

Sebastopol Independent Charter School

Investment Policy

This policy establishes procedures to govern the investment of funds held by Sebastopol Independent Charter School (“SICS” or the “Charter School”). This policy is based upon federal, state and local laws and regulations, and prudent money practices. To the extent that this policy conflicts with state or federal law, the applicable law shall prevail.

PURPOSE:

SICS’ primary investment objective shall be to maintain a balance of safety and liquidity of its funds. Safety of principal is the foremost objective of SICS. The primary objectives of SICS investment activities shall be:

1. **Safety:** The safety of principal is the foremost objective of SICS’s investment program. SICS’s investments shall be undertaken in a manner that shall strive to preserve SICS’s capital.
2. **Liquidity:** SICS’s secondary objective shall be to meet its liquidity needs. The investment portfolio shall maintain sufficient liquidity to enable SICS to meet necessary cash flow and operating requirements which might be reasonably anticipated.
3. **Yield:** The investment portfolio shall be designed with the objective of attaining a market rate of return over the course of budgetary and economic cycles, considering the investment risk, constraints and the cash flow characteristics of the portfolio.
4. **Maintaining the Public’s Trust:** The investment officers shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence while conforming to all applicable statutes and regulations governing the investment of public funds.
5. **Mitigating Credit Risk and Market Risk:** Credit risk shall be mitigated by diversifying investments among issuers and market sectors so that the failure of any one issuer or market sector would not result in a significant loss of income or principal. Occasional market losses on individual securities are inevitable and must be considered within the context of the overall investment return.

SCOPE:

It is recommended that SICS mirror the intent of California Education Code Section 41015 and California Government Code Sections 16430 or 53601. SICS will strive to make investments following the guidelines of the Uniform Prudent Investor Act. (Probate Code Section 16045, *et seq.*) This Policy covers all funds and investment activities under the direct authority of SICS.

Compliance with Investment Policy

All outside investment advisors/managers, attorneys and other financial professionals

employed or retained by SICS and/or its representatives, including without limitation financial advisors, underwriters, bond counsel, and disclosure counsel, must receive this policy, and confirm that they have reviewed and will fully comply with this Investment Policy.

RESPONSIBILITIES:

Delegation of Authority

Management responsibility for the investment program is hereby delegated by the Board of Directors to the Executive Director, as deemed appropriate or necessary, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked. The Executive Director may delegate the day-to-day operations of investing to his/her designee(s) but not the responsibility for the overall investment program. The Executive Director and/or his/her designee(s) shall make all investment decisions and transactions in strict accordance with state law and this Policy.

The Executive Director may utilize an external investment advisor to assist with investment decision-making and trade-execution authority. The investment advisor shall be under the supervision of the Executive Director and/or his/her designee(s) and shall follow this Policy and such other written instructions as are provided by the Board.

The Board of Directors shall ensure that its fiduciary responsibilities concerning the proper management of SICS' funds are fulfilled through appropriate investment structure, internal and external management, consistent with applicable policies and procedures, and based on the advice and recommendations of its financial advisor(s) and the Executive Director and/or his/her designee(s).

The Board of Directors, its Officers and Staff of Sebastopol Independent Charter School are not held liable for less than desirable outcomes, rather, they are responsible only for adherence to procedure and processes. The Executive Director and/or his/her designee(s) are responsible for the development, implementation, and maintenance of all investment policies and shall not be held personally liable for these decisions so long as they are made in good faith and in a reasonably prudent manner.

PROCEDURE:

Internal Controls

The Executive Director shall establish a system of written internal controls to regulate SICS's investment activities. Procedures should include references to individuals authorized to execute transactions or transfers, safeguard agreements, (including repurchase agreements, wire transfer agreements, collateral/depository agreements), and banking services contracts, as appropriate. As part of the annual audit, SICS's external auditor will perform a review of investment transactions to verify compliance with policies and procedures.

The controls shall be designed to prevent loss of public funds due to fraud, employee error, and misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of the Charter School.

Authorized Financial Institutions and Brokers/Dealers

It shall be SICS's policy to purchase securities only from authorized institutions and firms. The Executive Director shall maintain a list of authorized broker/dealers and financial institutions that are approved by the Board of Directors for investment purposes. SICS shall use at least one authorized broker/dealer to advise SICS on investments, except for purchases of Certificates of Deposits from FDIC insured institutions in amounts less than \$250,000 for which it may maintain its own account.

Before engaging in investment transactions with a broker/dealer, the Executive Director shall have received from said firm a signed Certification Form (except for purchases of Certificates of Deposits from FDIC insured institutions in amounts less than \$250,000 for which SICS may directly maintain and manage its own account). This form shall attest that the individual responsible for SICS's account has reviewed SICS's Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to SICS that are appropriate under the terms and conditions of this Investment Policy.

Prohibited Transactions

At the time of purchase, all permitted investments shall conform in all respects with this Investment Policy, as may be amended from time to time. No investment prohibited by California Government Code shall be permitted herein.

Any investment transactions, credit risk criterion, percentage limitations or market valuation that are not in compliance with this Investment Policy and cannot be corrected without penalty at time of purchase must be documented and approved by the Charter School in writing as soon as possible. Thereafter, action shall be taken by the Charter School to correct such matter as soon as practical.

Ethical and Conflict of Interest

The Charter School and all persons involved in the investment process shall refrain from personal business activity which could create a conflict with proper execution of the investment program, or which could impair the ability to execute impartial investment decisions. The Charter School and all treasury and investment personnel shall disclose to the Board of Directors any material financial interests in financial institutions, broker dealers and vendors ("outside entities") and shall disclose any material financial investment positions in such outside entities.

Adopted/Ratified: August 28, 2023

Last Updated:

California Code, Education Code - EDC § 41015

The governing board of any school district or any county office of education which has funds in a special reserve fund of the district or county office of education or any surplus moneys not required for the immediate necessities of the district or county office of education, is hereby authorized to invest all or any part of the funds in any of the investments specified in Section 16430 or 53601 of the Government Code.

CA Gov't Code § 16430

Eligible securities for the investment of surplus moneys shall be any of the following:

- (a) Bonds or interest-bearing notes or obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
- (b) Bonds or interest-bearing notes on obligations that are guaranteed as to principal and interest by a federal agency of the United States.
- (c) Bonds, warrants, and notes of this state, or those for which the faith and credit of this state are pledged for the payment of principal and interest.
- (d) Bonds or warrants, including, but not limited to, revenue warrants, of any county, city, metropolitan water district, California water district, California water storage district, irrigation district in the state, municipal utility district, or school district of this state.
- (e) Bonds, consolidated bonds, collateral trust debentures, consolidated debentures, or other obligations issued by federal land banks or federal intermediate credit banks established under the Federal Farm Loan Act, as amended, in debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended, in bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, in stock, bonds, debentures and other obligations of the Federal National Mortgage Association established under the National Housing Act as amended, and in the bonds of any federal home loan bank established under that act, obligations of the Federal Home Loan Mortgage Corporation, in bonds, notes, and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act as amended, and bonds, notes, and other obligations guaranteed by the Commodity Credit Corporation for the export of California agricultural products under the Commodity Credit Corporation Charter Act as amended.
- (f) (1) Commercial paper of "prime" quality as defined by a nationally recognized organization that rates these securities. Eligible paper is further limited to issuing corporations, trusts, or limited liability companies approved by the Pooled Money Investment Board that meet the conditions in either subparagraph (A) or subparagraph (B):
 - (A) Both of the following:
 - (i) Organized and operating within the United States.
 - (ii) Having total assets in excess of five hundred million dollars (\$500,000,000).

(B) Both of the following:

(i) Organized within the United States as a special purpose corporation, trust, or limited liability company.

(ii) Having programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond.

(2) Purchases of eligible commercial paper may not exceed 180 days' maturity, represent more than 10 percent of the outstanding paper of an issuing corporation, trust, or limited liability company, nor exceed 30 percent of the resources of an investment program. At the request of the Pooled Money Investment Board, this investment shall be secured by the issuer by depositing with the Treasurer securities authorized by Section 53651 of a market value at least 10 percent in excess of the amount of the state's investment.

(g) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System.

(h) Negotiable certificates of deposits issued by a federally or state-chartered bank or savings and loan association, a state-licensed branch of a foreign bank, or a federally or state-chartered credit union. For the purposes of this section, negotiable certificates of deposits do not come within the provisions of Chapter 4 (commencing with Section 16500) and Chapter 4.5 (commencing with Section 16600).

(i) The portion of bank loans and obligations guaranteed by the United States Small Business Administration or the United States Farmers Home Administration.

(j) Bank loans and obligations guaranteed by the Export-Import Bank of the United States.

(k) Student loan notes insured under the Guaranteed Student Loan Program established pursuant to the Higher Education Act of 1965, as amended (20 U.S.C. SEC. 1001 and following) and eligible for resale to the Student Loan Marketing Association established pursuant to Section 133 of the Education Amendments of 1972, as amended (20 U.S.C. SEC. 1087-2).

(l) Obligations issued, assumed, or guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the International Finance Corporation, or the Government Development Bank of Puerto Rico.

(m) Bonds, debentures, and notes issued by corporations organized and operating within the United States. Securities eligible for investment under this subdivision shall be within the top three ratings of a nationally recognized rating service.

(Amended by Stats. 2009, Ch. 23, Sec. 1.)