



**TAHOE DONNER ASSOCIATION  
BOARD OF DIRECTORS**

**RESOLUTION 2020-xx**

**INVESTMENT POLICY**

WHEREAS, the Davis-Stirling Common Interest Development Act specifies that the Board shall exercise prudent fiscal management in maintaining the integrity of the Tahoe Donner Association's ("TDA" or "the "Association") reserve funds<sup>1</sup>; and,

**WHEREAS**, subject to corporation law and limitations contained in the governing documents the business and affairs of the Association are vested in the Board of Directors<sup>2</sup>; and,

**WHEREAS**, the Board has authority to open bank accounts on behalf of the Association and designate signatories<sup>3</sup>; and,

**WHEREAS**, the Board shall maintain other accounts necessary to carry out the business of the Association<sup>4</sup>; and,

**WHEREAS**, in order to properly maintain common areas and facilities of the Association that are the responsibility of the Association, to comply with state statutes, to manage reserve funds, and to protect the market value of Owners' homes and livability in the Association, the Board of Directors determines that it is necessary to have policies and procedures for the investment of reserve funds; and,

**WHEREAS**, the following constitutes the Investment Policy of TDA and supersedes all previously approved policies and resolutions pertaining to the investment of funds;

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<sup>1</sup> Davis-Stirling Common Interest Development Act, Chapter 7, Article 2, Section 5515(e)

<sup>2</sup> Restated Bylaw of Tahoe Donner Association, ARTICLE VII, Section 1

<sup>3</sup> Restated Bylaws of Tahoe Donner Association, ARTICLE IX, Section IX, Section 1(p)

<sup>4</sup> Restated Bylaws of Tahoe Donner Association, ARTICLE XII, Section 4

**NOW, THEREFORE, BE IT RESOLVED**, that the Board of Directors of TDA approves and adopts the following Investment Policy:

## **PURPOSE**

The purpose of this resolution is to (i) establish guidelines to ensure the effective and judicious management of investments of the Association's reserves; and (ii) responsibly fund the projected maintenance, repair, and replacement of those portions of the Association that the Association is responsible for and for such other funding as the Board of Directors may determine.

## **INVESTMENT OBJECTIVE**

The funds of the Association shall be invested to achieve the following objectives:

1. To protect all principal funds while attempting to maximize the rate of return on investments.
2. Investments shall be made in the highest yielding instruments possible, consistent with the cash flow requirements of the Association and the restrictions listed below.
3. When making investment decisions, the factors of opportunity cost, risk vs. reward, issuer and industry sector diversification, liquidity, minimizing transaction costs (redemption fees, commissions, etc.) scheduling and monitoring shall all be considered, recognizing that the Association has funds that serve both short-term (i.e., the Operating Fund) and long-term (i.e., the Development Fund and the Replacement Reserve Fund) objectives.

## **AUTHORIZED INVESTMENT INSTRUMENTS**

Authorized investments are specifically limited to the following categories for funds of TDA:

1. Obligations backed by the full faith and credit of the United States Government, with a maximum maturity term of 10 years.
2. Checking or savings accounts at Banks and Savings and Loan institutions. Accounts must be insured by the FDIC.
3. Certificates of Deposit ("CDs") of Banks and Savings and Loan institutions. Certificates of Deposit must be insured by the Federal Deposit Insurance Corporation ("FDIC").

4. Corporate Bonds of New York Stock Exchange listed United States corporations, rated A2/A (or the equivalent rating) or higher by two of the following three rating services: Moody's Investors Service, Inc. ("Moody's"), Fitch Ratings, Inc. ("Fitch") or Standard & Poor's Financial Services LLC ("S&P"). Should the bonds be rated A2/A or higher by only one of the aforementioned credit rating agencies, then the DFA shall make all reasonable effort to sell the bonds as soon as practicable. The maximum remaining term to maturity on these bonds will be 5 years.
5. Money market accounts with TDA's Board-approved financial institutions.
6. Municipal Bonds with a maturity term not to exceed 5 years rated A2/A or higher (or the equivalent rating) by two of the following three rating services: Moody's, Fitch, or S&P. Should the bonds be rated A2/A or higher by only one of the aforementioned credit rating agencies, then the Director of Finance and Accounting ("DFA") shall make all reasonable effort to sell the bonds as soon as practicable. .
7. State of California insured debt instruments or State of California debt rated Aa2/AA or higher (or the equivalent rating) by two of the following three rating services: Moody's, Fitch, or S&P. Should the bonds be rated Aa2/AA or higher by only one of the aforementioned credit rating agencies, then the Director of Finance and Accounting ("DFA") shall make all reasonable effort to sell the bonds as soon as practicable. Maturity term on State of California debt is not to exceed 7 years.
8. Senior debt obligations issued by either the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac", and collectively with Fannie Mae, defined as "Government Sponsored Enterprises", or "GSEs") rated Aa2/AA or higher (or the equivalent rating) by two of the following three rating services: Moody's, Fitch, or S&P. Should the bonds be rated Aa2/AA or higher by only one of the aforementioned credit rating agencies, then the Director of Finance and Accounting ("DFA") shall make all reasonable effort to sell the bonds as soon as practicable. with a maximum remaining maturity term of 5 years.
9. Commercial Paper rated A1/P1 by Moody's and S&P, provided that: (i) the issuer is a US corporation and not a subsidiary of a non-US corporation, (ii) the obligation is not classified as a "structured" issue, and (iii) the issuer has a long-term senior debt rating of A2/A or higher issued by Moody's and S&P.

## **INSTRUMENT LIMITATIONS**

Limits on the above authorized investment instruments are as follows:

1. Cash and cash equivalent funds held in brokerage and bank accounts should be held at or below SIPC and FDIC insurance limits to the greatest extent possible. Liquidity needs for operating and capital expenditures may at times necessitate cash and cash

equivalent balances in a particular account to exceed FDIC insurance limits. This risk shall be minimized by the DFA.

2. Investments in each of the following investment categories are limited to no more than 20% of the individual fund balances (i.e., Operating, Development, Replacement Reserve and New Equipment Funds) at the time the investment is made:
  - a. Corporate Bonds;
  - b. U.S. Government Securities, with a maturity term of more than 3 years;
  - c. State of California debt;
  - d. Municipal Bonds;
  - e. GSE debt with a maturity term of more than 3 years; and
  - f. Commercial Paper.

Except in the case of US Government obligations and short-term deposits and CDs issued by TDA approved banks, the aggregate amount of financial exposure, whether in long or short term investments, to any single issuer or obligor shall not exceed 5 % of the fund balance of whichever fund holds that investment.

3. The following approval requirements shall be in effect at all times:

- a. Investments in instruments listed in Instrument Limitations item 2 above, with maturity terms of greater than one (1) year but less than five (5) years, require the concurrence of the DFA and the Treasurer (or in the Treasurer's absence, the President of the Board).
- b. Investments in instruments listed in Instrument Limitations item 2 above, with maturity terms of greater than five (5) years, require the concurrence of the DFA, the Treasurer (or in the Treasurer's absence, the President of the Board) and one other member of the Board.
- c. The concurrences required by this paragraph (3) must be received BEFORE the investments in Instrument Limitations item 2 above are consummated and notification to all Board members must occur within 10 days after the investment is made.
- d. The GM or DFA may authorize all other investment transactions.

4. Long-term investments shall be made with the intention of holding them until maturity. Sales prior to the maturity date will require approval from the Treasurer and one other member of the Board. Losses on sales of securities prior to their maturity or call date are acceptable and may be taken (i) in order to reinvest the proceeds into one or more securities offering an income flow with a present value higher than would have been generated by the original

investment (including the loss on sale incurred or interest foregone), (ii) in order to proactively protect the Association against a perception of higher risk in securities owned than was foreseen at the time of their purchase, (iii) to meet an unanticipated need for liquidity, or (iv) because a security has fallen out of compliance with this policy. ***[DISCUSS INCREASED FLEXIBILITY, VIA SPECIFIC DOLLAR LIMITS AND ESCALATING REQUIRED APPROVAL LEVELS, FOR THE DFA TO INCUR A LOSS ON SALE OF AN INVESTMENT. FOR EXAMPLE, BASED ON THE EXPECTED LOSS AMOUNT, APPROVAL WOULD ESCALATE AS FOLLOWS: (i) THE DFA ALONE, (ii) THE DFA AND THE TREASURER, OR (iii) THE DFA, THE TREASURER AND ANOTHER BOARD MEMBER TO AUTHORIZE INVESTMENT SALES AT A LOSS.]***

## **GENERAL ADMINISTRATION RESPONSIBILITIES**

The DFA shall prepare annual forecasts of cash flow requirements for all of the Association's funds. In addition, the DFA shall also prepare a cash flow forecast for the Reserve and Development Funds covering a period of not less than five years and ideally for ten years.

The Finance Committee and DFA shall meet quarterly to review investments, strategy, cash flow and the overall results of the TDA investment management. In addition, the Treasurer shall review and initial the monthly investment account reconciliations and report quarterly to the Board.

Services provided by banks, brokerage firms or Savings and Loans that provide required levels of insurance coverage for investor accounts, shall be utilized in administering this Policy.

Banks, brokerage firms and other financial institutions with whom TDA transacts for banking and investment services shall be selected based on the following criteria: the reputation and financial strength of the company or financial institution, and the reputation and expertise of the individuals employed. The list of acceptable banks and brokerage firms who handle Tahoe Donner Association investments shall be reviewed annually by the Treasurer and the DFA.

All securities in the various fund portfolios shall be held in custody for Tahoe Donner Association by nationally recognized banks, brokerage firms, or third party custody firms with appropriate liability/indemnity insurance. Those firms who serve as custodians of Tahoe Donner Association investments shall be reviewed annually by the Treasurer and the DFA

Any changes to this policy or authorized signatories shall be sent to the appropriate brokerage firms immediately. Any brokerage firm holding funds and/or other investments of TDA, shall send (paper or digital), investment and deposit confirmations and complete monthly statements to BOTH the Treasurer and the DFA.

## **APPROVAL**

Approval of this Investment Policy and any changes, amendments, or modifications thereafter, may only be accomplished at a properly noticed meeting of the Board.

**ACCEPTED AND DATED:** April xx, 2020

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CHARLES WU, President

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DON KOENES, Vice President

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JEFF CONNORS, Treasurer

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JIM ROTH, Secretary

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JENNIFER JENNINGS, Director