

# Mission Viejo Community Development Financing Authority Investment Policy

Fiscal Year 2023-24

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I. Investment Philosophy

A. Policy

1. This Investment Policy is set forth by the Mission Viejo Community Development Financing Authority (Authority) for the following purposes:
  - a. To establish a clear understanding for the Authority Board, the Investment Advisory Commission, Authority management, responsible employees, citizens and third parties of the objectives, policies and guidelines for the investment of the Authority's funds.
  - b. To offer guidance to investment staff and any external investment advisers on the investment of Authority funds.
2. The Authority establishes investment policies which meet its current investment goals. The Authority shall review this policy annually, and may change its policies more frequently as its investment objectives change.

B. Objectives

The objectives of this investment policy are, in order of priority:

1. To ensure the safety of invested funds in compliance with all Federal, State and local laws governing the investment of moneys under the control of the Authority Treasurer.
2. To maintain sufficient liquidity to meet cash flow needs.
3. To attain a "market average rate of return" consistent with the primary objectives of safety and liquidity.

C. Prudence

1. The Prudent Investor Standard shall be used by investment officials, and shall be applied in the context of managing an overall portfolio. Investment staff acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported within 30 days and appropriate action is taken to control adverse developments.
2. The Prudent Investor Standard: 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, 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 Authority. Within the limitations of this section and considering individual investments as part to an overall strategy, a trustee is authorized to acquire investments as authorized by law.

D. Ethics and Conflicts of Interest

1. State law, City statutes and City personnel and purchasing policies shall be followed to avoid conflict of interest or the appearance thereof. In addition to the applicable requirements of the Political Reform Act and Government Code Section 1090, the Treasurer, Administrative Services Manager - Treasury and Executive Director, members of the Authority Board of Directors, members of the Investment Advisory Commission, their spouses and investment consultants shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions on behalf of the Authority. In addition, these individuals shall disclose to the Executive Director any financial interests in or financial relationships with financial institutions that conduct business with the Authority, and shall subordinate their personal investment transactions to those of the Authority's, particularly with regard to the timing of purchases and sales. Unless otherwise prohibited by State law, City statutes, policies or regulations, it is permissible for the Authority to purchase securities from firms in which members of the Investment Advisory Commission are officers, partners, members, or employees, provided that: (1) multiple bids are obtained for such purchases; (2) the affected member abstains from participation in the recommendation of the Investment Advisory Commission as to the firm with which the member has an employment or ownership relationship; (3) the member's relationship to the securities firm is stated in the minutes of the Investment Advisory Commission; and (4) the affected member of the Investment Advisory Commission does not participate in the sale of securities to the Agency as an officer, partner, member, or employee of the securities firm; and (5) the firm meets the requirements of Section II. C. of this Investment Policy.
2. All bond issue providers including but not limited to underwriters, bond counsel, financial advisers, brokers and dealers, will disclose any fee sharing arrangements or fee splitting to the Executive Director prior to the execution of any transactions. The providers must disclose the percentage share and approximate dollar amount share to the Authority prior to the execution of any transactions.

## II. Operational and Procedural matters

### A. Scope

This investment policy applies to all debt proceeds of the Authority and all funds for the payment of debt service in the hands of the Authority bond trustees. All such funds shall be invested in accordance with the investment objectives of the Authority as set forth in this policy; however, such funds are invested in accordance with permitted investment provisions of their specific bond indentures. All deviations from investments authorized in the City's Investment policy for City funds shall be disclosed to the Authority Board at the time bond documents are considered for approval. Proceeds of debt issuance shall be subject to the operational and reporting requirements included in Sections II and IV of this policy.

Except for Authority bond proceeds and funds in the hands of bond trustees, all other idle and surplus funds of the Authority are co-mingled with the City's funds and managed by the City Treasurer. Investment of such funds is governed by the City's investment policy.

### B. Delegation of Authority

1. Authority to manage the Authority's investment program is derived from the California Government Code Sections 53600 et seq.
2. The Authority Treasurer will be responsible for the overall management of the investment program and the Administrative Services Manager - Treasury will be responsible for carrying out the day-to-day activities. The Authority Treasurer is authorized to invest funds in accordance with California Government Code Section 53600 et seq. the Treasurer shall be responsible for all transactions undertaken by the Authority's internal staff, and shall establish a system of controls to regulate the activities of internal staff and external investment advisers engaged in accordance with Section II B (5).
3. In the absence of the Authority Treasurer, the investment responsibilities are hereby delegated to the Administrative Services Manager - Treasury.
4. In the absence of the both the Authority Treasurer and the Administrative Services Manager - Treasury, the Executive Director has that responsibility.

### C. Authorized Financial Dealers and Institutions

1. The Treasurer will maintain a list of financial institutions authorized to provide investment services to the Authority. Institutions eligible to transact investment business with the Authority include

- a. Primary government dealers as designated by the Federal Reserve Bank
  - b. Nationally or state-chartered banks
  - c. The Federal Reserve Bank, and
  - d. Direct issuers of securities eligible for purchase by the Authority.
2. Selection of financial institutions and broker/dealers authorized to engage in transactions with the Authority shall be at the sole discretion of the Authority.
  3. The Treasurer and the Investment Advisory Commission (IAC) shall obtain information from qualified financial institutions to determine if the institution makes markets in securities appropriate for the Authority's needs, can assign qualified sales representatives and can provide written agreements to abide by the conditions set forth in the Mission Viejo Community Development Financing Authority Investment Policy. Investment accounts with all financial institutions shall be standard non-discretionary accounts and may not be margin accounts.
  4. All financial institutions which desire to become qualified bidders for investment transactions must supply the Treasurer with the following:
    - a. Audited financial statements for the institution's three most recent fiscal years.
    - b. At least three references from California local agencies whose portfolio size, investment objectives and risk preferences are similar to the Authority's.
    - c. A statement certifying that the institution has reviewed the California Government Code Section 53600 et seq. and the Authority's Investment Policy and that all securities offered to the Authority shall comply fully and in every instance with all provisions of the California Government Code.
  5. The signatures of two individuals shall be required for the opening and closing of any bank account and broker account (the Treasurer or Executive Director, and the Chair or Vice Chair of the Authority). The Administrative Services Manager - Accounting, who is independent of the investment function, shall keep a record of all opened and closed accounts. On an annual basis, the Administrative Services Manager – Accounting shall provide this list of accounts to the Authority's independent auditor.

6. Public deposits shall be made only in qualified public depositories within the State of California as established by State law. Deposits shall be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, shall be collateralized with securities in accordance with State law.
7. Selection of broker/dealers used by external investment advisers retained by the Authority shall be at the sole discretion of the investment advisers.
8. Whenever possible, investment staff shall obtain a minimum of two quotations, preferably three, prior to entering into an investment transaction. Staff will buy or sell at the price that is most advantageous to the Authority and meets investment requirements.

D. Delivery vs. payment

All investment transactions of the Authority shall be conducted using standard delivery-vs.-payment procedures.

E. Safekeeping of securities

To protect against potential losses by collapse of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all securities owned by the Authority shall be held in safekeeping by a third party bank trust department, acting as agent for the Authority under the terms of a custody agreement executed by the bank and by the Authority.

Investments are to be held in the Authority's name in conjunction with industry standards, including collateral held for repurchase agreements by depository banks.

III. Specific objectives and expectations

- A. Overall objective. The investment portfolio shall be designed with the overall objective of obtaining a total rate of return throughout economic cycles, commensurate with investment risk constraints and cash flow needs.

IV. Reporting, disclosure and program evaluation

A. Monthly reports

Monthly investment reports shall be submitted by the Treasurer to the Executive Director and the Authority Board within 30 days of the last day of the month, to be agendaized for official action at the second regular Authority meeting thereafter. The reports shall also be transmitted to the Investment Advisory Commission on their quarterly meeting agendas, for their review and comment. These reports shall

disclose information about the risk characteristics and market value of the Authority portfolio in accordance with Governmental Accounting Standards Board Statement No. 31 and shall include:

1. Treasurer's Monthly Report cover page:
  - a) cash receipts, disbursements and balances in total,
  - b) a summary of the portfolio at month-end,
  - c) information regarding interest earnings,
  - d) 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.
  - e) a statement of the Authority's ability to meet its expenditure requirements for the next six months.
  - f) Market value of the portfolio
2. Reconciliation of cash disbursements.
3. Listing of individual investment transactions during the month as required by Government Code section 53607.
4. An asset listing showing type of investment, par value, purchase price, complete market value, issuer, purchase date, maturity date and yield to maturity.

B. Annual reports

1. The investment policy shall be reviewed and adopted at least annually within the first 90 days 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.
2. An annual Treasurer's report for the prior fiscal year shall be presented in conjunction with the investment policy review. This report shall include a discussion of investment activity during the fiscal year.
3. The City's annual comprehensive financial report shall include all disclosures regarding cash and investments that are required by Governmental Accounting Standards Board Statement No. 40.

C. Internal controls

The Treasurer 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. Internal controls shall be in writing and shall address the following points: control of collusion, separation of transaction authority from accounting and record keeping, safekeeping of assets and written confirmation of telephone transactions for investments and wire transfers.

D. Annual audit

The Treasurer shall establish an annual process of independent review by an external auditor to assure compliance with internal controls.

E. Special audits

The Authority Board may at any time order an audit of the investment portfolio and/or the Authority Treasurer's investment practices.

F. Independent investment adviser

In its discretion, the Authority Board may retain the services of an independent investment adviser to review the investment program from time to time. The adviser will review compliance with policies and procedures, independently calculate the market value of the Authority's holdings, report on overall portfolio risk exposure and investment results, and make recommendations, if needed, regarding investment strategy, risk, or any aspect of the investment program.

G. Investment Advisory Commission

The Investment Advisory Commission (IAC) appointed by the City Council shall be responsible for overseeing the implementation of the Authority's investment program, assuring its consistency with the investment policy and recommending changes to the investment policy for consideration by the Authority Board. The scope of the IAC's responsibilities as applies to the City shall also apply to the CDFA.