

ADMINISTRATIVE REPORT

Date: June 3, 2014

Agenda Item No.: 6

Council Action Date: June 16, 2014

To: Honorable Mayor and City Council

**From: Mark D. Watkins, City Manager
Rick Raives, Acting Chief Financial Officer**

Subject: Proposed FY 2014-15 Annual Statement of Investment Policy

RECOMMENDATION

It is recommended that the City Council rescind Resolution No. 2013-028 and adopt the attached Resolution that approves the FY 2014-15 Statement of Investment Policy "Exhibit A".

PREVIOUS COUNCIL ACTION

The Statement of Investment Policy was adopted by the City Council on June 17, 2013.

DISCUSSION

Section 18.0 of the City's Statement of Investment Policy requires an annual submittal of the Policy for the City Council's adoption. Only minor administrative cleanup items are proposed at this time:

1) Change to Exhibit A - Attachment 5, Section 5 D and 5H to update language to reflect our new banking services agreement.

2) Modify Exhibit A- Attachment 5 Section 7 G to change responsibility for the City's bank reconciliations. This reassignment of duties has been made to provide flexibility in the F&T Department and to match the complexity of the bank reconciliation to the technical abilities of department staff. This will also assist the department to more efficiently complete this crucial function and provide increased separation of duties for purposes of internal controls.

3) Typographical corrections: removal of outdated, unclear, and/or unneeded information and technical corrections, and formatting changes have been made to improve readability, accuracy of the Policy, and compliance with the California Government Code and other applicable laws and regulations.

A “redline” version of the proposed Statement of Investment Policy is attached for review.

The City holds an Award of Excellence from the Association of Treasurers of the United States & Canada for its Statement of Investment Policy. To receive this award, the Policy and Guidelines must meet specific criteria and comply with the California Government Code. This national organization sets the standards for Model Investment Policies and provides professional guidance and assistance in developing or improving existing investment policies in the public sector. The City’s Investment Committee updates the Policy annually in conformance with the California Government Code and suggested guidelines provided by this Association.

IMPACTS

There are no direct fiscal impacts related to accepting the recommended changes to this policy. These policies provide specific guidelines that meet all Federal, State, and local statutes governing the investment of public funds for the prudent investment and preservation of temporarily idle cash, trust funds, and restricted cash. It is the City’s policy to invest public funds in a manner that will provide maximum security while meeting daily cash flow demands and prudent investment returns. Yield and return on these investments will vary depending upon the security of the investment, the national and world economy, and the fixed income market.

ALTERNATIVES

The City Council could decide not to adopt an annual Statement of Investment Policy; however, such action would place the responsibilities of the Treasurer on the City Council.

The City Council has the discretion to further amend, restrict, or limit the City’s investment and cash management practices as described in the proposed Statement of Investment Policy for FY 2014-15.

Prepared by Rudolf Livingston, Assistant Chief Financial Officer/Acting Treasurer



Rick Raives
Interim Chief Financial Officer

FORWARDED TO THE CITY COUNCIL

Administrative Report

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City Manager's Office

ATTACHMENTS

- A Statement of Investment Policy
- B Resolution of the City Council Acknowledging Receipt and Filing of the City's FY 2014-15 Statement of Investment Policy "Exhibit A"

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ATTACHMENT A
Statement of Investment Policy

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EXHIBIT A

CITY OF VENTURA FISCAL YEAR 2014-15 STATEMENT OF INVESTMENT POLICY

(This Statement of Investment Policy encompasses the following areas of concern to a sound investment and cash management program)

STATEMENT OF INVESTMENT POLICY:

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1.0 MISSION STATEMENT

This Statement of Investment Policy is intended to establish guidelines for the prudent investment of temporarily idle cash, trust funds, and restricted monies and to outline a policy for maximizing the efficiency of the cash management program. It is the policy of the City of Ventura to invest public funds not required for immediate day-to-day operations in safe and liquid investments having a market-average rate of return while conforming to all Federal, State, and local statutes governing the investment of public funds.

2.0 SCOPE

This Statement of Investment Policy (the Policy) applies to the pooled investment portfolio of the City, which encompasses all monies under the direct oversight of the Chief Financial Officer/Treasurer (hereafter "the Treasurer"). Provisions on how bond/certificates of participation assets are invested, while directed by the City, are provided for within the trust indenture of each debt issue. The Trustee issues monthly reports on the investment activity and cash assets related to each debt issue and the assets from this reporting shall be included in the monthly Treasury Cash Management/Investment Report.

2.1 Funds: These funds are accounted for in the City's Audited Annual Financial Report and include the following funds:

- Governmental Funds;
- Proprietary Funds;
- Fiduciary Funds; and
- Any new fund created by the City, unless specifically exempted.

2.2 Funds Excluded From This Policy: Assets held by the City as a trustee as part of the employee-deferred compensation program and any other funds specifically exempted are not subject to this policy.

3.0 PRUDENT INVESTMENT STANDARDS

Persons authorized to make investment decisions and invest public monies pursuant to this policy are trustees and, therefore, fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public monies, the Treasurer and other persons authorized to make investment decisions and invest public monies pursuant to this policy shall act with care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of their affairs in the management of monies of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the City and the Financing Authority.

All such investments, reinvestments, purchases, acquisitions, exchanges and sales, shall be made subject to and in accordance with this policy and the provisions of Sections 53600 through 53683 of the California Government Code and other applicable laws and regulations.

4.0 OBJECTIVES

The City's cash management system is designed to monitor and forecast revenues and expenditures enabling the Treasurer to invest funds to the fullest extent possible. The Treasurer maintains a diversified portfolio to accomplish the primary objectives in the order of safety, liquidity, and return on investments (in that order of priority).

- 4.1 Safety:** Safety of principal is the foremost objective of the investment program. Investments of the City of Ventura shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the City will diversify its investments by investing funds among a variety of securities offering independent returns and financial institutions.

The safety/risk associated with an investment refers to the potential loss of principal, accrued interest, or a combination of these. The City seeks to mitigate credit risk by prequalifying and continually monitoring financial institutions with which it will do business, and by careful scrutiny of the credit worthiness of the investment instruments. Such resources as the Moody's Investors Service, Inc., and Standard and Poor's rating services are utilized for this review. The City seeks to mitigate interest rate risk through diversification of investment instruments as well as maturities.

- 4.2 Liquidity:** The investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements, which might be reasonably anticipated. This will be accomplished through diversity of instruments to include those with active secondary markets, those that can match maturities to expected cash needs, and the State Local Agency Investment Fund with immediate withdrawal provisions.

- 4.3 Return on Investments:** A competitive market rate of return is the third objective of the investment program after the fundamental requirements of safety and liquidity has been met. The Policy is designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

The Treasurer strives to maintain the level of investment of idle monies near to 100 percent as possible. Consistent with this policy, investments are made under the terms and conditions of Sections 16429.1 and 53600-53683 of the California Government Code.

5.0 DELEGATION OF AUTHORITY

The City's authority to make investments and manage the investment program is derived from the Municipal Affairs provision of the City Charter and California Government Code Sections 53600, et seq. Authority and responsibility for making investments and managing the investment program on behalf of the City, as provided in this policy, is hereby delegated to the Treasurer, who shall establish written procedures for the operation of the investment program

consistent with this investment policy. California Government Code Section 53607 limits this delegation by the legislative body to the Treasurer for a one-year period. The Treasurer thereafter assumes full responsibility for those transactions until the delegation of authority is revoked or expires. Subject to review, the legislative body may renew the delegation of authority pursuant to this section each year.

Procedures should include provisions for safekeeping, repurchase agreements, wire transfer agreements, collateral/depository agreements, and banking services' contracts, as appropriate. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Under the provisions of California Government Code Section 53600.3, the Treasurer is a trustee and fiduciary subject to the prudent investor standard.

5.1 The Treasurer may authorize the Assistant Chief Financial Officer (hereafter "ACFO") to act as the Treasurer's deputy in performing the Treasurer's functions and duties under this policy. The Treasurer may authorize a staff person assigned to the Cash Management section of Treasury to execute transactions as prescribed by the ACFO in his/her absence. When acting as the Treasurer's deputy as provided in this paragraph, the ACFO shall be subject to the same limitations, obligations, and requirements as the Treasurer.

5.2 The Treasurer has established a system of controls and a segregation of responsibilities of investment functions to assure maintenance of internal control over the investment function.

5.3 The Treasurer shall have authority to amend the City's Investment Portfolio Guidelines and Procedures (documented as AP&P 16.2 and included as Attachment No. 2 herein) in order to carry out the duties as chief investment officer for the City of Ventura. Any such amendments must be consistent with the City's established Statement of Investment Policy. Notice of any such amendment shall be given to the Investment Review Committee on a quarterly basis and the City Council annually as a part of the annual Statement of Investment Policy Legislative Body adoption process.

6.0 ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment program 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. The City has adopted an employee handbook called "Core Ethical Principles to Work By" to encourage high standards of employee behavior, increase public confidence, and to assist employees with the decision making process. Additionally, the officers and employees involved in the investment program are required to complete State of California Form 700, Statement of Economic Interests Disclosure requiring annual disclosure on material financial interests.

7.0 AUTHORIZED FINANCIAL INSTITUTIONS AND BROKER/DEALERS

The City will generally utilize no more than three brokers/dealers in any year. The Treasurer shall transact business only with nationally or state chartered banks, and securities dealers. Such banks and securities dealers must meet the criteria specified below.

7.1 Financial institutions must meet the following criteria:

- Minimum of \$10 billion in assets, except for "Home based" financial institutions located in the County;
- Rated A or better by a rating agency;
- Maintain an equity-to-assets ratio of at least 4%; and
- Meet applicable State and Federal laws and regulations.

7.2 Broker/Dealers must meet the following criteria:

- Designated "Primary" by the Federal Reserve Bank;
- Maintain an office in the State of California;
- Must be adequately capitalized;
- Make markets in securities appropriate to the City's needs;
- Meet applicable State and Federal laws and regulations; and
- Agree to abide by the conditions set forth in the City's Statement of Investment Policy.

7.3 All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must provide the Treasurer with the following information:

7.3.1 Financial Institutions:

- Current audited financial statements
- Completed financial institution questionnaire
- Depository contracts

7.3.2 Primary Broker/Dealers:

- Current audited financial statements
- Proof of National Association of Security Dealers certification
- Trading resolution
- Proof of California registration
- Completed broker/dealer questionnaire

7.4 To continue to maintain broker/dealers with quality services, expertise, and credit worthiness, the Treasurer may on a selective basis expand the approved list of Primary dealers to include "qualified regional" dealers.

A "regional" dealer must demonstrate the following requirements:

- The "qualified regional" firm must be able to demonstrate their services will specifically and immediately benefit the City and/or that their expertise is not currently being provided by a primary broker/dealer.
- In addition to qualifying under the Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule), the regional dealer does not self-clear securities. The clearinghouse through which all transactions are cleared and settled has a minimum investment grade rating of 'A' or better by Standard and Poor's or Moody's.
- The representatives chosen to work with the Treasurer are institutional brokers familiar with and experienced in the specific needs of California public funds. "Familiar" implies an institutional broker who spends the majority of their time and effort working with public funds.
- No Broker/Dealer shall be selected, which has within any consecutive 48-month period made a political contribution to publicly elected officials or to any candidate for these offices in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board.
- No Broker/Dealer shall be selected, which has exceeded any political contribution limit as it pertains to the City's Campaign Reform Act (Ordinance No. 95-34).

7.5 An annual review of the financial condition and registrations of qualified bidders will be conducted by the ACFO and the Accounting Manager.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS

California Government Code Section 53601 lists eligible securities for the investment of surplus monies by local agencies. The City's Statement of Investment Policy further restricts its investment than is allowable under Government Code Section 53601. Any future amendments to Section 53601 that may further limit, or restrict, or may be in direct conflict with the authorized and suitable investments described in the City's Policy, Section 53601 will prevail. The following are authorized investments and applicable limitations:

8.1 U.S. Government

**No limit
(Prudent Investor Rule Applies)**

United States Treasury Bills, Notes, and Bonds are backed by the full faith and credit of the United States Government. There shall be **no limitation as to the percentage** of the portfolio invested in this category. Maturities are limited to a maximum of five years.

**8.2 U.S. Agencies (Government Sponsored Enterprises) No limit
(Prudent Investor Rule Applies)**

The purchase of instruments of, or issued by a federal agency or a United States government-sponsored enterprise, will be limited to a maximum maturity of five years. Such agencies include, but are not limited to, the Federal Farm Credit Bank System (FFCB), the Federal Home Loan Bank (FHLB), the Federal Home Loan Mortgage Corporation (FHLMC), the Student Loan Mortgage Administration (SLMA), and the Federal National Mortgage Association (FNMA) and those insured by the Federal Housing Administration (FHA). Although there is **no percentage limitation on these issues**, the "prudent investor" rule shall apply for a single agency name, as U.S. Government backing is implied rather than guaranteed. Maturities are limited to a maximum of five years.

8.3 Bankers' Acceptances 20% limit / 5% per issuer

Bills of exchange or time drafts drawn on and accepted by commercial banks that are eligible for purchase by the Federal Reserve System are known as bankers' acceptances. Purchases of these instruments **may not exceed 180 days** maturity or represent more than 5 percent of any one issuer, and shall be limited to 20 percent of the City's surplus monies.

8.4 Commercial Paper 15% limit / 5% per issuer

This short-term unsecured promissory note is issued to finance short-term credit needs. Eligible paper rated "P-1" by Moody's Investors Service, "A-1" by Standard & Poor's or "F-1" by Fitch Financial Services, issued by a domestic corporation having assets in excess of \$500,000,000 and having an "A" or better rating on issuer's long term debt. Purchases of commercial paper **may not exceed 270 days** maturity or represent more than 5 percent of the outstanding paper of an issuing corporation. Commercial paper **purchases shall be limited to 15 percent of the City's surplus monies.**

8.5 Negotiable Certificates of Deposits (NCD's) 20% limit / 5% per issuer

Allowable NCD's are issued by a nationally or state-chartered bank of a state or federal association or by a state-licensed branch of a foreign bank. Purchases of **NCD's shall be limited to 20 percent of the City's surplus monies** in institutions rated "A-1" or better by Moody's, "P-1" or better by Standard and Poor's and "F1" or better by Fitch. NCD's are considered liquid, trading actively in the secondary market. Maturities are limited to a maximum of five years.

**8.6 Certificates of Deposits (CD's): Limited to the current
FDIC insured maximum amount per issuer**

FDIC federally insures certificates of deposit or "time deposits" of up to the current

FDIC insured limit. This investment policy shall limit such investments up to the current FDIC insured limit only and the financial institutions must meet the following criteria:

- Minimum of \$10 billion in national assets;
- Rated A or better by a national rating agency; and
- Equity-to-assets ratio of at least 4%.

Financial institutions located in the County that are considered "Home based" are not required to meet the minimum of \$10 billion in assets; however, all other criteria must be met. Maturities are limited to a maximum of five years.

8.7 Certificate of Deposit Account Registry Service (CDARS) \$5M limit

Certificates of Deposits Account Registry of up to \$5 million may be placed with a financial institution belonging to a special network of members. The member financial institution uses CDARS to place funds into certificates of deposits issued by banks in the network. This occurs in increments of less than the standard FDIC insurance maximum to ensure that both principal and interest are eligible for full FDIC insurance. Purchases of **CDARS shall be limited to \$5 million or less of the City's surplus monies**. Maturities are limited to a maximum of five years. Government Code Section 53601.8 was added to the Government Code to allow local agencies to participate in CDARS as of January 1, 2007.

8.8 Repurchase Agreements 20% limit

The City may invest in repurchase agreements with primary dealers of the Federal Reserve Bank of New York with which the City has entered into a **Master Repurchase contract**, which specifies terms and conditions of repurchase agreements. Investments in repurchase agreements may be made only on investments authorized by Section 8.0 of this Policy.

The term of repurchase agreements **shall not exceed 92 days and purchases shall be limited to 20% of the City's surplus monies**. The market value of securities that "underlay," or are used as collateral for, repurchase agreements shall be monitored by the Treasurer and the value of such securities shall not be allowed to fall below 102 percent of the funds borrowed against those securities and the value shall be adjusted no less than quarterly.

In order to conform with provisions of the Federal Bankruptcy Code, which provides for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be eligible negotiable certificates of deposit, bankers' acceptances, commercial paper, or securities that are direct obligations of or that are fully guaranteed by the United States or any agency of the United States. California Government Code, Section 53651, further defines these eligible securities.

8.9 Medium Term Notes

20% Limit / \$5M with any one-sector

The City may invest in medium-term notes issued by corporations organized and operating within the United States. Medium term notes must have a rating category of "A" or its equivalent or better by a nationally recognized rating service (i.e., Moody's, Standard & Poor's or Fitch). Purchases **shall be limited to 20% of the City's surplus monies** and shall not exceed \$5 million with any one-sector type. Examples of sector types are: public utilities, industrial companies, bank and finance companies, and transportation companies that issue medium term corporate notes. Maturities are limited to a maximum of five years.

8.10 Money Market Mutual Funds **20% Limit / 5% per issuer / \$500M in assets**

Shares of beneficial interest (mutual funds) issued by diversified management companies investing in securities/obligations authorized by California Government Code, Section 53600 et. seq., and complying with Section 53630, are permitted investments. Section 53601(k) further defines requirements of the diversified management companies. Purchases of money market mutual funds **shall be limited to 20 percent of the City's surplus monies**; however, no more than 5 percent of the City's surplus funds may be invested in shares of beneficial interest of any one money market mutual fund pursuant to paragraph (1) Section 53601 (k). The fund shall be registered with the SEC, attain the highest ranking by two nationally recognized rating organizations, and have assets in excess of \$500 million. The fund's investment advisor shall have no less than five years experience.

8.10.1 Investigation and Due Diligence: A thorough investigation of the fund is required prior to investing and on a continual basis. The following information is required prior to investing in a Money Market Mutual Fund:

- A description of eligible investment securities, and a written statement of investment policy and objectives;
- A description of interest calculations and how it is distributed, and how gains and losses are treated;
- A description of how the securities are safeguarded (including the settlement processes), how often are the securities priced, and the program audited;
- A description of who may invest in the program, how often, and the size of the allowable deposit and withdrawal;
- A schedule for receiving statements and portfolio listings;
- Are reserves, retained earnings, etc., utilized by the fund;
- A fee schedule and when and how is it assessed; and
- Is the fund eligible for bond proceeds and/or will it accept such proceeds?;

8.11 Local Agency Investment Fund (LAIF)

**\$50M limit per local agency
(under current law)**

The State Treasurer, for the benefit of California local governmental agencies, established the Local Agency Investment Fund. The **City may invest up to the maximum permitted by State law, which is currently \$50 million** and subject to change. By separate Resolution, each of the governmental agencies listed below have established an account with LAIF:

San Buenaventura Local Governmental Agencies:

- City of San Buenaventura; and
- San Buenaventura Public Facilities Financing Authority.

8.12 **State of California or Municipal Debt:** Such bonds are defined as being issued by a local California agency, including:

- Bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.
- Registered state warrants or treasury notes or bonds of the State of California including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.
- Bonds, notes, warrants, or other evidences of indebtedness of any local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency

8.13 **Ineligible Investments:** Investments not described in Section 8.0 (Authorized and Suitable Investments), including but not limited to reverse repurchase agreements, common stocks, commodities such as gold and silver, financial future contracts and options, are prohibited investments under this policy. Furthermore, the City of Ventura shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools or any investment that may result in a zero interest accrual if held to maturity.

9.0 COLLATERAL

The issue of collateral requirements is addressed in California Government Code Section 53652. All active and inactive deposits must be secured at all times with eligible securities in securities pools pursuant to Sections 53656, 53657, and 53658. Eligible securities held as collateral shall have a market value in excess of the total amount of all deposits of a depository as follows:

- Government securities, at least 10 percent in excess;
- Mortgage-backed securities, at least 50 percent in excess; and
- Letters of credit, at least 5 percent in excess.

10.0 SAFEKEEPING AND CUSTODY

To protect against fraud, embezzlement, or losses caused by collapse of an individual securities dealer, all securities owned by the City shall be held in safekeeping by a third party bank trust department designated by the Treasurer and evidenced by safekeeping receipts that establish the City's ownership of the securities. All security transactions entered into by the City shall be done on a delivery-versus-payment (DVP) through the City's safekeeping agent.

11.0 DIVERSIFICATION

In an effort to reduce portfolio risk while attaining a market rate of return, the City's portfolio will be suitably diversified by security/agency type and by institution/issuer.

With the exception of U.S. Treasuries, Agencies, and authorized pools, such as LAIF, no more than 30% of the City's total investment portfolio will be invested in a single security type or with a single issuer. Investments are further limited by specific language relating to each investment type as stated in Section 8.0 of this Policy.

12.0 MAXIMUM MATURITIES

To the extent possible, the Treasurer will match its investments with anticipated cash flow requirements. **The City's portfolio will not be invested in securities, which mature more than five years from the date of purchase**, except that bond and financing "Reserve Funds" held with a Trustee may be invested in securities with maturities exceeding five years. To the extent practicable, maturity of such investments shall coincide with expected use of the reserve monies.

13.0 SALES PRIOR TO MATURITY

"Buy and Hold" is not necessarily the strategy to be used in managing the portfolio. It is expected that gains will be realized when prudent and losses are acceptable if the proposed swap/trade clearly enhances the portfolio yield over the life of the new security on a total return basis. These types of transactions, including a trade resulting in a net-loss shall require the approval from a majority of the Investment Review Committee.

Losses include loss of principal and/or interest and losses resulting from the imposition of penalties.

In the case of default on any security or a rating agency downgrade in credit worthiness, the Investment Review Committee and City Council shall be notified immediately.

14.0 RATING AGENCY DOWNGRADES – WHEN TO SELL

Should a credit rating of any security fall one full grade, i.e., AAA to AA, or AA to A, or should any security be put on credit watch, these shall be triggers that alert the Investment Review Committee to begin performing more in-depth research of the events that caused the downgrade.

15.0 INTERNAL CONTROLS AND INVESTMENT REVIEW COMMITTEE

The Treasurer, ACFO, Accounting Manager, and a staff person assigned to the Cash Management section of Treasury shall maintain a system of internal controls designed to ensure compliance with City Council direction, the Statement of Investment Policy, Federal and State regulations, prudent cash management procedures, and to prevent losses due to fraud, employee error, misrepresentations by third parties, or unanticipated changes in financial markets. These internal controls are identified within the Investment Portfolio Guidelines APP 16.2.

15.1 Investment Review Committee: Established in 1985, the purpose of the Committee is to review all investment activity and investment strategies. The City Manager is the appointing authority and may at his/her discretion appoint one qualified outside member to the Committee. Currently the following City officers serve on this committee:

- The City Manager/or appointed representative;
- Qualified Outside Member;
- Treasurer; and
- Assistant Chief Financial Officer.

15.2 Finance Audit and Budget Committee: The City Manager may elect to utilize the Finance, Audit, and Budget Committee to serve with the aforementioned City Officers as the Investment Review Committee.

The Investment Review Committee will meet quarterly and review the investments of the previous quarter and develop future strategy.

15.3 Investment Portfolio Guidelines AP&P: The Investment Portfolio Guidelines AP&P 16.2 (see Attachment No. 2 of this Exhibit) was established for documenting internal procedures that assures sufficient investment controls are in place and that there is an appropriate segregation of responsibilities of investment functions. Additionally, the guidelines establish an investment plan that reflects the Treasurer and Assistant Chief Financial Officer's definition of a suitable portfolio. These guidelines shall be reviewed by the Treasurer, ACFO, and Accounting Manager annually and updated as needed.

15.4 Investment Limits: The Treasurer may trade up to 10 percent of the investment portfolio during volatile market conditions without prior approval of the Investment Review Committee. This limitation does not apply to the State's Local Agency

Investment Fund (LAIF) or any other money market account the City uses for liquidity.

15.5 Portfolio Compliance Statement: A statement of portfolio compliance shall be included with the monthly portfolio review and attached to the monthly investment report prepared by the ACFO and reviewed by the Treasurer. The compliance statement will reflect a comparison of the current Statement of Investment Policy to the City's portfolio status. Any disclosures of non-compliance shall be reported in this compliance statement.

15.6 Annual Audit: The City's portfolio is included in the annual review of the City's financial management performed by an outside independent audit firm.

15.6 Funds Transfer Agreement: The City will enter into a standard "Wire Transfer Agreement" (Form 00-35-1251 NSBW 10-2001) with the Bank of America, or similar agreement with the City's current bank. This Agreement will specify the names of the persons authorized to initiate repetitive and non-repetitive wire transfers authorized by the Treasurer. The Treasurer and/or the ACFO are authorized to sign the Agreement and shall sign the referenced Agreement on behalf of the City and shall maintain a copy of the Agreement on file in the Treasury Division.

16.0 PERFORMANCE STANDARDS

The investment portfolio will be designed to obtain a market rate of return during budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow needs. The Investment Review Committee has elected to use the 2-Yr US Treasury's 12-Month Moving Average as its performance standard.

17.0 REPORTS OF INVESTMENT ACTIVITIES

The Treasurer shall prepare a monthly report of all investment activity, including investments of bond proceeds held with Trustees. Quarterly, this report shall be forwarded to the City Council and the Investment Review Committee; and monthly to the City Manager, the ACFO and to any other interested parties upon request. The quarterly reporting shall be submitted to each member of the City Council and the Investment Review Committee within thirty days from the close of the quarter.

The monthly report must include the following details:

- Investment types;
- Liquidity;
- Par and dollar amount invested;
- Current market value of all securities and source of valuation of same rate of interest;

- A statement regarding compliance of the portfolio to the Statement of Investment Policy;
- A statement denoting that the City of Ventura will meet its expenditure obligations for the next six months; and
- Other data as may be required from time to time (i.e., notification of credit rating downgrades).

A special report will be provided by the Treasurer to the City Council and the Investment Review Committee within twenty-four to forty-eight hours should an economic market development occur that will, or may, significantly impact the City's investment portfolio and the economic condition of the City.

18.0 LEGISLATIVE FINDINGS AND DECLARATIONS

California Government Code Section 53630.1 states, "The Legislature hereby finds that the solvency and creditworthiness of each individual local agency can impact the solvency and creditworthiness of the state and other local agencies within the state; therefore, to protect the solvency and creditworthiness of the state and all of its political subdivisions, the Legislature hereby declares that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern."

19.0 STATEMENT OF INVESTMENT POLICY REVIEW AND ADOPTION

Annually, and prior to the close of the City's fiscal year, the Treasurer shall submit a proposed Statement of Investment Policy to the City Council, to the Investment Review Committee, and to the Finance, Audit, and Budget Committee. The Council shall approve the Policy by Resolution adopted at a public meeting.

State legislative mandates enacted on January 1st of each year prior to the annual Policy review, that further restricts or limits the investment and safekeeping of the City's surplus cash, or that may be in conflict with the City's Statement of Investment Policy, shall automatically become the practice of the Treasurer.

20.0 ATTACHMENT 1- 5 DESCRIPTIONS

The documents described below are attached to and made a part of this Policy (Exhibit A):

20.1 GLOSSARY (Attachment 1): Except as otherwise provided in this policy, whenever the words defined or described in the Glossary attached to this policy are used in this policy, they shall have the same meaning attributed to them in the Glossary; however, if there is a conflict between a definition contained in the Glossary and a definition of those same words in Sections 53600 et. seq. of the Government Code, the definition in the Government code shall govern.

20.2 FINANCIAL INSTITUTION QUESTIONNAIRE AND CERTIFICATION (Attachment 2): Each financial institution that wishes to become qualified to become a qualified bidder for investment transactions with the City must provide

the information requested in the questionnaire and certification form attached to this policy and must sign the certification contained in that form. The Treasurer and the ACFO may require that the financial institution furnish other information relating to the financial institutions' operations and qualifications.

- 20.3 BROKER/DEALERS QUESTIONNAIRE AND CERTIFICATION (Attachment 3):** Each broker/dealer that wishes to become qualified to become a qualified bidder for investment transactions with the City must provide the information requested in the questionnaire and certification form and must sign the certification contained in that form. The Treasurer and the ACFO may require that the broker/dealer furnish other information relating to the broker/dealers' operations and qualifications.
- 20.4 INVESTMENT OF SURPLUS (Attachment 4):** Attached to this policy for informational purposes is a copy of Section 53601 of the California Government Code. The investments described in Section 53601 are authorized investments under this policy only if they are expressly authorized in pages 2-13 of this policy.
- 20.5 INVESTMENT PORTFOLIO GUIDELINES AP&P (Attachment 5):** These guidelines further define in more detail the current practices set forth by the Treasurer on investment procedures and internal controls as defined in Section 14.2 of this Policy.

GLOSSARY OF TERMS

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

ASKED: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BROKER: A broker brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides; he does not position. In the money market, brokers are active in markets where banks buy and sell money and in inter-dealer markets.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual financial report for the City of Ventura. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DERIVATIVES: (1) Financial instruments whose return profile is linked to, or derived from the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its value at maturity when quoted at lower than face value. A security selling below original offering price shortly after sale is also considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., U.S. Treasury bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FEDERAL CREDIT AGENCIES: Agencies of the Federal Government set up to supply credit to various classes of institutions and individuals, e.g., Savings and Loans (S&L's), small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to \$250,000 per deposit.

FEDERAL FUNDS RATE: The rate of interest at which Federal funds are traded. The Federal Reserve through open-market operations currently pegs this rate.

FEDERAL HOME LOAN BANKS (FHLB): Government-sponsored wholesale banks (currently 12 regional banks) that lend funds and provide correspondent banking services to member commercial banks, thrift institutions credit unions, and insurance companies. The mission of the FHLBs is to liquefy the housing-related assets of its members who must purchase stock in their district bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans in addition to fixed-rate mortgages. FNMA securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D. C., 12 regional banks and about 5,700 commercial banks that are members of the system.

HOME-BASED FINANCIAL INSTITUTIONS: A financial institution that receives its charter in the County.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, saving and loans associations and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by FHA, VA or FMHM mortgages. The term “pass-through” is often used to describe Ginnie Maes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market a security is said to be liquid if the spread between bid and asked prices is narrow and sales of reasonable size can be done at those quotes.

LOCAL AGENCY INVESTMENT FUND (LAIF): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase - reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state - the so-called legal list. In other states, the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and, which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security “buyer” in effect lends the “seller” money for the period of the agreement and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the banks' vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15C3-1: See uniform net capital rule.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations that have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

TREASURY BILLS: A non-interest bearing security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term U.S. Treasury securities having initial maturities of more than ten years.

TREASURY NOTES: Intermediate term coupon bearing U.S. Treasury securities having initial maturities of one to ten years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as non-member broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD** or **YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

12. Describe the precautions taken by your Bank/Thrift to protect the interest of the public when dealing with government agencies as depositors or investors.

13. What other banking services would you be interested in providing the City of Ventura?

14. What transaction documents and reports would we receive? _____

15. What information would you provide to our Treasurer or Assistant Chief Financial Officer?

16. Please provide your entity's most recent certified financial statement.
17. Please provide your Contract of Deposit of Moneys pre-signed and sealed by your institution as well as any signature cards that you may require.
18. Please provide your wiring instructions. _____

Attached is our Investment Policy. The representatives assigned to the account must acknowledge that they have received, read and understood the Policy, dated _____ by signing below.

Signature	Name and Title
Signature	Name and Title

(Countersigned by company president or person in charge of government security operations)

NOTE: Completion of this questionnaire is only part of the City of Ventura's Certification process and **DOES NOT** guarantee that the applicant will be approved to do business with the City.

CITY OF VENTURA
BROKER/DEALER QUESTIONNAIRE

Firm Name: _____

CRD Number: _____

Office servicing account: _____

Address: _____

Primary Representative: _____

Please attach bio of primary and secondary representatives covering this account.

Telephone: _____

Fax: _____

E-Mail: _____

CRD Number: _____

Secondary Representative or sales assistant: _____

Telephone: _____

E-Mail: _____

CRD Number: _____

Branch Manager: _____

Telephone: _____

Is your firm designated as a *primary dealer* by the Federal Reserve?* _____

If not, does your firm maintain an inventory? (dealer status)* _____

Is the firm registered with the State of _____ State Securities Board?* _____

Is the firm and all its representatives registered with the NASD?* _____

In what market sectors does the account representative specialize? _____

List three comparable public clients currently working with this representative.

Entity name, contact and phone number.

**If the answer to any of these questions is no, please explain each separately.*

Attach complete delivery instructions.
All transactions will be completed **delivery versus payment**.

BROKER/DEALER QUESTIONNAIRE

Page 2 to be completed by non-primary broker/dealers only.

Firm Name: _____ CRD #: _____

Years in business at this location: _____ Total years: _____

What are the market sectors in which you and your firm are involved? Please feel free to provide additional information regarding specialization in any of the following market sectors.

	<u>Firm Involvement</u>	<u>Broker Involvement</u>
US Treasuries	_____	_____
US Agencies	_____	_____
Repo	_____	_____
MBS	_____	_____
CP/BA	_____	_____
Corporate	_____	_____
CD	_____	_____
Other	_____	_____

Has this firm, or the representatives assigned to this account, been subject to a regulatory agency, state or federal investigation for alleged improper, disreputable, unfair or fraudulent activities related to the sale of securities or money market instruments that resulted in a suspension or censure? Is there outstanding litigation that would materially affect the firm's financial stability?

Do you provide any fixed income research and economic commentary? _____
Please attach sample.

What portfolio information to you require from your clients? _____

Please provide the firm's most recent audited financial statement.
(The City will require an annual financial statement be provided.)

Describe the precautions taken by your firm to protect the interests of the public when dealing with a public entity.

Attached is our Investment Policy. The representatives assigned to the account must acknowledge that they have received, read and understood the Policy, dated _____ by signing below.

_____	_____
Signature	Name and Title
_____	_____
Signature	Name and Title

CALIFORNIA GOVERNMENT CODE
INVESTMENT OF SURPLUS

Current California Government Code Sections applicable to the investment of surplus by a local agency can be found at the following website under Local Agency Investment Guidelines:

<http://www.treasurer.ca.gov/cdiac/>

ADMINISTRATIVE POLICY & PROCEDURES

Subject: Investment Portfolio Guidelines	APP No. 16.2
Issued by: Finance and Technology Department	Approved by: Mark Watkins City Manager
Date Issued: July 1, 2002	Expiration Date: June 30, 2015
Review/Update Frequency: Annual	Review/Update Responsibility: Treasurer (Chief Financial Officer)
Date of this Revision: July 1, 2014	Dates of Previous Revisions: July 1, 2013
Departments/Divisions Affected by Policy/Procedure: Finance and Technology Department Treasury and the Financial Planning and Analysis Divisions	Authority: California Government Code 53600 and Annual Statement of Investment Policy

INVESTMENT PORTFOLIO GUIDELINES

1. Purpose

The purpose of these guidelines is to document the direction and control over investment activities and to assure that the goals established in the City's Statement of Investment Policy are attained. These guidelines further define in more detail the current practices for internal controls set forth in the City's Statement of Investment Policy and the practices followed by the Treasurer. Furthermore, the guidelines establish the investment plan parameters for the upcoming fiscal year. All limitations to investment purchases are not outlined in these guidelines; therefore, the City's Statement of Investment Policy and the California Government Code Sections 53600, et. seq. takes precedence over the guidelines outlined herein.

2. General Factors

Several factors must be considered for effective portfolio management:

A. Cash Forecast

The cash flow of the City shall be updated daily with an analysis of cash receipts and expenditures. A close working relationship with City Programs having a significant impact on cash flow is maintained to maximize the efficiency of the City's cash management system.

B. Pooled Cash

Whenever practical, the City's cash will be consolidated into one bank account and invested on a pooled concept basis. Interest earnings are allocated according to specific fund ledger balances. No City bank account may be opened without the knowledge and consent of the Treasurer.

C. Authorized Broker/Dealers/Financial Institutions

A list of approved broker/dealers and financial institutions, which meet the criteria of the Statement of Investment Policy and have been authorized by the Treasurer to do business with the City, will be maintained and regularly updated. Investment transactions will be executed only with approved broker/dealers and financial institutions.

D. Preservation of Portfolio Value

Yield standards are in place in an effort to maintain earnings consistent with the market average rate of return.

E. Golden Rule of Portfolio Management

Investment instrument characteristics will be known and understood before a purchase of the investment instrument is executed.

F. Application of Prudent Investor Principles

Recognizing that there are no firm and steadfast rules (strategies) for portfolio management due to the fact that investor expectations change by the day, hour and minute and because of the market instability, prudent investor principles of fiscal management must be applied at all times.

3. Investment Plan/Strategy

The investment plan (the plan) reflects the City's definition of a suitable portfolio. The plan translates investment policy generalities into a specific representation of what the City deems as suitable and comparing that plan against the action and the policy. The plan should establish specific parameters for portfolio liquidity, for various fixed income sectors i.e., U.S. agencies and treasuries and for the duration

of the portfolio. The plan should be thoughtful, flexible, and accountable. It will provide the Treasurer, Assistant Chief Financial Officer (hereafter “ACFO”), and Investment Committee with early warning signs should the portfolio drift too far from plan parameters. Rarely, however, will or should the actual portfolio match the plan. The plan parameters will be reviewed on an annual basis, and may or may not, need to change from year to year.

Investment Plan Parameters

- (1) Portfolio liquidity is set at 20%, or higher depending upon the economic environment.
- (2) Portfolio diversification is allocated as follows:
 - a. U.S. Treasury Notes 10%;
 - b. U.S. Agencies 50%; and
 - c. Corporate Notes 20%.
- (3) Portfolio duration is currently pegged at or near the two-year treasury.

Strategy refers to the plan of action for managing financial resources in the most advantageous manner.

The Treasurer uses the following elements for developing strategies.

B. Investment Strategy

- (1) Economic Forecasts
Information developed by economists and financial experts, input from approved broker/dealers and depository banks, and the Wall Street Journal are used to assist the Assistant Chief Financial Officer and Treasurer with the formulation of investment strategies.
- (2) Investment Implementation
Investment transactions will be executed in conformance with anticipated cash flow requirements, economic conditions, and interest rate trends and must be consistent with the established Statement of Investment Policy.
- (3) Yield Enhancement
Various investment techniques will be utilized to increase yield such as maintaining a fully invested position while providing for adequate cash flow needs and for taking advantage of market opportunities with the goal of attaining a market rate of return.

4. PURCHASING INVESTMENTS

The Treasurer has developed internal investment procedures to provide for effective cash management. Segregation of responsibilities is maintained to assure an adequate system of internal control over the investment function.

A. Delegation of Authority

Pursuant to the California Government Code Sections 53600, et seq. and Section 5.1 of the City's Statement of Investment Policy, the Treasurer has delegated the ACFO to act as the Treasurer's deputy in performing the Treasurer's functions and duties. The ACFO is subject to the same limitations, obligations, and requirements as the Treasurer.

B. Diversification

The fund should consist of a mix of various types of securities, issuers, and maturities.

C. Investment Transactions

Investment transactions will be authorized by the ACFO as defined in Section 5.1 of the Statement of Investment Policy. In the ACFO's absence, the Accountant will execute transactions as prescribed by the ACFO. In the event of unexpected absence and unavailability by the ACFO or Treasurer, a staff person assigned to the Cash Management section of Treasury will place the monies either in LAIF or an overnight investment and advise the Chief Financial Officer/Treasurer.

D. Wire Transfers

Wherever possible, the City will use preformatted or repetitive wire transfers to restrict the transfer of funds to pre-authorized accounts only. All wire transfers require an approved initiator plus an approval by an authorized employee to verify the wire transfer request. All wire transfers will be transacted in accordance with Bank of America's Telephone Wire Transfer Agreement (Form 00-35-09487NSBW 03-2001), ~~or if banking services are transferred to another bank, with the agreements with City's current bank.~~

E. Safekeeping

Securities purchased from broker/dealers shall be held in third party safekeeping with the City's safekeeping agent. All purchases will be on a deliver-versus-payment basis. The safekeeping agent must have a confirmation signed by the ACFO or Treasurer authorizing the investment transaction. Certificates of Deposits, or confirmation evidencing such purchases, will be issued in the City's name and held in the Treasury vault

for safekeeping.

F. Repurchase Agreements

These transactions shall be made in accordance with California Government Code Section 53601 and Section 8.7 of the City's Statement of Investment Policy.

G. Collateral/Depository Agreements

Collateral requirements are addressed in California Government Code Section 53652 and Section 9.0 of the City's Statement of Investment Policy. Depository agreements on inactive "Time Deposits" and active deposits will be maintained on file in the Treasury and Revenue Division.

H. Banking Services Contract

The City has entered into a four year banking services contract with Bank of America beginning November 1, 2013 and ending October 31, 2017. The contract includes an option to extend the agreement two additional years. ~~The current contract expires December 31, 2012. The City will solicit proposals for banking services and have a new contract in place prior to December 31, 2012.~~

Financial institutions providing banking services must be able to provide a wide range of diversified services to meet the needs of the City and its cash management program.

I. Cash Management Services

These services are provided for within the current banking contract.

5. INVESTMENT CRITERIA

All investments will be in compliance with any Federal, State, and Local laws governing the investment of City funds and in accordance with the Statement of Investment Policy.

A. Maturity of Investment

Investment maturities will be determined by the cash flow needs of the City and market opportunities to enhance return. Securities may be sold prior to maturity for cash flow purposes or to enhance or improve the portfolio.

B. Certificate of Deposit Evaluation

(1) Time deposits shall be evaluated in terms of FDIC or FSLIC coverage

and in accordance with Section 8.6 of the Statement of Investment Policy. The City has established a self-imposed limit on Certificates of Deposits for investment up to the insured amount only.

- (2) Negotiable Certificates of Deposit shall be evaluated in terms of the credit worthiness of the issuer as these deposits are uninsured and uncollateralized promissory notes. Such investments will be in accordance with Section 8.5 of the Statement of Investment Policy.

6. PRIMARY GOALS

As set forth in the Statement of Investment Policy, the primary goals for the City of Ventura are safety, liquidity, and return on investments, in that priority order.

A. Safety

The safety/risk associated with an investment refers to the potential loss of principal, accrued interest, or a combination of these. The City of Ventura employs investment instruments that are considered safe. The primary duty of the Treasurer and ACFO is to protect the cash and investments placed in their trust on behalf of the City Council and the citizens of the community.

B. Liquidity

Liquidity refers to the ability to convert investment holdings to cash immediately with a minimal loss of principal or accrued interest. The quality of an investment is important should an unexpected need for funds occur.

C. Return on Investments (Income)

Income is the dollar earnings the investment provides. Income becomes important only after the fundamental requirements of safety and liquidity are met.

7. INTERNAL CONTROL OF INVESTMENTS

Investment transactions are controlled through distribution of responsibilities within the Treasury Division by the following procedures:

- A. The Treasurer and/or ACFO will initiate each investment transaction.
 - (1) A confirmation authorized by the ACFO will be forwarded to the City's safekeeping agent at least one day prior to settlement of the security.
 - (2) The ACFO or a staff person assigned to the Cash Management section of Treasury will ensure the City's settling bank has sufficient cash on hand to execute the trade.

- B. Details of the investment will be recorded from a confirmation provided to the Accountant responsible for recording the trade details into the City's portfolio tracking system.
- C. Each investment transaction will be documented, reviewed, and signed off for compliance to the Statement of Investment Policy by the ACFO, a staff person assigned to the Cash Management section of Treasury, and the Financial Planning and Analysis Division designee (Form located on the Treasury I-Drive:\Investment Worksheets\202-502 Investment Transaction Compliance Review.doc).
- D. A staff person assigned to the Cash Management section of Treasury will maintain a file of all investment transactions (meaning active/matured/early redemptions) that includes all documentation, authorizations and confirmations by investment number. This documentation will be available for review either by the Accounting Manager or by the City's outside auditors.
- E. Each business day, the Treasury Division downloads from the bank a printed report via the bank's money tracking system called "Bank of America Direct" (under our current banking agreement). This report contains checking account balances, a listing of debits and credits, all investment activity, a record of funds wired in and out, and all cleared checks. The Accountant will review and code this report daily according to type of transactions. This reporting will be reviewed by the ACFO and used for the monthly reconciliation of the City's checking accounts and the accountability reporting for both the Treasury Division and the Financial Planning and Analysis Division.
- F. All cash or revenue will be recorded through the Treasury Division on a daily basis and posted to the accounting system daily. A reconciliation of the cash receipts will be prepared daily and monthly by the Treasury Division and Financial Planning and Analysis Division. In addition, a staff person assigned to the Cash Management section of Treasury will audit all daily cash receipts and authorize the daily bank deposit summary.
- G. The City's bank reconciliations will be prepared by an accountant assigned to this task by the Accounting Manager or ACFO. The Accounting Manager or ACFO will review the bank reconciliations and all in-transit items for accuracy. In conjunction with the Financial Planning and Analysis Division, ~~the City's bank reconciliations will be prepared by the staff person assigned to the Cash Management section of Treasury and the Accounting Technician. The ACFO will review the bank reconciliations and all in-transit items for accuracy. Once this review is complete, a staff person assigned to the Cash Management section of Treasury will prepare a monthly accountability report for each respective Division.~~
- H. The ACFO limits the number of qualified primary dealers to no more than

three. This limit provides adequate investment coverage for the City's investment program. The Financial Planning and Analysis Division will assist the Treasury Division in the annual review of the Broker/Dealer Questionnaire and the Financial Institutions Questionnaire to ensure qualification as a bidder for investment transactions. These applications will remain on file in the Treasury Division.

8. REPORTING INVESTMENT ACTIVITY

Reporting requirements are very specific in Section 16.0 of the City's Statement of Investment Policy and Section 53646 of the California Government Code. The California Government Code mandates a quarterly reporting to the City Manager, City Council, and the Investment Review Committee; however, the City's Statement of Investment Policy mandates a monthly reporting that is distributed internally and available upon request. The quarterly reporting shall be forwarded to each and every member of the City Council and the Investment Review Committee within thirty days of the close of the quarter.

9. MODIFICATIONS TO GUIDELINES

The Treasurer, in accordance with Section 5.3 of the City's Statement of Investment Policy, will authorize modifications to these guidelines. Notice of required amendments will be provided to the City's Investment Review Committee and City Council.

These guidelines are provided to the City's Investment Review Committee, the Finance, Audit, and Budget Committee, the ACFO, and all staff members of the Treasury Division having involvement with the City's investment program.

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ATTACHMENT B

**Resolution of the City Council Acknowledging Receipt and Filing of the
City's FY 2014-15 Statement of Investment Policy "Exhibit A"**

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RESOLUTION NO. 2014-

**A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF SAN BUENAVENTURA ACKNOWLEDGING
RECEIPT AND FILING OF THE CITY'S FISCAL YEAR
2014-15 STATEMENT OF INVESTMENT POLICY
AND RESCINDING RESOLUTION 2013-028**

BE IT RESOLVED by the Council of the City of San Buenaventura as follows:

SECTION 1: This resolution rescinds Resolution Number 2013-028.

SECTION 2: The Chief Financial Officer/Treasurer of the City of San Buenaventura has rendered to the City Council a Statement of Investment Policy (the Policy), in accordance with that Policy, a copy of which is attached hereto as Exhibit A.

SECTION 3: The Council acknowledges receipt of the City's Policy rendered to and filed with, the City Council by the Chief Financial Officer/Treasurer of the City of San Buenaventura.

SECTION 4: The Council hereby approves the FY 2014-2015 Statement of Investment Policy set forth in Exhibit A, attached hereto.

PASSED AND ADOPTED this 16th day of June 2014.

Cynthia M. Rodriguez, MMC
City Clerk

APPROVED AS TO FORM:
Juli C. Scott, Interim City Attorney

By: 
M. Rebeca Mendoza
Assistant City Attorney