



CITY OF SAN DIMAS

STATEMENT OF INVESTMENT POLICY

1. **POLICY:** It is the policy of the City of San Dimas to invest public funds in a manner that will provide an optimal combination of security and investment return while meeting the daily cash flow demands of the City and conforming to all State and local statutes governing the investment of public funds.
2. **SCOPE:** This investment policy applies to the investment of all financial assets of the City, except for those of the City's deferred compensation plans, the management of which is distinct and is not governed by this Investment Policy, and bond and financing proceeds, which will be made in accordance with the provisions of the applicable indentures. For the purpose of investment of bond and financing proceeds into vehicles authorized by the provisions of the applicable indentures but not by this policy, all funds are pooled with the General Fund to facilitate ease of handling and to minimize costs of maintaining multiple investment accounts. Earnings on the pool of funds are allocated on a periodic basis to the respective individual funds.
3. **PRUDENCE:** California Government Code section 53600.3 classifies all governing bodies of local agencies or persons authorized to make investment decision on behalf of those local agencies investing public funds as trustees, and therefore fiduciaries subject to the prudent investor standard. The prudent investor standard requires that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.
4. **OBJECTIVES:** The Chief objectives, in priority order, of the City's Investment activities shall be:
 - **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the City will diversify its investments to minimize the risk of loss resulting from over concentration of assets in a specific maturity range, of a specific issuer, or in a specific class of securities.

- Liquidity: The City's investment portfolio will be managed to ensure sufficient liquidity to enable the City to meet all reasonably anticipated operating requirements, and should consist of securities with an active secondary or resale market.
 - Return on Investment: The City's investment portfolio shall be designed with the objective of attaining an optimal return throughout budgetary and economic cycles within established portfolio safety and liquidity parameters.
5. AUTHORIZATION AND DELEGATION OF AUTHORITY: Under and as specified by California Government Code Section 53601, the legislative body of a local agency (i.e., the City Council) is authorized to invest money in its treasury that is not required for immediate needs. As permitted under California Government Code Section 53607, the City Council with the approval of this Policy delegates management responsibility for the investment program for a concurrent and renewable period of one-year to the City Treasurer or in his/her designee, who shall assume full responsibility for those transactions until the delegation of the authority is revoked or expires, and who shall make a monthly report of those transactions to the city Council.
6. ETHICS AND CONFLICTS OF INTEREST: All City officers and employees involved in the City's investment process shall act responsibly as custodians of the public trust, and refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment and portfolio management decisions.
7. AUTHORIZED AND SUITABLE INVESTMENTS: The City is empowered by statute (California Government Code Section 53600 et se.) to invest money in certain types of securities and funds. Within that empowerment, the City restricts eligible securities and funds to those listed below. Each type listed is subject to various specific requirements and restrictions, imposed by the above referenced California Government Code Section, and by the City by way of this Investment Policy.
- U.S. Treasury Securities
 - Federal Agency and U.S. Government-Sponsored Enterprise Obligations
 - Medium Term Notes
 - Corporate Bonds
 - Commercial Paper
 - Time Deposits (including non-negotiable Certificates of Deposit)
 - Negotiable Certificates of Deposit
 - Bankers' Acceptances
 - Local Agency Investment Fund (LAIF)
 - Los Angeles County Investment Pool (LACIP)
 - Cal Trust
 - Shares of Beneficial Interest issued by a Joint Powers Authority
 - Repurchase Agreements
 - Mutual Funds
 - Money Market Mutual Funds

- U.S. Supranational Securities

Except as specifically authorized by the City Council in advance, no investment shall be made in any security that at the time of investment has a term remaining to maturity in excess of five years.

As a Local Agency, the City is specifically prohibited from investing in inverse floaters, range notes, mortgage-derived interest-only strips, or any securities that could result in zero interest accrual if held to maturity (California Government Code section 53601.6).

8. **SAFEKEEPING AND CUSTODY:** All security transactions shall be conducted on a deliver-versus-payment (DVP) basis. Securities shall be held by a third party qualified custodian and evidenced by monthly safekeeping statements.
9. **DIVERSIFICATION OF SECURITIES AND MATURITIES:** The City shall maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific maturity range, of a specific issuer, or in a specific security type.

The City employs a passive investment strategy, by which the City's full intent at the time of purchase is to hold all investments until maturity. Investments shall be made and maintained to match the City's projected cash flow requirements. Investments shall be made in realization that market prices of securities will vary depending on economic and interest rate conditions at any point in time. In the context of both the City's immediate and/or projected cash flow requirements at any point in time and the City's primary investment goals (safety, liquidity, return on investment), the sale of individual securities prior to maturity for purposes of portfolio reconfiguration may be appropriate.

The City's maturity matrix guideline ranges are as follows:

<u>Maturity Range</u>	<u>Guideline Portfolio Percentage</u>
1 Day to 1 Year	30% - 100%
1 Year to 3 Years	5% - 60%
3 Years to 5 Years	0% - 40%

10. **INTERNAL CONTROLS:** Internal policies and procedures shall be maintained to assure that appropriate controls are in place to document and confirm all transactions. Transaction authority shall be separated from accounting and record keeping. An independent analysis by an external auditor shall be conducted annually to review internal control, account activity and compliance with policies and procedures.
11. **PERFORMANCE STANDARDS:** Given the City's passive investment strategy and the strategy for maturities diversification, the average weighted maturity of the portfolio will normally approximate two years. The basis used by the Treasurer to determine whether market yields are being achieved shall be to bench mark portfolio returns as

