RESERVE & INVESTMENT POLICY

Statement of Policy

The purpose of the Reserve & Investment Policy for Downtown Chico Business Association is to ensure the stability of the mission, programs, employment, and ongoing operations of the organization.

The Reserve & Investment Policy is intended to provide for the creation of, and guidelines for the management of, various funds held by the organization. For the purposes of managing investment risk and to optimize investment returns within acceptable risk parameters, the following funds will be created and held as separate investment pools.

- Operating Fund
- Short-term Reserve Fund
- Long-term Reserve Fund

Procedures

- The following procedures will be followed to ensure the investment policy statement is consistent with the mission of Downtown Chico Business Association and accurately reflects current financial conditions:
    - The Executive Committee shall review this investment policy every other year, at minimum.
    - The Executive Committee will recommend any changes in this policy to the Board of Directors.
- The following procedures will be used to determine the dollar amounts to be placed in each of the various funds.
    - The Executive Director or his/her designee will recommend the dollar amounts to be held in the Operating Fund and Short-term Reserve Fund.
    - The Executive Committee will recommend the dollar amounts to be held in the Long-Term Reserve Fund.

Delegation of Authority

The Executive Committee is a fiduciary, and is responsible for directing and monitoring the investment management of the various fund assets on behalf of Downtown Chico Business Association. As such, the Executive Committee is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to Investment Management Consultant, Investment Manager, Custodian, and additional specialists.

It is anticipated that the services of a registered investment manager may be sought to manage portions of the Long-term Reserve. The following procedure shall be followed to engage a new or replace a current investment manager:

1. The Treasurer and the Executive Committee will recommend the hiring or replacing of an investment manager to the Board of Directors.
2. The Treasurer and the Executive Committee will nominate prospective candidates and send a Request for Proposal to each candidate.
3. The Treasurer and the Executive Committee will review proposals and interview candidates to determine appropriate investment manager(s).
4. The Executive Committee will make the hiring recommendation to the Board of Directors, who shall have the final approval.

Operating Fund

Purpose

The purpose of the Operating Fund is to provide sufficient cash to meet the day-to-day financial obligations of Downtown Chico Business Association in a timely manner.

Investment Objectives

The investment objectives of the Operating Fund are:

- Preservation of Capital;
- Liquidity; and
- To optimize the investment return within the constraints above

Investment Guidelines

Allowable Investments

The Executive Director and Treasurer if authorized by the Board of Directors will invest the Downtown Chico Business Association Operating Fund as follows:

- Interest-bearing checking accounts;
- Interest-bearing savings account

Maturity

The maturities on investments for the Operating Fund shall be 12 months or less.

Reporting

The Executive Director or his/her designee shall prepare the following reports for presentation on at least a quarterly basis to the Board of Directors;

- Schedule of investments;
- Interest income year to date

Short-term Reserve Fund

Purpose

The purpose of the Short-term Reserve Fund ("STRF") is to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The STRF may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research, and development, or investment in infrastructure. The STRF is not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of Downtown Chico Business Association for the STRF to be used and replenished within a reasonably short period of time.

Definitions and Goals

The STRF is defined as a designated fund set aside by the action of the Board of Directors. The minimum amount to be designated as an STRF will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The STRF serves a dynamic role and will be reviewed and adjusted in response to internal and external changes.

The target minimum of STRF is equal to three percent of the average annual Butte County Tourism Business Improvement District ("BCTBID") revenue or six (6) months average operating cost, whichever is greater.. The calculation of average operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation. The calculation of average monthly expenses may also excludes some expenses such as pass-through programs, and one-time or unusual capital purchases.

The amount of the STRF target minimum will be calculated each year after approval of the annual budget, reported to the Finance Committee/Board of Directors, and included in the regular financial reports.

Investment Guidelines

Allowable Investments

The Executive Director and Treasurer if authorized by the Board of Directors will invest the Short-term Fund as follows:

- Interest-bearing checking accounts;
- Interest-bearing savings account;
- Certificates of Deposit at insured commercial banking institutions;
- Money market funds that invest in government backed securities;
- Direct obligations of the U.S. Government, its agencies and instrumentalities.
- Mutual funds that invest in direct obligations of the U.S.Government, its agencies and instrumentalities.

Maturity

The Short-term fund shall have a weighted average maturity of one year or less. The maximum maturity shall be three (3) years.

Reporting

The Executive Director or his/her designee shall prepare the following reports for presentation on at least a quarterly basis to the Board of Directors:

- Schedule of Investments which includes schedule of performance since purchase or last three (3) years;
- Interest Income year to date;
- Current yield.

Use of Short-Term Reserve Funds

Use of the STRF requires three steps:

1. Identification of appropriate use of reserve funds.

The Executive Director and staff will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Policy. This step requires an analysis of the reason for the shortfall, the availability of any other sources of funds before using reserves, and an evaluation of the time period that the funds will be required and replenished.

2. Authority to use operating reserves

The Executive Director will submit a request to use STRF to the Board of Directors. The request will include analyzing and determining the use of funds and plans for replenishment. The organization’s goal is to replenish the funds used within twelve months to restore the Operating Reserve Fund to the target minimum amount. If the use of Operating Reserves will take longer than 12 months to replenish, the request will be scrutinized more carefully. The Board of Directors will approve or modify the request and authorize the transfer from the fund.

3. Reporting and monitoring

The Executive Director is responsible for ensuring that the STRF is maintained and used only as described in this Policy. Upon approval for the use of STRF, the Executive Director will maintain records of the use of funds and plan for replenishment. He/she will provide regular reports to the Finance Committee/ Board of Directors of progress to restore the STRF to the target minimum amount.

Long-term Reserve Fund

Purpose of Long-term Reserve Fund

The purpose of the Long-term Reserve Fund is to provide secure long-term funding for the mission of Downtown Chico Business Association. The assets of the Long-term Reserve Fund shall be managed in such a way as to facilitate the organization's goals and objectives as outlined by the Board of Directors. Expenditure of the principal is board designated unless otherwise designated by the donor(s) in part or in whole. Also, at the discretion of the Board of Directors, up to 100% of the yearly total return may be utilized for program and agency expenses.

Investment Objectives

In order to meet its needs, the investment strategy of the Long-term Reserve Fund is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income.

Specifically, the primary objective in the investment management of the Long- term Reserve Fund shall be:

- Long-term growth of capital – To emphasize the Long-term growth of principal while avoiding excessive risk. Short-term volatility consistent with the volatility of a comparable market index is anticipated, though management should strive to contain it.
- Preservation of purchasing power – To achieve returns in excess of the rate of inflation plus spending over the investment time horizon in order to preserve purchasing power of agency and Trust assets. Risk control is an important element in the investment of Trust assets.

Investment Guidelines

General Principles

- Investments shall be made solely in the interest of Downtown Chico Business Association and Long-term Reserve Fund.
- The assets shall be invested with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent investor acting in like capacity and familiar with such matters would use in the investment of a like fund.
- Investment of these funds shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
- Downtown Chico Business Association may employ one or more investment managers of varying styles and philosophies to attain the Fund's objectives.
- Cash is to be employed productively at all times by investment in Short-term cash equivalents to provide safety, liquidity and return.

Specific Investment Goals

Over the investment time horizon established it is the goal of the Long-term Reserve Fund assets to realize a total return in excess of the rate of inflation, as measured by the Consumer Price Index.

The goal of the investment manager shall be to meet or exceed the market index selected and agreed upon by the Finance Committee that most closely corresponds to the general principles stated above.

Diversification

Investment management of the assets of the Long-term Reserve Fund shall be in accordance with the following asset allocation guidelines:

Asset Class	**Minumum**	**Maximum**
Equities	30%	70%
Fixed Income	30%	70%
Cash Equivalents	0%	20%

The Finance Committee may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate portfolio, such disciplines must fit within the overall asset allocation guidelines established in this statement. The Finance Committee will meet annually to monitor and reevaluate investment allocation in reference to the Long-term Reserve Fund Asset classes.

Allowable Assets

The Long-term Reserve Fund requires that all investment assets be invested in marketable securities, defined as securities that can be traded quickly and efficiently for the Long-term Reserve Fund, with minimal impact on market price.

- Cash Equivalents
  - Treasury bills
  - Money market funds
  - Commercial paper
  - Banker's acceptances
  - Repurchase agreements
  - Certificates of deposit
- Fixed Income Securities
  - U.S. Government and Agency securities
  - Corporate notes and bonds (investment grade, at least BBB)
  - Mortgage-backed bonds
  - Preferred stock
- Equity Securities
  - Common stocks
  - Convertible notes and bonds
  - Convertible preferred stocks
  - American Depository Receipts of non- US companies(ADRs)
- Mutual Funds that invest in securities as allowed in this statement

To ensure marketability and liquidity, equity investments shall be executed through nationally recognized exchanges such as the New York Stock Exchange, American Stock Exchange and NASDAQ.

Performance Reporting

The Long-term Reserve Fund will be evaluated at least semi-annually on a total return basis. The evaluation will be based on the stated investment goals. Comparisons will show results for the year-to-date. The report will be prepared by the Treasurer and will be presented to the Finance Committee at least semiannually. The Finance Committee will present a report to the Board of Directors at least annually.

The Finance Committee may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate portfolio, such disciplines must fit within the overall asset allocation guidelines established in this statement.

The Finance Committee will meet annually to monitor and reevaluate investment allocation in reference to the Endowment Fund Asset classes.

Review of Policy

This Policy will be reviewed every other year, at minimum, by the Board of Directors, or sooner if warranted by internal or external events or changes. Changes to the Policy will be approved by the Board of Directors.

The Reserve & Investment Policy was approved by the Executive Committee of Directors of Downtown Chico Business Association on March 23, 2023.

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Secretary of the Board Date