

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Category:	Financial	Policy # 2004 - 02
Title:	District Investment Policy	

PURPOSE

This statement is intended to provide policy and direction to the Finance Officer of the District for the prudent and beneficial use of all funds and monies of the District without regard to source or restrictions. Any reference to portfolio shall mean the total of District cash and securities under management by the Finance Officer. Permitted investments shall be listed in Exhibit A.

AUTHORITY

The Government Code of the State of California (Government Code), primarily section 53601 and related subsections authorizes the types of investment vehicles allowed in a California local agency's portfolio. The investment vehicles emphasize preservation of capital and are a conservative set of investments. The authority to invest (as defined in the Government Code) is delegated to the local agency's legislative body for re-delegation to its finance officer. Under no circumstances is the local agency finance officer permitted to purchase an investment that is not specifically authorized by law and within the scope of investments delegated by the local agency's governing Board.

BASIC POLICY AND OBJECTIVES

The Rancho Murieta Community Services District investment policy is a conservative policy guided by three principles of public fund management. In specific order of importance the three principles are:

- 1) Safety of Principal. Investments shall be undertaken in a manner which first seeks to preserve portfolio principal.
- 2) Liquidity. Investments shall be made with maturity dates that are compatible with cash flow requirements and which will permit easy and rapid conversion into cash, at all times, without a substantial loss of value.
- 3) Return on Investment. Investments shall be undertaken to produce an acceptable rate of return after first consideration for principal and liquidity.

Approved by CSD Board of Directors	February 18, 2004
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FOLLOWING ARE OBJECTIVES:

DIVERSIFICATION The District shall maintain a portfolio of authorized investments with diversified maturities, issuers and security types to avoid the risk inherent in over investing in any one sector. The Finance Officer shall evaluate or cause to have evaluated each potential investment, seeking quality of issuer, underlying security or collateral, potential negative effects of market volatility on the investment and shall diversify the portfolio to reduce exposure and assure adherence to the Basic Policy and Objectives paragraph of this policy.

PRUDENT PERSON CLAUSE 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.

REPORTING REQUIREMENTS Each month the Finance Officer 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.

PERFORMANCE REVIEW An annual appraisal of the investment portfolio shall be conducted to evaluate the effectiveness of the District's investment program. The purpose of this review, in addition to evaluation of performance, is to provide the platform for recommendations of change and improvements to the portfolio to the Board of Directors.

GRANDFATHER CLAUSE Any investment held by the District at the time of this policy is adopted shall not be sold to conform to any part of this policy unless its sale is judged to be prudent by the Finance Officer.

CONFLICTS OF INTEREST The Finance Officer 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.

EXCEPTIONS When the Finance Officer determines that an exception to one of the numerical limits is in the best interest of the District, such exception is permitted as long as it is consistent with applicable State and Federal laws. Exceptions to this policy shall be reported to the Board of Directors within five working days along with a detailed explanation for the variance.

CONFLICTS In the event any provision of this Statement of Investment Policy is in conflict with any of the statutes referred to herein or any other State or Federal statute, the provisions of each statute shall govern.

SAFEKEEPING All securities purchased may be delivered against payment and held in safekeeping pursuant to a safekeeping agreement. All financial institutions shall be instructed to mail confirmations and safekeeping receipts directly to the Finance Officer of the District.

EXHIBIT "A"
PERMITTED INVESTMENTS

	<u>Investment Type</u>	<u>Maximum Investment</u>	<u>Maximum Maturity</u>
1)	Investment pool authorized under CA Statutes governed by Government Code Section 53600	Unlimited	Liquid Account
2)	U.S. Treasury Obligations	Unlimited	5 Years
3)	Bank Savings Account	25%	Liquid Account
4)	Federal Agencies	50%	5 Years
5)	Commercial Paper	20%	180 Days
6)	Negotiable Certificates of Deposit	20%	180 Days
7)	Re-purchase Agreements	20%	180 Days
8)	Corporate Debt	25%	5 Years

NOTES:

- 1) No notes.
- 2) U.S. Treasury Obligations are limited to Treasury Bills, Treasury Notes, and Treasury Bonds.
- 3) Bank Savings Accounts must be collateralized at 110% of account balance.
- 4) Federal Agencies include Fannie Maes, Ginnie Maes, and Freddie Macs. Agencies must be rated at the highest rating of AAA or similar rating have a maximum five (5) years maturity, and must be insured by FHA, VA, or similar government agency insurance.
- 5) Must be U.S. Corporations with over \$500M in assets and issuer's debt must be rated by Moody's and S&P as A1/P1 or better.
- 6) Must be with nationally or state chartered bank and collateralized similar to savings accounts.
- 7) Must be rated with Moody's and S&P at "A" or better.
- 8) Maximum maturity of five (5) years, rated "A" or better by a nationally recognized rating service.