

Santa Clara County Open Space Authority

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Rev	02	
Date	9/26/2013	Voice Vote

Investment Policy (For Restricted and Unrestricted Funds)

1.0 PURPOSE

The investment policies of the Santa Clara County Open Space Authority (OSA) shall be based on state law. All funds shall be invested in accordance with this Investment Policy and California Government Code (Government Code) sections related to the investment of public funds. In the event of any conflict between the terms of this Policy and the Government Code, the provisions of the Government Code shall prevail.

It is intended that this policy cover all funds and investment activities under the direction of the OSA.

2.0 REVISION HISTORY

Date	Revision	Modification
10/25/2007	N/A	New policy, Reaffirmed on 11/8/2007
4/28/2011	01	Update and Approved
9/26/2013	02	Update and Approved

3.0 PERSONS AFFECTED/RESPONSIBLE

- Board of Directors
- Board Appointed Treasurer

4.0 POLICY

FIDUCIARY STANDARD

Each authorized governing body and persons authorized to make investment decisions on behalf of the OSA is a trustee and therefore a fiduciary subject to the “prudent investor” standard, as follows:

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, trustees shall act with the care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic

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conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

OBJECTIVES

Investment objectives in order of consideration are as follows:

Capital Preservation Safety of principal is the foremost objective of the OSA investment program. The OSA's investment activities will be undertaken in a manner that seeks to ensure portfolio preservation of capital.

Liquidity The OSA's investment portfolio shall remain sufficiently liquid to enable OSA to meet all reasonably anticipated cash flow requirements.

Return on Investment The OSA's investment portfolio shall be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, commensurate with the OSA's investment risk constraints and the cash flow characteristics of the portfolio.

INVESTMENTS GUIDELINES

The Board may appoint any person as a Treasurer and delegate to this person the authority to invest or to reinvest funds, or to sell or exchange securities so purchased. However, such authority is limited to the types of instruments pre-approved by the Board. Such appointment and delegation of authority shall be granted for a maximum period of one year. The Treasurer shall assume full responsibility for those transactions until the delegation of authority is revoked or expires. The Board may renew the delegation of authority each year and such authority may be revoked at any time. If the Board does not appoint or reappoint a Treasurer, no investment decisions or transactions of any kind may be made without Board approval.

A person appointed as a Treasurer shall prepare a cash flow projection prior to all investment decisions. This cash flow projection will be reviewed and evaluated by the General Manager. The Board is responsible for approving the Treasurer's designation of the amount of funds designated as operating cash, reserves, and those not required for operating cash or reserves.

OPERATING CASH All OSA funds necessary for operating cash shall be maintained in an account with the OSA's primary banking institution.

RESERVES The OSA maintains reserve funds: 1) an operating reserve of at least 6 months of budgeted operating expenses; 2) the principal and accrued interest on amounts subject to litigation; 3) amounts to cover accrued liabilities segregated under the 20% Funding programs; and, 4) other reserve funds as approved by the Board. All reserve funds, including any newly established reserves not named in this section, shall be maintained with the Santa Clara County Pooled Investment Fund, the Local Agency Investment Fund (LAIF) and or any other investment permitted under this policy.

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IDLE FUNDS Idle OSA funds, defined as those funds not otherwise invested as permitted by this Policy and in excess of reserves or operating cash, will be invested in the Santa Clara County Pooled Investment Fund and or LAIF until designated for other investment in accordance with this Policy.

ENDOWMENTS AND GRANTS Endowment and grant funds, not otherwise invested, will be invested in an interest bearing account with the OSA's primary banking institution. Such funds may be invested to maximize earnings within parameters otherwise stated in this Policy and the endowment or grant.

SELECTION OF INVESTMENTS

The Board, or its duly appointed Treasurer, is responsible for selecting investments, and investment manager(s), banking institutions and brokerage services. Selection of investments must comply with this Policy and all applicable sections of the Government Code, and all selections by a duly appointed Treasurer must be done in consultation with the General Manager. In all cases the Government Code will take precedence over all other governing investment documents except where and when this Policy provides for limitations more restrictive than those permitted under the Government Code.

INTERNAL CONTROL

The Board, or its duly appointed Treasurer, will annually review this investment policy and make recommendations for updating the policy as necessary. The Treasurer shall also establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures. This audit will be presented to the Board for acceptance on an annual basis.

REPORTING BY AN APPOINTED TREASURER

Any person appointed Treasurer shall report all security transactions, if any, to the Board on a monthly basis. The Treasurer shall also provide the Board with quarterly investment reports which provide a clear picture of the status of the current investment portfolio. The quarterly investment reports may include comments on the fixed income markets, any restrictions on the percentage of investment by categories, possible changes in the portfolio structure going forward and thoughts on investment strategy and/or any other relevant investment information. Schedules in the quarterly reports may include, but are not limited to, the following:

1. A listing of individual securities held at the end of the reporting period by authorized investment category.
2. Average life and final maturity of all investments listed.
3. Coupon, discount or earnings rate.
4. Percentage of the Portfolio represented by each investment category.

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PERMITTED INVESTMENT INSTRUMENTS
Per State Government Code (as of January 1, 2007)
Applicable to all Local Agencies

Investment Type	Maximum Maturity ^(c)	Maximum Specified Percentage of Portfolio	Minimum Quality Requirements
Local Agency Bonds U.S.	5 years	None	None
Treasury Obligations	5 years	None	None
State of California Obligations	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agencies	5 years	None	None
Bankers' Acceptances	180 days	40 percent ^d	None
Commercial Paper - Select Agencies ^e	270 days	25 percent of the agency's money ^f	If the issuer has issued long-term debt it must be rated "A" without regard to modifiers ^g
Commercial Paper - Others Agencies ^h	270 days	40 percent of the agency's money ⁱ	If the issuer has issued long-term debt it must be rated "A" without regard to modifiers ^g
Negotiable Certificates of Deposit	5 years	30 percent	None
CD Placement Service	5 years	30 percent ^k	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days ^j	20 percent of the base value of the portfolio	None ^k
Medium-Term Notes ^l	5 years	30 percent	"A" rating
Mutual Funds and Money Market Mutual Funds	N/A	20 percent ^m	Multiple ^{n,o}
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20 percent	"AA" Rating ^p
Bank/Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple ^q
Local Agency Investment Fund (LAIF)	N/A	None	None

Source: *Local Agency Investment Guidelines: Update for 2007* produced by the California Debt and Investment Advisory Commission (CDIAC)

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Table of Notes

- a. Sources: Government Code Sections 16429.1, 53601, 53601.8, 53635, and 53638.
- b. Municipal Utilities Districts have the authority under the Public Utilities Code Section 12871 to invest in certain securities not addressed here.
- c. Government Code Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceeds this five year maturity limit. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.
- d. Percentages apply to all portfolio investments regardless of source of funds. For instance, cash from a reverse repurchase agreement would be subject to the restrictions.
- e. No more than 30 percent of the agency's money may be in Bankers' Acceptances of any one commercial bank.
- f. "Select Agencies" are defined as a "city, a district, or other local agency that does not pool money in deposits or investment with other local agencies, other than local agencies that have the same governing body."
- g. No more than 10 percent of agency's money may be invested in any one issuer's commercial paper.
- h. Issuing corporation must be organized and operating with the U.S. and have assets in excess of \$500,000,000.
- i. "Other Agencies" are counties, a city and county, or other local agency "that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body." Local agencies that pool exclusively with other local agencies that have the same governing body must adhere to the limits set for "Select Agencies," above.
- j. No more than 10 percent of the of the agency's money may be invested in the Commercial Paper of any one corporate issuer.
- k. No more than 30 percent of the agency's total funds may be invested in CDs authorized under Sections 53601.8, 53635.8, and 53601 (h) combined. 1. Reverse repurchase agreements or securities lending agreements may exceed the 92-day term if the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity dates of the same security.
- m. Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state chartered bank that has a significant relationship with the local agency. The local agency must have held the securities used for the agreements for at least 30 days.
- n. "Medium-term notes" are defined in Government Code Section 53601 as "all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating with the U.S. or by depository institutions licensed by the U.S. or any state and operating within the U.S."
- o. No more than 10 percent invested in any one mutual fund.
- p. A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years experience investing in instruments authorized by Government Code Sections 53601 and 53635.
- q. A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years experience investing in money market instruments with assets under management in excess of \$500 million.
- r. Issuer must have an "A" rating or better for the issuer's debt as provided by a nationally recognized rating agency.
- s. A joint powers authority pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years experience investing in instruments authorized by Government Code Section 53601, subdivisions (a) to (n).

Source: *Local Agency Investment Guidelines: Update for 2007* produced by the California Debt and Investment Advisory Commission (CDIAC)