

**Resolution 36-15**  
to  
**Reaffirm The San Mateo County Harbor District  
Investment Policy 4.4.1 for FY 2015-2016**

Whereas, State law requires that the San Mateo County Harbor District adopt an investment policy under Sections 53600 et seq. of the Government Code; and

Whereas, the Director of Finance of the San Mateo County Harbor District may annually prepare a statement of investment policy and any changes to the policy, and submit to the Board of Commissioners for review and approval at a public meeting, in accordance with Section 53646 of the California Government Code; and

Whereas, the Director of Finance, with review by District legal counsel, has prepared a Statement of Investment Policy with incorporated changes (Investment Policy 4.4.1), attached hereto as Exhibit A, pursuant to which the San Mateo County Harbor District shall invest its funds consistent with the District's best practices;

Whereas, the Director of Finance recommends that the Board of Commissioners adopt the Investment Policy in the form shown in Exhibit A; now

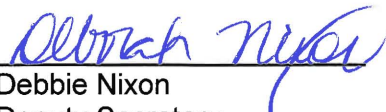
Therefore, be it resolved, that the San Mateo County Harbor District Investment Policy 4.4.1, attached hereto as Exhibit A and incorporated by this reference, is hereby adopted as the Investment Policy of the San Mateo County Harbor District for Fiscal Year 2015-2016.

Approved this 19th day of August 2015, at the regular meeting of the Board of Harbor Commissioners by a vote as follows:

For:	Bernardo, Brennan, David, Mattusch, Parravano
Against:	None
Abstaining:	None

Attested

**BOARD OF HARBOR COMMISSIONERS**

  
Debbie Nixon  
Deputy Secretary

  
Tom Mattusch  
President

## San Mateo County Harbor District

<b>Policies and Procedures</b>	<b>Number:</b> 4.4.1	<b>Original Date:</b> 6/5/96	<b>Revision:</b> 6/5/02; 5/7/03; 9/15/04; 08/16/06; 09/02/09; 08/19/15
<b>Title:</b> Investment Policy	<b>Prepared By:</b> AMWL LAM LAM LAM MLS MLS DG	<b>Approved By:</b> Resolution 12-96 Resolution 17-02 Resolution 18-03 Resolution 19-04 Resolution 54-06 Resolution 18-09 Resolution 36-15	<b>Page:</b> Page 1 of 7
<b>Purpose:</b> To Establish an Investment Policy for the San Mateo County Harbor District.			

### STATEMENT OF POLICY

WHEREAS, the Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern (Cal. Gov. Code, §§ 53600.6, 53630.1); and

WHEREAS, the legislative body of a local agency may invest surplus moneys not required for the immediate necessities of the local agency in accordance with the provisions of California Government Code Sections 5922 and 53600 et seq.; and

WHEREAS, the treasurer or fiscal officer of the San Mateo County Harbor District shall annually prepare and submit a statement of investment policy and such policy, and any changes thereto, shall be considered by the legislative body at a public meeting (Cal. Gov. Code, § 53646, subd. (a)). now

THEREFORE be it resolved, that it shall be the policy of the San Mateo County Harbor District to conduct its investments using the prudent investor standard, which provides that 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 (Cal. Gov. Code, §§ 53600 et seq.).

### SCOPE

This investment policy applies to all financial assets of the San Mateo County Harbor District. These funds are accounted for in the Annual Financial Report and include: General Fund and Enterprise Funds.

### PRUDENCE

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent persons standard" (Cal. Gov. Code, § 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers shall act in accordance with written procedures and the investment policy and exercise due diligence.

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## OBJECTIVES

When investing, reinvesting, purchasing, acquiring, exchanging selling and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

### Safety

Safety of principal is the foremost objective of the investment program. The safety and risk associated with an investment refer to the potential loss of principal, interest, or a combination of these amounts. Investments of the San Mateo County Harbor District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required so that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

### Liquidity

An adequate percentage of the portfolio, in the approximate amount of annual operating expenses, should be maintained in liquid short-term investments which can be converted to cash if necessary to meet disbursement requirements. A short-term investment is defined as any investment which matures within a one year period. The investment portfolio will remain sufficiently liquid to enable the San Mateo County Harbor District to meet all operating requirements, which might be reasonably anticipated.

### Return on Investments

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio. Return on investments becomes a consideration only after the basic requirements of safety and liquidity have been met.

(Cal. Gov. Code, § 53600.5.)

## DELEGATION OF AUTHORITY

Authority to manage the investment program is derived from California Government Code ("CGC") Sections 5922 and 53600, et seq. Management responsibility for the investment program is hereby delegated to the Director of Finance , who shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, PSA repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Director of Finance. The Director of Finance shall be responsible for all transactions undertaken and shall establish a system of

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controls to regulate the activities of subordinate officials. The Director of Finance is a trustee and a fiduciary subject to the prudent investor standard. (Cal. Gov. Code, § 53600.3)

## ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment policy, or which could impair their ability to make impartial investment decisions.

## AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Director of Finance will maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience and minimal capitalization, that are authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers who are authorized to provide investment and financial advisory services in the State of California in accordance with GCG § 53601.5. No public deposit shall be made except in a qualified public depository as established by state laws

For brokers/dealers of government securities and other investments, the Director of Finance shall select only broker/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organizations.

Before engaging in investment transactions with a broker/dealer, the Director of Finance shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the San Mateo County Harbor District's account with that firm has reviewed the San Mateo County Harbor District's Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the San Mateo County Harbor District that are appropriate under the terms and conditions of the Investment Policy.

## DEPOSIT OF FUNDS

As far as possible, all money belonging to or in the custody of the District including money paid to the District to pay the principal, interest or penalties of bonds, shall be deposited for safekeeping in state or national banks, savings associations or federal associations, state or federal credit unions or federally insured industrial loan companies in California (as defined by Cal. Gov. Code Section 53630). Under California Government Code Sections 53635, 53637 and 53638, the money shall be deposited in any authorized depository with the objective of realizing maximum return, consistent with prudent financial management.

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## AUTHORIZED AND SUITABLE INVESTMENTS:

The San Mateo County Harbor District is empowered by California Government Code 53601 to invest in the following:

- (a) Bonds issued by the San Mateo County Harbor District.
- (b) United States Treasury Bills, Notes & Bonds.
- (c) Registered state warrants or treasury notes or bonds issued by the State of California, or by a department, board, agency, or authority of the state.
- (d) Registered treasury notes or bonds of any of the other 49 states in addition to California.
- (e) Bonds, notes, warrants or other evidence of debt issued by a local agency within the State California, including pooled investment accounts sponsored by the State of California, County Treasurers, other local agencies or Joint Powers Agencies.
- (f) Obligations issued by federal agencies or U.S. government-sponsored enterprise obligations, participations, or other instruments.
- (g) Bankers' acceptances with a term not to exceed 180 days' maturity or 40% of District's moneys that may be invested, however, no more than 30% of the District's moneys can be invested in the banker's acceptances of any single commercial bank.
- (h) Prime Commercial Paper with a term not to exceed 270 days and the highest ranking issued by **a nationally recognized statistical-rating organization (NRSRO)**. Commercial paper cannot exceed 25% of total surplus funds and the District may purchase not more than 10 percent of the outstanding commercial paper of any single issuer.
- (i) Negotiable Certificates of Deposit issued by federally or state chartered banks, savings or federal associations, state or federal credit union, or by a federally or state-licensed branch of a foreign bank. Not more than 30% of surplus funds can be invested in certificates of deposit.
- (j) Repurchase/Reverse Repurchase Agreements of any securities authorized by Section 53601. Securities purchased under these agreements shall be no less than 102% of fund borrowed against those securities and the value shall be adjusted no less than quarterly, and will not exceed 20% of base value of portfolio. (See special limits in CGC § 53601(j).)
- (k) Medium term notes (not to exceed 5 Years) of US corporations rated "A" or better by **an NRSRO**. Not more than 30% of surplus funds can be invested in medium term notes.
- (l) Shares of beneficial interest issued by diversified management companies investing in the securities and obligations authorized by this Section (Money Market Mutual Funds). Such funds must carry the highest rating of at least two national rating agencies. Not more than 20% of surplus funds can be invested in Money Market Mutual Funds.

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(m) Funds held under the terms of a Trust Indenture or other contract or agreement may be invested according to the provisions of those indentures or agreements.

(n) Collateralized bank deposits with a perfected security interest in accordance with the Uniform Commercial Code (UCC) or applicable federal security regulations

(o) Any mortgage pass-through security, collateralized mortgage obligation, mortgaged backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate or consumer receivable backed bond of a maximum maturity of five years. Securities in this category must be rated AA or better by a national rating series. No more than 20% of surplus funds can be invested in this category of securities.

Any other investment security authorized under the provisions of CGC §§ 5922 and 53601.

Also, see CGC § 53601 for a detailed summary of the limitations and special conditions that apply to each of the above listed investment securities. CGC § 53601 is attached as Attachment A and included by reference in this investment policy.

The Board of Commissioners also authorizes the District to invest in Local Agency Investment Fund (LAIF) under CGC § 16429.1 and the San Mateo County Investment Fund (SMCIF).

**Prohibited Investments.** Under the provisions of CGC §§ 53601.6 and 53631.5, the San Mateo County Harbor District shall not invest any funds in inverse floaters, range notes, interest only strips derived from mortgage pools or any investment that may result in a zero interest accrual if held to maturity. This limitation does not apply to investments in shares of beneficial interest issued by diversified management companies.

## COLLATERALIZATION

All certificates of deposits must be collateralized by U.S. Treasury Obligations. Collateral must be held by a third party and valued on a monthly basis. The percentage of collateralization on Repurchase Agreements will adhere to the amount required under CGC § 53601(j).

## SAFEKEEPING AND CUSTODY

All security transactions entered into by the San Mateo County Harbor District shall be conducted on delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the San Mateo County Harbor District by book entry, physical delivery or by third party custodial agreement (Cal. Gov. Code, § 53601)

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## DIVERSIFICATION

It is the policy of the San Mateo County Harbor District to diversify its investment portfolio. The San Mateo County Harbor District will diversify its investments by security type and, within each type, by institution. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity a specific issuer or a specific date of securities. Diversification strategies shall be determined and revised periodically. In establishing specific diversification strategies, the following guidelines shall apply:

Portfolio maturities shall be matched against projected liabilities to avoid an over concentration in a specific series of maturities.

Maturities selected shall provide for stability and liquidity.

## REPORTING

The Director of Finance shall submit to each member of the governing body a quarterly investment report in accordance with GCG § 53646(b). The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds, investments, or programs managed by third party contractors. With respect to all securities held by the local agency, and under the management of outside party that is not also a local agency or the LAIF, the report must include a current market value as of the date of the report and the source of the valuation.

In the case of funds invested in the San Mateo County Investment Fund, the Local Agency Investment Fund (LAIF), Federal Deposit Insurance Corporation-Insured accounts or county investment pools, current statements from those institutions will satisfy the above reporting requirement. The report will also include a certification that (1) all investment actions executed since the last report have been made in full compliance with the Investment Policy and, (2) the San Mateo County Harbor District will meet its expenditure obligations for the next six months. (Cal. Gov. Code § 53646(b)-(e)). The Director of Finance shall maintain a complete and timely record of all investment transactions.

## INVESTMENT POLICY ADOPTION

The Investment Policy shall be adopted by resolution of the San Mateo County Harbor District. Moreover, the Policy shall be reviewed on an annual basis, and modifications must be approved by the San Mateo County Harbor District.



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INVESTMENTS AUTHORIZED  
UNDER CALIFORNIA GOVERNMENT CODE 53601

CGC Section	Investment Type	Maximum Maturity	Authorized Limit (%)	Required Rating
53601 (a)	Local Agency Bonds	5 years	None	None
53601 (b)	U.S. Treasury Bills, Notes or Bonds	5 years	None	None
53601 (c)	State Warrants	5 years	None	None
53601 (d)	Notes & Bonds of other Local Agencies	5 years	None	None
53601 (e)	U.S. Agencies	5 years	None	None
53601 (f)	Bankers Acceptance	180 Days	40%	None
53601 (g)	Prime Commercial Paper	270 Days	25%	A1/P1
53601 (h)	Negotiable Certificates of Deposit	5 Years	30%	None
53601 (i)	Repurchase Agreement *	1 Year	20%	None
53601 (j)	Medium Term Corporate Notes	5 Years	30%	A
53601 (k)	Money Market Mutual Funds & Mutual Funds**	5 Years	20%	AAA (2)
53601 (m)	Collateralized Bank Deposits	5 Years	None	None
53601 (n)	Mortgage Pass-Through Securities	5 Years	20%	AA
53601 (d)	Local Agency Investment Fund (LAIF)	N/A	None	None
53601 (d)	County Pooled Investment Funds	N/A	None	None

\* See CGC 53601(I) for limits on the use of Reverse Repurchase Agreements.

\*\* Mutual Funds maturity may be defined as the weighted average maturity. Under SEC Regulations, Money Market Mutual Funds must have an average maturity of 90 days or less.