RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Category:	Financial	**Policy # P2023-02**
Title:	District Investment Policy	

PURPOSE

This statement is intended to provide policy and direction to the Finance Officer of the District for the prudent and beneficial use of all funds and monies of the District without regard to source or restrictions. Any reference to portfolio shall mean the total of District cash and securities under management by the Finance Officer. Permitted investments shall be listed in Exhibit A.

AUTHORITY

The Government Code of the State of California (Government Code), primarily section 53601 and related subsections authorizes the types of investment vehicles allowed in a California local agency's portfolio. The investment vehicles emphasize preservation of capital and are a conservative set of investments. The authority to invest (as defined in the Government Code) is delegated to the local agency's legislative body for re-delegation to its finance officer. Under no circumstances is the local agency finance officer permitted to purchase an investment that is not specifically authorized by law and within the scope of investments delegated by the local agency's governing Board.

BASIC POLICY AND OBJECTIVES

The Rancho Murieta Community Services District investment policy is a conservative policy guided by three principles of public fund management. In specific order of importance the three principles are:

1) Safety of Principal. Investments shall be undertaken in a manner which first seeks to preserve portfolio principal.

2) Liquidity. Investments shall be made with maturity dates that are compatible with cash flow requirements and which will permit easy and rapid conversion into cash, at all times, without a substantial loss of value.

3) Return on Investment. Investments shall be undertaken to produce an acceptable rate of return after first consideration for principal and liquidity.

FOLLOWING ARE OBJECTIVES:

DIVERSIFICATION The District shall maintain a portfolio of authorized investments with diversified maturities, issuers and security types to avoid the risk inherent in over investing in any one sector. The Finance Officer shall evaluate or cause to have evaluated each potential investment, seeking quality of issuer, underlying security or collateral, potential negative effects of market volatility on the investment and shall diversify the portfolio to reduce exposure and assure adherence to the Basic Policy and Objectives paragraph of this policy.

PRUDENT INVESTOR STANDARD Investments will be made with the same standard of care that persons of prudence, discretion and intelligence exercise when managing their own affairs, not for

speculation, but for investment with particular consideration for safety of capital as well as probable income derived.

REPORTING REQUIREMENTS Each month the Finance Officer shall prepare and submit a report of investment transactions to the Board of Directors. This report will be sufficiently detailed to provide information for investment evaluation.

PERFORMANCE REVIEW An annual appraisal of the investment portfolio shall be conducted to evaluate the effectiveness of the District's investment program. The purpose of this review, in addition to evaluation of performance, is to provide the platform for recommendations of change and improvements to the portfolio to the Board of Directors.

GRANDFATHER CLAUSE Any investment held by the District at the time of this policy is adopted shall not be sold to conform to any part of this policy unless its sale is judged to be prudent by the Finance Officer.

CONFLICTS OF INTEREST The Finance Officer shall perform his/her duties under this Investment Policy in accordance with the provisions of Section 1126 of the Government Code as well as any other state law referred to in this policy.

EXCEPTIONS When the Finance Officer determines that an exception to one of the numerical limits is in the best interest of the District, such exception is permitted as long as it is consistent with applicable State and Federal laws. Exceptions to this policy shall be reported to the Board of Directors within five working days along with a detailed explanation for the variance.

CONFLICTS In the event any provision of this Statement of Investment Policy is in conflict with any of the statutes referred to herein or any other State or Federal statute, the provisions of each statute shall govern.

SAFEKEEPING All securities purchased may be delivered against payment and held in safekeeping pursuant to a safekeeping agreement. All financial institutions shall be instructed to mail confirmations and safekeeping receipts directly to the Finance Officer of the District.

Approved by Rancho Murieta Community Services District Board of Directors	April 20, 2016

EXHIBIT "A"

PERMITTED INVESTMENTS

	Investment Type	Maximum Investment	Maximum Maturity
1A)	Investment pool authorized under CA Account Statues governed by Government Code Sections 16429.1-16429.4	Maximum permitted by State Treasurer[1]	Liquid
1B)	Investment pool authorized under CA Account Statues governed by Government Code Section 53601	Maximum permitted by State Treasurer[1]	Liquid
2)	California Asset Management Program (CAMP)	Unlimited	Liquid Account
3)	U.S. Treasury Obligations	Unlimited	5 Years
4)	Bank Savings Account	25%	Liquid Account
5)	Federal Agencies	75%	5 Years
6)	Commercial Paper	20%	270 Days
7)	Negotiable Certificates of Deposit	30%	2 Years
8)	Re-purchase Agreements	20%	180 Days
9)	Municipal Obligations	20%	5 Years
10)	Corporate Debt	25%	5 Years
11)	Supranational Debt	30%	5 Years

ADDITIONAL LIMITS ON INVESTMENTS:

1A) No notes.

1B) No notes.

3) U.S. Treasury Obligations are limited to Treasury Bills, Treasury Notes, and Treasury Bonds.

4) Bank Savings Accounts must be collateralized at 110% of account balance.

5) 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.

[1]Limits subject to change; established by State Treasurer.

6) Must be a U.S. corporation with over $500 million in assets. The commercial paper must be of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization. The District may purchase no more than 10 percent of the outstanding commercial paper of any single issuer. Additionally, District purchases may not exceed 10% per issuer.

7) Negotiable certificates of deposit must be issued by a nationally or state-chartered bank, a savings association, or a federal association (as defined by Section 5102 of the Financial Code), or a state or federal credit union, or by a state-licensed branch of a foreign bank. Purchases are limited to institutions which have long-term debt rated in the "A: category or higher, or the equivalent, by a nationally recognized rating organization.

8) The District will enter into repurchase agreements only with primary government securities dealers as designated by the Federal Reserve Bank of New York. Repurchase agreements shall be governed by a master repurchase agreement adopted by the Public Securities Association. All securities underlying repurchase agreements shall be delivered to the District's custodial bank, or be handled under a properly executed "tri-party" custodial arrangement. Collateral for repurchase agreements is restricted to U.S. Treasury issues or Federal Agency issues.

   The underlying collateral must be at least 102% of the repurchase agreement amount. If the value of securities held as collateral slips below 102%of the value of the cash transferred, then additional cash or acceptable securities must be delivered to the third party custodian. Market value shall be recalculated each time there is a substitution of collateral. For repurchase agreements with terms to maturity of greater than three days, the value of the collateral securities shall be marked to market weekly by the custodian, and if additional collateral securities is required, then that collateral must be delivered within two business days. If a collateral deficiency is not corrected within two days, the collateral securities will be liquefied.

   A perfect first security interest in the collateral securities, under the Uniform Commercial Code, shall be created for the benefit of the District. Collateral securities shall be held free and clear of any lien and shall be an independent third party acting solely as an agent for the District, and such third party shall be (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus, and undivided profits of not less than $50 million.

9) Obligations must be issued by the State of California or any local agency within the state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the state or any local agency by a department, board, agency, or authority of the state or any local agency. Registered treasury notes or bonds issued by any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California. Securities eligible for investment must be rated in the "A" category or its equivalent, or higher, by a nationally recognized statistical-rating organization. District purchases may not exceed 5% per issuer.

10) Purchases are limited to corporate and depository institution debt securities 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 shall be rated "A" or better by a nationally recognized rating service. District purchases may not exceed 10% per issuer.

11) Must be United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and

Development, International Finance Corporation, or Inter-American Development Bank. Investments under this subdivision shall be rated "AA" or better by an NRSRO.