

Vistoso

COMMUNITY ASSOCIATION

Financial Investment Policy

This policy is adopted pursuant to the Board's authority contained within Article XII, Section 12.1 of the Vistoso Declaration¹, and Section 4.7 of the Vistoso Bylaws.

The purpose of this policy is to protect and ensure the safety of the reserve and operating funds of the Vistoso Community Association's (VCA) and those volunteers who participate in the investment process and to further provide guidance to those who offer investment services to the VCA, including brokers/dealers, banks, consultants, savings institutions, and custodians.

This policy may be amended by the Finance Committee (FC) as deemed appropriate or directed by the VCA Board of Directors (BOD). Any amendments must be approved by the the BOD. The BOD, in its sole discretion, may deviate from this policy, if it determines it is in the best interests of VCA to do so. Each year the FC will prepare an investment plan following the parameters outlined in the investment policy for BOD approval.

The following investment policy addresses the methods, procedures and practices which must be exercised to ensure effective and judicious fiscal investment management of the VCA's reserve and operating funds.

NOW, THEREFORE, IT IS RESOLVED that the VCA does hereby adopt the following policies and procedures for the investment of the VCA's operating and reserve funds:

1. Guidelines.

- a. **Operating:** All operating accounts must be maintained in a segregated account and managed to meet VCA's annual operating budget. Two (2) to three (3) months of operating expenses shall be retained in an operating funds checking account. Operating funds in excess of this amount may be transferred to operating savings accounts or Certificates of Deposits (CDs) by VCA accountant with notification to the FC and BOD.

¹ Article XII, Section 12.1 of the Vistoso Declaration provides in relevant part that, "In addition to the rights and powers of the Association set forth in this Declaration, the Association shall have such rights and powers as are set forth in the Articles and Bylaws, together with such rights and powers and duties as may be reasonably necessary in order to effect all the objectives and purposes of the ASSOCM011 as set forth herein."

b. Reserves: Prudent reserve planning should provide flexibility consistent with the economic climate and the VCA's needs. Should consider planned fund expenditures as outlined in the most current reserve study and balance short-term expenditures and longer-term investments.

c. Securities: When utilizing the services of professional financial planners, brokers, and/or advisors, they should be duly licensed and insured professionals who possess professional certifications and credentials to implement the VCA's investment strategy.

2. Investment Objectives. All funds which are held for capital expenditures as a part of the reserve fund shall be deposited and invested by the VCA following provisions of the Arizona Uniform Prudent Management of Institutional Funds Act (UPMIFA-AZ) that are relevant to the investment guidelines and objectives of VCA and resolutions enacted by the VCA's BOD in a manner to accomplish the following objectives:

a, Safety of Funds: Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital, with the objective of mitigating credit risk and interest rate risk.

i. **Credit Risk:** The VCA will minimize credit risk, the risk of loss due to the failure of the financial institution, by: (a) Limiting investments to the safest types of investments as provided for herein; (b) Pre-qualifying the financial institutions, brokers/dealers, and advisors with which the VCA does business; and (c) Subject to the limitations herein, diversifying the investment portfolio so that potential losses on individual investments will be minimized.

ii. **Interest Rate Risk:** The VCA will minimize the risk of the market value of investments in the portfolio due to changes in general interest rates by: (a) Structuring the portion of the investment portfolio earmarked for time deposits so that investments mature sufficiently close to cash requirements for ongoing operations, thereby minimizing the potential need to sell investments prior to maturity; and (b) Investing all funds primarily in short-term to intermediate-term investments, and for longer terms if earmarked sums are not necessary to meet the foreseeable reserve fund expenditures; i.e., beyond five (5) years.

b. Liquidity of Funds: The investment portfolio shall remain sufficiently liquid to meet all planned reserve fund expenditures for two (2) years. To ensure that adequate reserve funds are available to pay the VCA's reserve expenditures, annual reserve fund investments shall reasonably match the planned reserve fund expenditures for the following fiscal year.

c. Types of Investments:

i. The reserve fund portfolio to be utilized within one (1) to five (5) years shall consist largely of Money Market Accounts and laddered

Certificates of Deposit that are fully guaranteed by the U.S. Government, or FDIC, unless enhanced by an excess deposit insurance product.

- ii. If the VCA's reserve fund balance exceeds five (5) years of annual expenditures outlined in the most current Reserve Study, VCA may invest these funds into:
 - a. Equity-type investments (i.e., common stocks, convertible issues) in both domestic and foreign markets and in index funds commonly known as Exchange Traded Funds (ETFs), and should not exceed 40% of the equity portion of the portfolio. At no time should any single security represent greater than 5% of the portfolio (excluding mutual funds and ETFs) nor should any industry group represent greater than 10% of the portfolio, unless approved by the VCA BOD.
 - b. Fixed income investment of domestic and foreign agency obligations, such as Treasury Bills, investment grade corporate bonds, municipal bonds, preferred stocks, commercial paper, certificates of deposit, and such other fixed income investments as deemed prudent.

iii. Reserve funds may not be invested in the following securities:

- a. Privately placed or other non-marketable debt
- b. Lettered, legend or other restricted stock
- c. Short selling
- d. limited partnerships
- e. Direct Purchases in - future contracts, commodities, individual Real Estate Investment Trusts (REIT's)

d. Yield: Subject to the restrictions on the types of investments, the VCA's portfolio shall earn a competitive market rate of return on available funds throughout budgetary and economic cycles. In meeting this objective, the VCA, through the Board of Directors, will take into account the VCA's investment risk, constraints, inflation, and cash flow needs.

3. **Delegation of Authority.** Responsibility for proposing an investment strategy will reside with the Finance Committee. The Finance Committee will present its recommended investment strategy each year with the annual budget to the VCA's BOD. The investment policy will be posted on the VCA website for 24/7 access by community members. The Board will engage a professional and licensed financial wealth management firm to support the strategy of this Investment Policy. The BOD shall provide a copy of this policy to the newly elected Treasurer at the assumption of office. All accounts not managed by the financial investment firm in excess of \$2,500.00 shall have the approval of two members of the Board of Directors (one of which must be an officer).

4. **Conflict of Interest Disclosure.** All board members must disclose to the BOD when he or she may have a direct or indirect incentive or financial interest in a VCA transaction or contract prior to committing to the arrangement. In an instance where there may be a conflict of interest, the BOD must note such conflict in the VCA meeting minutes, including the vote of each Board member on any such transaction or contract.

The statements set forth herein shall be effective as of the date below, until otherwise amended in writing by the Board of Directors of the VCA.

Signed this 5th day of October, 2022

10-5-2022
Date

Gayle Lopez
Board President

10/10/2022
Date

Treasurer

10/10/2022
Date

Wanil Estu
Secretary