



MEETING DATE: October 29, 2014
TO: Board of Directors
FROM: Sally Lyon, Director of Finance and Administration
SUBJECT: Policy Instruction 308 – Investment Policy Review: Resolution 2014-11

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

- Resolution 2014-11 "*Adoption of District Investment Policy and Delegation of Investment Authority to District Treasurer.*"
- Staff is recommending increasing the amount invested in CDs.

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 are still invested in LAIF. The District holds four \$250,000 certificates of deposit that have maturities between May 2015 and January 2017. The yield to maturity on them ranges from 1.00% to 1.10%. The return on LAIF for the months of July, August and September has been below 0.25%.

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 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 2014-11 – “Adoption of District Investment Policy and Delegation of Investment Authority to District Treasurer”

Quarterly Investment Report

TRUCKEE TAHOE AIRPORT DISTRICT

POLICY INSTRUCTION

PI Number 308

Formerly PI 212

Effective: July 1, 1992

Revised: March 26, 1998

October 22, 2009

October 27, 2011

Approved: January 26, 2012

Revised: October 25, 2012

Revised: October 17, 2013

SUBJECT: INVESTMENT POLICY

PURPOSE: To establish a policy for investment of temporarily idle funds held by the Truckee Tahoe Airport District (District).

OBJECTIVE: To assure compliance with all federal, state and local laws governing the investment of District monies. To protect the principal deposits of the District and to generate investment income to the extent that prudent money management practices and the parameters of this policy allow.

SCOPE: This policy applies to all funds and investment activities under the direct authority of the District.

POLICY:

SECTION I – Investment Principles

The District shall use the “prudent investor” standard (California Government Code 53600.3) in its cash management practices. Public funds will be invested in a manner which will provide the maximum security of principal consistent with a market rate of return, while meeting the cash flow needs of the District and conforming to all applicable federal, state and local statutes governing the investment of public funds. This will be accomplished by applying the following overarching principles:

1. **Preservation of Principal** is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.
 - a. **Credit Risk** – The District will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:
 - i. Limiting investments to those listed in Section IV.
 - ii. Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.
 - iii. Pre-qualifying the financial institutions, intermediaries and advisors with which the District will do business in accordance with Section III.

3. **Delegation of Authority** – Authority to manage the investment program is granted to the District Treasurer and derived from California Government Code (the “Gov’t Code”) Section 53607, which states that the authority may be delegated for a one-year period. The Board of Directors may renew the delegation of authority pursuant to the referenced section of Gov’t Code each year. The District Treasurer shall act in accordance with the established written procedures and internal controls consistent with this investment policy. The District Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate all investment activity of the District. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the District Treasurer.

The District Treasurer shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the independent auditor. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by employees and officers of the District.

SECTION III – Authorized Financial Institutions, Depositories, and Broker/Dealers

The District shall transact investments only with banks, savings and loans, investment security dealers and the State of California Local Agency Investment Fund. The dealers must be designated as primary dealers by the New York Federal Reserve Bank. Dealers who desire to do business with the District shall provide the necessary information (e.g. audited financial statements, proof of state registration, proof of National Association of Securities Dealers certification, etc.) from which the District can determine their creditworthiness, the existence of any pending legal action against the firm of the individual broker as well as an understanding of the security markets they service.

The District Treasurer shall annually send a copy of the current investment policy to all financial institutions and broker/dealers approved to do business with the District. Confirmation of receipt of this policy shall be considered evidence the recipient understands the District’s investment policy and intends to sell the District only appropriate investments authorized by the policy.

SECTION IV – Authorized Investments

Investment of District funds is governed by Gov’t Code Sections 53600 et seq. The Gov’t Code authorizes a wide-variety of investment instruments; however, recognizing that the District Treasurer is not a professional investment manager and working within the framework of the investments authorized by the Gov’t Code, the District authorizes the District Treasurer to invest idle funds in a select subset of investments authorized by Gov’t Code. The District investment portfolio may purchase and hold the following instruments:

1. **United States Treasury Bills, Bonds, and Notes**, or those for which the full faith and credit guarantee of the United States government are pledged for payment of principal and interest. There is no percentage limitation of the portfolio which can be invested in this category. The maturity is not to exceed the projected dates of the District’s cash needs or three years, whichever is less.

2. **Federal Agencies or United States government-sponsored enterprise obligations**, including those issued by or fully guaranteed as to principal and interest by federal agencies or US government-sponsored enterprises. This includes FDIC Guaranteed Debt issued under the Temporary Liquidity Guarantee Program for insured depository institutions and most U.S holding companies. This debt is backed by the full faith and credit of the United States. Although there is no percentage limitation on the dollar amount that can be invested in these issues, the “prudent investor” rule shall apply for a single agency name. The maturity is not to exceed the projected dates of the District’s cash needs or three years, whichever is less.
3. **Certificates of Deposit (CDs)** – The District may invest in FDIC insured certificates of deposit at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of certificates of deposit. All conditions outlined in Gov’t Code Section 53601.8 et seq are to be observed. Purchase of CDs may not exceed 30% of the value of the portfolio and the maximum with any one issuer is the amount covered by the Federal Deposit Insurance Corporation (FDIC). The maximum maturity of a time certificate of deposit shall not exceed three years, unless authorized by the Board of Directors.
4. **Local Agency Investment Fund (LAIF)** – The District may invest in LAIF, a State of California investment pool, managed by the State Treasurer for the benefit of local agencies, up to the maximum permitted by California State Law (currently \$40 million).

Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. Maturities selected shall provide for stability of income and reasonable liquidity, as discussed in Section I. The following maturity range and suggested percentages shall serve as a guide relative to maintaining a diversification and balance of security maturities. The weighted average maturity of the pooled portfolio should not exceed two years, and the following percentages of the portfolio should be invested in the following maturity sectors:

Maturity Range	Suggested Percentages
One day to 180 days	10 to 50%
181 days to 360 days	10 to 30%
One year to two years	10 to 20 %
Two years to three years	0 to 20%
Over three years	Board authorization required

SECTION V – INELIGIBLE INVESTMENTS – Investments not explicitly listed in Gov’t Code Section 53601 et seq. are ineligible for investment of District funds. Ineligible investments include, but are not limited to: inverse floaters, range notes, mortgage derived interest only strips, derivatives securities, or any security that could result in zero interest accrual if held to maturity. The District Treasurer’s authority to invest District funds extends only to those types of investments listed in Section IV.

SECTION VI – POLICY CONSIDERATIONS

Program Review

The District’s investment policy shall be adopted by the Board of Directors on an annual basis. The investment policy shall be reviewed annually 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.

Any State of California legislative action that restricts allowable maturities, investment types or percentage allocation will be incorporated into the District's Investment Policy and supersede any and all previous applicable language.

Safekeeping and Custody

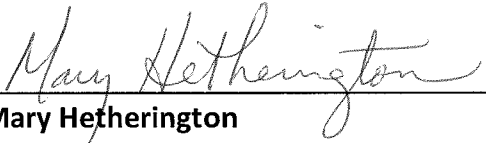
To protect against potential losses by collapse of individual securities dealers or financial institutions, all securities owned by the District shall be held in safekeeping in the District's name by a third party bank trust department, acting as agent for the District under the terms of a custody agreement executed by the bank and the District. All transactions entered into by the District shall be conducted on a delivery-versus-payment (DVP) basis; the District's safekeeping agent will only release payment for an investment after the investment has been properly delivered.

Reporting

The District Treasurer will submit a quarterly report to the Board of Directors. The report will include:

- A list of investment transactions for the period covered.
- Type of investments, issuing institution, selling institution, date of maturity, par and dollar amount invested, current market value (and source of valuation), credit quality of each investment (as determined by a nationally recognized credit rating service).
- The return on the District's investment portfolio expressed as an annual percentage rate.
- The weighted average maturity of the District's portfolio.
- A statement of compliance with this Investment Policy.
- A statement that the projected cash flow is adequate to meet expected obligations over the next six months.

The Board of Directors may require this reporting on a monthly basis based upon market conditions.



Mary Hetherington

RESOLUTION NO. 2014-11
OF THE TRUCKEE TAHOE AIRPORT DISTRICT
ADOPTION OF DISTRICT INVESTMENT POLICY
AND
DELEGATION OF INVESTMENT AUTHORITY TO DISTRICT TREASURER

WHEREAS, the Board of Directors has the final authority to invest surplus funds of the District pursuant to Government Code Section 53601; and

WHEREAS, the Board of Directors desires to adopt an investment policy for the investment of surplus funds that satisfies the requirements of Government Code Sections 53600 and following; and

WHEREAS, the Board of Directors may delegate its investment authority to the District Treasurer on an annual basis and to direct the District Treasurer to invest surplus funds pursuant to the District's Investment Policy; and

WHEREAS, the Board of Directors desires to adopt an Investment Policy for the 2014-2015 fiscal year and to delegate its investment authority to the District Treasurer.

NOW THEREFORE, BE IT RESOLVED:

1. Policy Instruction 308 "INVESTMENT POLICY" is hereby adopted for the District's 2014-15 fiscal year.
2. The District's authority to invest surplus funds is hereby delegated to the District's Treasurer, who shall carry out the investment policy in accordance with the aforementioned policy instruction.
3. The District Treasurer shall submit quarterly reports to the Board of Directors of any and all investment transactions pursuant to Sections 53607 and 53646 of the Government Code.
4. The delegation of authority to the District Treasurer shall not exceed a period of one year and may be rescinded at any time by a properly noticed Board resolution.

The foregoing was duly passed and adopted by the Board of Directors of the Truckee Tahoe Airport District at a regular meeting held on October 29, 2014 by the following vote:

AYES:	President John B. Jones Director James W. Morrison Director Mary Hetherington Director J. Thomas Van Berkem Director Lisa Wallace
NOES:	none
ABSTENTIONS:	none

TRUCKEE TAHOE AIRPORT DISTRICT

John B. Jones, President of the Board

CERTIFICATION

I, Kevin Smith, Secretary of the Board of Directors of the TRUCKEE TAHOE AIRPORT DISTRICT, do hereby certify that the foregoing is a full, true and correct copy of Resolution No. 2014-11 adopted at the regular meeting of the Board of Directors of the TRUCKEE TAHOE AIRPORT DISTRICT this 29th day of October 2014.

IN WITNESS WHEREOF, I have hereto set my hand and impressed the official seal of the TRUCKEE TAHOE AIRPORT DISTRICT this 29th day of October 2014.

Kevin Smith, Secretary of the Board

**TRUCKEE TAHOE AIRPORT DISTRICT
 QUARTERLY INVESTMENT REPORT
 FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

Per Policy Instruction 308, the District Treasurer must submit the following to the Board of Directors on a quarterly basis:

A. A list of investment transactions for the period covered.

There were no transactions related to the CDs invested with Wells Fargo

Detail of LAIF activity can be found on the attached schedule.

B. Detail on the investments made during the period - including type of investments, amounts invested, maturity dates, current market value and credit quality of each investment.

Detail of the District's holdings at September 30, 2014 appears in the following table:

Type of Investment	Interest (Coupon Rate)	Amount	Maturity	9/30/2014 Mkt Val	Rating
Goldman Sachs Bank NY - CD	1.10%	\$ 250,000	5/30/2017	\$ 249,162	FDIC Insured
Discover Bank	1.10%	\$ 250,000	7/11/2016	\$ 250,825	FDIC Insured
GE Capital Retail Bank Interest Bearing CD	1.00%	\$ 250,000	1/24/2017	\$ 249,352	FDIC Insured
GE Capital Bank Interest Bearing CD	1.00%	\$ 250,000	1/24/2017	\$ 250,252	FDIC Insured
MONEY MARKET FUND	0.01%	\$ 32,125	N/A	\$ 32,125	AAAm
LAIF	0.24%	\$ 10,517,418	N/A	\$ 10,520,753	Not rated

C. The return on the District's investment portfolio expressed as an annual percentage rate.

For the quarter ended 9/30/14, the return on the portfolio is 0.30% (annualized). This is calculated based on the LAIF rate for the quarter ended September 30, 2014 and assumes the CDs will be held until maturity.

D. The weighted average maturity of the District's portfolio.

The portfolio's maturities can be broken down as follows:

Maturity Range	Policy Instruction 308 Suggested %	Actual %
One day to 180 days	10% to 50%	91.30%
181 days to 360 days	10% to 30%	0.00%
One year to two years	10% to 20%	2.10%
Two years to three years	0 to 20%	6.60%
Over three years	Requires Board Authorization	

The District has not been more aggressive in pursuing longer maturity investments because the return (yield) on a longer maturity investment is not sufficiently greater than the return earned with LAIF to justify the risk. The current weighted average maturity of the portfolio is 65 days.

E. A statement of compliance with investment policy.

The investment policy's objective is to protect the District's investable assets and generate income to the extent that prudent money management practices allow. Ideally, the District will invest in a variety of investment vehicles to increase the yield/return on investment received, while balancing the risk factors present. Although the suggested percentages of investments within the maturity ranges in the policy are not currently met, the weighted average maturity is within the stated limit and the District is in compliance with the policy.

F. A statement that the projected cash flow is adequate to meet expected obligations of the District over the next six months.

As a majority of funds are currently invested with LAIF and the weighted average maturity is 65 days; the projected cash flow is adequate to meet the expected obligations over the next six months.