

First 5 Commission San Diego

Subject: Investment Policy

Policy Number: CFC-011

Effective Date: September 11, 2006

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Purpose

The California Children and Families Act (Proposition 10) was passed by voters in November 1998. This statewide ballot initiative increased the tax on cigarettes and tobacco products. The revenue is being used to provide comprehensive, integrated systems to promote early childhood development from prenatal period to age five.

The purpose of this document is to identify policies and procedures that shall govern the investment of the First 5 Commission of San Diego (“Commission”). This policy statement is designed to allow for sufficient flexibility in the management oversight process to prolong the life of the fund while setting forth reasonable parameters to ensure prudence and care in the execution of the investment program.

The Investment Policy is based on California State law, specifically Government Code Section 53601. This section shall apply to a local agency that is a city, a district, or other local agency that does not pool money in deposits or investments with other local agencies. The maximum maturity shall be no more than five years, unless the legislative body had granted express authority to make that investment either specifically or as part of an investment program approved by the legislative body no less than three months prior to the investment.

The County Board of Supervisors has granted express authority on March 22, 2005 for an investment program with different allocations and maturity limits than Government Code Section 53601.

Investment Objectives

The long-term goal of the Commission is to ensure that all children in San Diego County enter school “ready to learn.” The Commission will

- fund direct services to children ages 0 to 5 and their families,
- advocate for policy change,
- catalyze and/or lead efforts to coordinate resources, and
- build community capacity to support families.

In September 2004, the Commission approved the 2004-09 Strategic Plan that includes directions for funding priorities, and expecting that revenues from Proposition 10 will decline over time, the Plan states:

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To stabilize funds and extend them over a longer period, Proposition 10 funding not allocated as part of the annual budget process will be invested in a sustaining reserve fund designed to maintain service levels for twenty-year period ending 2022 - 2023. This period will allow for long-term evaluation of children reached through the Commission activities as they enter adulthood.

To ensure the Commission has the maximum level of long-term funds that will maintain service levels that support services for children ages 0 to 5, the Commission must preserve its capital base and, if possible, prudently increase it.

Asset Allocation

The following will serve as the Commission’s policy regarding the book value allocation of its assets at the time of purchase.

<u>Asset Class</u>	<u>Minimum %</u>	<u>Target %</u>	<u>Maximum %</u>
Fixed Income	50	85	90
Cash Equivalents	10	15	50

The asset allocation ranges established by this Investment Policy represent a long-term perspective. As such, rapid unanticipated market shifts may cause the asset mix to fall outside the policy range. In the event a change in the size of the Portfolio causes the asset class maximum percentage to be exceeded, the Treasurer will review the Portfolio and cash flows to determine if the Portfolio should be repositioned to return below the maximum percentage.

Fixed Income - Shall be comprised of permissible investments in the California Government Code 53601 with the exception of maturity limits which will be a maximum of 20 years.

Cash Equivalents – Will be comprised of the San Diego County Pooled Money Fund. Additionally this category will also include money market mutual funds with a minimum credit rating of AAA or equivalent from at least one of the three major ratings firms, Standard & Poor’s, Moody’s or Fitch.

Delegation of Authority

The Commission hereby delegates the authority to the Treasurer-Tax Collector of San Diego County to invest First 5 funds in accordance with this investment policy. This authority will remain in effect until revoked in writing by the First 5 Commission.

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Reporting

The County Treasurer shall submit a monthly investment report to the Commission staff. The report will include: type of investment, issuer, date of maturity par and dollar amount invested on all securities, investments and monies held by the Commission, and shall additionally include a description of any of the Commission funds, investments, or programs, that are under the management of contracted parties, including lending programs. The report shall also include the current market value as of the date of the report, and shall include the source of this same valuation. Included in the monthly report shall be a statement of compliance with the Investment Policy and a statement of the ability to meet cash flow requirements for the next six months.

The Finance Committee will review this Investment Policy on an annual basis and any recommended revisions will be forwarded to the Commission for approval.

Sunset Review: October 2009

Approved:

October 4, 2004

Date

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