

RESOLUTION NO. 90-130

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


BE IT HEREBY RESOLVED that the City Council of the City of El Paso de Robles does adopt the investment policy attached herewith as Exhibit "A".

PASSED AND ADOPTED by the City Council of the City of El Paso de Robles this 17th day of July, 1990 by the following vote:

AYES: Russell, Reneau, Martin, Picanco and Iversen


NOES: None

ABSENT: None



Christian E. Iversen, Mayor

ATTEST:

  
JERRY BANKSTON, CITY CLERK

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## 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 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 instruments, and maturities in order to maximize safety and yield with market conditions; except that no investment shall be

purchased with an expected life or maturity of greater than ten years from the purchase date. Long-term maturities shall not represent a significant percentage of the total portfolio.

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 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 or 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, and rate of interest for all investments.
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/quotations 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.
10. Selling securities prior to maturity is only acceptable when the sale clearly enhances the yield (value). If traded at a loss, the trade must enhance yield on a total return basis.
11. The current market value of all investments shall be reported annually according to Governmental Accounting Standards Board, GSAB No. 3.
12. Whenever practical, cash should be consolidated and invested on a pooled concept basis. Interest earnings shall be allocated monthly pursuant to paragraph 7 of this section.

13. The City Treasurer shall annually submit the Investment Policy to the City Council for review and re-confirmation.

#### 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 be investing in instruments that have maturities coinciding with cash needs thereby eliminating loss from forced sale. Safety is the primary duty and responsibility of the City Treasurer.
2. Liquidity - Liquidity refers to the ability to sell of otherwise make immediately accessible without risk of losing some portion of principal or interest on the investment. Most investment instruments available to public agencies are highly liquid with the exception of Time Certificates of 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 of Deposit - TCD's shall be made only with banks and savings and loan institutions which are insured by the FDIC and FSLIC, respectively. Waiver of collateralization is premissable 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 10 million (10,000,000) nor may more than 8 transactions per month be made. Minimum transaction of \$5,000.00.
3. Banker's Acceptances - Bankers 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's acceptance a readily marketable instrument. The restrictions on use of banker's acceptances 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) Nor 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 up to 30% of its total portfolio in funds in the debt securities of the following U.S. government sponsored corporate agencies:
- (a) Government National Mortgage Association
  - (b) Federal National Mortgage Association
  - (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 repurchased 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.

#### Investment 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