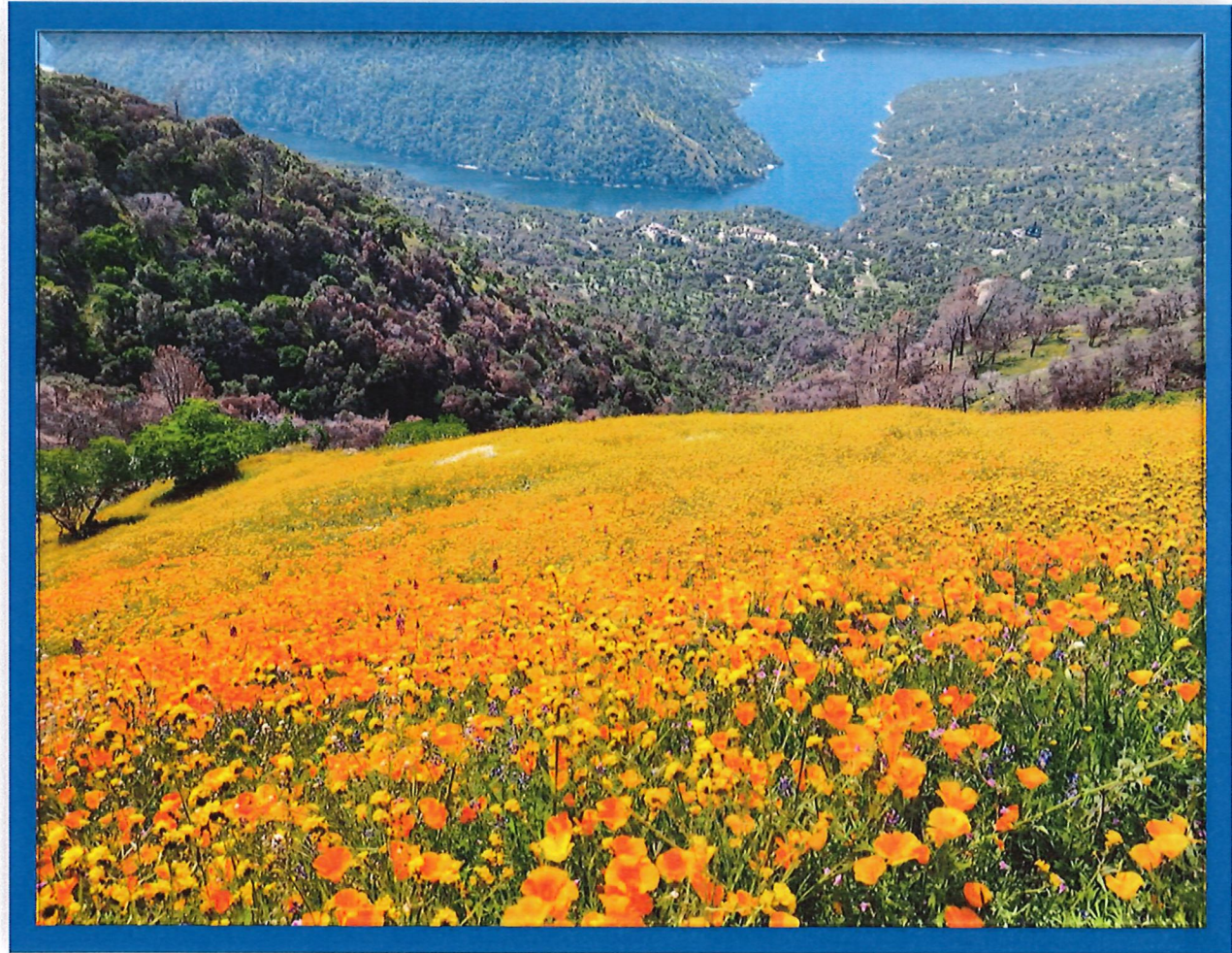


# *MADERA COUNTY TREASURY INVESTMENT POLICY*

*of the Commingled Investment Pool for the Year 2023*



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## **1. INTRODUCTION AND OVERVIEW**

The County of Madera is a political subdivision of the State of California organized in 1893, with the City of Madera as the county seat. The County covers an area of approximately 2,150 square miles and is the geographic center of California. The southeastern part of Yosemite National Park is located in the County's northeast. The County's economy is heavily linked to agriculture and government services.

## **2. GOVERNING AUTHORITY**

The Board of Supervisors is the legislative and executive governing body of Madera County government. One Supervisor is elected from each of the five supervisorial districts of the County.

## **3. DELEGATION OF INVESTMENT AUTHORITY**

Effective January 1, 1997, CA Gov Code §27000.1 required the Board of Supervisors to delegate authority to invest or reinvest County funds and funds of other depositors by ordinance. Madera County ordinances establish the delegation of investment authority to the County Treasurer. California Gov Code §53607 limits such authority to a one-year period. The County Treasurer then assumes full responsibility for those investment transactions until the delegation of authority is revoked or expires. Under current legislation, a renewal of such authority to invest is hereinafter achieved through an annual Board Resolution with an effective period between January 1st and December 31st of the following year.

## **4. POLICY STATEMENT**

The purpose of the investment policy is to outline the policies used to assist in maximizing the efficiency of the Treasurer's cash management while meeting the daily cash flow demands of the County, the School Districts, voluntary participants, and other County related agency funds.

## **5. SCOPE**

The following investment policy pertains to the pooled operating funds of Madera County and depository agencies. Depository agencies consists of school districts, special districts, and other County-related agencies. This policy is concerned with the deposit, safekeeping, and investment of all surplus funds of the Madera County Treasurer, as well as all related transactions and investment activities. It does not apply to bond funds or other assets belonging to Madera County, or other affiliated public agency assets that reside outside of the County's Commingled Investment Pool (CIP).

## **6. PRIMARY INVESTMENT OBJECTIVES**

The surplus funds will be invested in such a manner following the fundamental principles of safety, liquidity, and yield – in that order. In addition, the Treasurer may provide further restrictions and guidelines for the investment of idle funds through this investment policy.

- a. *SAFETY/LEGALITY* - Investments should be made in instruments of high quality to avoid credit risk and/or loss of principal. Investments susceptible to wide price fluctuations due to market volatility should be avoided. Investments shall only be made in instruments legally permissible by the California Government Code, as hereafter amended for Madera County's needs.

- b. *LIQUIDITY* - Investments should be made in instruments maturing in such a manner to meet daily demands upon the Treasury. A certain degree of highly liquid instruments should be maintained at all times to accommodate unforeseen withdrawals or respond to opportunities for transactions arising from changing market conditions.
- c. *INVESTMENT INCOME (YIELD)* - The CIP is designed with the objective of attaining a market rate of investment income return throughout budgetary and economic cycles. Since the Treasurer is responsible for receiving and safekeeping ALL monies belonging to the County and all other monies directed by law to be paid into the Treasury, investments are made for cash flow purposes first and yield is secondary. Operating with in such parameters of safety and liquidity, the most favorable yield would then be considered. A favorable yield could be defined as the highest yield based on like investments given the existing market conditions.

## **7. LEGAL COMPLIANCE**

All investing and investment decisions shall be made with full compliance to CA Gov Code §27000 et seq. and §53600 et seq., as well as any forthcoming amendments or additions to the California Government Code in relation to the investment of local agency idle funds. The Treasurer-Tax Collector is responsible for investing the surplus funds paid into the Treasury in accordance with the CA Gov Code §53601 et. seq. and the Prudent Investor Standard.

## **8. PRUDENT INVESTOR STANDARD**

The administration of idle funds of the Madera County Treasurer, as a fiduciary trustee, shall be performed in accordance with the Prudent Investor Standard as stated in CA Gov Code §27000.3 and §53600.3:

"When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the County Treasurer 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 need of the County and other depositors."

## **9. AUDITING**

External auditors annually audit the County, including the office of the Treasurer, based on a set of agreed upon procedures. Annually, consistent with CA Gov Code §26920(b), the County Auditor shall perform or cause to be performed an audit of the assets in the County Treasury and express an opinion whether the Treasurer's statement of assets is presented fairly and in accordance with generally accepted accounting principles, (GAAP). If the Auditor finds an investment out of compliance with the policy, the Treasurer shall review and conclude if that is true and correct. If an investment is found to be out of compliance, the Treasurer will take action to correct and send an updated report to all participating agencies. The audit report shall be addressed to the County Board of Supervisors.

## **10. REPORTING**

In compliance with CA Gov Code §53646, the County Treasurer is at a minimum required to submit a quarterly investment report within 30 days following the end of each quarter. The Treasurer, however, elected to exceed the minimum requirements by increasing its frequency to a monthly report and disseminate to all CIP participants, County Board of Supervisors, the County Superintendent of Schools, Madera Unified School District, and Special Districts. This report will be uploaded to the Treasurer's website upon completion of every month and made available to the public. The monthly report will include monthly transactions and a list of holdings as of the last day of the month and note:

- The type of investment
- The institution
- Date of maturity
- Par amount
- Book value
- End of month market value and source of value
- A statement of compliance or an explanation of any variance, and
- A statement of the ability to meet the CIP's expenditure requirement for the next six months or an explanation of why the expenditure requirement cannot be met

## **11. INVESTMENT POLICY ADOPTION**

The County Treasurer shall annually prepare an investment policy pursuant to CA Gov Code §27133 and §53646 (a) (1) that will be reviewed and approved by the County Board of Supervisors at a public meeting.

## **12. SECURITY DEALERS & BROKERS**

The County Treasurer shall determine which financial institutions are authorized to provide investment services to the County for the investment of County funds. All potential brokers/dealers must complete a detailed County questionnaire about their experience and capital of their respective institutions. These questionnaires will be kept on file in the Treasurer's office. Review and approval are required before any investment services can be considered. Evaluations are completed on all approved broker/dealer/depository relationships on an annual basis or as deemed necessary.

Brokers/ dealers or individual firms that make a political contribution to the County Treasurer exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board within four years following January 1, 1996, may not be selected to do business.

The Treasurer may trade or place securities with individual broker/dealer or broker/capital firms who meet the following criteria:

- A Primary government dealer as designated by the Federal Reserve Bank of New York.
- A Nationally or State-Chartered bank
- Banks identified as one of the top 100 banks in the world, or
  - Banks, brokers, or dealers with net capital in excess of \$10 million with liquidity lines of \$100 million or more.

- Individual broker/dealer or broker/dealer firms provided they are:
  - Registered and in good standing with the Financial Industry Regulatory Authority (FINRA);
  - Licensed to conduct business in the State of California; and
  - Have primary account representatives with five or more years of experience in County commingled investment pool transactions.

Selection of financial institutions and brokers/dealers authorized to engage in transactions with the County shall be decided at the sole discretion of the County Treasurer.

If the County utilizes a US Securities and Exchange Commission (SEC) registered external investment advisor, the advisor shall maintain a list of authorized broker-dealers and complete the appropriate due diligence required by the SEC. The external investment advisor may use its own list of approved broker/dealers and financial institutions for investment purposes on behalf of the County. The investment advisor shall submit the list of approved broker/dealers to the County Treasurer on an annual basis. The County Treasurer may restrict the use of a broker/dealer which may be deemed unsuitable.

### **13. POOL PARTICIPANTS – INVOLUNTARY**

Many of the funds on deposit in the County Treasury are funds under the control of the Board of Supervisors, such as those relating to the general ledger and other trust funds. State law requires school districts to deposit their funds in the County Treasury unless the school board declares funds to be excess funds, in which case funds can be invested outside the County Treasury. As such, the school districts are considered a mandatory depositor. Special districts and Cemetery districts are also required to deposit their funds in the County Treasury.

### **14. POOL PARTICIPANTS – VOLUNTARY**

A voluntary participant is any local agency who has applied for and been granted participation in the County's CIP. The local agency's Treasurer or other official responsible for their funds has determined that they have excess funds which are not required for immediate use. Once the excess funds are identified, the local agency's legislative or governing body must adopt a resolution that authorizes the investment of the funds pursuant to CA Gov Code §53684, and with the consent of the County Treasurer, deposit the excess funds in the County Treasury for the purpose of investment by the County Treasurer pursuant to Section 53601 or 53635. The resolution shall specify that the local agency acknowledges and is willing to be bound by the withdrawal provisions of Section 27136, and that administrative charges will be deducted by the Treasurer as permitted by Sections 53684(b) and 27013. The Treasurer shall approve or deny such local agency's request in writing. Currently there are NO Voluntary Depositors in the County's CIP.

### **15. WITHDRAWAL OF FUNDS FROM COUNTY POOL**

Pursuant to CA Gov Code §27136, any entity wishing to withdraw funds from the County's CIP for the purpose of investing or depositing those funds outside the County's CIP, shall first submit the request for withdrawal to the County Treasurer before withdrawing funds from the CIP. For any withdrawals over \$2 million, it will be necessary to have two (2) days' notice in writing and withdrawals over \$5 million will require a one week notice in writing.



## 16. AUTHORIZED INVESTMENTS AND LIMITS

The County may invest surplus funds from among the following authorized investments and within limits as specified. The percent of limitation for a particular category of investment shall only apply at the date of purchase. Additionally, a percent change that results from an increase or decrease of values or assets shall not constitute a limitation violation. Some instruments have no limit, and no limit is specified; however, the Prudent Investor Standard should apply.

- A. **Bonds** issued by the local agency, including bonds payable solely out of the revenue from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency. Per CA Gov Code §53601(a), there is no limit on the percentage of the CIP that can be invested in this category.
- B. **United States Treasury, Bills, Notes, Bonds, and Certificates of Indebtedness**, and those for which the full faith and credit of the United States is pledged for the payment of principal and interest. Per CA Gov Code §53601(b), there is no limit on the percentage of the CIP that can be invested in this category.
- C. **Registered State Warrants** or Treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state. Per CA Gov Code §53601(c), there is no limit on the percentage of the CIP that can be invested in this category.
- D. **Bonds, Notes, Warrants**, or other evidence of indebtedness of any local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency. Per CA Gov Code §53601(e), there is no limit on the percentage of the CIP that can be invested in this category.
- E. **Federal Agency or United States Government-Sponsored Enterprise** obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. Per CA Gov Code §53601(f), there is no limit on the percentage of the CIP that can be invested in this category.
  - Structured rate securities: Generally, investments in these types of securities are allowed as long as there is no risk of a zero coupon or loss of principal. Specifically prohibited are inverse floaters, range notes or interest only strips derived from a pool of mortgages.
- F. **Banker's Acceptances** otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Per CA Gov Code §53601(g), purchases of Bankers' Acceptances may not exceed 180 days maturity or 40 percent of the surplus funds in the County Treasury. However, no more than 30 percent of the Treasury's surplus funds may be invested in the banker's acceptances of any one commercial bank.
- G. **Commercial Paper** of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a Nationally Recognized Statistical Rating Organization (NRSRO). The entity that issues the commercial paper shall meet all the following conditions in either paragraph 1 or 2:

*Paragraph 1:*

- Is organized and operating in the United States as a general corporation.



- Has total assets in excess of five hundred million dollars (\$500,000,000)
- Has debt other than commercial paper, if any, that is rated in a rating category of "A-1" or higher, or the equivalent, by an NRSRO.

*Paragraph 2:*

- Is organized within the United States as a special purpose corporation, trust, or limited liability company.
- Has total assets in excess of five hundred million dollars (\$500,000,000)
- Has program wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond
- Has commercial paper that is rated "A-1" or higher, or the equivalent, by an NRSRO

Eligible commercial paper shall have a maximum maturity of 270 days or less. Counties or a City and County may invest in commercial paper pursuant to the concentration limits in subdivision (a) of CA Gov Code §53635.

- No more than 40 percent of the County's money may be invested in eligible commercial paper.
- No more than 5 percent of the total assets of the investments held by the County may be invested in any one issuer's commercial paper and medium-term notes.

H. **Negotiable Certificates of Deposit** issued by a Federal or State Chartered bank or savings and loan association. Per CA Gov Code §53601(i), any investment in Negotiable Certificates of Deposit may not exceed 30 percent of the County's surplus money. No more than 5 percent of the total portfolio shall be invested in any one name.

I. **Non-negotiable Time Certificates of Deposit** issued by a Federal or State Chartered bank or a savings and loan association. These require full collateralization with government securities (110%) or mortgages (150%) in accordance with CA Gov Code §53651. The Treasurer will determine eligibility of banks and savings and loans through the Findley report, which rates California Financial Institutions, and ratings of the major rating agencies such as Moody's, Standard & Poor's, and Fitch.

Investments with qualified institutions shall be equally distributed providing yields on comparable investments. Investments with any one type of institution shall not exceed 50 percent of the portfolio and investments with any one institution shall not exceed 15 percent of the portfolio.

Investments shall be placed only with institutions with established stability, performance, and a current Community Reinvestment Act (CRA) rating of satisfactory or better. All factors being equal, preference shall be given to institutions within Madera County.

J. **Investments in Repurchase Agreements** as authorized by CA Gov Code §53601 and/or §53635 shall be restricted to Federal or State Chartered banks or primary security dealers with whom the Treasurer has entered into a Master Repurchase Agreement. A Repurchase Agreement is a purchase of securities by the County pursuant to an agreement by which the Bank/Dealer agrees to repurchase the securities made on a specified date. Securities purchased through Repurchase Agreements from the Bank/Dealer are United States

Treasury Bills, Notes or Certificates of Indebtedness, or instruments of or issued by a federal agency of the United States or money market instruments.

Investments in Reverse Repurchase Agreements or Securities Lending Agreements are authorized so long as the proceeds are invested solely to supplement the income normally received from the securities. A Reverse Repurchase Agreement is a sale of securities by the County pursuant to an agreement by which the County will repurchase such securities on or before a specified date and for a specified amount.

- Reverse Repurchase Agreements is limited to 20 percent of the portfolio and only for specified purposes.
- K. **Medium Term Corporate Notes (MTN)** of a maximum of five years maturity 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. Securities eligible for investment shall be rated in a rating category of "A" or its equivalent, or better, by a nationally recognized rating agency.
  - Purchase of MTN may not exceed 30 percent of the surplus funds in the County Treasury nor exceed 5 percent of a single issuer (CA Gov Code §53601(k)).
- L. **Shares of Beneficial Interest (Money Market Mutual Funds)** Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. To be eligible for investments, these companies shall either.
  - Attain the highest ranking or highest letter and numerical rating provided by not less than two Nationally Recognized Statistical Rating Organizations (NRSROs)
  - Have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market funds with assets under management in excess of five hundred million dollars (\$500,000,000)

The purchase price of shares of beneficial interest purchased, shall not include any commission that these companies may charge and shall not exceed 20 percent of the agency's total portfolio which may be invested pursuant to §53601(l) of the California Government Code.

- M. **Investments of funds in the Local Agency Investment Fund (LAIF- State of California)** created by law under CA Gov Code §16429.1, which the State Treasurer invests through the Pooled Money Investment Account. Money invested in LAIF is available overnight; however, it is also subject to a limited number of transactions per month. Money shall be placed in LAIF as an alternative liquid investment under the guidelines of this policy pertaining to yield. Investment of funds in a LAIF is limited to the maximum amount allowed by the State Treasurer.
- N. **Shares of Beneficial Interest** issued by Joint Powers Authority (JPA) organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (r), of section 53601 inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the JPA. To be eligible under this section, the JPA shall have retained an investment adviser that meets the following criteria:

- The adviser is registered or exempt from registration with the Securities and Exchange Commission
- The adviser has no less than five years of experience investing in the securities and obligations as authorized in subdivisions (a) to (o), inclusive of Section 53601, and the advisor has assets under management in excess of five hundred million dollars (\$500,000,000.).

Per CA Gov Code §53601(p), there is no set limit on the percentage of the CIP that can be invested in this category.

- O. **Supranationals** United States dollars 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 remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rated category "AA" or its equivalent or better by an NRSRO and shall not exceed 30 percent of the agency's monies that may be invested pursuant to CA Gov Code §53601(q).
- P. **Certificate of Deposit Account Registry Service (CDARS)** Deposits placed through CDARS are distributed into individual Certificates of Deposit (CD) of less than \$250,000 each that are fully insured by the Federal Deposit Insurance Corporation (FDIC) and placed through a network of participating banks that uses CDARS, a private entity that assists in the placement of the individual CDs. Pursuant to CA Gov Code §53635.8(j) shall not, in total, exceed 30 percent of the agency's funds that may be invested for this purpose.

## 17. DIVERSIFICATION

The Treasurer shall diversify the CIP to minimize the risk of loss. Investments will be diversified by security type, issuer, maturity, and financial institutions. No more than 5 percent of the total assets of the CIP may be invested in any one issuer's combined medium-term notes, commercial paper, and negotiable certificate of deposit.

## 18. INVESTMENT POOLS / MUTUAL FUNDS

Due diligence shall be performed by investigating any pool or fund prior to investing and on an annual basis. A questionnaire has been established to provide the following information:

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how interest is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), how often the securities are priced, and how often the program is audited for compliance.
- A description of who may invest in the program, how often, what size deposit and withdrawals are allowed
- A schedule for receiving statements and portfolio listings

- A description of how the pool/fund maintains reserves, retained earnings, etc. or if all income after expenses distributed to participants
- A fee schedule that discloses when and how fees are assessed
- The eligibility of the pool/fund to invest in bond proceeds and a description of its practices

The purpose of this questionnaire is to determine the suitability of a pool or fund and evaluate the risk of placing funds with that pool or fund.

## **19. PROHIBITED TRANSACTIONS/INVESTMENTS**

At the time of purchase, all permitted investments shall conform in all respects with this investment policy statement and with applicable provisions of the California Government Code, as may be amended from time to time. No investment prohibited by the California Government Code shall be permitted herein.

Any investment transactions, credit risk criterion, percentage limitations, or market valuations that are not in compliance with this investment policy statement and cannot be corrected without penalty at time of purchase must be documented and approved by the Treasurer in writing as soon as possible. Thereafter, action shall be taken by the Treasurer to correct such matter as soon as practical. If a percentage restriction is adhered to at the time of purchase, a later increase or decrease in percentage resulting from a change in values or assets will not constitute a violation of that restriction.

The following transactions are prohibited:

- Borrowing for investment purposes (“Leverage”)
- Structured Notes (e.g. inverse floaters, leveraged floaters, structured certificates of deposit, equity-linked securities, event-linked securities). This includes all floating-rate, adjustable-rate or variable-rate securities in which a change in interest rates or other variables that can reasonably be foreseen to occur during their term would result in their market value not returning to par at the time of each interest rate adjustment
- Simple “floating rate notes,” whose periodic coupon adjustment is based on a short- term (one-year or less) rate index (such as Treasury bills, federal funds, prime rate, SOFR or LIBOR) and which have a reasonable expectation of maintaining a value of par at each interest rate adjustment through final maturity, are exempt from this definition
- Additionally, U.S. Treasury and Federal Agency zero coupon bonds or callable securities which otherwise meet the quality, maturity, and percent limitations assigned to their respective security category, are exempt from this section
- Structured Investment Vehicles (SIV)
- Derivatives (e.g., options, futures, swaps, swap options, spreads, straddles, caps, floors, collars)
- Money Market Mutual Funds that do not maintain a constant Net Asset Value (NAV)

## **20. CONFIRMATION**

All confirmations shall be reviewed for conformity with the original transaction by an individual who did not originate the transaction. Any discrepancy will be reported to the County Treasurer for correction.



## **21. APPROVAL OF DEPOSITS**

All financial institutions whether investment banks and dealers, commercial banks, or savings and loans must be approved by the County Treasurer before receiving County funds. All firms with whom the County does business with should have a strong capital base and have received an overall rating of no less than "satisfactory" in its most recent evaluation by the appropriate federal agency before any investments or deposits are placed with such firms.

## **22. LOSSES**

Generally, losses are acceptable on a sale before maturity and should be taken if reinvested proceeds will earn an income flow with a present value higher than the present value of the income flow that would have been generated by the old investment.

## **23. MARKET RATE OF INVESTMENT INCOME AND ALLOCATION OF LOSSES**

The CIP is designed with the objective of attaining a market rate of investment income throughout budgetary and economic cycles, considering the investment risk, constraints and liquidity needs. Return on investments, while important, is secondary to the safety and liquidity principles.

The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities may be sold prior to maturity for the following reasons:

- A declining credit security, to minimize loss of principal, and/or
- A security swap, to improve the quality, yield, or target duration in the portfolio, and/or
- The liquidity needs of the portfolio require that the security be sold.

If there is a realized loss of principal on a particular security, the loss will first be allocated against the interest earned on that security in the quarter in which the security is sold.

If the security's current interest is not sufficient to cover the loss, then the County Auditor-Controller may allocate the loss against the total current and future portfolio interest earnings.

In the event of an imminent loss of principal for which the security's interest would not be sufficient to cover the loss, the County Auditor-Controller may withhold from the total current and future portfolio interest earnings to reserve against a future maximum anticipated actual loss. In the event that an estimated loss does not materialize, or is less than the amount set aside, the funds reserved from interest earnings to cover the estimated loss would be immediately released and apportioned on the following quarter to the interest earning funds in the CIP.

## **24. SAFEKEEPING**

Investments are held in a third-party safekeeping custodial account designated by the Treasurer to provide the public with the highest degree of protection with regard to investments held in the portfolio. The delivery-versus-payment (DVP) purchase procedure will be used. Third-party safekeeping refers to holding securities in a trust account by an entity other than the party through whom the investment was purchased. The DVP refers to the practice of using an escrow procedure to process a transaction through the third-party safekeeper. This practice ensures that the transaction settles after the transaction terms and conditions of the parties involved have been met.

## **25. WAIVER OF SECURITY ON DEPOSITS**

Waiver of Security on deposits covered by FDIC or FSLIC insurance shall be at the discretion of the Treasurer and will require the Treasurer's signature.

## **26. COLLATERALIZATION**

California Government Code, Sections 53652, et seq., requires depositories to post certain types and levels of collateral for public funds above the FDIC insurance amounts. The collateral requirements apply to bank deposits, both active (checking and savings accounts) and inactive (non-negotiable time certificates of deposit).

Collateral is also required for repurchase agreements. The market value of securities used as collateral for repurchase agreements shall not be allowed to fall below 102 percent of the value of the repurchase agreement and shall be valued daily by the tri-party custodial agent. Securities that can be pledged for collateral shall consist only of securities permitted in California Government Code Section 53601. If there is a default of the broker, the collateral securities can be sold. Since the securities are valued daily, it is likely that the sale proceeds will equal or exceed the value of the repurchase agreement amount.

## **27. CREDIT OF INTEREST RATES**

California Government Code, Section §53684 (b) requires County Treasurers to apportion quarterly to the local agencies or districts any interest earned from the investment of funds. Interest earned is in an amount proportionate to the average daily balance of the amounts the local agencies or districts deposit. The County Auditor-Controller shall conduct the apportionment process based on the net earnings of the CIP each quarter.

## **28. MAXIMUM DAYS TO MATURITY AND LIQUIDITY**

Investment decisions are made with regard to safety, liquidity, cash flow needs and yield as a matter of policy. The California Government Code allows maturity dates up to 5 years. Maturity dates over 5 years require Board of Supervisor approval. Generally, the maximum average time to maturity of County investments shall not exceed 2.5 years. To provide sufficient liquidity to meet daily expenditure requirements, the portfolio will maintain at least 30 percent of its total book value in securities having a maturity of one (1) year or less.

## **29. CALCULATION PARAMETERS**

Calculations of percentage allocations shall be done at the time of purchase and formulated on book value. Weighted average maturity is calculated using a security's stated final maturity and using the settlement date.

## **30. INVESTMENT TRANSACTION PARAMETERS**

The Program shall follow the following investment transaction parameters:

- Obtain at least three offers/bids (when applicable/available) or obtain independent third-party pricing.
- Forward settlement time limit of not more than 30 days.

### **31. INDEMNIFICATIONS**

The Treasurer and treasury staff, when acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes.

Investments shall be made with judgment and care under the then prevailing circumstances which persons of prudence, discretion and intelligence exercise in the management of their own affairs. Investments will not be made for speculation but for investment considering safety of capital as well as probable income to be derived.

### **32. PERFORMANCE STANDARDS**

The investment portfolio will be managed in accordance with the parameters specified within this policy. The investment portfolio shall be designed with the objective of obtaining a market rate of investment income throughout budgetary and economic cycles, commensurate with the investment risk, constraints and the cash flow needs. Return on investments (yield) is of least importance compared to the safety and liquidity principles described in this policy. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

### **33. COSTS OF MANAGING TREASURY COMMINGLED INVESTMENT POOL (GC 27013)**

Actual costs of investing, depositing, banking, auditing, reporting, and managing Treasury pool funds are deducted from the gross interest earned account. The balance is then apportioned to the accounts on an average daily balance method. Treasury functions are overseen by dedicated personnel solely to investment functions and appropriately charged to the maintenance of the funds. Banking fees are charged in arrears after the costs for the previous quarter are known. Special functions or services required or requested by a certain entity are paid by that entity.

In accordance with CA Gov Code §54985, there may be an applicable charge for directed investments outside of the County's CIP.

### **34. ETHICS AND CONFLICT OF INTEREST**

The Treasurer and all investment personnel shall refrain from personal business activity which could create a conflict with proper execution of the investment program, or which could impair the ability to execute impartial investment decisions. The Treasurer and all investment personnel shall disclose any material financial interests in financial institutions which conduct business with the County of Madera and shall disclose any material financial investment positions which could be related in a conflicting manner to the performance of the County of Madera investment portfolio. This disclosure may be submitted in the form of the County of Madera Statement of Economic Interest Form 700.

### **35. LIMIT ON RECEIPT OF HONORARIA, GIFTS, AND GRATUITIES**

Employees responsible for the management of the County's CIP shall follow County guidelines. The County Treasurer shall complete and file form FFCP 700 annually.

### **36. BUSINESS CONTINUITY**

The County Treasurer has developed a Business Continuity Plan describing the County's anticipated response to a range of events that could significantly disrupt its business. Due to timing and impact of disasters, emergencies and other events is unpredictable, flexibility is necessary when responding to actual disruptions as they occur. With that in mind, the goal of the Plan is to resume operations as quickly and smoothly as possible.

The County Treasurer's Plan for responding to a significant business disruption addresses safeguarding of employees' lives and County's property, making a financial and operational assessment, quickly recovering, resuming operations, protecting all of the County's books and records, and allowing the continued ability to manage the investment program and conduct business.

### **37. ONGOING TRAINING AND EDUCATION**

The County strives for professionalism and accountability in the investment of its funds. In order to assure the highest possible professional standards, the personnel involved in the investment function shall complete at least 16 hours per year of continuing education programs or other training in cash and investment management.



### 38. POOL INVESTMENT PARAMETERS

Allowable Instruments	County Maximum % of Portfolio	Code Maximum % of Portfolio	County Maximum Maturity	Code Maximum Maturity	County % per Issuer
Bonds (Municipal Bonds) (§53601(a))	100	100	5 Years	5 Years	100
U.S. Treasury (§53601(b))	100	100	5 Years	5 Years	100
Registered State Warrants (§53601(c))	100	100	5 Years	5 Years	100
Bonds, Notes, Warrants (§53601(e))	100	100	5 Years	5 Years	100
Federal Agency or United States Government-Sponsored Enterprise (§53601(f))	100	100	5 Years	5 Years	100
Bankers' Acceptances (§53601(g))	40	40	180 Days	180 Days	30
Commercial Paper (§53635 (a))	40	40	270 Days	270 Days	5
Negotiable Certificates of Deposit (53601(i))	30	30	5 Years	5 Years	5
Non-negotiable Time Certificates of Deposit (§53651)	50	100	5 Years	5 Years	15
Investments in Repurchase Agreements (§53601 and/or §53635)	20	20	1 Year	1 Year	20
Medium Term Notes (Corporate) (§53601(k))	30	30	5 Years	5 Years	5
Shares of Beneficial Interest (Money Market Mutual Funds) (§53601(l))	20	20	5 Years	5 Years	10
Local Agency Investment Fund (L.A.I.F.) (§16429.1)	Max Allowed	Per State Treasury Policy	N/A	N/A	N/A
Shares of Beneficial Interest JPA (§53601 (p))	20	100	N/A	N/A	20
Supranational Obligations (§53601(q))	30	30	5 Years	5 Years	30
Certificate of Deposit Account Registry Service (CDARS) (53635.8(i))	30	30	5 Years	5 Years	30

*With the exception of insured and/or collateralized bank deposits, overnight repurchase agreements, U.S. Government Securities, including its agencies and instrumentalities, and authorized pools, no more than 10% of the County's aggregate investment portfolio may be invested in securities of a single issuer. Commercial Paper and Medium-Term Notes is further limited to a combined 10% of the issuing corporation.*



**Tracy Kennedy**  
Treasurer-Tax Collector  
County of Madera



Date

### 39. APPENDIX I: GLOSSARY OF TERMS

**This Glossary is for general reference purposes only and does not constitute an exhaustive or exclusive list of terms and definitions applicable to this Investment Policy Statement.**

**The definitions included herein do not modify any of the terms of this Investment Policy Statement or applicable law.**

**AGENCY:** Securities issued by government-sponsored corporations such as Federal Home Loan Banks (FHLB) or Federal Land Banks (FLB.) Agency securities are exempt from Securities and Exchange Commission (SEC) registration requirements.

**BANKERS' ACCEPTANCE (BA):** Negotiable money market instruments issued primarily to finance international trade. These are time drafts in which a bank "accepts" as its financial responsibility to pay the principal at maturity even if the importer does not. In essence, these are bank obligations collateralized by goods being shipped between an exporter and an importer.

**BOND:** A long-term debt instrument in which the investor lends money to the bond issuer, who agrees to pay a stated rate of interest over a specified period of time. Very simply, a bond is a promissory note which is traded in the financial markets. The investor's position is that of lender.

**BOOK VALUE:** The original cost of the investment, plus accrued interest, and amortization of any premium or discount.

**BROKER:** A broker brings buyers and sellers together and is compensated for his/her service.

**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 moneys.

**COMMERCIAL PAPER (CP):** Short-term unsecured promissory notes issued by corporations for maturities of 270 days or less.

**COUPON OR COUPON RATE:** The rate at which a bond pays interest. Stated as a percentage of par and computed out to a dollar amount. Example: A note with a coupon of 6% pays \$30,000 interest per million dollars of par every six months, or \$60,000 annually.

**CREDIT RISK:** Defined as an issuer's ability and willingness to repay interest and principal; the risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

**CUSTODIAN:** A bank or other financial institution that keeps custody of stock certificates and other assets.

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

**DERIVATIVE:** A security whose interest rate of principal amount may vary and is determined by a market index or a combination of market indexes.

**DURATION:** A measure of timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.



**FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA):** The largest independent regulator for all securities firms in the United States.

**FLOATING RATE NOTE:** A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g., Treasury bills, London Interbank Offered Rate (LIBOR), Secured Overnight Financing Rate (SOFR) etc.).

**INTEREST:** The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

**LIQUIDITY:** The speed and ease with which an investment can be converted to cash.

**MARKET:** Refers to the place, physical or electronic, where investment transactions take place. The New York Stock Exchange (NYSE) is a recognized exchange (stock market) with a physical location in New York. The Chicago Board of Trade (CBT) is a recognized exchange (commodities market) with a physical location in Chicago. The “over-the-counter” market is an electronic and phone system used to trade investments which are not traded on recognized exchanges. Bond and money market investments (fixed income securities) are traded on the “over-the-counter” market.

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

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

**MEDIUM TERM NOTES (MTN):** Debt securities issued by a corporation or depository institution with a maturity ranging from nine months to five years. The term “medium-term note” refers to the time it takes for an obligation to mature and includes other corporate debt securities originally issued for maturities longer than five years, but which have now fallen within the five-year maturity range.

**MONEY MARKET:** The market in which short-term debt instruments (Treasury bills, discount notes, commercial paper, banker’s acceptances, etc.) are issued and traded.

**MONEY MARKET MUTUAL FUNDS:** An investment company that pools money from investors and invest in a variety of short-term money market instruments.

**NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO):** Firms that review the credit worthiness of the issuers of debt securities and express their opinion in the form of letter ratings (e.g., AAA, AA, A, BBB, etc.). The primary rating agencies are the following: Standard & Poor’s Corporation; Moody’s Investor Services, Inc.; and Fitch, Inc.

**NET ASSET VALUE (NAV):** A per-share valuation of a mutual fund based on total assets minus total liabilities.

**PORTFOLIO:** A group of securities held by an individual or institutional investor.

**PRICE:** The percentage of par at which a security is bought and sold. Corporate debt is traded in denominations of 100th of a percent. Government debt is traded in denominations of 32nds of a percent.

**PRIME RATE:** The base rate that banks use in pricing commercial loans to their best and most creditworthy customers.

**PRINCIPAL:** The face value or par value of an investment.

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

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

**REGISTERED STATE WARRANT:** A short-term obligation of a state governmental body issued in anticipation of revenue.

**REPURCHASE AGREEMENT:** The purchase of securities, on a temporary basis, with the seller's simultaneous agreement to repurchase the securities back at a later date at a specified price that includes interest for the buyer's holding period.

**RULE G-37 OF THE MUNICIPAL SECURITIES RULEMAKING BOARD:** Federal Regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

**SUPRANATIONAL:** An entity that is formed by two or more central governments with the purpose of promoting economic development for the member countries. Examples include the International Bank for Reconstruction and Development, International Finance Corporation, and the Inter-American Development Bank.

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

**TREASURY BILLS:** Non-interest-bearing discount securities with maturities under one year issued by the U.S. Treasury to finance the national debt.

**UNITES STATES TREASURY NOTES (USTN):** Interest-bearing obligations issued by the U.S. Treasury with maturities ranging from two to ten years from the date of issue.

**VOLATILITY:** A degree of fluctuation in the price and valuation of securities.

**YIELD:** The annual rate of return on a debt investment computed as though held to maturity expressed as a percentage.