

AP 6320 Investments

The Chancellor shall insure that funds are invested in a manner which will provide the maximum security of principal invested, with secondary emphasis on achieving the highest yield while meeting the cash flow needs and conforming to all applicable State statutes governing the investment of public funds.

I. OBJECTIVES

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

A. Safety of Principal

Safety of principal is the foremost objective of the District. Investments shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio. To obtain this goal, diversification is required in the portfolio's composition.

B. Adequate Liquidity

The District shall maintain sufficient investments in liquid accounts to meet anticipated cash flow needs for the next six to twelve months. "Liquidity" refers to the ability to sell at any given moment with a minimal chance of losing principal or interest.

C. Return on Investment

The District's investment portfolio shall be designed with the objective of attaining a market rate of return on its investments consistent with the constraints imposed by its safety objective and cash flow considerations.

II. AUTHORIZED INVESTMENTS

Investments shall be made in accordance with those outlined in the California Government Code.

III. INELIGIBLE INVESTMENTS

The District shall not invest any funds in derivatives such as but not limited to inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity.

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IV. DIVERSIFICATION

The District shall attempt to limit its investments outside of the County Treasury in any one bank or corporation or instrument to no more than 10% of total investments at the time of purchase. The District may invest with such pooled investment funds as Local Agency Investment Fund (LAIF) or CalTrust.

V. MAXIMUM MATURITY

Investment maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled so as to permit the District to meet all projected obligations. Unless otherwise specified in this section, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement as authorized by this section, that at the time of the investment has a term remaining to maturity in excess of three years.

VI. SELECTION OF BROKER/DEALERS AND FINANCIAL INSTITUTIONS

To provide for the optimum yield in the District's portfolio, the District's procedures shall be designed to encourage multiple bids and offers on investment transactions from an approved list of broker/dealers. The Chancellor shall maintain a list of authorized broker/dealers and financial institutions which are approved for investment purposes, and it shall be the policy of the District to purchase securities only from those authorized institutions or firms.

VII. PRUDENCE

The standard of prudence to be used by the investment official shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. This standard states "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as expected income to be derived."

VIII. DELEGATION OF AUTHORITY

The Chancellor is responsible for the management and oversight of the investment program.