

# POLICY MANUAL

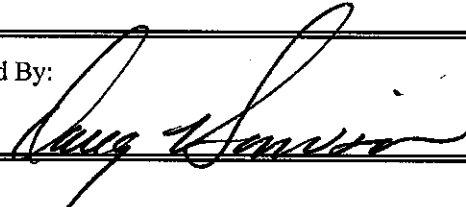
Date Adopted: August 10, 1987

Classification: GENERAL ADMINISTRATION

Date Last Amended: 06/28/2000

Subject: Investment Policy

Approved By:



## PURPOSE:

This statement is intended to provide a guideline for the prudent investment of temporary idle cash, trust funds and restricted monies and to outline a policy for maximizing the efficiency of the cash management system. Ultimate investment goals include the enhancement of economic status and the protection of cash assets.

## OBJECTIVE:

The cash management system of the Fresno Metropolitan Flood Control District is designed to accurately monitor and forecast expenditures and revenues, thus ensuring the investment of monies to the fullest extent possible, striving to maintain the level of investment as near 100% of current available cash as possible. The District desires to obtain the highest interest yields possible consistent with the criteria required for safety and liquidity.

## POLICY:

1. District monies not required for immediate expenditure will be invested in compliance with governing provisions of law (Government Code Sections 53600 et. seq.) and the policy statement. The District will maintain adequate cash availability and maximum yield on invested funds while ensuring that principal invested is protected from loss.
2. The District shall maintain in the Fresno County Treasury and the State Treasurer's Local Agency Investment Fund monies available for immediate use.
3. The Fresno Metropolitan Flood Control District has determined to limit the investment of District funds to the Local Agency Investment Fund, pursuant to Sections 16429.1 and 16429.3 of the Government Code of California, and the Treasury of the County of Fresno, pursuant to Section 73-5 of the Fresno Metropolitan Flood Control District Act of 1955. This policy affords the broad spectrum of prudent and permissible investment opportunities to the District at minimum expense and risk. This policy also achieves the District investment objectives of maximum potential levels of investment, safety, liquidity, and competitive rates of return.

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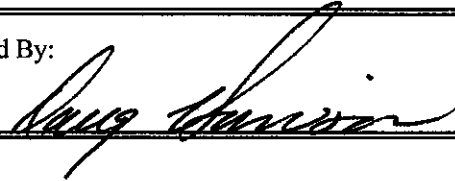
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4. Should the District elect to pursue additional investment vehicles, such investment would be consistent with the objectives set forth in this policy and with the conditions of Section 53600 - 53683 of the Government Code of California. Criteria for selecting such investments, and the absolute order of priority are as follows: (1) safety; (2) liquidity; and (3) yield.
5. The District shall consider no other investment vehicle than those listed below:
  - a. Bonds issued by the local agency;
  - b. United States Treasury notes, bonds, bills or certificates of indebtedness;
  - c. Registered state warrants or treasury notes or bonds of the State of California;
  - d. Bonds, notes, warrants, or other evidence of indebtedness of any local agency within the State;
  - e. Obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, etc;
  - f. Bill of exchange of time drafts drawn on and accepted by a commercial bank;
  - g. Commercial paper of "prime" quality of the highest ranking;
  - h. Negotiable certificates of deposits issued by a national or state-chartered bank or a state or federal association or by a state-licensed branch of a foreign bank;
  - i. Investments in repurchase agreements or reverse repurchase agreements of any securities.
6. At the election of the Board of Directors, the District investment portfolio may include the following instruments in which District funds may be invested subject to the stated guidelines and this policy.

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- a. **CERTIFICATE OF DEPOSIT:** Cash will be invested only in FDIC or FSLIC insured or fully collateralized certificates of deposit. Collateral for a given investment must be 110 percent of principal of governmental securities collateral and 150 percent of principal for first mortgage collateral. No more than 25 percent of the District portfolio, not to exceed \$1 million, shall be invested in any one institution, other than the Local Agency Investment Fund and the Fresno County Treasury. An investment institution other than the Local Agency Investment Fund and the Fresno County Treasury, must meet the following criteria to be considered by the District:

For investments greater than \$100,000, the institution must maintain \$100 million in assets. For investments greater than \$300,000, the institution must maintain at least \$300 million in assets.

The District will not invest in any institution less than four years old.

The institution must maintain a net worth to asset ratio of at least 2.5 percent, and a positive earnings record.

The bank or institution must be located in California.

- b. **BANKERS ACCEPTANCES:** The District will only invest through the fifteen largest banks in the United States or the 100 largest banks in the world (in terms of assets). The maximum investment with any one institution will not exceed \$3 million.
- c. **TREASURY BILLS AND NOTES:** The District will require safekeeping documentation of the treasury instrument in an acceptable safekeeping account in the District's name. The maximum maturity on treasury bills is one year and three years on treasury notes.
- d. **GOVERNMENT AGENCY SECURITIES:** The District will require physical delivery of these securities to an acceptable safekeeping account in the District's name. Examples of these securities include Government National Mortgage Association, Federal National Mortgage Association, Federal Land Bank, and Federal Farm Credit Banks.

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- e. COMMERCIAL PAPER: The District will require safekeeping documentation of the security in an acceptable safekeeping account in the District's name. Commercial paper will be used solely as a short-term investment not to exceed fifteen days. A rating of Standard and Poor's A-1 or Moody's P-1 is required. The District will only invest in the fifteen largest banks (in terms of total assets) in the United States. The investment in any one institution will not exceed \$500,000.
  - f. REPURCHASE AGREEMENTS (Repos): The District will require physical delivery of these securities to an acceptable safekeeping account in the District's name. Repos will be used solely as a short-term investment not to exceed 30 days. The institution from which the District purchases a repo must transfer on an ongoing basis sufficient securities to compensate for changing market conditions and ensure that adequate collateral is maintained in the District's safekeeping account to cover the principal invested. The investment in any one institution will not exceed \$1 million.
  - g. STATE LOCAL AGENCY INVESTMENT FUND: The investment with LAIF may not, by state regulation, exceed \$5 million.
  - h. SAVINGS AND LOANS: District investments in any savings and loan institution shall be limited to \$100,000.
  - i. MATURITY OF INVESTMENTS: With the exception of Treasury notes, the maturity of a given investment will not exceed one year. Treasury notes may be purchased for a period not to exceed three years.
  - j. USE OF SECURITIES DEALERS AND BROKERS: The District will not use brokers or dealers in placing of investments. All investments will be placed by the General Manager.
7. The following further characterizes District investment policy:
- a. Government securities and debt obligations by governmental agencies whose obligations carry the full faith and credit of the Federal Government and repurchase agreements of the same stature, are recognized as the highest quality investments available in the terms of safety and liquidity.

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- b. Certificates of deposit, savings accounts and interest bearing active deposits are recognized to be insured or collateralized to the degree consistent with or exceeding existing law or regulation.
  - c. Most investments are highly liquid, with the exception of collateralized or insure term certificates of deposit issued by banks and savings and loans. Investment term limitations and certificate maturities are selected to anticipate cash needs, thereby obviating the need for forced liquidation and the accompanying loss of interest payment.
  - d. The Fresno Metropolitan Flood Control District operates its investment program with many federal, state and self-imposed constraints. It will not buy stocks; it will not speculate; it will not deal in futures, options or security loan agreements. Longer term investments (over one year) are generally limited to maturities of five years or less.
  - e. To maximize investment income, the District will use all available, economically feasible investment aids. Economic conditions and various money markets will be monitored in order to assess the probably course of interest rates.
  - f. In accordance with Government Code Sections, collateral established as security for District funds will be those securities specified by law as eligible for collateral for deposits of local public agencies. Investments of District monies not required for immediate expenditure will be made in securities or other certificates of indebtedness as provided by law for the investment of public funds. Investments will be made in accordance with this policy.
8. Accounts will be established and maintained in the District's accounting records to record surplus, restricted and trust funds invested pursuant to this policy.
  9. The Accounting Manager shall render a quarterly report to the Board of Directors showing all investments in accordance with Section 53646(b) of the Government Code.

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10. The Accounting Manager shall annually render a statement of the investment policy, which the Board shall consider at a public meeting. Any change to the policy shall be considered at a public meeting.
11. The final basic premise underlying the District investment philosophy is to insure the safety of principal and to provide money when needed. A high dollar yield on investments, though important, ranks third in the priority of investment strategy.
12. When all policy requirements concerning services, capability, security, and ability to meet District investment policies and objectives have been satisfied by all banks or institutions considered for District use, preference shall be given the local area firms.