank Securities, Inc. ("MBS") and related commerce, products and services corresponding to your access to eConnectDirect.com. You may need to execute additional agreements or provide MBS account numbers if you request additional Opt-In Services in conjunction with your unique eConnectDirect Username and Password. "Opt-In Services" refers to additional trading functionality and supportive services provided through eConnectDirect or MBS.

The terms "MBS," "we," "us" and "our" refer to Multi-Bank Securities, Inc. The terms "Subscriber," "you" and "your" refer to the undersigned Account Holder and additional users identified in Schedule A. The term "eConnectDirect CD" (also known as "Physical CD" or "Listing Service" Deposits) refers to CDs which are transacted directly between the issuing institution and investing entity through eConnectDirect. The term "Securities" generally refers to all other assets purchased or viewed on eConnectDirect that are NOT eConnectDirect CDs. All Securities (e.g., Bonds, DTC-Eligible CDs) will have a corresponding CUSIP number and funds will be settled into a user-selected Securities account (Cash or Delivery Versus Payment "DVP"). If your preferred safekeeping agent is something other than a Pershing LLC account, originated through MBS, delivery and settlement instructions ("DVP Instructions") must be provided prior to gaining access to security's inventory monitors.

**User Access Start Date**

Start Date: 04 / 26 / 2023

Your user access and all other rights under this eConnectDirect Licensing Agreement will commence on the "Start Date" listed above if we have received from you a signed copy of this agreement and a complete set of all duly executed settlement documents required to purchase or issue a CD or security.

**Modification/Cancellation**

MBS reserves the right to:

- Modify or cancel any feature of eConnectDirect at any time.
- Discontinue user access at any time for any reason, without penalty, with 30 days written notice, or
- Immediately suspend user access at any time as provided below.

Subscriber reserves the right to:

- Discontinue any or all eConnectDirect services at any time for any reason, without penalty, by providing written notice to MBS.

All changes to the terms, conditions, fees, representations and warranties related to this agreement will be distributed in writing for signature, email consent or online confirmation. If at any time you find these terms unacceptable and do not agree with them, you can let us know that you would like to discontinue your user access without penalty.

**ACCOUNT ADMINISTRATION:**

The Account Administrator is responsible for maintaining the account profile and approving/assigning additional users and account access. The additional users need to be identified on Schedule A – Authorized User List. All users will be assigned a unique Username and Password and will be required to acknowledge and accept the terms, conditions and licensing agreement pertaining to the use of eConnectDirect upon initial login.

Account Administrator Name: MARIO IGLESIAS  
Title: GENERAL MANAGER  
Phone: 805-929-1133  
Email: MIGLESIAS@NCSD.CA.GOV

Secondary Contact Name: JANA ETTEDDGE  
Title: FINANCE DIRECTOR  
Phone: 805-929-1133  
Email: JETTEDDGUE@NCSD.CA.GOV

**Licensing/User Fees:**

Any applicable licensing fees will be disclosed per Schedule B – Licensing Fee Schedule of this agreement and will be billed annually, payable on the anniversary of the user access start date and are NON-REFUNDABLE. You will not be liable for any increase in licensing fees or new fees related to your access to eConnectDirect unless you agree to such change in writing or other authenticated means.

MBS is not responsible for any fees incurred or charged in relationship to an eConnectDirect CD transaction by the issuing bank, settlement/wire fees, safekeeping charges by your securities’ custodian or any other fees related to the purchase, issuance, settlement, or safekeeping of products offered through eConnectDirect. You are responsible for all such fees. Any applicable fees or selling concessions related to the issuance of DTC-eligible CDs are disclosed at the time of trade and per the terms of an executed terms agreement and related Brokerage Agreement.

**Account Classification and User Access: Additional documentation may need to be submitted depending on your user access request(s).**

**Institution Classification** Special Municipal District



**User Access**

- Investor
  - Securities
  - Listing Service Deposits (eConnectDirect CDs) (Exhibit C Required)
- Issuer
  - DTC-Eligible CDs (Brokerage Agreement Required)
  - Listing Service Offerings (eConnectDirect CDs) (Exhibit C Required)
- Securities Safekeeping Agent
  - Pershing LLC (Only to be Used if Originated by Multi-Bank Securities, Inc.)
  - DVP (Delivery Versus Payment) (Delivery Instructions Required)



**Proprietary Rights in the eConnectDirect Software and Database:**

Restrictions on Use: SUBSCRIBER AGREES THAT IT WILL NOT PERMIT ANY OTHER PERSON INCLUDING, BUT NOT LIMITED TO, ANY INSTITUTION, BROKER OR BUSINESS OF ANY TYPE, ACCESS TO THE SOFTWARE AND DATABASE.

**License Limitations:**

This eConnectDirect Licensing Agreement allows access to eConnectDirect using a computer and/ or web access by a user from any approved browser. Subscriber agrees not to modify, adapt or translate, disassemble, decompile, reverse engineer or otherwise attempt to discover the source code of the software. Subscriber further agrees not to sublicense, assign, transfer, distribute, pledge, lease, rent or share any rights under this license except with prior written permission from MBS.

**Transaction Settlements:**

Subscriber agrees to pay for, settle on, deliver or make whole on any approved transaction(s) processed through eConnectDirect or MBS. Failure to pay for a purchase, delivery on a sell or settle on an approved and accepted CD issuance, may result in an IMMEDIATE suspension or cancellation of this user agreement.

**Immediate Suspension:**

MBS may immediately suspend user access and all rights under this agreement if MBS has not received payment of the applicable License Fee within 30 days of invoice or MBS believes the Subscriber has or may violate MBS's proprietary rights or has or may breach any other provision of this agreement.

**Warranty Disclaimer/Liability:**

MBS makes no warranty of any kind, express or implied, regarding the timeliness, sequence, accuracy or completeness of data provided on eConnectDirect. MBS will not be liable for any damages whatsoever, whether direct, indirect, general, special, compensatory, consequential and/or incidental, arising out of or relating to your use of eConnectDirect.

NIPOMO COMMUNITY SERVICES DISTRICT  
Account Holder

\_\_\_\_\_  
Signature

MARIO IGLESIAS  
Name

GENERAL MANAGER  
Title

Multi-Bank Securities, Inc.  
Company

\_\_\_\_\_  
Signature

Tim Peacock  
Name

Senior Vice President  
Title



### SCHEDULES, EXHIBITS & SUPPORTING DOCUMENTS

**SCHEDULE A: AUTHORIZED USERS\*\*** (NOTE: The Administrator must be listed.)

NAME	TITLE	PHONE	EMAIL
MARIO IGLESIAS	GENERAL MANAGER	805-929-1133	MIGLESIAS@NCSD.CA.GOV
JANA ETTEDDGE	FINANCE DIRECTOR	805-929-1133	JETTEDDGUE@NCSD.CA.GOV
LISA BOGNUDA	ASSISTANT GENERAL MANAGER	805-929-1133	LBOGNUDA@NCSD.CA.GOV

\*\*Permissions, notifications and account access are set and maintained by the administrator upon login. Securities trading authorization is only permitted to those approved by the account administrator and in confirmation with a submitted resolution of authorized signers.

**SCHEDULE B: LICENSING FEE(S)**

Applicable licensing fees will apply.

ALL FEES ARE PAYABLE WITHIN 30 DAYS OF INVOICE AND ARE NON-REFUNDABLE:

eConnectDirect Account Access (Including Securities): \$ 0 per year

eConnectDirect CD Listing Services: \$ Waived per year

Special Notes/Instructions:



INSTITUTIONAL SUITABILITY CERTIFICATE
FINRA RULE 2111

AFFIRMATIVE INDICATION BY INSTITUTION – EXERCISING INDEPENDENT JUDGMENT

In connection with any recommended transaction or investment strategy by a registered broker-dealer, the undersigned acknowledges on behalf of the Institution named below that:

- 1. It is an "Institutional Account" as defined in FINRA Rule 4512(c);

PLEASE CHECK THE APPROPRIATE BOX BELOW

- Four checkboxes for institutional account types: (1) credit union, (2) bank/savings/loan, (3) investment adviser, (4) MBS will determine suitability (checked).

- 2. It (1) is capable of evaluating investment risks independently... (2) will exercise independent judgment...
3. MBS will be notified by the Institutional Account if anything in this Certificate ceases to be true;
4. He or she is authorized to sign on behalf of the Institutional Account named below.

By signing this Certificate, the undersigned affirms that the above statements are accurate but does not waive any rights afforded under U.S. federal or state securities laws, including without limitation, any rights under Section 10(b) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated there under.

This Certificate shall apply with respect to all recommended transactions and investment strategies involving securities that are entered into by the Institutional Account named in this Certificate, whether for the account(s) of such Institutional Account or for the account of any beneficial owner that has delegated decision making authority to such Institutional Account.

NIPOMO COMMUNITY SERVICES DISTRICT

Institutional Account Name

Signature of Authorized Signatory

148 SOUTH WILSON STREET / P.O. BOX 326

Name of Authorized Signatory

Address

NIPOMO, CA 93444

Title of Authorized Signatory

City, State, ZIP

95-6133986

Date

U.S. Tax ID/EIN (If applicable)

MIGLESIAS@NCSD.CA.GOV

805-929-1133

Email Address

Phone

Address 1000 Town Center, Suite 2300 Southfield, Michigan 48075

2400 East Commercial Boulevard, Suite 812 Ft. Lauderdale, Florida 33308

Member of FINRA & SIPC; MSRB Registered.

Phone (800) 967-9045 (248) 291-1100

(800) 967-9045 (954) 351-6930

Proudly Veteran-Owned!

Fax (248) 291-1101

(954) 351-9197

www.mbssecurities.com

APRIL 26, 2023

ITEM E-2

ATTACHMENT B

**NIPOMO COMMUNITY SERVICES DISTRICT  
RESOLUTION NO. 2023-XXXX**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
NIPOMO COMMUNITY SERVICES DISTRICT  
AUTHORIZING DESIGNATING OFFICIALS OF THE DISTRICT TO TAKE SPECIFIED ACTIONS WITH  
REGARD TO DISTRICT INVESTMENTS**

**WHEREAS**, the Nipomo Community Services District (herein "District") Board of Directors (herein "Board") is a local governmental agency formed and authorized to provide services within its jurisdiction, pursuant to Section 61000 et seq. of the California Government Code; and

**WHEREAS**, on April 26, 2023, the Board of Directors approved the opening of an account at Multi-Bank Securities, Inc. (MBS) and authorized the use of their eConnectDirect platform, and

**WHEREAS**, the District's adopted Investment Policy permits the following:

1. Engage in cash settlement transactions for the purchase of physical certificates of deposit(s) (CDs) purchased through e Connect Direct or through any introducing agent.
2. Engage in cash settlement transactions in the form of CDs held in safekeeping at federally insured financial institutions.
3. Engage in cash or DVP (delivery versus payment settlement transactions in securities including CDs and Treasury bonds, notes and bills.
4. Receive on behalf of the Investor, or deliver to the Investor, or a designated third party, monies, bonds or other securities.
5. Sell, assign or endorse for transfer bonds, or other securities registered in the name of the Investor.
6. Establish and maintain safekeeping accounts with Fedwire and ACH privileges from which account funds are directly spent, and the responsibility for which its entirely that of the Investor. Said privileges will be limited to persons designated by the Investor. Each designated person named below, and their successors, can independently perform the prescribed privileges.

NAME	TITLE
Mario Iglesias	General Manager
Lisa Bognuda	Assistant General Manager
Jana Etteddgue	Finance Director

**NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED** by the Board of Directors of the Nipomo Community Services District, as follows:

Nipomo Community Services District can open an account or accounts in its name with a safekeeping agent, introducing broker, or federally insured financial institution offering CD rates through eConnectDirect or through any introducing agent and that the persons named above, or their successors in office, may, on behalf of the Investor or any one of them acting individually, be and they are hereby authorized to:

1. Give or submit orders in said account(s) for the purchase, sale or other disposition of CDs, bond and other securities listed on eConnectDirect or offered by any introducing broker;

**NIPOMO COMMUNITY SERVICES DISTRICT  
RESOLUTION NO. 2023-XXXX**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
NIPOMO COMMUNITY SERVICES DISTRICT  
AUTHORIZING OPENING AN ACCOUNT WITH MULTI-BANK SECURITIES, INC. (MBS)**

2. Make, execute, deliver or submit directly or through the services of eConnectDirect any and all written endorsements and documents necessary to effectuate closure or the disbursements of funds of or from the Investor account;
3. May at any time while the account is open modify, amend, submit or enter into any other arrangement with the safekeeping agent of its CD or securities.

This authorization to each of said officers is to remain in full force and effect until other written notice of revocation is submitted to the safekeeping agent(s) and MBS.

Upon motion by Director \_\_\_\_\_, seconded by Director \_\_\_\_\_, on the following roll call vote, to wit:

**AYES:**

**NOES:**

**ABSENT:**

**CONFLICTS:**

the foregoing resolution is hereby passed and adopted this 26<sup>th</sup> day of April, 2023.

\_\_\_\_\_  
**RICHARD MALVAROSE**  
President of the Board

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
**MARIO E. IGLESIAS**  
General Manager and Secretary to the Board

\_\_\_\_\_  
**CRAIG A. STEELE**  
District Legal Counsel