

INVESTMENT POLICY

Legal Constraints

Pursuant to California Education Code Section 41001, the District shall deposit all funds received or collected from any source into the Orange County Treasury to be placed to the credit of the proper fund of the District except as otherwise provided herein. The County Treasurer will be instructed by the District to segregate the District's funds from funds on deposit by other non-school-related depositors to maintain the protections afforded by California Government Code Section 27001.1.

Pursuant to California Education Code Section 41015, the District may invest all or part of funds deposited in a Special Reserve Fund or any surplus moneys not required for the immediate necessities of the District provided that, to the extent the District directs funds to specific securities, those securities shall be limited to the following:

1. United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest. The District may invest up to 100 percent of District funds available for investment in this category of securities.
2. Obligations issued by banks for cooperatives, Federal land banks, Federal intermediate credit banks, Federal home loan banks, the Federal Home Loan Bank Board (FHLB), the Tennessee Valley Authority (TVA), or in obligations, participations, or other instruments of, or raised by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association (FNMA), or in guaranteed portions of Small Business Administration (SBA) notes, or in obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise. United States government agencies include: the Federal Farm Credit Bank (FFCB), the Government National Mortgage Association (GNMA), the Federal Home Loan Mortgage Association (FHLMA), the Student Loan Marketing Association (SLMA), and the Federal Housing Administration (FHA). The District may invest up to 100 percent of District funds available for investment in this category of securities.

Other legal investments, as provided in Government Code Sections 16430 and 53601, shall only be utilized with the specific approval of the Board of Trustees.

Authorized Investments

The District shall make investments in the context of the "Prudent Investor Rule," which in substance states that:

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Investment shall be made with the 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 the capital as well as the probable income to be derived.

The District shall deposit all funds received or collected from any sources into the Orange County Treasury, except as provided for through the California Education Code. Funds maintained in a Special Reserve Fund or any surplus funds not required for the immediate necessities of the District shall be available for investment under the conditions set forth in this policy.

1. The Orange County Investment Pool(s) established by the Orange County Treasurer for the benefit of local agencies and/or schools. The District may invest up to 100 percent of District funds available for investment in the Orange County Investment Pool(s).
2. The Local Agency Investment Fund (LAIF) established by the California State Treasurer for the benefit of local agencies. The District may invest up to 100 percent of District funds available for investment in the Local Agency Investment Fund.
3. To the extent that the District directs the investment of District funds to specific securities, those securities shall be limited to the securities identified in California Government Code Section 53601. However, the District will not, under any circumstances, direct the investment of its funds to reverse repurchase agreements unless such transactions are matched to maturity.

Moneys received from the sources, or for the purposes, listed below may be deposited in a bank or other financial institution. Moneys so deposited shall be in a fully-insured or collateralized account(s) or instrument(s). Bank accounts maintained outside of the County Treasury shall be limited to the following: cash clearing account, revolving fund account, self-insured trust account, Tax Revenue and Anticipation Notes (TRANS) proceeds, and other specific bank accounts authorized by the Education Code, including cafeteria and student body organizations.

Compliance with State and Federal Securities Laws

The District will take reasonable steps to ensure that any debt offerings issued by the District comply fully with all applicable state and federal securities laws. In connection with all debt offerings issued by the District, the District will retain bond counsel and disclosure counsel to review the offering materials prepared in connection with the debt offering to ensure that disclosures contained in offering materials comply with state and federal securities laws. The Assistant Superintendent, Business Services, shall be responsible for reviewing the offering materials regarding the accuracy of information disclosed in such materials.

Deposit of Proceeds from the Issuance of Debt

The District shall not issue debt for the sole purpose of generating funds for investment. The District shall limit the issuance of debt for the purposes of meeting short-term cash flow needs and to fund capital projects.

When depositing proceeds from the issuance of debt, the District shall limit such investments to those authorized investments identified in this policy. Should a trust agreement of a particular debt issued by the District be more restrictive than the District's policy on authorized investments, then the trust agreement will take precedence.

Investment Reviews

The Assistant Superintendent, Business Services, will review quarterly reports on investment performance.

Changes to Investment Policy

This administrative regulation shall be reviewed at least annually to ensure its consistency with the objectives of income, growth and safety, and changes in applicable laws and financial trends. Any proposed amendments to the Investment Policy will require approval of the Board of Trustees.

Financial Professionals' Compliance with Investment Policy

All outside investment advisors/managers, attorneys and other financial professionals employed or retained by the District and/or its representatives, including without limitation financial advisers, underwriters, bond counsel, and disclosure counsel, must review the District's investment policy and sign a statement of compliance confirming that they have reviewed the District's investment policy and will fully comply with the policy.

Reference: Civil Code Section 2261; Education Code Sections 41001, 41015;
Government Code Sections 16430, 22001.1, 53601

Regulation approved: March 18, 1997