



January 29, 2016

**President**  
Marshall E. Ochylski

**Vice President**  
Jon-Erik G. Storm

**Directors**  
Charles L. Cesena  
Louis G. Tornatzky  
R. Michael Wright

**General Manager**  
Kathy A. Kivley

**District Accountant**  
Michael L. Doyel

**Acting Fire Chief**  
Steve Reeder

**Battalion Chief**  
Tom McEwen

**TO:** LOCSO Board of Directors  
**FROM:** Michael Doyel, District Accountant  
**SUBJECT:** **Agenda Item 11J – 2/4/2016 Board Meeting**  
Reaffirm the District Investment Policy

**DESCRIPTION**

This item is to comply with provisions of the Government Code section 53646 (2) that the Chief Fiscal Officer or Treasurer of a local agency renders to the legislative body a statement of investment policy annually.

**STAFF RECOMMENDATION**

This item will be approved along with the Consent Calendar unless it is pulled by a Director for separate consideration. If so, Staff recommends that the Board adopt the following motion:

***Motion: I move that the Board adopt Resolution 2016-04 reaffirming the District's Investment Policy.***

**DISCUSSION**

An investment policy was adopted on February 4, 1999, at the inception of the District. In 2012, the current policy was amended and adopted and has not been modified since that time. The existing policy is attached to the resolution as Exhibit A.

**FINANCIAL IMPACT**

An effective investment policy may result in increased earnings for the District.

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Attachment – Resolution 2016-04 w/Exhibit A

**RESOLUTION 2016-04**

**A RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE LOS OSOS COMMUNITY SERVICES DISTRICT  
REAFFIRMING THE DISTRICT INVESTMENT POLICY**

**WHEREAS**, the Board of Directors of the Los Osos Community Services District ("District") believes that public funds should, so far as is reasonably possible, be invested in financial institutions to produce revenue for the District rather than to remain idle, and

**WHEREAS**, from time to time there are District funds which for varying periods of time will not be required for immediate use by the District, and which will, therefore, be available for the purpose of investing in financial institutions with the objectives of safety, liquidity, yield and compliance with state and federal laws and policies.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Los Osos Community Services District as follows:

1. The District hereby reaffirms the investment policy attached hereto as "Exhibit A" as the District's Investment policy;
2. The District General Manager shall act as Treasure/Finance Officer of the District and is authorized to invest and re-invest funds in accordance with the Investment Policy for the succeeding twelve (12) month period or until such time as the delegation of authority is revoked.

On the motion of Director \_\_\_\_\_, seconded by Director \_\_\_\_\_ and on the following roll call vote, to wit:

AYES: Directors \_\_\_\_\_  
 NOES: \_\_\_\_\_  
 ABSENT: \_\_\_\_\_  
 CONFLICTS: \_\_\_\_\_

The foregoing resolution is hereby passed, approved, and adopted by the Board of Directors of the Los Osos Community Services District this 4<sup>th</sup> day of February 2016.

\_\_\_\_\_  
 Marshall E. Ochylski  
 President, Board of Directors  
 Los Osos Community Services District

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
 Maragret Falkner  
 Temporary General Manager and Secretary to the Board

\_\_\_\_\_  
 Michael W. Seitz  
 District Legal Counsel

LOS OSOS COMMUNITY SERVICES DISTRICT  
2016 INVESTMENT POICY

1. **INTRODUCTION**

The purpose of this written *Investment Policy* is to establish the guidelines for the prudent investment of Los Osos Community Services District funds (herein referred to as District's funds). The objectives of this policy are safety, liquidity, yield, and compliance with state and federal laws and policies.

District funds are to be managed with a high degree of care and prudence. Though all investments contain a degree of risk, the proper concern for prudence, maintenance of high level of ethical standards, and proper delegation of authority reduces the potential for any realized loss.

This policy establishes the standards under which the District's Finance Officer will conduct business with financial institutions with regard to the investment process.

2. **FINANCE OFFICER**

The Board of Directors appoints the General Manager as the District Finance Officer and Treasurer. In the event of an extended absence of the General Manager, the Acting General Manager or Interim General Manager will act as the Acting District Finance Officer and Treasurer.

3. **SCOPE**

The District investment portfolio shall consist of moneys held in sinking funds, reserves or designations, trust funds or surplus funds not required for the immediate necessities of the District. The District's funds shall be invested in accordance with this policy.

4. **OBJECTIVES**

The primary objectives are safety, liquidity, yield, and compliance.

A. **SAFETY**

The investment portfolio shall be managed in a manner that ensures the preservation of capital. The objective is to minimize credit risk and interest rate risk.

B. **LIQUIDITY**

The investment portfolio shall remain sufficiently liquid to meet all operating requirements. This shall be accomplished by structuring the investment portfolio so that investments mature concurrent with cash needs.

C. **YIELD**

Yield shall be a consideration only after the requirements of safety and liquidity have been met.

D. **COMPLIANCE**

This Investment Policy is written to be in compliance with California and Federal law.

**5. STANDARDS OF CARE**

**A. PRUDENCE**

The Finance Officer will manage the portfolio pursuant to the "Prudent Investor Standard." When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds in the District's investment portfolio, the Finance Officer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, 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 the principal and maintain the liquidity needs of the District.

**B. DISCLOSURES**

The Finance Officer shall disclose to the Board in open meeting any material interest in financial institutions with which he/she conducts the District business and at that time ask the Board to issue a determination whether a conflict of interest exists that will prohibit investing in the financial institutions.

**6. INVESTMENTS AUTHORITY**

The Government Code of the State of California, specifically section 53601 and related subsections authorizes the types of investment vehicles allowed in a California local agency's portfolio. These are summarized below.

**A. PERMITTED INVESTMENTS**

The District Finance Officer is authorized to invest in the following institutions:

1. County pooled funds (California Government Code § 61730)
2. The Local Agency Investment Fund created by the California State Treasury (California Government Code § 16429.1)
3. One or more FDIC insured Banks and/or Savings and Loan Associations that are designated as District depositories by resolution of the Board of Directors (California Government Code § 61737.02).
4. Such other financial institutions or securities that may be designated by the Board of Directors from time to time in compliance with California and Federal law.

**B. PROHIBITED INVESTMENTS**

The District's Finance Officer shall not invest in:

1. Inverse floaters, range notes or interest only strips that are derived from a pool of mortgages.
2. Any security that could result in a zero interest accrual if held to maturity.
3. A state or federal credit union, if a member of the District's Board of Directors or an administrative officer also serves on the Board of Directors, or any committee appointed by the Board of Directors, or the credit committee or supervisory committee, of the state or federal credit union.

**C. DIVERSIFIED INVESTMENTS**

Investments, other than investments referenced in paragraphs A (1) and A (2) above, will be diversified to avoid losses that may be associated with any one investment.

## 7. REPORTS

Meeting the reporting deadlines as specified in this section may not be possible in some cases on account of the schedules of meetings of the Board. In these cases, the report will be submitted at the Board meeting following the scheduled due date.

### A. **MONTHLY REPORT**

Finance Officer/Treasurer shall make monthly reports to the Board of investments made or retired during the preceding month.

### B. **QUARTERLY REPORT**

In accordance with section 53646 of the Government Code, the Finance Officer shall file a quarterly report that identifies the District's investments and their compliance with the District's Investment Policy. The quarterly report must be filed with the District's Board of Directors within thirty (30) days after the end of each quarter.

Required elements of the quarterly report are as follows:

1. Type of Investment
2. Institution
3. Date of Maturity (if applicable)
4. Amount of deposit or cost of the security
5. Current market value of securities with maturity in excess of twelve months (if applicable)
6. Rate of Interest
7. Statement relating the report to the Statement of Investment Policy
8. Statement of the District's ability to meet cash flow requirements for the next six months
9. Accrued Interest (if applicable)

### C. **ANNUAL REPORT**

Prior to February 1<sup>st</sup> of each year, the Finance Officer shall file and submit an annual report to the District's auditor and the Board of Directors which will contain the same information required in the quarterly report.

The annual report will include a recommendation to the Board of Directors to either:

1. Readopt the District's then current annual Investment Policy; or
2. Amend the District's then current Investment Policy

### D. **LIMITED QUARTERLY REPORT**

If the District has placed all of its investments in the Local Agency Investment Fund (LAIF), created by California Government Code § 16429.1, or in Federal Deposit Insurance Corporation, insured accounts in a bank or savings and loan association, in a County investment pool, or any combination of these, the Finance Officer may submit to the Board of Directors the most recent statement or statements received by the District from these institutions in lieu of the information required in paragraph 7.B, above. This special reporting policy does not relieve the Finance Officer of the obligation to prepare an annual investment report as identified in paragraph 7.C, above.