

MARIPOSA COUNTY  
BOARD OF SUPERVISORS

AGENDA  
ACTION FORM

DATE: FEB 10 1998  
AGENDA ITEM NO.: 4-13

DEPARTMENT: Treasurer BY: Don Z. Phillips PHONE: 966-2621  
RECOMMENDED ACTION AND JUSTIFICATION: (Policy Item: ( ) Yes (x) No)

To review and adopt County Investment Policy & Guidelines

The Treasury Oversight Committee has met twice to review & revise the guidelines as required by Gov't Code. The Committee recommends the Board to adopt the guidelines as presented: Members are: Don Phillips, County Treas., Janet Hogan, CAO, Ken Hawkins, Co. Auditor, Pat Durado, County Bank Branch Manager, and Dalene Pena, Business Office of the Superintendent of Schools

BACKGROUND AND HISTORY OF BOARD ACTIONS:

The Board of Supervisor's are required by Gov't Code to adopt the Treasurer's Investment Policy & Guidelines each year. The Board last adopted such guidelines in March 1997. The Oversight Committee has worked to better organize and streamline the guidelines, and assure their compliance to Gov't Code.

LIST ALTERNATIVES AND CONSEQUENCES OF NEGATIVE ACTION:

Action required by Gov't Code Section 27133

COSTS: (x) Not Applicable  
A. Budgeted Current FY.....\$  
B. Total Anticipated Costs.....\$  
C. Required additional funding.....\$  
D. Internal Transfer.....\$

SPECIAL INSTRUCTIONS:  
List the attachments and number the pages consecutively.

SOURCE: ( ) 4/5ths Vote Required  
A. Unanticipated Revenues.....\$  
B. Reserve for Contingencies.....\$  
C. Source Description:  
Balance left in Reserve for Contingencies, if approved:  
\$

CLERK'S USE ONLY:  
Res. No.: 98-44 Ord. No. \_\_\_\_\_  
Vote: Ayes: 5 Noes: \_\_\_\_\_  
Absent: \_\_\_\_\_ Abstained: \_\_\_\_\_  
Approved ( ) Denied  
( ) Minute Order Attached ( ) No Action Necessary

ADMINISTRATIVE OFFICER'S RECOMMENDATION:  
This item on agenda as:  
 Recommended  
 Not Recommended  
 For Policy Determination  
 Returned for Further Action  
Comments: \_\_\_\_\_

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

Date: \_\_\_\_\_  
ATTEST:

By: Margie Williams, Clerk of the Board  
Deputy

C.A.O. Initials: 

**Treasurer  
County of Mariposa**

<b>Investment Policy and Guidelines</b>
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**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 accounts with brokers, banks 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 expires.
- 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. Mariposa County Treasurer will approve the addition of any funds from outside entities. If approved, these investments will become part of the pooled funds of Mariposa County and managed as such.
- 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).

### **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 two-hundred-seventy 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 bank, state or federal association (savings & loans and savings banks) are acceptable and purchases may not exceed thirty percent of the portfolio's surplus funds.

6. Commercial Paper

Commercial Paper is limited to issuing corporations that are organized and operating within the United States and have total assets in excess of Five Hundred Million Dollars. Also, the issuer's debt, other than commercial paper, if any, must have "A" or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation. Purchases of eligible commercial paper may not exceed one-hundred-eighty days maturity nor represent more than ten percent of the outstanding paper of an issuing corporation. Purchase of commercial paper may not exceed fifteen percent of the portfolio's surplus funds. An additional fifteen percent, or a total of thirty percent of the portfolio's surplus funds may be invested if the dollar-weighted average maturity of the entire amount does not exceed thirty-one days.

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 counterparty seller will repurchase the securities on or before a specified date and for a specified amount. The counterparty 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 that obtained from selling a security to a counterparty 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 and to the Treasury Oversight Committee 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 Treasury Oversight Committee, within the scope and guidelines of Sec. 27133 of the Government Code, will review the policy and guidelines as presented by the County Treasurer on an annual basis.
- C. 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).
- D. The Treasurer shall provide a monthly report of transactions to the Board of Supervisors (Sec. 53607 of the Government Code).

- E. The County Treasury Oversight Committee shall 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 Committee**

- A. Members may not be employed by an entity that has contributed to a reelection campaign of the Treasurer or a Member of the Board of Supervisors in the previous three years.
- B. Members may not directly or indirectly raise money for the County Treasurer or a Member of the Board of Supervisors while a Member of the Committee.
- C. Members may not secure employment with bond underwriters, bond counsel, security brokerages or dealers, or with financial services firms for three years after leaving the Committee.
- D. Requirements for this Committee shall be in accordance with Sec. 87104 of the Political Reform Act of 1997, titled "Prohibition on Public Officials."
- E. Nothing in these guidelines 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 (Sec. 27137 of the Government Code).


**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, Investment Officer and members of the Treasury Oversight Committee.
  - 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).



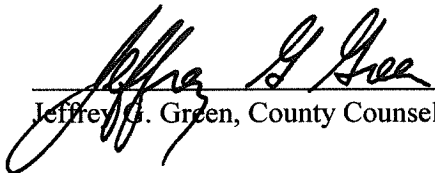
APPROVED & AGREED:

COUNTY OF MARIPOSA BOARD OF SUPERVISORS

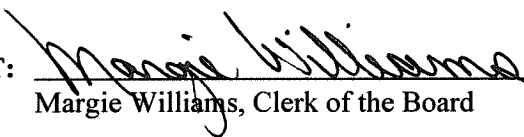
  
\_\_\_\_\_  
Patti A. Reilly, Chairman

2-17-98  
\_\_\_\_\_  
Date

APPROVED AS TO LEGAL SUFFICIENCY

  
\_\_\_\_\_  
Jeffrey G. Green, County Counsel

2-17-98  
\_\_\_\_\_  
Date

ATTEST:   
\_\_\_\_\_  
Margie Williams, Clerk of the Board

By: \_\_\_\_\_  
Deputy

2-18-98  
\_\_\_\_\_  
Date