

REDBUD HEALTH CARE DISTRICT PROCEDURE

Title: Investment of District Funds

1.0 Purpose

To provide guidelines for the prudent investment of the working capital and investment funds of the District and outline the policies and procedures for maximizing the efficiency of the District's cash management system. The goal is to enhance the economic status of the District while protecting its pooled cash.

2.0 Investment Objective

The District's cash management system is designed to accurately monitor and forecast expenditures and revenues, and allow the District to invest funds to the fullest extent possible. The District attempts to obtain the highest possible yield while meeting the criteria established for safety and liquidity.

3.0 The District operates its pooled idle cash investments under Government Code sections 53600 through 53609, under which those making investments in its behalf are deemed to act in a fiduciary capacity. This affords the District a broad spectrum of investment opportunities so long as the investment is deemed prudent and is allowable under current legislation of the State of California.

4.0 Permissible Investment Vehicles

4.1 Securities of the United States Government

4.2 Certificates of Deposit

4.3 Negotiable Certificates of Deposit

4.4 Banker's Acceptances

4.5 Commercial Paper

4.6 LAIF

- 4.7 Passports Deposits
- 4.8 Medium Term Notes
- 4.9 County Pooled Funds
- 4.10 Municipal Bonds
- 4.11 Corporate Bonds
- 4.12 Real Estate

5.0 Investment Selection Criteria

- 5.1 **Safety -** The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of these amounts. The District operates only in those investments that are considered extremely safe.
- 5.2 **Liquidity -** This refers to the ability to “cash in” at any moment in time with a minimal chance of losing some portion of principal or interest. Liquidity is an important investment quality especially when the need for unexpected funds occasionally occurs.
- 5.3 **Yield -** This is the potential dollar earnings an investment can provide; it sometimes is described as the rate of return.

6.0 Safekeeping

Securities purchased from brokers/dealers shall be held in a custodial account by the trust department of the District’s bank or other designated third party trust, in the District’s name and control whenever possible.

7.0 District Constraints

- 7.1 The investment portfolio of the Districts designed to attain a market-average rate of return during budgetary and economic cycles, taking into account the District’s investment risk constraints and the cash flow characteristics of the portfolio. The District maintains reserves for contingency purposes. Thus, the portfolio shall be

designed to provide for short-term conversion from the investment vehicle to available cash.

- 7.2** Certificate maturities shall be selected to anticipate cash needs, thereby obviating the need for forced liquidation and the accompanying loss of interest.

No more than thirty (30) per cent of the funds of the District shall be placed with any single such institution pursuant to Government Code section 53601.

8.0 Transfer of Funds

- 8.1** Funds may be transferred out of the investment account by the Administrative Manager as necessary to meet operating expenses. The Board of Directors shall be apprised of such transfers.

- 8.2** Funds may be transferred out of the operating account by the authorized signature of any two Board or one Board member and the Administrative Manager.

9.0 Public Notice of Major Transfers

Under California Health and Safety Code Section 32121, transfers of 50% or more of the District's assets in sum or by increments to a nonprofit entity for the benefit of the communities served by the District are allowable only if there is a transfer agreement and the transfer agreement:

- 9.1** Is fully discussed in advance of the District Board decision to transfer the assets of the District in at least five properly noticed open and public meetings in compliance with the Ralph M. Brown Act.
- 9.2** Provides that the Hospital District shall approve all initial Board members of the nonprofit corporation subsequent Board members as may be specified in the transfer agreement.
- 9.3** Provides that all assets transferred to the nonprofit corporation, and all assets Accumulated by the corporation during the term of the transfer agreement arising out, or from, the operation of the transferred assets, are to be transferred back to the District upon termination of the transfer agreement including any extension of the transfer agreement.

9.4 Commits the nonprofit corporation to operate and maintain the District's health care facilities and its assets for the benefit of the communities served by the District

9.5 The transfer agreement requires that any funds received from the District at the outset of the agreement or any time thereafter during the term of the agreement be used only to reduce District indebtedness, to acquire needed equipment for the District health care facilities, to operate, maintain and make needed capital improvements to the District's health care facilities to provide supplemental health care services or facilities to provide supplemental health care services or facilities for the communities served by the District, or to conduct other activities that would further a valid public purpose if undertaken directly by the District.

10.0 Reporting

10.1 The Administrative Manager will forward to the Board the report of investments as received.

Approved by _____
President, Board of Directors

Date _____ .