



Midpeninsula Regional
Open Space District

ACTION PLAN AND BUDGET COMMITTEE

R-18-141
November 20, 2018

AGENDA ITEM 2

AGENDA ITEM

Amendment to Board Policy 3.08 – *Investment Guidelines*

CONTROLLER’S RECOMMENDATION

Recommend Board approval of the following amendments to Board Policy 3.08 *Investment Guidelines*:

Amend Guideline #3: Add Local Agency Investment Fund and Reduce Percentage to 20%

Amend Guideline #4: Add Local Agency Investment Fund

DISCUSSION

The state Local Agency Investment Fund (LAIF) offers the same safety and immediate liquidity as the Santa Clara County pooled fund. With the recent increase in interest rates, LAIF will continue to provide a higher return than the County pooled fund for an extended period. Currently, investment guidelines #3 and #4 specify that only the County fund be utilized. So, in order to optimize Midpeninsula Regional Open Space District (District) income on such highly liquid funds, LAIF should be added as a qualified alternative to the County fund.

Because of the 10-day call provision in the purchase contract for the new Administrative Office (AO) building, investment guideline #3 included the requirement that at least one-half of the total general fund committed reserve requirement be held in the County pooled fund. Upon the completion of the purchase of the new AO building, the District will no longer need to hold so much cash in immediately available funds. In order to optimize interest income, this requirement should be reduced from one-half to 20%.

FISCAL IMPACT

No new fiscal impact. The amended policy will allow higher interest income, while maintaining adequate liquidity.

PUBLIC NOTICE

Public notice was provided as required by the Brown Act.

CEQA COMPLIANCE

This proposed action is not a project under the California Environmental Quality Act and no environmental review is required.

NEXT STEPS

Upon recommendation by the Action Plan and Budget Committee, the full Board of Directors would consider the proposed policy amendment in December.

Attachment:

1. Board Policy 3.08

Responsible Department Manager:
Michael Foster, Controller

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: 6/27/18
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; 5/10/17	

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 Monies

[a] MROSD Retiree Healthcare Plan: All funds are to be held by either: the Section 115 Trust California Employers’ Retiree Benefit Trust (CERBT) administered by CalPERS,

or 2) the Section 115 Trust offered through PARS as approved by Board Resolution 18-07.

[b] Hawthorn Endowment Fund: All funds will be held in a separate 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~~20% of the total general fund committed reserve requirement shall be maintained, at all times, with the Santa Clara County Pooled Investment Fund (SCCPIF) and/or the Local Agency Investment Fund (LAIF).

4. General Fund UnAssigned Reserves

In addition to any committed fund reserve requirement, a general fund reserve per the Fund Balance Policy 3.07 shall be maintained, at all times, with the SCCPIF and/or LAIF.

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, the State of California's Local Agency Investment Fund or CalTRUST.

7. Selection of Investments

The Controller is responsible for selecting investments and directing such security transactions that fit within the amounts and maturities as recommended by the Controller. The Controller will communicate such actions to the General Manager and CFO.

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 billion 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.