

 MORONGO BASIN HEALTHCARE DISTRICT	DEPARTMENT / MANUAL: ADMINISTRATIVE MANUAL
ORIGINAL DATE: October 1986	REVIEW & REVISION DATES: 6/93, 11/94, 5/95, 01/02, 10/07, 01/19
TITLE: INVESTMENT OF HDMHCD FUNDS	APPROVED BY: ADMIN: _____ Date: _____ CEO: <u>Jaques Combs</u> Date: <u>1-3-19</u> GOVERNING BOARD: <u>B. Anderson</u> Date: <u>1-3-19</u>

PURPOSE

To provide direction to the Board of Directors and Chief Executive Officer with regards to investing District funds.

POLICY

It shall be the policy of Hi-Desert Memorial Health Care District to invest its funds not required for immediate expenditure in eligible securities and deposits to provide the highest yield possible, while assuring the safety and liquidity of funds invested in compliance with this policy and governing law (Government Code sections 53600 et-seq). Investment decisions shall be the responsibility of the Board of Directors, which hereby delegates its investment authority to the Chief Executive Officer. Monthly reports covering investments shall be made to the Board of Directors by the Controller.

This policy applies to all funds owned or managed by the District, except trust funds, endowments or gifts that bear their own investment covenants specified by the donor. The policy shall be presented to the Board of Directors for any recommended revisions by the Chief Executive Officer, Controller and /or Investment Manager.

No investment shall be made in any security that at the time of the investment has a term remaining in excess of five years except for those issues expressly stated within this investment policy.

No investment shall be made in any security, other than those stated within this policy, unless the board has granted express authority to make that investment either specifically or as a part of an investment program approved by the Board of Directors no less than three months prior to the investment.

Investments will be made by Manager (Investment Company) on behalf of Hi-Desert Memorial Health Care District.

PROCEDURE**A. Permitted Investments**

Securities or deposits in the portfolio shall include and be subject to the appropriate limitations, as approved by the Board and described in this policy under Restrictions and Limitations:

1. Bonds, notes, warrants or other debt obligations issued by the State of California or any local agency in California.
2. Obligations of, or fully guaranteed by, the United States government, its agencies, instrumentalities, or enterprises sponsored by it.
3. Issuing corporations that are organized and operating within the United States.
4. Negotiable Certificates of Deposits issued by a nationally or state-chartered bank, or a state or federal association (as defined by Section 5102 of the Financial Code) or by a state-licensed branch of a foreign bank.
5. Bills of exchange or time drafts drawn on and accepted by a commercial bank (banker's acceptances) which are eligible for purchase by the Federal Reserve System.
6. Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's Investors Service, Inc., or Standard and Poor's Corporation.
7. With prior Board approval, allowable investments in repurchase agreements or reverse repurchase agreements or securities lending agreements of securities authorized within the provisions of State Code sections 53600 (5360 I, subdivision (i) not excluding any securities mentioned above, with a term of one year or less as long as the proceeds of the reverse repurchase agreement are invested solely to supplement the income normally received from these securities.

B. Restrictions and Limitations

1. The average maturity of the portfolio will not exceed five (5) years in maturity.
2. Government Securities will be limited to a maximum maturity of ten years.
3. Issuing Corporations:
 - a) Issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000) and having an "A" or higher rating for the issuer's debt as provided for by Moody's Investors Service, Inc., or Standard and Poor's Corporation.
 - b) Purchases of corporate issues may not exceed 30 percent of the District's Investment funds at time of purchase. And, no more than 10 percent of the District's investments funds, within the 30 percent allocation, will be invested in any single issuing corporation.
 - c) Within the maximum allowable allocation of 30 percent, the following maturity and credit restrictions for corporate issues, as stated in 3(a), will be as follows:
 - 0-5 years in maturity, a minimum rating of "A" by either Moody's or S&P
 - 5 -7 years in maturity, a minimum rating of "AAA" by either Moody's or S&P
 - 7 -10 years in maturity, a minimum rating of "AAA" by either Moody's or S&P
4. Purchases of negotiable certificates of deposit may not exceed 30 percent of the District's investment funds and should not exceed FDIC insurance limits without advance approval by the Board. The amount so invested shall be subject to the

limitations of Section 53638 of the California State code. (California State Code Section 53601, subdivision (h)).

5. Purchases of banker's acceptances may not exceed 180-days maturity or 40 percent of the District's investment funds, and no more than 30 percent of the District's investment funds may be invested in the banker's acceptance of anyone commercial bank. (California State Code 53601, subdivision (f)).
 6. Purchases of eligible commercial paper may not exceed 270-days maturity, nor represent more than 10 percent of the outstanding paper of any single issuing corporation. Purchases of commercial paper may not exceed 15 percent of the District's investment funds that may be invested pursuant to Section 53601, subdivision (g). An additional 15 percent, or a total of 30 percent of the District's investment funds may be invested pursuant to subdivision (g). The additional 15 percent may be so invested only if the dollar weighted average maturity of the entire amount does not exceed 31 days. Issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000) and having an "A" or higher rating for the issuer's debt as provided for by Moody's Investors Service, Inc., or Standard and Poor's Corporation.
 7. Notwithstanding Restriction and Limitation # 6 (above), purchases of commercial paper may not exceed 40 percent of the District's investment funds. And no more than 10 percent may be invested in the outstanding paper of any single issuing corporation. Eligible paper is further limited to issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000) and having an "A" or higher rating for the issuer's debt as provided for by Moody's Investors Service, Inc., or Standard and Poor's Corporation. (California State Code, Section 53601.2.)
- C. Prohibited Investments: The District's investment funds may not be used except as listed above. Accordingly, without limitation, the District's investment funds may not be used to:
1. Purchase common stocks or preferred stocks of any class in any private corporation.
 2. Make short sales of securities or purchase any securities on margin, unless utilized to eliminate necessary risks and secure a return on certain investments.
 3. Invest in any funds pursuant to this policy in inverse floaters, or mortgage derived interest - only strips. Nor will any investment, in any security, be made that could result in zero interest accrual if held to maturity. (California State Code Section 53601.6, subdivision (a) and (b)).
 4. Invest in commodities or commodity contracts or interests in oil, gas, or other mineral exploration or development programs.
 5. Invest in real estate, except to purchase Mortgage securities under repurchase agreements (or reverse repurchase agreements), provided that such mortgage Securities are eligible investments under subdivision (a) or (b) of section 13000 of the California Financial Code.
 6. Purchase or sell puts, calls, or combinations thereof.
 7. Purchase or retain the securities of any issuer if any officer or director of the District own beneficially more than one percent of the securities of such issuer.

- D. **Criteria for Selecting Investments:** In addition to adhering to the "prudent man rule" (Civil Code Section 2261 and California State Code Section 53600.3, 53600.5, 53600.6) the following criteria, in order of priority, shall guide the selection of investment securities or deposits:
1. **SAFETY-**The District will only invest in those investments, securities, instruments and deposits, which are considered very safe. Safety and investment risk shall be evaluated with regard to the potential loss of principal, or interest, or both.
 2. **LIQUIDITY-** Investments shall be evaluated to minimize any loss of principal or interest as a penalty or premium for withdrawal or sale and to maximize the ease and immediacy of converting the investment to cash, or cash equivalent, for use by the District.
 3. **YIELD-** Investments shall be made to maximize potential earnings, or rate of return.
- E. **Reporting of Investments and Performance Benchmarks**
1. A monthly report (which may be incorporated into the monthly financial reports) of all investments showing balances, yield, maturity and current market value of securities shall be presented to the District's Board of Directors.
 2. Manager will furnish to the District's Board of Directors a quarterly account review detailing investment performance (time-weighted), portfolio holdings and market valuations, and investment strategy.
 3. The manager will provide to the District any changes in investment philosophy, management, ownership, and key personnel.
 4. The manager will present to the District's Board of Directors, Chief Executive Officer or client designated authority with regards to financial performance of the investments.
 5. The performance of the investment manager will be measured versus an index of the Merrill Lynch 1-5year Government Bond Index until such time that the corporate allocation is implemented into the investment strategy. The manager will also be expected to measure performance against the Merrill Lynch 1-5-year Government/Corporate Bond Index, rated "A" or better.
 6. The portfolio is expected to meet or exceed the policy index return measured on a geometric mean basis and annualized over a full market cycle, generally three to five years.
 7. The volatility of the portfolio should be similar to the policy index outlined
- F. **Conclusion**
1. All investments are to be made for the benefit of the client in a prudent manner.
 2. It is expected that the investment manager will manage the assets so that the results will meet with goals and objectives as set forth in this statement.

Acknowledgement

By acknowledging in writing the receipt of this statement, the investment manager agrees to its terms and conditions. The signatures below affirm that this statement has been read, understood and accepted.

HI-DESERT MEMORIAL HEALTH
CARE DISTRICT

INVESTMENT MANAGER

Signature

Signature

Title

Title

Date

Date

REFERENCE:
Government Code 536000 et.seq.