

TOWN OF MAMMOTH LAKES
INVESTMENT POLICY
Fiscal Year 2021-22

I. Scope

The Town's Investment Policy establishes a framework for prudent investment of the Town's resources. This Policy is intended to apply to all funds and investment activities under the direct authority of the Town of Mammoth Lakes.

II. Definition of Treasurer

The Finance Director, or Finance Manager as designee to perform the duties, serves as the Town Treasurer.

III. Objectives

- A. **SAFETY:** It is the primary duty and responsibility of the Treasurer to protect, preserve and maintain cash and investments placed in his/her trust on behalf of the citizens of the community.
- B. **LIQUIDITY:** An adequate percentage of the portfolio should be maintained in liquid short-term securities, which can be converted to cash if necessary to meet disbursement requirements. Since all cash requirements cannot be anticipated, investments in securities with active secondary or resale markets is highly recommended. Emphasis should be on marketable securities with low sensitivity to market risk.
- C. **YIELD:** Yield should become a consideration only after the basic requirements of safety and liquidity have been met.
- D. **MARKET-AVERAGE RATE OF RETURN:** The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the Town's risk constraints, the cash flow characteristics of the Town's portfolio, and State and Local laws, ordinances or resolutions that restrict investments.
- E. **DIVERSIFICATION:** The investment portfolio will be diversified to avoid incurring unreasonable and avoidable risk regarding specific security types or individual financial institutions.
- F. **PRUDENCE:** The Town's investment strategies shall adhere to the guidance provided by the "prudent man rule", which obligates a fiduciary to insure that:

"...investment 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 probable safety of their capital as well as the probable income to be derived."

G. PUBLIC TRUST: All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio it must be recognized that occasional measured losses are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented.

IV. Delegation of Authority

The Treasurer and the Town Manager shall act jointly to make investments on behalf of the Town of Mammoth Lakes. Neither the Treasurer nor the Town Manager has authority to make investments independently of the other. An Investment Summary Sheet (Exhibit A) shall be signed by the Treasurer and Town Manager for all investments other than LAIF. Investments shall be limited to the types of investments specified in Section VII. When specific Town Council approval is required, the investment shall not be made until the Treasurer receives and files with the Town Clerk written evidence of such Council approval.

V. Reporting

The Treasurer shall submit a monthly investment report to the Town Council of Mammoth Lakes. This report may be posted online for the Town Council's and public's view. This report will include all required elements of the monthly report as prescribed by Government Code Section 53646.

Required elements of the monthly report:

- Type of investment.
- Institution.
- Date of maturity.
- Amount of deposit or cost of the security.
- Current market value of securities with maturity in excess of 12 months.
- Rate of interest.
- Statement that there are sufficient and readily available liquid funds to meet the next 30 days' obligations.
- Accrued interest as prescribed by the California Section 53646, if required by the Legislative Body.

VI. Investment Instruments

Authorized investment instruments which may be utilized and which are in accordance with Government Code Section 53601 are as follows:

<u>Permitted Investments/Deposits</u>	<u>Maximum Percentages or Amount</u>	<u>Maximum Maturity</u>
<u>Investment Type A:</u>		
Securities of the US Government	Unlimited	5 years
Certificates of Deposit	Unlimited	5 years
Commercial Paper (A1, P1 only)	30%	180 days
LAIF	\$55,000,000	n/a
Mono County Investment Pool	\$6,000,000	n/a
Passbook Deposits	----	n/a
<u>Investment Type B:</u>		
Negotiable Certificates of Deposit	30%	5 years
Bankers Acceptances	40%	270 days
Repurchase agreements	----	1 year
Mutual Funds	15%	5 years
Medium Term Notes	30%	5 years

Type A investments do not require any specific approval of the Council. All Type B investments require a specific resolution of approval of the Town Council prior to the investment purchase/deposit.

VII. Internal Controls

Internal controls are designed to prevent losses of public funds arising from fraud, employee error, misrepresentation of third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the Governmental Agency. A System of Internal Control shall be documented and attached hereto (Exhibit B).

VIII. Maturities

Maturities shall be in conformance with the legal limits as specified in Section VII. Although the allowable maturity limit is up to five years for certain types of investments, the focus the investment should remain within the immediate two-year period for reasons of prudence.

IX. Banks and Securities Dealers

In selecting financial institutions for the deposit or investment of Government Agency funds, the Treasurer shall consider the creditworthiness of institutions. The Treasurer shall continue to monitor financial institutions' credit characteristics and financial history throughout the period in which agency funds are deposited or invested.

X. Risk Tolerance

The Governmental Agency recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk. The Treasurer and Town Manager are expected to display prudence in the selection of securities, as a way to minimize

default risk. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. Certificates of Deposit shall be limited to FDIC insurance limitations. The Treasurer shall periodically establish guidelines and strategies to control risks of default, market price changes and illiquidity.

In addition to these general policy considerations, the following specific policies will be strictly observed.

- A. All transactions will be executed on a delivery versus payment basis.
- B. A competitive bid process, when practical, will be used to place all investment purchases.

XI. Safekeeping and Custody

The Treasurer is responsible for maintaining the proper mix of investments, taking into consideration limits imposed by law and the need for liquidity.

All investments shall be held in the name of the Town of Mammoth Lakes. The Town Council shall from time to time execute such documents as are necessary to provide evidence of the Treasurer's and Town Manager's joint trading authority as set forth in this document.

XII. Annual Review and Confirmation of the Investment Policy

The Investment Policy shall be reviewed and confirmed annually by the Town Council of Mammoth Lakes.