

OAKLAND UNIFIED SCHOOL DISTRICT
Office of the State Administrator

September 24, 2008

LEGISLATIVE FILE

TO: Vincent Matthews, Interim State Administrator
Board of Education

FROM: Roberta Mayor, Ed.D., Interim Superintendent of Schools
Leon Glaster, Interim Chief Financial Officer

File ID No. 08-2116
Introduction Date 09-24-08
Enactment No. _____
Enactment Date _____
By _____

Subject: Approval by the State Administrator of Quarterly Investment Report Pursuant to Government Code Section 53646

ACTION REQUESTED:

Approval by the State Administrator for submission of the District's Quarterly Investment Reports for the months of May, June, July and August fiscal year 2008.

SUMMARY/BACKGROUND:

Government Code Section 53646 requires the State Administrator to review and approve the District's cash investments and quarterly report. The overall investment objective is to obtain the highest yield available within the criteria established for safety and liquidity. These criteria (See Reports) shall be used in the order of priority, as listed, for selecting investments. The investment report establishes criteria for the investing of short and long term cash and prescribes that an investment report be provided to the State Administrator on a quarterly basis.

DISCUSSION:

The purpose of the investment report is to provide guidelines for the prudent investment of Oakland Unified School District's cash assets and for maximizing the efficiency of the District's cash asset management program. The ultimate goal is to enhance the economic status of the District while protecting its invested cash. This report partially addresses Professional Standard 12.1 of the FCMAT Comprehensive Assessment and Recovery Plan.

FISCAL IMPACT:

The District currently invests all its cash reserves in the Alameda County Treasurer's Investment Portfolio pursuant to the statutory requirements of Government Code section 53601. The cash basis rate of return for the District totaled 1.80% for May, 3.45% for June, 2.80% for July and 3.73% for August.

RECOMMENDATION:

Approval by the State Administrator for submission of the District's Quarterly Investment Reports for the months of May, June, July and August fiscal year 2008.

ATTACHMENTS:

Alameda County Treasurer's Investment Status Report for May
Alameda County Treasurer's Investment Status Report for June
Alameda County Treasurer's Investment Status Report for July
Alameda County Treasurer's Investment Status Report for August

**OAKLAND UNIFIED SCHOOL DISTRICT QUARTERLY INVESTMENT REPORT AS
OF AUGUST 31, 2008**

(Please note that the Quarterly Report includes August, 2008)

I Purpose:

The purpose of this investment report is to provide guidelines for the prudent investment of Oakland Unified School District's cash assets and for maximizing the efficiency of the District's cash asset management program. The ultimate goal is to enhance the economic status of the District while protecting its invested cash. All of the District's current cash reserves are invested in the Alameda County Treasurer's Investment Portfolio in accordance with the statutory requirements of Government Code section 53601 et. Seq. (excluding the State Drawdown Loan which is invested in LAIF)

II Overall Investment Objective:

The overall investment objective shall be to obtain the highest yield available within the criteria established for safety and liquidity. These criteria (listed below) shall be used in the order of priority, as listed, for selecting investments.

III Scope:

This report applies to all cash assets of Oakland Unified School District, segregated for investment purposes into categories of Short Term Cash and Long Term Cash.

IV. Criteria for Investment of Short/Current Year Cash

(in order of priority):

1. Safety

Assets shall be invested in those investments that are considered very safe. The safety and risk associated with an investment refers to the potential loss of principal, interest, or a combination of these amounts.

2. Liquidity

Liquidity refers to the ability to cash in the investment at any moment in time with minimal chance of losing some portion of principal or interest. Liquidity of investment shall be evaluated against the anticipated need for unexpected funds to pay losses.

3. Yield

Yield is the potential dollar earnings an investment can provide, and is often described as the rate of return.

V. Criteria for Investment of Long Term Cash

(in order of priority):

1. Safety

Assets shall be invested in those investments that are considered very safe. The safety and risk associated with an investment refers to the

potential loss of principal, interest, or a combination of these amounts.

2 . Yield
Yield is the potential dollar earnings an investment can provide, and is often described as the rate of return.

3 . Liquidity
Liquidity refers to the ability to cash in the investment at any moment in time with minimal chance of losing some portion of principal or interest. Liquidity of investment shall be evaluated against the anticipated need for unexpected funds to pay losses.

VI. Public Review and Professional Standard of Care:

The Oakland Unified School District investment portfolio is subject to public review. The overall program shall be designed and managed with a degree of professionalism worthy of the public trust. Losses may occur before maturity and may be acceptable on a sale before maturity if the reinvested proceeds will earn an income flow greater than would have been by the old investment, considering any capital loss or foregone interest on the original investment.

VII. Restrictions to the Investment Portfolio:

All investments in the Treasurer's investment portfolio conform to the statutory requirements of California Government Code Section 53601 et. seq. authorities delegated by the county board of supervisors and the treasurer's investment policies.

VIII. Delegation of Authority:

The ultimate responsibility for investing activity shall reside with the State Administrator, who shall oversee the investment management.

IX. Quarterly Reports:

A quarterly report on the status of all invested funds, in accordance with Government Code Section 53646, shall be prepared and presented to the Oakland Unified School District's State Administrator at a Regular meeting.

X. Safekeeping:

Securities purchased from brokers/dealers shall be held in third-party safekeeping by a designated third party trust, as approved by and in the name of the Oakland Unified School District.

XI. Investment Guidelines:

The Oakland Unified School District should operate its investments under the Prudent Investor Rule (Probate Code —16040 et seq.) except where more specific restrictions may apply. This restriction will provide the Oakland Unified School District with a broad spectrum of investments, so long as the investments are deemed prudent and are allowable under current statutes of the State of California (Government Code Section 53600 et. seq.

XIII. Permitted Investments (Pursuant to Government Code Section 53600, et. seq.):

1. Local Agency Investment Fund (LAIF)
2. Collateralized Time Deposits
3. Commercial Paper
4. Corporate Notes and Bonds
5. Money Market Funds
6. Federal Agency Notes & Bonds
7. Federal Agency Discount Notes
8. U.S. Treasury Bills
9. U.S. Treasury Notes
10. Tax and Revenue Anticipation Notes (TRANS)
11. Passbook Savings Account Demand Deposits

The District's cash rate of return in the Alameda County Treasurer's Investment Portfolio 1.80% for May, 3.45% for June, 2.80% for July and 3.73% for August. The Treasurer's Monthly Investment Status Reports are enclosed for reference purposes.

Vincent Matthews
Interim State Administrator
Oakland Unified School District