



## Regular Meeting of the Santa Clara County Health Authority Executive/Finance Committee

Thursday, April 26, 2018  
11:30 AM - 1:00 PM  
210 E. Hacienda Avenue  
Campbell CA 95008  
Cambrian

Via Teleconference  
Residence  
1985 Cowper Street  
Palo Alto, CA 94301

### AGENDA

- |  |         |       |       |
|--|---------|-------|-------|
| <p><b>1. Roll Call</b></p>   | Ms. Lew | 11:30 | 5 min |
| <p><b>2. Meeting Minutes</b><br/>Review meeting minutes of the February 22, 2018 Executive/Finance Committee.<br/><b>Possible Action:</b> Approve February 22, 2018 Executive/Finance Committee Minutes</p>  | Ms. Lew | 11:35 | 5 min |
| <p><b>3. Public Comment</b><br/>Members of the public may speak to any item not on the agenda; two minutes per speaker. The Executive/Finance Committee reserves the right to limit the duration of the public comment period to 30 minutes.<br/><br/><b><u>Announcement Prior to Recessing into Closed Session</u></b><br/>Announcement that the Executive/Finance Committee will recess into closed session to discuss Items 4(a) below.</p> | Ms. Lew | 11:40 | 5 min |
| <p><b>4. Adjourn to Closed Session</b></p> <p style="margin-left: 20px;"><b>a. <u>Anticipated Litigation</u></b> (Government Code Section 54956.9(d)(2)):<br/>It is the intention of the Executive/Finance Committee to meet in Closed Session to confer with Legal Counsel regarding significant exposure to litigation: 5 potential cases.</p>   |         | 11:45 |       |

<b>5. Report from Closed Session</b>	Ms. Lew	12:00	5 min
<b>6. February 2018 Financial Statements</b> Review February 2018 Financial Statements. <b>Possible Action:</b> Approve February 2018 Financial Statements	Mr. Cameron	12:05	10 min
<b>7. Annual Investment Activity and Policy Review</b> Review Annual Investment Policy Review Report by Sperry Capital Inc. <b>Possible Action:</b> Approve revised Investment Policy	Mr. Cameron	12:15	10 min
<b>8. Safety Net Project Proposals</b> Discuss requests for funding consideration.	Ms. Tomcala	12:25	10 min
<b>9. New Building Update</b> Provide status of progress on new office buildout.	Mr. Cameron Ms. Tomcala	12:35	10 min
<b>10. CEO Update</b> Discuss status of current topics and initiatives. <b>Possible Action:</b> Accept CEO Update	Ms. Tomcala	12:45	15 min
<b>11. Adjournment</b>	Ms. Lew	1:00	

**Notice to the Public—Meeting Procedures**

- Persons wishing to address the Committee on any item on the agenda are requested to advise the Recorder so that the Chairperson can call on them when the item comes up for discussion.
- The Executive/Finance Committee may take other actions relating to the issues as may be determined following consideration of the matter and discussion of the possible action.
- In compliance with the Americans with Disabilities Act, those requiring accommodations in this meeting should notify Caroline Alexander 48 hours prior to the meeting at 408-874-1835.
- To obtain a copy of any supporting document that is available, contact Caroline Alexander at 408-874-1835. Agenda materials distributed less than 72 hours before a meeting can be inspected at the Santa Clara Family Health Plan offices at 210 E. Hacienda Avenue, Campbell.
- This agenda and meeting documents are available at [www.scfhp.com](http://www.scfhp.com)



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**Minutes – DRAFT**

**Members Present**

Michele Lew, Chair

Dolores Alvarado

Bob Brownstein

Linda Williams

**Members Absent**

Liz Kniss

**Staff Present**

Christine Tomcala, Chief Executive Officer

Dave Cameron, Chief Financial Officer

Robin Larmer, Chief Compliance & Regulatory  
Affairs Officer

Jonathan Tamayo, Chief Information Officer

Neal Jarecki, Controller

Rita Zambrano, Executive Assistant

**Others Present**

Janet Cory Sommers, Burke, Williams & Sorensen, LLP

Jeff Chang, Best Best & Krieger LLP (*via telephone*)

**1. Roll Call**

Bob Brownstein, Chair, called the meeting to order at 11:37 am. Roll Call was taken and a quorum was established.

**2. Meeting Minutes**

The minutes of the January 25, 2018 Executive/Finance Committee were reviewed.

**It was moved, seconded, and the January 25, 2018 Executive/Finance Committee Minutes were unanimously approved as presented**

### 3. Public Comment

There were no public comments.

### 4. Adjourn to Closed Session

#### a. Anticipated Litigation

The Committee met in Closed Session to confer with Legal Counsel regarding one item of significant exposure to litigation in connection with a CalPERS issue.

*Michele Lew joined the meeting at 11:43 am.*

#### b. Significant Exposure to Litigation

The Committee met in Closed Session to confer with Legal Counsel relating to one item of significant exposure to litigation.

### 5. Report from Closed Session

Mr. Brownstein reported the Committee met in Closed Session to confer with legal counsel regarding anticipated litigation and significant exposure to litigation.

### 6. Retirement Benefit Program

Mr. Brownstein reported that proposed changes were made to the Retirement Benefit Program.

**It was moved, seconded, and** the revisions to the Retiree Benefit Program were **unanimously approved.**

### 7. Retiree Health Benefits Resolution

Ms. Tomcala presented the Committee with a proposal to modify the Deferred Compensation Plans offered to employees. She noted that the Resolution would cover all employees not just the Union employees in terms of reconstructing what medical expenses to cover for future employees in their retirement.

Dave Cameron, Chief Financial Officer, noted that as of May 1, 2018 new hires would need to be employed with the Plan for 12 years to be eligible for single retiree coverage.

The Committee reviewed the resolution to change the Retiree Health Benefit plan contribution for new hires after May 1, 2018.

**It was moved, seconded, and** the Resolution Fixing the Employer Contribution at an Equal Amount for Employees and Annuitants under the Public Employees' Medical and Hospital Care Act was **unanimously approved.**

### 8. December 2017 Financial Statements

Mr. Cameron presented the financial statements for the month of December 2017, which reflects net surplus of \$2.7 million for the month and \$15.6 million YTD. These represent favorable budget variances of \$1.9 million and

December enrollment of approximately 268,000 members reflected an unfavorable budget variance of 5,000 members and a decline of approximately 500 members from the prior month. This continues a downward enrollment trend that began after October 2016 for which specific cause(s) are unknown. While Medi-Cal enrollment continued to decline, enrollment in Cal Medi-Connect increased slightly.

December revenue reflected a favorable budget variance of \$482,000 (<1%) for the month and a favorable budget variance of \$1.2 million (<1%) year-to-date. The December variance was caused by higher LTC and BHT enrollment and rates verses budget.

Medical expense reflected a favorable budget variance of \$1.4 million (1.5%) for the month and a favorable budget variance of \$10.1 million (1.8%) year-to-date due to higher LTC utilizers and an unfavorable inpatient expense vs. budget. The overall medical loss ratio (MLR) was 93.3% vs. budget of 95.1% for the month and 93.3% vs. budget of 95.7% YTD.

Administrative expense reflected an unfavorable budget variance of \$277 thousand (6.9%) for the month and a favorable variance of \$463 thousand year-to-date. Much of the variances ...

The balance sheet continues to reflect significant Coordinated Care Initiative (CCI) receivables and payables. The Plan is actively seeking reconciliation and finalization of prior year CCI amounts to DHCS. DHCS continues to recoup prior year overpayments by approximately \$18 million per month and the Plan anticipates completion of the MCE rate recoupments by approximately April 2018. The current ratio of 1.2 exceeds the DMHC minimum of 1.0.

Tangible Net Equity (TNE) of \$173.9 million was 485% of the Department of Managed Health Care (DMHC) minimum requirement of \$35.8 million.

Capital assets of \$10.5 million have been acquired during the fiscal year-to-date, largely the 50 Great Oaks building. The Capital Budget includes total annual expenditures of \$17.3 million.

**It was moved, seconded and** the December 2017 Financial Statements were **unanimously approved** as presented.

## **9. New Building Update**

Mr. Cameron reported that the construction team continues to meet weekly to review the improvements and cost estimates on the build-out.

## **10. Network Detection and Prevention Report**

Jonathan Tamayo, Chief Information Officer, reported on firewall intrusion, detection, and prevention efforts. The network intrusion reports show malicious activities that were prevented from accessing SCFHP's network.

## **11. CEO Update**

Mr. Cameron reported that Misdirected Claims are on track at 98% for the last measurement period. He further reported that Provider Dispute Resolution were on track as well.

Robin Larmer, Chief Compliance and Regulatory Affairs Officer, noted that there is a new real time reporting system in place that tracks misdirected daily.

**It was moved, seconded, and unanimously approved** to accept the CEO Update.

## **12. Adjourn to Closed Session**

### **a. Conference with Labor Negotiators**

The Committee met in Closed Session to confer with its Designated Representative(s), Dolores Alvarado,

Bob Brownstein, Michele Lew, and Linda Williams regarding negotiations with the unrepresented employee, Chief Executive Officer.

### **13. Report from Closed Session**

Mr. Brownstein reported that the Committee met in closed Session to confer with its unrepresented employee, the Chief Executive Officer.

### **14. Adjournment**

The meeting was adjourned at 1:37 pm.

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Michele Lew, Chair

DRAFT



Santa Clara  
Family Health Plan

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Unaudited  
Financial Statements  
For Eight Months Ended February 2018

# Agenda

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# Financial Highlights

	<u>MTD</u>		<u>YTD</u>	
Revenue	\$85 M		\$764 M	
Medical Expense	\$79 M		\$714 M	
Medical Loss Ratio	93.8%		93.4%	
Administrative Expense (% Rev)	\$4.2 M	5.0%	\$33.6 M	4.4%
Other Income/Expense	\$428,102		\$828,177	
<b>Net Surplus (Loss)</b>	<b>\$1,381,339</b>		<b>\$17,435,004</b>	
Cash on Hand			\$203 M	
Net Cash Available to SCFHP			\$185 M	
Receivables			\$557 M	
Current Liabilities			\$611 M	
Tangible Net Equity			\$176 M	
% of DMHC Requirements			<b>504.3%</b>	

# Financial Highlights

- Net Surplus
  - YTD: Surplus of \$17.4M is \$11M or 170% favorable to budget of \$6.5M.
  - MTD: Surplus of \$1.4M is \$0.5M or 27% unfavorable to budget of \$1.9M.
- Enrollment
  - YTD: Feb 18 membership was 2.2M (39K or -1.8% unfavorable to budget)
  - MTD: Feb 18 membership was 264,808 (-7,665 or -2.9% unfavorable to budget)
- Revenue
  - YTD: Actuals came in at \$764.1M (\$3.5M or 0.5% favorable to budget)
  - MTD: Actuals came in at \$84.5M (\$83.1M or 1.6% favorable to budget)
- Medical Expense
  - YTD: Actuals came in at \$713.9M (\$-6.1M or -0.8% unfavorable to budget)
  - MTD: Actuals came in at \$79.3M (\$2.1M or 2.7% favorable to budget)
- Administrative Expense
  - YTD: Actuals came in at \$33.6M (\$22K or 0.1% unfavorable to budget)
  - MTD: Actuals came in at \$4.2M (\$0.3M or 8.0% unfavorable to budget)
- Tangible Net Equity
  - MTD Actuals came in at \$175.8M (504.3% of minimum DMHC requirement of \$34.9M)
- Capital Expenditures
  - YTD Capital Investment = \$10.6M vs. \$17.3 annual budget was primarily due to building purchase/renovation.

# Risks & Opportunities

- Risks
  - YTD enrollment is below budget. Medi-Cal enrollment has been declining since November 2016.
  - Retroactive provider rate adjustments are still causing volatility in claims payments and in estimation of total monthly medical expenses.
  - Revenue recordation requires significant estimation and accruals, particularly those for the Coordinated Care Initiative (CCI). Much of these funds are expected to be received by the end of the current calendar year.
- Opportunities
  - YTD Net Surplus continues to exceed budget
  - Continued growth in CCI membership.
  - Continue to fill open positions to replace temporary staff and consultant usage.
  - With convergence of claims processing to QNXT, all claims are processed on one system, which allows for increased auto-adjudication rates and better efficiency.
  - Utilization management with in-house staffing for previously outsourced Health Risk Assessments and Individualized Care Management Plans yields better outcomes for members.



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***Details***

# Enrollment

- Medi-Cal membership has declined since November 2016, while CMC membership has stabilized over the past few months.
- As detailed on page 15, much of the Medi-Cal enrollment decline has been in the Medicaid Expansion (MCE), Adult and Child categories of aid.
- FY18 YTD Membership Trends
  - Medi-Cal membership has decreased since the beginning of the fiscal year by 4.3%.
  - Healthy Kids membership increased since the beginning of the fiscal year by 19.0%.
  - CMC membership decreased since the beginning of the fiscal year by 1.7%.

Santa Clara Family Health Plan Enrollment Summary								
	For the Month of Feb 2018			For Eight Months Ending Feb 28 2018			Prior Year Actuals	Δ FY17 vs. FY18
	Actual	Budget	Variance	Actual	Budget	Variance		
Medi-Cal	254,141	262,173	-(3.2%)	2,070,619	2,107,475	-(1.8%)	1,882,608	9.1%
Healthy Kids	3,250	2,800	13.8%	21,009	22,400	-(6.6%)	21,852	-(4.0%)
Medicare	7,417	7,500	-(1.1%)	59,183	60,000	-(1.4%)	54,499	7.9%
<b>Total</b>	<b>264,808</b>	<b>272,473</b>	<b>-(2.9%)</b>	<b>2,150,811</b>	<b>2,189,875</b>	<b>-(1.8%)</b>	<b>1,958,959</b>	<b>8.9%</b>

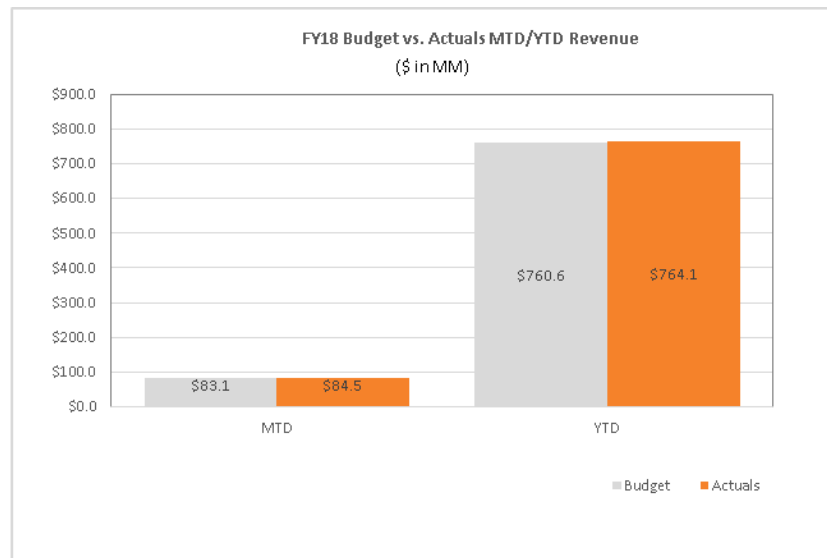
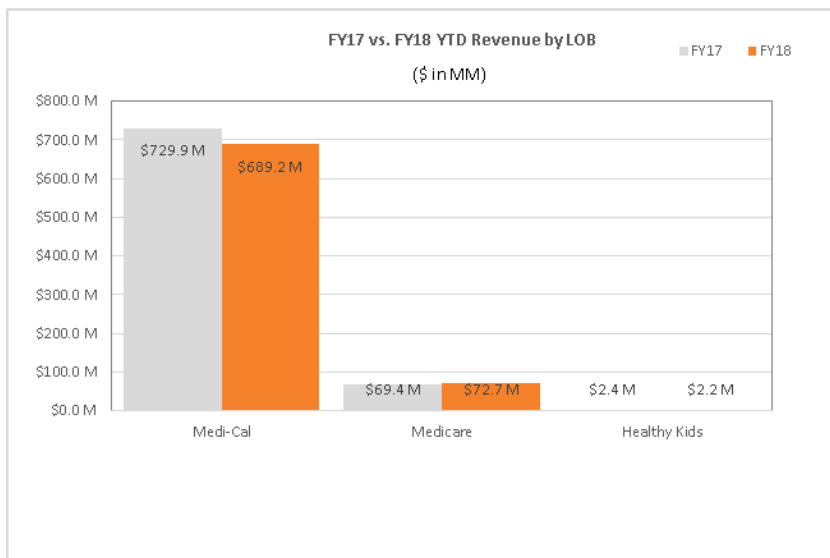
Santa Clara Family Health Plan Enrollment by Network February 2018								
Network	Medi-Cal		Healthy Kids		CMC		Total	
	Enrollment	% of Total	Enrollment	% of Total	Enrollment	% of Total	Enrollment	% of Total
Direct Contract Physicians	28,788	11%	358	11%	7,417	100%	36,563	14%
SCVHHS <sup>1</sup> , Safety Net Clinics, FQHC <sup>2</sup> Clinics	128,971	51%	1,494	46%	-	0%	130,465	49%
Palo Alto Medical Foundation	7,334	3%	90	3%	-	0%	7,424	3%
Physicians Medical Group	47,003	18%	1,080	33%	-	0%	48,083	18%
Premier Care	15,906	6%	228	7%	-	0%	16,134	6%
Kaiser	26,139	10%	-	0%	-	0%	26,139	10%
<b>Total</b>	<b>254,141</b>	<b>100%</b>	<b>3,250</b>	<b>100%</b>	<b>7,417</b>	<b>100%</b>	<b>264,808</b>	<b>100%</b>
Enrollment at June 30, 2017	267,753		2,732		7,543		276,028	
Net Δ from Beginning of FY18	-5.1%		19.0%		-1.7%		-4.1%	

<sup>1</sup> SCVHHS = Santa Clara Valley Health & Hospital System

<sup>2</sup> FQHC = Federally Qualified Health Center

# Revenue

- Current month revenue of \$84.5M is \$1.4M or 1.6% favorable to budget of \$83.1M. YTD revenue of \$764.1M is \$3.5M or 0.5% favorable to budget of \$760.6M.
  - MTD Long Term Care (LTC) revenue was up again from January to \$4.3M and favorable to budget by \$1.6M due to higher member months and rate differentials.
  - MTD AB-85 Adult Expansion only came in at \$385K against a budget of \$1.6M which led to an unfavorable variance of -\$1.2M (no impact on net surplus)
  - MTD Hep C Revenue came in at \$378K against a budget of \$1.3M which led to a variance of -\$919M or -71%.
  - MTD Adult Expansion revenue (\$22.6M) was short of budget (\$23.4M) by -\$720K or -3%



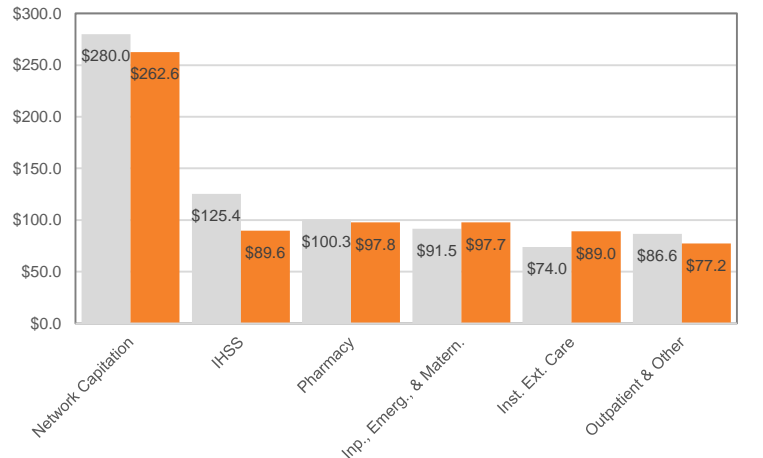
	FY17 vs. FY18 YTD Revenue by LOB			
	FY17	FY18	Variance	
Medi-Cal	\$729.9 M	\$689.2 M	(\$40.7 M)	-5.9%
Medicare	\$69.4 M	\$72.7 M	\$3.3 M	4.6%
Healthy Kids	\$2.4 M	\$2.2 M	(\$0.2 M)	-9.9%
<b>Total Medical Expenses</b>	<b>\$801.7 M</b>	<b>\$764.1 M</b>	<b>(\$37.6 M)</b>	<b>-4.9%</b>

	FY18 Budget vs. Actuals MTD/YTD Revenue			
	Budget	Actuals	Variance	
MTD	\$83.1	\$84.5	\$1.4	1.6%
YTD	\$760.6	\$764.1	\$3.5	0.5%

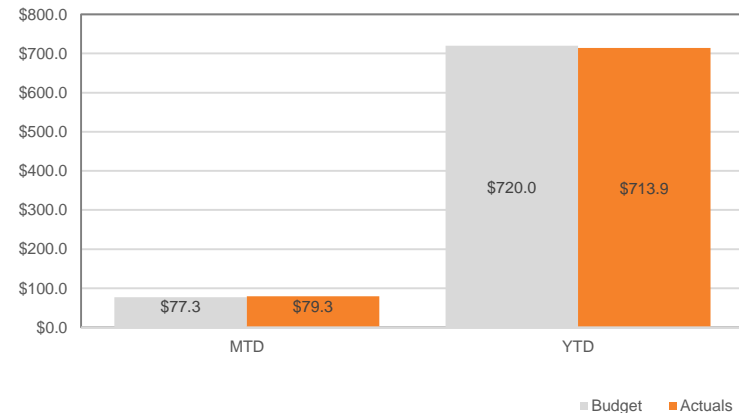
# Medical Expense

- Current month medical expense of \$79.3M is \$2.1M or 2.7% unfavorable to budget of \$77.3M. YTD medical expense of \$713.9M is \$6.1M or 0.8% favorable to budget of \$720.0M.
  - MTD IBNR estimates were increased for CMC at \$1.0M.
  - MTD Inpatient expenses were unfavorable by \$1.7M due to retroactive provider rate adjustments as well as seasonal increase in utilization.
  - MTD network capitation expense was favorable by \$1.7M due to fewer member months.
  - MTD AB-85 expense was favorable by \$1.2M (no impact on net surplus).

FY17 vs. FY18 YTD Med Exp. by LOB (\$ in MM)



FY18 Budget vs. Actuals MTD/YTD Med. Exp. (\$ in MM)

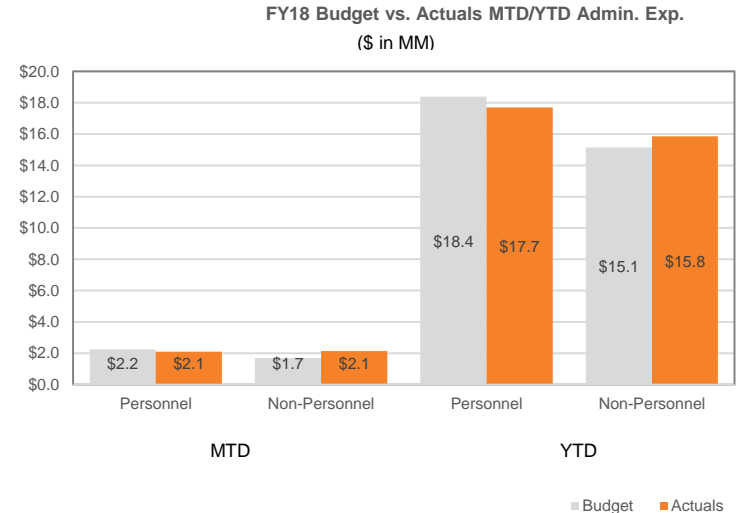
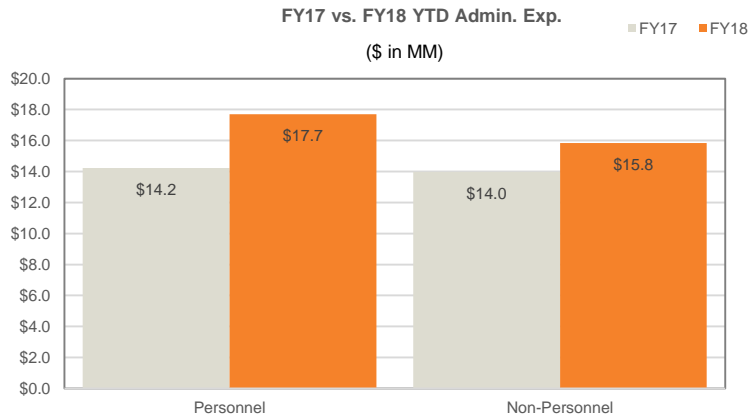


	FY17 vs. FY18 YTD Med Exp. by LOB			
	FY17	FY18	Variance	
Network Capitation	\$280.0	\$262.6	-\$17.4	-6.6%
IHSS	\$125.4	\$89.6	-\$35.8	-40.0%
Pharmacy	\$100.3	\$97.8	-\$2.5	-2.5%
Inp., Emerg., & Matern.	\$91.5	\$97.7	\$6.2	6.3%
Inst. Ext. Care	\$74.0	\$89.0	\$15.0	16.9%
Outpatient & Other	\$86.6	\$77.2	-\$9.4	-12.1%
<b>Total Medical Expenses</b>	<b>\$757.8</b>	<b>\$713.9</b>	<b>-\$43.9</b>	<b>-6.1%</b>

	FY18 Budget vs. Actuals MTD/YTD Med. Exp.			
	Budget	Actuals	Variance	
MTD	\$77.3	\$79.3	-\$2.1	-2.7%
YTD	\$720.0	\$713.9	\$6.1	0.8%

# Administrative Expense

- Current month administrative expense of \$4.2M is \$0.3M or 8.0% unfavorable to budget of \$3.9M. YTD administrative expense of \$33.6M is \$22K or 0.1% unfavorable to budget of \$33.5M.
  - MTD Consultants were higher than expected due to unforeseen work load issues.
  - Timing differences in printing, translation and postage.



	FY17 vs. FY18 YTD Admin. Exp.			
	FY17	FY18	Variance	
Personnel	\$14.2	\$17.7	\$3.5	19.6%
Non-Personnel	\$14.0	\$15.8	\$1.9	11.8%
<b>Total Admin Expenses</b>	<b>\$28.2</b>	<b>\$33.6</b>	<b>\$5.4</b>	<b>15.9%</b>

		FY18 Budget vs. Actuals MTD/YTD Admin. Exp.			
		Budget	Actuals	Variance	
MTD	Personnel	\$2.2	\$2.1	-\$0.1	-6.1%
	Non-Personnel	\$1.7	\$2.1	\$0.5	26.7%
	<b>Total MTD</b>	<b>\$3.9</b>	<b>\$4.2</b>	<b>\$0.3</b>	<b>8.0%</b>
YTD	Personnel	\$18.4	\$17.7	-\$0.7	-3.7%
	Non-Personnel	\$15.1	\$15.8	\$0.7	4.7%
	<b>Total YTD</b>	<b>\$33.5</b>	<b>\$33.6</b>	<b>\$0.0</b>	<b>0.1%</b>



# Balance Sheet

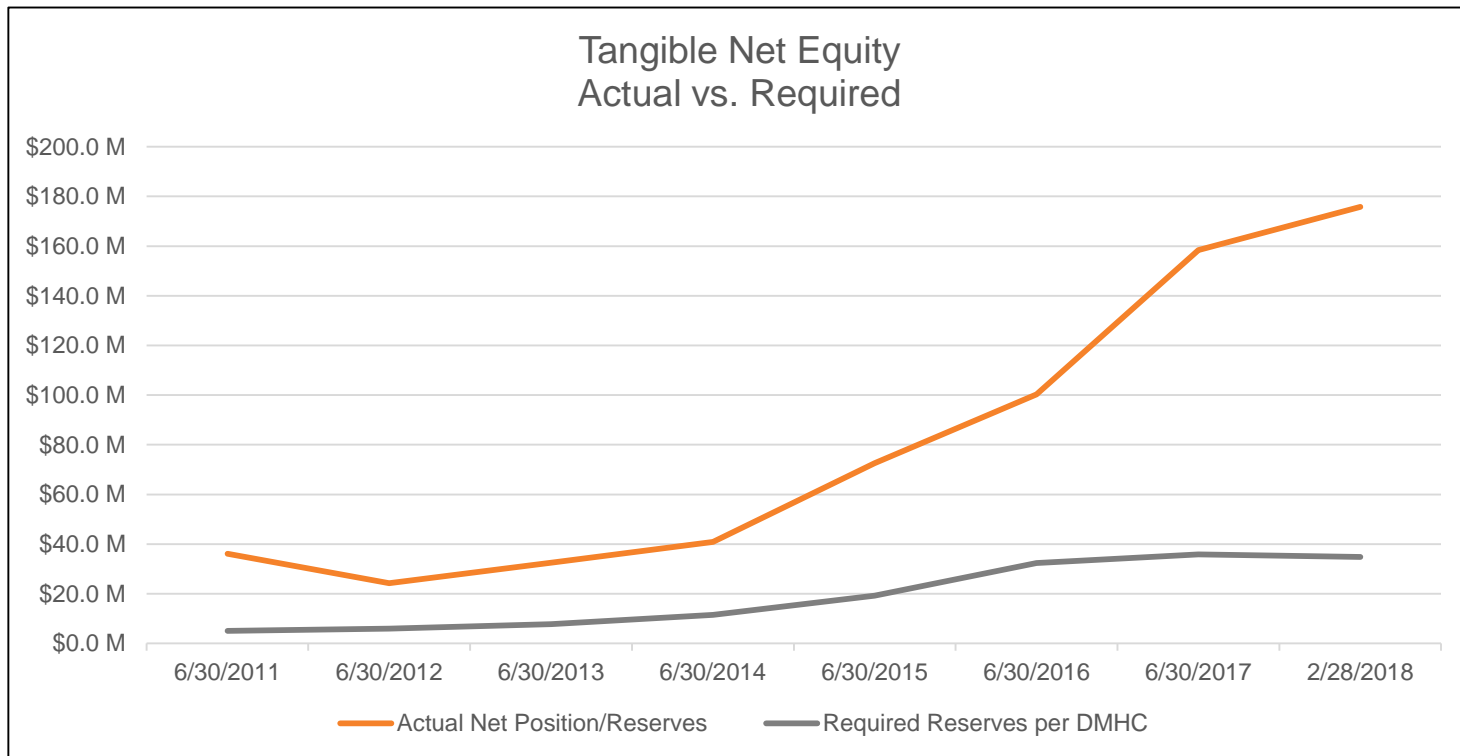
- Current assets totaled \$767.4M compared to current liabilities of \$611.0M, yielding a current ratio (Current Assets/Current Liabilities) of 1.3 vs. the DMHC minimum requirement of 1.0.
- Working capital (Current Assets Less Current Liabilities) increased by \$4.6M for the eight months of the fiscal year.
- Cash as of February 28, 2018 decreased by \$161.5M compared to the cash balance as of year-end June 30, 2017. The overall cash position decreased largely due to timing of receipt of revenues, largely paid in arrears.

# Tangible Net Equity

- TNE was \$175.8M in February 2018 or 504.3% of the most recent quarterly DMHC minimum requirement of \$34.9M. TNE trends for SCFHP are shown below.

**Santa Clara Health Authority**  
**Tangible Net Equity - Actual vs. Required**  
**As of : February 28, 2018**

	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	2/28/2018
<b>Actual Net Position/Reserves</b>	\$36.1 M	\$24.2 M	\$32.6 M	\$40.9 M	\$72.6 M	\$100.3 M	\$158.4 M	\$175.8 M
<b>Required Reserves per DMHC</b>	\$5.0 M	\$5.9 M	\$7.8 M	\$11.4 M	\$19.3 M	\$32.4 M	\$35.9 M	\$34.9 M
<b>200% of Required Reserve</b>	\$10.0 M	\$11.8 M	\$15.6 M	\$22.9 M	\$38.5 M	\$64.8 M	\$71.8 M	\$69.7 M
<b>Actual as % Required</b>	722.5%	410.2%	418.5%	357.5%	376.9%	309.8%	441.2%	504.3%



# Reserves Analysis

- At the September 2016 Governing Board meeting, a policy was adopted for targeting the organization's capital reserves to include:
  - a) An Equity Target of 350-500% of DMHC required TNE percentage and
  - b) A Liquidity Target of 45-60 days of total operating expenses in available cash.

<b>SCFHP RESERVES ANALYSIS FEBRUARY 2018</b>	
<b>Financial Reserve Target #1: Tangible Net Equity</b>	
Actual TNE	175,815,564
Current Required TNE	<u>34,863,927</u>
<b>Excess TNE</b>	<b>140,951,637</b>
Required TNE %	504.3%
<b>SCFHP Target TNE Range:</b>	
350% of Required TNE (Low)	122,023,744
500% of Required TNE (High)	<u>174,319,635</u>
<b>TNE Above/(Below) SCFHP Low Target</b>	<b><u>\$53,791,820</u></b>
<b>TNE Above/(Below) High Target</b>	<b><u>\$1,495,930</u></b>
<b>Financial Reserve Target #2: Liquidity</b>	
Cash & Cash Equivalents	203,113,259
Less Pass-Through Liabilities	
Payable to State of CA <sup>(1)</sup>	-
Other Pass-Through Liabilities	<u>(17,887,160)</u>
<b>Total Pass-Through Liabilities</b>	<b><u>(\$17,887,160)</u></b>
Net Cash Available to SCFHP	<u>\$185,226,099</u>
SCFHP Target Liability	
45 Days of Total Operating Expense	(120,210,934)
60 Days of Total Operating Expense	<u>(160,281,245)</u>
Liquidity Above/(Below) SCFHP Low Target	<b><u>\$65,015,165</u></b>
Liquidity Above/(Below) High Target	<b><u>\$24,944,854</u></b>
<sup>(1)</sup> Pass-Through from State of CA (excludes IHSS)	
Receiveables Due to SCFHP	181,802,192
Payables Due to SCFHP	<u>(96,953,588)</u>
<b>Net Receivables/(Payables)</b>	<b><u>\$84,848,605</u></b>

# Capital Expenditure

- Capital investments of \$10.6M were made in the eight months ending February 2018, largely due to the purchase and renovation of a new building (in order to lower the long term occupancy costs in an ever increasing rental rate situation in the current location). YTD capital expenditure includes the following and we expect to incur the bulk of the remaining expenditures later in FY 2018.

<b>Expenditure</b>	<b>YTD Actual</b>	<b>Annual Budget</b>
New Building <sup>(1)</sup>	\$9,899,882	\$14,300,000
Systems	169,881	1,595,000
Hardware	394,796	611,500
Software	33,036	587,000
Furniture and Fixtures	135,935	173,515
Automobile	0	33,000
Leasehold Improvements	0	10,000
<b>TOTAL</b>	<b>\$10,633,530</b>	<b>\$17,310,015</b>

<sup>(1)</sup> Budget includes \$4.5 million of renovation expend associated with 50 Great Oaks building increased to \$12M by governing board in March 2018.



Santa Clara  
Family Health Plan

*The Spirit of Care*

***Statements***

## Enrollment By Aid Category

	Category of Aid	2017-02	2017-03	2017-04	2017-05	2017-06	2017-07	2017-08	2017-09	2017-10	2017-11	2017-12	2018-01	2018-02
NON DUAL	Adult (over 19)	30,836	30,479	30,204	29,921	29,651	28,985	29,301	29,051	28,722	28,252	28,072	27,527	27,565
	Adult (under 19)	106,926	106,305	106,181	105,945	106,082	104,658	105,129	104,328	103,793	103,224	103,047	101,198	101,623
	Aged - Medi-Cal Only	10,400	10,400	10,520	10,538	10,674	10,776	10,693	10,722	10,801	10,778	10,782	10,892	10,906
	Disabled - Medi-Cal Only	11,052	11,067	11,083	11,075	10,917	10,904	10,852	10,834	10,841	10,857	10,832	10,813	10,824
	Child (HF conversion)	921	879	845	280	192	74	59	52	57	53	40	25	25
	Adult Expansion	82,715	82,618	82,751	82,420	82,349	80,300	80,741	80,470	79,998	79,232	79,207	76,923	77,302
	Other	38	38	39	35	38	33	35	45	61	82	92	120	137
	Long Term Care	315	318	315	326	338	353	365	377	378	376	366	354	346
	Total Non-Duals	243,203	242,104	241,938	240,540	240,241	236,083	237,175	235,879	234,651	232,854	232,438	227,852	228,728
DUAL	Aged	15,921	16,076	16,208	16,200	16,382	16,309	16,690	16,797	16,819	16,823	16,733	16,743	16,827
	Disabled	6,478	6,506	6,507	6,458	6,518	6,474	6,502	6,522	6,547	6,555	6,552	6,545	6,559
	Other	1,686	1,621	1,427	1,389	1,370	1,271	1,235	1,241	1,233	1,144	1,142	896	853
	Long Term Care	1,177	1,233	1,224	1,231	1,242	1,254	1,269	1,262	1,268	1,257	1,241	1,221	1,174
		Total Duals	25,262	25,436	25,366	25,278	25,512	25,308	25,696	25,822	25,867	25,779	25,668	25,405
	Total Medi-Cal	268,465	267,540	267,304	265,818	265,753	261,391	262,871	261,701	260,518	258,633	258,106	253,257	254,141
	Healthy Kids	2,780	2,752	2,794	2,757	2,732	2,633	2,618	2,243	2,288	2,321	2,447	3,209	3,250
CMC	CMC Non-Long Term Care	7,301	7,333	7,277	7,256	7,262	7,254	7,141	7,125	7,071	7,096	7,138	7,149	7,183
	CMC - Long Term Care	297	289	290	289	281	271	264	258	255	253	251	240	234
		Total CMC	7,598	7,622	7,567	7,545	7,543	7,525	7,405	7,383	7,326	7,349	7,389	7,389
	Total Enrollment	278,843	277,914	277,665	276,120	276,028	271,549	272,894	271,327	270,132	268,303	267,942	263,855	264,808

# Income Statement

Santa Clara County Health Authority  
Income Statement for Eight Months Ending February 28, 2018

	For the Month of Feb 2018						For Eight Months Ending Feb 28, 2018					
	Actual	% of Rev	Budget	% of Rev	Variance	% Var	Actual	% of Rev	Budget	% of Rev	Variance	% Var
	<b>REVENUES</b>											
MEDI-CAL	\$ 75,165,344	88.9%	\$ 74,251,670	89.3%	\$ 913,675	1.2%	\$689,197,565	90.2%	\$689,443,905	90.6%	\$ (246,340)	0.0%
HEALTHY KIDS	343,624	0.4%	252,000	0.3%	91,624	36.4%	2,174,624	0.3%	2,016,000	0.3%	158,624	7.9%
MEDICARE	9,000,853	10.7%	8,637,957	10.4%	362,896	4.2%	72,726,167	9.5%	69,103,659	9.1%	3,622,507	5.2%
<b>TOTAL REVENUE</b>	<b>\$ 84,509,821</b>	<b>100.0%</b>	<b>\$ 83,141,627</b>	<b>100.0%</b>	<b>\$ 1,368,194</b>	<b>1.6%</b>	<b>\$764,098,356</b>	<b>100.0%</b>	<b>\$760,563,565</b>	<b>100.0%</b>	<b>\$ 3,534,792</b>	<b>0.5%</b>
<b>MEDICAL EXPENSES</b>												
MEDI-CAL	\$ 71,556,599	84.7%	\$ 68,742,770	82.7%	\$ 2,813,830	4.1%	\$648,882,211	84.9%	\$651,965,824	85.7%	\$ (3,083,614)	-0.5%
HEALTHY KIDS	303,636	0.4%	240,242	0.3%	63,395	26.4%	1,967,394	0.3%	1,921,935	0.3%	45,459	2.4%
MEDICARE	7,449,077	8.8%	8,267,243	9.9%	(818,166)	-9.9%	63,090,767	8.3%	66,137,946	8.7%	(3,047,179)	-4.6%
<b>TOTAL MEDICAL EXPENSES</b>	<b>\$ 79,309,313</b>	<b>93.8%</b>	<b>\$ 77,250,255</b>	<b>92.9%</b>	<b>\$ 2,059,059</b>	<b>2.7%</b>	<b>\$713,940,371</b>	<b>93.4%</b>	<b>\$720,025,705</b>	<b>94.7%</b>	<b>\$ (6,085,334)</b>	<b>-0.8%</b>
<b>MEDICAL OPERATING MARGIN</b>												
<b>ADMINISTRATIVE EXPENSES</b>												
SALARIES AND BENEFITS	\$ 2,106,014	2.5%	\$ 2,241,871	2.7%	\$ (135,857)	-6.1%	\$ 17,701,788	2.3%	\$ 18,390,838	2.4%	\$ (689,050)	-3.7%
RENTS AND UTILITIES	108,582	0.1%	109,916	0.1%	(1,334)	-1.2%	1,034,673	0.1%	938,209	0.1%	96,464	10.3%
PRINTING AND ADVERTISING	22,863	0.0%	61,050	0.1%	(38,187)	-62.6%	379,929	0.0%	754,350	0.1%	(374,421)	-49.6%
INFORMATION SYSTEMS	173,756	0.2%	208,714	0.3%	(34,958)	-16.7%	1,323,948	0.2%	1,723,711	0.2%	(399,763)	-23.2%
PROF FEES / CONSULTING / TEMP STAFFING	1,332,136	1.6%	740,179	0.9%	591,957	80.0%	9,275,377	1.2%	6,919,044	0.9%	2,356,333	34.1%
DEPRECIATION / INSURANCE / EQUIPMENT	335,169	0.4%	358,610	0.4%	(23,441)	-6.5%	2,705,774	0.4%	2,799,718	0.4%	(93,943)	-3.4%
OFFICE SUPPLIES / POSTAGE / TELEPHONE	80,481	0.1%	109,411	0.1%	(28,930)	-26.4%	430,806	0.1%	1,137,891	0.1%	(707,085)	-62.1%
MEETINGS / TRAVEL / DUES	79,987	0.1%	99,221	0.1%	(19,234)	-19.4%	638,366	0.1%	759,226	0.1%	(120,860)	-15.9%
OTHER	8,284	0.0%	2,420	0.0%	5,865	242.4%	60,495	0.0%	105,757	0.0%	(45,261)	-42.8%
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>\$ 4,247,271</b>	<b>5.0%</b>	<b>\$ 3,931,391</b>	<b>4.7%</b>	<b>\$ 315,880</b>	<b>8.0%</b>	<b>\$ 33,551,157</b>	<b>4.4%</b>	<b>\$ 33,528,744</b>	<b>4.4%</b>	<b>\$ 22,414</b>	<b>0.1%</b>
<b>OPERATING SURPLUS (LOSS)</b>	<b>\$ 953,236</b>	<b>1.1%</b>	<b>\$ 1,959,981</b>	<b>2.4%</b>	<b>\$ (1,006,745)</b>	<b>-51.4%</b>	<b>\$ 16,606,828</b>	<b>2.2%</b>	<b>\$ 7,009,116</b>	<b>0.9%</b>	<b>\$ 9,597,712</b>	<b>136.9%</b>
<b>GASB 45 - POST EMPLOYMENT BENEFITS EXPENSE</b>	<b>(59,780)</b>	<b>-0.1%</b>	<b>(59,780)</b>	<b>-0.1%</b>	<b>-</b>	<b>0.0%</b>	<b>(478,237)</b>	<b>-0.1%</b>	<b>(478,237)</b>	<b>-0.1%</b>	<b>-</b>	<b>0.0%</b>
<b>GASB 68 - UNFUNDED PENSION LIABILITY</b>	<b>(75,000)</b>	<b>-0.1%</b>	<b>(75,000)</b>	<b>-0.1%</b>	<b>-</b>	<b>0.0%</b>	<b>(600,000)</b>	<b>-0.1%</b>	<b>(600,000)</b>	<b>-0.1%</b>	<b>-</b>	<b>0.0%</b>
<b>INTEREST &amp; OTHER INCOME</b>	<b>562,882</b>	<b>0.7%</b>	<b>65,153</b>	<b>0.1%</b>	<b>497,729</b>	<b>763.9%</b>	<b>1,906,414</b>	<b>0.2%</b>	<b>521,221</b>	<b>0.1%</b>	<b>1,385,193</b>	<b>265.8%</b>
<b>NET SURPLUS (LOSS)</b>	<b>\$ 1,381,339</b>	<b>1.6%</b>	<b>\$ 1,890,354</b>	<b>2.3%</b>	<b>\$ (509,015)</b>	<b>-26.9%</b>	<b>\$ 17,435,004</b>	<b>2.3%</b>	<b>\$ 6,452,100</b>	<b>0.8%</b>	<b>\$ 10,982,904</b>	<b>170.2%</b>

# Balance Sheet

	FEB 18	JAN 18	DEC 17	NOV 17
<b>Assets</b>				
<b>Current Assets</b>				
Cash and Marketable Securities	\$203,113,259.00	\$215,825,024.01	\$242,799,013.85	\$285,180,286.66
Receivables	557,171,775.15	541,831,443.77	537,483,583.29	523,474,944.28
Prepaid Expenses and Other Current Assets	7,139,640.01	7,645,951.52	7,417,269.43	6,802,123.04
<b>Total Current Assets</b>	<b>767,424,674.16</b>	<b>765,302,419.30</b>	<b>787,699,866.57</b>	<b>815,457,353.98</b>
<b>Long Term Assets</b>				
Property and Equipment	31,931,663.87	31,747,798.06	31,721,381.98	31,596,930.82
Less: Accumulated Depreciation	(13,123,688.86)	(12,834,924.64)	(12,546,389.82)	(12,257,067.88)
<b>Total Long Term Assets</b>	<b>18,807,975.01</b>	<b>18,912,873.42</b>	<b>19,174,992.16</b>	<b>19,339,862.94</b>
<b>Total Assets</b>	<b>786,232,649.17</b>	<b>784,215,292.72</b>	<b>806,874,858.73</b>	<b>834,797,216.92</b>
<b>Deferred Outflow of Resources</b>	<b>14,405,010.00</b>	<b>14,405,010.00</b>	<b>14,405,010.00</b>	<b>9,287,513.00</b>
<b>Total Deferred Outflows and Assets</b>	<b>800,637,659.17</b>	<b>798,620,302.72</b>	<b>821,279,868.73</b>	<b>844,084,729.92</b>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Trade Payables	4,669,231.14	4,171,876.49	6,515,939.81	5,833,810.44
Deferred Rent	42,206.64	48,505.44	54,804.24	61,103.04
Employee Benefits	1,506,845.00	1,446,790.10	1,386,016.90	1,344,252.24
Retirement Obligation per GASB 45	5,296,596.36	5,236,816.69	5,177,037.02	5,117,257.35
Advance Premium - Healthy Kids	56,873.79	58,428.58	54,640.50	42,695.50
Deferred Revenue - Medicare				
Whole Person Care	2,065,180.11	2,065,180.11	2,065,180.11	2,065,180.11
Payable to Hospitals (AB 85)	11,073,677.18	11,064,022.82	11,060,139.72	11,049,601.84
Due to Santa Clara County Valley Health Plan and Kaiser	4,748,302.51	5,669,466.65	4,837,596.86	9,117,448.71
MCO Tax Payable - State Board of Equalization	16,790,320.07	8,588,819.75	8,799,433.22	25,445,080.18
Due to DHCS	80,163,267.69	88,717,729.37	105,074,063.29	121,349,747.09
Liability for In Home Support Services (IHSS)	390,509,777.90	390,510,323.35	390,514,951.58	375,163,172.78
Current Premium Deficiency Reserve (PDR)	2,374,525.00	2,374,525.00	2,374,525.00	2,374,525.00
Medical Cost Reserves	91,663,092.64	90,446,393.85	95,712,093.41	100,194,201.92
<b>Total Current Liabilities</b>	<b>610,959,896.03</b>	<b>610,398,878.20</b>	<b>633,626,421.66</b>	<b>659,158,076.20</b>
<b>Non-Current Liabilities</b>				
Noncurrent Premium Deficiency Reserve (PDR)	5,919,500.00	5,919,500.00	5,919,500.00	5,919,500.00
Net Pension Liability GASB 68	7,457,370.00	7,382,370.00	7,307,370.00	7,232,370.00
<b>Total Non-Current Liabilities</b>	<b>13,376,870.00</b>	<b>13,301,870.00</b>	<b>13,226,870.00</b>	<b>13,151,870.00</b>
<b>Total Liabilities</b>	<b>624,336,766.03</b>	<b>623,700,748.20</b>	<b>646,853,291.66</b>	<b>672,309,946.20</b>
<b>Deferred Inflow of Resources</b>	<b>485,329.00</b>	<b>485,329.00</b>	<b>485,329.00</b>	<b>485,329.00</b>
<b>Net Assets / Reserves</b>				
Invested in Capital Assets	9,814,951.48	9,910,931.58	10,083,469.32	10,171,606.88
Restricted under Knox-Keene agreement	305,350.00	305,350.00	305,350.00	305,350.00
Unrestricted Net Equity	148,260,258.29	148,164,278.19	147,991,740.45	147,903,602.89
Current YTD Income (Loss)	17,435,004.37	16,053,665.75	15,560,688.30	12,908,894.95
<b>Total Net Assets / Reserves</b>	<b>175,815,564.14</b>	<b>174,434,225.52</b>	<b>173,941,248.07</b>	<b>171,289,454.72</b>
<b>Total Liabilities, Deferred Inflows, and Net Assets</b>	<b>800,637,659.17</b>	<b>798,620,302.72</b>	<b>821,279,868.73</b>	<b>844,084,729.92</b>



## Cash Flow – For the Eight Months Ending February 2018

Cash Flows from Operating Activities	
Premiums Received	537,222,041
Medical Expenses Paid	(627,618,299)
Administrative Expenses Paid	(62,343,368)
<b>Net Cash from Operating Activities</b>	<b><u>(\$152,739,626)</u></b>
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(10,633,530)
Cash Flows from Investing Activities	
Interest Income and Other Income (Net)	1,906,414
Net Increase/(Decrease) in Cash & Cash Equivalents	(161,466,742)
Cash & Cash Equivalents (Jun 17)	364,609,248
Cash & Cash Equivalents (Feb 18)	203,113,259
Reconciliation of Operating Income to Net Cash from Operating Activities	
<b>Operating Income/(Loss)</b>	<b>15,528,590</b>
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities	
Depreciation	2,361,930
Changes in Operating Assets/Liabilities	
Premiums Receivable	(82,305,578)
Due from Santa Clara Family Health Foundation	-
Prepays & Other Assets	(69,021)
Deferred Outflow of Resources	(5,117,497)
Accounts Payable & Accrued Liabilities	(25,489,385)
State Payable	(144,570,738)
Santa Clara Valley Health Plan & Kaiser Payable	(4,708,151)
Net Pension Liability	600,000
Medical Cost Reserves & PDR	740,712
Deferred Inflow of Resources	90,289,512
<b>Total Adjustments</b>	<b><u>(\$168,268,216)</u></b>
<b>Net Cash from Operating Activities</b>	<b><u>(\$152,739,626)</u></b>

# Statement of Operations

<b>Santa Clara County Health Authority</b> <b>Statement of Operations</b> <b>By Line of Business (Including Allocated Expenses)</b> <b>For Eight Months Ending Feb 28 2018</b>				
	Medi-Cal	CMC	Healthy Kids	Grand Total
<b>P&amp;L (ALLOCATED BASIS)</b>				
REVENUE	669,604,850	92,318,882.33	2,174,624	764,098,356
<b>MEDICAL EXPENSES</b>	628,026,378	83,946,599.03	1,967,394	713,940,371
(MLR)	93.8%	90.9%	90.5%	93.4%
<b>GROSS MARGIN</b>	41,578,471	8,372,283	207,231	50,157,985
<b>ADMINISTRATIVE EXPENSES</b>	29,401,997	4,053,674	95,487	33,551,157
(% of Revenue Allocation)				
<b>OPERATING INCOME/(LOSS)</b>	12,176,474	4,318,610	111,744	16,606,828
(% of Revenue Allocation)				
<b>OTHER INCOME/(EXPENSE)</b>	725,759	100,061	2,357	828,177
(% of Revenue Allocation)				
<b>NET INCOME/(LOSS)</b>	12,902,233	4,418,671	114,101	17,435,004
<b>PMPM (ALLOCATED BASIS)</b>				
REVENUE	\$323.40	\$1,559.89	\$103.51	\$355.28
MEDICAL EXPENSES	303.32	1,418.42	93.65	331.96
GROSS MARGIN	20.08	141.46	9.86	23.32
ADMINISTRATIVE EXPENSES	14.20	68.49	4.55	15.60
OPERATING INCOME/(LOSS)	5.88	72.97	5.32	7.72
OTHER INCOME/(EXPENSE)	0.35	1.69	0.11	0.39
NET INCOME/(LOSS)	6.23	74.66	5.43	8.11
<b>ALLOCATION BASIS:</b>				
MEMBER MONTHS - YTD	2,070,515	59,183	21,009	2,150,707
Revenue by LOB	87.6%	12.1%	0.3%	100.0%
<i>Note: CMC includes Medi-Cal portion of the Coordinated Care Initiative (CCI) data and Medicare.</i>				

## Medical Expense Line Item Detail

	Feb	% of	Feb	% of	Current Month Variance		YTD	% of	YTD	% of	YTD Variance	
	Actual	Rev	Budget	Rev	\$	%	Actual	Rev	Budget	Rev	\$	%
HEALTH CARE EXPENSE												
NETWORK CAPITATION	32,067,488	38%	33,720,451	41%	(1,652,963)	-5%	262,573,525	34%	270,542,742	36%	(7,969,217)	-3%
PCP SERVICES	503,826	1%	598,175	1%	(94,348)	-16%	3,816,670	0%	4,807,894	1%	(991,224)	-21%
SPECIALIST SERVICES	1,873,412	2%	1,204,853	1%	668,559	55%	13,416,975	2%	9,702,566	1%	3,714,410	38%
RADIOLOGY SERVICES	311,999	0%	267,740	0%	44,259	17%	2,067,264	0%	2,156,794	0%	(89,530)	-4%
LABORATORY	117,447	0%	127,496	0%	(10,049)	-8%	800,651	0%	1,025,923	0%	(225,271)	-22%
PHARMACY EXPENSE	11,903,917	14%	12,524,973	15%	(621,056)	-5%	97,847,769	13%	100,231,795	13%	(2,384,026)	-2%
MATERNITY EXPENSE	1,049,961	1%	798,606	1%	251,355	31%	6,466,386	1%	6,388,851	1%	77,536	1%
INPATIENT HOSPITAL	11,146,174	13%	9,472,449	11%	1,673,725	18%	82,179,580	11%	76,092,314	10%	6,087,266	8%
OTHER PROFESSIONAL SERVICES	423,922	1%	277,456	0%	146,466	53%	1,648,972	0%	2,227,984	0%	(579,013)	-26%
OUTPATIENT SERVICES	5,125,953	6%	3,297,308	4%	1,828,645	55%	28,842,280	4%	26,602,068	3%	2,240,211	8%
EMERGENCY SERVICES - IN AREA	1,196,419	1%	1,134,304	1%	62,115	5%	9,079,089	1%	9,130,203	1%	(51,114)	-1%
OTHER MEDICAL SERVICES	490,147	1%	389,747	0%	100,400	26%	2,603,585	0%	3,132,314	0%	(528,729)	-17%
VISION/DENTAL EXPENSE	238,827	0%	248,206	0%	(9,379)	-4%	1,831,818	0%	1,995,636	0%	(163,818)	-8%
INSTITUTIONAL EXTENDED CARE	11,274,806	13%	10,216,661	12%	1,058,146	10%	89,020,249	12%	82,496,720	11%	6,523,529	8%
OUT OF AREA SERVICES - PROFESSIONAL	553,081	1%	249,993	0%	303,088	121%	5,717,150	1%	2,011,468	0%	3,705,682	184%
OUT OF AREA SERVICES - INPATIENT	526,165	1%	992,474	1%	(466,309)	-47%	6,861,091	1%	7,990,270	1%	(1,129,179)	-14%
OUT OF AREA SERVICES - EMERGENCY ROOM	52,558	0%	142,697	0%	(90,139)	-63%	475,594	0%	1,149,666	0%	(674,072)	-59%
REALIGNMENT FEE (AB 85)	1,619	0%	1,212,180	1%	(1,210,561)	-100%	(289,931)	0%	9,669,443	1%	(9,959,374)	-103%
IHSS EXPENSE	(545)	0%	0	0%	(545)	0%	89,593,269	12%	99,675,166	13%	(10,081,897)	-10%
RISK & CCI RECAST POOL EXPENSE	333,333	0%	333,333	0%	0	0%	8,666,665	1%	2,666,667	0%	5,999,999	225%
RE-INSURANCE & OTHER (RECOVERY)	118,805	0%	41,153	0%	77,652	189%	721,720	0%	329,221	0%	392,499	119%
TOTAL HEALTH CARE EXPENSE	79,309,313	94%	77,250,255	93%	2,059,059	3%	713,940,371	93%	720,025,705	95%	(6,085,334)	-1%
(Revenue used in % of REV Calculations)	84,509,821	100%	83,141,627	100%	1,368,194	2%	764,098,356	100%	760,563,565	100%	3,534,792	0%

# POLICY



Santa Clara  
Family Health Plan

<b>Procedure Title:</b>	<b>Investment Policy</b>	<b>Procedure No.:</b>	FIN 01-07-01
<b>Replaces Procedure Title (if applicable):</b>		<b>Replaces Procedure No. (if applicable):</b>	
<b>Issuing Department:</b>	Finance	<b>Procedure Review Frequency:</b>	Annual
<b>Lines of Business (check all that apply):</b>	<input checked="" type="checkbox"/> Medi-Cal	<input checked="" type="checkbox"/> Healthy Kids	<input checked="" type="checkbox"/> CMC

Note: Proposed changes are highlighted in red

## I. PURPOSE

This Annual Investment Policy (AIP) sets for the investment guidelines and structure for the investment of short term operating funds and any Board-designated reserve funds invested on and after **April 26, 2018**, of the Santa Clara Family Health Plan (SCFHP) which was established by the Santa Clara County Board of Supervisors under Ordinance 300.576 and licensed by the State of California under the Knox-Keene Act of 1975 in 1996.

Investments may only be made as authorized by this Annual Investment Policy. SCFHP is required to invest its funds in accordance with the California Government Code Sections 27130 et seq., Sections 53635 and/or 53601 et seq., Section 1346 of the Knox- Keene Act of 1975 as well as the prudent investment standard.

The Prudent Investor Standard: When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of SCFHP, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency (California Government Code Section 53600.3).

## II. OBJECTIVES

The objectives of this Policy are to ensure that SCFHP funds not required for the immediate needs of SCFHP are prudently invested to:

- i. Preserve **principal: investments shall be undertaken in a manner that seeks to ensure the preservation of capital,**
- ii. Maintain sufficient liquidity to meet the operating requirements **for six months,**
- iii. **Achieve a market-average rate of return (yield) through budgetary and economic cycles, considering SCFHP's regulatory constraints and cash flow characteristics. Investments will be limited to low risk securities in anticipation of earning a fair return relative to the risk being assumed.**
- iv. **Provide diversification of the portfolio to avoid incurring unreasonable market and credit risks."**

# POLICY

## III. ETHICS AND CONFLICTS OF INTEREST

SCFHP's officers, employees and Board members involved in the investment process shall refrain from personal and professional business activities that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. SCFHP's officers and employees involved in the investment process are not permitted to have any material financial interests in financial institutions, including state or federal credit unions, that conduct business with SCFHP, and they are not permitted to have any personal financial or investment holdings that could be materially related to the performance of SCFHP's investments.

## IV. DELEGATION OF AUTHORITY

### A. Santa Clara Commingled Investment Pool

The Board of Directors of the SCFHP is responsible for the management and oversight of SCFHP's investment program. The Board has directed that available excess funds be deposited with the County Treasurer into the County of Santa Clara Commingled Investment Pool which will be invested by the County Treasurer in accordance with the policies contained in the County of Santa Clara Treasury Investment Policy, now in effect, and which may be revised from time to time. As per the deposit requirements for county health plans under California Health and Safety Code Section 1346 and 1376.1, depositing SCFHP's excess funds with the County of Santa Clara is permitted if:

- (1) All of the evidence of indebtedness of the county, has been rated "A" or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation, based on a rating conducted during the immediately preceding 12 months.
- (2) The County has cash or cash equivalents in an amount equal to fifty million dollars or more, based on its audited financial statements for the immediately preceding fiscal year.
- (3) The day-to-day managing, reporting, and oversight of the investment contractual obligations between the County and SCFHP shall be the responsibility of SCFHP's Chief Financial Officer.

### B. Depository (Financial) Institutions

All SCFHP money shall be deposited for safekeeping in financial institutions that meet the requirements as set forth in Section 53635.2. The financial institution shall have received an overall rating of not less than "satisfactory" in its most recent evaluation by its appropriate federal financial supervisory agency. In addition, the depository financial institution shall maintain a rating of its senior long-term debt obligations, deposit rating or claims-paying ability rating, or is guaranteed by an entity whose obligations are rated not lower than "AA- by S&P, AA- by Fitch or "Aa3" by Moody's or its equivalent from another nationally recognized rating agency.

- (1) All depository institutions shall provide SCFHP with notification of any downgrades in long-term ratings or any unsatisfactory rating by their appropriate federal financial supervisory agency within 10 days of such downgrade.
- (2) Any downgrade in ratings of a financial institution holding SCFHP funds, shall be provided to the Board by the Chief Financial Officer.
- (3) The day-to-day managing, reporting, and oversight of the depository and investment contractual obligations for SCFHP shall be the responsibility of SCFHP's Chief Financial Officer.
- (4) The Board of Directors may renew the delegation of authority to enter into depository and investment relationships annually.

## POLICY

### C. Permitted Investments

SCFHP shall invest only in instruments as permitted by the Code, subject to the limitations of this AIP.

(1) Permitted investments under the short-term operating fund, unless otherwise specified, are subject to a maximum stated term of four hundred fifty (450) days.

(2) Permitted investments under a Board-designated reserve fund, unless otherwise specified, are subject to a maximum stated term of five years.

(3) The Board of Directors must grant express written authority to make an investment not permitted by this Policy, or to establish an investment program of a longer term which may include directing SCFHP's staff to enter into a contract with a Board-approved Investment Manager. Any such Board-approved Investment Manager shall be provided with a copy of this AIP and be subject to periodic review for compliance to the AIP. Any Board- approved changes in Permitted Investments shall be in accordance with the Code Section 53600 et seq. and as provided on pages 5-6 of this AIP.

(4) Permitted investments shall include:

a. Joint Powers Authority Pool – A joint powers authority formed pursuant to California Government Code, Section 6509.7 may issue shares of beneficial interest to participating public agencies. The joint powers authority issuing the shares shall have retained an Investment Advisor that meets all of following criteria:

1. Registered or exempt from registration with the Securities and Exchange Commission;
2. No less than five (5) years of experience investing in the securities and obligations authorized by the Code; and
3. Assets under management in excess of five hundred million dollars (\$500,000,000).
4. Such investment may not represent more than ten percent (10%) of the joint powers authority pool's assets.
5. A joint powers authority pool shall be rated at least A+f by a nationally recognized rating service.

b. Local Agency California Investment Fund (LAIF) - Funds may be invested in LAIF, a State of California managed investment pool up to the maximum dollar amounts in conformance with the account balance limits authorized by the State Treasurer.

c. Money Market Funds – Shares of beneficial interest issued by diversified management companies (i.e., money market funds):

1. Which are rated AAA (or equivalent highest ranking) by two of the three largest nationally recognized rating services; and
2. Such investment may not represent more than ten percent of the money market fund's assets.

### **V. DOCUMENTS**

The following documents have been reviewed by County counsel and approved by the SCFHP Board of Directors to support the investment relationship between the County of Santa Clara and SCFHP:

- County of Santa Clara Investment Pool Disclosure and Agreement for Voluntary Deposits:  
This document states that SCFHP has provided funds to Santa Clara County for investment, and that these funds are owned and available to SCFHP for the purpose of SCFHP's use. This agreement spells out the rules for participating in the Pool and establishes the frequency and amount of funds that can be removed from the Pool at a particular time.
- County of Santa Clara Treasury Investment Policy:

## **POLICY**

The County of Santa Clara Treasury Investment Policy, as approved annually by the Santa Clara Board of Supervisors, details the investment policy, practices, and goals of the County of Santa Clara based on compliance with State law and prudent money management. The policy includes sections on the Standards of Care, the County Treasury Oversight Committee, Eligible, Authorized and Suitable Investments, Internal Controls and Accounting, and Reporting. It is the responsibility of the County Treasury Oversight Committee to approve the investment policy prepared annually by the County Treasurer, to review and monitor the quarterly investment reports prepared by the County Treasurer, to review depositories for County fund and broker/dealers and banks as approved by the County Treasurer, and to cause an annual audit to be conducted to determine the County Treasurer's compliance with all relevant California Government Code statutes and County of Santa Clara ordinances and the County Treasury Investment Policy.

- **County of Santa Clara Treasury Quarterly Report**

This quarterly investment report is provided to SCFHP as a voluntary participant and other participants whose funds are maintained and invested by the Treasurer of the County of Santa Clara, This report discloses a quarter end listing of the Pool's investment holdings, a portfolio summary of cost values versus market values and yields, a summary of portfolio strategy, diversification and credit compliance of permitted investments,, and a listing of all transactions that have taken place during the reporting period.

- **SAP Balance and Interest Earnings of SCFHP Invested Funds**

SCFHP periodically receives from the County of Santa Clara SAP reports that list the fund balance as well as interest earnings which is apportioned by the County Treasurer to all Pool participants based upon the average daily balance of SCFHP funds on deposit for each quarter.

## **VI. REVIEW OF INVESTMENT POLICY**

At least annually and more frequently as needed, the SCFHP Board of Directors will review this Investment Policy at a regular meeting of the Board. Any recommended changes to the Policy, including modifications to current investment strategy, oversight procedures including internal controls will be first be brought to the Executive Committee by the CFO for review and approval prior to presentation to the Board. The Executive Committee and Board of Directors will be supported in this work by the CFO and General Counsel for financial and legal issues, respectively.

Any modifications to this Investment Policy, including withdrawal from the County of Santa Clara Commingled Investment Pool, will be made in accordance with California Government Code Sections 27130 et seq., Sections 53635 and/or 53601 et seq., Section 1346 of the Knox Keene Act of 1975 as well as the prudent investment standard. Any request for withdrawal of funds from the County Pool shall require prior written approval from the County Treasurer to ensure that the interests of the other depositors in the County Pool will not be adversely affected.

## POLICY

ALLOWABLE INVESTMENT INSTRUMENTS PER STATE Government Code (AS OF JANUARY 1, 2017) <sup>A</sup> APPLICABLE TO ALL LOCAL AGENCIES <sup>B</sup>			
INVESTMENT TYPE	MAXIMUM MATURITY <sup>C</sup>	MAXIMUM SPECIFIED % OF PORTFOLIO <sup>D</sup>	MINIMUM QUALITY REQUIREMENTS
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations - CA and Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Bankers' Acceptances	180 days	40% <sup>E</sup>	None
Commercial Paper-Pooled Funds	270 days	40% of the agency's money <sup>G</sup>	Highest letter and number rating by an NRSRO <sup>H</sup>
Commercial Paper-Non-Pooled Funds <sup>F</sup>	270 days	25% of the agency's money <sup>G</sup>	Highest letter and number rating by an NRSRO <sup>H</sup>
Negotiable Certificates of Deposit	5 years	30% <sup>J</sup>	None
Non-negotiable Certificates of Deposit	5 years	None	None
Placement Service Deposits	5 years	30% <sup>K</sup>	None
Placement Service Certificates of Deposit	5 years	30% <sup>K</sup>	
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20% of the bas value of the portfolio	None
Medium-Term Notes <sup>N</sup>	5 years	30%	"A" Rating category or its equivalent or better
Mutual Funds and Money Market Mutual Funds	N/A	20%	Multiple <sup>PQ</sup>
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	None	"AA" rating category or its equivalent or better <sup>R</sup>
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple <sup>S</sup>
Local Agency Investment Fund (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None
Supranational Obligations <sup>U</sup>	5 years	30%	"AA" Rating category or its equivalent or better

*California Debt and Investment Advisory Commission, Local Agency Investment Guidelines, 17.01 changes as of January 1, 2017*



# POLICY

## TABLE OF NOTES FOR CA GOVERNMENT CODE

<p><b>A</b> Sources: Sections 16340, 16429.1, 53601, 53601.8, 53635, 53635.2, 53635.8m and 53638.</p> <p><b>B</b> Municipal Utilities Districts have the authority under the Public Utilities Code Section 12871 to invest in certain securities not addressed here.</p> <p><b>C</b> Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceeds the five year maturity limit. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year limit.</p> <p><b>D</b> Percentages apply to all portfolio investments regardless of source of funds. For instance, cash from a reverse repurchase agreement would be subject to the restrictions.</p> <p><b>E</b> No more than 30 percent of the agency's money may be in bankers' acceptances of any one commercial bank.</p> <p><b>F</b> "Select Agencies" are defined as a "city, a district, or other local agency that do[es] not pool money in deposits or investment with other local agencies, other than local agencies that have the same governing body."</p> <p><b>G</b> Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper of any single issuer.</p> <p><b>H</b> Issuing corporation must be organized and operating within the U.S., have assets in excess of \$500 million, and debt other than commercial paper must be rated "A" or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, has program wide credit enhancements, and has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized rating agency.</p> <p><b>I</b> "Other Agencies" are counties, a city and county, or other local agency "that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body." Local agencies that pool exclusively with other local agencies that have the same governing body must adhere to the limits set for "Select Agencies," above.</p> <p><b>J</b> No more than 30 percent of the agency's money may be in negotiable certificates of deposit that are authorized under Section 53601(i).</p> <p><b>K</b> No more than 30 percent of the agency's money may be invested in deposits, including certificates of deposit, through a placement service (excludes negotiable certificates of deposit authorized under Section 53601(i)).</p>	<p><b>L</b> Reverse repurchase agreements or securities lending agreements may exceed the 92-day term if the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity dates of the same security.</p> <p><b>M</b> Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state chartered bank that has a significant relationship with the local agency. The local agency must have held the securities used for the agreements for at least 30 days.</p> <p><b>N</b> "Medium-term notes" are defined in Section 53601 as "all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States."</p> <p><b>O</b> A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years experience investing in money market instruments with assets under management in excess of \$500 million.</p> <p><b>R</b> Issuer must be rated "A" or higher as provided by a nationally recognized rating agency.</p> <p><b>S</b> A joint powers authority pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years experience investing in instruments authorized by Section 53601, subdivisions (a) to (o).</p> <p><b>T</b> Local entities can deposit between \$200 million and \$10 billion into the Voluntary Investment Program Fund, upon approval by their governing bodies. Deposits in the fund will be invested in the Pooled Money Investment Account.</p> <p><b>U</b> Only those obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (BRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB).</p>
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# POLICY

**REFERENCES**

**MONITORING**

Investments and yield will be reviewed on an annual basis by the Controller and Chief Financial Officer

**I. Approval/Revision History**

First Level Approval			Second Level Approval	
Signature			Signature	
Name			Name	
Title			Title	
Date			Date	
Version Number	Change (Original/ Reviewed/ Revised)	Reviewing Committee (if applicable)	Committee Action/Date (Recommend or Approve)	Board Action/Date (Approve or Ratify)

## ANNUAL INVESTMENT POLICY REVIEW REPORT by Sperry Capital Inc.

At the request of the Chief Financial Officer, we have reviewed the Santa Clara Family Health Plan's Annual Investment Policy ("AIP"), included as Attachment A, page 3, for updates, clarifications or suggested modifications for the 2018 AIP. Sperry Capital's report provides an independent review and any necessary revisions to the current AIP as approved by the SCFHP Board of Directors (the "Board") on August 25, 2016.

### A. Annual AIP Review

- Funds are invested and deposited in accordance with the AIP and the California Government Code (The "Code") §53630 – 53686.

Under the AIP, Section IV Delegation of Authority, the Board has directed that available excess funds be deposited with the County Treasurer if:

(1) All of the evidence of indebtedness of the County, has been rated "A" or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation, based on a rating conducted during the immediately preceding 12 months.

*At the end of 2017, the long-term ratings of the County of Santa Clara indebtedness were: Aaa by Moody's; AAA by S&P.*

(2) The County has cash or cash equivalents in an amount equal to fifty million dollars or more, based on its audited financial statements for the immediately preceding fiscal year.

*As of the end of Fiscal Year 2017, the County held in cash or cash equivalents \$234,022,000; the value of the County's Commingled Pool was \$6,714,703,000.*

Since January 2017 through January 31, 2018, SCFHP's excess funds on deposit with the Santa Clara County Treasurer in the Commingled Investment Pool have averaged \$160,265,850 per month and remain subject to the County of Santa Clara Investment Pool Disclosure and Agreement for Voluntary Deposits and the County of Santa Clara Treasury Investment Policy, as adopted on June 21, 2016.

We have reviewed the County's 2016 Investment Policy and the Quarterly and Monthly Investment Reports from June 2016 through June 2017 and their 2017 CAFR. These reports are prepared by the treasury staff of the County and published online on the County's website. These reports are in keeping with the reporting requirements of the County's Investment Policy. One of the County's stated benchmarks for its investment performance is the State Treasurer's Local Agency Investment Fund (LAIF). Throughout this period, the Commingled Investment Pool's yield exceeded the yield of LAIF. However, the average days to maturity were significantly higher. The weighted average life of the County Pool as June 2017 was 528 days while LAIF was at 194 days. The County's investment advisor, FTN Main Street Advisors, monitors and reviews the investment activities of the Treasurer for compliance to the County Investment Policy. There were no discrepancies to the County's Investment Policy noted by their advisors. The following table, provided on the County website, shows how the Pool performed against LAIF and selected Treasury securities. (WAM means weighted average maturity).

Santa Clara County Commingled Pool vs Benchmarks

Item	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17
SCC Pool YTM	0.96%	0.98%	0.99%	0.99%	0.97%	0.96%	1.01%	1.03%	1.10%	1.13%	1.18%	1.25%
LAIF YTM	0.59%	0.61%	0.63%	0.65%	0.68%	0.72%	0.75%	0.78%	0.82%	0.88%	0.93%	0.98%
6 Mth T-Bill	0.37%	0.46%	0.43%	0.50%	0.61%	0.61%	0.63%	0.74%	0.90%	0.97%	1.07%	1.13%
2 Yr T-Note	0.66%	0.81%	0.76%	0.84%	1.12%	1.19%	1.21%	1.26%	1.26%	1.26%	1.28%	1.38%
SCC WAM	504	504	533	518	481	422	471	477	479	469	488	528
LAIF WAM	169	162	165	163	167	176	180	186	180	188	186	194

Source: FTN Main Street Advisors, Santa Clara County Commingled Pool as of June 30, 2017

- There are no relevant updates to the California Government Code §53630 – 53686 that need to be included in the AIP from last year per the California Debt and Investment Advisory Commission, 17.01, *Local Agency Investment Guidelines 2017*. However, we do recommend additions to the Policy to enable SCFHP to diversify its present investment strategy outside of investing funds in the County Pool.
- We have examined 13 months of cash flow activity provided by staff and found that the liquidity needs of SCFHP were sufficiently met. The Code requires the local agency to include a statement denoting the ability of the local agency to meet its expenditure requirements for the next six months or provide an explanation as to why sufficient money may or may not be available.
- SCFHP staff monitors the quarterly investment reports of the County’s Commingled Pool as is required by the Code’s Section 53646. (The Code states that the “treasurer or chief financial officer may render a quarterly report to the chief executive officer, internal auditor, and the legislative body” within 30 days of the quarter’s end.” It is noted that the last publicly available quarterly investment report of the County Pool is dated as of June 30, 2017. The California Debt and Investment Advisory Commission recommends that the report be made within 30 days of the quarter’s end. We recommend that SCFHP request the County Pool Quarterly Investment Report be provided to the Controller of the SCFHP within 30 days of the quarter end.)
- We recommend SCFHP include in the AIP, guidelines or rating parameters regarding the strength of its depository (financial) institutions in addition to the County Pool. We also recommend establishing policy guidelines for investing excess funds in any daily sweep accounts that at approved financial institutions that meet the investment requirements of the Code. Many investment policies also include the requirement for establishing a periodic review of all depository relationships to address the AIP’s Objective i, Preservation of capital.

**B. Recommended revisions for the Annual Investment Policy 2018**

For added flexibility, diversity and to increase yield of your investment strategy, we recommend revisions to the 2018 AIP. Recommended revisions are in blue in the draft Annual IP 2018 Suggested Revisions 3-19-2018.

**ATTACHMENT A – Current Policy**

**Santa Clara Family Health Plan Annual Investment Policy**

**I. PURPOSE**

This Annual Investment Policy sets forth the investment guidelines and structure for the investment of short term operating funds and any Board-designated reserve funds invested on and after August 25, 2016<sup>1</sup>, of the Santa Clara Family Health Plan (SCFHP) which was established by the Santa Clara County Board of Supervisors under Ordinance 300.576 and licensed by the State of California under the Knox-Keene Act of 1975 in 1996.

Investments may only be made as authorized by this Annual Investment Policy. SCFHP is required to invest its funds in accordance with the California Government Code Sections 27130 et seq., Sections 53635 and/or 53601 et seq., Section 1346 of the Knox Keene Act of 1975 as well as the prudent investment standard.

*The Prudent Investor Standard: When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of SCFHP, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency (California Government Code Section 53600.3).*

<sup>1</sup> As approved by the SCFHP Executive/Finance Committee Regular Meeting.

**II. OBJECTIVE**

The objective of this Policy is to ensure that SCFHP funds not required for the immediate needs of SCFHP are prudently invested to ensure:

1. Preservation of capital,
2. Maintenance of sufficient liquidity to meet the operating requirements,
3. A market-average rate of return through economic cycles, and
4. Diversification of the portfolio to avoid incurring unreasonable market risks.

**III. ETHICS AND CONFLICTS OF INTEREST**

SCFHP's officers, employees and Board members involved in the investment process shall refrain from personal and professional business activities that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. SCFHP's officers and employees involved in the investment process are not permitted to have any material financial interests in financial institutions, including state or federal credit unions, that conduct business with SCFHP, and they are not permitted to have any personal financial or investment holdings that could be materially related to the performance of SCFHP's investments.

**IV. DELEGATION OF AUTHORITY**

The Board of Directors of the SCFHP is responsible for the management and oversight of SCFHP's investment program. The Board has directed that available excess funds be deposited with the County Treasurer into the County of Santa Clara Commingled Investment Pool and which will be invested by the County Treasurer in accordance with the policies contained in the County of Santa Clara Treasury Investment Policy, now in effect and which may be revised from time to time. As per the deposit requirements for county health plans under California Health and Safety Code Section 1346 and 1376.1, depositing SCFHP's excess funds with the County of Santa Clara is permitted if:

- (a) All of the evidence of indebtedness of the county, has been rated “A” or better by Moody’s Investors Service, Inc. or Standard & Poor’s Corporation, based on a rating conducted during the immediately preceding 12 months.
- (b) The county has cash or cash equivalents in an amount equal to fifty million dollars or more, based on its audited financial statements for the immediately preceding fiscal year.

The day-to-day managing, reporting, and oversight of the investment contractual obligations between the County and SCFHP shall be the responsibility of SCFHP’s Chief Financial Officer.

## V. DOCUMENTS

The following documents have been reviewed by County counsel and approved by the SCFHP Board of Directors to support the investment relationship between the County of Santa Clara and SCFHP:

- County of Santa Clara Investment Pool Disclosure and Agreement for Voluntary Deposit:

*This document states that SCFHP has provided funds to Santa Clara County for investment, and that these funds are owned and available to SCFHP for the purpose of SCFHP’s use. This agreement spells out the rules for participating in the Pool and establishes the frequency and amount of funds that can be removed from the Pool at a particular time.*

- County of Santa Clara Treasury Investment Policy

*The County of Santa Clara Treasury Investment Policy, as approved annually by the Santa Clara Board of Supervisors, details the investment policy, practices, and goals of the County of Santa Clara based on compliance with State law and prudent money management. The policy includes sections on the Standards of Care, the County Treasury Oversight Committee, Eligible, Authorized and Suitable Investments, Internal Controls and Accounting, and Reporting. It is the responsibility of the County Treasury Oversight Committee to approve the investment policy prepared annually by the County Treasurer, to review and monitor the quarterly investment reports prepared by the County Treasurer, to review depositories for County fund and broker/dealers and banks as approved by the County Treasurer, and to cause an annual audit to be conducted to determine the County Treasury’s compliance with all relevant California Government Code statutes and County of Santa Clara ordinances and the County Treasury Investment Policy.*

- County of Santa Clara Treasury Quarterly Report

*This quarterly investment report is provided to SCFHP as a voluntary participant and other participants whose funds are maintained and invested by the Treasurer of the County of Santa Clara, This report discloses a quarter end listing of the Pool’s investment holdings, a portfolio summary of cost values versus market values and yields, a summary of portfolio strategy, diversification and credit compliance of permitted investments,, and a listing of all transactions that have taken place during the reporting period.*

- SAP Balance and Interest Earnings of SCFHP Invested Funds

*SCFHP periodically receives from the County of Santa Clara SAP reports that list the fund balance as well as interest earnings which is apportioned by the County Treasurer to all Pool participants based upon the average daily balance of SCFHP funds on deposit for each quarter.*

## **VI. REVIEW OF INVESTMENT POLICY**

At least annually and more frequently as needed, the SCFHP Board of Directors will review this Investment Policy at a regular meeting of the Board. Any recommended changes to the Policy, including modifications to current investment strategy, oversight procedures including internal controls will be first be brought to the Executive Committee by the CFO for review and approval prior to presentation to the Board. The Executive Committee and Board of Directors will be supported in this work by the CFO and the SCFHP Vice President/General Counsel for financial and legal issues, respectively.

Any modifications to this Investment Policy, including withdrawal from the County of Santa Clara Commingled Investment Pool, will be made in accordance with California Government Code Sections 27130 et seq., Sections 53635 and/or 53601 et seq., Section 1346 of the Knox Keene Act of 1975 as well as the prudent investment standard. Any request for withdrawal of funds from the County Pool shall require prior written approval from the County Treasurer to ensure that the interests of the other depositors in the County Pool will not be adversely affected.