



October 1, 2020

**TO:** LOCSD Board of Directors

**FROM:** Ron Munds, General Manager

**SUBJECT: Agenda Item 9G – 10/01/2020 Board Meeting**  
Adopt a Resolution Amending and Updating the District's Investment Policy

**DESCRIPTION**

The current Investment Policy was adopted at the District's inception back in 1999 and reaffirmed by the Board in 2003, 2012 and 2016. The Finance Advisory Committee (FAC) reviewed the current and proposed policies at their August 3<sup>rd</sup> and August 31<sup>st</sup> FAC meetings. The FAC is recommending the adoption of the proposed Investment Policy attached as Exhibit A to the resolution and this report. The Committee reviewed the current policy and provided input to staff regarding investment priorities and for other revisions made to the policy. The draft version is based on the input from the FAC, research of the government code and review of other Special District's investment policies.

**STAFF RECOMMENDATION**

This item will be approved along with the Consent Calendar unless it is pulled by a Director for separate consideration. If so, Staff recommends that the Board adopt the following motion:

***Motion: I move that the Board:***

- 1) Adopt Resolution 2020-25 Amending and Updating the District's Investment Policy; and***
- 2) Direct the General Manager to determine an appropriate dollar amount of the Fund 500 reserves to be moved to the Local Agency Investment Fund (LAIF) to diversify the District's investment portfolio.***

**DISCUSSION**

The current Investment Policy was adopted at the District's inception back in 1999 and reaffirmed by the Board in 2003, 2012 and 2016. The Finance Advisory Committee (FAC) reviewed the current and proposed policies at their August 3<sup>rd</sup> and August 31<sup>st</sup> FAC meetings. The FAC discussed the District's investment priorities and recommended that safety be the number one priority. There was an in-depth discussion on how to achieve the safety of the District's investments by diversifying the distribution of the funds more evenly in investment tools and banks than the current make-up of the investment portfolio. The FAC discussed establishing percentage requirements to cap the amount money in any one investment but decided to leave it to the Financial Officer (General Manager) to make that determination. The following table is a snapshot of where the District's monies are invested.

**President**

Charles L. Cesena

**Vice President**

Christine M. Womack

**Directors**

Matthew D. Fourcroy

Vicki L. Milledge

Marshall E. Ochylski

**General Manager**

Ron Munds

**District Accountant**

Robert Stilts, CPA

**Unit Chief**

Scott M. Jalbert

**Battalion Chief**

Paul Provence

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<b>Financial Institution</b>	<b>Percent w/ US Bank</b>	<b>Percent w/o US Bank</b>
LAIF	7.4%	9.5%
Mechanics Bank	21.6%	27.4%
Pacific Premier Bank	50%	63.1%
US Bank	21%	

Since the District does not have direct control over the US Bank funds (dedicated to the wastewater bond repayment), staff thought it would be more reflective to show in the table the investment portfolio with and without the US Bank funds. As indicated, the investments are heavily weighted towards Pacific Premier Bank. The FAC recommends that a portion of the Fund 500 reserves be moved to LAIF to balance the portfolio. A significant amount of Fund 301 Replacement Reserve will be spent on the new fire truck this fiscal year which will further lower the amount of cash in Pacific Premier Bank.

During the update process, staff reviewed several investment policies from other Special Districts and researched the relevant California Government Codes to ensure the updated investment policy was consistent with current requirements and regulations. Also incorporated are the general comments and direction from the FAC regarding the priorities and objectives.

The following is a summary of the changes made to the current policy.

<b>Summary of Changes</b>	
<b>General</b>	Added appropriate California Government Code reference to support provisions
<b>Section 1</b>	<b>Introduction</b> - Shortened introduction and moved several provisions to Section 2, Purpose and Scope
<b>Section 2</b>	<b>Purpose &amp; Scope</b> - Expanded the current Scope section to add a "Purpose" statement and added reference to the "prudent investor" standard and other clarifying language that governs the Finance Officers investment actions.
<b>Section 3</b>	<b>Finance Officer</b> – Remains relatively the same.
<b>Section 4</b>	<b>Objectives</b> – Remains relatively the same.
<b>Section 5</b>	<b>Standards of Care</b> – Remains relatively the same
<b>Section 6</b>	<b>Investment Authority</b> – Under Permitted Investments, added reference to allowing intra-district loans, collateralized investment funds and investment instruments consistent with California Debt and Investment Advisory Commission's guidelines. Prohibited investments remained the same.
<b>Section 7</b>	<b>Reports</b> – Remains relatively the same.

## **Financial Impact**

There are no direct financial impacts related to the adoption of the proposed Investment Policy in terms of costs to the District. With multiple water capital projects moving forward at this time, liquidity and availability of the reserve funds must be considered. With this and if the Board agrees with moving additional funds to LAIF, the General Manager will evaluate the Fund 500 cash flow to determine the appropriate amount of the reserves to be moved to LAIF.

## **Attachments**

- Resolution #2020-25 Draft Investment Policy
- Current Investment Policy
- Allowable Investment Instruments per State government Code (2020)-California Debt and Investment Advisory Commission

**RESOLUTION 2020-25**

**A RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE LOS OSOS COMMUNITY SERVICES DISTRICT  
AMENDING THE DISTRICT INVESTMENT POLICY**

**WHEREAS**, the Board of Directors of the Los Osos Community Services District (“District”) believes that public funds should, so far as is reasonably possible, be invested in financial institutions to produce revenue for the District rather than to remain idle, and

**WHEREAS**, from time to time there are District funds which for varying periods of time will not be required for immediate use by the District, and which will, therefore, be available for the purpose of investing in financial institutions with the objectives of safety, liquidity, yield and compliance with state and federal laws and policies.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Los Osos Community Services District as follows:

1. The Capitalization Policy is hereby amended as specified in Exhibit A and incorporated by reference herein; and
2. The District General Manager shall act as Treasure/Finance Officer of the District and is authorized to invest and re-invest funds in accordance with the Investment Policy for the succeeding twelve (12) month period or until such time as the delegation of authority is revoked.

On the motion of Director \_\_\_\_\_, seconded by Director \_\_\_\_\_,  
and on the following roll call vote, to wit:

Ayes: \_\_\_\_\_  
Noes: \_\_\_\_\_  
Abstain: \_\_\_\_\_  
Absent: \_\_\_\_\_

The foregoing resolution is hereby passed, approved, and adopted by the Board of Directors of the Los Osos Community Services District this 1<sup>st</sup> day of October 2020.

\_\_\_\_\_  
Charles L. Cesena  
President, Board of Directors  
Los Osos Community Services District

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Ron Munds  
General Manager and Secretary to the Board

\_\_\_\_\_  
Jeffrey A. Minnery  
District Legal Counsel

**LOS OSOS COMMUNITY SERVICES DISTRICT  
2020 INVESTMENT POLICY**

**1. INTRODUCTION**

In accordance with California Government Code § 53646 which directs the District to annually prepare and adopt a written statement of investment policy, this policy establishes the standards as prescribed by state law under which the District's Finance Officer shall conduct business with financial institutions with regard to the investment process.

**2. PURPOSE AND SCOPE**

This investment policy is intended to outline the guidelines and practices to be used in effectively managing the District's available cash and investment portfolio. It applies to all cash and investment assets of the District including but not limited to moneys held in sinking funds, reserves or designations, trust funds or surplus funds not required for the immediate necessities of the District. Proceeds of debt issuance that shall be invested in accordance with the permitted investment provisions of their specific bond indentures. District monies not required for immediate expenditure will be invested in compliance with governing provisions of law (California Government Code § 53600 et seq.) and this policy. Investments shall be made in judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent investor" standard (California Government Code § 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers (Finance Officer) acting in accordance with written procedures and the investment policy and exercising prudence and due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

**3. FINANCE OFFICER**

The Board of Directors appoints the General Manager as the District Finance Officer and Treasurer and delegates the principal management responsibility for the deposit and investment of District monies, funds and financial assets pursuant to this statement of investment policy. In the event of an extended absence of the General Manager, the Acting General Manager or Interim General Manager will act as the Acting District Finance Officer and Treasurer. The services of any investment or financial advisor to the District shall be governed by the terms and standards set forth in this Policy.

**4. OBJECTIVES**

The primary objectives are safety, liquidity, yield, and compliance.

**A. SAFETY**

The investment portfolio shall be managed in a manner that ensures the preservation of capital. The objective is to minimize credit risk and interest rate risk.

**B. LIQUIDITY**

The investment portfolio shall remain sufficiently liquid to meet all operating requirements. This shall be accomplished by structuring the investment portfolio so that investments mature in advance of cash needs.

**C. YIELD**

Yield shall be a consideration only after the requirements of safety and liquidity have been met.

**D. COMPLIANCE**

This Investment Policy is written to be in compliance with applicable California and Federal law.

**5. STANDARDS OF CARE**

**A. PRUDENCE**

The Finance Officer will manage the portfolio pursuant to the "Prudent Investor Standard." When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds in the District's investment portfolio, the Finance Officer 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 funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the District.

**B. DISCLOSURES**

Finance Officer shall disclose any material interest in financial institutions or professionals with which he/she conducts the District business, and shall comply with all applicable laws relating to conflicts of interest.

**6. INVESTMENTS AUTHORITY**

**A. PERMITTED INVESTMENTS**

The District Finance Officer is authorized to deposit or invest District funds only in the following institutions and investments:

1. County pooled funds (California Government Code §§53635, 61053)
2. The Local Agency Investment Fund created by the California State Treasury (California Government Code § 16429.1)
3. One or more FDIC insured Banks and/or Savings and Loan Associations that are designated as District depositories by resolution of the Board of Directors (California Government Code § 61053).
4. Intra-District fund loans and transfers with a fair rate of return from one fund to another specifically authorized and evidenced by District resolution.
5. Investment funds collateralized as per California Government Code § 53652.
6. Such other financial institutions or securities that may be designated by the Board of Directors from time to time in compliance with California and Federal law.

7. Allowable investments instruments per California Government Code which are consistent with California Debt and Investment Advisory Commission's guidelines.

**B. PROHIBITED INVESTMENTS**

The District's Finance Officer shall not invest in:

1. Inverse floaters, range notes or interest only strips that are derived from a pool of mortgages.
2. Any security that could result in a zero interest accrual if held to maturity.
3. A state or federal credit union, if a member of the District's Board of Directors or an administrative officer also serves on the Board of Directors, or any committee appointed by the Board of Directors, or the credit committee or supervisory committee, of the state or federal credit union.
4. Those investments or institutions not permitted by this Policy, or by action of the Board of Directors.

**C. DIVERSIFIED INVESTMENTS**

Investments, other than investments referenced in paragraphs **6-A** (1) and (2) above, will be diversified to avoid losses that may be associated with any one investment.

**7. REPORTS**

**A. MONTHLY REPORT**

Finance Officer/Treasurer shall make monthly reports to the Board with the following information:

- Investments made or retired during the preceding month.
- Single transfers between permitted institutions of greater than \$150,000.

**B. QUARTERLY REPORT**

Finance Officer/Treasurer shall file a quarterly report that identifies the District's investments and their compliance with the District's Investment Policy. The quarterly report must be filed with the District's auditor and considered by the District's Board of Directors within thirty (30) days after the end of each quarter (i.e., by May 1, August 1, November 1, and February 1) (California Government Code § 53646). Required elements of the quarterly report are as follows:

1. Type of Investment
2. Institution/issuer
3. Date of Maturity (if applicable)
4. Amount of deposit or cost of the security, including par and dollar amount invested on all securities, investments, and moneys held by the District
5. Current market value of securities, with identification of the source of the valuation, for all securities held by the District as well as securities under the management of any outside party that is not also a local agency or the State of California Local Agency Investment Fund
6. Rate of Interest

7. Statement of compliance with the Statement of Investment Policy or the manner in which the portfolio is not in compliance
8. Statement of the District's ability to meet cash flow requirements, including any pool expenditure requirements, for the next six months, or an explanation as to why sufficient money may not be available
9. Accrued Interest (if applicable)
10. Description of any of the District's funds, investments, or programs that are under the management of contracted parties, including lending programs

**C. ANNUAL REPORT**

Prior to February 1, of each year, the Finance Officer/Treasurer shall file and submit an annual report to the District's auditor and Board of Directors which will contain the same information required in the quarterly report.

The annual report will include a recommendation to the Board of Directors to either:

1. Readopt the District's then current annual Investment Policy; or
2. Amend the District's then current Investment Policy.

**D. LIMITED QUARTERLY REPORT**

If the District has placed all of its investments in the Local Agency Investment Fund (LAIF) created by California Government Code § 16429.1, or in Federal Deposit Insurance Corporation, insured accounts in a bank or savings and loan association, in a County investment pool, or any combination of these, the Finance Officer may submit to the Board of Directors and the auditor of the District the most recent statement or statements received by the District from these institutions in lieu of the information required in paragraph 7.B, above. This special reporting policy does not relieve the Finance Officer of the obligation to prepare an annual investment report as identified in paragraph 7.C, above.

**RESOLUTION 2016-04**

**A RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE LOS OSOS COMMUNITY SERVICES DISTRICT  
REAFFIRMING THE DISTRICT INVESTMENT POLICY**

**WHEREAS**, the Board of Directors of the Los Osos Community Services District ("District") believes that public funds should, so far as is reasonably possible, be invested in financial institutions to produce revenue for the District rather than to remain idle, and

**WHEREAS**, from time to time there are District funds which for varying periods of time will not be required for immediate use by the District, and which will, therefore, be available for the purpose of investing in financial institutions with the objectives of safety, liquidity, yield and compliance with state and federal laws and policies.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Los Osos Community Services District as follows:

1. The District hereby reaffirms the investment policy attached hereto as "Exhibit A" as the District's Investment policy;
2. The District General Manager shall act as Treasure/Finance Officer of the District and is authorized to invest and re-invest funds in accordance with the Investment Policy for the succeeding twelve (12) month period or until such time as the delegation of authority is revoked.

On the motion of Director Wright, seconded by Director Tomatzky  
and on the following roll call vote, to wit:

AYES: Directors Wright, Tomatzky, Casera, Storm, Ochylski  
 NOES: From 11D - Casera, Storm  
 ABSENT: \_\_\_\_\_  
 CONFLICTS: \_\_\_\_\_

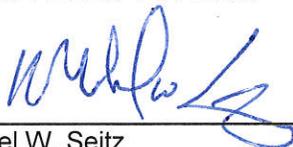
The foregoing resolution is hereby passed, approved, and adopted by the Board of Directors of the Los Osos Community Services District this 4<sup>th</sup> day of February 2016.

  
 \_\_\_\_\_  
 Marshall E. Ochylski  
 President, Board of Directors  
 Los Osos Community Services District

ATTEST:

APPROVED AS TO FORM:

  
 \_\_\_\_\_  
 Margaret Falkner  
 Temporary General Manager and Secretary to the Board

  
 \_\_\_\_\_  
 Michael W. Seitz  
 District Legal Counsel

LOS OSOS COMMUNITY SERVICES DISTRICT  
2016 INVESTMENT POICY

1. **INTRODUCTION**

The purpose of this written *Investment Policy* is to establish the guidelines for the prudent investment of Los Osos Community Services District funds (herein referred to as District's funds). The objectives of this policy are safety, liquidity, yield, and compliance with state and federal laws and policies.

District funds are to be managed with a high degree of care and prudence. Though all investments contain a degree of risk, the proper concern for prudence, maintenance of high level of ethical standards, and proper delegation of authority reduces the potential for any realized loss.

This policy establishes the standards under which the District's Finance Officer will conduct business with financial institutions with regard to the investment process.

2. **FINANCE OFFICER**

The Board of Directors appoints the General Manager as the District Finance Officer and Treasurer. In the event of an extended absence of the General Manager, the Acting General Manager or Interim General Manager will act as the Acting District Finance Officer and Treasurer.

3. **SCOPE**

The District investment portfolio shall consist of moneys held in sinking funds, reserves or designations, trust funds or surplus funds not required for the immediate necessities of the District. The District's funds shall be invested in accordance with this policy.

4. **OBJECTIVES**

The primary objectives are safety, liquidity, yield, and compliance.

A. **SAFETY**

The investment portfolio shall be managed in a manner that ensures the preservation of capital. The objective is to minimize credit risk and interest rate risk.

B. **LIQUIDITY**

The investment portfolio shall remain sufficiently liquid to meet all operating requirements. This shall be accomplished by structuring the investment portfolio so that investments mature concurrent with cash needs.

C. **YIELD**

Yield shall be a consideration only after the requirements of safety and liquidity have been met.

D. **COMPLIANCE**

This Investment Policy is written to be in compliance with California and Federal law.

**5. STANDARDS OF CARE**

**A. PRUDENCE**

The Finance Officer will manage the portfolio pursuant to the "Prudent Investor Standard." When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds in the District's investment portfolio, the Finance Officer 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 funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the District.

**B. DISCLOSURES**

The Finance Officer shall disclose to the Board in open meeting any material interest in financial institutions with which he/she conducts the District business and at that time ask the Board to issue a determination whether a conflict of interest exists that will prohibit investing in the financial institutions.

**6. INVESTMENTS AUTHORITY**

The Government Code of the State of California, specifically section 53601 and related subsections authorizes the types of investment vehicles allowed in a California local agency's portfolio. These are summarized below.

**A. PERMITTED INVESTMENTS**

The District Finance Officer is authorized to invest in the following institutions:

1. County pooled funds (California Government Code § 61730)
2. The Local Agency Investment Fund created by the California State Treasury (California Government Code § 16429.1)
3. One or more FDIC insured Banks and/or Savings and Loan Associations that are designated as District depositories by resolution of the Board of Directors (California Government Code § 61737.02).
4. Such other financial institutions or securities that may be designated by the Board of Directors from time to time in compliance with California and Federal law.

**B. PROHIBITED INVESTMENTS**

The District's Finance Officer shall not invest in:

1. Inverse floaters, range notes or interest only strips that are derived from a pool of mortgages.
2. Any security that could result in a zero interest accrual if held to maturity.
3. A state or federal credit union, if a member of the District's Board of Directors or an administrative officer also serves on the Board of Directors, or any committee appointed by the Board of Directors, or the credit committee or supervisory committee, of the state or federal credit union.

**C. DIVERSIFIED INVESTMENTS**

Investments, other than investments referenced in paragraphs A (1) and A (2) above, will be diversified to avoid losses that may be associated with any one investment.

## 7. REPORTS

Meeting the reporting deadlines as specified in this section may not be possible in some cases on account of the schedules of meetings of the Board. In these cases, the report will be submitted at the Board meeting following the scheduled due date.

### A. **MONTHLY REPORT**

Finance Officer/Treasurer shall make monthly reports to the Board of investments made or retired during the preceding month.

### B. **QUARTERLY REPORT**

In accordance with section 53646 of the Government Code, the Finance Officer shall file a quarterly report that identifies the District's investments and their compliance with the District's Investment Policy. The quarterly report must be filed with the District's Board of Directors within thirty (30) days after the end of each quarter.

Required elements of the quarterly report are as follows:

1. Type of Investment
2. Institution
3. Date of Maturity (if applicable)
4. Amount of deposit or cost of the security
5. Current market value of securities with maturity in excess of twelve months (if applicable)
6. Rate of Interest
7. Statement relating the report to the Statement of Investment Policy
8. Statement of the District's ability to meet cash flow requirements for the next six months
9. Accrued Interest (if applicable)

### C. **ANNUAL REPORT**

Prior to February 1<sup>st</sup> of each year, the Finance Officer shall file and submit an annual report to the District's auditor and the Board of Directors which will contain the same information required in the quarterly report.

The annual report will include a recommendation to the Board of Directors to either:

1. Readopt the District's then current annual Investment Policy; or
2. Amend the District's then current Investment Policy

### D. **LIMITED QUARTERLY REPORT**

If the District has placed all of its investments in the Local Agency Investment Fund (LAIF), created by California Government Code § 16429.1, or in Federal Deposit Insurance Corporation, insured accounts in a bank or savings and loan association, in a County investment pool, or any combination of these, the Finance Officer may submit to the Board of Directors the most recent statement or statements received by the District from these institutions in lieu of the information required in paragraph 7.B, above. This special reporting policy does not relieve the Finance Officer of the obligation to prepare an annual investment report as identified in paragraph 7.C, above.

**FIGURE 1**

**ALLOWABLE INVESTMENT INSTRUMENTS PER STATE GOVERNMENT CODE (AS OF JANUARY 1, 2020)<sup>A</sup> APPLICABLE TO ALL LOCAL AGENCIES<sup>B</sup>**

See "Table of Notes for Figure 1" on the next page for footnotes related to this figure.

INVESTMENT TYPE	MAXIMUM MATURITY <sup>C</sup>	MAXIMUM SPECIFIED % OF PORTFOLIO <sup>D</sup>	MINIMUM QUALITY REQUIREMENTS	GOV'T CODE SECTIONS
Local Agency Bonds	5 years	None	None	53601(a)
U.S. Treasury Obligations	5 years	None	None	53601(b)
State Obligations—CA And Others	5 years	None	None	53601(d)
CA Local Agency Obligations	5 years	None	None	53601(e)
U.S Agency Obligations	5 years	None	None	53601(f)
Bankers' Acceptances	180 days	40% <sup>E</sup>	None	53601(g)
Commercial Paper—Non-Pooled Funds <sup>F</sup>	270 days or less	25% of the agency's money <sup>G</sup>	Highest letter and number rating by an NRSRO <sup>H</sup>	53601(h)(2)(C)
Commercial Paper—Pooled Funds <sup>I</sup>	270 days or less	40% of the agency's money <sup>G</sup>	Highest letter and number rating by an NRSRO <sup>H</sup>	53635(a)(1)
Negotiable Certificates of Deposit	5 years	30% <sup>J</sup>	None	53601(i)
Non-negotiable Certificates of Deposit	5 years	None	None	53630 et seq.
Placement Service Deposits	5 years	50% <sup>K</sup>	None	53601.8 and 53635.8
Placement Service Certificates of Deposit	5 years	50% <sup>K</sup>	None	53601.8 and 53635.8
Repurchase Agreements	1 year	None	None	53601(j)
Reverse Repurchase Agreements and Securities Lending Agreements	92 days <sup>L</sup>	20% of the base value of the portfolio	None <sup>M</sup>	53601(j)
Medium-Term Notes <sup>N</sup>	5 years or less	30%	"A" rating category or its equivalent or better	53601(k)
Mutual Funds And Money Market Mutual Funds	N/A	20%	Multiple <sup>P,Q</sup>	53601(l) and 53601.6(b)
Collateralized Bank Deposits <sup>R</sup>	5 years	None	None	53630 et seq. and 53601(n)
Mortgage Pass-Through and Asset-Backed Securities	5 years or less	20%	"AA" rating category or its equivalent or better	53601(o)
County Pooled Investment Funds	N/A	None	None	27133
Joint Powers Authority Pool	N/A	None	Multiple <sup>S</sup>	53601(p)
Local Agency Investment Fund (LAIF)	N/A	None	None	16429.1
Voluntary Investment Program Fund <sup>T</sup>	N/A	None	None	16340
Supranational Obligations <sup>U</sup>	5 years or less	30%	"AA" rating category or its equivalent or better	53601(q)
Public Bank Obligations	5 years	None	None	53601(r), 53635(c) and 57603

TABLE OF NOTES FOR FIGURE 1

- A Sources: Sections 16340, 16429.1, 27133, 53601, 53601.6, 53601.8, 53630 et seq., 53635, 53635.8, and 57603.
- B Municipal Utilities Districts have the authority under the Public Utilities Code Section 12871 to invest in certain securities not addressed here.
- C Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceeds this five year remaining maturity limit. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.
- D Percentages apply to all portfolio investments regardless of source of funds. For instance, cash from a reverse repurchase agreement would be subject to the restrictions.
- E No more than 30 percent of the agency's money may be in bankers' acceptances of any one commercial bank.
- F Includes agencies defined as a city, a district, or other local agency that do not pool money in deposits or investment with other local agencies, other than local agencies that have the same governing body.
- G Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper of any single issuer.
- H Issuing corporation must be organized and operating within the U.S., have assets in excess of \$500 million, and debt other than commercial paper must be in a rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, have program wide credit enhancements, and have commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical rating agency.
- I Includes agencies defined as a county, a city and county, or other local agency that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body. Local agencies that pool exclusively with other local agencies that have the same governing body must adhere to the limits set forth in Section 53601(h)(2)(C).
- J No more than 30 percent of the agency's money may be in negotiable certificates of deposit that are authorized under Section 53601(i).
- K Effective January 1, 2020, no more than 50 percent of the agency's money may be invested in deposits, including certificates of deposit, through a placement service as authorized under 53601.8 (excludes negotiable certificates of deposit authorized under Section 53601(i)). On January 1, 2026, the maximum percentage of the portfolio reverts back to 30 percent. Investments made pursuant to 53635.8 remain subject to a maximum of 30 percent of the portfolio.
- L Reverse repurchase agreements or securities lending agreements may exceed the 92-day term if the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity dates of the same security.
- M Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state chartered bank that has a significant relationship with the local agency. The local agency must have held the securities used for the agreements for at least 30 days.
- N "Medium-term notes" are defined in Section 53601 as "all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States."
- O No more than 10 percent invested in any one mutual fund. This limitation does not apply to money market mutual funds.
- P A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years' experience investing in instruments authorized by Sections 53601 and 53635.
- Q A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years' experience investing in money market instruments with assets under management in excess of \$500 million.
- R Investments in notes, bonds, or other obligations under Section 53601(n) require that collateral be placed into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, among other specific collateral requirements.
- S A joint powers authority pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years' experience investing in instruments authorized by Section 53601, subdivisions (a) to (o).
- T Local entities can deposit between \$200 million and \$10 billion into the Voluntary Investment Program Fund, upon approval by their governing bodies. Deposits in the fund will be invested in the Pooled Money Investment Account.
- U Only those obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less.