

McCLOUD COMMUNITY SERVICES DISTRICT
Policy and Procedure Manual

POLICY TITLE: Investment of District Funds
POLICY NUMBER: 3035
ADOPTED: November 12, 2002
REVIEWED: 12/18/13, 09/13/16, 11/13/19
AMENDED: October 10, 2016

3035.10 Primary Policy Goals and Objectives

3035.11 Safety. The primary and uppermost concern of the District shall be the safety of the funds entrusted to it from whatever source. No undue risks shall be taken to pursue high income at the expense of safety.

3035.12 Liquidity. Provide the liquidity necessary to meet day to day, cyclical, and long-term changes in the mix of the District's assets and liabilities.

3035.13 Return on Investments. The District shall strive to earn an average rate of return on its invested funds at least equal to that earned on average by other public agencies of similar size and characteristics.

3035.14 Diversification. Provide a suitable balance of quality and diversification of the District's assets.

3035.15 Deposits with Financial Institutions. Comply with pledging requirements for deposit of District monies with financial institutions; and/or deposit of District funds only in suitable financial institution deposit accounts.

3035.16 Investment Guidelines. Whenever this investment policy sets maximums, minimums and averages, those standards are to be used as guidelines and are intended to be a flexible tool for management and the Board. This policy will be reviewed at least annually, or more frequently whenever changes and conditions warrant a review.

3035.17 Responsibility for Implementation. Responsibility for investment decisions shall lie with Board of Directors under recommendation of the Finance Officer or General Manager in the absence of A Finance Officer of the District.

3035.18 Report of Activities. All investment activity will be reported quarterly to the Board of Directors at its regular meetings to assist the Board and management in short-term and long-term planning.

3035.19 Investment Advisors. The advice and expertise of various securities firms will be utilized by the District to obtain recommendations for proposed investments, investment strategies and the timing and pricing of securities transactions. Accordingly, the Board of Directors shall review and approve a list of securities firms with whom the District conducts investment activities. Financial information will be maintained on each securities firm used by the District. The Board of Directors will be advised if changes are made in the firms being utilized. A copy of this investment policy shall be delivered to all authorized investment advisors. Any adviser through which investments are purchased must be licensed by the state as a broker-dealer, as defined in Section 25004 of the Corporations Code, or from a member of a federally regulated securities exchange, from a national or state-chartered bank, from a federal or state association (as defined by Section 5102 of the Financial Code) or from a brokerage firm designated as a primary government dealer by the Federal Reserve bank.

3035.20 Primary Policy Goals and Objectives - Continued

3035.21 Authority for Investment Decisions. The Board of Directors, by proper board action, is authorized to buy and sell securities for the District's portfolio. The Board may delegate such responsibility to the Finance Officer or General Manager in the absence of a Finance Officer of the District, as provided below, however such delegation does not relieve the Board of the ultimate responsibility for investment decision review, oversight, and implementation of this policy.

3035.22 Compliance with Law. It is the intention of the District to conduct its investment portfolio management activities consistent with all applicable State and Federal laws governing the investment of public funds. In the event that any portion of this policy does not meet that goal, the District will comply with applicable law and amend this policy to reflect such compliance.

3035.30 Reporting to the Board of Directors

3035.31 Annual Reporting Requirements. The Finance Officer or General Manager in the absence of a Finance Officer of the District shall annually render to the Board of Directors a current statement of the District's investment policy, which the Board shall consider at a public meeting. Any changes in the policy shall also be considered by the Board at such meeting.

3035.32 Quarterly Reporting Requirements. The Finance Officer or General Manager in the absence of a Finance Officer shall render a quarterly report to the Board of Directors, to be submitted within 30 days following the end of the quarter covered by the report.

3035.33 The report shall include the following information:

3035.331 The types of investments.

3035.332 Issuers.

3035.333 Date of maturity par and dollar amount invested on all securities.

3035.334 Investments and moneys held by the District.

3035.335 A description of any of the District's funds, investments, or programs, that are under the management of contracted parties, including lending programs. With respect to all securities held by the District, and under management of any outside party that is not also a local agency or the State of California District Investment Fund, the report shall also include a current market value as of the date of the report, and shall include the source of such valuation.

3035.336 The report shall confirm compliance by the portfolio with this investment policy, or manner in which the portfolio is not in compliance.

3035.337 The report shall include a statement denoting the ability of the District to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

3035.338 A subsidiary ledger of investments may be used in accordance with accepted accounting practices.

3035.339 The Finance Officer or General Manager in the absence of a Finance Officer shall also report whatever additional information or data may be required by the Board of Directors.

3035.34 Optional Monthly Reporting. The Board of Directors, in its discretion, may require the Finance Officer or General Manager in the absence of a Finance Officer to render monthly reports in lieu of the quarterly reports required above pursuant to subsection B.

3035.35 Optional reporting procedure. If at any time the District has less than \$250,000 invested at all times during the period covered by the report, and if the District has placed all of its investments in the Local Agency Investment Fund, created by Section 16429.1 of the Government Code, 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 or General Manager in the absence of a Finance Officer may supply the Board with copies of the most recent statements received by the District from these institutions in lieu of the information required above by subsection B.

3035.36 Deposit of Funds and Purchase of Securities

3035.37 Deposit of Funds. As far as possible, all money belonging to, or in the custody of, the District, including money paid to the Finance Officer or General Manager in the absence of a Finance Officer to pay the principal, interest, or penalties of bonds, shall be deposited for safekeeping in state or national banks, savings associations, federal associations, credit unions, or federally insured industrial loan companies in this state selected by the Board of Directors; or may be invested in the investments set forth in Government Section 53601, as amended from time to time (the 2002 version of which is appended hereto). To be eligible to receive District funds, a bank, savings association, federal association, or federally insured industrial loan company shall have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low-and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code.

3035.38 Direct Purchase of Securities. The District may make its investments by direct purchase of any issue of eligible securities at their original sale or after they have been issued.

3035.39 Sale or Exchange of Securities. The Board of Directors may sell, or exchange for other eligible securities, and reinvest the proceeds of, the securities purchased. From time to time, the Board of Directors shall cause the sale the securities so that the proceeds may be applied to the purposes for which the original purchase money was placed in the sinking fund or the treasury of the District.

3035.40 Delegation of Duties to Finance Officer or General Manager in absence of a Finance Officer

3035.41 The authority of the Board of Directors to invest or to reinvest funds of the District, or to sell or exchange securities so purchased, may be delegated by the Board of Directors to the Finance Officer or General Manager in the absence of a Finance Officer of the District who shall thereafter assume

responsibility for such transactions until such time as the delegation of authority is revoked, and shall make a monthly report of such transactions to the legislative body, in addition to the reporting required by this Policy and by law. Before taking action that deviates significantly from this Policy, approval must be obtained from the Board of Directors. The spirit of this Policy is not to prevent exceptions but to promote planning for investments and to integrate investment strategy with other District goals.

3035.50 Deposit of Securities. The Board of Directors of the District may deposit for safekeeping with a federal or state association (as defined by Section 5102 of the Financial Code), a trust company or a state or national bank located within this state or with the Federal Reserve Bank of San Francisco or any branch thereof within this state, or with any Federal Reserve bank or with any state or national bank located in any city designated as a reserve city by the Board of Governors of the Federal Reserve System, the bonds, notes, bills, debentures, obligations, certificates of indebtedness, warrants, or other evidences of indebtedness in which the money of the District is invested. The District shall take from such financial institution a receipt for securities so deposited. The authority of the Board of Directors to deposit for safekeeping may be delegated by the Board to the Finance Officer or General Manager in the absence of a Finance Officer of the District; who shall not be responsible for securities delivered to and receipted for by a financial institution until they are withdrawn from the financial institution by the Finance Officer or General Manager in the absence of a Finance Officer.

3035.60 Other Permissible Investments. At such time as the District has money in a sinking fund of, or surplus money in, its treasury not required for immediate necessities, the District may invest any portion of the money that it deems wise or expedient in the Local Agency Investment Fund, created by Section 16429.1 of the Government Code, 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, or in any legally permissible investments as authorized by the California Government Code, section 53601, attached hereto, and as may be amended from time to time.

3035.70 Prohibited Investments

3035.71 The District shall not invest any funds in inverse floaters, range notes or interest only strips that are derived from a pool of mortgages.

3035.72 The District shall not invest any funds in any security that could result in zero interest accrual if held to maturity. The foregoing restriction shall not apply to investments in shares of beneficial interests issued by diversified management companies registered under the Investment Company Act of 1940 (15 U.S.C. § 80a-1, and following) that are authorized for investment pursuant to California Government Code section 53601(k).

3035.80 Amendment Whenever a change in law or other circumstances require, this Policy shall be amended on adoption of an appropriate resolution by the Board of Directors of the District. This policy shall be reviewed at least annually to determine if any amendments are appropriate, given investment experience of the District during the preceding period, or as may be required by law.