

IDYLLWILD FIRE PROTECTION DISTRICT

POLICY TITLE: Investment of District Funds

POLICY NUMBER: 3120

3120.1 The Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern (California Government Code section 53600.6 and 53630.1); and, California Government Code sections 5921 and 53601, et seq., allow the legislative body of a local agency to invest surplus monies not required for the immediate necessities of the local agency; and, the fiscal officer of a local agency is required to annually prepare and submit a statement of investment policy and such policy, and any changes thereto, is to be considered by the local agency's legislative body at a public meeting (California Government Code section 53646(a)).

For these reasons and to ensure prudent and responsible management of the public's funds, it is the policy of the District to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all statutes governing the investment of the District funds.

3120.2 The investment policy applies to all financial assets of the District. These funds are accounted for in the independent Annual Financial Report and include:

Demand Account

General Fund

Payroll Fund

Money market

Reserve Account

Investments

Local Agency Investment Fund

3120.3 Investment shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent investor" standard (California Government Code section 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations for expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

3120.4 As specified in California Government Code 53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives of the investment activities, in priority order, shall be:

3120.4.1 Safety of principal is the foremost objective of the investment program. Investments of District funds shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective,

diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

3120.4.2 The investment portfolio will remain sufficiently liquid to enable District to meet all operating requirements which might be reasonable anticipated.

3120.4.3 The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

3120.5 Authority to manage the investment program is derived from California Government Code sections 53600, et seq. Management responsibility for the investment program is hereby delegated to the Board Secretary who shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping PSA repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Board of Commissioners. The Board Secretary shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Under the provisions of California Government Code section 53600.3, the Board Secretary and members of the Board of Commissioners are trustees and fiduciaries subject to the prudent investor standard.

3120.6 Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

3120.7 The Board Secretary will maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience and minimal capitalization authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness that are authorized to provide investment and financial advisory services in the State of California. No public deposit shall be made except in a qualified public depository as established by state laws.

For brokers/dealers of government securities and other investments, the Board Secretary shall select only broker/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organizations.

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

- 3120.8** The District is empowered by California Government, Title 5, Division 2, Part 1, Chapter 4, section 53600 et seq. ("Chapter") to invest in any instruments as provided in such Chapter of the Government Code, under the terms and conditions provided in such Chapter, which is incorporated by reference into and made part of this Policy. No investment shall be made in any manner contrary to the terms, conditions, and provisions of the referenced Chapter of the Government Code, section 53600 et seq.
- 3120.11** The District will diversify its investments by security type and institution. It is the policy of the District to diversify its investment portfolio. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class or securities. Diversification strategies shall be determined and revised periodically. In establishing specific diversification strategies. The following general policies and constraints shall apply:
- 3120.11.1** Portfolio maturities shall be matched versus liabilities to avoid undue concentration in a specific maturity sector.
- 3120.11.2** Maturities selected shall provide for stability of income and liquidity.
- 3120.11.3** Disbursement and payroll dates shall be covered through maturities investments, marketable U.S. Treasury bills or other cash equivalent instruments such as money market mutual funds.
- 3120.12** In accordance with California Government Code section 53646(b)(1), the Board Secretary shall submit to each member of the Board of Commissioners a quarterly investment report. The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for District by third party contracted managers. The report will also include the source of the portfolio valuation. As specified in California Government Code section 53646 (e), if all funds are placed in the Local Agency Investment Fund, Federal Deposit Insurance Corporation-insured accounts and/or in a county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a certification that: (1) all investment actions executed since the last report have been made in full compliance with the Investment Policy; and, (2) the District will meet its expenditure obligations for the next six months as required by California Government Code section 53646(b)(2) and (3), respectively. The Board Secretary shall maintain a complete and timely record of all investment transactions.
- 3120.13** This investment Policy shall be reviewed on an annual basis, and the Board of Commissioners must approve modifications.

Original Approval Date: 5/8/12
Board Revised Date: 2/23/21

3/23/21
Board Revised Date:


Clerk of the Board