P. SAMPLE INVESTMENT POLICY

SUBJECT: INVESTMENT POLICY

I. POLICY STATEMENT

The (JPA) Board of Directors shall ensure that funds are invested in a manner which will provide maximum security of principal invested, with secondary emphasis on achieving the highest yield while meeting the JPA’s cash flow needs. Investments shall conform to all applicable State statutes governing the investment of public funds.

II. OBJECTIVES

The JPA’s primary objective, in order of priority, shall be:

A. Safety of Principal

Safety of principal is the foremost objective of (JPA). Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To obtain this goal, diversification shall be considered consistent with the degree of risk of individual investment instruments in the portfolio’s composition.

B. Adequate Liquidity

The (JPA) 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 liquidate an investment at any given moment with a minimal chance of losing principal of interest.

C. Return on Investment

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

III. AUTHORIZED INVESTMENTS

Investments shall be made pursuant to all requirements of the Government Code of the State of California.
IV. INELEGIBLE INVESTMENTS

The (JPA) 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.

V. DIVERSIFICATION

The (JPA) shall attempt to limit its investments in any one bank or corporation to no more than ten percent of the JPA’s total investments at the time of purchase.

VI. MAXIMUM MATURITY

Investment maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled so as to permit the JPA 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 five years.

VII. SELECTION OF BROKER/DEALERS AND FINANCIAL INSTITUTIONS

The (JPA) Board of Directors (Investment Committee) shall establish one or more benchmarks for the purpose of evaluating the performance of the portfolio.

VIII. PERFORMANCE EVALUATION

The (JPA) Board of Directors (Investment Committee) shall establish one or more benchmarks for the purpose of evaluating the performance of the portfolio.

IX. SAFEKEEPING AND CUSTODY

All securities, whether negotiable, bearer, registered, or nonregistered, shall be delivered, either by book entry of physical delivery, to the third party custodian selected by the (JPA) Board of Directors.

X. 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.”
XI. DELEGATION OF AUTHORITY

The Board of Directors is responsible for the management and oversight of the investment program. The (________ Committee) shall monitor and review all investments for consistency with this investment policy. The Board of Directors may delegate the day-to-day investment decision making execution authority to the Treasurer and Executive Director. In the event delegation of authority is made in this manner, the Treasurer and Executive Director shall make monthly reports of investment transactions to the Board of Directors. The delegate shall comply with this policy and such other written instructions as are applicable.

XII. INTERNAL CONTROLS

The Executive Director (or other official) shall establish a set of internal controls. The internal controls of the JPA shall be reviewed by the JPA’s independent auditor.

XIII. REPORTING REQUIREMENTS

The Treasurer (or other official) shall render to the Board of Directors a quarterly investment report, which shall include, at a minimum, the following information for each individual investment:

A. Type of investment instrument
B. Name of issuer
C. Purchase date
D. Maturity date
E. Par value
F. Purchase price
G. Current market value and source of the valuation
H. Coupon rate
I. Effective yield rate
J. Portfolio total rate of return
K. Cash and security transactions
L. Percentage of portfolio by issuer

The quarterly report shall also: (i) state compliance of the portfolio with the statement of investment policy, or manner in which the portfolio is not in compliance, (ii) include a description of any JPA funds, investments or programs that are under management of contracted parties; and (iii) include a statement denoting the ability of the JPA to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may not, be available.

XIV. POLICY REVIEW

The policy shall be reviewed and reaffirmed by the Board of Directors annually.