

DEPARTMENT: Treasurer

BY: Keith M. Williams, Treas. Tax-Collector

PHONE: 966-2830

RECOMMENDED ACTION AND JUSTIFICATION:

Approve the annual Investment Policy and Guidelines for the County of Mariposa.

BACKGROUND AND HISTORY OF BOARD ACTIONS:

The Board has approved the Investment Policy on an annual basis and there are no changes to the policy from last year.

ALTERNATIVES AND CONSEQUENCES OF NEGATIVE ACTION:

The Investment Policy would be out of compliance with the Government Code 53646.

Financial Impact? () Yes (X) No Current FY Cost: Annual Recurring Cost:

Budgeted In Current FY? () Yes () No () Partially Funded

Amount in Budget: \$ _____

List Attachments, number pages consecutively

Additional Funding Needed: \$ _____

Copy of Investment Policy for 2009

Source:

Internal Transfer _____

Unanticipated Revenue _____ 4/5's vote

Transfer Between Funds _____ 4/5's vote

Contingency _____ 4/5's vote

() General () Other

CLERK'S USE ONLY:

Res. No. 09-123 Ord. No. _____

Vote - Ayes: 5 Noes: _____

Absent: _____

AMW) Approved
() Minute Order Attached () No Action Necessary

The foregoing instrument is a correct copy of the original on file in this office.

Date: _____

Attest: MARGIE WILLIAMS, Clerk of the Board
County of Mariposa, State of California

By: _____
Deputy

COUNTY ADMINISTRATIVE OFFICER:

Requested Action Recommended

No Opinion

Comments:

CAO: [Signature]

Treasurer County of Mariposa

Investment Policy and Guidelines

I. Investment Policy Objectives

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objective of a Trustee shall be to safeguard the principal of the funds under its control. The secondary objective shall be to meet the liquidity needs of the depositor. The third objective shall be to achieve a competitive return on the funds under its control (Sec. 53600.5 of the Government Code).

II. Investment Criteria

- A. Overseeing investments for Mariposa County is the responsibility of the County Treasurer. This responsibility includes the authority to:
1. Determine the maturity of the portfolio. This will be based on cash flow needs, the market curve and diversification. The average weighted maturity is dependent on the needed liquidity and diversification and cannot exceed the maximum five-year maturity allowed by the Government Code.
 2. Monitor the investment advisor/manager.
 3. Review and consult with the investment managers as to specific needs, using the criteria stated.
 4. Open account with brokers, bank and dealers.
 5. Establish the safekeeping accounts or other arrangements for the custody of securities.
 6. Execute all necessary documents for the above.
- B. As authorized by the Board of Supervisors, the County Treasurer has authority to invest or reinvest the funds of the County and the funds of other depositors in the County Treasury (Sec. 53600 of the Government Code).
- C. The authority hereby granted to the Treasurer provides full responsibility for those transactions until the delegation of authority is revoked or expire.

- D. If an investment is downgraded by Moody's Investors Service or Standard & Poor's Corporation, and it is no longer in compliance with guidelines, the Investment Manager will notify the Treasurer with the recommendation to either hold or sell the position. Final decision will be subject to the Treasurer's approval.
- E. Should a local agency within Mariposa County, not required by California law to deposit monies with the Treasurer desire entry into the Treasurer's Investment Pool, the agency shall comply with the requirements of Section 53684 of the California Government code and provide to the Treasurer a resolution adopted by its governing board stating excess funds are available for the purposes of investment. The resolution shall specify that the local agency authorizes the investment of excess funds pursuant to Section 53684, those persons authorized at the agency to coordinate the transactions, the agency's willingness to be bound by the withdrawal provisions of the California Government Code Section 27136, and the agency's understanding that administrative charges will be deducted by the Treasurer as permitted by Sections 53684(b) and 27013. Subject to the approval/disapproval of the County Board of Supervisors, the Treasurer shall approve or disapprove such agency's request in writing.

Monies deposited by local agencies approved for entry into the Treasurer's Investment Pool will be invested in the Local Agency Investment Fund (LAIF). To participate in the Extended Fund, the local agency must sign a waiver indicating their understanding of the possible NAV risk involved.

- F. Notwithstanding any other provision of law, other public entities, agencies or officials seeking withdrawal of funds held in the County treasury pool, for the purpose of investing or depositing those funds outside the County treasury pool, shall first submit the request in writing to the County Treasurer. The Treasurer shall evaluate each proposed withdrawal for its consistency with the criteria adopted pursuant to Subdivision (h) of Sec. 27133 of the Government Code. In approving a request, the County Treasurer must find that the proposed withdrawal will not adversely affect the interests of the other depositors in the pool (Sec. 27136 (a) & (b) of the Government Code).
- G. Pursuant to GC sec. 27013, administrative and overhead costs include but are not limited to portfolio management, bank and custodial fees, software maintenance and other indirect costs incurred from handling or managing funds.

Investment earnings and the above fee charge will be allocated to the pool participants on a quarterly basis.

III. Eligible Investments

Eligible investments are those instruments that are outlined in Section 53601 of the Government Code (as further detailed below):

- A. Surplus money in the treasury not required for the immediate necessities of the local agency may be invested as deemed wise or expedient in those investments set forth by law.
- B. Investments may be made in any money market mutual fund as long as it meets the following requirements: (1) is registered with the S.E.C. and (2) either has a "AAA" rating from two rating agencies or has an investment advisor with five years experience with assets under management of Five Hundred Million Dollars or more. Investment in any one mutual fund is limited to ten percent of total investments and up to twenty percent is allowed in money market mutual funds overall.
- C. Approved Investments:
 1. United States Treasury Securities
 2. United States Government Agency (Direct/Indirect) Securities
 3. Municipal Securities of local and state entities within the State of California
 4. Bankers' Acceptances

Bankers' Acceptances which are eligible for purchase by the Federal Reserve System cannot exceed one hundred-eighty days, and are limited to forty percent of the portfolio's surplus funds and no more than thirty percent per bank.
 5. Certificates of Deposit

Only negotiable Certificates of Deposits issued by nationally or state-chartered banks, state or federal associations (savings & loans and savings banks) are acceptable and purchases may not exceed thirty percent of the portfolio's surplus funds.
 6. Commercial Paper
 - A) Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):
 - (1) The entity meets the following criteria:(A) Is organized and operating in the United States as a general corporation.
(B) Has total assets in excess of five hundred million dollars (\$500,000,000). (C) Has debt other than commercial paper, if any, that is rated "A" or higher by a nationally recognized statistical-rating organization (NRSRO).

(2) The entity meets the following criteria: (A) Is organized within the United States as a special purpose corporation, trust, or limited liability company. (B) Has programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond. (C) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization (NRSRO). Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city and county, may invest no more than 25 percent of their money in eligible commercial paper. Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper of any single issuer. Counties or a city and county may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Section 53635.

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

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

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

7. Medium-Term Notes

Medium-term notes with 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 operating within the United States are approved. Purchases of medium-term notes may not exceed thirty percent of the agency's surplus money which may be invested pursuant to this section.

8. Asset Backed Securities

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

9. Repurchase and Reverse Repurchase Agreements

Investments in repurchase agreements or reverse repurchase agreements are subject to the requirements for authorized securities under Section 53601, which include delivery requirements. All agreements must be made with primary dealers only.

- a) Repurchase agreement means a purchase of securities 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. The counter party will deliver the underlying securities by book entry, physical delivery, or by third party custodial agreement, unless the term is one week or less.

Investments in repurchase agreements may be made 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 one-hundred-two percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly.

- b) Reverse repurchase agreement means a sale of securities by the local agency pursuant to an agreement by which they will repurchase the securities on or before a specified date. Reverse repurchase agreements may be utilized only when the following conditions are met:

After December 31, 1994, a reverse repurchase agreement may not be entered into with securities not sold on a reverse repurchase agreement and purchased, or committed to purchase,

prior to that date, as a means of financing or paying for the security sold on a reverse repurchase agreement, but may only be entered into with securities owned and previously paid for, for a minimum of thirty days prior to the settlement of the reverse repurchase agreement, in order to supplement the yield on securities owned and previously paid for or to provide funds for the immediate payment of a local agency obligation. Funds obtained or funds within the pool of an equivalent amount to the obtained from selling a security to a counter party by way of a reverse repurchase agreement, on securities originally purchased subsequent to December 31, 1994, shall not be used to purchase another security with a maturity longer than ninety-two days from the initial settlement date of the reverse repurchase agreement, unless the reverse repurchase agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security. 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.

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 governing body of the local agency. Investments in reverse repurchase agreements cannot exceed twenty percent of the portfolio.

10. Credit Rating Requirements

a) Short Term Instruments

Must have a rating of "A1" or better by Standard & Poor's Corporation and "P1" or better by Moody's Investors Service.

b) Long Term Instruments

Must have a rating in the "A" category, or better, by Moody's Investors Service or Standard & Poor's Corporation.

IV. Investments Not Authorized

Investments not authorized by these guidelines are:

- A. Bonds, Notes, Warrants or other evidences of indebtedness of a local agency outside of California.
- B. Prohibited derivatives: inverse floaters, interest-only collateralized mortgage obligation strips, range notes and zero-interest accrual securities, or any other investment that may be added by the Government Code.
- C. All investments as outlined in Sec. 53601.6 of the Government Code.

V. Safekeeping

Investments for safekeeping shall be in accordance with Sec. 53601 of the Government Code. Securities purchased should be delivered against payment and held in a custodian/safekeeping account at the approved safekeeping bank.

VI. Reporting/Review

- A. The County Treasurer shall prepare and submit to the Board of Supervisors an annual written statement of investment policy, which shall be considered by the Board of Supervisors at a public meeting (Sec. 16481.2 of the Government Code).

- B. The Treasurer shall render a quarterly report to the County Administrative Officer, Auditor and the Board of Supervisors-containing detailed information on all securities, investments, funds of the local agency, statement of investment policy compliance and a statement of the local agency's ability to meet the expenditure requirements of its pool for the next six months. In addition, the Treasurer shall report whatever additional information or data required by the Board (Sec. 53646 of the Government Code).
- C. The Treasurer shall provide a monthly report of transactions to the Board of Supervisors (Sec. 53607 of the Government Code).
- D. The County Treasurer may cause an annual audit to be conducted to determine the County treasury's compliance with these guidelines. The audit may include issues relating to the structure of the investment portfolio and risk (Sec. 27134 of the Government Code).

VII. Criteria for Security Brokers and Dealers

- A. Brokerage business will not be based solely on best price execution, but will also be based on certain non-monetary benefits offered by those firms. These may include, among other things:
 - 1. Special execution capabilities
 - 2. Settlement
 - 3. Financial strength and stability
 - 4. Efficiency of execution
 - 5. Error resolution
- B. Selection of any broker, brokerage, dealer, or securities firm that has, within any consecutive forty-eight-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board to the local treasurer, any member of the governing board of the local agency, or any candidate for those offices is prohibited.

VIII Treasury Oversight

The County Treasurer shall annually prepare an investment policy that will be reviewed and monitored by the Mariposa County Board of Supervisors.

IX. References

- A. The California Debt and Investment Advisory Commission's responsibility is to provide a continuing education program for local government investment officials and to undertake other activities conducive to the disclosure of investment practices and strategies for oversight purposes.
- B. Governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to law, are Trustees and, therefore, fiduciaries subject to the prudent investor standard (Sec. 53600.3 of the Government Code).
- C. Funds deposited in the County pool for investment are not subject to impoundment or seizure by the County (prohibits local funds in Local Agency Investment Fund from being transferred, loaned, impounded or seized).
- D. Honoraria, gifts and gratuities are to be within the guidelines of the Fair Political Practice Commission's Political Reform Act:
 - 1. No person associated with the oversight, management or daily operations of Mariposa County's investment funds shall accept any honorarium if required to report it on their statement of economic interests (Sec. 89502 (c) of the Political Reform Act). This restriction applies to the Board of Supervisors, Treasurer, Assistant Treasurer, and Investment Officer.
 - 2. No designated employee shall accept gifts from any single source in any calendar year with a total value of more than Two Hundred Fifty Dollars (Sec. 89503 (c) of the Political Reform Act).

APPROVED AND AGREED:

COUNTY OF MARIPOSA BOARD OF SUPERVISORS



Brad Aborn, Chairman

3-19-09

Date

APPROVED AS TO LEGAL Form _____:




Steven W. Dahlem, County Counsel

03/19/09

Date

ATTEST:


Margie Williams, Clerk of the Board

By: _____

Deputy

3-20-09

Date