



P. O. Box 95  
San Andreas, CA 95249  
(209) 754-4468 Phone  
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**Special Finance Committee Meeting**

**Wednesday July 18, 2018**

**9:00 am**

**Mark Twain Medical Center Education Center - Classroom 5  
San Andreas, CA**

**Agenda**

Mark Twain Health Care District Mission Statement

“Through community collaboration, we serve as the stewards of a community health system that ensures our residents have the dignity of access to care that provides high quality, professional and compassionate health care”.

1. **Call to order:**
2. **Roll Call:**
3. **Approval of Agenda:** Action
4. **Public Comment On Matters Not Listed On The Agenda:**

The purpose of this section of the agenda is to allow comments and input from the public on matters within the jurisdiction of the Mark Twain Health Care District not listed on the Agenda. (The public may also comment on any item listed on the Agenda prior to Committee action on such item.) **Limit of 3 minutes per speaker.** The Committee appreciates your comments however it will not discuss and cannot act on items not on the agenda.

5. **Consent Agenda:** Action

All Consent items are considered routine and may be approved by the Committee without any discussion by a single roll-call vote. Any Board Member or member of the public may remove any item from the Consent list. If an item is removed, it will be discussed separately following approval of the remainder of the Consent items.

**This Institution is an Equal Opportunity Provider and Employer**

**A. Un-Approved Minutes:**

- Un-Approved Finance Committee Meeting Minutes for June 13, 2018

**B. Bank and Investment Statements:**

- Bank of Stockton (6-30-2018):

**C. County Auditor / Controller' May Report:**

**6. New Business:**

A. Acknowledgement of Report of Proposed Debt Issuance- State of CA:

**7. Controller's Report: Action.....Mr. Krieg**

- Financial Status, Trends, Long-Term Views and Cashflow:
- June Financials Will Be Presented to The Committee:
- Financial Dashboard:

**8. Treasurer's Report:.....Ms. Atkinson**

- Investments Policy No. 22: Action
- New Accounting Services and Discussion:
- Report on Special Districts' Leadership Training:

**9. Comment and Future Agenda Items:**

**10. Next Meeting:**

- The next meeting will be August 8, 2018

**11. Adjournment: Action**

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Agenda – July 18, 2018 MTHCD Special Finance Committee Meeting



P. O. Box 95  
San Andreas, CA 95249  
(209) 754-4468 Phone  
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**Finance Committee Meeting**

**Wednesday June 13, 2018**

**9:00 am**

**Mark Twain Medical Center Education Center - Classroom 5  
San Andreas, CA**

**Un - Approved Minutes**

Mark Twain Health Care District Mission Statement

“Through community collaboration, we serve as the stewards of a community health system that ensures our residents have the dignity of access to care that provides high quality, professional and compassionate health care”.

**1. Call to order:**

Ms. Atkinson, Treasurer, called the meeting to order at 9:04am

**2. Roll Call:**

Present for roll call was Ms. Atkinson, MSW and Ms. Radford, FNP.

**3. Approval of Agenda: Action**

Ms. Radford moved to approve the agenda. Ms. Atkinson provided her second and the message passed 2-0.

**4. Public Comment On Matters Not Listed On The Agenda:**

Hearing None

**5. Consent Agenda: Action**

A. Un-Approved Minutes:

- Un-Approved Finance Committee Meeting Minutes for May 9, 2018:

**B. Bank and Investment Statements:**

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- **Bank of Stockton (4-30-2018):**

Dr. Smart: The Bank of Stockton hasn't had any activity but will when the VS Clinic Project begins.

Ms. Radford moved to approve the Consent Agenda. Ms. Atkinson provided her second and the motion passed 2-0.

## **6. Controller's Report: Action**

- **Financial Status, Trends, Long-Term Views and Cashflow:**
- **May Financials Will Be Presented to The Committee:**
- **Financial Dashboard:**

Mr. Krieg: Reviewed the Financial Dashboard; MTMC had an operational loss of \$460K. The Balance Sheet reflects the District received an apportionment from the County Controller. He suggested the District develop a policy on expense and capitalization guidelines as it will be very important for the VS Clinic Project. Consulting costs are up as expected.

Dr. Smart: The first check from USDA will reimburse the District \$400k (+/-) for VS Clinic Project costs.

Mr. Malcoun: Will add another column to the List of Renters and Leases Schedule to reflect the percentage the rental contracts represent. He will also put legal costs on the dashboard.

Ms. Radford moved to approve the May Financials. Ms. Atkinson provided her second and the motion passed 2-0.

## **7. Treasurer's Report:**

- **Investments Policy No. 22 Update:**

Ms. Atkinson: The Investment Policy No. 22 is complex. Moving forward the Committee wanted to select a Finance Committee Community Member and give that person time to review Policy No. 22 then to make a recommendation to the Board in July.

- **Recommendation to the Board:**
  - **Recommend Selection of Mark Smith as the Community Finance Member:**  
Action

Ms. Atkinson: The Finance Committee along with staff and Mr. Krieg interviewed two for the Finance Committee Community Member position and was pleased with the outcome.

Dr. Smart: Was pleased with the two applicants and excited to see Mark Smith's qualifications.

**This Institution is an Equal Opportunity Provider and Employer**

Ms. Radford: Moved to recommend Mr. Smith at the June Board meeting. Ms. Atkinson provided her second and the motion passed 2-0.

Dr. Smart: Received an invitation to meet with Jeff Kantor, Umpqua Bank. He will be scheduling a future meeting and ask if he can attend the July Finance Committee Mtg.

**8. Executive Director’s Report.....Dr. Smart**

**• New Accounting Services and Discussion:**

Dr. Smart: The current lease has a provision for the District to pay for MTMC staff to do their accounting functions. With the new lease the District will have to secure other accounting options, so it has been placing want ads throughout the County with no response. Next, he will do a target RFP and circulate through CSDA.

**• Draft 2018-2019 Budget (last updated 5-22-2018):**

**○ Recommendation to the Board – Action**

Dr. Smart: Referenced the summary pages as he answered questions regarding the draft 2018-2019 budget; the draft budget was a collaboration with input being gathered from all Board members. He and Mr. Krieg will work on assumptions to present along with the draft budget at the June meeting. This budget has consideration for hiring of some employees to work at the VS Clinic starting in March 2019.

Ms. Atkinson: Thought legal should be raised to \$60k.

Ms. Mills: The Chronic Program closed the program and didn’t use all the grant money.

Dr. Smart: Suggested the Capital Replacement Reserve be changed to read Designated Fund Reserve. These funds will be earmarked for specific future uses.

Mr. Krieg: Suggested \$7mill wasn’t enough in the Capital Replacement Reserve Fund and that the District should consider adding additional amounts annually.

Mr. Smith: Requested a Cash Flow Schedule, numbering of the report pages and for a comparison to be done.

Mr. Krieg: Will do a 2018-2019 budget comparison, make changes to the draft budget, do a narrative and forward to District staff to include in the June Board meeting materials.

Ms. Radford moved to recommend the draft budget including modifications and be presented to the Board. Ms. Atkinson provided her second and the motion passed 2-0.

**9. Comment and Future Agenda Items:**

Ms. Radford: Congratulated Dr. Smart for getting the word out about Measure A and for addressing the rumors.

Ms. Atkinson: Reminded everyone that due to scheduling the next meeting will not be on July 11<sup>th</sup>. It has been scheduled for July 12<sup>th</sup> at 1pm. July 11<sup>th</sup> will be a Special Board meeting to award the VS Clinic Bid.

**10. Next Meeting:**

- The next meeting will not be July 11<sup>th</sup> but instead will be **July 12, 2018 at 1pm.**

**11. Adjournment: Action**

Ms. Radford moved to adjourn the meeting at 11:07am. Ms. Atkinson provided her second and the motion passed 2-0.

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Rebecca Callen  
Auditor-Controller  
(209) 754-6343

891 Mountain Ranch Rd.  
San Andreas, CA 95249  
FAX (209) 754-6888

MEMORANDUM

TO: Special Districts  
FROM: Rebecca Callen, Auditor-Controller  
DATE: Thursday, June 28, 2018  
SUBJ: May 2018 is closed

May is now closed.

- As of 7/1/18, 4990 and 5890 (trust fund) revenue and expense will no longer be allowed.
- Please recall that July 1<sup>st</sup> will have ZERO cash. Until my office closes 2017/18, we will not be able to roll assets, liabilities, or fund balances from 6/30/18. I am projecting to be able to do that process the second week of August. To determine where your cash position is, please continue to run the balance sheet from 6/30/18 and factor in the 2018/19 revenue and expenses that will be posting starting July 1. Additionally, my staff can always assist with that analysis, if needed.

Should you have any questions, feel free to contact us directly.



**County of Calaveras  
General Ledger Summary  
Balance Sheet Accounts  
As of 5/31/2018**

**Fund 2720 Mark Twain Hospital**

<u>Object Code</u>	<u>Object Description</u>	<u>Balance</u>
<b><u>Assets</u></b>		
1006	Cash in Treasury	10,159.48
Total Assets		<u>\$10,159.48</u>
<b><u>Liabilities</u></b>		
Total Liabilities		<u>\$0.00</u>
<b><u>Fund Balance</u></b>		
3002	Fund Bal Unreserv/Undesign	68,162.66
Total Fund Balance		<u>\$68,162.66</u>
Year-to-Date Revenues		\$948,788.05
Year-to-Date Expenditures		\$1,006,791.23
Year-to-Date Transfers In		\$0.00
Year-to-Date Transfers Out		\$0.00
Year-to-Date Clearing Accounts		<u>\$0.00</u>
Total Fund Equity		<u>\$10,159.48</u>
Total Liabilities and Fund Equity		<u><u>\$10,159.48</u></u>

**County of Calaveras  
Budget and Actuals by Budget Class**

As of 5/31/2018

Fiscal Year: 2017

		Budget Version-	Budget	Encumbrance	Y-T-D Actuals	Balance	% Remaining
<b>Org Key:</b>	27200010	Mark Twain Hospital					
<b><u>Taxes</u></b>							
4010	Current Secured Taxes		0.00	0.00	905,585.92	(905,585.92)	0.00 %
4013	SB2557 Reduction		0.00	0.00	(20,069.55)	20,069.55	0.00 %
4015	Unitary Taxes		0.00	0.00	25,392.86	(25,392.86)	0.00 %
4017	Suppl Current Secured Taxes		0.00	0.00	6,525.46	(6,525.46)	0.00 %
4020	Current Unsecured Taxes		0.00	0.00	13,294.10	(13,294.10)	0.00 %
4027	Suppl Current Unsecured Taxes		0.00	0.00	122.80	(122.80)	0.00 %
4040	Prior Unsecured Taxes		0.00	0.00	380.83	(380.83)	0.00 %
4465	State Timber Tax		0.00	0.00	3,623.98	(3,623.98)	0.00 %
<b>Total Taxes</b>			<b>0.00</b>	<b>0.00</b>	<b>934,856.40</b>	<b>(934,856.40)</b>	<b>0.00</b>
<b><u>Revenue From Use of Money/ Property</u></b>							
4300	Interest		0.00	0.00	501.05	(501.05)	0.00 %
<b>Total Revenue From Use of Money/ Property</b>			<b>0.00</b>	<b>0.00</b>	<b>501.05</b>	<b>(501.05)</b>	<b>0.00</b>
<b><u>Intergovernmental Revenue- State</u></b>							
4463	State Homeowners Prop Tax Rel		0.00	0.00	11,186.60	(11,186.60)	0.00 %
4580	State Other Aid		0.00	0.00	0.00	0.00	0.00 %
<b>Total Intergovernmental Revenue- State</b>			<b>0.00</b>	<b>0.00</b>	<b>11,186.60</b>	<b>(11,186.60)</b>	<b>0.00</b>
<b><u>Misc. Revenue</u></b>							
4724	Other Miscellaneous Revenue		0.00	0.00	2,244.00	(2,244.00)	0.00 %
<b>Total Misc. Revenue</b>			<b>0.00</b>	<b>0.00</b>	<b>2,244.00</b>	<b>(2,244.00)</b>	<b>0.00</b>
<b>Total Revenue</b>			<b>0.00</b>	<b>0.00</b>	<b>948,788.05</b>	<b>(948,788.05)</b>	
<b><u>Services and Supplies</u></b>							
5411	Special Department Expense		0.00	0.00	1,006,791.23	(1,006,791.23)	0.00 %
<b>Total Services and Supplies</b>			<b>0.00</b>	<b>0.00</b>	<b>1,006,791.23</b>	<b>(1,006,791.23)</b>	<b>0.00</b>
<b>Total Expenses</b>			<b>0.00</b>	<b>0.00</b>	<b>1,006,791.23</b>	<b>(1,006,791.23)</b>	
<b>Total Revenue</b>			<b>0.00</b>	<b>0.00</b>	<b>948,788.05</b>	<b>(948,788.05)</b>	
<b>Total Expenses</b>			<b>0.00</b>	<b>0.00</b>	<b>1,006,791.23</b>	<b>(1,006,791.23)</b>	
<b>Key Total for</b>	<b>27200010</b>		<b>0.00</b>	<b>0.00</b>	<b>(58,003.18)</b>	<b>58,003.18</b>	

**County of Calaveras  
Detail Activity Report  
As of 5/31/2018**

Fiscal Year: 2017 - 2018

Dept. Head: 19 - District

Org Key: 27200000 - Mark Twain Hosp Admin

		Status	Budget	Encumbrance	Y-T-D Actuals	Balance	Percent Remaining
27200000	Mark Twain Hosp Admin	Budget Balance (includes activity below)					
3002	Fund Bal Unreserv/Undesign		0.00	0.00	68,162.66	(68,162.66)	0.00 %
<b>Net - Mark Twain Hosp Admin</b>			<b>\$0.00</b>	<b>\$0.00</b>	<b>68,162.66</b>	<b>\$0.00</b>	<b>0.00 %</b>
27200010	Mark Twain Hospital	Budget Balance (includes activity below)					
4010	Current Secured Taxes		0.00	0.00	905,585.92	(905,585.92)	0.00 %
4013	SB2557 Reduction		0.00	0.00	(20,069.55)	20,069.55	0.00 %
4015	Unitary Taxes		0.00	0.00	25,392.86	(25,392.86)	0.00 %
4017	Suppl Current Secured Taxes		0.00	0.00	6,525.46	(6,525.46)	0.00 %
4020	Current Unsecured Taxes		0.00	0.00	13,294.10	(13,294.10)	0.00 %
4027	Suppl Current Unsecured Taxes		0.00	0.00	122.80	(122.80)	0.00 %
4040	Prior Unsecured Taxes		0.00	0.00	380.83	(380.83)	0.00 %
4300	Interest		0.00	0.00	501.05	(501.05)	0.00 %
4463	State Homeowners Prop Tax Rel		0.00	0.00	11,186.60	(11,186.60)	0.00 %
05/01/2018	HOPTR 35% DEC	JE	TX051700015	JKT050118A	/	N/A..N/A	-3,915.31
05/01/2018	HOPTR 35% APR	JE	TX051700016	JKT050118B	/	N/A..N/A	-3,915.31
05/31/2018	HOPTR 15% MAY	JE	TX051700017	JKT053118D	/	N/A..N/A	-1,677.99
<b>Total of Transactions For: 4463</b>						<b>-9,508.61</b>	
4465	State Timber Tax		0.00	0.00	3,623.98	(3,623.98)	0.00 %

**County of Calaveras  
Detail Activity Report  
As of 5/31/2018**

Fiscal Year: 2017 - 2018  
 Dept. Head: 19 - District  
 Org Key: 27200010 - Mark Twain Hospital

				Status	Budget	Encumbrance	Y-T-D Actuals	Balance	Percent Remaining
05/31/2018	TIMBER TAX APPORT	JE	TX051700014	JKT053118C	/	N/A..N/A	-650.87		
<b>Total of Transactions For: 4465</b>							<u>-650.87</u>		
4580	State Other Aid				0.00	0.00	0.00	0.00	0.00 %
4724	Other Miscellaneous Revenue				0.00	0.00	2,244.00	(2,244.00)	0.00 %
5411	Special Department Expense				0.00	0.00	1,006,791.23	(1,006,791.23)	0.00 %
05/10/2018	MARK TWAIN HEAL 2017-18	OH	2720050818	OH150182	/	W006413	389,539.50		
<b>Total of Transactions For: 5411</b>							<u>389,539.50</u>		
<b>Net - Mark Twain Hospital</b>					<b>\$0.00</b>	<b>\$0.00</b>	<b>-58,003.18</b>	<b>\$58,003.18</b>	<b>0.00 %</b>



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**CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION**

915 CAPITOL MALL ROOM 400  
PO BOX 942809  
SACRAMENTO, CA 94209-0001  
TELEPHONE: (916) 653-3269  
FAX: (916) 654-7440

June 22, 2018

**TO:** Blythe Fleet  
Quint & Thimmig LLP  
900 Larkspur Landing Circle Ste 270  
Larkspur, CA 94939-1726

**FROM:** Mark Campbell, Executive Director

**RE: ACKNOWLEDGEMENT OF REPORT OF PROPOSED DEBT ISSUANCE**

California Government Code Section 8855(i) requires written notice to be given to the California Debt and Investment Advisory Commission (CDIAC) no later than 30 days prior to the proposed sale of any debt issue.

CDIAC acknowledges receipt of your notice of the following proposed debt issuance:

**CDIAC Number:** 2018-1456  
**Issuer:** Mark Twain Health Care District  
**Project:** Certificates of Participation (2018 Capital Improvement Project)  
**Proposed Amount:** \$6,000,000  
**Proposed Sale Date:** July 25, 2018  
**Date Notice Received:** June 21, 2018

Issuers may electronically file the Report of Final Sale (RFS) through CDIAC's website, using the following CDIAC number and password, which are unique to this filing and must be used for any subsequent reporting under this CDIAC number.

CDIAC Number: 2018-1456  
Password: 413100

In accordance with Government Code Section 8855(j), the RFS for this issue must be submitted not later than 21 days after the sale of the debt. The RFS may be submitted electronically at <http://www.treasurer.ca.gov/cdiac/reporting.asp>. An official statement or other financing documents must accompany the RFS.

Any questions regarding reporting requirements may be directed to CDIAC's Data Unit by email at [CDIAC\\_Issuance@treasurer.ca.gov](mailto:CDIAC_Issuance@treasurer.ca.gov) or by telephone at (916) 653-3269.

Cc: Randy Smart  
Executive Director

**Investments; Amortization of Capital Assets; Reserves**

**22.1** It is the policy of the Mark Twain Health Care District (“District”) to provide guidelines for the prudent investment of District funds and to maximize the efficiency of the District’s cash management. The ultimate goal is to enhance the economic status of the District consistent with the prudent protection of the District’s investments. This investment policy has been prepared in conformance with all pertinent existing laws of the State of California including California Government Code Sections 53600, *et seq.*

**22.2 Scope**

This policy covers all funds and investment activities of the District except for (1) the proceeds of bond issues, which are invested in accordance with provisions of their specific bond indentures, and (2) funds invested in retirement or deferred compensation plans. All funds covered by this policy are defined and accounted for in the District’s audited annual Basic Financial Statements Report. Further, any new funds created shall be covered by this policy unless specifically excluded by District management and the Board of Directors.

**22.3 Prudent Investor Standard**

The District operates its investment portfolio under the Prudent Investor Standard (California Government Code Section 53600.3) which states, 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 familiar 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.

**22.4 Investment Objectives**

- A. When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing the District’s funds,
  - 1. The primary objective is to safeguard the principal of the funds.
  - 2. The secondary objective is to meet the liquidity needs of the District.
  - 3. The third objective is to achieve a reasonable market rate of return on invested funds.

It is the policy of the District to invest public funds in a manner to obtain the highest yield obtainable with the maximum security while meeting the daily cash flow demands of the District as long as investments meet the criteria established by this policy for safety and liquidity and conform to all laws governing the investment of District funds.

MTHCD Board Policy No. 22 - Investments; Amortization of Capital Assets; Reserves Board Approved \_\_\_\_\_

(Last Up-Dated July 7, 2018)

## **B. Safety of Principal**

Safety of principal is the foremost objective of the District. Each investment transaction shall seek to first ensure that capital losses are avoided, whether they arise from securities defaults, institution default, broker-dealer default, or erosion of market value of securities. 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.

### 1. Credit risk will be mitigated by:

- a. Limiting investments to only the most creditworthy types of securities;
- b. Prequalifying the financial institutions with which the District will do business, using a questionnaire or other screening tool and
- c. Diversifying the investment portfolio so that the potential failure of any one issue or issuer will not place undue burden on the District.

### 2. Interest rate risk will be mitigated by:

- a. Structuring the District's portfolio so that securities mature to meet the District's cash requirements for ongoing obligations, thereby reducing the possible need to sell securities on the open market at a loss prior to their maturity to meet those requirements; and
- b. Investing a portion of the portfolio in shorter-term securities.

## **C. Liquidity**

Availability of sufficient cash to pay for current expenditures shall be maintained in money market funds, local government investment pools that offer daily liquidity, repurchase agreements, or short-term securities that can easily be converted into cash because they have secondary markets. The accounting management system of the District shall be designed to accurately monitor and forecast expenditures and revenues to ensure the investment of monies to the fullest extent possible.

## **D. Rates of Return**

Yield on investments shall be considered only after the basic requirements of safety and liquidity have been met. The investment portfolio shall be designed to attain a market average rate of return throughout economic cycles, taking into account the District's risk constraints, the composition and cash flow characteristics of the portfolio, and applicable laws.

## **22.5 Delegation of Authority**

Authority to manage the District's investment program is derived from the California Government Code Section 53600 *et.seq.* The Board of Directors (the "Board") is responsible for the management of the portfolio and shall approve the systems of controls that regulate the activities of internal staff and external investment advisors. The Board hereby delegates responsibility for developing and implementing the investment program to the Executive Director (the "ED"), who shall establish written procedures for the operation of the investment program consistent with this investment policy. Such procedures shall authorize the ED to execute investment transactions or to delegate day-to-day investment decision making and execution authority to an investment advisor. The rights and responsibilities delegated to an investment advisor must be in a written agreement. The investment advisor shall make all investment decisions and transactions in accordance with California Government Code and District policy. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the ED and approved by the Board of Directors, after review/recommendation by the Finance Committee.

## **22.6 Ethics and Conflicts of Interest**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. Employees and investment officers shall disclose any material financial interest in financial institutions that conduct business with this District, and they shall further disclose any large personal financial / investment positions that could be related to the performance of the District's portfolio. Employees and officers shall subordinate their personal investment preferences to those of the District, particularly with regard to the timing of transactions and shall avoid transactions that might impair public confidence.

## **22.7 Authorized Financial Dealers and Institutions**

- A. The ED will establish and maintain a list of the financial institutions and broker / dealers authorized to provide investment and depository services to the District. The District shall initially 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 Investment Policy 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. The District's investment status shall be reported to the Board at least annually by participating investment institutions.

### **1. Depositories**

In selecting depositories, the creditworthiness of institutions shall be considered, and the ED shall conduct a comprehensive review of prospective depositories' credit characteristics and financial history as part of the application process.



## **2. Brokers and Dealers**

To become a broker or dealer qualified to do business with the District, a firm must submit related documents relative to eligibility. Required documents include a current audited financial statement, proof of state registration, proof of FINRA registration, and a certification that the firm has received and reviewed the District's Investment Policy and agrees to offer the District only those securities that are authorized by the Investment Policy. The ED may establish any additional criteria deemed appropriate to evaluate and approve any financial services provider.

If a third-party investment advisor is authorized to conduct investment transactions on the District's behalf, the investment advisor may use its own list of approved broker/dealers and financial institutions. The investment advisor's approved list must be made available to the District upon request.

### **22.8 Authorized and Suitable Investments**

- A. 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 Government Code 53600, it will not be added to the District's Authorized Investment List until this policy is amended and approved by the ED, the Finance Committee and the Board of Directors. If a type of investment permitted by the District should be removed from California Government Code 53600, it will be deemed concurrently removed from the District's Authorized Investment List, but existing holdings may be held until they mature if it is in the best interest of the District and recommended by the ED and approved by the Finance Committee and Board of Directors.
- B. Credit criteria listed in this Policy refers to the credit rating of the issuing organization at the time the security is purchased. The District may from time to time be invested in a security whose rating is downgraded. In the event a rating drops below the minimum allowed by this policy, the ED will review, and recommend an appropriate plan of action to the Finance Committee and the Board no less frequently than semi-annually. If the District has an Investment Advisor, the Investment Advisor will notify the ED and recommend a plan of action. Percentage limits refer to the percentage at the time the security is purchased.
- C. Within the context of these limitations, the following investments are authorized. No more than 5 percent of the portfolio may be invested in any one non-governmental issuer regardless of sector. This limitation does not apply to the following types of securities: U.S. Treasury securities, U.S. Government Agency securities, obligations of the International Bank for Reconstruction and Development, the International Finance Corporation and the Inter-American Development Bank, money market funds, and government investment pools. If a type of security is not specifically authorized by this policy, it is not a permitted investment.

<b>PERMITTED INVESTMENTS/DEPOSITS</b>	<b>SECTOR LIMITS</b>	<b>MINIMUM CREDIT REQUIREMENTS</b>	<b>MATURITY LIMITS</b>
Government Investment Pools ~ LAIF (Local Agency Investment Fund)  ~ Shares issued by a JPA (LGIP)	~ Maximum Permitted by State Treasurer  ~ No Maximum Limit	~ No Limit  ~ No limit	~N/A  ~N/A
Securities of the U S Government, including: (1) U. S. Treasury and (2) U. S. Government Agency Securities	~ No % limit  ~ No % limit	~ No limit  ~ No limit	~ 5 years  ~ 5 years
Registered state warrants or treasury notes or bonds of the State of California	No % limit	No limit	5 years
Bonds, notes, warrants or other evidences of indebtedness of any local agency within the State of California	No % limit	No limit	5 years
Bonds, notes, warrants or other evidences of indebtedness of any of the other 49 United States in addition to California	No % limit	No limit	5 years
Bankers' acceptances	20%	A-1	180 days
Commercial paper	25% / 10% of an issuer's outstanding commercial paper	"A-1" or higher or has debt other than commercial paper that is "A" or higher	270 days
Negotiable certificates of deposit	30%	A-1 / A	5 years
Time certificates of deposit	50%	No limit	2 years
Repurchase Agreements	20% with Master Repurchase Agreement	N/A	90 days
Medium-term notes	30%	A	5 years
Money market funds	20%	"AAA" or higher by at least two NRSROS <sup>1</sup> or must meet the Advisor Requirements	N/A
Money market account / passbook / savings/ demand deposits	No % limit	N/A	N/A
Asset-backed securities*(see below)	20%	"A" or higher issuer rating and "AA" or higher issue rating	5 years
Obligations of the International Bank for Reconstruction & Development, the International Finance Corporation & the Inter-American Development Bank	30%	AA	5 years

\* Due to complexity of these securities, asset-backed securities may only be purchased on the District's behalf by a registered investment advisor. The investment advisor must independently review and approve each asset-backed security to be purchased in the District's portfolio.

<sup>^</sup>Due to the complexity of these securities, asset-backed securities may only be purchased on the District's behalf by a registered investment advisor. The investment advisor must independently review and approve each asset-backed security to be purchased in the District's portfolio.

MTHCD Board Policy No. 22 - Investments; Amortization of Capital Assets; Reserves Board Approved \_\_\_\_\_

(Last Up-Dated July 7, 2018)

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

D. The following descriptions of authorized investments are included here to assist in the administration of this policy.

**1. Local Agency Investment Fund (LAIF)**

The Local Agency Investment Fund (LAIF) is a special fund in the California State Treasury created and governed pursuant to Government Code Sections 16429.1 *et seq.* This law permits the District with the consent of the Board of Directors, to remit money not required for the District's immediate need, to the State Treasurer for deposit in this special fund for the purpose of investment. Funds may be withdrawn on one same day notice if notice is given by 10 a.m. The fees charged by LAIF are limited by statute (Legal Authority – Government Code Section 16429.1)

**2. Shares Issued by a JPA (LGIP)**

Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (o) of Government Code Section 53601, inclusive. (Legal Authority – Government Code Section 53601(p))

Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment advisor that meets all of the following criteria:

The adviser is registered or exempt from registration with the Securities and Exchange Commission.

The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q) Government Code Section 53601, inclusive.

The adviser has assets under management in excess of five hundred million

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1 An NRSRO is defined as a "Nationally Recognized Statistical Rating Organization".  
(\$500,000,000).

**3. Securities of the U.S. Government Including U.S. Treasury and U.S. Government Agencies and Instrumentalities**

These obligations can be classified either as “Treasuries” or “Agencies.”

Treasury securities (Treasuries”) are obligations of the United States Treasury backed by the “full faith and credit” of the federal government and can be of three types: bills, notes, and bonds. (Legal Authority – Government Code Sections 53601 (b))

The District can invest in federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. The maximum investment maturity is restricted to 5 years. (Legal Authority – Government Code Sections 53601 (f))

**4. Registered State Warrants or Treasury Notes or Bonds of the State of California**

These include bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state. The maximum investment maturity is restricted to 5 years. (Legal Authority – Government Code Sections 53601 (c) and 53635 (c)).

**5. Bonds, Notes, Warrants, or Other Evidences of Indebtedness of Any Local Agency within the State of California**

These include bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by a California local agency, or by a department, board, agency or authority of such a local agency. The maximum investment maturity is restricted to 5 years. (Legal Authority – Government Code Sections 36301 (d) and 53635 (d)).

**6. Bonds, Notes, Warrants, or Other Evidences of Indebtedness of any of the other 49 United States in addition to California**

These include bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California. The maximum investment maturity is restricted to 5 years. (Legal Authority – Government Code Sections 53601 (d)).

**7. Bankers Acceptances**

The District may invest in bankers’ acceptances, which are bills of exchange or time drafts that are drawn on and accepted by a commercial bank. To be eligible for investment by the District, bankers’ acceptances must carry a minimum rating of “A” or “A-1” by a nationally recognized statistical rating organization (“NRSRO”). The maximum investment maturity will be restricted to 180 days. Purchases or bankers’ acceptances shall not exceed 20 percent of the portfolio. (Legal Authority – Government Code Sections 53601 (g)).

## **8. Commercial Paper**

Commercial paper is issued by leading industrial and financial firms to raise working capital. The District shall only buy commercial paper of “prime” quality of the highest ranking or of the highest letter and numerical rating by an NRSRO. Eligible paper shall also be further limited to issuing corporations that meet all of the following conditions in either paragraph ##### or paragraph #####:

The entity meets the following criteria: (i) is organized and operating within the United States as a general corporation, (ii) has total assets in excess of five hundred million dollars (\$500,000,000), and (iii) has debt other than commercial paper, is any, that is rated “A” or higher by an NRSRO.

The entity meets the following criteria: (i) is organized within the United States as a special purpose corporation, trust, or limited liability company, (ii) has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond, and (iii) has commercial paper that is rated “A-1” or higher, or the equivalent, by an NRSRO.

Purchases of eligible commercial paper shall not exceed 270 days to maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation. Purchases of commercial paper shall not exceed 25 percent of the portfolio. (Legal Authority – Government Code Section 53601 (h)).

## **9. Negotiable Certificates of Deposit**

The District may invest in negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union or by a federally licensed or state-licensed branch of a foreign bank. Eligible investments shall be rated “A” or “A-1” or better by an NRSRO. The maximum investment maturity is restricted to 5 years. Purchases of negotiable Certificates of Deposit shall not exceed 30 percent of the portfolio. (Legal Authority – Government Code Section 53601 (i)). No deposits shall be made at any time in negotiable CDs issued by a state or federal credit union if a member of the District’s Board or staff serves on the board of directors or any committee appointed by the board of directors of the credit union.

## **10. Time Certificates of Deposit**

The District may invest in non-negotiable, FDIC-insured, and collateralized certificates of deposits (“CDs”) in a state or national bank, savings association or federal association, federal or state credit union in the State of California. In accordance with California Government Code Section 53635.2, to be eligible to receive District deposits, a financial institution must have received an overall rating of not less than “satisfactory” in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California communities. A written depository contract is required with all institutions that hold

District deposits. Deposits larger than the current level of FDIC insurance must be collateralized by securities with a market value of at least 110 percent of all uninsured deposits with the institution. Acceptable collateral is governed by California Government Code Section 53651. Real estate mortgages are not considered acceptable collateral by the District, even though they are permitted in Government Code Section 53651 (m). All banks are required to provide the District with a statement of pooled collateral. This report will state that they are meeting the 110 percent collateral rule (Government Code Section 53652 (a)), a listing of all collateral with location and market value, plus an accountability of the total amount of deposits secured by the pool.

No deposits shall be made at any time in CDs issued by a state or federal credit union if a member of the District's Board or staff serves on the board of directors or any committee appointed by the board of directors of the credit union. In accordance with Government Code Section 53638, any deposit shall not exceed that total shareholder's equity of any depository bank, nor shall the deposit exceed the total net worth of any institution. Maximum maturity is restricted to 2 years. Purchases or time certificates of deposit shall not exceed 50 percent of the portfolio.

### **11.Repurchase Agreements**

The District may invest in overnight and term repurchase agreements with Primary Dealers of the Federal Reserve Bank of New York rated "A" or better by an NRSRO with which the District has entered into a Master Repurchase Agreement. This agreement will be modeled after the Public Securities Associations Master Repurchase Agreement. The maximum maturity will be restricted to 90 days. Purchases of repurchase agreements shall not exceed 20 percent of the portfolio. (Legal Authority – Government Code Section 53601 (j)).

All collateral used to secure this type of transaction is to be delivered to a third party prior to release of funds. The third party will have an account in the name of the

Mark Twain Health Care District. The market value of securities used as collateral for repurchase agreements shall be monitored on a daily basis and will not be permitted to fall below a minimum of 102 percent of the value of the repurchase agreement. Collateral shall not have maturities in excess of 5 years. The right of substitution will be granted, provided that permissible collateral is maintained.

In order to conform with provisions of the Federal Bankruptcy Code which provides for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be securities that are direct obligations of and guaranteed by the United States Government and Agency securities as permitted under this policy. The District will maintain a first perfected security interest in the securities subject to the repurchase agreement and shall have a contractual right to liquidation of purchased securities upon the bankruptcy, insolvency or other default of the counter party.

## **12. Medium Term Notes**

Medium-term notes are obligations of a domestic corporation or depository institution. The maximum investment maturity is restricted to 5 years. Eligible investments shall be rated “A” or better by an NRSRO. Purchases of medium-term notes shall not exceed 30 percent of the portfolio. (Legal Authority-Government Code Sections 53601 (k)).

## **13. Money Market Funds**

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, *et seq.*) and that invest in securities and obligations defined as permitted investments for local agencies as described in subsections (a) through (k), inclusive, and (m) through (q), inclusive, of Government Code Section 53601 *et seq.*

To be eligible for investment pursuant to this subdivision these companies shall either: (1) attain the highest-ranking letter or numerical rating provided by not less than two NRSROs or (2) have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years’ experience managing money market mutual funds and with assets under management in excess of \$500,000,000. Purchases of money market funds shall not exceed 20 percent of the portfolio. (Legal Authority – Government Code Section 53601 (l)).

## **14. Money Market Accounts / Passbook Savings / Demand Deposits**

These are authorized by Government Code Section 53637 and must be insured by the FDIC or collateralized as required by California Government Code. (Legal Authority – Government Code Section 53637).

## **15. Asset-Backed Securities**

This category includes 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. Securities eligible for investment shall be issued by an issuer having an “A” or higher rating for the issuer’s debt as provided by at least one NRSRO and rated in a rating category of “AA” or its equivalent or better by at least one NRSRO. Further, the asset-backed securities described in this subsection may only be purchased on the District’s behalf by a registered investment advisor. The investment advisor must independently review and approve each asset-backed security to be purchased in the District’s portfolio. The maximum investment maturity is restricted to 5 years. Purchases of asset-backed securities shall not exceed 20 percent of the portfolio. (Legal Authority – Government Code Section 53601 (o)).

## **16. Obligations of the International Bank for Reconstruction and Development, the International Finance Corporation, and the Inter-American Development Bank**

United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB), which are eligible for purchase and sale within the United States. Investments shall be rated “AA”, its equivalent, or better by at least one NRSRO. The maximum investment maturity is restricted to 5 years. Purchases of these types of obligations may not exceed 30 percent of the portfolio. (Legal Authority – Government Code Section 53601 (q)).

### **22.9 Safekeeping and Custody**

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 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 Executive Director or his designee.

### **22.10 Diversification and Risk**

The District recognized that investment risks can result from issuer defaults, market price changes, or various technical complications leading to temporary illiquidity. To minimize the District’s exposure to these types of risk, the portfolio should be diversified among several types of institutions, instruments, and maturities. The ED with the Finance Committee shall minimize default risk by prudently selecting only instruments and institutions, which at the time of placement have been evaluated for their financial viability and compliance with this policy. No individual investment transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio.

### **22.11 Maximum Maturities**

Every effort will be made to match investment maturities to cash flow needs. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk. The maximum average duration of the District’s portfolio may not exceed 3 years. Unless matched to a specific requirement and approved by the Board of Directors, no investment may be made with a maturity greater than 5 years.



## **22.12 Internal Control and Review**

The Board will review the District's Investment Policy annually.

The external auditors shall review annually 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.

## **22.13 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, taking into account the District's investment risk constraints, cash flow needs, and maturities of the investments. The basis to determine whether market yields are being achieved shall be the total return of the portfolio. The Bank of America Merrill Lynch 1-5 Year U.S. Government/Corporate AAA-A Index is the benchmark that will be compared to the portfolio's sector composition, maturity structure, current investment strategy, and total return. The Finance Committee will periodically review the District's portfolio performance against the benchmark.

## **22.14 Reporting**

The Executive Director or his/her designee will submit to the Board of Directors a quarterly investment report, which will be submitted within 30 days of the end of each calendar quarter. This report shall include all items listed in Section 53646 (b) of the Government Code.

A list of individual securities held at the end of the reporting period.

Market value, book value, par value, cost basis, and maturity date of all investments.

Dollar weighted yield to maturity of the District's investments.

Statement of compliance of the District's Investment Policy with California Government Code Section 53601 *et seq.*

Statement as to ability to meet all scheduled expenditure requirements for the next six months.