

Siskiyou County

TREASURY INVESTMENT POLICY

2019

**Wayne Hammar
Siskiyou County Treasurer-Tax Collector**

Reviewed by Treasurer 4-29-19

**STATEMENT OF COUNTY TREASURER'S INVESTMENT POLICY
FOR THE COUNTY OF SISKIYOU**

TABLE OF CONTENTS

April 2019

| SECTION | TITLE |
|----------------|--|
| 1.0 | PREFACE |
| | 1.1 TREASURY MANAGEMENT |
| | 1.1 (a) BANKING |
| | 1.1 (b) LOANS TO DISTRICTS |
| | 1.1 (c) INVESTMENTS-CASH FLOW PREDICTABILITY |
| 2.0 | INTRODUCTION |
| 3.0 | SCOPE |
| 4.0 | OBJECTIVES |
| | 4.1 SAFETY |
| | 4.2 LIQUIDITY |
| | 4.3 YIELD |
| 5.0 | DELEGATION OF AUTHORITY |
| | 5.1 COUNTY SUPERVISORS |
| | 5.2 COUNTY TREASURER |
| | 5.3 AMEND POLICY |
| 6.0 | ETHICS AND CONFLICTS OF INTEREST CODES |
| | 6.1 GIFTS RECEIVED BY TREASURY OVERSIGHT COMMITTEE |
| 7.0 | AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS |
| 8.0 | AUTHORIZED AND SUITABLE INVESTMENTS |
| | U.S. GOVERNMENT |
| | U.S. AGENCIES |
| | BANKERS ACCEPTANCES |
| | COMMERCIAL PAPER |
| | NEGOTIABLE CERTIFICATES OF DEPOSIT & |
| | CERTIFICATES OF DEPOSIT |
| | REPURCHASE AGREEMENTS |
| | MEDIUM TERM NOTES |
| | MONEY MARKET FUNDS |
| | SUPRANATIONALS |
| | LOCAL AGENCY INVESTMENT FUND (LAIF) |
| | MANAGED FUNDS |
| | INELIGIBLE INVESTMENTS |

- 9.0 AUTHORIZED AND SUITABLE INVESTMENTS FOR SURPLUS BOND PROCEEDS**
- 10.0 COLLATERAL**
- 11.0 SAFEKEEPING AND CUSTODY**
- 12.0 DIVERSIFICATION**
 - 12.1 SECURITY TYPE AND INSTITUTION**
 - 12.2 MAXIMUM MATURITIES**
- 13.0 INTERNAL CONTROLS**
 - 13.1 OVERSIGHT COMMITTEE**
 - 13.2 ANNUAL AUDIT**
 - 13.3 COUNTY OVERSIGHT EMPLOYMENT RESTRICTIONS**
- 14.0 PERFORMANCE STANDARDS**
- 15.0 REPORTING**
 - 15.1 MONTHLY REPORTS**
 - 15.2 ANNUAL REPORT**
 - 15.3 QUARTERLY REPORTS**
- 16.0 COSTS**
- 17.0 CONDITIONS FOR AGENCIES FOR DEPOSIT WITH VOLUNTARY FUNDS**
- 18.0 REQUESTS FOR WITHDRAWALS – ALL POOL PARTICIPANTS - VOLUNTARY AND INVOLUNTARY**
- 19.0 BROKER AND DEALER SECTION CRITERIA**
 - 19.1 CRITERIA FOR SELECTION**
 - 19.2 BROKER QUALIFICATIONS**

**Reviewed by Treasurer 4-29-19
Board of Supervisors Review & Approval 5-7-19**

STATEMENT OF COUNTY TREASURER'S INVESTMENT POLICY
FOR THE COUNTY OF SISKIYOU

1.0 PREFACE

1.1 TREASURY MANAGEMENT: Treasurers consolidate the banking, cash management and investment activities of most local governments in their jurisdiction into one operation. Numerous school districts, special districts, and trustees, as well as county government, pool their funds into one account. Thus, instead of many part-time local officials attempting to invest public monies in a volatile and difficult market, county treasurers provide a singular concerted effort, increasing efficiency and reducing expense. The bond market, once considered safe for orphans and widows, is now even difficult to understand by professionals.

Our County Treasury uses a credit review process covering all institutions in which we consider investing and brokerages with whom we do business. We use competitive bidding procedures before placing investments, employ safekeeping agents to guarantee that the terms of each investment decision are carried out before any money changes hands, and maintain an accounts receivable function to ensure timely payment of interest and principal. Additionally, the County Treasury performs all investment accounting and reporting. Duplication of these functions on a district by district level would be cost prohibitive.

1.1 (a) Banking: The economies of scale and lack of duplication found in the investment operation carry over to banking. Again, instead of making individual deposits daily into many commercial accounts, only one is required. The same holds true for check disbursements. Furthermore, it is only necessary to ensure that a sufficient balance is maintained in one checking account, to honor outstanding checks, instead of many. This practice greatly minimizes the amount of public funds on deposit in poorly yielding checking accounts. Finally, all receipting, wire transfer of funds, check reconciliation, banking relations, accounting, reporting and auditing responsibilities are consolidated.

1.1 (b) Loans to Districts: The pooling of all district monies also allows loans to those districts that are temporarily short of funds, thereby avoiding overdraft charges and the embarrassment and inconvenience of returned checks. As an aside, the ability of the pool to make short term loans, as required by Section 6 of Article XVI of the State Constitution, removes the rationale for individual districts issuing debt to meet seasonal cash flow needs. However, as we have seen, this process is not risk free. "Borrowing does not include Bank Overdrafts."

1.1 (c) Investments-Cash Flow Predictability: From an investment perspective, the pooling of funds provides for a far more predictable balance of monies available for investment than would be the case with individual districts. The cash position of individual districts varies significantly from week to week, month to month, and year to year. The pooled concept works because the receipt and disbursement cycles for different entities vary. County receipts and disbursements follow a different pattern

than those of special districts and trustee cycles vary depending on the activity. So when school cash positions are low, the county's cash position may be high, and vice versa, thereby providing a more constant amount available for investment. Furthermore, while an individual district's cash position may be difficult to predict, in aggregate, the pooled treasury cash position follows definite patterns that are largely driven by property tax and state budget cycles. This predictability allows county treasuries to invest large blocks of monies for terms greater than a few days or months. Generally, the larger the amount, and the longer the term (within reason), the greater the return. These greater returns can be earned without compromising safety.

2.0 INTRODUCTION

This statement is intended to provide guidelines for the prudent investment of surplus funds of the County and to outline the policies for maximizing the efficiency of the County's cash management system. The ultimate goal is to enhance the economic status of the County while protecting its funds. The Treasurer manages the overall portfolio under the prudent person standard which states that:

"Prudent Investors"

Government Code Section 53600.3. Except as provided in subdivision (a) of Section 27000.3, all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to 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 the agency, 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. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

3.0 SCOPE

This investment policy applies to the County's pooled investment fund which encompasses all monies under the direct oversight of the Treasurer. The laws that allow investments in this fund are numerous and the criteria changes often. Although most laws are found in Government Code Sections 53601, 53635 and 16429, these code sections are not fully inclusive. The Treasurer reserves the right to invest under the new and changing laws as passed. This allows for the Treasurer to be in compliance at all times with the laws and the policy. The investment policy is approved by the Board of Supervisors once a year and reviewed and monitored by the Treasury Oversight Committee. The Treasury Oversight Committee may cause an annual audit to be performed on the investment policy to ensure compliance with the policy and investments at all times.

4.0 OBJECTIVES

The county's cash management system is designed to accurately monitor and forecast revenues and expenditures enabling the Treasurer to invest funds to the fullest extent possible. The Treasurer maintains a diversified portfolio to accomplish the primary objectives of safety, liquidity, and yield (in

that order of priority).

4.1 **SAFETY**: The safety/risk associated with an investment refers to the potential loss of principal, accrued interest or a combination of these. The County seeks to mitigate credit risk by pre-qualifying and continual monitoring of financial institutions with which it will do business, and by careful scrutiny of the credit worthiness of the investment instruments as well as the institutions. Such resources as Moody's Investor or Standard & Poor's rating services are utilized for this review. The County seeks to mitigate rate risk through diversification of instruments as well as maturities.

4.2 **LIQUIDITY**: The portfolio will be structured with sufficient liquidity to allow the Treasurer to meet anticipated cash requirements. This will be accomplished through diversity of instruments to include those with active secondary markets, those which can match maturities to expected cash needs, State Local Agency Investment Fund (LAIF), Money Market Funds and Repurchase agreements.

4.3 **YIELD**: A competitive market rate of return is the third objective of the investment program after the fundamental requirements of safety and liquidity have been met.

5.0 **DELEGATION OF AUTHORITY**

California Government Code Section 53607 provides the authority for the legislative body of the local agency to invest the funds of the local agency or to delegate the full responsibility to the treasurer of the local agency. This provision includes reporting criteria.

5.1 **COUNTY SUPERVISORS**: By adopting this policy, the County Supervisors authorize the Treasurer to invest County surplus funds in accordance with California Government Code Section 53600, et. seq. and to invest County bond or COP proceeds in accordance with California Government Code Sections 53601 and 5922.

5.2 **COUNTY TREASURER**: The execution of investment transactions on a daily basis will be conducted by the Treasurer. The Assistant Treasurer in accordance with the Employee Investment Manual will execute transactions, only as directed by the Treasurer, in the absence of the Treasurer. In addition, in the absence of the Treasurer, the Treasury/Tax Collection Specialists are allowed to invest short-term funds in Treasurer approved pooled investments and money markets in accordance with the Employee Investment Manual. The Treasurer has established a system of controls and a segregation of responsibilities of investment functions to assure maintenance of internal control over the investment function.

5.3 **AMEND POLICY**: The Treasurer retains the authority to amend the Investment Policy, Guidelines, and Procedures at any time in order to carry out the duties as chief investment officer for the County. Notice of any such required amendment will be given to the Treasury Oversight Committee and the County Supervisors.

6.0 **ETHICS AND CONFLICTS OF INTEREST CODES**

The County Treasurer and those designated employees shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair the ability

to make impartial investment decisions. The Treasurer is governed by The Political Reform Act of 1974 regarding disclosure of material financial interests.

6.1 GIFTS RECEIVED BY MEMBERS OF OVERSIGHT COMMITTEE: There are limits on the receipt of honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other persons with whom the county treasury conducts business by any member of the county treasury oversight committee. These limits may be in addition to the limits established by a committee member's own agency, by state law, or by the Fair Political Practices Commission.

Currently, the Board of Supervisors has not set any limits other than those set by current state law, and as such, the members of the Treasury Oversight Committee are subject to the state laws. It is each committee person's responsibility to stay abreast of those laws and limits. Our local election clerk has those laws and the limits subject to this committee available upon request.

7.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

At least once each year the Treasurer will review all investment brokers and brokerage firms with which the County conducts business. A list of authorized brokers and brokerage firms will be prepared and maintained. This list will include all brokers, brokerage firms, and investment advisory firms eligible to conduct business with the County under criteria established by the Treasurer.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS

Government Code Section 53601:

The legislative body of a local agency having money in a sinking fund or money in its treasury not required for the immediate needs of the local agency may invest any portion of the money that it deems wise or expedient in those investments set forth below. A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered, or non-registered format, shall require delivery of the securities to the local agency, including those purchased for the agency by financial advisers, consultants, or managers using the agency's funds, by book entry, physical delivery, or by third-party custodial agreement. The transfer of securities to the counterparty bank's customer book entry account may be used for book entry delivery.

For purposes of this section "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. Where this section does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment:

(a) Bonds issued by the local agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency.

(b) United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

(c) Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.

(d) Registered treasury notes or bonds on any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.

(e) Bonds, notes, warrants, or other evidences of indebtedness of any local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

(f) Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

(g) Bankers acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers acceptances may not exceed 180 days' maturity or 40 percent of the agency's money that may be invested pursuant to this section. However, no more than 30 percent of the agency's money may be invested in the bankers acceptances of any one commercial bank pursuant to this section.

This subdivision does not preclude a municipal utility district from investing any money in its treasury in any manner authorized by the Municipal Utility District Act (Division 6(commencing with Section 11501) of the Public Utilities Code).

(h) Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):

(1) The entity meets the following criteria:

(A) Is organized and operating in the United States as a general corporation.

(B) Has total assets in excess of five hundred million dollars (\$500,000,000).

(C) Has debt other than commercial paper, if any, that is rated "A" or higher by a nationally recognized statistical-rating organization (NRSRO).

(2) The entity meets the following criteria:

(A) Is organized within the United States as a special purpose corporation, trust, or limited liability company.

(B) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.

(C) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally

recognized statistical-rating organization (NRSRO).

Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city and county, may invest no more than 25 percent of their money in eligible commercial paper. 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. Counties or a city and county may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Section 53635.

Government Code Section 53635(a). This section shall be interpreted in a manner that recognizes the distinct characteristics of investment pools and the distinct administrative burdens of managing and investing funds on a pooled basis pursuant to Article 6 (commencing with Section 27130) of Chapter 5 of Division 2 of Title 3.

A local agency that is a county, a city and county, or other local agency that pools money in deposits or investments with other agencies may invest in commercial paper pursuant to subdivision (g) of Section 53601, except that the local agency shall be subject to the following concentration limits:

(1) No more than 40 percent of the local agency's money may be invested in eligible commercial paper.

(2) No more than 10 percent of the local agency's money that may be invested pursuant to this section may be invested in the outstanding commercial paper of any single issuer.

(3) No more than 10 percent of the outstanding commercial paper of any single issuer may be purchased by the local agency.

Government Code Section 53601 continued

(i) Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30 percent of the agency's money which may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposits do not come within Article 2 (commencing with Section 53630), except that the amount so invested shall be subject to the limitations of Section 53638. The legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the money are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or any person with investment decision making authority in the administrative office manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

(j) (1) Investments in repurchase agreements or reverse repurchase agreements or securities lending agreements of any securities authorized by this section, as long as the agreements are subject to this subdivision, including the delivery requirements specified in this section.

(2) Investments in repurchase agreements may be made, on any investment authorized in this section, when the term of the agreement does not exceed one year. The market value of securities that underlay a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.

(k) Medium-term notes, defined 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. Notes eligible for investment under this subdivision shall be rated "A" or better by a nationally recognized rating service. Purchases of medium-term notes shall not include other instruments authorized by this section and may not exceed 30 percent of the agency's money that may be invested pursuant to this section.

(l) (1) Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (k), inclusive, or subdivisions (m) to (o), inclusive, and that comply with the investment restrictions of this article and Article 2 (commencing with Section 53630). However, notwithstanding these restrictions, a counterparty to a reverse repurchase agreement or securities lending agreement is not required to be a primary dealer of the Federal Reserve Bank of New York if the company's board of directors finds that the counterparty presents a minimal risk of default, and the value of the securities underlying a repurchase agreement or securities lending agreement may be 100 percent of the sales price if the securities are marked to market daily.

(2) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et. seq.).

(3) If investment is in shares issued pursuant to paragraph (1), the company shall have met either of the following criteria:

(A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

(B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by subdivisions (a) to (j), inclusive, or subdivisions (m) or (n) and with assets under management in excess of five hundred million dollars (\$500,000,000).

(4) If investment is in shares issued pursuant to paragraph (2), the company shall have met either of the following criteria:

(A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

(B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000).

(5) The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that the companies may charge and shall not exceed 20 percent of the agency's money that may be invested pursuant to this section.

However, no more than 10 percent of the agency's funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).

(m) Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

(n) Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

(o) Any mortgage pass through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass through certificate, or consumer receivable-backed bond of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus money that may be invested pursuant to this section.

(p) Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (o), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment advisor that meets all of the following criteria:

- (1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.**
- (2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (o), inclusive.**
- (3) The adviser has assets under management in excess of five hundred million dollars (\$500,000.00).**

(q) United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated "AA" or better by an NRSRO and shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.

Government Code Section 53601.2. As used in this article, "corporation" includes a limited liability company.

LOCAL AGENCY INVESTMENT FUND (LAIF): Government Code Section 16429. The local Agency Investment Fund has been established by the State Treasurer for the benefit of local agencies. The County may invest up to the maximum dollar limit permitted in the fund by LAIF.

MANAGED FUNDS: By virtue of a J.P.A. or other legal authority.

INELIGIBLE INVESTMENTS: Government Code Section 53601.6. (a) A local agency shall not invest any funds pursuant to this article in inverse floaters, range notes, or mortgage derived interest-only strips. (b) A local agency shall not invest any funds pursuant to this article in any security that could result in zero interest accrual if held to maturity. However, a local agency may hold prohibited

instruments until their maturity dates. The limitation in this subdivision shall not apply to local agency investments in shares of beneficial interest issued by diversified management companies registered under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, and following) that are authorized for investment pursuant to subdivision (k) of Section 53601.

9.0 AUTHORIZED AND SUITABLE INVESTMENTS FOR SURPLUS BOND PROCEEDS

California Government Code Sections 5922 and others authorize "Investment Securities," "Permitted Investments," or "Qualified Investments" defined in the bond or COP documentation for each issuance. This Code Section was enacted in recognition of the unique needs inherent in the investment of these proceeds. In addition to the investments authorized for the County's surplus funds in Section 8 above, the bond indenture can expand the investments in accordance with the documents to include investment instruments such as Investment Agreements as defined in the documentation.

This policy recognizes that Section 5922(d) is not limited by Section 53601(1) as does Section 5923.

10.0 COLLATERAL

The issue of collateral requirements is addressed in California Government Code Section 53652. All active and inactive deposits must be secured at all times with eligible securities in securities pools pursuant to Sections 53656 and 53657. Eligible securities held as collateral shall have a market value in excess of the total amount of all deposits of a depository as follows:

- government securities, at least 10 percent in excess
- mortgage backed securities, at least 50 percent in excess
- letters of credit, at least 5 percent in excess

11.0 SAFEKEEPING AND CUSTODY

Security transactions entered into by the County shall be conducted on a deliver-versus-payment (DVP) basis. Any securities purchased in a negotiable bearer, registered or non-registered format shall be in the County's name by book entry, physical delivery or by third party custodian agreement.

12.0 DIVERSIFICATION

In an effort to reduce portfolio risk while attaining market average rates, the County's portfolio will be suitably diversified by type and institution.

12.1 SECURITY TYPE AND INSTITUTION: With the exception of U.S. Treasury securities, federal agency securities, and authorized pools, no more than 50 percent of the total portfolio will be invested in a single security type and no more than 15 percent with a single financial institution. Investments are further limited by specific language relating to each investment type as stated in Section 8 of this Policy.

12.2 MAXIMUM MATURITIES: To the extent possible, the Treasurer will attempt to match investments with anticipated cash flow requirements. The County's surplus portfolio

will not be directly invested in securities which mature more than five years from the date of purchase without the express authority of the County Board of Supervisors either specifically or as part of an investment program approved by the County Board of Supervisors no less than three months prior to the investment. Reserve funds of bond or COP issues may be invested in instruments exceeding the five years (maturity of such investments should coincide as nearly as practicable with expected use of funds). The Treasurer may not invest funds set aside for the repayment of any notes issued by the County for a term that exceeds the term of the notes.

13.0 INTERNAL CONTROLS

A system of internal controls will be maintained to assure compliance with Federal and State regulations and prudent cash management procedures.

13.1 OVERSIGHT COMMITTEE: The committee may meet once a year on the second Monday of May to review procedures, elect officers, and monitor adherence to this Investment Policy. Any member of the committee, however, may request an additional meeting, if deemed necessary, as long as all Brown Act requirements are satisfied. The Committee was appointed in accordance with California Government Code Section 27132.

13.2 ANNUAL AUDIT: The County's Treasury Oversight Committee may cause an annual audit to be conducted to ensure treasurer compliance with Government Code Section 27133.

13.2 OVERSIGHT MEMBER EMPLOYMENT AND POLITICAL ACTIVITY

RESTRICTIONS: Government Code Section 27132.1. A member may not be employed by an entity that has (a) contributed to the campaign of a candidate for the office of local treasurer, or (b) contributed to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the county treasury, in the previous three years or during the period that the employee is a member of the committee.

Government Code Section 27132.2. A member may not directly or indirectly raise money for a candidate for local treasurer or a member of the governing board of any local agency that has deposited funds in the county treasury while a member of the committee.

Government Code Section 27132.3. A member may not secure employment with, or be employed by, bond underwriters, bond counsel, security brokerages or dealers, or financial services firms, with whom the treasurer is doing business during the period that the person is a member of the committee or for one year after leaving the committee.

14.0 PERFORMANCE STANDARDS

The investment portfolio will be designed to obtain a market-average rate of return during budgetary and economic cycles, taking into account the County's investment risk constraints and cash flow needs.

15.0 REPORTING

15.1 MONTHLY REPORTS: The Treasurer will provide detailed reports of the investments in the portfolio on a monthly basis to each of the Supervisors on the Board of Supervisors,

Treasury Oversight Committee members, County Administrator and the County Auditor within 30 days of the end of the reporting month.

15.2 ANNUAL REPORT: This Investment Policy will be presented annually to the Board of Supervisors for their review and approval.

15.3 QUARTERLY REPORTS: The Treasurer shall send reports to the California Debt and Investment Advisory Commission no later than 60 days after the close of the 2nd and 4th quarters if required by law. (Government Code Section 53646)

16.0 COSTS The Treasurer will calculate and apportion the costs of the overall management of the pool to such agencies as follows:

- The actual cost of providing treasury investment services will be charged against the unapportioned interest, per Government Code Sections 53684 and 27013.
- Interest earned on the pooled fund, net of the actual Treasury costs, is apportioned by the Auditor quarterly based on the average daily cash balance in each fund.

17.0 CONDITIONS FOR AGENCIES FOR DEPOSIT WITH VOLUNTARY FUNDS Government Code Section 27133 (g). The terms and conditions under which local agencies and other entities that are not required to deposit their funds in the county treasury may deposit funds for investment purposes are as follows:

- Written notification of intent to deposit
- Written notification of the amount to be deposited
- Requesting agency's cash flow requirements in writing
- Provide a copy of requesting agency's most recent investment report

18.0 REQUESTS FOR WITHDRAWAL – ALL POOL PARTICIPANTS –VOLUNTARY & INVOLUNTARY The criteria for the Treasurer to consider requests for withdrawals from the pool are as follows:

- Written notification of the intent to withdraw \$1,000,000.00 or more for investment purposes must be delivered to the Treasurer in writing at least one week prior to the actual date of withdrawal
- Written notification of the amount to be withdrawn
- Written notification of the fund destination of transfer/resolution
- Written indication of the reason for withdrawal of funds

19.0 BROKER AND DEALER SELECTION CRITERIA

Below is the criteria for selecting security brokers and dealers from, to, or through whom the county treasury may purchase or sell securities or other instruments from. The criteria shall prohibit the selection of any broker, brokerage, dealer, or securities firm that has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations

contained in Rule G-37 of the Municipal Securities Rule Making Board, to the local treasurer, any member of the governing board of the local agency, or any candidate for those offices.

19.1 **CRITERIA FOR SELECTION:** The Treasurer shall maintain a list of financial institutions authorized to provide investments services. Institutions shall provide their most recent "Consolidated Report of Conditions" at the request of the treasurer's office. At a minimum, the treasurer shall conduct an annual evaluation of each institutions credit worthiness to determine whether it should be on the qualified institution listing.

19.2 **BROKER QUALIFICATIONS:**

- Be a member of the National Association of Security Dealers, with a registered Series 7 license.
- Have expertise and experience in institutional sales.
- Shall submit at least three names of other counties or cities they have done business with previously.

This policy is subject to change as the laws change. This provision will keep the Treasurer in compliance with the law at all times. The policy will still only be reviewed and approved by the Board of Supervisors annually.

Word J:/Invest/Investment Policy/Investment Policy 2019.docx