



Midpeninsula Regional
Open Space District

R-17-62
Meeting 17-11
May 10, 2017

AGENDA ITEM 6

AGENDA ITEM

Approval of Revised Statement of Investment Policy

CONTROLLER'S RECOMMENDATION

Approve the District's Revised Statement of Investment Policy, authorizing the investment of District funds in CalTRUST.

SUMMARY

Approval of the revised investment guidelines will allow the District to earn a satisfactory interest return on the Hawthorn Endowment Fund through an investment account at CalTRUST.

DISCUSSION

Since 2011, the District's Hawthorn Endowment Fund cash, currently approximately \$1.5 million, has been invested in two bank accounts at Torrey Pines Bank. Until the recent rise in short-term interest rates and the transfer of Torrey Pines' investment accounts to its sister Bridge Bank, this was a satisfactory means to properly segregate these funds and earn a fair interest return. However, with the rise in short-term interest rates and Bridge Bank's decision to reduce our interest rate to 0.25%, an alternative was required. The recommended solution is an account in a joint investment pool at CalTRUST.

CalTRUST was established in 2005 by the California State Association of Counties and the League of California Cities to provide a convenient method for local agencies to pool their cash assets for investment. CalTRUST is governed by local treasurers, investment officers and tax collectors, and any California local agency can participate. CalTRUST offers four joint investment pools, two managed by Wells Fargo Bank and two managed by CalTRUST staff. The account that best matches Hawthorn Trust needs is the CalTRUST Medium-Term Account, which is currently earning 1.20% interest, with an average maturity of 2.1 years, and weekly liquidity. Because, unlike LAIF and the Santa Clara County pooled fund, it does not offer daily liquidity, it can invest for slightly higher returns. The Hawthorn Endowment does not require daily liquidity. The District will pay expenses related to the Hawthorn property from its operating bank account and reimburse itself from the CalTRUST account on a monthly or quarterly basis. The CalTRUST Medium-Term Account currently has \$932 million of assets and is rated A+ by Standard & Poors.

The revised Statement of Investment Policy includes only two changes. First, the word "bank" is removed from paragraph 2[b]. Second, CalTRUST is added to the list of permitted pooled investment funds in paragraph 6.

FISCAL IMPACT

Approval will allow the District to earn higher interest on cash in the Hawthorn Endowment Fund.

BOARD COMMITTEE REVIEW

This item was not reviewed by any Committee.

PUBLIC NOTICE

Public notice was provided as required by the Brown Act.

CEQA COMPLIANCE

This item is not a project subject to the California Environmental Quality Act.

NEXT STEPS

None

Attachments

1. Statement of Investment Policy

Responsible Department Head:
Stefan Jaskulak, Chief Financial Officer

Prepared by:
Michael Foster, Controller

Midpeninsula Regional Open Space District

Board Policy Manual

Statement of Investment	Policy 3.08 Chapter 3 – Fiscal Management
Effective Date: 1/8/97	Revised Date: 5/10/17
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; 8/10/16	

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 or CalTRUST.

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.