

## RESOLUTION NO. 449

### RESOLUTION OF THE BOARD OF DIRECTORS OF THE FALLBROOK REGIONAL HEALTH DISTRICT APPROVING THE STATEMENT OF INVESTMENT POLICY FOR FISCAL YEAR 2022-2023

WHEREAS, the Board of Directors may approve and adopt a Statement of Investment Policy; and

WHEREAS, the annual Statement of Investment Policy must be reviewed and adopted at a public meeting, the Investment Policy of the Fallbrook Regional Health District shall be as follows:

#### Section 1 - General Provisions and Objectives

Fallbrook Regional Health District ("District") is a local agency organized and existing pursuant to the California Healthcare District Law (Health & Safety Code Sections 32000, et seq.).

District funds not required for immediate expenditure will be invested in compliance with this policy and the provisions of California Government Code Sections 53600, et seq. Criteria for selecting investments and the absolute order of priority are safety, liquidity, and yield. Investments will be made in a range of instruments and maturity dates to ensure diversification and liquidity of assets in an emergency or when a large cash outlay is necessary. In accordance with California Government Code Section 53607, the authority to invest or reinvest the funds of the District is retained by the Board, with the advice of the Finance Committee.

#### Section 2 – Prudent Investor Standard

All participants in the investment process shall recognize that the investment portfolio is subject to the prudent investor standard as set forth in California Government Code Section 53600.3 and to public review and evaluation and shall seek to act responsibly as fiduciaries of the public trust. Investments shall be made with the exercise of that degree of 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 preservation of capital, the cash flow needs of the District as well as the income to be derived. In a diversified portfolio, occasional measured losses may be inevitable and must be considered within the context of the overall portfolio's return and the cash flow requirements of the District.

#### Section 3 – Credit Risk

A. Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligation. Concentration of credit risk is the risk of loss attributed to the magnitude of a District's investment in a single issuer. All participants in the investment process shall consider aversion to concentration of credit risk by:

1. Limiting investment purchases to those types and amounts permissible by California Government Code § 53601 and Section 6 of this Resolution;
2. Investing no more than twenty-five percent (25%) of the portfolio with one issuer, except as noted in §6 below; and
3. If pursuing a rated investment, investing only in investments with an AA+/A1 or better rating from Standard and Poor's Corporation and AA1/P2 or better from Moody's Investors Service Inc. at the time of purchase.

B. Custodial credit risk is the risk that the District will not be able to recover deposits or the value an investment or collateral securities that are in the possession of an outside party. All participants in the investment process shall consider aversion to custodial credit risk by:

1. Investing no more than twenty-five percent (25%) of the portfolio with one financial institution, with the exception of LAIF, Cal-Trust, the US Treasury, and funds advanced or in trustee accounts for project construction; and
2. If pursuing a deposit, ensuring that all deposits are fully collateralized as required by California Government Code Section 53652, or are insured by the Federal Deposit Insurance Corporation or National Credit Union Administration, and the "Contract for Deposit of Monies" will indicate the type and amount of collateral.

#### Section 4 – Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All participants in the investment process shall consider aversion to interest rate risk by limiting the term remaining to maturity on purchased investments to five years, unless a longer term is permissible within the California Government Code and specifically approved by the Board prior to purchase.

#### Section 5 - Ethics and Conflict of Interest.

All participants in the investment process shall seek to act responsibly as custodians of the public trust. All officials, officers, and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair his/her ability to make impartial investment recommendations and decisions. All officials, officers, and employees involved in the investment process shall adhere to the District's Conflict of Interest Code, which is updated biennially by the Board.

Section 6 – Permissible Investments

The permissible investments and limits on amounts and maturities are listed below:

Investment	Limits	
	% of Investment Portfolio	Maturity
LAIF	75%	N/A
US Treasury bills and notes	75%	Maximum 5 years
Cal-Trust	75%	2 Years
Federal agency obligations	25%	Maximum 5 years
SD County Investment Pool	20%	N/A
Insured CDs	20%	1 year
Savings accounts	25%	N/A

Pursuant to the provisions of California Government Code Section 53601.1, no investment will be made in financial futures or financial option contracts without the prior approval of the Board of Directors. Investments permitted by the California Government Code, but not by this policy, will be made only with prior approval of the Board of Directors.

A thorough investigation of any pool or fund is required prior to investing, and on a continual basis. The purpose of this investigation is to determine the suitability of a pool or fund and evaluate the risk of placing funds with that pool or fund. The investigation shall, at a minimum, obtain the following information:

A description of interest calculations and how it is distributed, and how gains and losses are distributed;

A description of who may invest in the program, how often, what size deposits and withdrawals are permitted;

A schedule for receiving statements and portfolio listings;

A description of the pool/fund reserves or retained earnings, or whether all income after expenses is distributed to participants; and

A fee schedule which discloses when and how fees are assessed.

#### §7 – Reporting and Miscellaneous Provisions

Pursuant to California Government Code Sections 53646(b) and 53646(d), a monthly report shall be submitted to the Board of Directors within thirty (30) days following the end of the month covered by the report for review. The report shall include the type of investment, issuer, purchase and maturity dates, rate of interest, dollar amount invested, fund, current market value, and percentage of portfolio. The report shall also state compliance of the portfolio to the statement of the investment policy, or the manner in which the portfolio is not in compliance. The report shall include a statement regarding the ability of the District to meet its expenditure requirements for the next six (6) months.

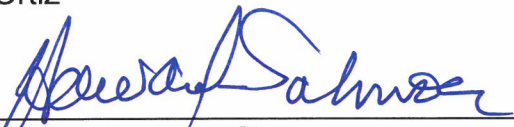
The Finance Committee shall establish and maintain a system of internal controls to be examined and monitored by the District's independent auditor. The investment policy shall be reviewed annually by the Board to ensure its consistency with applicable state law.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Fallbrook Regional Health District as follows:

The Annual Statement of Investment Policy for Fiscal Year 2022-2023 is hereby approved, and the Finance Committee directed to follow this Statement of Investment Policy in investing funds of the District.

PASSED AND ADOPTED by the Board of Directors of the Fallbrook Regional Health District at a regular meeting held on this 8<sup>th</sup> day of June 2022, by the following roll call vote:

AYES: Directors Jeffries, Mroz and Salmon  
NOES: None  
ABSTAIN: None  
ABSENT: Directors Leach and Ortiz

  
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Howard Salmon, Chair  
Board of Directors  
Fallbrook Regional Health District

ATTEST:

  
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Stephanie Ortiz, Secretary  
Board of Directors  
Fallbrook Regional Health District