**City of Beaumont**
**Statement of Investment Policy**

~~City of Beaumont, California~~
~~Investment Policies~~

## 1. Introduction

~~The~~ In accordance with the charter of the City of Beaumont and under authority granted by the City Council, the City Manager is designated the responsibility for investing he unexpended cash in the City Treasury and the overall conduct of the City's investment program. The intent of this Investment Policy is to formalize the framework for the investment activities that shall ~~invest public~~ be exercised to ensure the effective and judicious fiscal and investment management of the City's funds. The City's portfolio shall be designed and managed in such a manner as to comply with state and local laws~~; ensure prudent money management;~~, provide for daily cash flow requirement, ensure consistency with the prioritized objectives of safety, liquidity, and return, and in a manner consistent with prudent investment management and worthy of the public trust.

## 2. Governing Authority

The City's investment program shall be managed in conformance with federal, state, and other legal requirements~~; and meet the objectives of the Policy; in priority order of Safety, Liquidity and Return on investment.~~, including California Government Code Sections 16429.1-16429.4, 53600-53609, and 53630-53686. This Investment Policy was endorsed and adopted by the City Council and is effective **{Insert Effective Date}**. This Investment Policy shall replace all previous versions.

## ~~2.~~ 3. Scope

The City's investment policies apply to all personnel, departments, divisions and offices of the City government as well as all associated accounting funds under the direct authority of the City of Beaumont. These accounting funds include, but are not limited to, the General Fund, Special Revenue Funds, Enterprise Funds, Internal Service Funds, Debt Service Funds, Capital Projects Funds, Private Purpose Trust Funds and Agency Trust Funds. These investment policies are also applicable to the City's blended component units, including the Successor Agency to the Beaumont Redevelopment Agency, Beaumont Utility Authority, and the Beaumont Public Improvement Authority.

The City commingles its investable assets to maximize interest earnings and to increase efficiencies with respect to investment pricing, safekeeping, and administration. Investment income will be allocated to the various funds based on their respective percentage participation in the total fund and in accordance with generally accepted accounting principles.

Proceeds arising from the issuance of debt shall be invested in accordance with the provisions of their governing bond documents and in a manner consistent with the City's general investment philosophy as outlined in this Investment Policy.

4.

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**Statement of Investment Policy**

## ~~3.~~ Responsibility

The City Manager is ~~ultimately~~ responsible for the City's implementation and compliance with these policies, unless the City Council authorizes exceptions. ~~–~~Under the direction of the City Manager, the Finance Director will review, develop and implement a system of processes and procedures to ensure compliance with these policies throughout the entire organization. ~~–~~The City Manager will work with the Finance Director to ensure these policies are updated on a timely basis.

## ~~4.~~ 5. Pooling of Funds

The City of Beaumont consolidates cash balances from all eligible funds to maximize investment earnings. Funds held by the Trustee are not eligible to be pooled. The City schedules its collection of receipts, deposits of funds and disbursements of monies to ensure maximum availability of cash for temporary investment purposes. Investment income is allocated to the various Funds based on their respective participation and in accordance with Generally Accepted Accounting Principles (GAAP).

## ~~5.Investment~~6. Objectives

The ~~primary~~prioritized objectives ~~(in order of priority)~~ of the ~~City~~City's investment ~~activities~~program are ~~the safety of~~to preserve principal ~~and preservation of capital,~~(safety), ensure sufficient liquidity~~, and yield.~~ (liquidity), and generate a market rate of return (return).

1. ~~1.~~ **Safety ~~of Principal and Preservation of Capital.~~:** Safety of principal ~~and preservation of capital are~~ is the foremost ~~objectives~~investment objective of the City's investment program. ~~Investments are~~Investment shall be undertaken in a manner ~~that seeks~~designed to ensure the preservation of capital in ~~the~~ overall portfolio growth. The ~~objective is to mitigate~~City shall seek to preserve principal by mitigating credit risk and interest~~-~~ rate risk.

~~A. **Credit Risk.**~~**Liquidity:** The ~~City of Beaumont will minimize credit risk, the risk of loss due to the failure of the security issuer or backer by:~~
~~(1) Limiting investments to the safest type of securities. All investments must be made only in investment grade securities A rating or higher.~~
~~(2) Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with whom the City of Beaumont will do~~

~~business.~~

~~The City of Beaumont will use the approved purchasing process for any Investment Advisor services. Within this process will be an agreed upon condition that the Investment Advisor's services obtained shall be required to prequalify all financial institutions to comply with the City of Beaumont's Investment Policy.~~

~~(3) Diversifying the~~ investment portfolio ~~so that potential losses on overall portfolio will be strictly limited. The investments shall be diversified by:~~

- ~~Limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),~~
- ~~Investing in securities of varying maturities and~~
- ~~Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.~~

~~B. **Interest Rate Risk.** The City of Beaumont will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by:~~

~~(1) Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity,~~
~~(2) Investing operating funds primarily in shorter-term securities or with State and local government investment pools to ensure liquidity needs are met and stability of principal is assured.~~

2. ~~2. **Liquidity.** The investment portfolio remains~~shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. ~~This is accomplished by structuring the portfolio so that securities mature concurrently with the City's cash needs to meet anticipated demands (static liquidity). A portion of the portfolio also may be placed in money market mutual funds or Local Government Investment Pools (LGIP's) which offer either same-day or next-day liquidity. Furthermore, since all possible cash demands cannot be anticipated, the portfolio consists largely of~~ Because not all liquidity needs can be anticipated, the investment portfolio shall focus on securities with active secondary ~~or resale markets (dynamic liquidity). The City will ensure that liquid resources are available to meet at least six months of operating expenses.~~and resale markets.

3. ~~3. **Yield on Investments.**~~ **Return:** The investment portfolio ~~is~~shall be designed with the objective of attaining a market rate of return throughout ~~the~~ budgetary and economic cycles, taking into account the investment risk constraints ~~and liquidity needs of the City.~~



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~~Return on investment is of secondary importance compared to the safety and preservation of capital and liquidity objectives described above. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to the maturity with the following exceptions:~~ of safety and liquidity.

~~A. Loss of Principal. A security with declining credit may be sold early to minimize loss of principal. While investments in securities that pose some risk of principal loss, the portfolio of investments must be structured to strictly limit the overall loss of principal while seeking to increase the rate of investment return.~~

Set forth in Section 17 of this Investment Policy are certain strategies and principles utilized by the City to manage investment risks.

**7. Standard**~~B. Security Swap. A security swap would improve the quality, yield, or target duration in the portfolio.~~

~~C. Liquidity. Liquidity needs of the portfolio require that the security be sold. Any non-liquid investments will be structured to ensure they become liquid in time to meet operating expenditures. This will require managing of maturity dates for investments to ensure liquid funds are available when needed.~~

**~~6. Standards~~ of Care**

~~A. **Prudence.**~~ The standard of prudence to be used by City investment officials ~~is~~shall be the "~~prudent" person standard (Civil Code Section 2261, et. seq.)~~Prudent Investor Standard" and ~~is~~shall be applied in the context of ~~management~~managing the overall portfolio. As set forth in the California Government Code 53600.3, the Prudent Investor Standard states:

> "…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 ~~investment portfolio. Investment officers~~strategy, investments may be acquired as authorized by law."

Consistent with the objectives set forth in section vi of this Investment Policy, in addition to safeguarding invested principal and ensuring sufficient liquidity for the City, a prudent investor should also seek optimize portfolio return subject to these constraints.

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**8. Indemnification**

The City Manager, Finance Director, Finance Committee, City Council and other authorized persons responsible for managing or overseeing City funds, acting in accordance ~~with~~within written procedures and ~~this overall investment policy~~the intent and scope of this Investment Policy and exercising due diligence, shall be relieved of personal ~~responsibility~~liability for an individual security's credit ~~-~~risk or market price changes, provided that deviations from expectations are reported in a timely ~~fashion and the liquidity and sale of securities are carried in accordance with the terms of this policy.~~manner and appropriate action is taken to control adverse developments.

~~Investments are made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.~~

~~B. **Public Trust, Ethics and Conflicts of Interest.** Investment officials recognize that the investment portfolio is subject to public review and evaluation. The overall program is designed and managed with a degree of professionalism that is worthy of the public trust.~~

**9. Ethics and Conflicts of Interest**

Officers and employees involved in the investment process will refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. ~~Employees~~Consistent with the requirements of the California fair Political Practices Commission, employees and investment officials will disclose any material interest in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. ~~-~~Employees and officers will refrain from undertaking personal investment transactions with the same individual with whom business s is conducted on behalf of the City of Beaumont.

~~-~~**10.**
~~C.~~**Delegation of Authority**~~.~~

The authority to manage the City's investment program is provided by the California Government Code Sections 53600 *et seq.* Authority to manage the City's investment program is granted to the City Manager and his or her designee~~, hereinafter referred to the "Investment Officer,"~~. Responsibility for the operation of the investment program is hereby delegated to the ~~investment officer~~Finance Director, who shall act in accordance with this investment policy. The Finance Director shall establish procedures for the operation consistent with this investment policy and may authorize other finance department staff to initiate investment transactions. All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and supporting procedures.

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The City ~~7.~~ may contract with one or more external investment managers to assist in the management of the City's investment portfolio in a manner consistent with the City's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such managers must be registered under the Investment Advisers Act of 1940 and specialize in the management of public funds fixed income portfolios.

**11. Finance Committee**

A Finance Committee is established to provide general oversight and direction concerning policy related issues concerning management of the City's investment portfolio. The committee shall meet at quarterly unless circumstances require more frequent meetings.

**12. Authorized Financial ~~Dealers and~~ Institutions~~—~~, Depositories, Broker Dealers, and Competitive Transactions**

In circumstances where the investment portfolio is managed internally, the requirements set forth in Sections A and B, below, shall apply;

A. The City ~~will secure the services~~shall maintain a list of ~~one or more approved~~ financial institutions and depositories authorized to provide investment services ~~to the to~~. In addition, the City shall maintain a list of ~~Beaumont~~approved security broker/dealers selected by conducting a process of due diligence. These may include ~~"~~"primary~~"~~" dealers or regional dealers that qualify under Securities and Exchange Commission ("SEC") Rule 15C3-1 (uniform net capital rule). ~~A determination should be made~~ The Finance Director will determine which financial institutions are authorized to ~~ensure that all approved broker/dealer firms, and individuals covering~~provide investment services to the City. Institutions eligible to transact investment business with the City include:

1. ~~of Beaumont, are reputable and trustworthy. In addition, the~~ government dealers as designated by the Federal Reserve System
2. Regional broker/dealers qualified under SEC Rule 15C3-1
3. Nationally or state-chartered banks
4. The Federal Reserve Bank
5. Direct issuers of securities eligible for purchase

B. ~~dealer firms should have the ability~~Investment staff shall review broker/dealers who would like to ~~meet all of their financial obligations in dealing~~transact with the City to determine if they are adequately capitalized and make markets in the securities appropriate to the City's needs. The Investment Officer shall send a copy of the current investment policy to all broker/dealers approved to transact with the City. Financial institutions which desire to become qualified broker/dealers for investment transactions (and which are not transacting solely through an investment advisor) must provide the City with a statement certifying that the institution has reviewed the California Government Code Section 53600 et seq. and the City's Investment Policy. The selection of broker/dealers shall be at the sole discretion of the City.

C. ~~of Beaumont. The firms, and individuals covering the City of Beaumont, should be knowledgeable and experienced in~~ Selection of broker/dealers



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used by an external investment adviser retained by the City will be at the sole discretion of the investment adviser, provided such broker/dealers meet the requirements set forth in section A, above.

D. Public ~~Agency investing and the investment products involved. No~~deposits will be made only in qualified public ~~deposit shall be made except in a qualified public depository~~depositories as established by ~~the established state laws. All~~State statutes. Deposits will be insured by the Federal Deposit Insurance Corporation (FDIC), or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with state statutes. A written contract of deposit of public funds must be obtained from the financial ~~institutions~~ institution, indicating the institution's policy and ~~broker/dealers who desire to provide investment management services for the City will be selected through a~~ process of FDIC insurance and collateralization.

E. It is the policy of the City to require competitive bidding ~~process. At a minimum, any selected investment advisor/ manager will be required to provide evidence of all required licensure and/or certifications.~~from at least three broker/dealers for investment transactions that are not classified as "new issue" securities whenever possible and practical. Such competitive bidding can be executed through a competitive bidding or through the use of a nationally recognized trading platform. In such circumstances where competitive price comparisons are not available, best efforts will be made to document quotations for comparable or alternative securities.

## ~~8. Beaumont's Investment Policy~~

~~The City on an annual basis submits a copy of the current investment policy to all financial institutions approved to do business with the City. Confirmation of receipt of this policy is considered evidence that the dealer has read and understands the City's investment policy and will recommend and execute only transactions suitable for and in compliance with the City's Investment Policy. In selecting financial institutions for deposit or investment of City funds, the creditworthiness of the institutions will be considered. The City will continue to monitor financial institution's credit characteristics and financial history throughout the period in which City funds are deposited or invested.~~

## 9. ~~Authorized Investments for the City~~

~~The City is authorized by California Government Code Section 53600, et.seq. to invest in specific types of securities. Section 43601 of the Government Code sets limits on the type investments that may be in the City portfolio. Refer to attachment A for allowable investment by State of CA.~~

~~The City Council may establish further limits on the types of securities in which the City may invest its idle cash. Any investment security (except investment of bond proceeds as explained in the next section) not listed below is not a valid investment for the City of Beaumont.~~



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~~1. **Local Agency Investment Fund (LAIF) Investments.** LAIF is a special fund of the State of California Treasury that local agencies may use to deposit funds for investment. Investments by the State Treasurer for City funds in LAIF are authorized by the City Council. State law prohibits LAIF from impounding any depositor's funds and prohibits the fund from ever declaring bankruptcy~~

~~2. **United States Debt Obligations.** These investments would include U.S. Government direct obligations such as Treasury bills, bonds, notes and other certificates of indebtedness where the full faith and credit of the United States are pledged for payment of principal and interest.~~

~~3. **United States Agency Debt Obligations.** These investments include obligations, participations or other instruments of, or issued by, a Federal Agency or a United States Government-Credit Bank (FFCB) or other obligations or other instruments issued by, or fully guaranteed as to principal and by the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association (FNMA). While these U.S. Government debt issues are not backed by the full faith and credit of the United States, they do in fact have defacto backing from the Federal Government, and it would be most unlikely that the government would let any of these agencies default on its obligations.~~

~~4.~~ **Repurchase Agreements**. ~~These agreements would be limited to U.S. Government or its authorized Agencies' securities described in Number 2 and Number 3 above, provided that they are held less than a year.~~

~~5. **Negotiable Certificates of Deposit (CD).** A Certificate of Deposit (CD) is a time deposit with a specific maturity evidenced by a certificate. Certificates of Deposit must be issued through financial institutions insured by the Federal Deposit Insurance Corporation (FDIC), a federal agency of the United States Government that insures bank deposits up to $250,000 per account~~

~~6. **Pass Book Savings Account Demand Deposits.** Savings accounts are hereby approved by the Beaumont City Council provided they are maintained only with banks and savings and loan institutions which are insured by the Federal Deposit Insurance Corporation (FDIC), a federal agency of the United States Government that insures bank deposits up to $250,000 per account.~~

~~7. **Overnight Repurchase Agreements.** The City is authorized by the City Council to set up a "sweep account" and to enter into an~~

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~~overnight repurchase agreement with an authorized bank to sweep cash from its checking accounts and other appropriate accounts to earn overnight interest on funds in these funds.~~

~~8. **State Obligations-CA and Others.** The City is authorized by the City Council to purchase State Obligations that fall within the allowable limits of the State Government Code and within the objectives of the City of Beaumont's Investment Policy.~~

~~9. **CA Local Agency Obligations.** The City is authorized by the City Council to purchase CA Local Agency Obligations that fall within the allowable limits of the State Government Code and within the objectives of the City of Beaumont's Investment Policy.~~

~~10. **Joint Powers Authority Pool.** The City is authorized by the City Council to invest in Joint Powers Authority Pools as long as they meet the criteria within the State Government Code and within the objectives of the City of Beaumont's investment Policy and would require that statement 10 of this policy is followed prior to entrance into such investment pool.~~

~~11. **Money Market Mutual Funds.** The City is authorized by the City Council to invest in Money Market Mutual Funds whose portfolios consist entirely of U.S. government securities and would require that statement 10 of this policy is followed prior to entrance into such mutual fund.~~

~~12. **Commercial Paper-Pooled Funds.** Commercial paper is a money-market security issued by large corporations to obtain funds to meet short-term debt obligations and is backed only by an issuing bank or company promise to pay the face amount on the maturity date specified on the note. It is usually sold at a discount of face value. State Government Code requires that only the highest letter and number rating by a nationally recognized statistical ratings organization are allowed.~~

~~13. **CDARS Program.** A CDARS program is a CD laddering portfolio that allows investing with a relationship institution for different maturity levels of CDs. Despite using multiple banks, the program will submit one statement which makes administration simple.~~

## ~~10. Investment Pools/Mutual Funds~~

~~A thorough investigation of the pool/fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed which will answer the following general questions:~~

1. ~~A description of eligible investment securities, and a written statement of investment policy and objectives.~~

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2. ~~A description of interest calculations and how it is distributed, and how gains and losses are treated.~~

~~A description of how the securities are safeguarded (including the settlement process), and how often the~~

**13. Security Safekeeping and Delivery Procedures**

3. **Third-Party safekeeping:** To protect against fraud, embezzlement, or losses caused by collapse of an individual securities dealer and to enhance access to securities ~~are priced~~ and ~~program audited.~~
4. ~~A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.~~
5. ~~A schedule for receiving statements and portfolio listings.~~
6. ~~Are reserves, retained earnings, etc. utilized by the pool/fund?~~
7. ~~A fee schedule, and when and how is it assessed.~~
8. ~~Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?~~

## ~~11. Investment of Bond Proceeds~~

~~The City directs the investment of proceeds in bonds or similar debt instruments issued as instructed in the bond indenture or similar investment documents. Bond proceeds are not eligible as a part of the City's pooled funds. Securities authorized by the bond indenture or similar investment documents that are not authorized by the City's Investment Policy will be considered approved when the bond indenture or similar investment document is approved by the City Council. Bond reserve funds, escrow funds and any funds approved by the City Council may be invested in securities with maturity limits of five years or an appropriate longer period. When possible, the bond indenture shall provide any specific restrictions or limitations on either the nature or the duration of the investments, and should be the governing document.~~

## ~~12. Safekeeping and Custody~~

~~1. **Custody.** To protect against potential losses by the collapse of individual securities dealers~~interest payments, all securities owned by the City shall be held in safekeeping by a third~~-~~ party bank trust department acting as agent for the City under the terms of a ~~custody agreement executed by the bank and the City.~~ duly executed custody agreement. In connection with the City's annual independent audit, securities held in custody are audited to verify investment holdings. No outside broker/dealer or advisor may have access to the City funds, accounts or investments, and any transfer of funds to or through an outside broker/dealer must be approved by the City Council.

~~2.~~ **Delivery-Versus-Payment:** All trades of marketable securities shall be cleared and settled on a standard delivery-versus-payment ("DVP") basis to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

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**14. Internal ~~Control.~~ Controls**

A system of internal controls has been established to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or unanticipated changes in financial markets. Internal controls deemed most important include control of collusion, separation of transaction authority from accounting and record keeping, custodial safekeeping, avoid of physical delivery of securities, clear delegation of authority to subordinate staff members, written confirmation of transactions for investments and wire transfers and development of a wire transfer agreement with the lead bank and third-party custodian. Furthermore, an independent analysis by an external auditor shall be conducted annually to review internal control, account activity, and compliance with policies, procedures, and applicable laws.

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**15. Authorized Investments**

The investment of City funds shall be made in accordance with Sections 53600 et seq. of the California Government Code and in accordance with this Investment Policy. Permitted investments for the City shall include the following security types and related credit quality, maturity, and diversification constraints.

1. **Municipal Bonds:** Bonds issued by the City, the State of California, any other of the 49 states in addition to California, and any local agency within the state of California. This authorization includes the ability to invest in obligations payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or any local agency in the state of California or by a department, board, agency, or authority of a state or any local agency in the state of California.

   **Credit Quality:** Securities in this category shall have a minimum credit rating of A (or its equivalent) by at least one nationally recognized statistical rating organization at the time of purchase.

   **Maximum Maturity:** Five years at the time of purchase as measured by the settlement date.

   **Diversification:** No more than 5% of the portfolio may be invested in any single issuer. No more than 30% of the portfolio may be invested in this category.

2. **U.S. Treasury Obligations:** United States Treasury bills, notes, bonds, and certificates of indebtedness or those for which the faith and credit of the Unites States are pledged for the payment of principal and interest.

   **Credit Quality:** No minimum credit rating required for securities in this category.

   **Maximum Maturity:** Five years at the time of purchase as measured by the settlement date.

   **Diversification:** There are no dollar or percentage limits on securities in this category.

3. **Federal Agency and Government Sponsored Enterprise Obligations:** 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.

   **Credit Quality:** No minimum credit rating required for securities in this category.

   **Maximum Maturity:** Five years at the time of purchase as measured by the settlement date.

   **Diversification:** There are no dollar or percentage limits individual issuers in this category.

4. **Commercial Paper:** Commercial paper of "prime" quality and issued by a corporation organized and operating in the United States with total assets of at least $500 million.

   **Credit Quality:** Securities in this category must be rated “A-1” (or the equivalent) or higher by at least

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one nationally recognized statistical rating organization. In addition, debt other than commercial paper (if any) issued by corporations in this category must be rated at least "A" (or the equivalent) or better by at least one nationally recognized statistical rating organization.

**Maximum Maturity:** 270 days at the time of purchase as measured by the settlement date.

**Diversification:** No more than 5% of the City's portfolio may be invested in any single issuer of commercial paper. For purposes of this issuer limitation, holdings of commercial paper and medium-term notes of a single issuer shall be limited to 10% of total portfolio assets. No more than 25% of the total portfolio may be invested cumulatively in commercial paper or asset-backed commercial paper as defined in Section 6, below. No more than 10% of the outstanding commercial paper of any single issuer may be purchased.

5. **Asset-Backed Commercial Paper:** Asset-Backed Commercial paper of "prime" quality and issued by an entity organized within the United States as a special purpose corporation, trust, or limited liability company.

   **Credit Quality:** Securities in this category must be rated "A-1" (or the equivalent) or higher by at least one nationally recognized statistical rating organization. In addition, the issuing entity must have programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.

   **Maximum Maturity:** 270 days at the time of purchase as measured by the settlement date.

   **Diversification:** No more than 5% of the City's portfolio may be invested in any single issuer of commercial paper. For purposes of this issuer limitation, holdings of commercial paper and medium term notes of a single issuer shall be limited to 10% of total portfolio assets. No more than 25% of the total portfolio may be invested cumulatively in asset-backed commercial paper or commercial paper as defined in Section 5, above. No more than 10% of the outstanding commercial paper of any single issuer may be purchased.

6. **Federally Insured Time Deposits:** Non-negotiable certificates of deposit in state or federally chartered banks, savings and loans, or credit unions.

   **Credit Quality:** Securities in this category shall be limited to the maximum amount covered by federal deposit insurance.

   **Maximum Maturity:** Five years at the time of purchase as measured by the settlement date.

   **Diversification:** No more than 5% of the portfolio may be invested in any single issuer of non-negotiable or negotiable certificates of deposit. No more than 15% of the portfolio may be invested in any combination of non-negotiable certificates of deposit as set forth in subsections 6, 7, and 8 hereto. No more than 30% of the portfolio may be invested in any combination of non-negotiable or negotiable certificates of deposit.

7. **Collateralized Time Deposits:** Non-negotiable certificates of deposit in state or federally chartered banks, savings and loans, or credit unions in excess of federal deposit insurance limits which are fully collateralized in accordance with state law.

   **Credit Quality:** Securities in this category exceeding federal deposit insurance limits shall be collateralized in accordance with state law and be issued by institutions which have long-term debt obligations rated "A" (or the equivalent) or better and short-term debt obligations, if any, rated "A1" (or the equivalent) or better by at least two nationally recognized statistical rating agencies.

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**Maximum Maturity:** Five years at the time of purchase as measured by the settlement date.

**Diversification:** No more than 5% of the portfolio may be invested in any single issuer of non-negotiable or negotiable certificates of deposit. No more than 15% of the portfolio may be invested in any combination of non-negotiable certificates of deposit as set forth in subsections 7, 8, and 9 hereto. No more than 30% of the portfolio may be invested in any combination of non-negotiable or negotiable certificates of deposit.

8. **Certificate of Deposit Placement Services:** Non-negotiable certificates of deposit at a commercial bank, savings bank, savings and loan association, or credit union that that uses a private sector entity to assist in the placement of deposits (e.g., CDARS).

   **Credit Quality:** The full amount of each deposit and the interest that may accrue on each such deposit shall at all times be insured by federal deposit insurance.

   **Maximum Maturity:** Five years at the time of purchase as measured by the settlement date.

   **Diversification:** No more than 5% of the portfolio may be invested in any single issuer of non-negotiable or negotiable certificates of deposit. No more than 15% of the portfolio may be invested in any combination of non-negotiable certificates of deposit as set forth in subsections 7, 8, and 9 hereto. No more than 30% of the portfolio may be invested in any combination of non-negotiable or negotiable certificates of deposit.

9. **Negotiable Certificates of Deposit:** Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or a federally licensed or state-licensed branch of a foreign bank.

   **Credit Quality:** Securities in this category exceeding federal deposit insurance limits shall be issued by institutions which have long-term debt obligations rated "A" (or the equivalent) or better and short-term debt obligations, if any, rated "A-1" (or the equivalent) or better by at least two nationally recognized statistical rating agencies.

   **Maximum Maturity:** Five years at the time of purchase as measured by the settlement date.

   **Diversification:** No more than 5% of the portfolio may be invested in any single issuer of non-negotiable or negotiable certificates of deposit. No more than 30% of the portfolio may be invested in any combination of non-negotiable or negotiable certificates of deposit.

10. **Repurchase Agreements:** Repurchase agreements with specific terms and conditions may be transacted with banks and brokers. Such investments must be subject to a "Master Repurchase Agreement" substantially in the form developed by the Securities Industry and Financial Markets Association ("SIFMA").

    **Credit Quality:** Repurchase agreements shall be collateralized with U.S. Treasury and Federal Agency securities (as authorized herein) maintained at a value of at least 102% of the market value of the repurchase agreement. Securities used as collateral for repurchase agreements shall be delivered to the City's custodian bank.

    **Maximum Maturity:** 1 year at the time of entry.

    **Diversification:** There are no dollar or percentage limits on securities in this category.

11. **Medium-Term Corporate Notes:** Medium-term corporate notes shall mean all corporate and depository institution debt securities 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



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United States.

**Credit Quality:** Securities in this category shall be rated in the "A" category or better by at least two nationally recognized statistical rating organizations at the time of purchase.

**Maximum Maturity:** Five years at the time of purchase as measured by the settlement date.

**Diversification:** No more than 5% of the portfolio may be invested in any single issuer. No more than 10% of the total portfolio may be invested in the commercial paper and medium-term notes of a single issuer. No more than 30% of the portfolio may be invested in this category.

12. **Money Market Mutual Funds:** Money market mutual funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15U.S.C. Sec. 80a-1 et seq.) meeting the credit quality requirements set forth below or retaining 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).

    **Credit Quality:** Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

    **Maximum Maturity:** No maturity restrictions apply.

    **Diversification:** No more than 20% of the portfolio may be invested in this category.

13. **Mortgage Pass-Through and Asset-Backed Securities:** Mortgage pass-through securities, collateralized mortgage obligations, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bonds meeting the requirements set forth below.

    **Credit Quality:** Securities eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less.

    **Maximum Maturity:** Five years at the time of purchase as measured by the settlement date.

    **Diversification:** With the exception of obligations issued by Federal Agencies and Government Sponsored Enterprises as specified in subsection 3 hereto, no more than 5% of the portfolio may be invested in any single issuer. No more than 10% of the total portfolio may be invested in this category.

14. **State of California Local Agency Investment Fund:** The State of California Local Agency Investment Fund ("LAIF") managed by the State of California Treasurer's Office.

    **Credit Quality:** No credit rating requirements exist for LAIF. In addition, should LAIF invest in securities or instruments prohibited or not specifically authorized by the City's Investment policy, the City is not prohibited from investing in LAIF provided sufficient information is available to allow the City to understand the risks associated with investing in LAIF.

    **Maximum Maturity:** No maturity restrictions apply.

    **Diversification:** The City may invest up to the maximum amount permitted by California state law.

15. **Joint Powers Authority Pools:** Shares of beneficial interest issued by a joint powers authority organized

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pursuant to Section 6509.7 that invests in securities authorized by California Government Code Section 53601 subdivisions (a) to (r), inclusive, and that has retained an investment adviser that is registered or exempt from registration with the Securities and Exchange Commission having not less than five years of experience investing in the securities and obligations authorized by California Government Code Section 53601 and having at least five hundred million dollars ($500,000,000) under management.

**Credit Quality:** There are no credit rating requirements for Joint Powers Authority Pools.

**Maximum Maturity:** No maturity restrictions apply.

**Diversification:** The City may invest up to the maximum amount permitted by California law.

16. **Supranational Securities:** 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 eligible for purchase and sale within the United States.

    **Credit Quality:** Securities in this category shall be rated in the "AA" category or better by at least one nationally recognized statistical rating organizations at the time of purchase.

    **Maximum Maturity:** Five years at the time of purchase as measured by the settlement date.

    **Diversification:** No more than 10% of the portfolio may be invested in any single issuer. No more than 15% of the portfolio may be invested in this category.

**Bond Proceeds:** Proceeds arising from the issuance of debt shall be invested in accordance with the provisions of their governing bond documents and in a manner consistent with the City's general investment philosophy as outlined in this Investment Policy. Bond proceeds are not eligible as a part of the City's pooled funds. ~~3. **Delivery vs. Payment.** All trades where applicable executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities are held by a third-party custodian as evidenced by safekeeping receipts.~~

~~13.~~ Securities authorized by the bond indenture or similar investment documents that are not authorized by the City's Investment Policy will be considered approved investments for bond proceeds when the bond indenture or similar authorizing document is approved by the City Council. Bond reserve funds, escrow funds and any funds approved by the City Council may be invested in securities with maturity limits of five years or an appropriate longer period. The bond indenture shall provide any specific restrictions or limitations on either the nature or the duration of the investments and should be the governing document.

**Note on Credit Quality Requirements:** Should the credit rating of a security owned by the City be downgraded to a level below that required by this Investment Policy, the City will review the credit situation and determine if such securities should be sold or retained in the portfolio based upon its remaining term to maturity, the credit outlook for the issuer, and other relevant facts and circumstances. If the decision is made to retain a downgraded security, it will be closely monitored by the City and reported on quarterly to the Finance Committee.

**Note on Maximum Maturity Limitation:** The five-year maturity limitation of this Investment Policy shall be measured as of the transaction settlement date. In accordance with section 53601 of the California Government Code, this five year maturity limitation may be extended if deemed prudent by the Investment Officer and provided that the City Council has approved such investment either specifically or as part of an investment



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program approved by the legislative body no less than three months prior to the investment.

**Note on Diversification Requirements:** The diversification requirements set forth above relating to the maximum allowable percentage for a particular issuer or investment type shall apply at the time of purchase. Due to fluctuations in the aggregate invested balance, these maximum percentages may be exceeded from time to time and shall not require liquidation to realign the portfolio. However, consideration should be given to this matter when future purchases are made.

**Note on Other Requirements:** Should any investment fall out of compliance with any other guidelines of this policy after its purchase, the City will review the situation and determine if such securities should be sold or retained in the portfolio based upon its remaining term to maturity, the credit outlook for the issuer, and other relevant facts and circumstances. If the decision is made to retain such a security, it will be closely monitored by the City and reported on quarterly to the Finance Committee.

## 16. Prohibited Investments and Practices

Provided below are certain prohibited investments and investment practices intended to help safeguard invested balances.

1. In accordance with California Government Code section 53601.6, investments in inverse floaters, range notes, mortgage-derived interest-only strips are prohibited. In addition the purchased of any security that could result in zero interest accrual if held to maturity is also prohibited except for the purchase securities issued or backed by the United States government in the event of, and for the duration of, a period of negative market interest rates
2. Investments not specifically described herein are prohibited.
3. The purchase or sale of securities on margin is prohibited.
4. The purchase of securities denominated in foreign currencies is prohibited.
5. The purchase or sale of securities done solely to speculate on the direction of future interest rates is prohibited.

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, any such monies shall be reinvested only as provided for in this policy.

## 17. Managing Portfolio and Investment Risks

Safety of principal is the foremost investment objective of the City. Each investment transaction shall seek to ensure that capital losses are avoided, whether from securities default, broker/dealer default, or erosion of market value. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio, it must be recognized that occasional measured losses are inevitable and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented. The City shall seek to preserve principal by mitigating credit risk and market risk as set forth below.

**Mitigating Credit Risk:** Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The City shall seek to mitigate credit risk by adopting the following strategies:

1. Adhering to the diversification requirements set forth in Section XIII of this policy which limit the amount

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of the total portfolio that may be invested in any single issuer.

2. Utilizing an active management strategy that allows for the sale of securities prior to their scheduled maturity dates for purposes of improving the portfolio's credit quality, liquidity, yield, or return profile in response to changing market conditions or City circumstances.
3. Reviewing downgraded securities. Should the credit rating of a security owned by the City be downgraded to a level below that required by this Investment Policy, the City will review the credit situation and determine if such securities should be sold or retained in the portfolio based upon its remaining term to maturity, the credit outlook for the issuer, and other relevant facts and circumstances.
4. Monitoring any downgraded securities. If the decision is made to retain a downgraded security, it will be closely monitored by the City and reported on quarterly to the Investment Committee.

**Mitigating Interest Rate Risk:** Market risk is the risk that the value of a security or portfolio will fluctuate due to changes in the general level of interest rates. The City understands that while longer-term portfolios have the potential to generate higher investment returns over time, they also exhibit a greater volatility of return. In addition, the City further recognizes certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded call options, will affect the market risk characteristics of the portfolio differently. Accordingly, the City will mitigate market risk by adopting the following strategies:

1. The City shall maintain sufficient balances in short-term investments to provide liquidity for expected and contingent expenditures thereby limiting the need to sell securities prior to maturity. Liquidity funds shall be maintained in short-term investments such as LAIF, deposit accounts collateralized in accordance with state law, and money market funds and instruments with minimal market risk.
2. Longer-term securities shall be scheduled to mature in advance of known expenditure requirements whenever possible.
3. The City shall avoid the purchase of securities for the sole purpose of short-term speculation.
4. The maximum stated final maturity of any security in the portfolio shall be five years, except as otherwise stated in this Investment Policy.
5. The maximum percentage of callable securities (excluding securities with "make whole" call provisions) held in the portfolio shall be 20%.
6. The weighted average duration of the actively managed portion of the portfolio, i.e. non liquidity funds, shall be maintained in a range of +/- 25% the duration of a market benchmark as selected by the City based upon the City's risk tolerances and investment objectives.

**18. Performance Standards & Evaluation**

Consistent with the City's circumstances and risk tolerances, the investment performance objective for the managed portfolio shall be to earn a total rate of return over market cycles that is approximately equal to the return on the City's chosen benchmark index.

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## 19. Reporting and Disclosure

In accordance with Government Code Section 53646(8)(1), the City Treasurer shall submit to the Finance Committee a quarterly report that will then be taken to the City Council. ~~-~~The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for the City of Beaumont by third party contract managers. The report will also include the source of the portfolio valuation. ~~-~~As specified in Government Code 53646(e), if all funds are placed in the Local Agency Investment Fund (LAIF), FDIC insured accounts and/or county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a certification that (1) all investment actions executed since the last report have been in full compliance with the investment policy, and, (2) the City of Beaumont will meet its expenditures obligations within the cash flow needs.

## ~~14. Investment~~

## 20. Policy Review and Adoption ~~and Review~~

The ~~City's independent certified public accountants annually review and make recommendations regarding the City's investment policies to the City Manager and City Council.~~ City of Beaumont's investment policy shall be adopted by resolution of the City Council on, at minimum, an annual basis. This investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return as well as its relevance to current law and financial and economic trends. In accordance with Senate Bill 564 and Senate Bill 866, effective January 1, 1996, the City staff brings forward each year the City's Investment Policy for review by the City Council.~~Mee~~ Any amendments to the policy shall be forwarded to City Council for approval.

## 15. Glossary

**Active investment management.** An investment management strategy that involves the active trading of securities in an attempt to earn above-average returns on a portfolio. Active investment management requires frequent monitoring of financial markets with the investor taking positions on key market variables in an attempt to "beat" the market.

**Arbitrage.** The simultaneous purchase and sale of similar assets in order to profit from a price difference between the two assets, such as stocks, bonds, commodities, and currencies. In public finance, the term is commonly used to refer to the investment of bond proceeds in taxable instruments to increase investment income.



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**Arbitrage rebate.** The federal government has imposed restrictions that prohibit an issuer from retaining arbitrage profits when investing bond proceeds at a yield that exceeds the yield on the bonds. The profit is rebated to the federal government.

**Bankers' acceptance (BA).** A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

**Benchmark.** A benchmark is a composite of securities with specific characteristics such as credit, asset, and maturity. Investors can use a benchmark as a measure to compare the performance of their own portfolio.

**Benchmarking.** Benchmarking, also known as indexing, is a passive investment management approach in which an investor generally creates a portfolio that strives to achieve a return and risk profile similar to a benchmark or an index.

**Certificate of deposit (CD).** A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

**Collateral.** Underlying securities that are pledged to secure deposits of public funds. Also used in conjunction with repurchase agreements to protect the entity from default by the counterparty.

**Coupon.** (a.) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

**Custody.** The service of an organization, usually a financial institution, of holding (and reporting) a customer's securities for safekeeping. The financial institution is known as the custodian.

**Delivery-versus-payment (DVP).** A settlement procedure where payment for securities purchase is made simultaneously with the transfer of the purchased securities. The same procedure applies for a securities sale; the securities are transferred as payment is made. This procedure ensures that funds are released upon receipt of securities, thus protecting the government's assets.

**Derivative instrument.** A security that derives its value from an underlying asset, group of assets, reference rate, or index value. Some derivative instruments can be highly volatile and result in a loss of principal in changing interest rate environments.

**Diversification.** Dividing investment funds among a variety of securities offering different risk characteristics and independent returns to reduce risk in a portfolio.

**Generally accepted accounting principles (GAAP).** The criteria normally used by independent auditors to assess whether financial statements are "fairly presented."

**Governmental Accounting Standards Board (GASB).** The standard-

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setting body responsible for setting GAAP for state and local governments since 1984.

**Leverage.** Using borrowed funds for investment purposes or an attempt to increase the rate of return on a investment by buying securities on margin. This practice can be risky if interest rates rise or if investment yields are lower than expected.

**Liquidity.** A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked price is narrow and reasonable size can be done at those quotes.

Local Government Investment Pool (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

**Marking-to-market.** The practice of valuing a security or portfolio according to its market value, rather than its cost or book value.

**Market value.** The price at which a security is trading and could presumably be purchased or sold.

**Maturity.** The date upon which the principal or stated value of an investment becomes due and payable.

**Passive investment management.** An investment strategy where securities are bought with the intention of holding them to maturity or to mimic a benchmark or an index with the goal of achieving an average market rate of return.

**Portfolio.** Collection of securities held by an investor.

**Primary dealer.** A primary dealer is a bank or securities broker-dealer that trades in the U.S. government securities with the Federal Reserve Bank of New York (FRBNY). It is through the FRBNY Open Market Desk that the Federal Reserve System ("Fed") implements monetary policy. A firm may become a primary dealer by meeting certain requirements, such as minimum capital adequacy standards. Some governments only conduct investment transactions with primary dealers because of these capital standards.

**Prudent person rule.** An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state-the so-called legal list. In other states the trustee may invest in a security If it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

**Rate of return.** The amount of income received from an investment, expressed as a percentage. A market rate of return is the yield that an investor can expect to receive in the current interest-rate environment utilizing a buy-and-hold to maturity investment strategy.

**Regional dealer.** Regional dealers are also referred to as "secondary" or "non-primary" dealers. These are all the firms



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that are not designated as "primary". These firms do not trade directly with the FRBNY. Many firms, ranging in size, capitalization, as well as product focus, fall in this category.
**Repurchase agreement (repo).** A transaction in which a holder of securities sells those securities to an investor with an agreement to repurchase those securities for a fixed price at an agreed-upon date. A master repurchase agreement is a written contract governing all future transactions between the parties and seeks to establish each party's rights in the transactions.
**Reverse repurchase agreement.** The opposite of a repurchase agreement. The investor owns the securities or collateral and a bank or dealer temporarily exchanges cash for the collateral for a specified period of time at an agreed-upon interest rate.
**Safekeeping.** A procedure where securities are held by a third party acting as custodian for a fee.
**Securities and Exchange Commission (SEC).** The Securities and Exchange Commission is a U.S. government agency having primary responsibility for enforcing the federal securities laws and regulating the securities industry.
**SEC Rule 15©3-1.** See Uniform Net Capital Rule.
**Securities lending.** Similar to a reverse repurchase transaction. Financial institutions offer to lend securities owned by institutional clients to brokers in exchange for collateral (typically cash), which is reinvested at a higher rate. The resulting proceeds are split between the client and the lending agent (financial institution).
**STRIPS.** Securities created by separating the principal and interest portions of bonds, such as 30-year Treasuries, or pools of mortgage-backed securities.
**Treasury Bills.** A non-interest bearing discounted security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.
**Treasury Bonds.** Long-term coupon-bearing discount security issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.
**Total return.** Interest income plus capital gains (or minus losses) on an investment.
**Uniform net capital rule.** Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.
**Yield.** The percentage return on an investment; also called return. There are several yield calculations that can be made, such as yield to maturity, the promised return assuming all interest and principal payments are made and reinvested at the



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same rate taking into account price appreciation (if priced below par) or depreciation (if priced above par), or yield to call, the yield an investor will receive if the security is called prior to maturity.

~~EXHIBIT A – ALLOWABLE INVESTMENT INSTRUMENTS PER STATE GOVERNMENT CODE (AS OF JANUARY 1, 2020) APPLICABLE TO ALL LOCAL AGENCIES~~

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| INVESTMENT TYPE | MAXIMUM MATURITY[C] | MAXIMUM SPECIFIED % OF PORTFOLIO[D] | MINIMUM QUALITY REQUIREMENTS | GOV'T CODE SECTIONS |
|---|---|---|---|---|
| Local Agency Bonds | 5 years | None | None | 53601(a) |
| U.S. Treasury Obligations | 5 years | None | None | 53601(b) |
| State Obligations—CA And Others | 5 years | None | None | 53601(d) |
| CA Local Agency Obligations | 5 years | None | None | 53601(e) |
| U.S Agency Obligations | 5 years | None | None | 53601(f) |
| Bankers' Acceptances | 180 days | 40%[E] | None | 53601(g) |
| Commercial Paper—Non-Pooled Funds[F] | 270 days or less | 25% of the agency's money[G] | Highest letter and number rating by an NRSRO[H] | 53601(h)(2)(C) |
| Commercial Paper—Pooled Funds[I] | 270 days or less | 40% of the agency's money[G] | Highest letter and number rating by an NRSRO[H] | 53635(a)(1) |
| Negotiable Certificates of Deposit | 5 years | 30%[J] | None | 53601(i) |
| Non-negotiable Certificates of Deposit | 5 years | None | None | 53630 et seq. |
| Placement Service Deposits | 5 years | 50%[K] | None | 53601.8 and 53635.8 |
| Placement Service Certificates of Deposit | 5 years | 50%[K] | None | 53601.8 and 53635.8 |
| Repurchase Agreements | 1 year | None | None | 53601(j) |
| Reverse Repurchase Agreements and Securities Lending Agreements | 92 days[L] | 20% of the base value of the portfolio | None[M] | 53601(j) |
| Medium-Term Notes[N] | 5 years or less | 30% | "A" rating category or its equivalent or better | 53601(k) |
| Mutual Funds And Money Market Mutual Funds | N/A | 20% | Multiple[P,Q] | 53601(l) and 53601.6(b) |
| Collateralized Bank Deposits[R] | 5 years | None | None | 53630 et seq. and 53601(n) |
| Mortgage Pass–Through and Asset–Backed Securities | 5 years or less | 20% | "AA" rating category or its equivalent or better | 53601(o) |
| County Pooled Investment Funds | N/A | None | None | 27133 |
| Joint Powers Authority Pool | N/A | None | Multiple[S] | 53601(p) |
| Local Agency Investment Fund (LAIF) | N/A | None | None | 16429.1 |
| Voluntary Investment Program Fund[T] | N/A | None | None | 16340 |
| Supranational Obligations[U] | 5 years or less | 30% | "AA" rating category or its equivalent or better | 53601(q) |
| Public Bank Obligations | 5 years | None | None | 53601(r), 53635(c) and 57603 |

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