



<b>Policy No.:</b> P400-23-4	<b>Type of Policy:</b> Finance
<b>Policy Title:</b> Investment	
<b>Policy Description:</b> Authorizes investment of public funds	
<b>Approval Date:</b> 11/7/2023	<b>Last Review Date:</b> 2023
<b>Approval Resolution No.:</b> 44-23	<b>Next Review Date:</b> 2027
<b>Rescinded Resolution No.:</b> 35-18	<b>Rescinded Resolution Date:</b> 7/17/2018

The purpose of this policy of the Board of Directors of Dublin San Ramon Services District is to invest public funds in a prudent manner in conformance with state and local statutes, specifically California Government Code (GC) Section 53600 et seq.

## 1.0 Policy

It is the policy of Dublin San Ramon Services District (hereafter, the “District”) to invest public funds in a manner which will provide the maximum security (safety), meet daily cash flow demands of the entity (liquidity), and obtain the highest investment return (yield), while conforming to all state and local statutes governing the investment of public funds, and other legal investment requirements.

## 2.0 Scope

This investment policy applies to all financial assets of the District under its direct control and authority. It does not cover deferred compensation plan investments, long-term debt proceeds and reserves held by a Trustee and invested pursuant to contractual agreement, or retirement investments held by a trustee (such as CalPERS).

## 3.0 Prudence (Due Diligence)

The District operates its investment portfolio in conformance with governing legislation and other legal requirements, and under the Prudent Investor Standard (GC Section 53600.3) which states, in essence, that “when investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated need of the District, that a prudent person 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.”

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This standard shall be applied in the context of managing the overall portfolio. Investment officers, acting in accordance with written procedures and this investment policy and exercising the above standard of diligence shall be relieved of personal responsibility for an individual security’s credit risk, interest rate risk, or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

**4.0 Objective**

The primary objectives, in priority order, of the District’s investment activities shall be:

**4.1 Safety:** Safety of principal is the foremost objective of the investment program. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the District will diversify its investments by investing among a variety of securities offering independent returns and financial institutions.

**4.2 Liquidity:** The District’s investment portfolio will remain sufficiently liquid to enable the District to meet all operating cash flow requirements which might be reasonably anticipated. Securities should mature concurrent with cash need to meet anticipated demands. To eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalent assets in all District funds shall be diversified by maturity, issuer, and security type. Diversification strategies shall be determined and revised periodically by the Treasurer for all funds except for the employee retirement fund.

In establishing specific diversification strategies, the following general policies and constraints shall apply: Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. Maturities selected shall provide for stability of income and reasonable liquidity.

**4.3 Return on Investments:** The District’s investment portfolio shall be designed with the objective of attaining a market (or best yield) rate of return throughout budgetary and economic cycles, shall commensurate with the District’s investment risk constraints and the cash flow characteristics of the portfolio, and shall not diminish the objectives of safety and liquidity defined in Section 1.0 of this policy.

**5.0 Delegation of Authority**

Pursuant to GC Section 53601, the District’s Board of Directors has primary responsibility for the investment of all funds in the District treasury. As authorized under GC Section 53607, the Board hereby delegates its authority to invest or reinvest the funds of the District, and to sell or exchange securities so purchased, to the Treasurer who shall assume full responsibility for all such transactions until such time as this delegation of authority may be revoked by the Board.

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**6.0 Ethics and Conflicts of Interest**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Staff authorized to execute investment transactions shall disclose to the General Manager any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any material personal financial and/or investment positions that could be related to the performance of the District.

**7.0 Authorized Financial Dealers and Institutions**

The Treasurer will maintain an approved list of financial institutions authorized to provide investment services. In addition, a list will also be maintained for approved or security broker/dealers that are authorized to provide investment services in the State of California. These may include “primary” dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state law. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Treasurer with the following: a completed broker/dealer questionnaire, audited financial statements and certification of having read the District’s investment policy.

**8.0 Authorized and Suitable Investments**

The District is empowered by GC Section 53600 et seq. to invest public monies. Of these investments, the District’s Board of Directors authorizes the following investments:

- Bonds issued by the District, when in the best interest of and a prudent investment for the District. [53601(a)]
- United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest. [53601(b)]
- Registered state warrants or treasury notes or bonds of this state rated A or better. [53601(c)]
- Registered treasury notes or bonds of any of the other 49 United States in addition to California. [53601(d)]
- Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state. [53601(e)]
- Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. [53601(f)]

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- Negotiable certificates of deposit issued by a nationally or state-chartered bank or a savings association or federal association or a state or federal credit union. Purchases of negotiable certificates of deposit may not exceed 30 percent of the agency's surplus money. [53601(i)]
- Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated "A" or better by a nationally recognized rating service at the time of purchase. Purchases of medium-term notes shall not include other instruments authorized by this section and may not exceed thirty (30) percent of the agency's surplus money which may be invested pursuant to this section. [53601(k)]
- Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S. C. Sec. 80a-1, et seq.). [53601(l)(2)]
  1. The company must have met either of the following criteria [53601(l)(4)(a-b]):
    - a. Attained the highest ranking letter and numerical rating provided by not less than the two Nationally Recognized Statistical Rating Organizations (NRSROs) or,
    - b. Have an investment advisor registered with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of \$500,000,000.
  2. The purchase price of shares may not exceed 20% of the District's total surplus funds. [53601(l)(5)]
  3. Money market funds must have a Net Asset Value (NAV) of one dollar (\$1.00).
  4. Money market funds must have daily liquidity.
- Deposits with bank and savings and loan associations, including certificates of deposit, where the deposits are insured by FDIC (Federal Deposit Insurance Corporation). Deposits in institutions in excess of FDIC insurance shall be fully collateralized as defined in GC Section 53652.
- The Local Agency Investment Fund (LAIF) established by the California State Treasurer for the benefit of local agencies and identified under the GC Section 16429.1.
- The California Asset Management Program (CAMP), a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the GC which invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the GC, as it may be amended.

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**9.0 Collateralization**

Uninsured time deposits including certificates of deposit with banks and/or savings and loans shall be collateralized in the manner prescribed by law for depositories accepting local agency funds.

**10.0 Safekeeping and Custody**

All security transactions entered into by the District shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts.

**11.0 Diversification**

The District will diversify its portfolio by investment type, issuer and maturity dates. Limits, if any, for security types are set forth in Section 8.0 of this policy.

**12.0 Maximum Maturities**

The District will match its investments with anticipated cash flow requirements. No single investment shall exceed a term of five years. Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector.

**13.0 Conformance with Policy**

At the time of purchase, all permitted investments shall conform in all respects with this policy. If a percentage restriction is adhered to at the time of purchase, a later increase or decrease in percentage resulting from a change in values or assets will not constitute a violation of that restriction. Furthermore, if a credit rating standard is adhered to at the time of purchase; a later downgrade in credit rating will not constitute a violation of that standard. If securities are downgraded below the minimum acceptable rating levels the Treasurer shall advise the Board of Directors of the change at the next regular meeting, and use his/her best professional judgment concerning the retention of that security in the portfolio.

**14.0 Internal Controls**

The Treasurer shall establish and implement a system of internal controls, which shall be documented in writing. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by employees and officers of the District.

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**15.0 Performance Standards**

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs.

**16.0 Reporting**

The Treasurer shall provide the Board of Directors a quarterly investment report. The report shall include the type of investment, issuer, maturity date, par and cost/book values of all securities, investments and monies held by the District. It shall also include the rate of interest, the current market value as of the report date and the source of the valuation. The report shall state compliance of the portfolio to the Investment policy as well as the California Government Code and it shall state the District’s ability to meet its estimated expenditures for the next six months.

**17.0 Investment Policy Adoption**

The District’s Investment policy shall be adopted by resolution of the District’s Board of Directors. The policy is generally reviewed every four years and any changes are presented to the Board of Directors for consideration.