

COASTSIDE FIRE PROTECTION DISTRICT

STATEMENT OF INVESTMENT POLICY

PURPOSE

This statement provides guidelines for the prudent investment and cash management of the District's funds.

POLICY

At all times, the District shall invest its funds in accordance with the rules and restrictions established by the laws of the State of California (Government Code Section 53600 et seq.). The District shall conduct its investments under the “prudent investor standard”: When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing 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 District.” (California Government Code Section 53600.3).

The policy shall be reviewed annually by the District's Board of Directors at a public meeting. (California Government Code Section 53646(a)).

1. **Criteria for Selecting Investments.** Criteria for selecting investments and the order of priority are:
 - a. **Safety.** The safety and risk associated with an investment refer to the potential loss of principal, interest or a combination of these amounts. The District shall operate only in those investments that are considered very safe.
 - b. **Liquidity.** An adequate percentage of the portfolio, in the approximate amount of annual operating expenses, should be maintained in liquid short-term investments which can be converted to cash if necessary to meet disbursement requirements. A short-term investment is defined as any investment which matures within a one year period.
 - c. **Yield.** Yield becomes a consideration only after the basic requirements of safety and liquidity have been met.
2. **Deposit of Funds.** As far as possible, all money belonging to or in the custody of the District and needed for District operations shall be deposited with the San Mateo County Treasury for deposit in any authorized depository with the objective of realizing maximum return, consistent with prudent financial management. (California Government Code Sections 53630, 53635 and 53637).

3. **Allowable Investment Instruments.** The District may invest funds in the following investment instruments with prior approval of the Board of the Directors:
 - a. County Treasury Pool pursuant to California Government Code Section 53684.
 - b. Local Agency Investment Fund ("LAIF") pursuant to California Government Code Section 16429.1. Any withdrawals from LAIF will be deposited with the County Treasury Pool.
 - c. PARS Public Agencies Post-Retirement Health Care Plan Trust to fund post-retirement benefits for its retirees.
 - d. California CLASS Enhanced Cash Fund offered by the California Cooperative Liquid Assets Securities System doing business as the California CLASS.

4. **Prohibited Investments.** The District shall not invest any funds in inverse floaters, range notes or interest-only strips that are derived from a pool of mortgages. The District shall not invest any funds in any security that could result in zero interest accrual if held to maturity; however, the District may hold this prohibited instrument until its maturity date. The limitation does not apply to investments in shares of beneficial interest issued by diversified management companies as set forth in California Government Code Section 53601.6.

REPORTING

At least quarterly, the Fire Chief shall submit an investment report to the Board of Directors within 30 days following the end of the quarter. The report shall include the following information:

1. type of investment, issuer, date of maturity, par and dollar amount invested in all securities, investments and money held by the District;
2. description of any of the District's funds, investments or programs that are under the management of contracted parties, including lending programs;
3. for all securities held by the District or under management by any outside party that is not a local agency or the State of California Local Agency Investment Fund, a current market value as of the date of the report and the source of this valuation;
4. statement that the portfolio complies with the Investment Policy or the manner in which the portfolio is not in compliance; and

5. statement that the District has the ability to meet its pool's expenditure requirements (cash flow) for the next six months or provide an explanation as to why sufficient money shall or may not be available.

To the extent that the District places its investments in the Local Agency Investment Fund, National Credit Union Share Insurance Fund-insured accounts in a credit union, credit union account insured or guaranteed pursuant to California Financial Code Section 14858, Federal Deposit Insurance Corporation-insured accounts in a bank or saving and loan association or county investment pool (or any combination of these five), the Fire Chief may submit, on at least a quarterly basis, the most recent statements from these institutions to meet the requirements of items 1-3 above, with a supplemental report addressing items 4 and 5 above. (California Government Code Section 53646(b)-(e)).