

2025

# SOLANO COUNTY TREASURER

## INVESTMENT POLICY



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## **Purpose**

In accordance with Government Codes §53601, 53635 et seq., this policy is intended to provide guidance, control, and direction for the management of surplus funds entrusted to the care of the Solano County Treasurer. These funds are invested collectively and referred to as the Treasury Pool. In addition, the Treasurer is entrusted with segregated investments related to debt issuance and other sources. These funds are invested within the scope of all applicable bond issuance documents, government codes, trust agreements, or other restrictions in effect at the time of the deposit and during the holding period. Any funds entrusted and invested outside the Treasury Pool are accounted for separately.

## **Scope**

This policy applies to all funds over which the Treasurer has been granted fiduciary responsibility and direct control for managing, except for those funds described in the segregated funds section of this policy. All segregated funds are managed in accordance with any laws, adopted policies, trust agreements, or other directives applicable to the specific segregated fund.

## **Implementation**

The guidelines and restrictions found herein shall be applied to all actions taken after its adoption by the Board of Supervisors and shall remain in effect until replaced.

## **Participants**

This investment policy generally restricts deposits to those funds mandated by law or contractual agreement to be held in the care of the County Treasurer.

On the consent of the Treasurer, exemptions may be granted pursuant to Government Code §53684 for non-mandatory depositing agencies or non-mandated funds, if it is determined that the additional deposit provides a benefit to the Treasury Pool as a whole while not creating an unmanageable liquidity risk.

Non-mandated depositors or funds may be subject to specific transactional limitations that mitigate the non-mandated deposit liquidity risk. These restrictions may include, but are not limited to, restrictions on the number of transactions per month, the size of individual transactions, and the amount of notification time required before processing a transaction. Non-mandated depositors must agree to the terms and conditions of the deposit prior to the Treasurer's acceptance of any non-mandated funds. As a default, these restrictions shall be not more than five transactions per month, not more than the lesser of ten million dollars

or one percent of the portfolio in aggregate transaction totals per month, and a minimum of thirty days' prior notification for any transaction.

## **General Policy Statement**

It shall be the policy of the Solano County Treasurer to manage the Treasury Pool in accordance with applicable State codes and for the benefit of the pool participants. The Treasurer will make every reasonable effort to maintain the composition of the Treasury Pool within an acceptable risk-return profile. To achieve and maintain this profile, the Treasurer may direct investment purchases or sales to adjust the credit risk, interest rate risk, liquidity risk, or other risks inherent in investment pools.

## **Objectives**

Per Government Code 53600.5, it is the objective of the Solano County Treasurer to invest public funds in a manner that provides security of principal and sufficient liquidity to ensure that the specific portfolio can meet its cash flow needs, and generates returns commensurate with the inherent risks being managed. This practice is generally referred to as the "SLY" principle, which is Safety, Liquidity, and Yield.

**Safety:** The safety of the principle seeks to ensure the preservation of capital. The objective will be to manage credit risk and market risk

- a) Credit risk, also known as default risk, is the risk that the issuer of a fixed-income security may be unable to make timely principal and interest payments. This risk is mitigated through diversification, a process whereby funds are invested in multiple issuers as opposed to a single name and limiting investments to highly rated issuers.
- b) Market risk is the risk that an investment will be difficult or impossible to sell at a reasonable price relative to its potential return. Market risk increases or decreases based on several factors, including the notoriety of the debt issuer and the frequency at which they issue debt. The size, structure, and complexity of the particular security, and the size of the market it is issued in, are also factors that impact the marketability of the security. Market risk is mitigated in the portfolio through the purchase and holding of securities issued by larger, more well-known, and higher-rated issuers, such as the United States Treasury and Federal Agencies.

**Liquidity:** The investment pool shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by purchasing securities from large, well-known, and highly rated issuers, as well as maintaining a ladder of investments whose maturities are timed to match the historical needs of depositors. This includes structuring the ladder to provide additional maturities in the summer months when cash demands exceed deposits. The Treasury Pool also maintains cash balances in several

Money Market and Money Market-like instruments including the Local Agency Investment Fund.

**Yield:** The Treasury Pool shall be managed with the objective of maintaining a rate of return commensurate with the risk through various budgetary and economic cycles, taking into account prevailing interest rates, liquidity needs as described above, and the limits on the types of securities the Treasury Pool is authorized to purchase.

A prudent balancing of liquidity needs results in an investment return for Treasury pool participants that is higher, under most conditions, than that which would be available to them in an overnight investment. However, as a consequence of purchasing longer maturity investments with higher yields, the yield on the Treasury Pool can be expected to lag changes in market interest rates. The result is a buffered yield on the Treasury Pool that is expected to move in the direction of market rates and provide the added advantage of revenue stability for budget purposes.

Securities may be sold prior to maturity. Reasons for selling include, but are not limited to, a declining credit rating, reducing potential loss, adjusting yield, duration or liquidity, and rebalancing the portfolio to compliance.

## **Standard of Care**

The following policies are designed in accordance with Government Code §53600 et al and the recommended best practices of the Government Finance Officers Association (GFOA) to provide transparency to Treasury operations while enhancing portfolio controls.

- a) **Mark to Market:** In accordance with Governmental Accounting Standards Board (GASB) Statement 40, the portfolio will be marked to market on a monthly or more frequent basis and treated as “Available for Sale” for reporting purposes.
- b) **Wires, ACHs, and other electronic transfers:** Electronic transfers will require either dual control in the establishment of a repetitive transaction or dual control in the release of a non-repetitive transaction.
- c) **Prudent Investor:** Treasury staff will at all times be held to the “Prudent Investor Standard” when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds. The County Treasurer and his/her deputies shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the County and other depositors that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of investing funds of a like character and with like aims to safeguard the principal and maintain the liquidity needs of the County and other depositors.

- d) **Indemnification:** The Treasurer and his or her staff, when acting in accordance with written procedures and this investment policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes. Investments shall be made with judgment and care under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs. Investments will not be made for speculation but for investments consistent with the stated objectives.
- e) **Ethics and Conflicts of Interest:** County officers, employees, agents, and any others who may be directly involved in the investment decision-making process shall adhere to all applicable laws regarding conflicts of interest and refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions. Individuals making or advising on investment decisions shall refrain from conducting personal investment transactions with the same individual firm with whom business is conducted on behalf of the County. The receipt of gifts is subject to the disclosure requirements and limitations set forth in sections §87200 and §89503 of the Government Code. In addition, the receipt of honoraria is prohibited.
- f) **Delegation of Authority – Government Code §53607:** California Government Code §53607 authorizes the County Board of Supervisors to delegate the investment function to the County Treasurer for a one-year period. The Treasurer shall thereafter assume full responsibility for those transactions until the authority is revoked or expires and shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy.
- g) **Transactions Records:** All Treasury records will be maintained in accordance with the County's adopted records retention policy.

## **Banking**

Banking services are utilized to facilitate the financial transactions required by the pool participants. The bank or banks providing these services will be selected in accordance with Government Code §53635.2. Where possible the Treasurer will strive to consolidate banking services in order to achieve the most cost-effective means of meeting the needs of the pool participants.

In addition, the Treasurer works with the County Auditor, the Department of Information Technology, and representatives from Schools and other districts depositing funds into the Treasury. The objective is to the extent possible automate the transfer of financial information between disparate groups. These efforts are intended to provide enhanced

internal controls, reduce staff workloads, and generate cost savings for the pool participants.

## **Safekeeping and Custody**

**Delivery vs. Payment:** Purchased, or otherwise acquired, investment securities will be delivered by Fed Book Entry, DTC, or physical delivery, and to the extent feasible, held in third-party safekeeping with a designated custodian. To the greatest extent possible, all transactions will be conducted on a Delivery Versus Payment (DVP) methodology where funds for payment are released simultaneously with the arrival of the investment.

**Third-party Safekeeping:** The trust department of a bank or other qualified provider selected by the Treasurer will be designated as custodian for safekeeping specific securities in the county's name. The custodian shall provide reporting and as needed real time access to financial records that show the specific instrument, selling broker/dealer, issuer, coupon, maturity, CUSIP number, purchase or sale price, transaction date, and other pertinent information. The custodian will annually provide to the Treasurer the latest Service Organizational Control Reports.

## **Reporting**

In accordance with the requirements of Government Codes §53607 and §53646, the Treasurer will publish on the County public website, or make available through other electronic means, a detailed report of the investment positions on a monthly basis, and will, on an at least quarterly basis, also disclose the amount of liquidity available to meet cash flow demands for the subsequent six-month period.

In addition, it is the practice of the Treasurer to provide additional information to provide transparency in Treasury operations. This information includes:

- a) A monthly summary report showing the ending assets, summary income, and net asset value of the Treasury Pool portfolio.
- b) Asset balances, income, and net asset values.
- c) Security level detail regarding par, book, market, premiums, discounts, and mark-to-market for all securities.

Transaction records, bank statements, account reconciliations, and associated accounting materials are filed and maintained in accordance with Government Code §27000 - §27013 inclusive; and the County's adopted records retention policy.

## **Compensation**

In accordance with Government Code §27013 and 53684, the Treasurer will charge all pool participants for administrative and overhead costs. Costs include, but are not limited to, employee salaries and benefits, portfolio management, bank and custodial fees, software maintenance fees, and other direct and indirect costs incurred from handling or managing funds. Costs will be deducted from interest earnings on the pool prior to apportioning and paying interest. The Treasurer shall annually prepare a proposed budget providing a detailed itemization of all estimated costs, which comprises the administrative fee charged in accordance with California Government Code §27013. The administrative fee will be subject to change annually. At the end of each fiscal year, the amount of the administrative fee is adjusted to reflect the actual Treasury costs for the year.

## **Financial Dealers and Institutions**

As a trustee of public funds held on behalf of other governing bodies, it is the Treasurer's policy to use those financial institutions and financial service providers who provide the greatest investment benefit to the pool participants.

- a) Issues of public social concern and benefit will be evaluated on a case by case basis using the minimum criteria to be eligible to receive County funds., All banks, savings associations, or federally insured industrial loan companies must have received an overall rating of not less than "satisfactory" in their most recent evaluation by the appropriate federal financial supervisory agency of record.
- b) Any decision to conduct financial transactions with an entity shall be made exercising care, skill, prudence, and diligence under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs.
- c) Authorization of Brokers/Dealers to conduct business with the County is in the sole discretion of the Treasurer. In order to assist in the determination process, Brokers/Dealers must provide reasonable proof of qualifications. In accordance with Section 53601.5, institutions eligible to transact investment business with the County include:
  - a. Institutions licensed by the state as a broker-dealer.
  - b. Institutions that are members of a federally regulated securities exchange.
  - c. Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
  - d. Nationally or state-chartered banks.
  - e. The Federal Reserve Bank.
  - f. Direct issuers of securities eligible for purchase.

Additional criteria for authorization of Brokers/Dealers are as follows:



- i. Any individual Broker/Dealer or Broker/Dealer firm that has made any political contribution to any agency, individual, or campaign within the potential scope of this policy, at any time during the prior 48 months that exceeds the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, shall be barred from consideration.
- ii. Individual Brokers/Dealers and Broker/Dealer firms must be in good standing with the NASD.

## **Constitutionally Mandated Temporary Transfers**

Pursuant to Article XVI, section 6 of the California Constitution, the County Treasurer, upon resolution of the Board of Supervisors, has the power and the duty to make temporary transfers of Treasury Pool funds to districts whose funds are in the custody of, and paid out solely through, the Treasurer's Office. In accordance with statute, these temporary transfers will be limited to 85% of all anticipated revenues accruing to the district that are mandated for deposit with the Treasury.

## **Calculating and Apportioning Pool Earnings**

The Solano County Investment Pool is comprised of monies from multiple units of the county, schools, agencies, and districts. Each entity has unique cash flow demands which dictate the type of investments the Treasurer must purchase. To ensure parity among the pool participants when apportioning interest, the following procedures have been developed.

- a) Interest is apportioned on at least a quarterly basis in accordance with California Government Code §53645.
- b) Interest is apportioned to pool participants based on the participant's average daily fund balance as determined by the Auditor-Controller.
- c) Interest is calculated on an accrual basis for all investments in the Treasurer's Pool by the Treasurer and reported to the Auditor-Controller for distribution into the funds of the participants.
- d) The Auditor-Controller deducts accounting fees from, and makes adjustments to, the interest earnings and apportions the remaining earnings to all participants based on the positive average daily balance.
- e) Negative average daily fund balances will be charged interest at the rate of interest that is being apportioned.

## **Deposit and Withdrawal Requests**

Solano County operates a Pooled Investment Portfolio that allows optimal liquidity and diversification for depositing agencies. Unless otherwise specified, monies from all units of government, schools, agencies, and districts deposited into the Treasury are combined into the Treasury Pool. The purpose of the combined portfolio is to increase participant's liquidity and not limit them to specific investments. This portfolio is managed as a unit based on a calculated combined cash flow of all the participants. See "Participants" section for additional information and restrictions on deposits.

Per Government Code §27136, the Treasurer will approve all material withdrawals from the investment pool that are made for the purpose of investing or depositing those funds outside the County Treasury Pool. Transactions by non-mandatory depositors will be at a minimum, subject to the limitations as described in the Treasurer's pool participants section of this policy.

Exceptions to the combined pool are allowed for bond proceeds and other funds that must be segregated by applicable bond documents, trust agreements, statutes, or other restrictions in place at or during the time the funds are entrusted to the Solano County Treasurer. Investment and reporting of these funds will be segregated from the Treasury Pool. For additional information, see "Bond Proceeds Portfolios".

## **Authorized Investments and Restrictions**

The Solano County Treasurer's Pool shall be governed by the tenets of Government Code §53600 et seq. In addition to these tenets, the portfolio is further restricted to the following criteria (percentages are based on market value at the time of purchase as of the close of the prior day's business):

- a) Municipal Securities: Bonds issued by Solano County as the local agency
  - i. No more than 30% of the portfolio may be invested in Municipal Securities.
  - ii. Maximum maturity of 30 years in accordance with Resolution 2008-96.
- b) Treasury Bills, Notes, Bonds, and other Certificates of Indebtedness backed by the full faith and credit of the United States Government
  - i. No restrictions above those mandated by §53601.
- c) Municipal Securities: Registered state warrants or treasury notes or bonds of the State of California
  - i. No more than 30% of the portfolio may be invested in Municipal Securities.
  - ii. No more than 5% of the portfolio may be invested in any single issuer.
  - iii. Maximum maturity of 30 years in accordance with Resolution 2008-96.
- d) Municipal Securities: Registered treasury notes or bonds issued by any of the other 49 states in accordance with §53601 (d)
  - i. No more than 30% of the portfolio may be invested in Municipal Securities.
  - ii. No more than 5% of the portfolio may be invested in any single issuer
  - iii. Maximum maturity of 30 years in accordance with Resolution 2008-96.

- e) Municipal Securities: Bonds, notes, warrants, or other evidence of indebtedness of any local agency within the State of California, not including Solano County
  - i. No more than 30% of the portfolio may be invested in Municipal Securities.
  - ii. No more than 5% of the portfolio may be invested in any single issuer.
  - iii. Maximum maturity of 30 years in accordance with Resolution 2008-96.
  
- f) Federal Agency or United States government-sponsored enterprise obligations, participations, or other instruments
  - i. No more than 80% of the portfolio may be invested in these securities.
  - ii. No more than 30% of the portfolio may be invested in any single agency.
  - iii. No more than 20% of the portfolio may be invested in federal agency callable securities.
  
- g) Banker's Acceptances
  - i. Must be issued by institutions with short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term debt obligations rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
  - ii. No more than 40% of the portfolio may be invested in Banker's Acceptances.
  - iii. No more than 5% of the portfolio may be invested in any single issuer.
  - iv. The maximum maturity does not exceed 180 days.
  
- h) Commercial Paper
  - i. The securities are issued by an entity that meets all of the following conditions in either paragraph (a) or (b) and other requirements specified below:
    - A. SECURITIES issued by corporations:
      - 1. A corporation organized and operating in the United States with assets of more than \$500 million.
      - 2. The securities are rated "A-1" or its equivalent or better by at least one NRSRO.
      - 3. If the issuer has other debt obligations, they must be rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
    - B. SECURITIES issued by other entities:
      - 1. The issuer is organized within the United States as a special purpose corporation, trust, or limited liability company.
      - 2. The securities must have program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.
      - 3. The securities are rated "A-1" or its equivalent or better by at least one NRSRO.

- ii. No more than 40% of the County's investment assets under management may be invested in Commercial Paper.
  - iii. No more than 5% of the portfolio may be invested in any single issuer
  - iv. The maximum maturity does not exceed 270 days.
- i) Negotiable Certificates of Deposit
  - i. In addition to the restrictions in 53601(i), the following additional restrictions apply:
    - A. Must be issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank.
    - B. Any amount above the FDIC insured limit must be issued by institutions that have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term obligations rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
    - C. No more than 30% of the portfolio may be invested in Negotiable Certificates of Deposit.
    - D. No more than 5% of the portfolio may be invested in any single issuer.
    - E. The maximum maturity does not exceed five (5) years.
- j) Repurchase Agreements
  - i. In addition to the restrictions in 53601(i), the following additional restrictions apply: Must be collateralized with securities authorized under California Government Code and maintained at a level of at least 102% of the market value of the Repurchase Agreement.
  - ii. Securities used as collateral for Repurchase Agreements will be delivered to an acceptable third-party custodian.
  - iii. Repurchase Agreements are subject to a Master Repurchase Agreement between the County and the provider of the repurchase agreement. The Master Repurchase Agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA).
  - iv. The maximum maturity does not exceed one (1) year.
- k) Medium-Term Corporate Bonds, Notes, or other Certificates of Indebtedness
  - i. The issuer is a corporation organized and operating within the United States or a depository institution licensed by the United States or any state and operating within the United States.
  - ii. The securities are rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
  - iii. No more than 30% of the total portfolio may be invested in medium-term corporate bonds and notes.
  - iv. No more than 5% of the portfolio may be invested in any single issuer.
  - v. The maximum maturity does not exceed five (5) years.

- l) Shares of Beneficial Interest of Mutual Funds and Money Market Mutual Funds that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940
  - i. Mutual Funds
    - A. Mutual funds that invest in securities and obligations as authorized under California Government Code, Section 53601 (a) to (k) and (m) to (q) inclusive and are issued by diversified management companies that meet either of the following criteria:
      1. Have attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
      2. Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California Government Code, Section 53601 and with assets under management in excess of \$500 million.
    - B. No more than 10% of the total portfolio may be invested in shares of any one mutual fund.
  - ii. Money Market Mutual Funds
    - A. Money Market Mutual Funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and issued by diversified management companies that meet either of the following criteria:
      1. Have attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
      2. Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of \$500 million.
    - B. No more than 20% of the total portfolio may be invested in the shares of any one Money Market Mutual Fund.
  - iii. No more than 20% of the total portfolio may be invested in these securities in the aggregate.
- m) No restrictions above those mandated by §53601 (m).
- n) No restrictions above those mandated by §53601 (n).
- o) Any Mortgage or other Asset Backed Pass-through Security not defined in sections (b) and (f) in the Authorized Investments and Restrictions section of this policy
  - i. The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.
  - ii. No more than 20% of the total portfolio may be invested in these securities

- iii. No more than 5% of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer.
  - iv. The maximum legal final maturity does not exceed five (5) years.
- p) JPA Participations
  - i. No restrictions above those mandated by §53601.
- q) International Bank for Reconstruction and Development, International Finance Corporation, Inter-American Development Bank
  - i. No restrictions above those mandated by §53601.
- r) No restrictions above those mandated by §53601 (r).
- s) Commercial Bank, Savings Bank, Savings and Loan Association, or Credit Union Certificate distribution mechanisms.
  - i. No Restrictions above those mandated by §53601.
- t) Other Restrictions
  - i. Currently callable securities are restricted to not more than 40% of the portfolio. This restriction does not apply to make-whole calls.
  - ii. Securities downgraded to below investment grade shall be reviewed and evaluated for sale at market prices if the determination is made that they present a material risk to the portfolio liquidity.

In the event a discrepancy is found between this policy and California Government Code, the more restrictive parameters will take precedence. Any investment currently held in the portfolio that does not meet the guidelines established in this policy is exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

In accordance with California Government Code Section 53601, the Treasurer retains the right to petition the Solano County Board of Supervisors for approval to invest in securities with a final maturity in excess of five years. The Solano County Board of Supervisors adoption of any resolution allowing maturities beyond five years shall be considered an allowed modification to this policy and any investments made in accordance with the modification shall be allowable under this policy.

The Board's previously granted exception in the form of Resolution 2009-65 on April 07, 2009, shall remain in effect regarding the purchase of extended maturity securities, pursuant to Government Code §53601.

## **Prohibited Investment Vehicles and Practices**

- a) State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to, futures and options.

- b) In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.
- c) Investment in any security that could result in a zero-interest accrual if held to maturity is prohibited. Under a provision sunseting on January 1, 2026, securities backed by the U.S. Government that could result in a zero- or negative-interest accrual if held to maturity are permitted.
- d) Purchasing or selling securities on margin is prohibited.
- e) The use of reverse repurchase agreements, securities lending, or any other form of borrowing or leverage is prohibited.
- f) The purchase of foreign currency denominated securities is prohibited.

## **Investment Pools/Mutual Funds**

The County shall conduct a thorough investigation of any pool or mutual fund prior to making an investment, and on a continual basis thereafter. The Treasurer shall review the investment policy, information statements, or published prospectus that include:

- a) A description of eligible investment securities
- b) A description of interest calculations and how they are distributed, and how gains and losses are treated.
- c) A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced, and the program is audited.
- d) A description of what size deposit and withdrawal are allowed.
- e) A schedule for receiving statements and portfolio listings.
- f) A statement as to whether or not reserves, retained earnings, etc., are utilized by the pool/fund.
- g) A fee schedule, and when and how is it assessed.
- h) A determination of eligibility for bond proceeds if applicable.

## **Collateralization**

**Certificates of Deposit (CDS).** The County shall require any commercial bank or savings and loan association to deposit eligible securities with an agency of a depository approved by the State Banking Department to secure any uninsured portion of a Non-

Negotiable Certificate of Deposit. The value of eligible securities as defined pursuant to California Government Code, Section 53651 et seq., pledged against a Certificate of Deposit shall be equal to 150% of the face value of the CD if the securities are classified as mortgages and 110% of the face value of the CD for all other classes of security.

**Collateralization of Bank Deposits.** This is the process by which a bank or financial institution pledges securities or other deposits for the purpose of securing repayment of deposited funds. The County shall require any bank or financial institution to comply with the collateralization criteria defined in California Government Code, Section 53651 et seq.

**Repurchase Agreements.** The County requires that Repurchase Agreements be collateralized only by securities authorized in accordance with California Government Code:

- a) The securities which collateralize the repurchase agreement shall be priced at market value, including any accrued interest plus a margin. The market value of the securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities.
- b) Financial institutions shall mark the value of the collateral to market at least monthly and increase or decrease the collateral to satisfy the ratio requirement described above.
- c) The County shall receive monthly statements of collateral.

## Other Policy Considerations

**Disaster Recovery:** The County Treasury maintains disaster recovery policies, procedures, and practices that are tested and updated on a regular basis as technologies and conditions change. These items are intended first and foremost to provide the maximum protection to Treasury assets in the event of a natural or manmade disaster.

The Treasury also maintains contingency operating procedures to provide business continuity in the event that key County facilities or equipment are unavailable for extended periods of time.

**Auditing:** Pursuant to Government Code §26920, the Treasury undergoes a quarterly review of the Treasurer's Statement of Assets conducted by the Internal Audit division of the Auditor-Controller's office. The Auditor's review shall be accomplished in accordance with the appropriate professional standards, as determined by the County Auditor. The Treasurer shall prepare a statement showing the amount and type of assets in the County Treasury as of the date of the review. The review shall include:

- a) Counting cash in the Treasury.



- b) Verifying that the records of the Treasurer and Auditor are reconciled pursuant to California Government Code § 26905.
- c) Issuing a report to the Board of Supervisors in accordance with the Statements on Standards of Accounting and Review Services issued by the American Institute of Certified Public Accountants.
- d) On an annual basis, the Internal Audit Division of the Auditor-Controller's Office shall perform, or cause to be performed, an audit of the assets in the County Treasury and express an opinion on whether the Treasurer's Statement of Assets is presented fairly and in accordance with Generally Accepted Accounting Principles.
- e) The report shall be addressed to the Board of Supervisors. The quarterly review referenced above need not be performed for the period when an audit is conducted.

**Environmental, Social, and Governance (ESG) considerations:** The Treasurer will recommend policy changes as appropriate and consistent with the objectives of the policy.

## **Investment of Segregated Funds**

As needed, the Treasurer may be entrusted to manage the proceeds of specific bond issuances or other deposited funds as separate investments from the Treasury Pool. These include, but are not limited to, General Obligations of the County, County TRANs, Pension Trust Funds, School General Obligations, School TRANs, and State or other entity provided loans or deposits to local agencies, including School Districts.

**Participation:** Participation in a "segregated funds" portfolio is restricted to the terms of the specific issues trust agreement or as directed by the appropriate legal counsel. Establishment of a segregated investment will be by mutual agreement of the requesting agency and the Treasurer.

**Portfolio Restrictions:** Funds in any segregated portfolio will be governed by the tenets of the trust agreement and any other agreed upon governance. Segregated investments will be held to the prudent investor standard.

- a) Investments in this portfolio are not subject to the limitations of §53601 - §53609 inclusive.
- b) For tax purposes, portfolio investments may be restricted to tax exempt or other specific tax treatment securities.

- c) As a result of spending restrictions, portfolio funds may be invested in securities with durations of up to forty years or as otherwise proscribed in the trust agreement.

**Withdrawing funds from the Portfolio:** Withdrawals are subject to the limitations and restrictions as described in the trust agreement. Any gains or losses realized as a result of changes in the anticipated withdrawal schedule will be apportioned to the depositor's fund.

**Special Investments:** Special investments are subject to the restrictions of the individual bond issuance as described in the trust agreement or as directed by the appropriate legal counsel.

**Roles and Responsibilities:** The Treasurer manages these funds on behalf of the depositor and relies on the depositor to provide accurate information with regard to liquidity and other specific investment needs. It shall be the responsibility of the depositor to notify the Treasurer of any changes in the investment requirements. Balances are validated against records maintained by the Auditor – Controller's office.

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## California Government Code Sections Referenced:

§26900-26922  
§27000-27137  
§53600-53610  
§53630-53692  
§57600-57607