

City of El Paso de Robles

RESOLUTION NO. 87-10

A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF EL PASO DE ROBLES ADOPTING AN INVESTMENT
POLICY FOR PUBLIC FUNDS

BE IT RESOLVED by the City Council of the City of El Paso de Robles that the Investment Policy attached herewith as Exhibit "A" is hereby adopted as the Investment Policy of the City of Paso Robles.

PASSED AND ADOPTED this 17th day of February, 1987, by the following roll call vote:

AYES: OVITT, DOLAN, STEMPER AND RUSSELL

NOES: NONE

ABSENT: COUSINS


Nick Russell, Mayor

ATTEST:


Jerry Bankston, City Clerk

City of El Paso de Robles

CITY OF EL PASO DE ROBLES

INVESTMENT POLICY

Purpose

The City has a fiduciary responsibility to maximize the productive use of its assets entrusted to its care and to manage those public funds wisely and prudently.

The purpose of this policy is to provide broad guidelines and direction to the officer(s) of the City charged with the responsibility for the investment of the City's temporary idle funds under the prudent man rule (Civil Code Section 2261, et seq.).

Objective

The objective of the City's investment program shall be to maintain a level of investment of all temporary idle funds as near as 100% as possible with due consideration given to safety, liquidity, yield and cash flow requirements.

Investment Guidelines

All City funds are not required for immediate expenditure shall be fully invested or deposited to maximize investment returns. To maximize returns, the economy and market conditions should be monitored in order to assess the probable course of interest rates. The City shall utilize those eligible investment instruments as set forth in Government Code Sections 53601 and 53635 while following these guidelines:

1. All investments of the city shall have the City of Paso Robles as the registered owner or shall be kept in the custody of the City or the trust department of its designated third party, safekeeping institution. If securities are kept by a safekeeping institution, the City shall have access to buy and sell such securities independently of any broker.

While in safekeeping, the City shall have on file from its designated bank, a written statement that the City has a 'perfected interest' in all securities held in the trust department. The trust department shall be required to send the City a monthly statement of what is being kept.

2. Investments shall be diversified among institutions, types of securities and maturities to maximize safety and yield with market conditions; except that no investment shall be made to mature greater than ten years from the purchase date unless fully protected against loss in market value.

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3. Certificates of deposit in local financial institutions shall be encouraged; provided that the criteria for safety, liquidity and yield are equal to or greater than that of non-local financial institutions. Local institutions shall mean any financial institution with a full service branch in San Luis Obispo County.

4. Investments shall not knowingly be made in any financial institution that practices or supports directly or indirectly through its actions discrimination on the basis of race, religion, color, creed, natural or ethnic origin, age, sex or physical disability.

5. Investments shall be made only in securities for which market value information is generally available.

6. The director of Administrative Services and/or the City Treasurer shall report monthly to the City Manager and City Council the type of investment, financial institution, date of maturity, amount of investment, current market value and rate of interest for all securities with a maturity of more than 12 months.

7. Pursuant to Government Code, Section 53647, the Director of Administrative Services shall allocate interest earned to all appropriate funds. No fund with an average monthly cash balance of less than \$10,000.00 will receive interest unless required otherwise by law. All interest not otherwise allocated shall remain in the General Fund.

8. Competitive bids/quotes are to be obtained and documented on all investments when practical.

9. A close working relationship should be maintained with well-established brokers/dealers and bankers whose proven technical knowledge and expertise is of assistance in making investing decisions.

Investment Criteria

1. Safety - Investment Safety refers to attempts to reduce the potential for loss of principal and/or interest. The first level of loss control is found in state law which restricts the particular type of investments permissible for public agencies. The second level of loss control is reducing risk by investing in instruments that appear to be the most credit worthy. The third level of loss control is by investing in instruments that have maturities coinciding with cash needs thereby eliminating loss from forced sale.

2. Liquidity - Liquidity refers to the ability to sell or otherwise make immediately accessible without risk of losing some portion of principal or interest the investment. Most investment instruments available to public agencies are

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highly liquid with the exception of Time Certificates or Deposit issued by banks and savings and loan institutions which have fixed maturities.

3. Yield - Yield is the potential dollar earnings an investment can provide sometimes described as the rate of return. Attempts should be made to obtain the highest yield possible by the City provided the criteria for safety and liquidity are met.

Allowable Investment Instruments

1. Time Certificates or Deposit - TCD's shall be made only with banks and savings and loan institutions which are insured by FDIC and FSLIC, respectively. Waiver of collateralization is permissible only on the first \$100,000.00. The bank or savings and loan institution must be located in California. Purchases of negotiable certificates of deposit shall not exceed 30% of the City's invested funds. The Director of Administrative Services and City Treasurer may require additional selection criteria as deemed appropriate.

2. Local Agency investment Fund (LAIF) - Managed by the State of California Treasurer's Office, total investment may not exceed 5 million nor may more than 8 transactions per month be made. Minimum transaction of \$5,000.00.

3. Banker's Acceptances - Banker's acceptance (BA's) are bills of exchange or time drafts which are drawn on and accepted by a commercial bank and are eligible for purchase by the Federal Reserve System. By its acceptance, the bank becomes primarily liable for the payment of the draft at its maturity. This bank liability makes the banker acceptance a readily marketable instrument. The restrictions on use of banker's acceptance are as follows:

- (a) The City will only invest through the 15 largest banks in the United States;
- (b) Purchases of BA's may not exceed 270 days maturity;
- (c) Purchases of BA's may not exceed 40% of the City's surplus fund; and
- (d) No more than 30% of the City's surplus funds may be invested in BA's of any one commercial bank.

4. Treasury Bills and Notes - Those items having the full faith and credit of the federal government pledged for the payment of principal and interest and having maximum maturities of five years or less.

5. Federally Sponsored Credit Agency Securities - The City may invest funds in the debt securities of the following U.S. government sponsored corporate agencies:

- (a) Government Material Mortgage Association
- (b) Federal Material Mortgage Association

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- (c) Federal Home Loan Mortgage Association
- (d) Federal Home Loan Bank

6. Repurchase Agreements - Repurchase agreements (Repos) represent agreements to sell idle funds for U.S. government securities that will be re-purchased at a future date for a specific price. Investments in Repos shall not exceed 90 days and shall only be purchased from the 15 largest banks in the United States. Physical delivery of the securities backing the repos or a safekeeping documentation to a qualified safekeeping institution is required.

Investments Restrictions

Idle funds of the City may not be invested in the following instruments:

1. Reverse repurchase agreements
2. Commercial paper
3. Financial futures and options
4. Zero coupon bonds
5. Small Business Administration notes