

RESOLUTION NO. 9008

**A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF PLACERVILLE APPROVING THE INVESTMENT POLICY
FOR THE FISCAL YEAR 2021/2022**

WHEREAS, California Government Code Sections 16481.2, 53601, 53635, and 53646 stipulate the investment practices the City must adhere to; and

WHEREAS, the City's investment policy has served the City well and is compliant with the California Government Code; and

WHEREAS, Section 53646 of the California Government Code requires the City Council to review and approve the City's investment policy annually.

NOW, THEREFORE, BE IT RESOLVED, the City Council of the City of Placerville hereby approves the City's investment policy for Fiscal Year 2021/2022 as presented in Attachment "A."

The foregoing Resolution was introduced at a regular meeting of the City Council of the City of Placerville held on September 14, 2021, by Vice-Mayor Taylor who moved its adoption. The motion was seconded by Councilmember Borelli. The motion was passed by the following vote:

AYES: Borelli, Neau, Saragosa, Taylor, Thomas

NOES: None

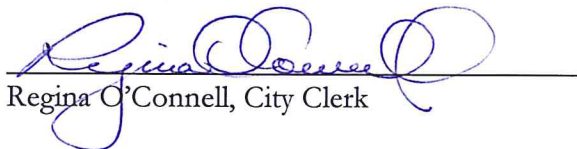
ABSENT: None

ABSTAIN: None



Mayor Dennis Thomas

ATTEST:


Regina O'Connell, City Clerk

Attachment "A"

CITY OF PLACERVILLE Investment Policy Fiscal Year 2021/2022

I. INTRODUCTION

The purpose of this document is to state the policies and procedures that enhance opportunities for a prudent and systematic investment process within the City of Placerville's Finance Department. Related activities which comprise good cash management include accurate cash projections, the expeditious collection of revenue, the control of disbursements, cost-effective banking relations, and a short-term borrowing program which coordinates working capital requirements and investment opportunity. In concert with these requirements are many facets of an appropriate and secure short-term investment program.

II. SCOPE

It is intended that this policy cover all funds and investment activities under the direct authority of the agency and take into consideration State and Local laws, and ordinances or resolutions that restrict investments.

III. OBJECTIVES

- a) **Safety:** It is the primary duty and responsibility of the Finance Department to protect, preserve and maintain cash and investments placed in the department's trust on behalf of the citizens of the community.
- b) **Liquidity:** An adequate percentage of the portfolio should be maintained in liquid short-term securities which can be converted to cash if necessary to meet disbursement requirements. Since all cash requirements cannot be anticipated, investments in securities with active secondary or resale markets are highly recommended. Emphasis should be on marketable securities with low sensitivity to market risk.
- c) **Yield:** Yield should become a consideration only after the basic requirements of safety and liquidity have been met.

IV. PRUDENCE

The Finance Department will adhere to the guidance provided by the "prudent investor standard" as stated in Section 53600.3 of the California Government Code, which obligates a trustee to ensure that:

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

V. CONFLICT OF INTEREST

Finance Department officers involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Finance Department officers shall disclose to the City Manager any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City's portfolio.

VI. REPORTING

The Finance Department shall submit a quarterly investment report to the City Council. This report will include all required elements of the quarterly report as prescribed by Government Code Section 53646:

- Type of investment
- Institution
- Date of Maturity
- Amount of deposit or cost of the security
- Current market value of securities with maturity in excess of twelve months
- Rate of interest
- Statement relating the report to the Statement of Investment Policy
- Statement that there are sufficient funds to meet the next six months' obligations
- Accrued interest

VII. AUTHORIZED INVESTMENT INSTRUMENTS

Bankers' Acceptances: A bankers' acceptance is a time draft drawn on and accepted by a bank for payment of the shipment or storage of merchandise. The initial obligation of payment rests with the drawer, but the bank substitutes its credit standing for that borrower and assumes the obligation to pay face value at maturity.

CalTrust (Investment Trust of California): CalTrust is a joint Powers Authority created by public agencies to provide a convenient method for public agencies to pool their assets for investment purposes. CalTrust is governed by a Board of Trustees comprised of local agency treasurers and investment officers. CalTrust offers four account options including money market accounts, short, medium, and long-term accounts. All securities are purchased under the authority of the California Government Code.

Certificates of Deposit (CDs): Time CDs are a receipt for funds deposited in a Bank or Savings and Loan Association for a specified period of time at a specific rate of interest. The first \$250,000 of a certificate of deposit is guaranteed by the Federal Deposit Insurance Corporation (FDIC) if with a bank. Time CDs with California

institutions are required to be collateralized by the financial institution, as specified in the California Government Code.

Commercial Paper: Commercial Paper is a short-term unsecured obligation issued by both financial companies and non-financial companies to help satisfy their short term funding needs.

County Pooled Funds: County pooled funds are deposits made by smaller local government agencies that are pooled with County investments.

Local Agency Investment Fund (LAIF): LAIF is a voluntary program offering local agencies the opportunity to participate in a multi-billion dollar portfolio. LAIF is part of the State of California's Pooled Money Investment Account (PMIA). Oversight of the PMIA is provided by a board whose members include the State Treasurer, Director of Finance and the State controller. All securities are purchased under the authority of the California Government Code.

Medium-Term Notes (MTNs): MTNs are unsecured promissory notes issued by corporations and financial institutions. MTNs are typically issued through a shelf registration process filed with the Securities and Exchange Commission, with original maturities of one to five years. MTNs offer higher yields than Treasury or agency securities because of the additional risk of purchasing unsecured corporate debt for a period of years. Credit quality varies with the issuer and MTNs are rated by several national securities rating services such as Standard and Poor's or Moody's.

Money Market Deposit Accounts (MMDA): Like other savings accounts, money market deposit accounts are insured by the FDIC. Money market deposit accounts offer many of the same services as checking accounts although transactions may be somewhat more limited. These accounts are usually managed by banks or brokerages, and can be a convenient place to store money that is to be used for upcoming investments or has been received from the sale of recent investments. They are very safe and highly liquid investments, but offer a lower interest rate than most other investments.

Mutual Funds: A mutual fund is a company that invests the funds of its subscribers in diversified securities and issues units representing shares in those holdings. It differs from an investment trust, which issues shares in the company itself. While investment trusts have a fixed capitalization and a limited number of shares for sale, mutual funds make a continuous offering of new shares at net asset value (plus a sales charge) and redeem their shares on demand at net asset value, determined daily by the market value of the securities they hold.

Negotiable Certificates of Deposit: Negotiable CDs are a marketable receipt for funds deposited in a bank for a fixed time period at a stated rate of interest. Negotiable CDs are not required to be collateralized.

Repurchase Agreement: A repurchase agreement is a contractual arrangement between a financial institution or dealer and an investor. This agreement normally can run for one or more days. The investor puts up his funds for a certain number of days.

at a stated yield. In return, he takes a given block of securities as collateral. At maturity, the securities are repurchased and the funds repaid plus interest.

Reverse Repurchase Agreements: A reverse repurchase agreement is a transaction involving the purchase of securities by a bank or dealer and resale back to the seller at a future date and specified price. Reverse repos are used several ways in banking: generating short-term investment income or, when used by the Federal Reserve System, a tool of monetary policy. Reverse repos are secured transactions, fully collateralized by government securities, unlike Federal Funds (Fed Funds), which are unsecured sales of bank reserves.

Savings Accounts: A savings account is an interest bearing deposit account without a stated maturity, as opposed to a time deposit. Funds can be deposited or withdrawn at will, and most savings accounts pay interest from day of deposit to day of withdrawal. The account holding financial institution may require up to seven days' notice before approving withdrawals; most, however, have waived this right.

Securities of the United States Government:

- **U.S. Treasury Bills:** U.S. Treasury bills, commonly referred to as T-Bills, are short-term marketable securities sold as obligations of the U.S. Government. They are offered in three-month, six month and one-year maturities. T-Bills do not accrue interest but are sold at a discount to pay face value at maturity.
- **U.S. Treasury Notes:** U.S. Treasury Notes are marketable, interest-bearing securities sold as obligations of the U.S. Government with original maturities of one to ten years. Interest is paid semi-annually.
- **U.S. Treasury Bonds:** U.S. treasury Bonds are the same as U.S. Treasury Notes, except they have original maturities of ten year or longer.

The City of Placerville will maintain surplus funds with Local Agency Investment Fund (LAIF).

VIII. INTERNAL CONTROLS

A System of internal control shall be established and documented in writing. The controls shall be designed to prevent losses of public funds arising from fraud, employee error misrepresentation of third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the City.

Controls deemed most important include: control of collusion, separation of duties, separating transaction authority from accounting and record keeping, custodial safekeeping, clear delegation of authority, specific limitations regarding securities losses and remedial action, written confirmation of telephone transactions, minimizing the number of authorized investment officials, documentation of transactions and strategies, and code of ethics standards.

IX. BANKS AND SECURITIES DEALERS

In selecting financial institutions for the deposit or investment of the City's funds, the Finance Department shall continue to monitor financial institutions' credit characteristics and financial history throughout the period in which City funds are deposited or invested.