

**NORTH COUNTY CEMETERY DISTRICT  
POLICY MANUAL**

**POLICY TITLE: Investment of District Funds**  
**POLICY NUMBER: 3060**

**3060.1** The Board of Trustees of the North County Cemetery District are Trustees of the District's investments and are therefore fiduciaries subject to the prudent investor standard. When investing , reinvesting, purchasing, acquiring, exchanging, selling, and 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 District.

**3060.2** Authority to invest:

**3060.2.1** California Public Health & Safety Code, Section 9066: The Trustees may invest and reinvest the principal of the endowment care fund in securities and obligations set forth in Section 53601 of the Government Code and those investments set forth in this section.

**3060.2.2** California Government Code, Section 53601: The legislative body of a local agency having money in a sinking fund of, or surplus money in its treasury not required for the immediate necessities of the local agency may invest any portion of the money that it deems wise or expedient in those investments set forth in section 3060.7 of this Policy (section).

**3060.3** Objective: When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing District funds the objective of this Board of Trustees shall be:

**3060.3.1** The primary objective shall be to safeguard the principal of the funds.

**3060.3.2** The secondary objective shall be to provide the necessary liquidity of the funds.

**3060.3.3** The third objective shall to achieve the best rate of return possible without affecting the safety and liquidity of the funds.

**3060.4** FUNDS AVAILABLE FOR INVESTMENT:

<u>FUND</u>	<u>MAXIMUM INVESTMENT</u>
Endowment Care Principal	100 per cent
Endowment Care Interest	100 per cent
Preneed Fund	100 per cent
Capital Outlay Fund	100 per cent

**3060.5** INVESTMENT AUTHORITY: All investments shall be made by the authority of the Board of Trustees as an agenda item at a regular or special Board meeting.

**3060.6 INVESTING PROCEDURES:**

**3060.6.1** All investing shall be conducted in one of the following manners:

**3060.6.1.1** By requesting a county warrant for the exact amount of the investment from the specified fund in the county treasury. Three Trustee signatures are required to withdraw funds from the county treasury.

**3060.6.1.2** By reinvesting the principal of a maturing investment.

**3060.6.2** All dividends/interest of the investments shall be deposited into the Districts' collection Account #4210120611 located at the California Bank & Trust. By the (tenth) day following the end of each month all moneys collected in this fund will be deposited into their respective funds at the county treasury.

**3060.6.3** All maturing investment principal not reinvested shall be deposited into the Districts collection account #4121285621 located at Wells Fargo Bank . By the (tenth) day following the end of each month all moneys collected in this fund shall be deposited into their respective funds at the county treasury.

**3060.7 LISTS OF INVESTMENTS PERMITTED:**

**3060.7.1** Investment of the principal of the Endowment Care Fund as authorized by Public Health & Safety Code Section 9066:

**3060.7.1.1** Obligations of the United States or obligations for which the faith and credit of the United States are pledged for payment of principal and interest. These are not to be limited to maturity dates of one year or less.

13 & 26 week bills

52 week bills

2 year notes

3 year notes

5 year notes

10 year notes

30 year bonds

**3060.7.1.2** Obligations issued under authority of law by any county, municipality, or school district in this state for which are pledged the faith and credit either of the county, municipality, or school district for the payment of principal and interest, if within 10 years immediately preceding the investment such county, municipality or school district was not in default for more than 90 days in the payment of principal or interest upon any legal obligation issued by it.

**3060.7.1.3** Obligations of this state for which the faith and credit of this state are pledge for the payment of principal and interest.

**3060.7.1.4** Interest-bearing obligations issued by a corporation organized under the laws of any state, or of the United States provided that they bear a Standard and Poor's financial rating of A at the time of such investment.

**3060.7.1.5** Certificates of deposit or other interest-bearing accounts in any bank in this state or federally chartered bank or savings association, the deposits of which are insured by the Federal Deposit Insurance Corporation.

**3060.7.1.6** Investment certificates or shares in any state or federally chartered savings and loan association insured by the Federal Savings and Loan Insurance Corporation.

**3060.7.2** Investment of the principal of the Endowment Care Fund and surplus money (Capital Outlay Funds, Endowment Care Interest & Preneed Funds) as authorized by the California Code Section 53601 (The maximum maturity allowed by California Government Code, Section 53601 is 5 years with shorter limitations specified for specific types of securities):

**3060.7.2.1** United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

**3060.7.2.2** Registered state warrants or treasury notes or bonds of this state.

**3060.7.2.3** Bonds, notes, warrants or other evidence of indebtedness of any local agency within the state.

**3060.7.2.4** Obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board, the Tennessee Valley Authority, or in obligations, participations or other instruments of, or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association; or in guaranteed portions of Small Business Administration notes; or in obligations, participations or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise.

**3060.7.2.5** Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances. Purchases of bankers acceptances may not exceed 270 days maturity or 40 percent of the District's surplus money that may be invested pursuant to this section. However, no more than 30 percent of the District's surplus funds may be invested in the bankers acceptances of any one commercial bank pursuant to this section.

**3060.7.2.6** 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 Corporations authorized by section 53601 of the California Government Code.

**3060.7.2.7** Negotiable certificates of deposit 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. Purchases of negotiable certificates of deposit may not exceed 30 percent of the District's surplus money which may be invested pursuant to this section.

**3060.7.2.8** Investments in repurchase agreements or reverse repurchase agreements of any securities authorized by section 53601 of the California Government Code.

**3060.7.2.9** Medium-term notes of a maximum of five years maturity issued by corporations 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. Notes eligible for investment under this subdivision shall be rated in a rating category of "A+" or its equivalent or better by a nationally recognized rating service. Purchases of medium-term notes may not exceed 30 percent of the District's surplus money which may be invested.

**3060.7.2.10** Shares of beneficial interest (money market funds) issued by diversified management companies investing in the securities and obligations as authorized by subdivisions A. to M., inclusive, of this section and that comply with investment restrictions of this article and Article 2 (commencing with Section 53630) of the California Government Code. To be eligible for investment pursuant to this subdivision, these companies shall either:

(1) Attain the highest ranking or the highest letter and numerical rating provided by not less than two or the three largest nationally recognized rating services.

(2) Retain an investment adviser registered with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations as authorized by subdivisions A. to M., inclusive, and with assets under management in excess of five hundred million dollars (\$500,000,000).

The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that these companies may charge and shall not exceed 15 percent of the District's surplus money that may be invested.

**3060.7.2.11** Notwithstanding anything to the contrary contained in Section 53601 and Section 53635 of the California Government Code, or any other provision of law, moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the District providing for the issuance.

**3060.7.2.12** Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by Section 53651 of the California Government Code as eligible securities for the purpose of securing District deposits having a market value at least equal to that required by Section 53652 of the California Government Code for the purpose of securing local District deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust

department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code of federal regulations applicable to the types of securities in which security interest is granted.

**3060.7.2.13** Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years maturity. Securities eligible for investment under this subdivision shall be issued by an issuer have an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subdivision may not exceed 20 percent of the District's surplus money that may be invested.

**3060.8** DIVERSIFICATION REQUIREMENTS: At no time shall any portion of the Districts total investment portfolio exceed the following maximum percentages and terms:

**3060.8.1** ENDOWMENT CARE PRINCIPAL ONLY:

<u>Security Type</u>	<u>Maximum term allowed</u>	<u>Maximum % allowed of total investments</u>
U.S. Treasury bills, notes, bonds	30 year	100 %
Corporation obligations (A rating)	5 year	20 %
City, county, municipal bonds	unlimited	5 %
State bonds	unlimited	5 %
Certificates of deposit (FDIC insured) & Savings & Loan certificates (FSLIC insured) (Fixed Time/Rate) (Maximum \$ 250,000.00 per institution)	unlimited	30 %
Local agency obligations	5 year	15 %
Bank obligations (FNMA insured)	5 year	5 %
Bankers acceptances	270 days	5 %
Commercial paper	180 days	15 %
Repurchase agreements	1 year	10 %
Reverse repurchase agreements	92 days	20 %
Corporation medium-term notes (A+)	5 year	30 %
Shares of beneficial interest	5 year	15 %
Mortgage pass-through securities (A+)	5 year	20 %
Money market mutual funds (Limited to 10% per mutual fund)	N/A	20 %

**3060.8.2** SURPLUS MONEY (Endowment Care Interest, Capital Outlay funds and Preneed Funds):

<u>Security Type</u>	<u>Maximum term</u>	<u>Maximum % of total Investments allowed:</u>
U.S. Treasury bills, notes, bonds	5 year	100 %
Corporation obligations (AAA rating)	5 year	20 %
City, county, municipal bonds	5 year	5 %
State bonds	5 year	5 %
Certificates of deposit (FDIC insured)& Savings & Loan certificates (FSLIC insured) (Fixed Term/Rate) (Maximum \$ <u>250,000</u> . per institution)	5 year	30 %
Local agency obligations	5 year	15 %
Bank obligations (FNMA insured)	5 year	5 %
Bankers acceptances	270 days	5 %
Commercial paper	180 days	15 %
Repurchase agreements	1 year	10 %
Reverse repurchase agreements	92 days	20 %
Corporation medium-term notes (A+)	5 year	30 %
Shares of beneficial interest	5 year	15 %
Mortgage pass-through securities (A+)	5 year	20 %
Money market mutual funds (Limited to 10% per mutual fund)	N/A	20 %

**3060.9** INVESTMENT RESTRICTIONS: California Code, Section 5301.6:

**3060.9.1** No funds shall be invested in inverse floaters, range notes, or in interest-only strips that are derived from a pool of mortgages.

**3060.9.2** No funds shall be invested in any security that could result in zero interest accrual if held to maturity.

**3060.10** REQUIRED REPORTS: Government Code, Section 16481.2

**3060.10.1** This District investment policy will be reviewed and adopted at a public meeting by the Board of Trustees annually.

**3060.10.2** A monthly investment report shall be prepared for review by the Board of Trustees at their regular Board meetings. The report shall contain a minimum of the following:

1. Type of investment
2. Issuing institution
3. Selling/buying broker/dealer
4. Date of purchase

5. Date of maturity
6. Cost of security
7. Rate of interest
8. Current market value
9. List of each transaction
10. Percentage of portfolio by security type
11. Approved Broker/Dealers and mutual Funds

**3060.10.3** The monthly investment report must state the Districts ability (or lack of ability) to meet six (6) months cash needs - and why or why not.