

**Los Angeles County
Children and Families First –
Proposition 10 Commission
(aka First 5 LA)**

Investment Policy

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Investment Policy

Los Angeles County Children and Families First – Proposition 10 Commission (aka First 5 LA)

Policy Statement:

This investment policy of Los Angeles County Children and Families First – Proposition 10 Commission (aka First 5 LA) provides for the prudent investment of funds and the effective management of investment activities. It is intended that this policy cover all investment activities under the direct control of the Los Angeles County Children and Families First – Proposition 10 Commission.

Prudent Investor Standard:

This policy shall be implemented in accordance with the standard for governing bodies or persons authorized to make investment decisions on behalf of public bodies. This standard is set forth in Section 53600.3 of the Government Code, which provides in relevant part:

“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 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”.

Authority:

The Board of Commissioners hereby delegates to the Executive Director the authority to manage, deposit and invest funds of the agency, not required for the immediate needs of the agency, and also as identified under “Shares of Beneficial Interest” below, in accordance with this policy and all applicable provisions of law. The Executive Director shall develop and enforce written procedures to fully implement this policy in accordance with this delegation of authority, and shall periodically report to this Board in accordance with the requirements of law and this investment policy.

Shares of Beneficial Interest

Money Market Fund (MMF) – Shares of beneficial interest issued by diversified management companies known as money market mutual funds, registered with the

Securities and Exchange Commission in accordance with Section 270.2a-7 of Title 17 of the Code of Federal Regulation.

- A. Limited to investments in obligations of the United States Government and its agencies and instrumentalities.
- B. Fund has received the highest possible rating from at least two nationally recognized statistical-rating organizations (NRSRO)

Investment Objectives:

This policy shall also be implemented in accordance with the legislative direction concerning objectives of a trustee. This standard is set forth in Section 53600.5 of the Government Code, which provides in relevant part:

“When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, the primary objective of a trustee shall be to safeguard the principal of the funds under its control. The secondary objective shall be to meet the liquidity needs of the depositor. The third objective shall be to achieve a return on the funds under its control.”

Safety of Principal: In safeguarding the principal of the Los Angeles County Children and Families First – Proposition 10 Commission funds the Executive Director shall evaluate or cause to have evaluated each potential investment, seeking both quality in issuer and in underlying security or collateral, and shall diversify the portfolio to reduce exposure to loss.

Liquidity: In order to meet the Los Angeles County Children and Families First - Proposition 10 Commission’s liquidity needs, investments shall be made so that maturity dates are compatible with cash flow requirements and, when required, permit easy and rapid conversion into cash.

Return on Investments: Investments shall be undertaken to produce a reasonable rate of return given the primary considerations of safety of principal and liquidity.

Investment Placement:

The Executive Director shall invest funds in the Los Angeles County Pooled Surplus Investment Fund and in investments that comply with the then-applicable provisions of Government Code Section 53601, all in accordance with this policy and applicable law. Except for funds required to cover the Los Angeles County Children and Families First - Proposition 10 Commission’s short-term operating needs, all funds to be invested outside said Pooled Surplus Investment Fund shall be withdrawn from the Los Angeles County Pooled Surplus Investment Fund and all specific investments shall be managed by the Los Angeles County Treasurer.

Specific investments may be made within the following limits, stated as a percentage of the total funds invested which includes the funds invested in the Los Angeles County Pooled Surplus Investment Fund and funds invested outside of the Pooled Surplus Investment Fund:

<u>Type</u>	<u>Limit Per Issuer</u>	<u>Total Limit</u>
Certificates of Deposits (CDs)	5%	30%
Commercial Paper (CP)	5%	40%
Corporate Notes	5%	30%
Federal Agencies	15%	60%
U.S. Treasuries	100%	100%

Investment Safekeeping:

To ensure a high degree of internal safety, all certificates or other evidence of securities or other investments purchased by or for the Los Angeles County Children and Families First - Proposition 10 Commission shall be held for safekeeping in a manner consistent with the requirements of law. All securities shall be held by other than the selling party of the security.

Maximum Maturities:

The Executive Director shall match investments with anticipated cash flow requirements. The Executive Director shall not invest in securities maturing more than three (3) years from the date of purchase unless approved by the Los Angeles County Children and Families First - Proposition 10 Commission's Board of Commissioners, either specifically or as a part of an investment program, at least three (3) months prior to purchase.

Reporting Requirements:

In accordance with Government Code Section 53646, the Executive Director shall cause a quarterly report to be prepared and submitted to the Board of Directors. The quarterly report shall comply with applicable law and shall in any event include the security type, issuer, investment yield, date of maturity, par value, amount invested, current market value and source of this valuation. Any investments in state or local county pools will be included with a summary of its most recent investment statement.

Internal Control:

In addition to the certified public accountant's yearly independent audit of the Los Angeles County Children and Families First - Proposition 10 Commission, quarterly audits of the investment portfolio shall be conducted by an independent audit firm to ensure compliance with the investment portfolio investment policy and procedures provided for hereby.

Investment Policy Adoption:

This policy shall be reviewed on an annual basis and any modifications made thereto shall be approved by the Los Angeles County Children and Families First - Proposition 10 Commission's Board of Commissioners.

Adopted this 21st day of July 2005.