

**BEFORE THE BOARD OF SUPERVISORS OF THE  
COUNTY OF AMADOR, STATE OF CALIFORNIA**

IN THE MATTER OF:

RESOLUTION APPROVING STATEMENT )  
OF INVESTMENT POLICY OF THE AMADOR ) RESOLUTION NO. 24-004  
COUNTY TREASURER-TAX COLLECTOR )

BE IT HEREBY RESOLVED by the Board of Supervisors of the County of Amador, State of California, that said Board does hereby approve the Statement of Investment Policy of the Amador County Treasurer-Tax Collector, as set forth in the Attachment hereto.

The foregoing resolution was duly passed and adopted by the Board of Supervisors in the County of Amador at a regular meeting thereof, held on the 9<sup>th</sup> day of January, 2024, by the following vote:

The foregoing resolution was duly passed and adopted by the Board of Supervisors of the County of Amador at a regular meeting thereof, held on the 9<sup>th</sup> day of January 2024, by the following vote:

AYES: Brian Oneto, Patrick Crew, Richard Forster, Jeff Brown

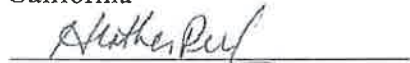
NOES: None

ABSENT: Frank Axe

  
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Brian Oneto, Chairman, Board of Supervisors

ATTEST:

JENNIFER BURNS, Clerk of the  
Board of Supervisors, Amador County,  
California

  
\_\_\_\_\_

Approved  
Unanimous

**STATEMENT  
OF  
INVESTMENT POLICY**



**COUNTY OF AMADOR**

**ELIZABETH A. NELSON  
TREASURER - TAX COLLECTOR**

**January 9, 2024**

## AUTHORITY AND PURPOSE

The Treasurer of Amador County (hereinafter "Treasurer" or "County Treasurer") is responsible for investing the pooled surplus and idle funds in the County Treasury. Investments shall be made in accordance with the "Prudent Investor Standard", as set forth in Sections 27000.3 and 53600.3 of the Government Code of the State of California. This standard provides that "when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the County Treasurer 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 funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the County and the other depositors". This standard affords the County Treasurer a broad spectrum of investment opportunities as long as the investment is deemed prudent and is allowable under State of California Government Code Sections 53601 et seq. and 53635 et seq.

This Statement of Investment Policy is intended to provide written guidelines and criteria for the prudent investment of Amador County's surplus funds and idle cash, and to outline the policies for maximizing the efficiency of its cash management system. This policy is written to incorporate industry best practices and recommendations from sources such as the Government Finance Officers Association (GFOA), California Municipal Treasurers Association (CMTA), California Debt and Investment Advisory Commission (CDIAC) and the Association of Public Treasurers (APT).

## SCOPE

This Statement of Investment Policy applies to Amador County's pooled investment fund, which encompasses all moneys under the direct control of the Treasurer. This Policy applies to the deposit, management, safekeeping, and investment of all such moneys, as well as all related activities.

## PHILOSOPHY

The basic premise underlying Amador County's investment philosophy is, and will continue to be, to ensure that funds are safe and available when needed.

## OBJECTIVES

The County's cash management system is designed to accurately monitor and forecast revenues and expenditures, thus enabling the Treasurer to invest funds to the fullest extent possible. The primary objectives, in priority order, of the County Treasury's investment activities shall be:

### I. LEGAL COMPLIANCE

All investing and investment decisions shall be made in full compliance with

California Government Code Sections 53601 through 53692, as well as any forthcoming amendments or additions to the California Government Code relating to the investment of local agency surplus and idle funds. Additionally, the Treasurer may provide further restrictions and guidelines for the investment of these funds through the Statement of Investment Policy. Each transaction, and the entire investment portfolio, shall comply with the California Government Code and the Investment Policy.

## **II. SAFETY AND PRESERVATION OF PRINCIPAL**

The safety and preservation of principal are of primary importance. Each investment transaction shall seek to ensure that capital losses are avoided whenever possible, whether they are from securities default, fraud, or adverse market conditions. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk, as outlined below.

### **A. Credit Risk**

Credit risk is the risk of loss due to the failure of the security issuer or backer. Credit risk may be mitigated by:

- \* Limiting investments to those listed in the Eligible Securities/Authorized Investments;
- \* Pre-qualifying and monitoring the financial institutions, broker/dealers, and advisors with which an entity will do business;
- \* Diversifying the investment portfolio; and,
- \* No more than 5% of the total portfolio may be deposited with or invested in securities issued by any single issuer unless otherwise specified in this policy.

### **B. Interest Rate Risk**

Interest rate (or market) risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. Interest rate risk may be mitigated by:

- \* Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity; and,
- \* By investing funds primarily in shorter-term securities.

## **III. LIQUIDITY**

The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated cash requirements. It shall be structured in a manner which will provide that securities mature at about the same time as cash is needed. Investment decisions will take into account the fact that the maintenance of liquidity, or the ability to readily convert a security to cash with little or no loss

in value, is an important investment quality, especially when the need for unexpected funds arises. Since all possible cash demands cannot be anticipated, a sufficient portion of the portfolio shall consist of securities with active secondary or resale markets, and deposits in the Local Agency Investment Fund (LAIF) or Local Government Investment Pools, which have immediate withdrawal provisions.

#### IV. YIELD

The investment portfolio shall be designed with the objective of earning a reasonable rate of return throughout budgetary and economic cycles, consistent with safe and prudent treasury management. As codified in Section 27000.5 of the Government Code, the yield, or return on the investment, is of the least importance when compared to the safety and liquidity objectives noted above.

### INVESTMENT PARAMETERS

#### I. ELIGIBLE SECURITIES/AUTHORIZED INVESTMENTS

California Government Code Sections 53601 et seq. and 53635 et seq. define eligible securities for the investment of public funds by local agencies. These statutes not only limit the types of investments that may be utilized, but also place certain restrictions on the maturity, amount, and/or quality of permitted investments. The Treasurer must adhere to these Code Sections, but may choose to set guidelines that are more restrictive than those specified in the Codes.

The Amador County Treasurer may invest in the following securities, instruments and media, subject to the stated restrictions:

\*U.S. TREASURY OBLIGATIONS: 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 dollar amount or the percentage of the portfolio invested in this category. Maximum maturity shall be five years from the date of purchase settlement.

\*U.S. AGENCY OBLIGATIONS: Instruments of, or issued by, a federal agency or a U.S. Government-sponsored enterprise shall be limited to a maximum of 75% of the total portfolio, with a further maximum of 35% invested with any one issuer. Maximum maturity shall be five years from the date of purchase settlement. The maximum percent of agency callable securities in the portfolio will be 20%.

\*SUPRANATIONAL OBLIGATIONS: U.S. Dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum maturity of 5 years, and eligible for purchase and sale within the United States. Eligible investments shall be rated in a rating category of "AA" or

its equivalent or better by at least one Nationally Recognized Statistical Rating Organization (NRSRO), and shall be limited to a maximum of 30% of the total portfolio. No more than 10% of the portfolio may be invested in any single issuer.

\*LOCAL AGENCY INVESTMENT FUND (LAIF): The Local Agency Investment Fund is an investment program for local government agencies administered by the California State Treasurer. The County may invest up to the maximum permitted by LAIF. There is no minimum or maximum investment period and the Treasury is able to convert its LAIF deposits to cash within 24 hours.

\*LOCAL GOVERNMENT INVESTMENT POOLS (LGIPs): There is no issuer limitation for LGIPs. LGIPs comprise the following programs only:

\*CALIFORNIA ASSET MANAGEMENT PROGRAM (CAMP): The California Asset Management Program is a Joint Powers Authority which was established to provide local California governments with investment management services. The Program consists of a professionally managed money market portfolio, which offers daily liquidity and a competitive money market rate of return. Investments in CAMP shall be limited to a maximum of 25% of the total portfolio.

\*CALTRUST: The Investment Trust of California (CalTRUST) is a Joint Powers Authority formed by public agencies in California for the purposes of pooling and investing local public agency funds. A Board of Trustees, comprised of experienced investment officers and policy-makers of the public agency members, supervises and administers the investment program of the Trust. Investments in CalTRUST shall be limited to a maximum of 10% of the total portfolio.

\*CERTIFICATES OF DEPOSITS: Non-negotiable instruments evidencing a deposit for a fixed period and for a fixed rate of interest. Certificates of deposit, or time deposits, of up to current FDIC insurance levels, placed with commercial banks, savings banks, and savings and loan companies, are federally insured. Beyond that amount, CDs must be collateralized (as set forth in Item II. Below) with the collateral held separately from the issuing institution. Issuing institutions must meet the qualification requirements set forth elsewhere herein. Such deposits shall be limited to a maximum of 25% of the total portfolio, with a further maximum of 5% deposited in any one institution. Maximum maturity shall be three years from the date of investment.

\*BANKERS ACCEPTANCES: Bills of exchange or time drafts drawn on and accepted by a commercial bank institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term debt obligations which are rated in a rating category of "A" or its equivalent or better by at least one NRSRO. Bankers Acceptances shall be limited to a maximum of 25% of the total portfolio, with a further maximum of 5% with any one issuer. Maximum maturity shall be 180 days from the date of purchase settlement.



**\*COMMERCIAL PAPER:** Short-term unsecured promissory notes issued by various entities in order to finance short-term credit needs provided that 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:**

- (i) A corporation organized and operating in the United States with assets more than \$500 million.
- (ii) The securities are rated "A-1" or its equivalent or better by at least one NRSRO.
- (iii) 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:**

- (i) The issuer is organized within the United States as a special purpose corporation, trust, or limited liability company.
- (ii) The securities must have program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.

Commercial paper shall be limited to 40% of the total portfolio, and may not represent more than 10% of the outstanding paper of any single issuer. Maximum maturity shall be 270 days from the date of purchase settlement. Not more than 5% of the total portfolio may be invested in the outstanding paper of any single issuer.

**\*NEGOTIABLE CERTIFICATES OF DEPOSIT:** Time deposit liabilities issued by a nationally or state-chartered bank, a savings association or federal association, a state or federal credit union, or by a state-licensed branch of a foreign bank, against funds deposited for a specified period of time and earning specified or variable rates of interest. NCDs are considered liquid, trading actively in the secondary market. The amount of the NCD insured up to the FDIC limit does not require any credit ratings. Any amount above the FDIC insured limit must be issued by institutions which 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. NCDs shall be limited to a maximum of 25% of the total portfolio, with a further maximum of 5% with any one issuer. Maximum maturity shall be five years from the date of purchase settlement.

**\*MEDIUM TERM CORPORATE NOTES:** Unsecured corporate debt obligations issued by prominent industrial and financial corporations. Eligible corporate notes must be issued by corporations organized and operating within the United State or by depository institutions licensed by the United States or any state and operating within the United States. These securities must be rated in a rating category of "A" or its equivalent or better by at least one NRSRO. Medium term corporate notes shall be limited to a maximum of 30% of the total portfolio, with a further maximum of 5% with any one issuer.

**\*REPURCHASE AGREEMENTS:** Consists of two simultaneous transactions. When an investor enters into a repurchase agreement with a bank/dealer, the investor agrees to exchange cash for temporary control or ownership of specified securities. The bank/dealer agrees to repurchase those securities on a future date at a specified price. A repurchase agreement is essentially a loan where securities are used as collateral. These securities will be delivered to an acceptable third part custodian. 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). Repurchase agreements shall be limited to a maximum of 20% of the total portfolio. Maximum maturity shall be 180 days from the date of purchase settlement.

**\*MUTUAL FUNDS AND MONEY MARKET MUTUAL FUNDS:** Registered with the Securities and Exchange Commission under the Investment Company Act of 1940, provided that:

**\*Mutual Funds** that invest in the securities and obligations as authorized under California Government Code, Section 53601 (a) to (k) and (m) to (q) inclusive and that meet either of the following criteria:

- (i) Attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
- (ii) 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.

\* No more than 10% of the total portfolio may be invested in shares of any one mutual fund.

**\*Money Market Mutual Funds** registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and issued by diversified management companies and meet either of the following criteria:

- (i) Have attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
- (ii) 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.

\*No more than 20% of the total portfolio may be invested in the shares of any one Money Market Mutual Fund.



\*No more than 20% of the total portfolio may be invested in these securities.

\*PASSBOOK SAVINGS ACCOUNTS/DEMAND DEPOSITS/CHECKING ACCOUNTS: Used for daily banking activities. These accounts are either insured or secured by collateral.

\*MUNICIPAL SECURITIES: These include obligations of the County, the State of California and any local agency within the State of California, provided that they are rated "A" or its equivalent or better. No more than 5% of the portfolio may be invested in any single issuer, and shall be limited to a maximum of 30% of the total portfolio. Maximum maturity shall be five years from the date of settlement.

\*MUNICIPAL SECURITIES: These include obligations from the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states in addition to California provided that they are rated "A" or its equivalent or better. No more than 5% of the portfolio may be invested in any single issuer, and shall be limited to a maximum of 30% of the total portfolio. Maximum maturity shall be five years from the date of settlement.

\*ASSET-BACKED, MORTGAGE-BACKED, MORTGAGE PASS-THROUGH SECURITIES, AND COLLATERALIZED MORTGAGE OBLIGATIONS FROM ISSUERS NOT DEFINED IN THE U.S. TREASURY AND US AGENCY OBLIGATIONS: These securities must be rated "AA" or its equivalent or better and have no more than 20% of the total portfolio invested in these securities. No more than 5% of the total portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer. Maximum maturity shall be five years from the date of settlement.

\*INELIGIBLE INVESTMENTS: Securities and investment instruments or media not specifically described above are prohibited at this time. Additionally, the Treasurer shall not invest any funds in inverse floaters, range notes, or mortgage derived interest-only strips, nor shall the Treasurer invest any funds in any security that could result in zero interest accrual if held to maturity. 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. The Treasurer is prohibited from purchasing or selling securities on margin, and from purchasing foreign denominated securities. Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited. Agencies that are not Qualified Institutional Buyers (QIB) as defined by the Securities and Exchange Commission are prohibited from purchasing Private Placement Securities. The SEC defines a QIB as having at least \$100,000,000 in securities owned and invested. The purchase of a security with a forward settlement date exceeding 45 days from the time of the investment is prohibited.

## II.   DOWNGRADE PROTOCOL

If securities owned by the County are downgraded by a nationally recognized rating

service to a level below the quality required by this Investment Policy, it will be the County's policy to review the credit situation and the Treasurer will make a determination as to whether to sell or retain such securities in the portfolio. The Treasurer will use his/her discretion in making this determination based on the security's current maturity, the economic outlook for the issuer, and other relevant factors. The Treasurer may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity, or yield of the portfolio, or in response to market conditions or risk preferences. If the decision is made to retain a downgraded security in the portfolio, its continued presence in the portfolio will be monitored by the Treasurer on a monthly basis.

### **III. SAFEKEEPING AND COLLATERAL/DELIVERY VS. PAYMENT**

To protect against potential losses due to failure of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all cash and securities in the County's portfolio shall be held in safekeeping in the County's name by a third party custodian, acting as agent for the County under the terms of a custody agreement executed by the bank and the County. All investment transactions will require a safekeeping receipt or acknowledgment generated from the trade. A monthly report will be received by the County from the custodian listing all securities held in safekeeping with current market data and other information. The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and, (iii) mutual funds and money market mutual funds, since these securities are not deliverable.

All securities purchased by the County shall be held by its Safekeeping Agent or Third Party Agent in accordance with Government Code Sections 53601 and 53635; excepting, however, the collateral for Time Deposits in banks, savings banks, and savings and loans.

The collateral for Time Deposits in commercial banks, savings banks, and savings and loans shall be held in a pooled collateral arrangement authorized by the State of California whereby any depository of the County must maintain U.S. Government or Agency Securities at 110%, or Mortgage Securities at 150%, of the par value of the County's invested funds. The County shall require any bank or financial institution to comply with the collateralization criteria defined in Government Code Section 53651 for bank deposits.

The County requires that Repurchase Agreements be collateralized only by securities authorized in accordance with Government Code. The collateralized securities shall be priced at market value, including any accrued interest plus margin and be valued at 102% or greater of the funds borrowed against those securities. Financial institutional shall mark the value of the collateral to market at least monthly and increase or decrease collateral to satisfy the ratio requirement described and the County shall receive monthly statements of collateral.

With the exception of Time Deposits, security purchases shall be conducted on a

delivery - vs - payment (DVP) basis. This procedure requires a simultaneous transaction for securities purchased where the County will forward funds, and the broker/dealer will deliver securities, to the Safekeeping Agent. After both the payment and the securities are received, the Safekeeping Agent forwards the securities to the County and the proceeds to the broker/dealer, thus ensuring a fulfilled trade agreement.

#### **IV. INTERNAL CONTROLS**

The Treasurer's system of internal controls is designed with the intended purpose of preventing and minimizing loss of public funds due to error, fraud or any other means. The system of internal controls that has been established contains, but is not limited to, the following features:

1. Separation of transaction authority from accounting and record keeping.
2. Custodial (Third-party) safekeeping.
3. Clear delegation of authority.
4. Qualifications for securities brokers/dealers, investment advisers and for financial institutions.
5. Written confirmation from involved parties for investment transactions and wire transfers.
6. Legal compliance monitoring.

The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. Periodically, as deemed appropriate by the County and/or the Treasury Oversight Committee, an independent analysis by an external auditor shall be conducted to review internal controls, account activity and compliance with policies and procedures.

#### **V. QUALIFICATIONS OF BROKERS/DEALERS, DEPOSITORIES AND FINANCIAL INSTITUTIONS**

To the extent practicable, the Treasurer shall endeavor to complete investment transactions using a competitive bid process whenever possible. The County's Treasurer will determine which financial institutions are authorized to provide investment services to the County. It shall be the County's policy to purchase securities only from authorized institutions and firms.

In accordance with Section 53601.5, institutions eligible to transact investment business with the County include:

- Institutions licensed by the state as a broker-dealer.
- Institutions that are members of a federally regulated securities exchange.
- Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
- Nationally or state-chartered banks.

- The Federal Reserve Bank.
- Direct issuers of securities eligible for purchase.

In order to be considered for approval by the County Treasurer, a broker/dealer or financial institution must meet the following minimum requirements:

- (a) the firm must be registered with the Financial Industry Regulating Authority (FINRA) as a broker or broker/dealer;
- (b) the firm must be properly licensed/registered to deal with local agencies in California; and,
- (c) For "primary" dealers or regional dealers, the firm must meet the minimum capital requirements of the Uniform Net Capital Rule set forth in 17 CFR s 240.15c3-1.

Selection of financial institutions and broker/dealers authorized to engage in transactions will be at the sole discretion of the County, except where the County utilizes an external investment adviser in which case the Agency may rely on the adviser for selection.

All financial institutions which desire to become qualified bidders for investment transactions (and which are not dealing only with the investment adviser) must supply the Treasurer with audited financials and a statement certifying that the institution has reviewed the California Government Code, Section 53600 et seq. and the County's investment policy. The Treasurer will conduct an annual review of the financial condition and registrations of such qualified bidders.

Public deposits will be made only in qualified public depositories as established by State law. Deposits will be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with State law.

Selection of broker/dealers used by an external investment adviser retained by the County will be at the sole discretion of the adviser. Where possible, transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

Depositories are to meet certain credit standards before being eligible for a certificate of deposit investment which is in excess of the federal insurance limit. Banks, savings banks and savings and loans must have a Gerry Findley, Inc. credit rating of A- or better, or a similar credit rating from a national rating service, to be eligible for such deposits.

No broker, brokerage, dealer, or securities firm will be utilized that has, within any

consecutive 48- month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the Treasurer, any member of the Board of Supervisors, or any candidate for those offices.

Each qualified broker/dealer and financial institution will be sent a copy of this Policy for review.

## **VI. COUNTY TREASURY OVERSIGHT COMMITTEE**

A County Treasury Oversight Committee has been established in accordance with Section 27130 et seq. of the Government Code. The Oversight Committee shall consist of up to seven (7) members: the County Treasurer/Tax Collector; the County Auditor/Controller; the County Administrative Officer; the County Superintendent of Schools, or his or her designee; and, up to three (3) other public members.

The County Treasury Oversight Committee shall:

- A. Review and monitor the Investment Policy;
- B. Annually review the investments made by the County Treasury;
- C. Cause an annual audit to be conducted to determine the County Treasury's compliance with Article 6, Chapter 5 of Division 2 of Title 3 of the Government Code; and,
- D. Meet on other matters as necessary.

By Statute, the County Treasury Oversight Committee has no authority to direct individual investment decisions, select individual investment advisors, brokers, or dealers, or to impinge on the day-to-day operations of the County Treasury.

Committee members may not accept any honoraria, gifts or gratuities from advisors, brokers, dealers, bankers, or other persons with whom the County Treasury conducts business, which are in excess of the limits imposed by State Law, or by the Fair Political Practices Commission.

## **VII. DIVERSIFICATION**

Diversification by investment type, maturity, and issuer/institution are three principle areas used to control and limit losses, while enhancing the return on the overall portfolio. (Investments are further limited by specific language relating to each investment type, as set forth in Item I. of this Section).

### **A. INVESTMENT TYPE**

With the exception of U.S. Government Treasury and Agency Obligations, and the Local Agency Investment Fund (LAIF), not more than 25% of the portfolio shall be invested in any single investment type at any one time unless otherwise stated in the Eligible Securities/Authorized Investments section.



**B. MATURITY**

An attempt will be made to match maturities with anticipated cash flow requirements. After cash flow needs have been satisfied, maturities shall be distributed to allow investments to mature-out in the event of market deterioration, and to allow the liquidity necessary to take advantage of market opportunities as they arise. From time to time as may be deemed appropriate, a portion of the portfolio may be invested longer-term for the purpose of capturing long-term rates. However, in no instance will a security be purchased which has a stated or potential maturity of more than five years from the date of purchase settlement.

**C. ISSUER/INSTITUTION**

With the exception of U.S. Government Treasury and Agency Obligations, LAIF, and CAMP, not more than 5% of the portfolio shall be invested with any single issuer/institution at any given time unless otherwise stated in the Eligible Securities/Authorized Investments section.

**VIII. REPORTING**

The Treasurer shall provide quarterly investment reports to the Board of Supervisors, the County Treasury Oversight Committee, and the County Auditor/Controller, within 45 days following the end of the quarter covered by the report. These reports shall include the following investment information as required by Section 16481.2(b) of the Government Code:

1. The type of investment, name of the issuer, date of maturity, par and dollar amount invested in each security, investment, and money within the Treasury;
2. The weighted average maturity of the investments within the Treasury;
3. Any funds, investments, or programs, including loans, that are under the management of contracted parties;
4. The market value as of the date of the report, and the source of this valuation for any security within the Treasury;
5. A description of the compliance with the Statement of Investment Policy;
6. A statement denoting the ability of the County to meet its pool's expenditure requirements for the next six months.

**IX. APPORTIONMENT OF COSTS AND INTEREST**

Interest earnings on the County's pooled investments shall be apportioned quarterly. Prior to the quarterly apportionment of pooled fund investment earnings, investment and banking costs incurred by the Treasurer during that quarter shall be totaled, and that total



shall be deducted from the gross interest earnings of the Pool. These costs, which are authorized by Government Code Section 27013, include salaries and benefits, banking services, custodial safekeeping services, computer services, supplies, department and external overhead, as well as any other costs associated with investing, depositing, banking, auditing, reporting, or otherwise handling or managing the funds. This net interest amount shall then be apportioned to pool participants based on the average daily cash balance of funds on deposit by each participant during that quarter in the County Treasury.

#### **X. OUTSIDE AGENCIES**

The County Treasurer shall, by Code, set terms and conditions under which local agencies and other entities that are not required to deposit their funds in the County Treasury may deposit and withdraw such funds for investment purposes. Local agencies from outside the County shall not be permitted to deposit funds into the County Treasury Pool. Funds from local agencies within the County, voluntarily wishing to participate in the Pool, will not be accepted under normal conditions, unless the Treasurer is assured that these funds are for long-term investment. Prior to the acceptance of such funds for deposit, the Treasurer shall require that a resolution be adopted by the board or governing body of the local agency, authorizing that agency to deposit excess funds into the County Treasury for the purpose of investment by the County Treasurer. Each such agency shall agree to be bound by the provisions of the Investment Policy. Deposits from outside agencies are subject to withdrawal restrictions for a set minimum term, to be agreed to prior to the funds being accepted into the Pool, and may not be withdrawn at any time without a minimum of thirty days written notice of the intent to withdraw.

Under normal conditions, voluntary money withdrawn from the Pool will be dispersed on a dollar for dollar basis, plus interest, but under adverse market conditions, when the Treasurer deems that the withdrawal would cause undue losses or significantly lower earnings for the remaining Pool participants, the Treasurer may require one or more of the following three remedies: 1) restrict the percentage of funds that may be withdrawn in any given quarter; 2) restrict the rate at which funds may be withdrawn; and, 3) require the local agency which is withdrawing its funds to accept those funds based on the current market value of the overall Pool.

Terms will be agreed to by any "voluntary" local agency, and a contract signed, before any voluntary funds will be accepted into the Treasury Pool. Specific, individual investments will not be permitted with such voluntary funds.

#### **XI. CRITERIA FOR WITHDRAWAL OF FUNDS FROM THE COUNTY TREASURY**

Pursuant to Section 27136 of the Government Code, depositors, who wish to withdraw funds from the County Treasury for the purpose of investing or depositing those funds outside the Treasury Pool, shall first submit a written request to the Treasurer. Such written request must be in the form of a Resolution adopted by the local agency's governing board requesting the withdrawal. The Resolution must be received by the Treasurer no later than two (2) weeks prior to the date the withdrawal is to take place.

Prior to approving such a withdrawal, the County Treasurer shall make a finding that the proposed withdrawal will not adversely affect the interests of the other depositors in the County Treasury Pool. In no event shall funds be withdrawn which, in the sole judgment of the County Treasurer, will: 1) adversely affect the interests of the other Pool participants; and/or, 2) adversely affect the stability and predictability of the investments in the County Treasury.

## **XII. RISK**

It is recognized that public funds are characteristically very risk averse, tolerating only low levels of risk. It is further acknowledged that conservative and risk averse approaches to investment management are likely to result in correspondingly lower portfolio yields. As stated earlier, the administration of idle and surplus public funds shall be executed with the intention of fulfilling safety and liquidity needs first, with yield being of secondary concern.

## **XIII. LEVEL OF INVESTMENT**

The Treasurer strives to maintain the level of investment of all funds as near 100% as possible, through daily and projected cash flow determinations.

### **ETHICS AND CONFLICTS OF INTEREST**

All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The Treasurer shall refrain from personal business activities that would conflict with the proper execution of the investment program, or which could impair his ability to make impartial business decisions. The Treasurer shall abide by The Political Reform Act of 1974 regarding disclosure of material financial interests.

### **AUTHORITY**

#### **I. DELEGATION**

By adoption of this Statement of Investment Policy, the Amador County Board of Supervisors delegates to the Treasurer, the authority to invest or reinvest funds of the County, or to sell or exchange securities so purchased, for a one year period, as provided in Section 53607 of the Government Code. Pursuant to California Government Code Section 53635, the Treasurer has full responsibility to invest or to reinvest funds under the control of the Treasurer, or to sell or exchange securities so purchased.

The execution of investment transactions shall be conducted by the Treasurer. However, when circumstances warrant, the responsibility to execute investment transactions may be temporarily delegated to other Treasurer personnel, upon the express approval of the Treasurer.

The Treasurer will be responsible for all transactions undertaken and will establish a system of procedures and controls to regulate the activities of subordinate officials and employees. Such procedures will 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 County may engage the services of one or more external investment advisers, who are registered under the Investment Advisers Act of 1940, to assist in the management of the County's investment portfolio in a manner consistent with the County's objectives. External investment advisers may be granted discretion to purchase and sell investment securities in accordance with this investment policy.

The County's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The County recognizes that in a diversified portfolio, occasional measured losses may be inevitable and must be considered within the context of the overall portfolio's return and the cash flow requirements of the County.

## II. RETENTION

The Treasurer shall retain the authority to add to, delete, or amend this Statement of Investment Policy as is necessary to facilitate the accurate and efficient transaction of business pertaining to the investment of idle and surplus public funds. The Treasurer shall promptly notify both the Board of Supervisors and the County Treasury Oversight Committee of any material change in this Statement of Investment Policy, which change will then be considered by these entities at a public meeting. The Statement of Investment Policy shall be submitted to the Board and the Oversight Committee on an annual basis for consideration at a public meeting.

  
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ELIZABETH A. NELSON  
Amador County Treasurer-Tax Collector

## GLOSSARY OF INVESTMENT TERMS

- Agencies.** Shorthand market terminology for any obligation issued by a *government-sponsored entity (GSE)*, or a *federally related institution*. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:
- FFCB.** The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.
- FHLB.** The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.
- FHLMC.** Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called "FreddieMac" issues discount notes, bonds and mortgage pass-through securities.
- FNMA.** Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as "FannieMae," issues discount notes, bonds and mortgage pass-through securities.
- GNMA.** The Government National Mortgage Association, known as "GinnieMae," issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.
- PEFCO.** The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.
- TVA.** The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.
- Asset Backed Securities.** Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.
- Average Life.** In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.
- Banker's Acceptance.** A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which "accepts" the obligation to pay the investor.
- Benchmark.** A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.
- Broker.** A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from their own position.
- Callable.** A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline, the issuer will likely call its current securities and reissue them at a lower rate of interest.
- Certificate of Deposit (CD).** A time deposit with a specific maturity evidenced by a certificate.
- Certificate of Deposit Account Registry SYSTEM (CDARS).** A private placement service that allows local agencies to purchase more than \$250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still

maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than \$250,000 each, so that FDIC coverage is maintained.

**Collateral.** Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

**Collateralized Bank Deposit.** A bank deposit that is collateralized at least 100% (principal plus interest to maturity). The deposit is collateralized using assets set aside by the issuer such as Treasury securities or other qualified collateral to secure the deposit in excess of the limit covered by the Federal Deposit Insurance Corporation.

**Collateralized Mortgage Obligations (CMO).** Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

**Collateralized Time Deposit.** Time deposits that are collateralized at least 100% (principal plus interest to maturity). These instruments are collateralized using assets set aside by the issuer such as Treasury securities or other qualified collateral to secure the deposit in excess of the limit covered by the Federal Deposit Insurance Corporation.

**Commercial Paper.** The short-term unsecured debt of corporations.

**Coupon.** The rate of return at which interest is paid on a bond.

**Credit Risk.** The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

**Dealer.** A dealer acts as a principal in security transactions, selling securities from and buying securities for their own position.

**Debenture.** A bond secured only by the general credit of the issuer.

**Delivery vs. Payment (DVP).** A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

**Derivative.** Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.

**Discount.** The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

**Diversification.** Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

**Duration.** The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a security to changes interest rates.



**Federal Deposit Insurance Corporation (FDIC).** The Federal Deposit Insurance Corporation (FDIC) is an independent federal agency insuring deposits in U.S. banks and thrifts in the event of bank failures. The FDIC was created in 1933 to maintain public confidence and encourage stability in the financial system through the promotion of sound banking practices.

**Federally Insured Time Deposit.** A time deposit is an interest-bearing bank deposit account that has a specified date of maturity, such as a certificate of deposit (CD). These deposits are limited to funds insured in accordance with FDIC insurance deposit limits.

**Leverage.** Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

**Liquidity.** The speed and ease with which an asset can be converted to cash.

**Local Agency Investment Fund (LAIF).** A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

**Local Government Investment Pool.** Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

**Make Whole Call.** A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

**Margin.** The difference between the market value of a security and the loan a broker makes using that security as collateral.

**Market Risk.** The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

**Market Value.** The price at which a security can be traded.

**Maturity.** The final date upon which the principal of a security becomes due and payable. The investment's term or remaining maturity is measured from the settlement date to final maturity.

**Medium Term Notes.** Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

**Modified Duration.** The percent change in price for a 100-basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

**Money Market.** The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

**Money Market Mutual Fund.** A mutual fund that invests exclusively in short-term securities. Examples of investments in money market funds are certificates of deposit and U.S. Treasury securities. Money market funds attempt to keep their net asset values at \$1 per share.

**Mortgage Pass-Through Securities.** A securitized participation in the interest and



principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

**Municipal Securities.** Securities issued by state and local agencies to finance capital and operating expenses.

**Mutual Fund.** An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

**Nationally Recognized Statistical Rating Organization (NRSRO).** A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

**Negotiable Certificate of Deposit (CD).** A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market.

**Primary Dealer.** A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

**Prudent Person (Prudent Investor) Rule.** A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."

**Repurchase Agreement.** Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

**Safekeeping.** A service to bank customers whereby securities are held by the bank in the customer's name.

**Securities and Exchange Commission (SEC).** The U.S. Securities and Exchange Commission (SEC) is an independent federal government agency responsible for protecting investors, maintaining fair and orderly functioning of securities markets and facilitating capital formation. It was created by Congress in 1934 as the first federal regulator of securities markets. The SEC promotes full public disclosure, protects investors against fraudulent and manipulative practices in the market, and monitors corporate takeover actions in the United States.

**Securities and Exchange Commission (SEC) Rule 15c3-1.** An SEC rule setting capital requirements for brokers and dealers. Under Rule 15c3-1, a broker or dealer must have sufficient liquidity in order to cover the most pressing obligations. This is defined as having a certain amount of liquidity as a percentage of the

broker/dealer's total obligations. If the percentage falls below a certain point, the broker or dealer may not be allowed to take on new clients and may have restrictions placed on dealings with current client.

**Structured Note.** A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

**Supranational.** A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

**Total Rate of Return.** A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

**U.S. Treasury Obligations.** Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

**Treasury Bills.** All securities issued with initial maturities of one year or less are issued as discounted instruments and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.

**Treasury Notes.** All securities issued with initial maturities of two to ten years are called Treasury notes and pay interest semi-annually.

**Treasury Bonds.** All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

**Yield to Maturity.** The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.