



# FRESNO COUNTY FIRE

PROTECTION DISTRICT

*Honor, Integrity, Cooperation & Professionalism*

## MEMORANDUM

**Date:** February 15, 2024

**To:** Board Directors

**Attn:** John Arabian  
President

**From:** Fire District Staff

**Subject:** Investment Policy and Investment Options

### **BOARD OF DIRECTOR'S BRIEFING PAPER**

#### **ISSUE:**

The District's investment policy needs to be updated and revised. Part of the policy revision is researching currently available investment options.

#### **BACKGROUND:**

The District investments and Cash Management policy was adopted on July 1, 2011 and was last revised October 17, 2012. Historically the District has only held it's cash reserves in the Fresno County Investment Pool.

#### **DISCUSSION:**

Staff would like to lead a discussion about drafting a revised District investment policy and the various investment options that are allowed under California Government Code sections 53600 et seq.

#### **ALTERNATIVES:**

There are no recommended alternatives at this time. Staff is looking for direction from the Board.

**IMPACTS** *(Consider potential consequences related to each of the following areas of concern for proposed alternatives):*

- Fiscal – No known impacts
- Operational – No known impacts
- Legal – No known impacts
- Labor - No known impacts
- Sociopolitical - No known impacts
- Policy - No known impacts
- Health and safety - No known impacts
- Environmental - No known impacts
- Interagency - No known impacts

**RECOMMENDATION:**

It is recommended by Staff that the District Board of Director's provide direction to Staff to continue revising the Investment Policy and provide recommendations for District investments after further research.

**APPROVED:**

*Josh I. Chrisman*  
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Josh I. Chrisman, Administration Officer

2/15/2024  
\_\_\_\_\_  
Date



# **FRESNO COUNTY FIRE**

## **PROTECTION DISTRICT**

### **ADMINISTRATION**

### **POLICY & PROCEDURE HANDBOOK**

**POLICY NO.:** 900

**SUBJECT:** Investments and Cash Management

**EFFECTIVE DATE:** 07/01/2011

**REVISION DATE:** 10/17/2012

**RESPONSIBILITY:** FRESNO COUNTY FIRE PROTECTION DISTRICT

**PURPOSE:**

To develop guidelines to establish a prudent and systematic investment policy, and to organize and formalize investment-related activities and for cash handling, depositing of funds, for the District.

**POLICY:**

**INVESTMENTS**

**A) Scope and Authority**

1. The District's Investment Policy is authorized under the California Government Code, Section 53600, et. Seq. as it applies to the investment of public funds.
2. It is intended that this policy cover all funds and investment activities under the direct authority of the **FRESNO COUNTY FIRE PROTECTION DISTRICT**. This policy does not cover the District's already established 401 (k) Retirement Plan for permanent, full-time District employees, which is administered by Schwab under a separate agreement with The Online 401(k) plan by Intuit. Moreover, investments authorized by Fiscal Agents pursuant to bonded debt are controlled by the terms and conditions of the specific bond, and may not necessarily coincide with the Investment Policy outline herein. Investments must conform to Government Code Section 53600.5 concerning safekeeping of purchased securities by financial advisers, fiscal agent, or consultants. Where practical, investments made by a Fiscal Agent on behalf of the District will be consistent with this policy.

## B) Investment Objectives

1. **Safety**-It is the primary duty and responsibility of the District Administrative Officer to protect, preserve and maintain cash and investments placed in his/her trust on behalf of the residents within the Fire District.
2. **Liquidity**-An adequate percentage of the District's investment 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.
3. **Yield**-Yield should become a consideration only after the basic requirements of safety and liquidity have been met.
  - a. The overall yield should be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the District's risk constraints, the cash flow characteristics of the portfolio, and State and local laws, ordinances or resolutions that restrict investments.
4. **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 investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust.
5. **Diversification**-The investment portfolio will be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions.  
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.
6. **Prudence**-The District adheres to the "prudent person rule" which obligates a fiduciary to insure that:
  - a. "...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 probable safety of their capital as well as the probable income to be derived."

**C) District's Investment Strategy**

1. The most effective method of increasing investment yields without Sacrificing safety is to extend the investment horizon commensurate with the District's cash requirements. To that end, improved cash forecasting and management is the preferred investment strategy for the District.
  - a. Cash management activities include accurate cash projections, the expeditious collection of revenue, the control of disbursements, cost-effective banking relations, and a short-term borrowing program, when needed, that coordinates working capital requirements and investment opportunity.

**D) Allowable Investment Instruments**

1. The Government Code, Sections 53601, 53601.1 and 53635 shall govern the District's allowable investments, and the length of those investments, unless specifically limited by the policy. Although the maximum maturity for any deposit or investment is five (5) years, most investments should be for no longer than 2-3 years.
2. All investments of District funds shall be made in accordance with California Government Code Sections 53601, et seq. and 53635 et seq., or in accordance with California Government Code 16429.1 authorizing investments into the State Local Agency Investment Fund (LAIF). Investments will be authorized by the Board of Directors, Fire Chief, and District Administrative Officer only.

**E) Reporting Requirements**

1. The District Administrative Officer shall submit annually a written investment policy to the District's Board of Directors. The Board of Directors shall consider the investment policy at a public meeting.
2. The District Administrative Officer shall submit a quarterly investment report to the Board of Directors. The report must be submitted to the District Board Clerk for the agenda within 30 days following the end of the month covered by the report, and is required under Government Code Section 53646. Such report shall include at least the following information:
  - a. Types of Investments;
  - b. Name of the institution in which funds are invested or deposited;
  - c. Date of Maturity, if applicable;

- d. Par and dollar amount investment for all securities;
    - i. Percent distribution of each type of investment or deposit; current market value as of the date of the report, including source of the valuation except those under LAIF;
      - 1. Rate of interest;
    - ii. Average weighted yield of all investments;
  - e. A statement relating the report to the District's Investment Policy; and
  - f. A statement that there are sufficient funds to meet the District's next six (6) months' financial obligations.
3. The District Administrative Officer shall also submit the above information annually to the external auditors.
4. Periodic reports shall be prepared as required by circumstances or as directed by the Board of Directors. Such circumstances include, but are not limited to, notification that any District investment may be in jeopardy or a sudden and significant drop in the current market value of any District investment.

**F) Internal Controls and General Guidelines**

- 1. A system of internal control shall be established and documented in writing. The controls shall be 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 Directors of the District.
- 2. Controls deemed most important include:
  - a. The control of collusion and separation of duties;
  - b. Custodial safekeeping of funds invested or on deposit;
  - c. Minimizing the number of authorized Investment Officers; and
  - d. Written documentation of procedures and transactions.
- 3. In selecting financial institutions for the deposit or investment of District funds, the District Administrative Officer shall consider the credit-worthiness of the institution. Such credit-worthiness shall be monitored on a regular basis throughout the period in which District funds are deposited or invested.
  - a. Any deposit or investment of funds shall be in writing, signed by the District Administrative Officer and the authorized representative of the institution.
  - b. All transfers must be made by authorized personnel and properly logged and documented.
- 4. The District Administrative Officer shall encourage peer review of the Administrative Officer's investments and investment practices. In addition, the District's cash management and investment practices shall be included in any outside financial audit of the District.

5. This Investment Policy shall be reviewed by the District Board of Directors on an annual basis.

## **CASH MANAGEMENT**

A) **Depository Bank**

No later than June 30, 2012, a Depository Bank shall be recommended by the District Administrative Officer to the Board of Directors for a three to five year period. A request for proposal (RFP) shall be used as the means of selecting a Depository Bank. The Depository Bank shall specifically outline safekeeping requirements and other policies and practices for the District.

B) **Depositing of Funds**

The District's Staff Services Analyst (District Finance) shall promptly deposit all District funds with the Depository Bank in accordance with the provisions of the current Bank Depository Agreement and the Board of Directors approved Investment Policies. Investments and reporting shall strictly adhere to the Board of Directors approved Investment Policies.

D) **Monthly Report**

A monthly cash and investment report shall be prepared and distributed to the Fire Chief and/or Board of Directors.

**POLICY RESPONSIBILITY:** Board of Directors, Fire Chief, District Administrative Officer, Western Division Chief