

RESOLUTION NO. 476

RESOLUTION OF THE BOARD OF DIRECTORS OF THE FALLBROOK REGIONAL HEALTH DISTRICT APPROVING THE INVESTMENT POLICY FOR FISCAL YEAR 2026-2027

WHEREAS, the Fallbrook Regional Health District (“District”) is a local agency organized and existing pursuant to the California Healthcare District Law (Health & Safety Code Sections 32000, et seq.);

WHEREAS, the Board of Directors may approve and adopt an Investment Policy;
and

WHEREAS, the Investment Policy must be reviewed and adopted annually at a public meeting.

NOW, THEREFORE, the Governing Board of the Fallbrook Regional Health District hereby resolves to adopt the following Investment Policy:

Section 1 - General Provisions and Objectives

District funds not required for immediate expenditure will be invested in compliance with this policy and the provisions of California Government Code Sections 53600, et seq. Criteria for selecting investments and the absolute order of priority are safety, liquidity, and yield. Investments will be made in a range of instruments and maturity dates to ensure diversification and liquidity of assets in an emergency or when a large cash outlay is necessary. In accordance with California Government Code Section 53607, the authority to invest or reinvest the funds of the District is retained by the Board, with the advice of the Finance Committee.

Section 2 – Prudent Investor Standard

All participants in the investment process shall recognize that the investment portfolio is subject to the prudent investor standard as set forth in California Government Code Section 53600.3 and to public review and evaluation and shall seek to act responsibly as fiduciaries of the public trust. Investments shall be made with the exercise of that degree of 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 preservation of capital, the cash flow needs of the District as well as the income to be derived. In a diversified portfolio, occasional measured losses may be inevitable and must be considered within the context of the overall portfolio’s return and the cash flow requirements of the District.

Section 3 – Credit Risk

A. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Concentration of credit risk is the risk of loss attributed to the

magnitude of a District's investment in a single issuer. All participants in the investment process shall consider aversion to concentration of credit risk by:

1. Limiting investment purchases to those types and amounts permissible by California Government Code § 53601 and Section 6 of this Resolution, including:
 - a. Bonds issued by the Fallbrook Regional Health District or by any department, board, agency or authority created by the District.
 - b. United States Treasury Bills, Notes & Bonds or Certificates of indebtedness.
 - c. Registered state warrants or treasury notes or bonds issued by the State of California
 - d. Bonds, notes, warrants or other evidence of debt issued by a local agency within the State of California, including pooled investment accounts sponsored by the State of California, County Treasurers, other local agencies or Joint Powers Agencies.
 - e. Obligations issued by Agencies or Instrumentality of the US Government.
 - f. Bankers Acceptances with a term not to exceed 270 days. Not more than 40% of funds invested can be invested in Bankers Acceptances and no more than 30% of invested funds can be invested in the bankers' acceptances of any single commercial bank.
 - g. Prime Commercial Paper of U S Corporations with assets greater than \$500 million with a term not to exceed 180 days and the highest ranking issued by Moody's Investors Service or Standard & Poor's Corp. Purchases of eligible commercial paper may not represent more than 10% of the outstanding papers of an issuing Corporation. Commercial paper cannot exceed 15% of total invested funds, provided, that if the average maturity of all Commercial paper does not exceed 31 days, up to 30% of invested funds can be invested in Commercial paper.
 - h. Negotiable Certificates of Deposit issued by federally or state-chartered banks or associations. Not more than 30% of the funds invested can be invested in certificates of deposit.
 - i. 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. (See special limits in GC 653601 (i).
 - j. Medium term notes (not to exceed 5 years) of U S corporations rated "A" or better by Moody's or S&P. Not more than 30% of the funds invested can be invested in medium term notes.
 - k. Share of beneficial interest issued by diversified management companies (Money Market Mutual Funds) investing in the securities and obligations authorized by GC 653601. Such Funds must carry the highest rating of at least two . of the three largest national rating agencies. Not more than 10% of the funds invested can be invested in Money Market Mutual

Funds.

- l. 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.
 - m. Collateralized bank deposits with a perfected security interest in accordance with the Uniform Commercial Code (UCC) or applicable federal security regulations.
 - n. Any mortgage pass-through security, collateralized mortgage obligation, mortgage 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 nationally recognized rating service. Not more than 30% of the funds invested may be invested in this category of securities.
 - o. Any other investment security authorized under the provisions of GC 653601.
2. Investing no more than twenty-five percent (25%) of the portfolio with one issuer, except as noted in §6 below; and
 3. If pursuing a rated investment, investing only in investments with an AA+/A1 or better rating from Standard and Poor's Corporation and AA1/P2 or better from Moody's Investors Service Inc. at the time of purchase.

B. Custodial credit risk is the risk that the District will not be able to recover deposits or the value an investment or collateral securities that are in the possession of an outside party. All participants in the investment process shall consider aversion to custodial credit risk by:

1. Investing no more than twenty-five percent (25%) in the portfolio with one financial institution, with the exception of a Local Government Investment Pool (LGIP), the US Treasury, and funds advanced or in trustee accounts for project construction; and
2. If pursuing a deposit, ensuring that all deposits are fully collateralized as required by California Government Code Section 53652, or are insured by the Federal Deposit Insurance Corporation or National Credit Union Administration, and the "Contract for Deposit of Monies" will indicate the type and amount of collateral.

Section 4 – Interest Rate Risk

The risk that changes in interest rates will adversely affect the fair value of an investment. All participants in the investment process shall consider aversion to interest

rate risk by limiting the term remaining to maturity on purchased investments to five years, unless a longer term is permissible within the California Government Code and specifically approved by the Board prior to purchase.

Section 5 - Ethics and Conflict of Interest.

All participants in the investment process seek to act responsibly as custodians of the public trust. All officials, 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 his/her ability to make impartial investment recommendations and decisions. All officials, officers, and employees involved in the investment process shall adhere to the District's Conflict of Interest Code, which is updated biennially by the Board.

Section 6 – Permissible Investments

The permissible investments are as stated in the California Government Code 53600 et seq.

Pursuant to the provisions of California Government Code Section 53601.1, no investment will be made in financial futures or financial option contracts without the prior approval of the Board of Directors. Investments permitted by the California Government Code, but not by this policy, will be made only with prior approval of the Board of Directors.

A thorough investigation of any pool or fund is required prior to investing, and on a continual basis. The purpose of this investigation is to determine the suitability of a pool or fund and evaluate the risk of placing funds with that pool or fund. The investigation shall, at a minimum, obtain the following information:

A description of interest calculations and how it is distributed, and how gains and losses are distributed;

A description of who may invest in the program, how often, what size deposits and withdrawals are permitted;

A schedule for receiving statements and portfolio listings;

A description of the pool/fund reserves or retained earnings, or whether all income after expenses is distributed to participants; and

A fee schedule which discloses when and how fees are assessed.

Section 7 – Reporting

Pursuant to California Government Code Sections 53646(b) and 53646(d), a

monthly report shall be submitted to the Board of Directors within thirty (30) days following the end of the month covered by the report for review. The report shall include the type of investment, issuer, purchase and maturity dates, rate of interest, dollar amount invested, fund, current market value, and percentage of portfolio. The report shall also state compliance of the portfolio to the statement of the investment policy, or the manner in which the portfolio is not in compliance. The report shall include a statement regarding the ability of the District to meet its expenditure requirements for the next six (6) months.

Section 8 – Finance Committee’s Responsibilities.

The Finance Committee is responsible for the review of budgetary, financial and investment matters related to the District including the annual audit and review of District investment and appraisal of market conditions relating to the prudent investment of District funds. The Finance Committee shall establish and maintain a system of internal controls to be examined and monitored by the District’s independent auditor.

PASSED AND ADOPTED by the Board of Directors of the Fallbrook Regional Health District at a regular meeting held on this 13th day of May 2026, by the following roll call vote:

AYES: Jeffries, Canseco, Acosta, DeVito
NOES: none
ABSTAIN: none
ABSENT: Salmon

Jennifer Jeffries
Jennifer Jeffries, Chair
Board of Directors
Fallbrook Regional Health District

ATTEST:

Anabel Canseco
Anabel Canseco, Secretary
Board of Directors
Fallbrook Regional Health District