



Midpeninsula Regional
Open Space District

R-16-77
Meeting 16-18
August 10, 2016

AGENDA ITEM 3

AGENDA ITEM

Renewal of Investment Authority and Adoption of Annual Statement of Investment Policy

GENERAL MANAGER'S RECOMMENDATION *SM*

Adopt a resolution to renew the District Controller's investment authority until August 10, 2017 and approve the District's Revised Statement of Investment Policy.

SUMMARY

Approval of the attached resolution will renew the District Controller's authority to invest District funds in accordance with District's Investment Policy

DISCUSSION

At its meeting on August 12, 2015, the Board extended the Controller's investment authority for one year and adopted a revised Statement of Investment Policy, with many changes reflecting the impact of the receipt of Measure AA funding and adoption of an expanded reserve policy. The revised policy has worked well and the only proposed change to the investment policy is to include the Chief Financial Officer in the approval and reporting process.

BOARD COMMITTEE REVIEW

This item was not reviewed by any Committee.

FISCAL IMPACT

Approval will allow the District to continue to earn the highest return on its temporarily idle funds consistent with the statement of Investment Policy.

PUBLIC NOTICE

Public notice was provided pursuant to the Brown Act. No additional notice is required.

CEQA COMPLIANCE

The recommended action is not a project for purposes of the California Environmental Quality Act.

NEXT STEPS

None.

Attachments

1. Resolution Adopting a Statement of Investment Policy

Prepared by:

Mike Foster, Controller

RESOLUTION NO. 16-__

RESOLUTION OF THE BOARD OF DIRECTORS OF THE MIDPENINSULA REGIONAL OPEN SPACE DISTRICT ADOPTING A STATEMENT OF INVESTMENT POLICY AND AUTHORIZING THE CONTROLLER TO INVEST SURPLUS FUNDS AS ALLOWED BY THE CALIFORNIA GOVERNMENT CODE

WHEREAS, the District needs to maximize the yield on surplus temporarily idle funds in order to help meet capital program objectives, including Measure AA projects; and

WHEREAS, Chapter 4, Division 2 of Title 5 of the Government Code authorizes the District to deposit and invest surplus funds in investments which, at times, yield interest rates higher than achievable through the Santa Clara County Pooled Fund, or the California Pooled Investment Authority; and

WHEREAS, the District can often improve its yield on surplus funds without sacrificing financial safety and flexibility.

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

SECTION ONE. The Board of Directors of the Midpeninsula Regional Open Space District does hereby authorize the Controller to invest surplus or temporarily idle funds according to the Investment Policy attached hereto as Exhibit "A" and by reference made a part hereof.

SECTION TWO. Before any investments with maturities exceeding one year, the Controller shall consult with the General Manager, or a District employee authorized to act in his behalf, to determine anticipated cash flow needs of the District.

SECTION THREE. This resolution supersedes the prior Resolution No. 15-45 adopted August 12, 2015. This resolution shall no longer be in effect as of August 10, 2017, unless extended, and inactive funds shall then be deposited in the Santa Clara County Pooled Investment Fund, with the California Pooled Investment Authority, or invested through the District's commercial bank.

* * * * *

PASSED AND ADOPTED by the Board of Directors of the Midpeninsula Regional Open Space District on _____, 2016, at a regular meeting thereof, by the following vote:

- AYES:**
- NOES:**
- ABSTAIN:**
- ABSENT:**

ATTEST:

APPROVED:

Secretary
Board of Directors

President
Board of Directors

APPROVED AS TO FORM:

General Counsel

I, the District Clerk of the Midpeninsula Regional Open Space District, hereby certify that the above is a true and correct copy of a resolution duly adopted by the Board of Directors of the Midpeninsula Regional Open Space District by the above vote at a meeting thereof duly held and called on the above day.

District Clerk

Exhibit A: Statement of Investment Policy

Midpeninsula Regional Open Space District

Board Policy Manual

Statement of Investment	Policy 3.08 Chapter 3 – Fiscal Management
Effective Date: 8/10/16	Revised Date: 8/10/16
Prior Versions: 1/8/97; 1/10/01; 1/16/02; 1/8/03; 1/14/04; 1/12/05; 1/11/06; 1/10/07; 1/16/08; 1/13/10; 1/12/11; 1/11/12; 1/24/13; 1/22/14; 1/28/15; 8/12/15	

Goals

Goal 1. Capital Preservation

The primary goal shall be to safeguard the principal of invested funds. The secondary objective shall be to meet the liquidity needs of the District. The third objective shall be to achieve a return on funds consistent with this Policy. Temporarily idle funds shall be invested in a conservative manner, such that funds can always be withdrawn at, or just above or below, full invested value. Investments that offer opportunities for significant capital gains and losses are excluded.

Goal 2. Liquidity

Temporarily idle funds shall be managed so that normal operating cash needs and scheduled extraordinary cash needs can be met on a same day basis. Investments shall be sufficiently liquid to provide a steady and reliable flow of cash to the District to insure that all land purchases can be made promptly (within two weeks).

Goal 3. Income

Temporarily idle funds shall earn the highest rate of return that is consistent with capital preservation and liquidity goals and the California Government Code.

Guidelines

1. Determination of Idle Funds

The Controller shall prepare a cash flow projection prior to all investment decisions involving securities with a term to maturity exceeding one year. This cash flow projection shall be reviewed and evaluated by the General Manager or Chief Financial Officer (CFO). The General Manager or CFO are responsible for approving the Controller’s designation of the amount of funds available for investment for longer than one year.

2. Restricted Reserves

[a] MROSD Retiree Healthcare Plan: All funds are to be held by CalPERS and managed by CalPERS.

[b] Hawthorn Endowment Fund: All funds will be held in a separate bank account and invested in accordance with this policy.

[c] Debt Service Reserve Funds Held by Bond Trustees: Funds held by such trustees shall be invested in accordance with the bond indenture or other agreement providing for the issuance and management of such debt.

3. General Fund Committed Reserves

At least one-half of the total general fund committed reserve requirement shall be maintained, at all times, with the Santa Clara County Pooled Investment Fund (SCCPIF).

4. General Fund Un-Assigned Contingency Reserve

In addition to any committed fund reserve requirement, a general fund contingency reserve of at least \$10 million shall be maintained, at all times, with the SCCPIF.

5. General Obligation Bond Proceeds Held by Fiscal Agent

Bond Proceeds held by the District's Fiscal Agent, either in the Debt Service Fund or Bond Proceeds Fund, shall be invested through the investment department of the Fiscal Agent and in accordance with the Fiscal Agent Agreement.

6. Non-Invested Funds

Idle District funds not otherwise invested as permitted by this Policy shall be deposited with the Santa Clara County Pooled Investment Fund, the San Mateo County Treasurer's Pooled Investment Fund or the State of California's Local Agency Investment Fund.

7. Selection of Investments

The Controller is responsible for selecting investments that fit within the amounts and maturities recommended by the Controller and by the General Manager or CFO. The Controller is also responsible for directing security transactions.

8. Investments Instruments and Deposit of Funds

Investments and deposits of funds shall be limited to those allowed by and subject to the procedures of Government Code Section 53600 *et seq.* and 53635 *et seq.* In the event of any conflict between the terms of this Policy, and the Government Code, the provisions of the Government Code shall prevail. Investments shall not be leveraged. Investments, and "derivatives," that offer opportunities for significant capital gains and losses are excluded. If after purchase, securities are downgraded below the minimum required rating level, the securities shall be reviewed for possible sale with a reasonable amount of time after downgrade. Significant downgrades and the action taken or to be taken will be disclosed in the next monthly report.

9. Maximum Maturity

The average maturity of the total District investment portfolio shall not exceed eighteen months and no investment, except for debt service reserve funds held by bond trustees, shall have a maturity of more than three years from the date of purchase. The maturity of investments in trustee-held debt service reserve funds shall not exceed the final debt service payment date of the bonds.

10. Diversification

Investments shall meet the diversification test of Government Code Section 53601.7(c), stating that no more than 5% of the total investment portfolio may be invested in the securities of any one issuer, except for the obligations of the U.S. Treasury or U.S. Government Agencies.

11. Marketability

For investments other than bank certificates of deposits the breadth of ownership and number of securities outstanding shall be sufficient to establish a secondary market in which investments can be readily converted to cash without causing a material change in their market value.

12. Acceptable Banks

Bankers' Acceptances and Negotiable Certificates of Deposit may be purchased only from the District's commercial bank or banks and savings and loan associations with over \$1,000,000,000 of deposits and reporting profitable operations and which meet all applicable criteria of the Government Code. Certificates of Deposit may be purchased from other banks within Santa Clara and San Mateo Counties which meet all applicable criteria of the Government Code if the principal is fully insured by the Federal Deposit Insurance Corporation.

13. Acceptable Collateral

Securities collateralizing bank or savings and loan deposits must be rated "A" or higher.

14. Investments in Name of District

All investments purchased shall stand in the name of the District.

15. Reporting

The Controller shall submit a report of the District's investment portfolio and security transactions to the Board of Directors by the second Friday of each calendar month in accordance with Government Code Sections 53607 and 53646. Such reports shall also be submitted to the General Manager, CFO and to the District's auditor.

16. Purchase of Securities

The Controller is authorized to purchase securities through the investment department of the District's bond trustees and fiscal agents and as otherwise permitted by the Government Code. Any account resolutions required by bank investment departments will be submitted to the Board of Directors for approval prior to any trading through that bank. The bank or other investment institution from which authorized securities are purchased shall be instructed in writing only to purchase securities in the name of the District and that all matured funds shall be returned to the District's commercial bank account. The bank shall also be instructed to send receipts for all transactions to the CFO and the District accounting department.