

**REDDING AREA BUS AUTHORITY
BOARD POLICY**

SUBJECT	RESOLUTION NUMBER	POLICY NUMBER	EFFECTIVE DATE
INVESTMENT POLICY	RABA-90	111	2/22/94

BACKGROUND

On April 19, 1988, the Redding Area Bus Authority (RABA) approved an Investment Policy submitted by staff. In May 1988, a resolution was adopted by the Board authorizing the investment of RABA funds in the Local Agency Investment Fund (LAIF); and on August 16, 1988, the Board approved a request from the City of Redding Treasurer to co-mingle City of Redding and RABA funds in the LAIF.

It appears in the best interest of RABA to have an Investment Policy adopted by resolution in order to have consistent guidelines for reporting and updating of procedures relating to the investment of RABA revenue.

PURPOSE

The Investment Policy is designed to provide guidelines for the prudent investment of RABA's idle funds and reporting of the same. Amending or updating of this policy shall be conducted no less than once a year beginning in 1994.

POLICY

RABA has the fiduciary responsibility to maximize the productive use of assets entrusted to its care and to invest and manage those public funds wisely and circumspectly. Therefore, RABA must operate its idle cash investment pool under the "prudent man rule" (Civil Code Section 2261, et seq.). This affords RABA a broad spectrum of investment opportunities as long as the investment is deemed prudent and is allowable under current legislation of the State of California (Government Code Section 53600, et seq.).

RABA recognizes that it has an obligation to be aware of the possible social and political impacts of its investments and will act responsibly if issues of this nature arise.

RABA shall strive, whenever possible, to make investments that benefit the local area. Priority will be given to investments that promote community economic development, i.e., dealing with local financial institutions, etc., provided that the investment selection criteria is met and yield is not significantly impacted.

RABA shall strive to maintain the level of investment of all idle funds as near 100% as possible. Concurrently, RABA shall layer investment maturities to meet anticipated cash needs and attempt to maximize investment yields while satisfying the guidelines herein presented.

RABA shall attempt to take advantage of imperfections in the investment market and contra-cyclical changes in interest rates as long as the investment complies with the selection criteria herein stated.

The Redding City Treasurer and Deputy City Treasurer are responsible for idle cash management. Cash flow and technical information shall be provided by the City Finance Department. Investment selections shall be made by the City Treasurer or her designate. The Director of Finance or the Assistant Director of Finance shall review the investment transactions as to compliance with RABA Policy and for financial tracking purposes.

Investments allowable under current California legislation are:

Obligations, participations, or other instruments of or issued by the U.S. Government or its agencies

Small Business Administration loans (federally guaranteed portion only)

Federal Home Loan Bank obligations

Federal National Mortgage Association loans (federally guaranteed)

Certificates of deposit (time deposits) placed with commercial banks and/or savings and loan companies

Negotiable certificates of deposits

Bankers acceptances

Commercial paper

Local Agency Investment Fund demand deposits (LAIF state pool)

Repurchase agreements (Repos)

Passbook savings account demand deposits

Mutual Funds

Criteria for selecting investments and the order of priority are:

1. Safety. The safety and risk associated with an investment refers to the potential loss of principal and/or interest. There are basically two types of risk in cash investment: First, credit risk refers to the financial strength of the entity that is obligated to repay the investment; and second, principal protection refers to the potential loss of principal due to market fluctuations or due to an early liquidation of the investment. In order for RABA to fulfill its fiduciary responsibility in regard to the funds entrusted to it, RABA must participate in only those investments which present no substantial threat to principal.

2.Compliance With Investment Strategy. Funds must be available in carrying amounts to meet RABA's cash needs. Conversely, some funds of RABA are reserved or restricted and, therefore, are not available until some future date. Therefore, RABA shall structure its investments in such a manner as to provide for the daily cash needs of RABA while, at the same time, participating in longer term, higher yield instruments with cash that is not currently restricted from expenditure or for which there is not an immediate need.

3.Liquidity. This is the marketability of an investment or the ease with which it can be converted to cash. Generally, the more liquid or marketable the security, the lower the yield. The importance of this factor in investment selection is dependent upon the possibility of the circumstances arising that would necessitate the investment being converted to cash before maturity.

4.Yield. The yield is the earnings an investment provides. It is usually expressed as an annual rate of return (the percentage annual earnings are of the invested principal). Since obtaining investment earnings is the motivation for investing, yield is a significant factor in all investment transactions; however, it shall become a consideration only after all other investment criteria are satisfied.

Investment limitations: Security purchases and holdings shall be maintained within the statutory limits imposed by the California Government Code.

Margin requirement: Securities underlying a repurchase agreement must have a market value of at least 105% of the cost of the repurchase agreement. If the market value of the underlying security falls below this requirement, the dealer bank shall assign additional securities to the repurchase agreement so that the margin requirement is met or the dealer bank shall return RABA's investment.

Selling securities prior to maturity: Losses may be acceptable on a sale and should be taken if the re-invested proceeds will generate earnings, net of the resultant capital loss or early withdrawal penalty, that are greater than the earnings that would be generated if the existing investment were held to maturity.

Diversification: The portfolio shall contain a variety of security types, issuers, and maturities.

With whom to transact: RABA shall make investment transactions only with financial institutions, national firms, or security dealers who are reputable and exhibit financial stability. The security dealers must, in addition, be able to meet the requirements for classification as primary dealers with the New York Federal Reserve Bank.

Competitive offers: The Treasurer shall contact the applicable investment officer, broker, and/or dealer for the potential yield from investments and for the estimated cost of services that would result from dealing with that institution or individual. This information shall be utilized as a significant factor in the selection and periodic review of the institutions and/or individuals used for investment transactions.

Safekeeping: Negotiable securities purchased by RABA shall be held in the name of RABA and delivered to the City or to its third-party custodian.

Monthly report: RABA Treasurer shall file a monthly report to RABA to their Board. This report shall state its relationship to this investment policy, shall include information that demonstrates RABA's expenditure requirements can be met in the following month, and shall disclose the investment information that is required by Government Code Section 53646.

LOCAL AGENCY INVESTMENT FUND (LAIF)

(LAIF section added by Resolution No. 32, effective May 17, 1988)

The Board authorizes the deposit and withdrawal of RABA monies in the LAIF in the State Treasury, in accordance with the provisions of Section 16429.1 of the California Government Code and for the purposes of investment as stated in RABA's Investment Policy.

The following City of Redding officers, or their successors in office, are authorized to order the deposit or withdrawal of monies in the LAIF on behalf of RABA in accordance with said Investment Policy: PEGGIE R. LINVILLE, Treasurer, and JULIE T. ERVIN, Deputy Treasurer.

By minute order on August 16, 1988, the RABA Board approved a request from the City Treasurer to co-mingle City of Redding and RABA funds in the LAIF subject to the following conditions:

1. That a detailed quarterly report from the City Treasurer and Director of Finance be submitted to RABA at the end of each quarter, seven working days before the next regular RABA meeting.
2. That RABA may cancel this agreement at any time with 30 days written notice.

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