

Financial Policies

Policy Title: Investment Policy

Policy Number: 3103

3103.1. Purpose:

To provide guidance and direction to the Buena Park Library District (“District”) for the systematic and controlled process of the District’s investment funds.

This policy establishes investment guidelines to achieve the following specific goals:

1. To conform to all statutes and regulations governing the investment of public funds as set forth in the California Government Code, Section 53600, et seq., which outlines the investment practices for local agencies, including special districts.
2. To incorporate best practices and recommendations from various sources such as the Government Finance Officers Association (GFOA), California Municipal Treasurers Association (CMTA), California Debt and Investment Advisory Commission (CDIAC), and the Association of Public Treasurers (APT).
3. To provide maximum safety and security of the investment funds, maintain adequate liquidity, and maximize the investment yield while maintaining a balanced daily cash flow that meets the demands of the District according to the following priorities:
 - a. **Safety:** Ensure the preservation of the principal in the overall investment portfolio by mitigating credit and market risk, diversification of investment funds among several financial institutions and a variety of securities offering independent returns.
 - b. **Liquidity:** Maintain sufficient liquidity of the investment portfolio to enable the District to meet all operating cash flows by maintaining a balance of long-term and short-term securities.
 - c. **Yield:** Attain a market rate of return maximized throughout budgetary and

Financial Polices

economic cycles subject to the District's investment risk constraints.

3103.2. Policy:

In conformance with California Government Code, Section 53601, et seq., the District may invest in various securities, including bonds and commercial paper, as long as key points and conditions are met, which include:

1. Local agencies can invest in securities issued by the United States government and other eligible entities.
2. Investments must be made in a manner that preserves principal and maintains necessary liquidity.
3. Specific limitations apply to the types of securities that can be purchased; as a general rule, securities with a maturity exceeding five years are prohibited unless specifically authorized by the Board.

3103.2.1. Standards of Care

A. *Prudence*

The Prudent Investor Standard shall be used by the District's investment officer(s) as authorized under the California Government Code Section 53600.3, which shall be applied in the context of managing all aspects of the overall portfolio . Investments shall be made with care, skill, prudence, and diligence, under circumstances of the then prevailing, including but not limited to, general economic conditions and the anticipated needs of the District. The primary objective is to prudently safeguard the principal and maintain the liquidity needs of the District, while the secondary objective is to achieve a reasonable rate of return consistent with the District's risk constraints.

District investment officer(s) acting in accordance with written procedures and the investment policy while 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



Financial Polices

appropriate action is taken to control adverse developments.

B. Ethics and Conflicts of Interest

Pursuant to California Government Code, Section 1090, et seq., and Section 87100, et seq., no District officer or employee shall make, participate in making, or use his or her official position to influence a decision regarding District investments in which he or she has a financial interest in the outcome of that decision.

1. All participants in the investment process shall act as custodians of public trust. Investment official(s) shall recognize that the investment portfolio is subject to public review and evaluation.
2. 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.
3. District officers, employees, and investment officials shall disclose any material financial interests in financial institutions that conduct business within the District, and they shall further disclose any personal financial/investment positions that could be related to the performance of their investment duties and responsibilities to the Library Director, including filing any disclosures required by law.
4. District officers and employees shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the District.

Pursuant to California Government Code Section 87500, et seq., the District's public official and public officers who manage public investments must file a statement of economic interests according to the requirements of the Fair Political Practices Act.

C. Investment Authority and Delegation Authority

Authority to manage the investment program is derived from California Government Code Section 53600, et seq.

Financial Polices

1. The Board of Library Trustees (Board) is responsible for the management of the District's funds, including the administration of this Investment Policy. The Board delegates to the Library Director the authority to invest or to reinvest funds, or to sell or exchange securities.
2. The Library Director (the "Library Director") assumes full responsibility for the delegated authority from the Board until the delegation of authority is revoked or expires.
 - a. The Library Director is authorized to direct and conduct investment-related activities on behalf of the District.
 - b. The Library Director will establish procedures for the operation of the investment program consistent with this Investment Policy, whereby ensuring that the District's funds must remain sufficiently liquid to enable the District to meet all operating requirements and obligations that might be reasonably anticipated.
 - c. The Library Director may retain an external investment adviser to assist in the management of the District's investment portfolio. Any external investment adviser engaged by the District shall: (1) be registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940, or qualify for an applicable exemption from registration; (2) have not less than five (5) years of demonstrated experience managing public fund investment portfolios for California local agencies; (3) adhere to the Prudent Investor Standard and all conflict-of-interest requirements applicable to District investment officers under this Investment Policy and California Government Code, Section 53600.3; and (4) execute a written investment management agreement with the District specifying the scope of delegated investment authority, reporting obligations, fee structure, and applicable performance benchmarks. The engagement of any external investment adviser shall be subject to approval by the Board of Trustees. Delegation of investment authority to an external adviser does not relieve the Library Director or the Board of their fiduciary responsibilities under California Government Code, Section 53600.3.

D. Internal Controls

The Library Director is responsible for establishing and maintaining a system of internal controls. The internal controls shall be designed to prevent losses of public

Financial Polices

funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent action by District employees and officers.

The internal structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and valuation of costs and benefits requires estimates and judgments by management. The internal controls including, but not limited to, the following shall be addressed:

1. Segregation of Duties
2. Custodial Safekeeping
3. Delegation of Authority
4. Documentation of Transactions

Periodically, as deemed appropriate by the Library Director and/or the Board, an independent analysis by an external auditor shall be conducted to review internal controls, account activity, and compliance with policies and procedures.

E. Review of Investment Portfolio and Reporting

1. Review:

The Library Director shall review the District's investment portfolio quarterly, at a minimum, to ensure that all investments are in compliance with the Suitable and Authorized Investments, Section 3103.2.3, guidelines.

2. Reporting:

Pursuant to the California Government Code, Section 53646, et seq., the Library Director shall submit investment reports to the Board of Trustees for all funds every quarter, at a minimum. The report will be provided to the Board within 45 days after the end of the quarter.

The reports must provide a clear picture of the status of the current investment portfolio and shall contain sufficient information to permit an independent organization to evaluate the performance of the investment program. The investment report shall include:

- a. A summary of reviewed financial statements from the financial and investment institutions.

Financial Polices

- b. The interest earnings reported in the District's financial statements.
- c. Current economic climate and factors affecting the investments.
- d. Identification of major and critical incidences of non-compliance identified through the review of the portfolio, if any.
- e. Statement that the portfolio is compliant or non-compliant with this Investment Policy.
- f. Statement of the District's ability to meet anticipated expenditure requirements for the next six months, or an explanation as to why sufficient money may not be available. This may include a subsidiary ledger of investments, as needed.

3103.2.2. Scope and Authorizations of Investment Funds

This investment policy applies to all funds and investment activities under the direct authority of the District as set forth in the California Government Code, Section 53600, et seq. These funds are accounted for in the District's Annual Audit Report and include the general fund, special revenue funds, capital project funds, enterprise fund, internal service funds, and/or fiduciary funds.

Investment of Bond Proceeds.

Proceeds of debt obligations issued by or on behalf of the District shall be invested in accordance with the applicable bond indenture, resolution, tax certificate, or other governing legal documents relating to the debt obligation, and in compliance with applicable federal tax law and arbitrage restrictions under Section 148 of the Internal Revenue Code. To the extent not inconsistent with such governing documents, bond proceeds may be invested pursuant to this Investment Policy. Bond proceeds held by a trustee or fiscal agent pursuant to a bond indenture or trust agreement are excluded from this Investment Policy except to the extent expressly incorporated therein. The Library Director shall consult with bond counsel and tax counsel prior to investing bond proceeds to ensure compliance with applicable arbitrage restrictions and rebate requirements.

A. Pooling of Funds

Financial Policies

Except for cash in certain restricted and special funds, the District will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

B. Funds Included in the Investment Policy

The following District reserves are held in these investment accounts to ensure the District has sufficient cash on hand in case of an economic downturn and for projected capital replacement/improvement needs:

1. General Fund Balance Reserve (50% of operating budget equivalent to six months of budgeted operating expenditures and as adopted as part of the annual budget).
2. General Contingency Reserve (three (3) months of operating expenses as adopted in the annual budget).
3. Capital Replacement and Improvement Reserve (as adopted in the annual budget).
4. Trustee Election Reserve (as provided by the County of Orange and adopted in the annual budget).
5. Uncompensated Absences Reserve (as adopted in the annual budget).

C. Funds Excluded from Investment Policy

1. The California Employers' Retiree Benefit Trust (CERBT) Fund

CERBT funds are not included in traditional investment funds. Instead, they are part of a self-funded trust managed by CalPERS. These funds are specifically designed to prefund retiree medical costs and other post-employment benefits (OPEB) for California government employers.

CalPERS, as the investment authority for, and holder of, the District's CERBT Fund, offers three asset allocation investment strategies for the CERBT fund.

Financial Polices

The investment strategies within CERBT funds vary, with different levels of risk and return depending on the asset allocation.

The Library Director is responsible for selecting one of the three asset allocation investment strategy options separately from this Investment Policy. The Library Director will monitor the performance of the CERBT Fund and may change the asset allocation strategy as deemed necessary separately from this Investment Policy.

2. Any other funds specifically exempted by the Board of Trustees.

3103.2.3. Authorized Financial Institutions and Investment Types

The District's investments are governed by California Government Code Section 53600, et seq. The District's funds may not be invested in prohibited funds described in California Government Code, Section 53601.6, but must only be invested in any of the following instruments as permitted by law under California Government Code, Section 53601. An appropriate risk level shall be maintained by primarily purchasing securities that are of high quality, liquid, and marketable. The portfolio shall be diversified by security type and institutional issuer to avoid incurring unreasonable and avoidable risks regarding specific security types or individual issuers.

A. Determination and Selection of Financial Institutions

The Library Director will determine which financial institutions are authorized to provide investment services to the District. It is the District's policy to procure securities and investment services only from authorized institutions.

The Library Director will exercise due diligence to establish a list of authorized financial institutions and brokers/dealers which are approved for investment purposes to ensure that these financial institutions and the individuals dealing with the District are reputable, trustworthy, knowledgeable, and experienced in public financing and investing, and are able to meet all their financial obligations to the District.

Selection of financial institutions and broker/dealers authorized to engage in transactions will be at the sole discretion of the District, except where the District

Financial Polices

utilizes an external investment adviser, in which case the District may rely on the adviser for selection.

These financial institutions and/or financial advisers shall be selected by the Library Director and approved by the Board of Trustees.

When purchasing or selling securities, the Library Director or designated investment officer shall seek competitive bids or offers from at least three (3) authorized financial institutions or broker/dealers, where practicable, to ensure the District obtains the most favorable price and terms available in the market. Competitive pricing shall be documented through written bids, telephone bids recorded in writing contemporaneously, electronic trading platform records, or published market quotations. A written record of all bids received and the basis for the transaction decision shall be maintained in accordance with the District's records retention policy. The competitive bidding requirement may be waived where: (1) the security is only available from a single source or direct issuer; (2) prevailing market conditions do not reasonably permit competitive bidding; (3) the investment is made directly through LAIF, CAMP, CLASS, or another authorized government investment pool; or (4) an external investment adviser has been retained and follows a documented best-execution policy approved by the Library Director.

B. Eligibility of Financial Institutions

In accordance with California Government Code, Section 53601.5, institutions eligible to transact investment business with the District include:

1. Institutions licensed by the state and proof of Financial Industry Regulatory Authority (FINRA) certification as a broker-dealer as defined in the Corporations Code Section 25004.
2. Institutions that are members of a federally regulated securities exchange.
3. Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
4. Nationally or state-chartered banks.
5. The Federal Reserve Bank.
6. Direct issuers of securities eligible for purchase.

Financial Polices

Safekeeping and Custody. All securities purchased by the District shall be delivered on a delivery versus payment (DVP) basis, so that payment for a security is made only upon the delivery of the security to the District or its designated custodian. Securities shall be held in the name of the District by a designated third-party custodial bank or trust institution approved by the Board of Trustees, and a safekeeping receipt or equivalent electronic confirmation shall be obtained for all securities held. Securities maintained in book-entry form shall be held in the District's name with the Federal Reserve Bank or a qualified securities depository. No investment officer, broker, or dealer shall retain physical custody of securities purchased on behalf of the District. The custodian shall provide monthly safekeeping statements, which the Library Director or her/his designee shall reconcile against the District's own investment records on a monthly basis. Any discrepancies identified during reconciliation shall be promptly reported to the Library Director and resolved in a timely manner.

C. Investment Types

The District is empowered by statute to invest in investment types that include, but are not limited to:

1. U.S. Treasury Bills, Notes, and Bonds
2. U.S. Government Agency issues and Government Sponsored Enterprises
3. Local Agency Investment Fund (LAIF)
4. Certificate of Deposit
5. Municipal Securities of the State of California or Local Agencies
6. Mutual Funds and Money Market Mutual Funds
7. Government Investment Pools

Credit Quality and Maximum Maturity Requirements. To ensure portfolio safety and liquidity, the following minimum credit quality standards and maximum maturity limits apply at the time of purchase. Minimum credit quality requirements: (1) U.S. Treasury and U.S. Government Agency securities are exempt from a separate minimum rating requirement; (2) Municipal Securities shall be rated at least "A" or its equivalent by at least

Financial Polices

two nationally recognized statistical rating organizations (NRSROs); (3) Commercial Paper shall be rated at least "A-1" or "P-1" or the equivalent highest short-term rating by at least two NRSROs; (4) Negotiable Certificates of Deposit and Medium-Term Notes issued by corporations organized and operating in the United States shall be rated at least "A" or its equivalent by at least two NRSROs; (5) Mutual Funds and Money Market Mutual Funds shall have attained the highest ranking or highest letter and numerical rating provided by not less than two NRSROs, consistent with California Government Code, Section 53601. Maximum maturity limits by investment type: (a) U.S. Treasury obligations: five (5) years unless specifically authorized by the Board; (b) U.S. Government Agency securities: five (5) years unless specifically authorized by the Board; (c) Municipal Securities: five (5) years unless specifically authorized by the Board; (d) Commercial Paper: two hundred seventy (270) days; (e) Negotiable Certificates of Deposit: five (5) years; (f) Medium-Term Notes: five (5) years. Any security that falls below the minimum credit quality threshold after purchase shall be reported by the Library Director to the Board at the next regularly scheduled meeting, along with a recommended plan for disposition consistent with the best interests of the District.

D. Investment Type: Government Investment Pools

Government Investment Pools are shares of beneficial interest issued by a joint powers authority organized pursuant to California Government Code, Section 6509.7, that invests in securities and obligations authorized in subdivisions (a) to (q), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority ("JPA").

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:

1. The advisor is registered or exempt from registration with the Securities and Exchange Commission.
2. The advisor has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive.
3. The advisor has assets under management in excess of five hundred million dollars (\$500,000,000).

While local government investment pools generally provide significant safety and liquidity, the Library Director shall complete a thorough investigation prior to

Financial Polices

making any such investment. Due diligence in investigations shall generally include a review of written statements of investment policies, objectives, fees schedules, and reporting schedules, as well as factors related to:

1. Eligible investors and securities
2. The permitted frequencies and sizes of deposits and withdrawals
3. Security safeguards, including settlement processes
4. The frequency with which securities are priced and the program audited
5. The treatment of gains and losses, including interest calculations and distribution
6. Whether and, if so, how reserves, retained earnings, and similar funds are utilized by the investment pool
7. Whether the investment pool is eligible for and, if so, accepts bond proceeds

In addition, only local government investment pools with at least five years' experience providing similar services to other California local government, municipalities, and special districts may be utilized.

The District may invest in one or more of the investment pools available to public agencies under California Government Code, Section 53601(p). These include, but are not limited to, the:

1. Local Agency Investment Fund (LAIF) pursuant to California Government Code Section 16429.1, using the investment expertise of the State of California Treasurer's Office
2. California Asset Management Program (CAMP), a California Joint Powers Authority, directed by a Board of Trustees made up of experienced local government finance directors and treasurers; and/or,
3. California Cooperative Liquid Assets Securities System (CLASS), a California Joint Powers Authority directed by a Board of Trustees made up of public finance officials.

Financial Polices

E. *Local Financial Institution (“Bank”):*

Pursuant to California Government Code, Section 26990, the District is permitted to maintain its own funds with a financial institution. These accounts must be held in California or federally chartered banks or other financial institutions that are members of, and insured by Federal Deposit Insurance Corporation (FDIC) and all funds must be fully collateralized.

These financial institutions shall be selected by the Library Director and approved by the Board of Trustees.

F. Diversification and Concentration Limits.

The District's investment portfolio shall be diversified by security type, maturity, and issuer to minimize credit and market concentration risk and to avoid incurring unreasonable or avoidable losses. The following concentration limits apply at the time of purchase: (1) no more than thirty percent (30%) of the total portfolio shall be invested in any single non-U.S. government investment type, other than LAIF and authorized government investment pools; (2) no more than five percent (5%) of the total portfolio shall be invested with any single non-governmental issuer; (3) no more than twenty percent (20%) of the total portfolio shall be invested in mutual fund shares, and no more than ten percent (10%) shall be invested in shares of any single mutual fund, consistent with California Government Code, Section 53601. U.S. Treasury securities and LAIF are exempt from the single-issuer concentration limit.

G. Prohibited Investments.

Notwithstanding any other provision of this Investment Policy, and in addition to the prohibitions set forth under California Government Code, Section 53601.6, the District shall not invest in: (1) inverse floaters; (2) range notes; (3) interest-only strips derived from a pool of mortgages; (4) any security that could result in zero or negative interest accrual if held to maturity, except to the extent expressly authorized by applicable law during a period of negative market interest rates; (5) securities purchased on margin; (6) short sales of securities; (7) derivatives or structured notes not expressly authorized by California Government Code, Section 53601; or (8) any investment not expressly authorized by this Investment Policy or California Government Code Section 53601. Any security held by the District subsequently determined to be a prohibited investment shall be reported to the

Financial Polices

Board at the next regularly scheduled meeting, and the Library Director shall present a plan for disposition or remediation.

3103.2.4. District's Authority

The District may withdraw funds from the Investment Funds to use for general and special operations of the District. In order to disburse funds related to these obligations, transfers shall be made to the District's operating bank accounts. These transfers shall be made on the order of the Library Director on an as-needed basis to cover anticipated expense obligations of the District.

3103.2.5. Performance Standards and Performance Evaluation

The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the District's risk constraints, the cash flow characteristics of the portfolio, and state and local laws, regulations, ordinances, and/or resolutions that restrict investments.

The Library Director shall monitor and evaluate the portfolio's performance relative to the chosen market benchmark(s), which will be included in the Library Director's quarterly report. The Library Director shall select an appropriate, readily available index to use as a market benchmark. Benchmarks may change over time based on changes in market conditions or cash flow requirements.

3103.2.5. Investment Policy Adoption, Compliance, and Review

A. Policy Compliance, Review, and Changes

The Investment Policy shall be reviewed annually by the Library Director.

Any deviation from the policy shall be reported to the Board at the next scheduled meeting. The Library Director shall promptly notify the Board of any material change in the policy, and any modifications to the policy must be approved by the Board.



Financial Polices

B. Annual Statement of Investment Policy

California Government Code, Section 53646, et seq., the Library Director must annually render a written Investment Policy to the Board, which must be reviewed and approved at a public meeting. The Investment Policy must state that it is consistent with the overall objectives of preservation of principal, liquidity, and return of the District’s funds and ensure its relevance to current laws and financial and economic trends.

The Board shall review and adopt the annual Investment Policy and any policy changes at their Board Meeting by resolution.

3103.3. General Procedure:

Responsibility	Action
Board of Trustees	1. Provide direction on the investment strategies of the District.
Library Director	2. Draft an Investment Policy based on the Board’s direction and strategies for the Board’s approval.
Board of Trustees	3. Adopt the Investment Policy by resolution.
Library Director	4. Execute the Investment Policy and investment strategies by overseeing the District’s investment portfolio in conformance with the Board’s direction.
	5. Review all Investment Reports received from the financial institutions and investment pools.
	6. Evaluate the District’s investment portfolios’ performance according to the standards set by the Board in the Investment Policy.
	7. Provide periodic investment reports to the Board of Trustees.



Financial Polices

Responsibility

Action

8. As appropriate, make recommendations to the Board of Library Trustees on broad financial strategies in managing the District's investment portfolio.



Financial Polices

Last Review Date: May 5, 2026

Adoption and Previous Revisions:

Adopted: June 1, 2010
Revised: June 5, 2012
Revised: April 2, 2013
Reviewed: June 3, 2014
Reviewed: June 2, 2015
Revised: June 7, 2016
Revised: June 6, 2017
Revised: March 4, 2025
Revised: May 6, 2025
Revised: May 5, 2026

Relevant Policies and Procedures

Budget Policy
Fund Balance and Reserve Policy