

SAN LUIS OBISPO COUNTY OFFICE OF EDUCATION
P. O. Box 8105, San Luis Obispo, CA 93403-8105

(P) #3420 INVESTMENT POLICY

I. Purpose

The purpose of this investment policy is to provide guidelines for the prudent investment of San Luis Obispo County Office of Education cash assets and for maximizing the efficiency of the San Luis Obispo County Office of Education's cash asset management program. The ultimate goal is to enhance the economic status of San Luis Obispo County Office of Education while protecting its invested cash.

II Overall Investment Objective

The overall investment object shall be to obtain the highest yield available within the criteria established for safety and liquidity. These criteria (listed below) shall be used in the order of priority, as listed, for selecting investments.

III. Scope

This policy applies to all cash assets of San Luis Obispo County Office of Education, segregated for investment purposes into categories of Short Term Cash and Long Term Cash.

IV. Criteria For Investment of Short/Current Year Cash

(in order of priority):

1. Safety
Assets shall be invested in those investments that are considered very safe. The safety and risk associated with an investment refers to the potential loss of principal, interest, or a combination of these amounts.
2. Liquidity
Liquidity refers to the ability to "cash-in" the investment at any moment in time with minimal chance of losing some portion of principal or interest. Liquidity of investment shall be evaluated against the anticipated need for unexpected funds to pay losses.
3. Yield
Yield is the potential dollar earnings an investment can provide, and is often described as the rate of return.

V. Criteria for Investment of Long Term Cash

(in order of priority):

1. Safety
Assets shall be invested in those investments that are considered very safe. The safety and risk associated with an investment refers to the potential loss of principal, interest, or a combination of these amounts.
2. Yield
Yield is the potential dollar earnings an investment can provide, and is often described as the rate of return.
3. Liquidity
Liquidity refers to the ability to "cash-in" the investment at any moment in time with minimal chance of losing some portion of principal or interest. Liquidity of investment shall be evaluated against the anticipated need for unexpected funds to pay losses.

VI. Public Review and Professional Standard of Care

The San Luis Obispo County Office of Education investment portfolio is subject to public review. The overall program shall be designed and managed with a degree of professionalism worthy of the public trust. Losses may occur before maturity and may be acceptable on a sale before maturity if the reinvested proceeds will earn an income flow greater than would have been by the old investment, considering any capital loss or foregone interest on the original investment.

VII. Restrictions to the Investment Portfolio:

Security purchases and holdings shall be maintained within the statutory limits imposed by the California Government Code. The limits currently in effect are:

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|----|------------------------------------|-------------------------------------|
| 1. | Bankers' Acceptance: | 40 percent (40%), Section 53601 (1) |
| 2. | Commercial Paper: | 30 percent (30%), Section 53601 (g) |
| 3. | Negotiable Certificates of Deposit | 30 percent (30%), Section 53601(h). |

VIII. Delegation of Authority:

The ultimate responsibility for investing activity shall reside with the County Superintendent of Schools, who shall oversee the investment management oversight and the direct supervision of any officer of the San Luis Obispo County Office of Education authorized to make investments.

IX. Quarterly Reports:

A quarterly report on the status of all invested funds, in accordance with Government Code Section 53646, shall be prepared and presented to the County Superintendent and the San Luis Obispo County Office of Education Governing Board at a Regular meeting of the Board.

X. Safekeeping:

Securities purchased from brokers/dealers shall be held in third-party safekeeping by a designated third party trust, as approved by and in the name of the County Superintendent of Schools.

XI. Investment Guidelines:

The San Luis Obispo County Office of Education should operate its investments under the Prudent Investor Rule (Probate Code ~16040 et seq.) except where more specific restrictions may apply. This restriction will provide the San Luis Obispo County Office of Education with a broad spectrum of investments, so long as the investments are deemed prudent and are allowable under current statutes of the State of California (Government Code Section 53600 et. seq.).

XII. Permitted Investment Terms:

Investment of San Luis Obispo County Office of Education cash may be made in the following manner and for the terms stated:

1. Short Term (Current Year) Cash
Not restricted as to yield. Prudent maturity restriction deemed to be 180 days maximum.
- 2 Long Term Cash
Not restricted as to yield. Prudent maturity restriction deemed to be five year maximum.

XIII. Permitted Investments (Pursuant to Government Code Section 53600, et. seq. Not an exhaustive list:

1. Bankers' Acceptances, with maturities of less than 270 days.
2. Certificates of Deposits (or Time Deposits) placed with commercial banks and or savings and loan companies.
3. Direct obligations of the U.S. Government.
4. Federal Agency obligations.
5. Local Agency Investment Fund (LAIF) Demand Deposits.
6. Medium Term Corporate Notes.
7. Municipal securities (California cities and local agencies) rated "A" or better by Standard and Poors, and Moody's rating services.
8. Negotiable Certificates of Deposit Federally insured with the issuer rated "A" or better.
9. San Luis Obispo County Treasury Investment Pool.
10. Passbook Savings Account Demand Deposits.
11. Prime Commercial Paper with maturities less than 180 days, with issuers having total assets over \$500,000,000 and an "A" rating on outstanding debt.
12. Securities of the U.S. Government or its agencies.
13. Repurchase Agreements.
14. Mutual Funds - moderate to low-risk only.
15. SISC Long Term Investment Pool.

REVIEWED BY SCHOOLS LEGAL SERVICE _____ PC 4/9/97
Date

APPROVED BY COUNTY BOARD OF EDUCATION _____ 6/5/97
Date

REVISED BY COUNTY BOARD OF EDUCATION _____
Date