



**NORTHERN INYO HEALTHCARE DISTRICT
PLAN**

Title: Investment Annual Plan		
Owner: Chief Executive Officer		Department: Administration
Scope: District Wide		
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1. SCOPE

This policy covers all funds and investment activities under the direct authority of the NIHD Governing Body, as set forth in the State Government Code, Sections 53600 *et seq.*, with the following exceptions:

- Proceeds of debt issuance shall be invested in accordance with the NIHD Governing Body general investment philosophy as set forth in this policy; however, such proceeds are to be invested pursuant to the permitted investment provisions of their specific bond indentures.
- Any other funds specifically exempted by the NIHD Governing Body.

POOLING OF FUNDS

Except for cash in certain restricted and special funds, the NIHD Governing Body will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

2. PRUDENCE

Pursuant to California Government Code, Section 53600.3, all persons authorized to make investment decisions on behalf of the NIHD Governing Body are trustees and therefore fiduciaries subject to the *Prudent Investor Standard*:

“...all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter 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, including, but not limited to, the general economic conditions and the anticipated needs of the Agency, 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.”

The Chief Financial Officer and other authorized persons responsible for managing NIHD Governing Body funds acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes provided that the Chief Financial Officer or other authorized persons acted in good faith. Deviations from expectations of a security’s credit or market risk should be reported to the governing body in a timely fashion and appropriate action should be taken to control adverse developments.

3. OBJECTIVES

The NIHD Governing Body’s overall investment program shall be designed and managed with a degree of professionalism worthy of the public trust. The overriding objectives of the program are to preserve principal, provide sufficient liquidity, and manage investment risks, while seeking a market-rate of return.

- **SAFETY.** Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the NIHD Governing Body will diversify its investments by investing funds among a variety of securities with independent returns.
- **LIQUIDITY.** The investment portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
- **RETURN ON INVESTMENTS.** The investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints for safety and liquidity needs.

4. DELEGATION OF AUTHORITY

Authority to manage the NIHD Governing Body's investment program is derived from California Government Code, Sections 41006 and 53600 *et seq.*

The Governing Body is responsible for the management of the NIHD Governing Body's funds, including the administration of this investment policy. Management responsibility for the cash management of the NIHD Governing Body's funds is hereby delegated to the (Chief Financial Officer).

The CFO will be responsible for all transactions undertaken and will establish a system of procedures and controls to regulate the activities of subordinate officials and employees. Such procedures will include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the CFO.

The NIHD Governing Body may engage the services of one or more external investment advisers, who are registered under the Investment Advisers Act of 1940, to assist in the management of the NIHD Governing Body's investment portfolio in a manner consistent with the NIHD Governing Body's objectives. External investment advisers may be granted discretion to purchase and sell investment securities in accordance with this investment policy.

The NIHD Governing Body's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The NIHD Governing Body recognizes that in a diversified portfolio, occasional measured losses may be inevitable and must be considered within the context of the overall portfolio's return and the cash flow requirements of the NIHD Governing Body

5. ETHICS AND CONFLICTS OF INTEREST

All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. Thus employees and officials involved in the investment process shall refrain from personal business activity that could create a conflict of interest or the appearance of a conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Employees and investment officials shall disclose to the Chief Executive Officer any material interests in financial institutions with which they conduct business, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of the Agency.

6. INTERNAL CONTROLS

The Chief Financial Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Periodically, as deemed appropriate by the NIHD Governing Body and/or the Governing Body, an independent analysis by an external auditor shall be conducted to review internal controls, account activity, and compliance with policies and procedures.

7. AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES, AND BROKER/DEALERS

To the extent practicable, the Chief Financial Officer shall endeavor to complete investment transactions using a competitive bid process whenever possible. The NIHD Governing Body's Chief Financial Officer will determine which financial institutions are authorized to provide investment services to the NIHD Governing Body. It shall be the NIHD Governing Body's policy to purchase securities only from authorized institutions and firms.

The Chief Financial Officer shall maintain procedures for establishing a list of authorized broker/dealers and financial institutions which are approved for investment purposes that are selected through a process of due diligence as determined by the NIHD Governing Body. Due inquiry shall determine whether such authorized broker/dealers, and the individuals covering the NIHD Governing Body are reputable and trustworthy, knowledgeable and experienced in Public Agency investing and able to meet all of their financial obligations. These institutions may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (uniform net capital rule).

In accordance with Section 53601.5, institutions eligible to transact investment business with the NIHD Governing Body include:

- Institutions licensed by the state as a broker-dealer.
- Institutions that are members of a federally regulated securities exchange.
- Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
- Nationally or state-chartered banks.
- The Federal Reserve Bank.
- Direct issuers of securities eligible for purchase.

Selection of financial institutions and broker/dealers authorized to engage in transactions will be at the sole discretion of the NIHD Governing Body, except where the NIHD Governing Body utilizes an external investment adviser in which case the Agency may rely on the adviser for selection.

All financial institutions which desire to become qualified bidders for investment transactions (and which are not dealing only with the investment adviser) must supply the Chief Financial Officer with audited financials and a statement certifying that the institution has reviewed the California Government Code, Section 53600 *et seq.* and the NIHD Governing Body's investment policy. The Chief Financial Officer will conduct an annual review of the financial condition and registrations of such qualified bidders.

Public deposits will be made only in qualified public depositories as established by State law. Deposits will be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with State law.

Selection of broker/dealers used by an external investment adviser retained by the NIHD Governing Body will be at the sole discretion of the adviser. Where possible, transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

8. AUTHORIZED INVESTMENTS

The NIHD Governing Body's investments are governed by California Government Code, Sections 53600 *et seq.* Within the investments permitted by the Code, the NIHD Governing Body seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the time the security is purchased.

Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity and shall be exempt from the current policy. At the time of the investment's maturity or liquidation, such funds shall be reinvested only as provided in the current policy.

An appropriate risk level shall be maintained by primarily purchasing securities that are of high quality, liquid, and marketable. The portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual issuers.

1. MUNICIPAL SECURITIES include obligations of the NIHD Governing Body, the State of California and any local agency within the State of California, provided that:

- The securities are rated in a rating category of "A" or its equivalent or better by at least one nationally recognized statistical rating organization ("NRSRO").
- No more than 5% of the portfolio may be invested in any single issuer.
- No more than 30% of the portfolio may be in Municipal Securities.
- The maximum maturity does not exceed five (5) years.

2. MUNICIPAL SECURITIES (REGISTERED TREASURY NOTES OR BONDS) of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.

- The securities are rated in a rating category of "A" or its equivalent or better by at least one nationally recognized statistical rating organization ("NRSRO").
- No more than 5% of the portfolio may be invested in any single issuer.
- No more than 30% of the portfolio may be in Municipal Securities.
- The maximum maturity does not exceed five (5) years.

3. **U.S. TREASURIES** and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest. There are no limits on the dollar amount or percentage that the NIHD Governing Body may invest in U.S. Treasuries, provided that:
 - The maximum maturity is five (5) years.

4. **FEDERAL AGENCIES** or United States Government-Sponsored Enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There are no limits on the dollar amount or percentage that the NIHD Governing Body may invest in Federal Agency or Government-Sponsored Enterprises (GSEs), provided that:
 - No more than 30% of the portfolio may be invested in any single Agency/GSE issuer.
 - The maximum maturity does not exceed five (5) years.
 - The maximum percent of agency callable securities in the portfolio will be 20%.

5. **BANKER'S ACCEPTANCES**, provided that:
 - They are issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term debt obligations which are rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
 - No more than 40% of the portfolio may be invested in Banker's Acceptances.
 - No more than 5% of the portfolio may be invested in any single issuer.
 - The maximum maturity does not exceed 180 days.

6. **COMMERCIAL PAPER**, provided that the securities are issued by an entity that meets all of the following conditions in either paragraph (a) or (b) and other requirements specified below:
 - a. **SECURITIES** issued by corporations:
 - (i) A corporation organized and operating in the United States with assets more than \$500 million.
 - (ii) The securities are rated "A-1" or its equivalent or better by at least one NRSRO.
 - (iii) If the issuer has other debt obligations, they must be rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
 - b. **SECURITIES** issued by other entities:
 - (i) The issuer is organized within the United States as a special purpose corporation, trust, or limited liability company.
 - (ii) The securities must have program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.
 - (iii) The securities are rated "A-1" or its equivalent or better by at least one NRSRO.
 - No more than 10% of the outstanding commercial paper of any single issuer.
 - No more than 25% of the Agency's investment assets under management may be invested in Commercial Paper. Under a provision sunsetting on January 1, 2026, no more than 40% of the portfolio may be invested in Commercial Paper if the Agency's investment assets under management are greater than \$100,000,000.
 - No more than 5% of the portfolio may be invested in any single issuer.
 - The maximum maturity does not exceed 270 days.

- 7. NEGOTIABLE CERTIFICATES OF DEPOSIT (NCDs)**, issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, provided that:
 - The amount of the NCD insured up to the FDIC limit does not require any credit ratings.
 - Any amount above the FDIC insured limit must be issued by institutions which have short-term debt obligations rated “A-1” or its equivalent or better by at least one NRSRO; or long-term obligations rated in a rating category of “A” or its equivalent or better by at least one NRSRO.
 - No more than 30% of the total portfolio may be invested in NCDs (combined with CDARS).
 - No more than 5% of the portfolio may be invested in any single issuer.
 - The maximum maturity does not exceed five (5) years.

- 8. FEDERALLY INSURED TIME DEPOSITS (Non-Negotiable Certificates of Deposit)** in state or federally chartered banks, savings and loans, or credit unions, provided that:
 - The amount per institution is limited to the maximum covered under federal insurance.
 - No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits.
 - The maximum maturity does not exceed five (5) years.

- 9. COLLATERALIZED TIME DEPOSITS (Non-Negotiable Certificates of Deposit)** in state or federally chartered banks, savings and loans, or credit unions in excess of insured amounts which are fully collateralized with securities in accordance with California law, provided that:
 - No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits.
 - The maximum maturity does not exceed five (5) years.

- 10. CERTIFICATE OF DEPOSIT PLACEMENT SERVICE (CDARS)**, provided that:
 - No more than 30% of the total portfolio may be invested in a combination of Certificates of Deposit, including CDARS.
 - The maximum maturity does not exceed five (5) years.

- 11. COLLATERALIZED BANK DEPOSITS.** NIHD Governing Body’s deposits with financial institutions will be collateralized with pledged securities per California Government Code, Section 53651. There are no limits on the dollar amount or percentage that the NIHD Governing Body may invest in collateralized bank deposits.

- 12. REPURCHASE AGREEMENTS** collateralized with securities authorized under California Government Code, maintained at a level of at least 102% of the market value of the Repurchase Agreement. There are no limits on the dollar amount or percentage that the NIHD Governing Body may invest, provided that:

- Securities used as collateral for Repurchase Agreements will be delivered to an acceptable third party custodian.
- Repurchase Agreements are subject to a Master Repurchase Agreement between the NIHD Governing Body and the provider of the repurchase agreement. The Master Repurchase Agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA).
- The maximum maturity does not exceed one (1) year.

13. STATE OF CALIFORNIA LOCAL AGENCY INVESTMENT FUND (LAIF), provided that:

- The NIHD Governing Body may invest up to the maximum amount permitted by LAIF.
- LAIF's investments in instruments prohibited by or not specified in the NIHD Governing Body's policy do not exclude the investment in LAIF itself from the NIHD Governing Body's list of allowable investments, provided LAIF's reports allow the Chief Financial Officer to adequately judge the risk inherent in LAIF's portfolio.

14. LOCAL GOVERNMENT INVESTMENT POOLS

- Other LGIPs permitted by client.
- There is no issuer limitation for Local Government Investment Pools

15. CORPORATE MEDIUM TERM NOTES (MTNS), provided that:

- The issuer is a corporation organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.
- The securities are rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
- No more than 30% of the total portfolio may be invested in MTNs.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

16. ASSET-BACKED, MORTGAGE-BACKED, MORTGAGE PASS-THROUGH SECURITIES, AND COLLATERALIZED MORTGAGE OBLIGATIONS FROM ISSUERS NOT DEFINED IN SECTIONS 3 AND 4 OF THE AUTHORIZED INVESTMENTS SECTION OF THIS POLICY, provided that:

- The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.
- No more than 20% of the total portfolio may be invested in these securities.
- No more than 5% of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer.
- The maximum legal final maturity does not exceed five (5) years.

17. MUTUAL FUNDS AND MONEY MARKET MUTUAL FUNDS that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940, provided that:

- a. **MUTUAL FUNDS** that invest in the securities and obligations as authorized under California Government Code, Section 53601 (a) to (k) and (m) to (q) inclusive and that meet either of the following criteria:
 - (i) Attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
 - (ii) Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California Government Code, Section 53601 and with assets under management in excess of \$500 million.
 - No more than 10% of the total portfolio may be invested in shares of any one mutual fund.
- b. **MONEY MARKET MUTUAL FUNDS** registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and issued by diversified management companies and meet either of the following criteria:
 - (i) Have attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
 - (ii) Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of \$500 million.
 - No more than 20% of the total portfolio may be invested in the shares of any one Money Market Mutual Fund.
- c. No more than 20% of the total portfolio may be invested in these securities.

18. SUPRANATIONALS, provided that:

- Issues are US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.
- The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.
- No more than 30% of the total portfolio may be invested in these securities.
- No more than 10% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

9. PROHIBITED INVESTMENT VEHICLES AND PRACTICES

- State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.
- In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.
- Investment in any security that could result in a zero interest accrual if held to maturity is prohibited. Under a provision sunseting on January 1, 2026, securities backed by the U.S. Government that could result in a zero- or negative-interest accrual if held to maturity are permitted.

- Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
- Purchasing or selling securities on margin is prohibited.
- The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.
- The purchase of foreign currency denominated securities is prohibited.
- Agencies that are not Qualified Institutional Buyers (QIB) as defined by the Securities and Exchange Commission are prohibited from purchasing Private Placement Securities. The SEC defines a QIB as having at least \$100,000,000 in securities owned and invested.

10. INVESTMENT POOLS/MUTUAL FUNDS

The NIHD Governing Body shall conduct a thorough investigation of any pool or mutual fund prior to making an investment, and on a continual basis thereafter. The Chief Financial Officer shall develop a questionnaire which will answer the following general questions:

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
- A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
- A schedule for receiving statements and portfolio listings.
- Are reserves, retained earnings, etc. utilized by the pool/fund?
- A fee schedule, and when and how is it assessed.
- Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

11. COLLATERALIZATION

CERTIFICATES OF DEPOSIT (CDs). The NIHD Governing Body shall require any commercial bank or savings and loan association to deposit eligible securities with an agency of a depository approved by the State Banking Department to secure any uninsured portion of a Non-Negotiable Certificate of Deposit. The value of eligible securities as defined pursuant to California Government Code, Section 53651, pledged against a Certificate of Deposit shall be equal to 150% of the face value of the CD if the securities are classified as mortgages and 110% of the face value of the CD for all other classes of security.

COLLATERALIZATION OF BANK DEPOSITS. This is the process by which a bank or financial institution pledges securities, or other deposits for the purpose of securing repayment of deposited funds. The NIHD Governing Body shall require any bank or financial institution to comply with the collateralization criteria defined in California Government Code, Section 53651.

REPURCHASE AGREEMENTS. The NIHD Governing Body requires that Repurchase Agreements be collateralized only by securities authorized in accordance with California Government Code:

- The securities which collateralize the repurchase agreement shall be priced at Market Value, including any Accrued Interest plus a margin. The Market Value of the securities that underlie a

repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities.

- Financial institutions shall mark the value of the collateral to market at least monthly and increase or decrease the collateral to satisfy the ratio requirement described above.
- The NIHD Governing Body shall receive monthly statements of collateral.

12. DELIVERY, SAFEKEEPING AND CUSTODY

DELIVERY-VERSUS-PAYMENT (DVP). All investment transactions shall be conducted on a delivery-versus-payment basis.

SAFEKEEPING AND CUSTODY. To protect against potential losses due to failure of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all cash and securities in the NIHD Governing Body's portfolio shall be held in safekeeping in the NIHD Governing Body's name by a third party custodian, acting as agent for the NIHD Governing Body under the terms of a custody agreement executed by the bank and the NIHD Governing Body. All investment transactions will require a safekeeping receipt or acknowledgment generated from the trade. A monthly report will be received by the NIHD Governing Body from the custodian listing all securities held in safekeeping with current market data and other information.

The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and, (iii) mutual funds and money market mutual funds, since these securities are not deliverable.

13. MAXIMUM MATURITY

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities.

The NIHD Governing Body will not invest in securities maturing more than five (5) years from the date of trade settlement, unless the NIHD Governing Body has by resolution granted authority to make such an investment.

14. RISK MANAGEMENT AND DIVERSIFICATION MITIGATING CREDIT RISK IN THE PORTFOLIO

Credit risk is the risk that a security or a portfolio will lose some or all its value due to a real or perceived change in the ability of the issuer to repay its debt. The NIHD Governing Body will mitigate credit risk by adopting the following strategies:

- The diversification requirements included in the "Authorized Investments" section of this policy are designed to mitigate credit risk in the portfolio.
- No more than 5% of the total portfolio may be deposited with or invested in securities issued by any single issuer unless otherwise specified in this policy.
- The NIHD Governing Body may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or NIHD Governing Body's risk preferences.
- If a security owned by the NIHD Governing Body is downgraded to a level below the requirements of this policy, making the security ineligible for additional purchases, the following steps will be taken:

- Any actions taken related to the downgrade by the investment manager will be communicated to the Chief Financial Officer in a timely manner.
- If a decision is made to retain the security, the credit situation will be monitored and reported to the Governing Body.

MITIGATING MARKET RISK IN THE PORTFOLIO

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The NIHD Governing Body recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The NIHD Governing Body will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

The NIHD Governing Body further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The NIHD Governing Body, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- The NIHD Governing Body will maintain a minimum of six months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements.
- The maximum stated final maturity of individual securities in the portfolio will be five (5) years, except as otherwise stated in this policy.
- The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by the NIHD Governing Body based on the NIHD Governing Body's investment objectives, constraints and risk tolerances.

15. REVIEW OF INVESTMENT PORTFOLIO

The Chief Financial Officer shall periodically, but no less than quarterly, review the portfolio to identify investments that do not comply with this investment policy and establish protocols for reporting major and critical incidences of noncompliance to the NIHD Governing Body.

16. PERFORMANCE EVALUATION

The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the NIHD Governing Body's risk constraints, the cash flow characteristics of the portfolio, and state and local laws, ordinances or resolutions that restrict investments.

The Chief Financial Officer shall monitor and evaluate the portfolio's performance relative to the chosen market benchmark(s), which will be included in the Chief Financial Officer's quarterly report. The Chief Financial Officer shall select an appropriate, readily available index to use as a market benchmark.

17. REPORTING MONTHLY REPORTS

Monthly transaction reports will be submitted by the Chief Financial Officer to the NIHD Governing Body within 30 days of the end of the reporting period in accordance with California Government Code Section 53607.

QUARTERLY REPORTS

The Chief Financial Officer will submit a quarterly investment report to the NIHD Governing Body which provides full disclosure of the NIHD Governing Body's investment activities within 30 days after the end of the quarter. These reports will disclose, at a minimum, the following information about the Agency's portfolio:

1. An asset listing showing par value, cost and independent third-party fair market value of each security as of the date of the report, the source of the valuation, type of investment, issuer, maturity date and interest rate.
2. Transactions for the period.
3. A description of the funds, investments and programs (including lending programs) managed by contracted parties (i.e. LAIF; investment pools, outside money managers and securities lending agents)
4. A one-page summary report that shows:
 - a. Average maturity of the portfolio and modified duration of the portfolio;
 - b. Maturity distribution of the portfolio;
 - c. Percentage of the portfolio represented by each investment category;
 - d. Average portfolio credit quality; and,
 - e. Time-weighted total rate of return for the portfolio for the prior one month, three months, twelve months and since inception compared to the NIHD Governing Body's market benchmark returns for the same periods;
5. A statement of compliance with investment policy, including a schedule of any transactions or holdings which do not comply with this policy or with the California Government Code, including a justification for their presence in the portfolio and a timetable for resolution.
6. A statement that the NIHD Governing Body has adequate funds to meet its cash flow requirements for the next six months.

ANNUAL REPORTS

A comprehensive annual report will be presented to the Governing Board. This report will include comparisons of the NIHD Governing Body's return to the market benchmark return, suggest policies and improvements that might enhance the investment program, and will include an investment plan for the coming year.

18. REVIEW OF INVESTMENT POLICY

The investment policy will be reviewed and adopted at least annually within 120 days of the end of the fiscal year, to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.

Any recommended modifications or amendments shall be presented by Staff to the NIHD Governing Body for their consideration and adoption.

REFERENCES:

1. California Senate Bill 998; Local Government Investments (Jan 1, 2021).
2. California Government Code, Section 41006, 53600.3, 53651 and 53607.
3. California Hospital Association – Record and Data Retention Schedule (2018).

CROSS REFERENCED POLICIES AND PROCEDURES:

1. Check signing policy
2. Pension funding policy
3. Purchasing and signature authority

RECORD RETENTION AND DESTRUCTION:

Investment records must be maintained for fifteen (15) years after final redemption.

Supersedes: Not Set
