

Quarterly Investment Reporting

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Purpose

- ◆ Informational overview of the District's investment policy
- ◆ Present Investment Reports
 - Fourth Quarter 2005
 - First Quarter 2006
- ◆ Action under CFO Items - Motion to update Schedule 6 of Investment Policy
- ◆ BSC-Protecting Resources & Managing Financial Risks

Investment Policy

Resolution 05-12814

- ◆ Policy
- ◆ Scope
- ◆ Prudence
- ◆ Objective
- ◆ Delegation of Authority
- ◆ Ethics & Conflict of Interest
- ◆ Authorized Financial Dealers & Institutions
- ◆ Authorized Investments
- ◆ Safekeeping & Custody
- ◆ Diversification
- ◆ Maturities
- ◆ Risk, Risk Profile & Mitigation
- ◆ Internal Control
- ◆ Performance Standards
- ◆ Written Contracts
- ◆ Evaluation & Review of Institutions & Dealers
- ◆ Reporting
- ◆ Investment Policy Adoption

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Investment Objectives

- ◆ **Safety**
 - Safety of principal
- ◆ **Liquidity**
 - Cash available to meet “reasonably anticipated” cash requirements
- ◆ **Maturity**
 - Purchase investments with intent to hold them until maturity
- ◆ **Yield**
 - Maximize return

Authorized Investments

- ◆ **Treasury Notes & Bills**
- ◆ **Agency Notes & Bills (FNMA, FHLB, etc.)**
- ◆ Commercial Paper
- ◆ Repurchase Agreements
- ◆ Municipal Pool
- ◆ State Investment Pool
- ◆ State & Municipal Bonds
- ◆ Other

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- ◆ **State & Municipal Bonds**
- ◆ **Other**

Diversification

- ◆ **Diversification by security type**
 - No more than 50%
- ◆ **Commercial Paper**
 - Cannot exceed 25% of total portfolio / 5% with single issuer
 - Limited to 180 days
 - Requires highest credit ratings
- ◆ **Other**
 - Bankers Acceptances 30%
 - Certificates of Deposit 10%
 - Mutual/Money Market Funds 10%

Investment Process Example

- ◆ **Evaluate cash inflows and outflows**
 - Determine excess funds beyond immediate cash flow needs
 - Determine investment type to meet investment objectives
 - Safety, Liquidity, Maturity, Yield
- ◆ **Notify Broker Pool of Investment Request**
 - Ask for bids the following morning
 - Evaluate bids for highest yield
 - Execute trade
- ◆ **Documentation**
 - Enter investment in software
 - Journalize investment
 - Compile backup for review

Investment Results

- ◆ **Q4-2005 and Q1-2006 Investment Reports**
 - Comparison of District combined portfolio to 3 month Treasury Bill
 - Summary of Capacity Reservation Investments

- ◆ **Market Summary**
 - Rising interest rate market
 - FOMC 11th straight rate increase

Questions?