

TWAIN HARTE COMMUNITY SERVICES DISTRICT

Policy and Procedure Manual

POLICY TITLE: Investment Policy
POLICY NUMBER: 3015
ADOPTED: October 10, 2013
AMENDED: January 9, 2014
AMENDED: December 10, 2015

3015.10 INTRODUCTION

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

3015.11 District funds are to be managed with a high degree of care and prudence. Though all investments contain a degree of risk, the proper concern for prudence, maintenance of high level of ethical standards, and proper delegation of authority reduces the potential for any realized loss.

3015.20 AUTHORITY

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

3015.21 The Treasurer may retain the services of a qualified independent investment consultant, with a fee-only arrangement (e.g. percentage of assets under management, hourly fee, or fee per service), to perform the roles and responsibilities set forth in Attachment A.

3015.30 SCOPE

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

3015.40 OBJECTIVES

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

3015.41 Safety of Principal - Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

3015.42 Liquidity - The investment portfolio shall remain sufficiently liquid to meet all operating requirements. This shall be accomplished by structuring the investment portfolio so that investments mature concurrent with cash needs.

3015.43 Yield - Investments shall be undertaken to produce an acceptable rate of return after first consideration for principal and liquidity.

3015.50 STANDARDS OF CARE

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

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

3015.60 SAFEKEEPING

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

3015.70 DIVERSIFICATION

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

3015.80 REPORTING REQUIREMENTS

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

3015.90 PERFORMANCE REVIEW

An annual appraisal of the investment portfolio shall be conducted in the month of November to evaluate the effectiveness of the District's investment program once the program is implemented. The purpose of this review, in addition to evaluation of performance, is to provide the platform for changes and improvements to the portfolio.

3015.100 APPROVAL OF INVESTMENT POLICY

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

ATTACHMENT A

Investment Consultant/Advisor Role & Responsibilities

I. AUTHORIZED INVESTMENT CONSULTANT

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

II. INVESTMENT CONSULTANT RESPONSIBILITIES

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

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

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