



Treasurer-Tax Collector COUNTY OF TULARE AGENDA ITEM

BOARD OF SUPERVISORS

ALLEN ISHIDA
District One

PETE VANDER POEL
District Two

PHILLIP A. COX
District Three

J. STEVEN WORTHLEY
District Four

MIKE ENNIS
District Five

AGENDA DATE: June 17, 2014 - **REVISED**

Public Hearing Required	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Scheduled Public Hearing w/Clerk	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Published Notice Required	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Advertised Published Notice	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Meet & Confer Required	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Electronic file(s) has been sent	Yes <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
Budget Transfer (Aud 308) attached	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Personnel Resolution attached	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Agreements are attached and signature line for Chairman is marked with tab(s)/flag(s)	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>

CONTACT PERSON: Frank Vigario PHONE: 559-636-5265

SUBJECT: Annual approval of the Treasurer's Statement of Investment Policy.

REQUEST(S):

That the Board of Supervisors:

1. Approve the Treasurer/Tax Collector's Statement of Investment Policy, Fiscal Year 2014/2015, pursuant to Government Code §53646.
2. Approve the renewal of authority to the Tulare County Treasurer/Tax Collector to invest and reinvest the funds of Tulare County and funds of other depositors in the County Treasury, pursuant to Government Code §27000.1.

SUMMARY:

Pursuant to Government Code §27000.1, the Ordinance Code of Tulare County requires the renewal of investment authority pursuant to subdivision (d)(1) of §1-03-2061.

In addition, pursuant to Government Code §53646(a), Ordinance Number 3202 amending §1-03-2061(d) of the Ordinance Code of Tulare County requires the Treasurer/Tax Collector annually to render to the Board of Supervisors for its review and approval at a public meeting a Statement of Investment Policy which shall include the matters listed in the Ordinance at §1-03-2061(d)(2)(i)-(vii).

Included as an attachment to this agenda is the draft policy that was provided to and approved by the Treasury Oversight Committee. No changes were made to the previously approved policy; however, we may request changes in the near future as the State is in the process of reviewing a bill that will permit investment in the debt of certain Supranational organizations.

SUBJECT: Annual approval of the Treasurer's Statement of Investment Policy

DATE: June 17, 2014

FISCAL IMPACT/FINANCING:

None

LINKAGE TO THE COUNTY OF TULARE STRATEGIC BUSINESS PLAN:

The County's five-year strategic plan includes the Organizational Performance Initiative to provide for the stability of county operations through periods of economic fluctuations, changing priorities and service demands. An approved Investment Policy provides a level of accountability for investment officials and promotes a public trust in investment decisions.

ADMINISTRATIVE SIGN-OFF:

Rita A. Woodard
Auditor-Controller/Treasurer-Tax Collector

Cc: Auditor-Controller
County Counsel
County Administrative Office (2)

Attachments: Attachment A – Treasury Oversight Committee Resolution dated May 1, 2014
Attachment B – Draft Treasury 2014-2015 Statement of Investment Policy.

BEFORE THE BOARD OF SUPERVISORS COUNTY OF TULARE, STATE OF CALIFORNIA

IN THE MATTER OF ANNUAL APPROVAL)
OF THE TREASURER'S STATEMENT OF) Resolution No. _____
INVESTMENT POLICY) Agreement No. _____

UPON MOTION OF SUPERVISOR _____, SECONDED BY
SUPERVISOR _____, THE FOLLOWING WAS ADOPTED BY THE
BOARD OF SUPERVISORS, AT AN OFFICIAL MEETING HELD _____
_____, BY THE FOLLOWING VOTE:

AYES:
NOES:
ABSTAIN:
ABSENT:

ATTEST: JEAN M. ROUSSEAU
COUNTY ADMINISTRATIVE OFFICER/
CLERK, BOARD OF SUPERVISORS

BY: _____
Deputy Clerk

* * * * *

1. Approved the Treasurer/Tax Collector's Statement of Investment Policy, Fiscal Year 2014/2015, pursuant to Government Code §53646.
2. Approved the renewal of authority to the Tulare County Treasurer/Tax Collector to invest and reinvest the funds of Tulare County and funds of other depositors in the County Treasury, pursuant to Government Code §27000.1.



TULARE COUNTY

Annual Investment Policy of the Pooled Investment Fund

FISCAL YEAR 2014/2015

**Rita Woodard
Auditor-Controller / Treasurer-Tax Collector**

<http://www.tularecounty.ca.gov/treasurertaxcollector/index.cfm/treasurer/documents/>

PREFACE

The Tulare County Treasurer's Investment Policy Statement for the Pooled Investment Fund is presented annually to the Treasury Oversight Committee for review and to the County Board of Supervisors for approval as recommended by California Government Code §53646 and §27133 and shall remain in effect until the succeeding policy is adopted. This policy has been researched, prepared, and written under the direction of the Auditor-Controller/Treasurer-Tax Collector and the Chief Deputy Treasurer-Tax Collector of the County of Tulare. Each issue addressed in this policy is considered to be of timely and significant importance to the administration of the investment portfolio. While some portions of this policy are a restatement of State law, it is viewed that these restatements are integral to the purpose and flow of this policy.

The following statements are intended to ensure the achievement of the purpose, goals, and objectives of the investment strategy in an orderly, accurate manner. However, there is no guarantee that problems, errors or losses will not arise in the course of administering the investment of idle funds.

Among the obstacles and deterrents that may effect the achievement of the goals and objectives of the portfolio include but are not limited to the following: unforeseen national or international events or crises, deviation of actual cash flow from forecasted cash flow, unexpected demands on cash flow, policies made with regard to investment in local depositories, errors in data or advice used to make decisions, as well as any other unforeseen aberration or event that may have an effect on local, national or international financial markets, economies or politics which in turn has a decided effect upon the portfolio.

Keeping in mind the obstacles and deterrents in pursuing portfolio goals and objectives, this policy is designed to achieve a reasonable rate of return over an economic cycle, consistent with limited risk and prudent investment practices.

The Treasurer's Office also maintains a separate *Investment Guidelines and Procedures Manual* that is consistent with this Investment Policy.

Approval Schedule

- County Treasury Oversight Committee
Pending –
- Tulare County Board of Supervisors
Pending –

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SCOPE

The following investment policy governs the deposit, safekeeping, and investment of all funds under the control of the County Treasurer, as well as all related transactions and investment activities. It does not apply to bond funds or other assets belonging to the County of Tulare, or other affiliated public agency assets that reside outside of the County Treasury Pool.

PURPOSE

The purpose of the investment policy is to facilitate accomplishment of the goals and objectives of the Treasurer with regard to the investment of idle funds, to provide a framework within which to carry out the business of administering and investing the idle funds of the Treasury, and to improve communications at all levels between those involved and those interested in the process of investing and administering the idle funds of the Treasury.

GOALS AND OBJECTIVES

LEGAL COMPLIANCE

All investments shall be made in accordance with the County Treasurer's Investment Policy, California Government Code §27000 et. seq., and §53600 et. seq., and any forthcoming amendments or additions to the California Government Code in relation to the investment of local agency idle funds.

PRUDENCE

The administration of idle funds of the Tulare County Treasurer, as a fiduciary trustee, shall be performed in accordance with the prudent investor standard as stated in California Government Code §§27000.3 and 53600.3:

"When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, the county treasurer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the county and other depositors, 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 county and other depositors."

As prudence shall be applied in the context of portfolio management, investment officers and their advisors, acting in accordance with written procedures and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectation are reported to the Treasurer in a timely fashion and appropriate action is taken to control adverse developments.

PRIMARY GOALS

The Treasurer's primary goals for the investment of idle funds (the portfolio) are, in order of priority as per California Government Code §§27000.5 and 53600.5:

1. **Safety** -- Safety of capital shall mean the safeguarding of capital through the selection of investments and investing procedures to best protect against loss arising from default, fraud, or error. This objective will be obtained through diversification and investment in securities of high quality to minimize credit risk and loss of principal.
2. **Liquidity** – The investment portfolio shall remain sufficiently liquid to enable the Treasury Pool to meet the operating requirements of its participants which might be reasonably anticipated and shall always have the ability to convert sufficient securities in the portfolio to cash to meet contingency needs.
3. **Yield** – The investment portfolio shall be designed with the objective of attaining the highest rate of return, taking into consideration income preservation, current market conditions, the present phase of the market cycle, both present and future cash flow needs, and the other primary goals of Safety and Liquidity.

PERFORMANCE MEASUREMENT

The investment portfolio will be managed in accordance with the parameters specified within this policy. The investment performance objective for the portfolio shall be to earn a total rate of return which is approximately equal to or greater than the return on a portfolio/index of securities with commensurate risk. These will include the Local Agency Investment Fund (LAIF) and the average two-year Treasury Note.

MAINTENANCE OF PUBLIC TRUST

As the Treasurer has been entrusted with the safekeeping of public monies received from public sources, the Treasurer in managing the investment portfolio shall exercise a high degree of professionalism to ensure and sustain public confidence, remembering that both the investment instruments and the methods of transacting investment business are subject to public review and scrutiny.

PUBLIC INQUIRY

The County Treasurer's portfolio and related transactions are a matter of public record. All districts whose funds are deposited with the Treasurer may receive a monthly/quarterly report of the portfolio by requesting a copy at the Treasurer's Office. In addition, any member of the public may receive a copy of the portfolio or Investment Policy by requesting a copy at the Treasurer's Office. The Treasurer may charge a fee for the copy, as allowed by law.

DELEGATION OF AUTHORITY

The management responsibility for the County of Tulare's investment program is hereby delegated to the County Treasurer in accordance with California Government Code Section 27000.1. Pursuant to California Government Code §27000.1, §53601 and §53635, the Tulare County Ordinance 1-03-2061, the County Treasurer shall be responsible for the investment of the County's funds (including the purchase, sale, or exchange of securities), the monitoring and reviewing of all investments for consistency under this investment policy.

The Treasurer shall have the responsibility to execute investment transactions on a day to day basis and shall establish a system of internal controls to regulate the investment activities. When circumstances warrant, the responsibility to execute investment transactions may be delegated to others. The County may engage the services of one or more external investment managers to assist in the management of the Investment portfolio in a manner consistent with the County's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Each external manager assigned any portion of the portfolio must individually comply with the investment parameters established by this policy. Such managers must be registered under the Investment Advisors Act of 1940.

NO PERSON MAY ENGAGE IN AN INVESTMENT TRANSACTION EXCEPT AS PROVIDED UNDER THE LIMITS OF THIS POLICY AND THE PROCEDURES ESTABLISHED BY THE AUDITOR-CONTROLLER/TREASURER-TAX COLLECTOR.

COUNTY TREASURY OVERSIGHT COMMITTEE

Pursuant to the addition of Article 6, to Chapter 5 of Division 2 of Title 3 of the California Government Code, the Board of Supervisors, in consultation with the County Treasurer has created a County Treasury Oversight Committee to promote the public interest by involving depositors in the management of their funds and by enhancing the security and investment return of their funds through the establishment of criteria for the withdrawal of funds. The County of Tulare Treasury Oversight Committee shall annually review and monitor the Investment Policy and cause an annual audit to determine the Treasurer's compliance with the Investment Policy. Nothing in this policy shall be construed to allow the County Treasury Oversight Committee to direct individual investment decisions, select individual investment advisors, brokers or dealers, or impinge on the day-to-day operations of the County Treasury.

In compliance with §27132 of the California Government Code, the County Treasurer Oversight Committee shall consist of the following:

- a) The County Auditor
- b) A member of the Board of Supervisors or his/her designee
- c) The Superintendent of Schools or his designee
- d) A School District designee
- e) A Special District designee
- f) Two members of the public with expertise, or academic background in public finance.

CONFLICT OF INTEREST

The Auditor-Controller/Treasurer-Tax Collector, the Treasury Oversight Committee, and Treasury staff involved with the investment process shall not engage in any profession, trade, business or occupation which is incompatible or involves a conflict of interest with his/her duties; or which may reflect unfavorably on the County, the appointing authority, or on fellow employees.

Section 27133(d) requires limits to be set 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 and shall require the completion of an annual Statement of Economic Interests by each member to be filed with the member's respective agency. This policy sets establishes a limit on the amount of honoraria, gifts and gratuities that a committee member may receive from a single source in a calendar year that is consistent with the Fair Political Practices Commission. This limit may be in addition to the limits set by a committee member's own agency or by state law.

TERMS FOR FUNDS INVESTED WITH THE COUNTY INVESTMENT POOL

The Government Code requires the County Treasurer to define the limits and conditions under which local agencies having their money in the Investment Pool may deposit and withdraw their funds. The Government Codes confer upon the Treasurer the final authority as to how funds for which the Treasurer is held responsible for overseeing, are to be invested. The Treasurer must take into account the current financial condition of the sum total of the Pools' agencies, the conditions of the market place, as well as the cash flow projections and the potential for changes in the Pool's cash needs. The Treasurer must protect the earnings of each individual local agency in the Pool, and also see that no decision will reward a particular agency or group of agencies within the Pool at the expense of another or others within the Pool. If the Treasurer determines that a request for a withdrawal of funds for a specific or outside investment is not, in the Treasurer's opinion, in the best interest of a particular agency, or is overly detrimental to the Pool as a whole, the Treasurer must legally deny the request, or find a means of neutralizing the harm to all those affected.

FUNDS OF AGENCIES REQUIRED TO INVEST WITHIN THE POOL

Funds will be accepted at all times, in the manner prescribed, from those agencies where the County Treasurer is also the Treasurer for the local agency, or from any agencies that by statute must place their money in the County Investment Pool. Funds will earn interest based on the average daily balance apportioned on a quarterly basis.

The Treasury Pool's cash management plan provides for adequate liquidity to cover day-to-day operations of pool participants. The County Treasurer will honor all requests to withdraw funds for normal operations that are approved by the County Auditor at a one-dollar net asset value. To accommodate large withdrawals that exceed those normally associated with operations, the following written notification requirements must be followed to allow for adjustments to the liquidity position of the pool.

- ◆ Withdrawals of up to \$ 5,000,000.....24 hours
- ◆ Withdrawals of up to \$10,000,000.....48 hours
- ◆ Withdrawals of up to \$10,000,001 and above72 hours

Should a legislative body of a local agency determine that certain funds will not be required by the local agency for a period of at least one year, the local agency may petition the County Treasurer to invest that portion of the local agency's excess funds in a specific investment under the control of the County Treasurer. Such a petition should state the nature of the funds the legislative body wishes to invest specifically, and the reasons why the legislative body believes a specific investment is a preferable and viable alternative to the general Pools participation. Should the Treasurer determine that the request for a specific investment is valid and not overly counter-productive as to the Pool as a whole, the Treasurer will consult with the local agency's legislative body, or its appointed representative, to suggest and determine exactly what investment(s) should be purchased to fulfill the needs of the local agency. The Treasurer will then purchase the specific investment(s) upon receipt of a written resolution issued by the legislative body of the local agency, requesting the specific investment. The resolution must acknowledge that the local agency's legislative body takes full responsibility for the decision to purchase the specific investment(s), and that should conditions change requiring a sale prior to maturity of the specific investment(s), any loss that might be suffered as a result, will be solely that of the local agency, and that this loss shall not be shared by the Pool as a whole, nor by the County.

Under language added to the Government Code in 1995, it is not permissible for local agency legislative bodies, required to have their funds within the Pool, to withdraw funds from the Pool in order to invest outside the County Pool in any manner, at any time without specific permission of the Treasurer. Any such investments shall be either terminated and all funds returned to the Pool, or the securities so purchased must be transferred to the custody of the County Treasurer immediately. Upon receipt of any such securities by the Treasurer, the Treasurer shall at the Treasurer's option, place the investment in the Pool, terminate the investment at the current market value and credit the local agency with the proceeds, or place the security in the name of the local agency as a specific investment.

MONEY VOLUNTARILY INVESTED WITH THE COUNTY INVESTMENT POOL

By Code, the County Treasurer shall limit the amounts and set conditions under which money from local agencies, not required to have their funds in the investment Pool, may deposit and withdraw voluntarily invested funds. Funds from local agencies within the County, voluntarily wishing to participate in the Pool, will not be accepted under normal conditions unless the Treasurer is assured that these funds are in lieu of longer term investments. Such deposits are subject to withdrawal restrictions for a set minimal term as to be agreed to prior to the funds being accepted into the Pool, and may not be withdrawn at any time without a minimum of 30 days notice of "intent to withdraw".

Under normal conditions, voluntary money withdrawn from the Pool will be disbursed on a dollar for dollar basis, plus appropriate interest, but under adverse market conditions, when the Treasurer deems the withdrawal of voluntary funds would cause undue losses or significantly lower earnings for those local agencies remaining within the Pool, the Treasurer may require one or more of three remedies:

1. Restrict the percentage of funds that may be withdrawn in any given month;
2. Restrict the rate at which the funds may be withdrawn;
3. Require the local agency withdrawing their funds to accept their funds based on the current market value of the overall Pool.

These terms will be agreed to and contracts signed prior to any voluntary money being accepted into the County Investment Pool. Such terms may exceed minimum requirements set forth in the Government Codes.

Specific investments are not normally permitted with voluntary funds, though on a cost recovery basis and under circumstances that dictate such activity, exceptions may be permitted.

AUTHORIZED INVESTMENT INSTRUMENTS

No investment shall be made in any security with a maturity greater than five years, unless it is approved by the Board of Supervisors. Some investments are restricted to terms less than five years. These maturity limitations are described in this Policy. The term "maturity" in this Policy is defined as an instrument's stated legal final redemption date.

The dollar-weighted average maturity of the portfolio shall not exceed 3.5 years.

The following defines in detail the parameters of each approved investment type. Any instrument not expressly permitted is prohibited. Specific limitations are provided on the maximum allowable percentage per investment category and further limitations by issuer within each investment category. With the exception of insured and/or collateralized bank deposits, overnight repurchase agreements, U.S. Government securities, including its agencies and instrumentalities, and authorized pools, no more than 10% of the County's aggregate investment portfolio may be invested in securities of a single issuer. Where there is a percentage limitation for a particular category of investment, that percentage is only applicable at the time of purchase. If at the end of any quarter, any percentage in any restricted security is higher than the maximum allowed by category at time of purchase, the Treasurer shall take action within 90 days, to adjust the portfolio holdings so that the percentages are brought within the percentage limits.

- A. Bonds issued by the County of Tulare, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the County of Tulare or by a department, board, agency, or authority of the County of Tulare.
- B. United States Treasury bills, notes, bonds or certificates of indebtedness or those for which faith and credit of the United States are pledged for principal and interest.
- C. Registered treasury notes or bonds of any of the 49 United States in addition to the State of 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 United States, in addition to the State of California.
- D. Bonds, notes or warrants of the State of California and any local agency within California, 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.
- E. Federal agency or United State government - sponsored enterprise obligation, 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, per California Government Code §53601. No more than 75% of the total portfolio may be invested in Agency Securities.
- F. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as Bankers Acceptances, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest category by a nationally recognized rating service. Purchases of Bankers Acceptances may not exceed 180 days maturity or 40 percent of the County's surplus funds which may be invested pursuant to this section.

G. Commercial Paper. Commercial paper (excluding Rule 144A issues) 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. 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.

(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.

Purchases of eligible commercial paper shall not exceed 270 days maturity nor represent more than 5 percent of the outstanding paper of an issuing corporation. Purchases of commercial paper may not exceed 40 percent of the County’s investment portfolio.

H. Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or a savings association or federal association or a state or federal credit union or a state-licensed branch of a foreign bank; provided that the senior debt obligations of the issuing institution are rated “A” or better by a nationally recognizing rating service. Purchases of negotiable certificates of deposit may not exceed 30 percent of the County’s surplus money which may be invested pursuant to this section. For the purpose of this section, negotiable certificates of deposit do not come within Article 2 of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government code, except that the amount so invested shall be subject to the limitations of §53638.

I. Authorized by California Government Code Section 53601 and/or 53635.

- (1) Investment in Repurchase Agreements or Reverse Repurchase Agreements of any securities authorized by California Government Code 53601 & 53635.
- (2) Investment in Repurchase Agreements may be made on any investment authorized in Government Code Section 53601 and 53635 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 fluctuation, 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. No more than 50% of the total portfolio may be invested in overnight repurchase agreements.
- (3) Reverse Repurchase Agreements may be utilized only when the following conditions are met: The security to be sold on Reverse Repurchase Agreement has been owned and fully paid for by the County of Tulare for a minimum of 30 days prior to sale, and the total of all Reverse Repurchase Agreements on investments owned by the local agency does not exceed 20 percent of the base portfolio, and the agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of the security using a Reverse Repurchase Agreement and the final maturity date of the same security.
- (4) A Reverse Repurchase Agreement may not be entered into as a means of financing or paying for the security sold on a Reverse Repurchase Agreement, but may only be entered into in order to supplement the yield on securities owned and previously paid for or to provide funds for the immediate payment of an obligation of Tulare County.
- (5) Investments in Reverse Repurchase Agreements or similar investments in which the local agency sells securities prior to purchase, may only be made upon prior approval of the Board of Supervisors of the County of Tulare and are limited to no more than 20% of the total portfolio.
- (6) (6-a) "Repurchase Agreement" means a purchase of securities by the agency pursuant to an agreement by which the counter party seller will repurchase the securities on or before a specified date and for a specified amount and the counter party will deliver the underlying securities to the agency's pool by book entry, physical delivery, or by third party custodial agreement. The transfer of underlying securities to the counter party bank's customer book-entry account may be used for book-entry delivery.

(6-b) "Securities", for the purpose of repurchase, means securities of the same issuer, description, issue date, and maturity.

(6-c) "Reverse Repurchase Agreement" means a sale of securities by the County Treasury pursuant to an agreement by which the agency will repurchase the securities on or before a specified date, and includes other comparable agreements.

(6-d) The base value of the County Treasury pools portfolio shall be that dollar amount obtained by totaling all cash balances placed in the pools by all pool participants, excluding any amounts obtained through selling securities by way of Reverse Repurchase Agreements or other similar borrowing methods.

(6-e) The spread is the difference between the cost of funds obtained using the reverse repurchase agreement and the earnings obtained on the reinvestment of the funds.

- J. Medium-Term Notes of a maximum of five years' maturity 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 shall be rated in a rating category of "A" or its equivalent or better by a nationally recognized rating service. Purchases of medium-term notes may not exceed 30 percent of the agency's surplus money which may be invested.
- K. 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. To be eligible for investment these companies shall either:
- (1) Attain the highest ranking or highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.
 - (2) Have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market funds with assets under management in excess of five hundred million dollars (\$500,000,000). The purchase price of shares of beneficial interest purchased shall not include any commission that these companies may charge and shall not exceed 15 percent of the agency's surplus money which may be invested pursuant to §53635 of the California Government Code.
- L. FDIC insured or collateralized savings accounts, market rate accounts, certificates of deposits and other bank deposits in a state or national bank, savings association or federal association, a state or a federal credit union located in California. Any financial institution accepting County funds for deposit must comply with the requirements of Government Code Section 53630 et seq., including collateralization of deposits. The County may waive the collateralization requirements for any portion of the deposit that is covered by Federal Deposit Insurance. As provided by Government Code Section 53649, the County shall have a signed contract with each financial institution that has County funds on deposit.

- M. Certificates of deposit placed through a deposit placement service that comply with the requirements under Government Code Sections 53601.8 and 53635.8. The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by federal deposit insurance. The combined amount invested in placement service CDs and negotiable
- N. Local Agency Investment Fund (LAIF). The maximum balance that can be held in the fund is the maximum amount permitted by State Treasury policy.
- O. Managed Investment Pool's pursuant to California Government Code 53601(p) for which 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 adviser 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 (\$500,000,000).
- P. Asset Backed Securities (Mortgage pass through securities, collateralized mortgage obligations, mortgage-backed or other pay-through bonds, equipment lease backed certificates, consumer receivable pass-through certificates, or consumer receivable backed bonds) provided that such securities :
- (1) Have a maximum state final maturity of five years.
 - (2) Be issued by an issuer/sponsor having an "A" or higher rating for the issuer's debt as provided by a nationally recognized statistical-rating organization
 - (3) Be rated in a rating category of "AA" or its equivalent or better by a nationally recognized statistical-rating organization.
 - (4) Purchase of securities authorized by this subdivision may not exceed an accumulative total of 20 percent of the portfolio. Non-Federal Agency securities under this subsection are further limited to 10% of the portfolio.
 - (5) Purchase of securities authorized by this section is limited to the portion of the portfolio managed by an Investment Advisor on behalf of the County Treasurer.

INELIGIBLE SECURITIES

1. Securities Lending
2. Inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages.
3. A local agency shall not invest any funds in any security that could result in zero interest accrual if held to maturity. However, a local agency may hold prohibited investments purchased prior to January 1, 1996 until their maturity dates.
4. Financial futures and options.

REVIEW AND ANALYSIS OF PROSPECTIVE INVESTMENTS

Due to the complexity of the various investment instruments available and uncertainty of market conditions the Treasurer may seek professional advice in making investment decisions in order to optimize investment selections, subject to §1-03-2062 of the Tulare County Ordinance Code.

COMPETITIVE BIDDING

When executing a transaction, the County and its external investment advisors shall seek bids or offerings from at least three broker/dealers on the approved list.

POOL INVESTMENT PARAMETERS

Allowable Instruments	County Maximum % of Portfolio	Code Maximum % of Portfolio	County Maximum Maturity	Code Maximum Maturity	County % per Issuer ¹
U.S. Treasury Obligations (§53601(b))	100	100	5 Years	5 Years	100
U.S. Agency Obligations or U.S. Government Sponsored Enterprises (§53601(f))	75	100	5 Years	5 Years	100
Medium Term Notes (Corporate) (§53601(k))	30	30	5 Years	5 Years	10
Mortgage and Asset Backed Securities ((§53601(o))	20	20	5 Years	5 Years	10
Bankers' Acceptances (§53601(g))	40	40	180 Days	180 Days	10
Negotiable Certificates of Deposit (§53601(i))	30	30	5 Years	5 Years	10
Repurchase Agreement (§53601(j))	50	None	30 Days	1 Year	N/A
Reverse Repurchase Agreements (§53601(j))	20	20	92 Days	92 Days	10
Bank Time Deposits (§53630 et seq.)	30	None	3 Years	None	25
Bank Time Deposits – through deposit placement service (§53601.8)	30	30	3 Years	None	25
Money Market Accounts (§53630 et seq.)	50	None	N/A	None	25
Commercial Paper (§53601(h) and (§53635(a))	40	40	270 Days	270 days	10
Money Market Funds (§53601(l))	15	20	N/A	N/A	10
Obligations issued by a State or local agencies within California or any of the other 49 United States (§53601(d)(e))	30	100	5 Years	5 Years	10
Tulare County (§53601(a))	15	100	5 Years	5 Years	10
L.A.I.F. (§16429.1)	Maximum Allowed	Per State Treasury Policy	N/A	N/A	N/A
Managed Investment Pool pursuant to GC §53601(p)	50	None	N/A	N/A	N/A

¹ With the exception of insured and/or collateralized bank deposits, overnight repurchase agreements, U.S. Government securities, including its agencies and instrumentalities, and authorized pools, no more than 10% of the County's aggregate investment portfolio may be invested in securities of a single issuer. Commercial paper is further limited to 5% of the outstanding paper of the issuing corporation.

BROKER/DEALER AND DEPOSITORY INSTITUTION RELATIONSHIPS

APPROVED LIST OF BROKER/DEALER INSTITUTIONS

The County Treasurer shall approve and maintain a list of broker/dealers and direct issuers authorized to provide investment services to the County. All investments must be made with institutions that have been approved by the County Treasurer prior to investing. The County's external investment advisors may use their own list of approved broker/dealers and financial institutions for investment purposes. The advisor shall submit the list of approved broker/dealers to the County on a quarterly basis for review. The criteria for approval are described in a separate *Investment Guidelines and Procedures Manual* maintained by the Treasurer's Office.

APPROVED LIST OF DEPOSITORY INSTITUTIONS

The County Treasurer shall approve and maintain a list of depository institutions authorized to purchase Certificates of Deposit and Time Deposits. An institution must meet the following criteria to be considered by the County Treasurer for deposits described in section (L) of the AUTHORIZED INVESTMENT INSTRUMENTS section of this policy :

- 1) The institution must be located in California.
- 2) The institution must have current financial information, a signed contract and waiver on file with the agency.
- 3) The institution must maintain a net worth to asset ratio of at least 3% and have a positive earnings record.
- 4) The institution must be at least 3 years old.
- 5) For collateralized investments, the institution must have at least \$100 million in assets and collateralize their TCD's in accordance with §53651 and §53652 of the California Government Code.
- 6) The institution shall have received an overall rating of not less than "satisfactory" in its most recent Community Reinvestment Act evaluation.

SAFEKEEPING

As required by California Government Code §53601 and §53635 all investment instruments in a negotiable, bearer, registered, or non-registered format, shall be delivered to the County of Tulare's custodial bank by using book entry or physical delivery. The "delivery vs. payment" purchase procedure shall be used. Securities will be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts. No securities will be held by the broker/dealer from whom they were purchased.

REPORTING

The Treasurer provides a quarterly Investment Report to the Board of Supervisors, County Administrative Officer, the County Auditor, and the Oversight Committee, within thirty (30) days following the end of the quarter covered by the report. The quarterly investment report contains, but is not limited to, the following investment information:

- A. The type of investment, name of issuer, date of maturity, par and dollar amount invested in all securities, investments, and monies;
- B. A description of any funds, investments that are under the management of contracted parties;
- C. The market value as of the date of the report, and the source of this valuation for any security within the treasury or under management by contract;
- D. The weighted average maturity of investments within the treasury;
- E. Purchase dates, book values, and current credit rating of issuers;
- F. Yield to maturity;
- G. Overall portfolio yield based on cost;
- H. Statement that the portfolio is in compliance with the Investment Policy or the manner in which the portfolio is not in compliance;
- I. A statement denoting the County's ability to meet its expenditure requirements for the next six months, or an explanation as to why sufficient money shall not be available.

The Treasurer annually renders a Statement of Investment Policy to the Oversight Committee and to the Board of Supervisors, which is approved at a public meeting. Any changes in the policy shall also be reviewed and approved/denied by the Board of Supervisors at a public meeting.