

Resolution 18-09
to
**Adopt San Mateo County Harbor District
Investment Policy for FY 2009-2010**

Whereas, State law requires that the District have an investment policy; and

Whereas, the treasurer or fiscal officer of the San Mateo County Harbor District shall annually prepare and submit a statement of investment policy and, such policy, and any changes thereto, shall be considered by the legislative body at a public meeting [CGC 53646(a)]; and

Whereas, after review, it has been determined that existing policy is consistent with current State Law, and that no changes are needed; now

Therefore, be it resolved that the document entitled "San Mateo County Harbor District Investment Policy", attached hereto, is hereby adopted as the Investment Policy of the District for Fiscal Year 2009-2010.

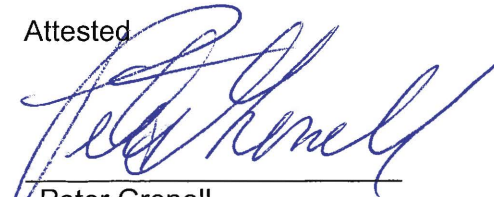
Approved this 2nd day of September 2009, at the regular meeting of the Board of Harbor Commissioners by a vote as follows:

For: Campbell, Lundie, Padreddii, Parravano, Tucker

Against: None

Abstaining: None

Attested



Peter Grenell
General Manager

BOARD OF HARBOR COMMISSIONERS



Leo Padreddii
President

San Mateo County Harbor District

Policies and Procedures	Number: 4.4.1	Date: 6/5/96	Revision: 6/5/02; 5/7/03; 9/15/04
Title: Investment Policy	Prepared By: AMWL LAM LAM LAM MLS	Approved By: Resolution 12-96 Resolution 17-02 Resolution 18-03 Resolution 19-04 Resolution 54-06	Page: Page 1 of 7
Purpose: To Establish an Investment Policy for the San Mateo County Harbor District.			

STATEMENT OF POLICY

WHEREAS; The Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern; (CGC 53600.6 AND CGC 53630.1) and

WHEREAS; the legislative body of a local agency may invest surplus moneys not required for the immediate necessities of the local agency in accordance with the provisions of California Government Code Sections 5922 and 53601; and

WHEREAS; the treasurer or fiscal officer of the San Mateo County Harbor District shall annually prepare and submit a statement of investment policy and such policy, and any changes thereto, shall be considered by the legislative body at a public meeting [CGC 53646(a)]; now

THEREFORE; it shall be the policy of the San Mateo County Harbor District to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all statutes governing the investment of the San Mateo County Harbor District funds.

SCOPE

This investment policy applies to all financial assets of the San Mateo County Harbor District. These funds are accounted for in the Annual Financial Report and include: General Fund and Enterprise Funds.

PRUDENCE

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent persons standard (CGC 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due 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.

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OBJECTIVE

When investing, reinvesting, purchasing, acquiring, exchanging selling and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

Safety

Safety of principal is the foremost objective of the investment program. Investments of the San Mateo County Harbor District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Liquidity

The investment portfolio will remain sufficiently liquid to enable the San Mateo County Harbor District to meet all operating requirements, which might be reasonably anticipated.

Return on Investments

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio. (CGC53600.5)

DELEGATION OF AUTHORITY

Authority to manage the investment program is derived from California Government Code Sections 5922 and 53601, et seq. Management responsibility for the investment program is hereby delegated to the Finance Director, who shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, PSA repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. Such procedures shall 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 Finance Director. The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The Finance Director is a trustee and a fiduciary subject to the prudent investor standard. (CGC53600.3)

ETHICS AND CONFLICTS OF INTEREST

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 which could impair their ability to make impartial investment decisions.

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AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Finance Director will maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience and minimal capitalization, that are authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers who are authorized to provide investment and financial advisory services in the State of California. No public deposit shall be made except in a qualified public depository as established by state laws

For brokers/dealers of government securities and other investments, the Finance Director shall select only broker/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organizations.

Before engaging in investment transactions with a broker/dealer, the Finance Director shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the San Mateo County Harbor District's account with that firm has reviewed the San Mateo County Harbor District's Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the San Mateo County Harbor District that are appropriate under the terms and conditions of the Investment Policy.

AUTHORIZED AND SUITABLE INVESTMENTS:

The San Mateo County Harbor District is empowered by California Government Code 53601 to invest in the following:

Bonds issued by the San Mateo County Harbor District.

United States Treasury Bills, Notes & Bonds.

Registered state warrants or treasury notes or bonds issued by the State of California.

Bonds, notes, warrants or other evidence of debt issued by a local agency within the State California, including pooled investment accounts sponsored by the State of California, County Treasurers, other local agencies or Joint Powers Agencies.

Obligations issued by Agencies or Instrumentalities of the US Government.

Bankers Acceptances with a term not to exceed 180 days. Not more than 40% of surplus funds can be invested in Bankers Acceptances and no more than 30% of surplus funds can be invested in the banker's acceptances of any single commercial bank.

Prime Commercial Paper with a term not to exceed 270 days and the highest ranking issued by a **nationally recognized statistical-rating organization (NRSRO)**. Commercial paper cannot exceed 25% of total surplus funds.

Negotiable Certificates of Deposit issued by federally or state chartered banks or associations. Not more than 30% of surplus funds can be invested in certificates of deposit.

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Repurchase/Reverse Repurchase Agreements of any securities authorized by this Section. Securities purchased under these agreements shall be no less than 102% of market value and will not exceed 20% of base value of portfolio. (See special limits in CGC 53601.0)

Medium term notes (not to exceed 5 Years) of US corporations rated "A" or better by an NRSRO. Not more than 30% of surplus funds can be invested in medium term notes.

Shares of beneficial interest issued by diversified management companies investing in the securities and obligations authorized by this Section (Money Market Mutual Funds). Such funds must carry the highest rating of at least two national rating agencies. Not more than 20% of surplus funds can be invested in Money Market Mutual Funds.

Funds held under the terms of a Trust Indenture or other contract or agreement may be invested according to the provisions of those indentures or agreements.

Collateralized bank deposits with a perfected security interest in accordance with the Uniform Commercial Code (UCC) or applicable federal security regulations

Any mortgage pass-through security, collateralized mortgage obligation, mortgaged backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate or consumer receivable backed bond of a maximum maturity of five years. Securities in this category must be rated AA or better by a national rating series. No more than 20% of surplus funds can be invested in this category of securities.

Any other investment security authorized under the provisions of CGC 5922 and 53601.

Also, see CGC 53601 for a detailed summary of the limitations and special conditions that apply to each of the above listed investment securities. CGC 53601 is attached and included by reference in this investment policy.

Prohibited Investments. Under the provisions of CGC 53601.6 and 53631.5, the San Mateo County Harbor District shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest only strips derived from mortgage pools or any investment that may result in a zero interest accrual if held to maturity.

COLLATERALIZATION

All certificates of deposits must be collateralized by U.S. Treasury Obligations. Collateral must be held by a third party and valued on a monthly basis. The percentage of collateralization on Repurchase Agreements will adhere to the amount required under CGC 53601(i)(2)

SAFEKEEPING AND CUSTODY

All security transactions entered into by the San Mateo County Harbor District shall be conducted on delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the San

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Mateo County Harbor District by book entry, physical delivery or by third party custodial agreement (CGC 53601)

DIVERSIFICATION

It is the policy of the San Mateo County Harbor District to diversify its investment portfolio. The San Mateo County Harbor District will diversify its investments by security type and, within each type, by institution. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity a specific issuer or a specific date of securities. Diversification strategies shall be determined and revised periodically. In establishing specific diversification strategies, the following guidelines shall apply:

Portfolio maturities shall be matched against projected liabilities to avoid an over concentration in a specific series of maturities.

Maturities selected shall provide for stability and liquidity.

For brokers/dealers of government securities and other investments, the finance Director shall select only broker/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organizations.

Before engaging in investment transactions with a broker/dealer, the Finance Director shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the San Mateo County Harbor District's account with that firm has reviewed the San Mateo County Harbor District's Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the San Mateo County Harbor District that are appropriate under the terms and conditions of the Investment Policy.

REPORTING

The Finance Director shall submit to each member of the governing body a quarterly investment report. The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed by third party contractors. The report will also include the source of the portfolio valuation. In the case of funds invested in The Local Agency Investment Fund (LAIF), FDIC Insured accounts or county investment pools, current statements from those institutions will satisfy the above reporting requirement. The report will also include a certification that (1) all investment actions executed since the last report have been made in full compliance with the Investment Policy and, (2) the San Mateo County Harbor District will meet its expenditure obligations for the next six months. [CGC 53646(b)]. The Finance Director shall maintain a complete and timely record of all investment transactions.

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INVESTMENT POLICY ADOPTION

The Investment Policy shall be adopted by resolution of the San Mateo County Harbor District. Moreover, the Policy shall be reviewed on an annual basis, and modifications must be approved by the San Mateo County Harbor District.

APPROVED:

Name:

Title:

Date:

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INVESTMENTS AUTHORIZED

UNDER CALIFORNIA GOVERNMENT CODE 53601

CGC Section	Investment Type	Maximum Maturity	Authorized Limit (%)	Required Rating
53601 (a)	Local Agency Bonds	5 years	None	None
53601 (b)	U.S. Treasury Bills, Notes or Bonds	5 years	None	None
53601 (c)	State Warrants	5 years	None	None
53601 (d)	Notes & Bonds of other Local Agencies	5 years	None	None
53601 (e)	U.S. Agencies	5 years	None	None
53601 (f)	Bankers Acceptance	180 Days	40%	None
53601 (g)	Prime Commercial Paper	270 Days	25%	A1/P1
53601 (h)	Negotiable Certificates of Deposit	5 Years	30%	None
53601 (i)	Repurchase Agreement *	1 Year	20%	None
53601 (j)	Medium Term Corporate Notes	5 Years	30%	A
53601 (k)	Money Market Mutual Funds & Mutual Funds**	5 Years	20%	AAA (2)
53601 (m)	Collateralized Bank Deposits	5 Years	None	None
53601 (n)	Mortgage Pass-Through Securities	5 Years	20%	AA
53601 (d)	Local Agency Investment Fund (LAIF)	N/A	None	None
53601 (d)	County Pooled Investment Funds	N/A	None	None

* See CGC 53601 (I) for limits on the use of Reverse Repurchase Agreements.

** Mutual Funds maturity may be defined as the weighted average maturity. Under SEC Regulations, Money Market Mutual Funds must have an average maturity of 90 days or less.