

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

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.

~~William Quesnel~~, **Thomas Van Berkem**, President