

<b>Scotts Valley Fire Protection District</b>	
<b>POLICY: 1602</b>	<b>SUBJECT: Investment Policy</b>
<b>DATE APPROVED: 11/12/2025</b>	
<b>BOARD PRESIDENT:</b> 	<b>FIRE CHIEF:</b> 

**Policy Statement**

The Scotts Valley Fire Protection District (hereinafter referred to as the “District”) has a fiduciary responsibility to invest its funds in a manner that provides the highest investment return with the maximum safety of principal, while complying with all applicable laws and regulations. This policy establishes guidelines for the prudent investment of public funds under the District’s control and provides a system for the investment of funds that reflects both safety and liquidity while achieving an appropriate return on investments.

**Purpose**

The purpose of this policy is to:

1. Safeguard the District’s assets by ensuring investments are made with caution and prudence;
2. Establish investment guidelines that comply with Article 1 (commencing with Section 53600) of Title 5, Division 2, Part 1, Chapter 4 of the California Government Code and other applicable laws;
3. Outline specific investment objectives and allowable investment types; and
4. Maximize the return on the District’s investment portfolio within the bounds of acceptable risk.

**Scope**

This policy applies to all financial assets of the District, including but not limited to:

- General Fund reserves;
- Capital Outlay / Zone A funds;
- Debt service funds; and
- Other funds designated for investment by the District

**Legal Authority**

This policy is governed by the California Government Code Section 53600 *et seq.*, which allows local agencies to invest funds in various securities and obligations in a manner that is prudent and safe. The District shall adhere to the restrictions set forth in these sections as well as any other applicable federal or state regulations. Section 53601 provides authority for the District to invest surplus funds in specified securities, provided such securities are delivered to the District, either physically or through book entry, and such investments have a maturity date of five years or less unless otherwise authorized by statute.

**Investment Objectives**

The District’s investment objectives are as follows, in order of priority:

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1. **Safety of Principal:** Investments shall be made in a manner that safeguards and preserves the capital and protects it from loss, including both principal and interest.
2. **Liquidity:** Investments shall be sufficiently liquid to allow the District to meet its operating and capital expenditure requirements.
3. **Return on Investments:** The District shall seek to earn a reasonable return on its investments while maintaining the safety and liquidity of the portfolio.

**Authorized Investments**

To the fullest extent authorized by Section 53600 *et seq.*, the following investments are authorized for the District’s funds, inclusive of financial futures or financial option contracts in such enumerated categories:

1. **Local Agency Bonds:** Bonds issued by the local agency, including those payable solely from revenues of a revenue-producing property owned, controlled, or operated by the local agency or its departments, boards, agencies, or authorities.
2. **U.S. Treasury Securities:** Treasury notes, bonds, bills, or certificates of indebtedness, or those backed by the full faith and credit of the United States.
3. **State Securities:** Registered state warrants, treasury notes, or bonds of California, including those payable solely from revenues of a revenue-producing property owned, controlled, or operated by the state or its departments, boards, agencies, or authorities.
4. **Other State Securities:** Registered treasury notes or bonds of any of the other 49 states, including those payable solely from revenues of a revenue-producing property owned, controlled, or operated by the state or its departments, boards, agencies, or authorities.
5. **Local Agency Securities within California:** Bonds, notes, warrants, or other evidences of indebtedness of a local agency within California, including those payable solely from revenues of a revenue-producing property owned, controlled, or operated by the local agency or its departments, boards, agencies, or authorities.
6. **Federal Agency and Government-Sponsored Enterprise Securities:** Obligations, participations, or other instruments issued by or fully guaranteed as to principal and interest by federal agencies or U.S. government-sponsored enterprises.
7. **Bankers' Acceptances:** Bills of exchange or time drafts drawn on and accepted by a commercial bank, with a maturity not exceeding 180 days and limited to 40% of the agency's investable funds, with no more than 30% in any one bank.
8. **Prime Commercial Paper:** Commercial paper of the highest quality, rated by a nationally recognized statistical rating organization (NRSRO), with specific criteria for issuing entities and a maximum maturity of 270 days. Investment limits vary based on the size of the local agency's investment assets.
9. **Negotiable Certificates of Deposit:** Issued by nationally or state-chartered banks, savings associations, federal associations, state or federal credit unions, or federally or state-licensed branches of foreign banks, limited to 30% of the agency's investable funds.
10. **Repurchase and Reverse Repurchase Agreements:** Agreements involving securities authorized by this section, with specific conditions and limits on terms and collateral requirements.

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11. **Medium-Term Notes:** Corporate and depository institution debt securities with a maximum maturity of five years, rated "A" or better by an NRSRO, limited to 30% of the agency's investable funds.
12. **Shares of Beneficial Interest:** Issued by diversified management companies investing in authorized securities and obligations, including money market funds registered with the SEC, with specific criteria for investment advisers and rating requirements.
13. **Trustee or Fiscal Agent Investments:** Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, invested according to statutory provisions or the local agency's governing documents.
14. **Secured Notes and Bonds:** Notes, bonds, or other obligations secured by a valid first priority security interest in eligible securities, with collateral placed in the custody of a trust company or bank trust department, and perfected according to the Uniform Commercial Code or federal regulations.
15. **Mortgage-Backed Securities:** Mortgage passthrough securities, collateralized mortgage obligations, mortgage-backed or other pay-through bonds, equipment lease-backed certificates, consumer receivable passthrough certificates, or consumer receivable-backed bonds, rated "AA" or better by an NRSRO, with a maximum maturity of five years and limited to 20% of the agency's surplus moneys.
16. **Joint Powers Authority Shares:** Shares of beneficial interest issued by a joint powers authority investing in authorized securities and obligations, with an investment adviser registered with the SEC, having at least five years of experience and managing assets over \$500 million.
17. **International Bank Obligations:** U.S. dollar-denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, rated "AA" or better by an NRSRO, with a maximum maturity of five years and limited to 30% of the agency's investable funds.
18. **Public Bank Securities:** Commercial paper, debt securities, or other obligations of a public bank, as defined in Section 57600.

**Investment Restrictions**

The following restrictions shall apply to the District's investment portfolio:

1. The purchase by the District of any investment authorized by this Policy, not purchased directly from the issuer, shall be from an institution licensed by the State as a broker-dealer, as defined by Corporations Code section 25004, or from a member of a federally regulated securities exchange, from a national or state-chartered bank, from a savings association or federal association (as defined by Section 5102 of the Financial Code) or from a brokerage firm designated as a primary government dealer by the Federal Reserve Bank.
2. No more than 50% of the portfolio may be invested in securities that are not backed by the full faith and credit of the U.S. government or its agencies.
3. The average maturity of the portfolio shall not exceed 5 years.

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4. Investments in securities that have a rating lower than “A” or equivalent by a nationally recognized rating agency shall not be permitted.
5. No investments in derivatives or speculative securities are allowed.
6. No investments in securities that are non-liquid or restricted for sale to the public are allowed without prior approval from the Board.

**Delegation of Authority**

The Board of Directors of the District delegates authority for the day-to-day management of the District’s investment portfolio to the Fire Chief. However, the Fire Chief shall ensure that all investments comply with the guidelines set forth in this policy and shall report to the Board no less than on a quarterly basis.

Although the Board of Directors delegates the investment authority to the Fire Chief, investments shall be restricted to the following options:

- Santa Cruz County Investment Pool
- California Cooperative Liquid Assets Security System (California CLASS)

**Reporting and Oversight**

1. **Annual Reports:** The Fire Chief or District Auditor shall prepare an annual report to the Board on the status of the District’s investment portfolio, and in compliance with Policy 1605 Fiscal Accountability.
2. **Annual Review:** The District’s investment policy shall be reviewed annually by the Fire Chief or designee to ensure its continued relevance and compliance with applicable laws.

**Ethics and Conflicts of Interest**

The Fire Chief and Staff directly involved with financial accountability shall refrain from personal business activity that could conflict with proper execution of the investment program or that could impair their ability to make impartial decisions. Additionally, the Fire Chief shall disclose to the Board any potential conflicts of interest.

**Policy Amendments**

The Board of Directors reserves the right to amend this policy at any time. Any changes shall be approved by the Board.

**Compliance with State Law**

This policy shall at all times be in compliance with the California Government Code and any other applicable state or federal laws and regulations. Any changes to state law or other applicable legal provisions will be reflected in subsequent policy revisions.