

**SUBJECT: STATEMENT OF INVESTMENT POLICY**

**PURPOSE:** This statement provides guidelines for the prudent investment and management of the District's funds.

**OBJECTIVE:** The District's cash management system is designed to monitor and forecast accurately expenditures and revenues, thus enabling the district to invest funds to the fullest extent possible. The District's primary objective is to safeguard the principal of the funds; the second objective is to meet the liquidity needs of the District; and the third objective is to achieve a return on the funds.

**POLICY:**

At all times, the District shall invest its funds in accordance with the rules and restrictions established by the laws of the State of California (Government Code Section 53600 et seq.). The District shall conduct its investments under the "prudent investor standard" set forth in California Government Code Section 53600.3.

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting 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.

The Treasurer or his/her designee shall serve as the District's trustee for purposes of placing investments pursuant to this policy. The District may engage one or more investment advisors or investment managers for the selection and allocation of funds. The policy shall be reviewed periodically by the District's Board of Directors at a public meeting. (California Government Code Section 53646(a)).

1. **Guidelines for Selecting Investments.** Criteria for selecting investments are:
  - a. **Safety.** The safety and risk associated with an investment refer to the potential loss of principal, interest or a combination of these amounts. Investments should be diversified to limit risk of exposure to any sector or individual security.
  - b. **Liquidity.** An adequate percentage of the portfolio, in the approximate amount 25% of annual operating expenses, should be maintained in liquid short-term investments, which can be converted to cash if necessary to meet disbursement requirements. A short-term investment is defined as any investment, which matures within a one-year period.

- c. Yield. Yield becomes a consideration only after the basic requirements of safety and liquidity have been met.
2. Delivery of Securities. Securities shall be delivered by book entry, physical delivery or by third party custodial agreement. (California Government Code Section 53601).
3. Diversification. The portfolio should consist of a mix of authorized types of investments described in this policy. Diversification should include various types of securities and also various sizes of organizations, as permitted by Code Section 53601. As a general rule, long-term maturities should not represent a significant percentage of the total portfolio, as the principal risk involved can outweigh the potential for higher earnings.
4. Terms of Investments. The District's investment policy will allow for the purchase of securities with maturity dates beyond the five year statutory limitation as part of the overall investment program. All such investments must meet the regulatory and other requirements identified in this policy.
5. Deposit of Funds. Unless otherwise invested pursuant to Sections 6 and 7 of this Policy, all money belonging to or in the custody of the District including money paid to the District to pay the principal, interest or penalties of bonds, shall as far as possible be deposited for safekeeping in state or national banks, savings associations or federal associations, credit unions or federally insured industrial loan companies in California (as defined by California Government Code Section 53630).

Pursuant to California Government Code Section 53638, the maximum deposit shall not exceed the shareholder's equity in any depository bank; the total net worth of any depository savings association; or the total of unimpaired capital and surplus of any credit union or industrial loan company.

Pursuant to California Government Code Sections 53635, 53637 and 53638, the money shall be deposited in any authorized depository with the objective of realizing maximum return, consistent with prudent financial management.

6. Allowable Investment Instruments. The District may invest in the investment instruments authorized by the California Government Code Section 53601, subject to any conditions set forth in that section. Unless otherwise approved by the Board, the Treasurer or his/her designee shall limit the investment instruments utilized to the following:
  - 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.

- b. Negotiable certificates of deposits issued by a nationally or state-chartered bank or a state or federal association (as defined by California Financial Code Section 5102) or by a state-licensed branch of a foreign bank.
7. **Local Agency Investment Fund.** In addition to the investment instruments set forth in Section 6, the Treasurer or his/her designee may invest District funds in the Local Agency Investment Fund pursuant to California Government Code Section 16429.
8. **Prohibited Investments.**
  - a. The District shall not invest any funds in inverse floaters, range notes or interest-only strips that are derived from a pool of mortgages. The District shall not invest any funds in any security that could result in zero interest accrual if held to maturity; however, the District may hold a prohibited instrument until its maturity date. The limitation does not apply to investments in shares of beneficial interest issued by diversified management companies as set forth in California Government Code Section 53601.6.
  - b. The District shall not invest in any investments that are connected to entities that endanger public health, including, but no limited to, environmentally harmful companies, tobacco companies, and weapons manufacturers.

**REPORTING:**

At least quarterly, the Treasurer or his/her designee shall submit an investment report to the Board of Directors within 30 days of the end of the quarter. The report shall include the following information:

1. type of investment, issuer, date of maturity, par and dollar amount invested in all securities, investments and money held by the District;
2. description of any of the District's funds, investments or programs that are under the management of contracted parties, including lending programs;
3. for all securities held by the District or under management by any outside party that is not a local agency or the State of California Local Agency Investment Fund, a current market value as of the date of the report and the source of this valuation;
4. statement that the portfolio complies with the Investment Policy or the manner in

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which the portfolio is not in compliance; and

5. statement that the District has the ability to meet its pool's expenditure requirements (cash flow) for the next six months or provide an explanation as to why sufficient money shall or may not be available.

If the District places all of its investments in the Local Agency Investment Fund, Federal Deposit Insurance Corporation-insured accounts in a bank or savings and loan association or county investment pool (or any combination of these three), the Treasurer or his/her designee can submit, on at least a quarterly basis, the most recent statements from these institutions to meet the requirements of items 1-3 above, with a supplemental report addressing items 4 and 5 above. (California Government Code Section 53646(b)-(e)).

**APPROVED BY THE BOARD OF DIRECTORS**

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Mariellen Faria (Date)  
Chair, Board of Directors

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Roxann Lewis (Date)  
Secretary, Board of Directors

Reviewed: 09/21/22

Revised: 7/28/99, 8/27/03, 4/20/05, 4/15/15, 09/21/22