



MEETING DATE: November 5, 2015
TO: Board of Directors
FROM: Sally Lyon, Director of Finance and Administration
SUBJECT: Policy Instruction 308 – Investment Policy Review: Resolution 2015-06

RECOMMENDATION: Readopt Policy Instruction 308 and pass the following resolution:

- Resolution 2015-06 *"Adoption of District Investment Policy and Delegation of Investment Authority to District Treasurer."*

DISCUSSION: The delegation of investment authority to the District Treasurer is for a period not to exceed one year, so it must be performed on an annual basis. The Investment Policy states that the policy shall be reviewed and adopted on an annual basis to ensure its consistency with the overall objectives of preservation of principal, liquidity and yield, and its relevance to current law and financial and economic trends. The two requirements are met in the one resolution.

Investment Policy Review – Staff's view is that the investment policy is still appropriate for the District. Due to the very low return rates available on the allowable investments, a great deal of time was not spent diversifying the District's investments over the past year. With the District's anticipated use of funds tied through the designations of unrestricted net assets to various projects that may require liquidity, the majority of the funds, \$10 million, are still invested in LAIF. The District holds six \$250,000 certificates of deposit that have maturities between July 2016 and February 2018. The yield to maturity on them ranges from 1.00% to 1.250%. The return on LAIF for the months of July, August and September has been 0.26%.

Having funds invested in the certificates of deposit has increased the District's yield more than four times what it would have been if that \$1.5 million was held in LAIF (over \$7,000 increased interest revenue). Cash flow requirements for the District have been carefully considered and liquidity has not been an issue. The foremost objective of the Investment Policy is preservation of principal, and that has been accomplished.

No changes have been made to the Investment Policy –the act of re-adopting it is to fulfill Section VI, as stated above.

FISCAL IMPACT: No changes to the investment policy have been proposed and no changes in investment practices are anticipated.

PUBLIC COMMUNICATIONS: The adoption of the Investment Policy each year and the delegation of investment authority for a period not to exceed one year has a purpose of bringing this issue in front of the Board on an annual basis, which allows for greater transparency in fiscal policy. Although not directly communicated to the District's constituents, addressing the issue in a public meeting is a form of open communication.

The Policy Instruction requires quarterly reporting on investment policy.

ATTACHMENTS: Policy Instruction 308

Resolution 2015-06 – "Adoption of District Investment Policy and Delegation of Investment Authority to District Treasurer"

Quarterly Investment Report