NOTICE OF INVESTMENT COMMITTEE MEETING OF THE GROSSMONT HEALTHCARE DISTRICT

An Investment Committee Meeting of Grossmont Healthcare District will be held Tuesday, April 9, 2019 at 12:15 p.m. in the Administrative Conference Room of the Grossmont Healthcare District, 9001 Wakarusa Street, La Mesa, California.

AGENDA — April 9, 2019 – 12:15 p.m.

A. Call To Order

B. Approval of Agenda

C. Public Comment

D. Discussion/Action Items

1. Review FY19/20 Investment Policy (no substantive changes recommended). This item will need to be forwarded to the Board for review and acceptance.

E. Next Meeting

F. Adjournment

Grossmont Healthcare District

Fiscal Year 2018~~9~~-~~19~~20
INVESTMENT POLICY

Grossmont Healthcare District
FY 20189-1920 INVESTMENT POLICY

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Grossmont Healthcare District
Investment Policy

1. POLICY STATEMENT

Grossmont Healthcare District ("District") is a California Special District that derives its power from California State Law. Founded in 1952, the District was created pursuant to the California Health and Safety Code, Section 32121 to address unmet health care needs in the east county suburban areas of San Diego County.

All funds of the District shall be invested in accordance with principles of sound treasury management and in accordance with the provisions of the California Government Code Sections 53600 et seq., (the Municipal Code), which sets forth the investment parameters for local agencies (including districts) in California, and guidelines established by the California Municipal Treasurer's Association, the Association of Public Treasurers, and this Investment Policy ("Policy").

Specifically excluded funds are:

- Funds deposited with the State Public Employees' Retirement System (CalPers).
- Funds deposited with CalPERS for the OPEB Trust.
- Funds held under a 2-party Escrow Agreement

2. INVESTMENT POLICY OBJECTIVES

A. Overall Risk Profile

The objectives of the District's Investment Program are, in order of priority:

1. **Safety of principal of invested funds;**
2. Maintenance of Sufficient **Liquidity** to Meet Cash Flow Needs; and
3. Attainment of the Maximum **Yield** Possible Consistent With the First Two Objectives.

To achieve these objectives, The District shall consider the following when making an investment:

1. Safety of Principal of Invested Funds

The District shall mitigate the risk to the principal of invested funds by limiting credit and interest rate risks. Credit Risk is the risk of loss due to the failure of a security's issuer or backer. Interest Rate Risk is the risk that the market value of the District's portfolio will fall due to an increase in general interest rates.

a) Credit risk will be mitigated by:

(i) Limiting investments to only the most creditworthy types of securities defined as "investment grade" by a Nationally Recognized Statistical Rating Organization (NRSRO) including (a). Standard and Poor's

Rating Service, (b). Moody's Investors Service, (c). Fitch Ratings and (d). Dominion Bond Rating Service.

(ii) By pre-qualifying the financial institutions with which it will do business; and

(iii) By diversifying the investment portfolio so that the potential failure of any one issue or issuer will not place an undue financial burden on the District.

b) Interest rate risk will be mitigated by:

(i) Structuring the District's portfolio so that securities mature to meet the District's cash requirements for ongoing obligations, thereby avoiding the possible need to sell securities on the open market at a loss prior to their maturity to meet those requirements; and

(ii) Investing primarily in shorter term securities.

2. **Liquidity**

The District's investment portfolio shall be structured in a manner which emphasizes that securities mature at the same time the cash is needed to meet anticipated demands (Static Liquidity). Additionally, since all possible cash demands cannot be anticipated, the portfolio should consist of securities with active secondary markets (Dynamic Liquidity). The maximum percentage of different investment instruments and maturities is described in Section 3 of this Policy.

3. **Yield**

Yield on the District's investment portfolio is of secondary importance compared to the safety and liquidity objectives described above. Investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. While it may occasionally be necessary or strategically prudent for the District to sell a security prior to maturity to either meet unanticipated cash needs or to restructure the portfolio, this policy specifically prohibits trading securities for the sole purpose of speculating on the future direction of interest rates.

B. Basic Investment Strategy

The District shall pursue a "passive" strategy of investment under which investments shall be of "laddered" maturities, facilitating a "buy and hold" process where financial instruments are held until maturity rather than actively bought and sold at various times. An "active" strategy of market timing, sector rotation, indexing to a benchmark and similar strategies are considered inappropriate for the size of the District's portfolio. It is understood that it may be appropriate to sell a particular security prior to maturity to meet unanticipated cash needs with the approval of the Investment Committee.

The District's investment portfolio shall be structured to provide that sufficient funds from investments are available each month to meet the District's anticipated cash needs. Subject to the objectives stated above, the choice in investment instruments and maturities shall be based upon an analysis of future anticipated cash needs, existing and

anticipated revenues, interest rate trends and specific market opportunities. No investment may have a maturity of more than five (5) years from its date of purchase without receiving prior Board of Directors approval. After approval by the Board, reserve funds associated with bond issues may have a maturity of more than five (5) years, up to the earliest date the bonds may be redeemed or mature.

3. INVESTMENTS

This section of the Investment Policy identifies the types of investments in which the District will invest its idle or surplus funds.

A. Standard of Prudence

The District operates its investment portfolio under the Prudent Investor Standard (California Government Code Section 53600.3) which states, in essence, that "when investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the District, that a prudent person in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the District".

This standard shall be applied in the context of managing the overall portfolio. Investment officers, acting in accordance with written procedures and this investment policy and exercising the above standard of diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

B. Eligible Securities

The District is provided a broad spectrum of eligible investments under California Government Code Section 53600 et seq. The District may choose to restrict its permitted investments to a smaller list of securities that more closely fits the District's cash flow needs and requirements for liquidity. If a type of investment is added to California State Code 53600, it will not be added to the District's Authorized Investment List until this policy is amended and approved by the Board of Directors. If a type of investment permitted by the District should be removed from California State Code 53600, it will be deemed concurrently removed from the District's Authorized Investment List, but existing holdings may be held until they mature.

The District's Authorized Investment List

- Insured Certificates of Deposit (CD's) of banks or Credit Unions which mature in five years or less, provided that the District's investments shall not exceed FDIC or NCUA limits per institution.
- Negotiable Certificates of Deposit with major domestic banks with short term credit ratings of A1 / P1 by Moody's and Standard & Poors. Limited to 20% of the total portfolio with a maximum of $1 Million per institution.
- Local Agency Investment Fund (State Pool) Demand Deposits.
- San Diego County Treasurer's (County Pool) Pooled Money Fund
- Securities of the U.S. Government, and securities of which the principal and interest is guaranteed by the full faith and credit of the U.S. Government.
- Securities issued by agencies and instrumentalities of the U.S. Government or issued by a Government Sponsored Enterprise (GSE).
- Passbook Savings or Money Market Demand Deposits, subject to the restrictions and limitations set forth in Government Code Section 53638, which states, in essence, the deposit may not exceed the depository bank's equity.
- Money Market Mutual Funds (with a stated objective of maintaining a $1 net asset value) that has been rated AAA by Moody's or any two nationally recognized rating agencies. Limited to 20% of the total portfolio.

Appendix A provides a more detailed description of the authorized investments listed above.

A thorough investigation of any pool or fund is required prior to investing and on a continual basis. The investigation will, at a minimum, obtain the following information:

- A description of eligible investment securities, and a written statement of investment policies and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are distributed.
- A description of how securities are safeguarded (including the settlement process) and how often the securities are marked to market and how often an audit is conducted.
- A description of who may invest in the program, how often, what size deposits and withdrawals are permitted.
- A schedule for receiving statements and portfolio listings.
- Does the pool/fund maintain a reserve or retain earnings or is all income after expenses distributed to participants?
- A fee schedule which also discloses when and how fees are assessed.
- Is the pool or fund eligible for bond proceeds and/or will it accept such proceeds?

The purpose of this investigation is to determine the suitability of a pool or fund and evaluate the risk of placing funds with that pool or fund.

The District will generally avoid "Brokered CD's" pools in which brokers arrange for deposits (usually $250,000 each to obtain federal deposit insurance). Such brokered CD's are frequently issued by failing or marginal institutions whose safety is derived almost exclusively by the existence of federal insurance rather than by the strength of the issuing institution.

One of the purposes of this Investment Policy is to define what investments are permitted. If a type of security is not specifically authorized by this policy, it is <u>not</u> a permitted investment.

C. <u>Qualification of Brokers, Dealers and Financial Institutions</u>

The District Treasurer/Assistant Treasurer or his designee will (1). establish and maintain a list of the financial institutions and broker/dealers authorized to provide investment and depository services to the District, (2). perform an annual review of the financial condition and registrations of the qualified bidders, and (3). require annual audited financial statements to be on file for each approved company. The District shall annually send a copy of its current Investment Policy to all financial institutions and broker/dealers approved to do business with the District. Receipt of the Policy and Enabling Resolution, including confirmation that it has been received and reviewed by the person(s) handling the District's account, shall be acknowledged in writing within thirty (30) days.

All broker-dealers and financial institutions that desire to become qualified bidders for investment transactions must submit a "Broker-Dealer Application" and related

documents relative to eligibility. This includes a current audited financial statement, proof of state registration, proof of NASD registration and a certification they have received and reviewed the District's Investment Policy and agree to comply with the provisions outlined in the Investment Policy. The District Treasurer, Assistant Treasurer or his designee may establish any additional criteria deemed appropriate to evaluate and approve any financial services provider. The selection process for broker-dealers shall be open to both "primary dealers" and "secondary/regional dealers" that qualify under Securities and Exchange Commission Rule 15c3-1 (Uniform Net Capital Rule). The provider must have an office in California and the provider's representative must be experienced in institutional trading practices and familiar with the California Government Code as it relates to investments by a Special District. The current form of the Broker Dealer Questionnaire appears as **Appendix B** of this policy.

D. Collateralization Requirements

Uninsured Time Deposits with banks and savings and loans shall be collateralized in the manner prescribed by state law for depositories accepting municipal investment funds.

E. Diversification

The District will diversify its investments by security type and investment. The District's Treasurer, Assistant Treasurer or his designee and the District's Investments Committee will adopt a strategy that combines current market conditions with the District's cash needs to maintain the maximum degree of safety of principal and liquidity throughout market and budgetary cycles. This strategy will include diversification by investment type and maturity allocations and will be included in the regular quarterly reports to the Board. This strategy will be reviewed quarterly and can be changed accordingly.

F. Confirmations

Receipts for confirmation of purchases or sales of authorized securities shall include at a minimum the following information: trade date, settlement date, description of the security, par value, interest rate, price, yield to maturity, District's name, net amount due and third party custodial information.

4. SAFEKEEPING OF SECURITIES

The District shall contract with a bank or banks for the safekeeping of securities that are owned by the District as a part of its investment portfolio.

All securities owned by the District shall be held in safekeeping by a third party bank trust department acting as agent for the District under the terms of a custody agreement executed by the bank and the District. **All securities will be received and delivered using standard delivery versus payment (DVP) procedures.** The third party bank trustee agreement must comply with Section 53608, which states, in essence, the legislative body of a local agency may deposit its securities for safekeeping with a bank, of the California Government Code. No outside broker/dealer or advisor may have access to District funds, accounts or investments and any transfer of funds must be approved by the District's Chief Executive Officer.

The District's current custodian for General Fund investments is Bank of the West at 2527 Camino Ramon, San Ramon, California, 94583, ATTN: Paul Montaquilla, telephone (866) 748-6862.

The District's current trustee for the 2015C Series investments is MUFG Union Bank, Corporate Trust Department, 445 South Figueroa Street, Suite 410, Los Angeles, California, 90071, ATTN: Nabeel Badawi, telephone (213)236-5918.

Certificates of Deposit purchased directly from local financial institutions may be maintained by the District in a safe deposit box at a local financial institution.

5. STRUCTURE AND RESPONSIBILITIES

This section of the policy defines the overall structure and areas of responsibility within the investment management program.

A. Responsibilities of the District's Treasurer

The District's Treasurer is charged with responsibility for maintaining custody of all public funds and securities belonging to or under the control of the District, and for the deposit and investment of those funds in accordance with principles of sound treasury management, applicable laws, ordinances and this Investment Policy. This includes establishing written procedures for the operation of the investment program consistent with this policy. The procedures should include reference to safekeeping, master repurchase agreements, wire transfer agreements, banking services contracts and depository agreements. Such procedures shall also include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Board of Directors and approved by the Investment Committee.

The Board has made a delegation of authority to the following individuals:

Thomas Saiz, CFO and Assistant Treasurer
Barry Jantz, Chief Executive Officer
Gloria Chadwick~~William Robert Ayres~~, Board Treasurer (a Presidential Appointee)

The current delegation of authority, **Appendix C** hereof, will be provided to all approved financial institutions. They will be notified of any changes to this delegation in a timely fashion and acknowledge receipt.

B. Responsibilities of the Chief Executive Officer

The Chief Executive Officer and Chief Financial Officer are responsible for keeping the Board of Directors fully advised as to the financial condition of the District.

C. Responsibilities of the Board of Directors

The Board shall consider and adopt a written Investment Policy. As provided in that policy, the Board shall receive, review and accept quarterly investment reports.

D. Responsibilities of the Investment Committee

The Investment Committee is appointed annually by the Board President. The Committee shall meet quarterly to discuss cash flow requirements, the quarterly investment reports, investment strategies, investment and banking procedures and significant investment related work projects being undertaken that will affect the District's cash flow management. The Committee's meetings will be summarized in minutes that are distributed to the Board. The Investments Committee, with the approval of the Board, may retain an external investment manager on behalf of the District. The investment manager will be required to act in accordance with this investment policy.

E. Ethics and Conflicts of Interest

All District officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or that could impair their ability to make impartial investment decisions. Those employees and investment officials shall disclose in their Annual Report of Financial Interests any material financial interests in financial institutions that conduct business within the District, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Districts investments.

The District has adopted a Conflict of Interest Code applicable to all elected officials, employees and consultants. It is attached as **Appendix D** to this policy.

6. REPORTING

The District's Assistant Treasurer shall prepare a quarterly investment report, including a succinct management summary that provides a clear picture of the status of the current investment portfolio and transactions made. This management summary shall be prepared in a manner that will allow the Chief Executive Officer and the Board to ascertain whether investment activities during the reporting period have complied with the District's Investment Policy. **Appendix E** provides a sample format for the quarterly report.

The quarterly report shall include the following:

- A list of individual securities held at the end of the reporting period.
-
- yield to maturity of the District's investments.
- Maturity schedule by type, of each of the District's investments.
- Statement of compliance of the District's Investment Policy with California Government Code Section 536000 et seq.
- Statement as to ability to meet all scheduled expenditure requirements for the next six months.
- Market value, book value, par value and cost basis of all investments.

7. PERFORMANCE STANDARDS

The investment portfolio will be managed in accordance with the standards established within this Investment Policy and should obtain a market rate of return throughout budgetary and economic cycles. The Investments Committee will establish and periodically review the District's portfolio benchmarks and performance. A benchmark will be selected that compares with the portfolio composition, structure and investment strategy at that time.

8. REVIEW OF INVESTMENT POLICY

A. Policy Review

This Investment Policy shall be reviewed annually by the Board in accordance with State law to ensure its consistency with respect to the overall objectives of safety, liquidity and yield. Proposed amendments to the policy shall be prepared by the Assistant Treasurer and reviewed by the Investments Committee and District's Legal Counsel and then is forwarded to the Board for consideration. The Investments Committee shall annually review the Investment Policy and any proposed amendments and forward to the Board for its consideration and adoption at a public meeting.

B. Internal Control and Review

The external auditors shall annually review the investments and general activities associated with the investment program to ensure compliance with this Investment Policy. This review will provide internal control by assuring compliance with policies and procedures established by this Investment Policy.

9. DEFINITIONS

The District has adopted the definitions of terms as published by the Association of Public Treasurers of the United States and Canada (APT). The APT Glossary (August 2002 edition) is attached hereto as **Appendix F** of this policy.

10. ADOPTION OF POLICY

This Policy was duly adopted by the Board of Directors of the Grossmont Healthcare District on the 189th day of April~~May~~, 2018~~9~~.

APPENDIX A
DESCRIPTION OF INVESTMENTS

The Grossmont Healthcare District's investments may be placed in those securities as outlined below; the allocation between the various investment instruments may change in order to give the District the best combination of safety, liquidity and higher yield. Surplus funds of local agencies may only be invested in certain eligible securities. The District limits its investments to allowable securities under the State of California statutes (Government Code Section 53600, et seq., Section 53356, which states, in essence, the election approving the indebtedness required more than two-thirds of the votes cast,, et seq., and Section 53595, et seq., which states, in essence, "debt instruments" of a local agency include bonds, notes, certificates of participation, or other evidences of indebtedness) and is further limited to those listed below.

Certificates of Deposit

Certificates of deposit allow the District to select the exact amount and day of maturity as well as the exact depository. Certificates of deposit are issued in any amount for periods of time as short as fourteen days and as long as several years. At any given time, the District may have certificates of deposit in numerous financial institutions.

Collateral is not required for that portion of a deposit, which is insured pursuant to federal law. Non-negotiable CD's for amounts in excess of federal insurance are not permitted.

Local Agency Investment Fund

The Local Agency Investment Fund (LAIF) of the State of California offers high liquidity because deposits can be wired to the District checking account within twenty-four hours. Interest is computed on a daily basis.

This is a special fund within the State Treasury, which local agencies may use to deposit funds for investment. There is no minimum investment period and the minimum transaction is $5,000 in multiples of $1,000 above that, with a maximum of $40,000,000 for any public agency investor. It offers high liquidity because deposits can be converted to cash within twenty-four hours and no interest is lost. All interest is distributed to those agencies participating on a proportionate share determined by the amounts deposited and the length of time they are deposited. Interest is paid quarterly and is added to the principal balance.

The State charges participants a small fee to cover reasonable costs associated with operating the investment pool, not to exceed one-quarter of one percent of the earnings.

The interest rates received are fairly stable because of the pooling of the State's surplus cash with the surplus cash deposited by local governments. This creates a well- diversified multi-billion dollar money pool.

San Diego County Treasurer's Pooled Money Fund

The San Diego County Treasurer's Pooled Money Fund (County Pool) is managed by San Diego County investment staff on behalf of the County, school districts, colleges, special districts, and agencies. The County Pool's objective is to safeguard principal, maintain liquidity and to achieve a market investment return.

The County Pool invests a minimum of 25% in securities maturing within 90 days, 50% maturing in one year or less and the remainder of the portfolio in securities maturing in five years or less.

The County Pool is rated AAAf/S1 by Standard & Poors.

U.S. Treasury Securities

U.S. Treasury securities are highly liquid and considered the safest of all investments because they are backed by the full faith and credit of the United States Government.

U.S. Treasury Bills are direct obligations of the United States Government. They are issued weekly with maturity dates up to six months. They are issued and traded on a discount basis and the interest is figured on a 360-day basis using the actual number of days to maturity. They are issued in the minimum amount of $10,000 and in multiples of $5,000 thereafter with a maximum established with each issue.

U.S. Treasury Notes are direct obligations of the United States Government. They are issued throughout the year with maturities from 2 up to 30 years. Notes are coupon securities paying a fixed amount every six months. The District will not invest in notes having maturities longer than five years.

Federal Agency Securities and Government Sponsored Enterprises

Federal Agency securities are highly liquid and considered to be virtually without credit risk. Federal Agency issues have a partial guarantee directly by the United States Government and are considered "moral" obligations of the U.S. Government (implied guarantee). All Agency obligations that are fixed-rate and meet the maturity restrictions of the State Code and this policy qualify as legal investments and are acceptable as security for public deposits. They usually provide higher yields than regular Treasury issues with all of the same advantages. Examples are:

FNMA's (Federal National Mortgage Association) are used to assist the home mortgage market by purchasing mortgages insured by the Federal Housing Administration and the Farmers Home Administration, as well as those guaranteed by the Veterans Administration.

FHLB's (Federal Home Loan Bank Notes and Bonds) are issued by the Federal Home Loan Bank System to help finance the housing industry. The notes and bonds provide liquidity and home mortgage credit to savings and loan associations, mutual savings banks, cooperative banks, insurance companies and mortgage-lending institutions.

Other Federal Agency issues are **Federal Home Loan Mortgage Corporation (FHLMC), Federal Farm Credit Bank (FFCB), Small Business Administration Notes (SBA's), Tennessee Valley Authority (TVA's)** and the **Student Loan Marketing Association (SLMA's).**

Passbook Savings or Money Market Account

Passbook savings account allows us to transfer money from checking to savings and earn interest on smaller amounts of money, which are not available for a longer-term investment.
The passbook savings account is similar to a CD, except not for a fixed term. The interest rate is much lower than CD's, but the savings account provides daily liquidity and funds can be deposited and withdrawn according to our daily needs.

Mutual Funds

Mutual funds allow the District to maintain liquidity and receive money market rates. Mutual Funds are referred to in the Government Code, Section 53601.L, as "shares of beneficial interests issued by diversified management companies". The Mutual Fund must be restricted by its prospectus to be a "Money Market" mutual fund and be limited to the same approved investments as LAIF. These investments include U.S. Treasury and Agency issues, Bankers Acceptances, Commercial Paper, Repurchase Agreements, Certificates of Deposit, and Negotiable Certificates of Deposit. The quality rating and percentage restrictions in each investment category applicable to LAIF also apply to any Mutual Fund.

One of the stated objectives of the Money Market Mutual Fund must be to attempt to maintain a $1.00 Net Asset Value (NAV). A further restriction is that the purchase price of shares of any mutual fund shall not include any sales commission. Investments in mutual funds shall not exceed 20% of the District's surplus money.

Grossmont Healthcare District

APPENDIX B
BROKER/DEALER QUESTIONNAIRE

1. **Name of Firm:** _____

2. **Address:** _____

   _____

3. **Telephone:** _____

4. **Principal(s)/Manager(s)/Partner(s):**

   Name: _____ Title: _____

   Name: _____ Title: _____

5. **Is your firm:**

   Broker? Yes □ No □ (a firm that does not own the securities being offered)

   Dealer? Yes □ No □ (a firm that owns a position in the securities being offered)

6. **Year founded:** _____

7. **Firm's total volume of U.S. government securities traded in most recent fiscal year:**

   $ _____

8. **Financial instruments most regularly offered:** _____

   _____

   _____

9. **References: (Public sector clients in the local geographical area are preferred):**

Name: _____

Title: _____ Telephone: _____

Address: _____

Name: _____

Title: _____ Telephone: _____

Address: _____

Name: _____

Title: _____ Telephone: _____

Address: _____

10. **Local office and representative assigned to the Grossmont Healthcare District account:**

Address: _____

Name: _____ Title: _____

11. **Has any client sustained a loss on a securities transaction engendered from a misunderstanding or misrepresentation of the risk characteristic of the financial instrument?**

Yes ☐ No ☐

If Yes, please explain: _____

_____

12. **Has your firm, its employees, or local office been the subject of a state or federal investigation for alleged unfair, illegal, or fraudulent activities?**

Yes ☐ No ☐

If Yes, please explain: _____

_____

13. **Please explain your usual custody or delivery process. Who audits these fiduciary systems?**

_____

_____

_____

14. **Describe the capital line and trading limits imposed on the office that would service the account and conduct business with the Grossmont Healthcare District.**

_____

_____

15. **Please enclose recent financial statements and/or other indications of your firm's capitalization.**

16. **Please describe the limits of insurance (Securities Investor Protection Corporation, excess SIPC, etc.) available:**

_____

_____

_____

17. **Please provide proof of National Association of Securities Dealers (NASD) certification.**

18. **Please provide proof of registration with the State of California.**

19. **Please provide proof that your firm is qualified under SEC Rule 15C3-1 (Uniform Net Capital Rule).**

20. **What information do you require of the Grossmont Healthcare District?**

_____

_____

21. **What transaction documents can the Grossmont Healthcare District expect to receive from you?**

_____

_____

22. **Please confirm that your representatives have read and understand the Grossmont Healthcare District Investment Policy and that they are familiar with Government Code Sections 53600 et seq.**

Attach resumes of all persons receiving a copy of our investment policy:

Name: _____ **Title:** _____

Name: _____ **Title:** _____

Name: _____ **Title:** _____

APPENDIX C
DELEGATION OF AUTHORITY

The following named individuals are hereby designated authority to act as authorized agents of the Grossmont Healthcare District including the purchase and sale of public funds and securities:

Barry M. Jantz, Chief Executive Officer
Thomas J. Saiz, Assistant Treasurer

This designation shall remain valid until rescinded, superseded or my successor has been designated by the Board President.

Executed this 18th day of May, 2018

_____

Gloria Chadwick~~William Robert Ayres~~
Treasurer, Grossmont Healthcare District Board of Directors

APPENDIX D
CONFLICT OF INTEREST CODE
OF
GROSSMONT HEALTHCARE DISTRICT

1. Standard Code of FPPC

The Political Reform Act of 1974 (Government Code Sections 81000, et seq.) requires each state and local government agency to adopt and promulgate a conflict of interest code. The Grossmont Healthcare District has adopted heretofore such a code which should be revised and updated. The Fair Political Practices Commission (FPPC) has adopted a regulation (2 Cal. Code of Regulations, Section 18730) which contains the terms of a standard conflict of interest code, which can be incorporated by reference as a district's code. After public notice and hearing the regulation may be amended by the FPPC to conform to amendments in the Political Reform Act.

2. Adoption of Standard Code of FPPC

The terms of 2 California Code of Regulations Section 18730 and any future amendments to it duly adopted by the FPPC are hereby incorporated by reference. This regulation and the Appendix "A" attached hereto designating officials and employees and establishing disclosure categories shall constitute the Conflict of Interest Code of the Grossmont Healthcare District. This Code shall take effect when approved by the Grossmont Healthcare District Board of Directors and shall thereupon supersede all prior codes adopted by the Grossmont Healthcare District.

3. Filing of Statements of Economic Interests

Pursuant to Section 4 of the standard code, designated employees set forth in the appendix shall file statements of economic interests with the Executive Secretary of the Grossmont Healthcare District. Upon receipt of the statements of the members of the board of directors and the Chief Executive Officer the executive secretary shall make and retain copies and forward the originals of these statements to the Clerk of the San Diego County Board of Supervisors. Statements for all other designated employees shall be retained by the Grossmont Healthcare District.

General Provisions

4. Designated employees listed in Column I must disclose investments in business entities and sources of income which manufacture, distribute, sell or supply the goods or services listed in Column II.

5. Investments in any business entity or sources of income which are entities or persons engaged in the following health care facilities, services, equipment, instruments, materials, supplies or business listed in the categories.

I Designated Employees	II Categories Disclosed
Candidates Running for the Office of Board of Directors	All
Board of Directors	All
Assistant Treasurer	All
Assistant Secretary	All
Chief Executive Officer	All
General Counsel	All

CATEGORIES

1. Real property
2. Medical laboratories
3. Radiology
4. Pharmaceutical
5. Dietetic or kitchen
6. Laundry
7. Ambulance
8. Medicines or drugs
9. Housekeeping
10. Computers
11. Construction
12. Architectural or design
13. Insurance
14. Equipment rental
15. Printing, reproduction or newspapers
16. Banks and savings and loan institutions
17. Investment or securities
18. Financial audit
19. Maintenance or janitorial
20. Collection agencies
21. Employment agencies
22. Temporary health agencies or services
23. Safety
24. Communications
25. Healthcare organizations

APPENDIX E
QUARTERLY INVESTMENT REPORT FORMAT
(See Sample – Pages 21a thru 21n)

APPENDIX F
GLOSSARY

Following is an example of common treasury terminology (Source: *Association of Public Treasurers of the United States and Canada. Revised August 2002*).

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

ASKED: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit, or other property that a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DERIVATIVES: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued a discount and redeemed at maturity for full face value, e.g. U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small-business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to $250,000 per deposit.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks) that lend funds and provide correspondent banking services to member commercial

banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA, was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA, or FMHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase – reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state – the so-called legal list. In other states the trustee may invest

in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money, that is, increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15C3-1: See Uniform Net Capital Rule.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations that have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to ten years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called *net capital rule* and *net capital ratio.* Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage.

(a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security.
(b) **NET YIELD** or **YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.