

## **MUTUAL OPERATIONS**

### **ACCOUNTING AND FISCAL**

#### **Banking Resolution**

##### **Investment of Mutual Five Accounts**

This policy has been developed to institute proper guidelines for the ongoing management of Mutual Five's investment of both "Reserve" and "Operating" funds.

A "Reserve" account is maintained by Mutual Five for the purpose of accumulating funds for capital improvements and for special needs, such as periodic maintenance and emergencies. An "Operating" account is maintained for the purpose of paying ongoing daily expenses.

#### **1. Investment Objectives**

The funds held in the Operating and Reserve Accounts represent the liquid and working funds for the present and future operations of the Mutual. Civil Code §1365.5 (c) (2) states, "the board shall exercise prudent fiscal management in maintaining the integrity of the reserve account." Therefore,

- 1.1 The Board's primary goal is the preservation of Mutual Five's Reserves against loss, excluding the loss due to inflation which is not controllable by the Board of Directors.
- 1.2 The Board's secondary concern is a reasonable return on the monies.
- 1.3 The Board must ladder the funds so as to maintain availability of the funds for use as required by the Reserve needs for capital and special needs improvements.

#### **2. Investment Guidelines**

The Board should adopt a strategy that emphasizes preservation of principal over return. Permitted investments are listed below.

- 2.1. Safe Investments include FDIC insured Certificates of Deposit, in all their forms, three months to six years, Treasury Bills and Notes and other direct obligations of the U.S. Government and Municipal bonds (with an S&P rating of AA or higher).
- 2.2. The "Operating" or liquid portfolio will be limited to short-term money market instruments. Accumulated funds in this account should be covered by either FDIC insurance or a surety bond in any single bank. Reliance on the bank's self-insurance poses an imprudent risk.

**MUTUAL OPERATIONS****ACCOUNTING AND FISCAL****Banking Resolution****3. Management**

- 3.1. The President of the Board of Mutual Five shall appoint an Investment Committee of at least two Directors, but no more than four (maximum of three Directors), Board members, one of whom must be the Chief Financial Officer. This committee shall implement the investment policy in coordination with investment advisor(s). The committee members must be approved by the Board of Directors.
- 3.2. The investment advisor(s) are compensated by the brokers who are associated with the banks with which Mutual Five has accounts.
- 3.3. The President shall either chair the Investment Committee or appoint another committee member, preferably the Chief Financial Officer, as chair.
- 3.4. A simple majority vote of the committee shall authorize the purchase of the financial instrument(s) selected from those offered by the advisors.
- 3.5. The Investment Committee chair, in coordination with the advisors, shall monitor on-going investment activities to ensure that proper liquidity is being maintained and that the investment strategy is consistent with the needs and risk tolerance of Mutual Five's "Reserve" account needs.

**4. Reserve Account Transfers**

- 4.1. The signatures of at least two officers, preferably the President and the Chief Financial Officer, who shall also be members of Mutual Five's Investment Committee, shall be required for the withdrawal of moneys from the Mutual's reserve accounts. Civil Code §1365.5 (b).
- 4.2. Any transfer of funds from the "Reserve" account should be done by a resolution submitted to the Board at a Board meeting and recorded in the minutes so the membership is fully informed of the reserve transfers.

| <b>Document History</b> |                       |                 |             |             |             |
|-------------------------|-----------------------|-----------------|-------------|-------------|-------------|
| <b>Adopted:</b>         | 11 Jan 1993           | <b>Amended:</b> | 18 Jan 2012 | 20 Dec 2017 | 18 Apr 2018 |
| <b>Keywords:</b>        | Banking<br>Resolution | Rules           |             |             |             |