



Policy Title	Investment Policy		
Policy Number	14	Effective:	03/05/2020

This Investment Policy (Policy) establishes guidelines for the management of cash, deposits, and investments (together, “Funds”) at Clean Power Alliance of Southern California (CPA).

**I. Investment Objectives**

When managing Funds, CPA’s primary objectives, in the following order of importance, shall be to (1) safeguard the principal of the Funds, (2) meet the liquidity needs of CPA, and (3) achieve a return on investment on Funds in CPA’s control.

- A. Safety:** Safety of principal is the foremost objective of cash and investment management activities. The investment of Funds shall be undertaken in a manner that seeks to ensure the preservation of principal.
- B. Liquidity:** The Funds of CPA shall remain sufficiently liquid to meet all operating needs that may be reasonably anticipated. Since all possible cash demands cannot be anticipated, the investment of Funds in deposits or instruments that are available on demand is recommended.
- C. Return on Investment:** The deposit and investment portfolio shall be designed with the objective of attaining a market rate of return throughout the economic cycle while considering risk and liquidity constraints. The return on deposits and investments is of secondary importance compared to the safety and liquidity objectives described in I.A. and I.B., above.

**II. Standard of Care**

CPA will manage Funds in accordance with the Prudent Investor Standard pursuant to California Government Code Section 53600.3<sup>1</sup>:

“[G]overning bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee 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 agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.”

Pursuant to Section 53607, the Board hereby delegates responsibility to manage Funds to CPA’s Treasurer or in lieu thereof, the Executive Director. The Treasurer is authorized to appoint Deputy Treasurer(s) as the Treasurer deems necessary for the prompt and faithful discharge of its duties, pursuant to Section 53607.

<sup>1</sup> All further statutory references are to the California Government Code unless otherwise stated.

### III. Acceptable and Prohibited Investment Types

#### A. The following types of investments are permitted:

1. **Deposits at Bank(s):** Funds may be invested in non-interest-bearing depository accounts to meet CPA's operating and collateral needs and grant requirements. Funds not needed for these purposes may be invested in interest-bearing depository accounts or Federal Deposit Insurance Corporation (FDIC) insured certificates of deposit with maturities not to exceed five (5) years. Banks eligible to receive deposits will be federally or state chartered and will conform to Section 53635.2 which requires that banks "have received an overall rating of not less than 'satisfactory' in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low- and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code." As per Section 53652, banks must collateralize the deposits of public agencies in an amount equal to no less than 110% of as currently stated in the value of the deposits. The Treasurer will monitor the credit quality of eligible banks holding CPA deposits that exceed FDIC insurance limits to ensure the safety of CPA deposits.
2. **Local Agency Investment Fund (LAIF):** Funds may be invested in the Local Agency Investment Fund established by the California State Treasurer for the benefit of local agencies.
3. **US Treasury Obligations:** Funds may be invested in United States Treasury obligations with a term to maturity not exceeding five (5) years and subject to the limitations set forth in Sections 53601 et seq. and 53635 et seq.
4. **Federal Agency Securities:** Funds may be invested in Federal Agency Securities with a term to maturity not exceeding five (5) years and subject to the limitations set forth in Sections 53601 et seq. and 53635 et seq.
5. **Bankers' Acceptances:** Funds may be invested in Banker's Acceptances provided that they are issued by institutions which have short-term debt obligations rated "A-1" or its equivalent of better by at least one NRSRO (Nationally Recognized Statistical Rating Organization). Not more than 40% of the portfolio may be invested in Bankers' Acceptances, and no more than 5% of the portfolio may be invested in any single issuer. The maximum maturity shall not exceed 180 days.
6. **Negotiable Certificates of Deposit:** Funds may be invested in negotiable certificates of deposit in accordance with the requirements of Section 53601 and 53601.8, and subject to the following limitations:
  - i. Issued by an entity as defined in Section 53601(i); and
  - ii. No more than 30% of the total portfolio shall be invested in certificates of deposit.
7. **Placement Service Deposits:** Funds may be invested in deposits placed with a private sector entity that assists in the placement of deposits with eligible financial institutions located in the United States (Section 53601.8). The full amount of principal and the interest that may be accrued during the maximum term of each deposit shall at all times be insured by federal deposit insurance. The maximum portfolio exposure to the deposits placed pursuant to this section shall be limited by Section 53601.8.
8. **Money Market Funds:** Funds may be invested in money market funds pursuant to Section 53601(I)(2) and subject to Section 53601(I)(4).

#### B. Prohibited Investment Types

Pursuant to Section 53601.6, CPA shall not invest Funds in any security that could result in a zero-interest accrual, or less, if held to maturity. These prohibited investments include, but are not limited to, inverse floaters, range notes, or mortgage-derived interest-only strips.

#### **IV. Investment Portfolio Management**

The term to maturity of any Funds invested shall not exceed five (5) years pursuant to Section 53601. The Treasurer will allocate Funds among authorized investments consistent with the objectives and standards of care outlined in this Policy.

#### **V. Bids and Purchase of Securities**

Prior to the purchase of an investment pursuant to this Policy the persons authorized to make investments shall assess the market and market prices using information obtained from available sources including investment services, broker or dealers, and the media. A competitive bid process, when practical, will be used to place all investment purchases and sales transactions. Any competitive bid process used pursuant to this Policy shall be exempt from CPA's Non-Energy Contracting Policy.

#### **VI. Brokers**

Broker/dealers shall be selected by the Executive Director upon recommendation by the Treasurer. Selection of broker/dealers shall be based upon the following criteria: the reputation and financial strength of the company or financial institution, the reputation and expertise of the individuals employed, and pursuant to the requirements of Section 53601.5. The Executive Director shall require any selected broker, brokerage firm, dealer, or securities firm to affirm that it has not, within any 48-consecutive month period, made a political contribution to any member of the CPA Board, or any candidate who may join the CPA Board in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, the Political Reform Act, including section 84308, or any applicable CPA Policy, as amended from time to time. The selected broker or dealers shall be provided with and acknowledge receipt of this Policy, the Vendor Communication Policy, and the Campaign Contribution Disclosure Form.

#### **VII. Losses**

Losses are acceptable on a sale before maturity and may be taken if required to meet the liquidity needs of CPA or if the reinvestment proceeds will earn an income flow with a present value higher than the present value of the income flow that would have been generated by the original investment, considering any investment loss or foregoing interest on the original investment.

#### **VIII. Delivery and Safekeeping**

The delivery and safekeeping of all securities shall be made through a third-party custodian when practical and cost effective as determined by the Treasurer and in accordance with Section 53608.

The Treasurer shall review all transaction confirmations for conformity with the original transaction.

#### **IX. Conflict of Interest**

CPA staff shall comply with state law and applicable CPA policies regarding conflicts of interest.

#### **X. Audits**

CPA's Funds shall be subject to a process of independent review by its external auditors. CPA's external auditors shall review the investment portfolio in connection with CPA's annual audit for compliance with the Policy pursuant to Section 27134. The results of the audit shall be reported to the Treasurer.

## **XI. Reports**

**A. Monthly:** The Treasurer will perform a monthly review of the investment function.

Following the commencement of investment transactions, the Treasurer shall submit a monthly report of all investment transactions to the Finance Committee. Investment transactions are defined as the purchase, sale or exchange of securities.

**B. Annually:** The Treasurer will submit an annual report to the Finance Committee within 60 days of the end of a fiscal year providing the following:

- i. A list of individual securities by investment type, issuer, credit risk rating, CUSIP number, settlement date of purchase, date of maturity, par value and dollar amount invested on all securities, the market value and source of the market value information;
- ii. A statement that the portfolio is in compliance with this Policy and in accordance with Section 53646 or the manner in which the portfolio is not in compliance; and
- iii. A statement of CPA's ability to meet anticipated cash requirements for the upcoming 12 months.

**C. Annual Review:** This Policy will be reviewed annually by the Treasurer. The Executive Committee is authorized to approve changes to this Policy following the review of proposed changes by the Finance Committee.