



Investment Policy

POLICY STATEMENT

It is the policy of First 5 Ventura County to provide for the prudent investment of funds and the effective management of investment activities, including short-term investments to meet daily cash flow requirements and long-term investments to meet future goals.

GUIDING PRINCIPLES

1. To safeguard the principle while seeking a competitive rate of return on investments.
2. To pursue longer-term investments, when resources exist, for a portion of the Commission's investment pool using a laddered investment philosophy.
3. To select an Investment Advisor for day-to-day investment management of the Commission's long-term investments.

GOVERNING AUTHORITY

The Commission, as the governing body, is the fiduciary authorized to make investment decisions on behalf of First 5 Ventura County (F5VC). The investment program shall be operated in conformance with federal, state, and other legal requirements, including California Government Code 53600-53609, for the investment of surplus.

SCOPE

F5VC maintains an Operating Fund and a Community Investment Fund. This policy applies to the investment of all funds.

INVESTMENT PARAMETERS

F5VC maintains an Operating Fund and a Community Investment Fund. A minimum of six (6) months and up to one (1) year of operating funds will be maintained in the Ventura County Treasury Investment Pool or the Local Agency Investment Fund (LAIF). Any remaining funds beyond 1 year operating funds may be invested in either the Ventura County Treasury Investment Pool or elsewhere as outlined in the Eligible, Authorized, and Suitable Investments section of this Policy.

For those investments made outside of the County Treasury Investment Pool and/or the LAIF, a detailed investment plan shall be developed and approved annually by the Commission. The plan shall specify how funds will be invested.

INVESTMENT OBJECTIVES

When investing, reinvesting, purchasing, acquiring, reacquiring, exchanging, selling, or managing public funds, the primary objective shall be to safeguard the principal. The secondary

objective shall be to meet the liquidity needs of the Commission. The third objective shall be to achieve a competitive return on the investment of the funds.

- **Safety:** Safety of principal is the foremost objective of F5VC's investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
 - **Credit Risk:** Credit risk is the risk of loss due to the failure of the security issuer. Credit risk maybe mitigated by:
 - Determining on-going credit worthiness of the financial institutions, broker/dealers, intermediaries and advisors with which F5VC does business; and,
 - Diversifying the investment portfolio so that potential losses on individual securities will be minimized.
 - **Interest Rate Risk:** Interest rate risk is the risk that the market value of securities in the portfolio will decrease due to changes in general interest rates. Interest rate risk maybe mitigated by:
 - Structuring the portfolio so that securities mature to meet cash requirements, thereby avoiding the need to sell securities prior to maturity.
- **Liquidity:** No investment shall be made that could not appropriately be held to maturity without compromising liquidity requirements. The investment portfolio shall remain sufficiently liquid to meet future requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity).
- **Yield:** The investment portfolio shall be designed with the objective of attaining a maximum rate of return throughout budgetary and economic cycles, taking into account F5VC's investment risk constraints and cash flow characteristics.
- **Maturity:** To the extent possible, investment shall be matched with anticipated cash flow requirements. Additionally, F5VC will not invest in securities maturing more than five years from the date of purchase, unless otherwise authorized by the Commission.

STANDARDS OF CARE

F5VC and/or all persons authorized to make investment decisions on behalf of F5VC, are trustees and therefore fiduciaries subject to the prudent investment standard in accordance with Government Code section 53600.3. All investments must be made in accordance with the prudent investment standard which requires care, skill, prudence, and diligence under the prevailing circumstances, including but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard principal and maintain the liquidity needs of the agency. Individual investments must be considered as part of the overall investment strategy.

Ethics and Conflicts of Interest: Each member of the Commission, including the Investment Advisor, and all other persons authorized to make investment decisions on behalf of F5VC, shall refrain from any personal business activity that could compromise the security and integrity of F5VC's investment program, or that could impair their ability to make impartial and prudent decisions. In addition, all Commissioners involved in the investment process shall refrain from

accepting gifts that would be reportable under the Fair Political Practices Commission (FPPC) regulations.

ELIGIBLE, AUTHORIZED AND SUITABLE INVESTMENT

All investments made on behalf of F5VC must be in accordance with federal and state law unless additional restrictions are required by this investment policy.

Figure 1 as attached herein, "Allowable Investment Instruments Per State Government Code Applicable To All Local Agencies" and Table of Notes for Figure 1, published by the California Debt and Investment Advisory Commission through the State Treasurer's Office, outlines the permissible investment and the requirements associated with each type of investment as of January 1, 2019. This list of allowable investments and footnotes shall be superseded by subsequent amendments to the California Government Code. In addition to the investments listed, monies may also be deposited in accordance with Government Code section 53635.2 in the following, provided the company's overall rating is not less than "satisfactory" in its most recent evaluation:

- State or national banks,
- Savings associations,
- Federal associations,
- Credit unions, or
- Federally insured industrial loan companies in California

PROHIBITED INVESTMENTS

No investments are allowed in securities of companies in the tobacco business, including parent companies and their controlled subsidiaries. No foreign currencies denominated securities are allowed.

SAFEKEEPING AND CUSTODY

All security transactions, including collateral from repurchase agreements, shall be conducted by book entry, physical delivery or by third party custodial agreement basis. Securities must be held in the name of F5VC in the trust department or a separate safekeeping department of the investment entity. All securities purchased by F5VC under this section shall be properly designated as an asset of F5VC's and held in safekeeping. If these conditions cannot be satisfied, securities must be held in the name of F5VC by a third party custodian.

INTERNAL CONTROLS

The Investment Advisor shall establish a system of internal controls to provide reasonable assurance that funds are physically protected from loss, theft, or misuse. The Investment Advisor shall submit a copy of those internal control procedures, including any modifications, to the Administration/Finance Committee and the Commission for its review and approval.

1. **Control and Authority:** The Commission shall, at all times, exercise control and authority over F5VC's investments unless delegated to an Investment Advisor. Investment and management tasks and duties may be delegated to an Investment Advisor on the following conditions:

- The Commission, upon recommendation of the Administration/Finance Committee, evaluates and hires the Investment Advisor under a written contract with F5VC. The contract imposes safeguards on the Investment Advisor to prevent abuse in the exercise of discretion by the investment advisor, including but not limited to the following: a) the contract shall be subject to and incorporate the terms and conditions of this policy, b) if the investment advisor has any discretion in making any investment decisions with F5VC funds, the investment advisor agrees to be a fiduciary of F5VC in the provision of its services under the contract, and c) the investment advisor shall at least quarterly provide written reports to the Administration/Finance Committee and the Commission.
 - The Commission shall continually monitor the Investment Advisor's performance to keep informed of the status of the investments. Any significant adverse credit changes or market changes to F5VC securities must be reported to the Administration/Finance Committee and the Commission in a timely fashion.
 - The Investment Advisor will be selected by the Administration/Finance Committee and approved by the Commission through a Request for Qualification (RfQ) process. Among the criteria for selection will be the stability of the financial institution, track record, customer service, ability to comply with these investment policies and typical return on investment.
2. **Annual Review and Approval:** The Administration/Finance Committee shall annually evaluate the performance of the Investment Advisor. Subject to this review, F5VC may renew its contract with the Investment Advisor for another year, or may determine to conduct a competitive process to identify another financial institution to provide investment management services for F5VC.

REPORTING REQUIREMENTS

Any Investment Advisor providing services to F5VC must meet with the Administration/Finance Committee and the Commission at least annually. The Investment Advisor must also provide the Commission with written reports at least quarterly, within 30 days after the end of each quarter to include a detailed account of F5VC's current investment portfolio invested by the Investment Advisor, and to ensure that the services provided comply with the requirements of the law and this policy. The report must include the following:

- A listing of individual securities by type of investment and maturity held at the end of the reporting period.
- A composite of transactions purchased during the reporting period by type of security.
- Unrealized gains or losses resulting from appreciation or depreciation of securities held in the portfolio, by listing the cost of market value of securities.
- Average weighted yield to maturity of the portfolio and benchmark comparisons.
- Weighted average maturity of the portfolio.
- The percentage that each permitted investment category represented in the portfolio.
- A summary of purchases during the reporting period showing the purchase date, issuing agency, amount purchased and cost. A summary of sales during the reporting period showing the date of sale and gain or loss resulting from the sale.
- An appropriate benchmark to compare return on investments.
- Income and Expense and changes to the value of the portfolio.

- Recommendations, if any, on changing the fund or portfolio structure and investment strategy, subject to this policy.
- A statement of compliance with the Commission's investment policy. An investment summary presented by the Investment Advisor to the Administrative/Finance Committee and the Commission at least on an annual basis.

CONTROLLING DOCUMENT

This investment policy must be incorporated and attached to any contract entered into between F5VC and an Investment Advisor. In the event of any conflict or ambiguity between the investment policy and any other document, including the contract with the Investment Advisor, the provisions of the investment policy shall control.