

LOCAL AGENCY FORMATION COMMISSION
POLICIES AND GUIDELINES

2.6 INVESTMENT POLICY *(Approved April 28, 2004)*

2.6.1 Scope

This policy provides guidelines for the prudent investment of El Dorado Local Agency Formation Commission (LAFCO) funds and for maximizing the efficiency of LAFCO's cash management system.

2.6.2 Objectives

The primary objectives of LAFCO's investment activities shall be, in order of priority:

1. Safety of Principal

Investments shall be undertaken in a manner that first seeks to ensure the preservation of principal. The Financial Officer shall evaluate, or cause to be evaluated, each potential investment, seeking both quality in issuer and in underlying security or collateral. The objectives will be to mitigate credit risk and interest rate risk.

2. Liquidity

Investments shall have maturity dates compatible with cash flow requirements and shall permit easy and rapid conversion into cash without substantial loss of value.

3. Return on Investment

Investments shall be undertaken to attain market rates of return, consistent with the higher priority objectives of safety of principal and liquidity.

2.6.3 Prudence

LAFCO shall manage its investments under the prudent person rule which states, in essence, that a trustee shall exercise the judgment and care, under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived (Government Code §53600.3).

Investment shall be made only in securities and with financial institutions in which LAFCO is legally empowered to invest funds.

Commissioners, officers, and employees involved in the investment process shall refrain from personal business activity that could conflict with the

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prudent execution and management of LAFCO's investments, or that could impair their ability to make impartial decisions. Said individuals shall not serve on the board of directors of a financial institution in which LAFCO has invested funds.

2.6.4 Delegation of Authority

The Executive Officer is designated as the Financial Officer of LAFCO, and is responsible for investment management decisions and activities.

2.6.5 Authorized Investments

1. Passbook Savings and Money Market Checking Accounts. These accounts may be maintained in local branches of commercial banks and/or savings and loan associations. Amounts maintained in such accounts shall be fully insured by the FDIC or fully collateralized.
1. Certificates of Deposit. Cash may be invested in certificates of deposit only if they are fully insured by the FDIC or fully collateralized.
2. Local Agency Investment Fund of the State Treasury (LAIF).
4. El Dorado County Treasury. Funds may be deposited in the El Dorado County Treasury if the Financial Officer determines that the deposit would facilitate the use or purchase of county services until those services are no longer needed. Funds may also be deposited to facilitate compliance with Government Code §56381.

2.6.6 Prohibited Investments

Certain investment practices and instruments are inconsistent with the first objective of this policy, safety of principal, and are therefore prohibited:

LAFCO shall not engage in leveraged investing, including but not limited to margin accounts, hedging, or any form of borrowing for the purpose of investment.

2.6.7 Reporting

The Financial Officer shall submit to the Commission a quarterly investment report detailing all investments.

2.6.8 Policy Revision

This policy may be revised by the Commission as necessary.