COUNTY OF GLENN
AGENDA ITEM TRANSMITTAL

MEETING DATE: April 20, 2010
Submitting Department(s):
Department of Finance

Contact: Deborah Storz
Phone: (530) 934-6476

BRIEF SUBJECT/ISSUE DESCRIPTION:
Adopting Director of Finance's, County of Glenn Investment Policy

AGENDA PLACEMENT

APPOINTMENT - Appearances by: (Specify Name & Title)

ATTACHMENTS

LEGAL/PERSONNEL/FISCAL

County Counsel
Personnel
Finance
County Administrative Office

Required Minutes

Business - No
Consent
Correspondence
Reports & Notices

Receive Concurrence

CLERK INSTRUCTIONS

Return Minute Order
Return Certified Copy Of:
Resolution

Other:
Investment Policy

PUBLIC HEARINGS & COMMITTEE VACANCIES

Legislation

FUNDING SOURCE/IMPACT

Contracts, Leases & Agreements

Public Hearings:
Published
Affidavit on File w/Clerk
Affected Parties Notified

Committees:
Vacancy Posted
Application Attached

State
Federal

Bill#:
Latest Version of Bill
Draft Letter Attached
List of Supporters/Opposers
Statement of Relevance to County Interests
Description Attached

General Fund Impact
Other: _____
Budgeted
Transfer Attached
4/5ths Vote Required
Contingency Request

New
Renewal
Amendment
Insurance Certificate
Contract Report

Date of Original Contract
Contract No:
Fiscal Year:

RECOMMENDED ACTION/MOTION:
Adopt new County of Glenn Investment Policy, by resolution. (Annually)

Reviewed By (if applicable):

Personnel Director

Department of Finance

cc:

County Administrative Officer
April 20, 2010

Glenn County Board of Supervisors
Willows, CA 95988

RE: Report to the Board of Supervisors

EXECUTIVE SUMMARY:
Adopt Investment Policy Resolution

SPECIFIC RECOMMENDATION(S):
Adopting Investment Policy per California Government Code Section 53646

HISTORY AND BACKGROUND:
Resolution must be adopted annually per Government Code Section 53646

FISCAL/PERSONNEL IMPACT(S):
None

ANALYSIS/DISCUSSION:
None

Respectfully Submitted,

[Signature]
Don Santoro,
Director of Finance
BOARD OF SUPERVISORS, GLENN COUNTY, CALIFORNIA

RESOLUTION NO. 2010-

A RESOLUTION APPROVING THE ANNUAL GLENN COUNTY STATEMENT OF INVESTMENT POLICY

WHEREAS, the Director of Finance and Glenn County's Financial Advisor, Public Financial Management, Inc. (PFM), have reviewed the Glenn County Statement of Investment Policy and found the current policy is in conformance to California Governmental Code Section 53646, and

WHEREAS, annually the Director of Finance submits to the Board of Supervisors a Statement of Investment Policy, and

WHEREAS, the Board of Supervisors shall review and approve that policy at a public meeting.

NOW, THEREFORE, pursuant to the requirements of California Government Code Section 53646, the Board of Supervisors of the County of Glenn does hereby resolve and order that the Glenn County Investment Policy be approved.

THIS RESOLUTION WAS PASSED by the Board of Supervisors of the County of Glenn at a regular meeting thereof on April 20, 2010, by the following vote:

AYES:
NOES:
ABSENT OR ABSTAIN

CHAIRMAN, Board of Supervisors,
County of Glenn, State of California

ATTEST:

Clerk, Board of Supervisors, County of Glenn,
State of California

APPROVED AS TO FORM:

County Counsel, County of Glenn, State of California
COUNTY OF GLENN INVESTMENT POLICY

[March 3, 2009]

POLICY STATEMENT

The California Government Code section 53601, et seq. provides legal authorization for the investment and deposit of funds of local agencies. Glenn County shall conform to, and comply with, the restrictions of all applicable laws. In addition, further requirements shall be established taking into consideration prudent investment standards.

ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program, or impairs their ability to make impartial investment decisions. Employees and investment officials shall disclose any material financial interest at that could be related to the performance of the County's investment policy.

DELEGATION OF AUTHORITY

The management responsibility for the investment program is hereby delegated to the County Director of Finance ("Finance Director") who shall monitor and review all investments for consistency with this investment policy. No person may engage in an investment transaction except as provided under the limits of this policy. The Finance Director may delegate its investment decision making and execution authority to an investment advisor. The advisor shall follow the policy and such other written instructions as are provided.

SCOPE

The Finance Director is responsible for investing the unexpended cash in the County Treasury. This investment policy applies to all the investment activities of the County of Glenn, except for the Deferred Compensation Funds, which are administered separately. All financial assets of other funds shall be administered in accordance with the provision of this policy.

INVESTMENT OBJECTIVES

The Pooled Investment Fund shall be prudently invested in order to earn a reasonable return, while awaiting application for government purposes. The specific objectives for the Pooled Investment Fund are ranked in order of importance.

Safety of Principal—the preservation of principal is the primary objective. Each transaction shall seek to ensure that capital losses are avoided, whether they are from securities default, broker-dealer default or erosion of market value. Care shall be taken to preserve principal by mitigating the two types of risk, credit risk and market risk. Credit risk, defined as the risk of loss due to failure of the issuer of a security, shall be mitigated by investment in investment grade securities and by diversifying the investment portfolio so that the failure of any one issuer would not unduly harm the county’s capital base and cash flow. Market risk, defined as market value fluctuations due to overall changes in the general level of interest rates, shall be mitigated by structuring the portfolio based on historic and current cash flow analysis, eliminating the need to sell securities prior to maturity, and avoiding the purchase of long term securities for the sole purpose of short term speculation.

Liquidity of Investments—the Pooled Investment fund should remain sufficiently flexible to enable the county to meet all reasonable anticipated operating requirements. Historic cash flow trends are compared to current cash flow requirements on an ongoing basis.

Yield—the Pooled Investment Fund should be designed to attain an optimum rate of return, consistent with the risk limitations, prudent investment principles and cash flow restraints of the county.
PRUDENCE

For county funds deposited in the county treasury, the board of supervisors serves as a fiduciary and is subject to the prudent investor standard, unless a delegation has occurred pursuant to Section 53807. If the board of supervisors has delegated investment responsibility to the county treasurer, the county treasurer serves as a fiduciary and is subject to the prudent investor standard and the board of supervisors shall not be the agent, serve as a fiduciary, or be subject to the prudent investor standard.

For funds deposited in the county treasury that are deposited by local agencies other than the county and at the discretion of those local agencies, the county treasurer serves as a fiduciary subject to the prudent investor standard.

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the county treasurer or the board of supervisors, as applicable, 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. Within the limitations of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law.

Investments shall be made with 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 person” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility of an individual security’s credit risk or market price changes, provided deviations from expectation are reported in a timely fashion and appropriate action is taken to control adverse developments.

SAFEKEEPING OF SECURITIES

To protect against potential losses by collapse of individual securities dealers, all securities owned by the County, including collateral on repurchase agreements, shall be held in safekeeping by a third party bank trust department acting as agent for the County under the terms of a custody agreement executed by the bank and by the County. All securities will be received and delivered using standard delivery versus payment procedures.

MONITORING AND REPORTING OF THE PORTFOLIO

Per Section 16480.7, not later than 30 days after the close of each month there shall be placed on file for public inspection during business hours at the office of the Director of Finance, a report by the Director of Finance with respect to investments made under this article and deposits in banks and savings and loan associations showing transactions during such month and any related information the board deems should be included. A quarterly report will be submitted to the Board of Supervisors within 30 days following the end of the quarter. The report shall identify the type of investments, name of the issuer, date of maturity, par and dollar amount invested in each security, the weighted average maturity of the investments, any funds investments or programs including loans, that are under the management of contracted parties and the market value as of the date of the report, along with the source of this valuation.

CRITERIA FOR SELECTING QUALIFIED BROKER/DEALERS & FINANCIAL INSTITUTIONS

Brokers and Dealers shall be selected for their proven competitiveness with regard to price and execution, clearance and settlement of transactions, commitment of capital, ability to report promptly and accurately, and to promptly and efficiently deliver securities. Additional criteria shall include the ability
and willingness to supply financial publications, economic reports, and financial data. Any investment advisor for the County shall use these criteria to assist in the selection of brokers and dealers. Broker/Dealers and financial institutions which have exceeded the political contribution limits within a four-year period to the (County Treasurer) Director of Finance or any member of the board of supervisors or any candidate for those offices are prohibited from transacting business with Glenn County.

**COMPETITIVE BIDDING**

Competitive bids shall be obtained when purchasing or selling securities whenever practical. A minimum of three bids shall be obtained and those bids shall be recorded in writing and kept for a period of one year.

A single broker may be used for the purpose of investing in Repurchase Agreements, as long as that broker is selected through a competitive bidding process. The contract with this broker shall be for a period of no longer than one year and must be renewed annually.
INVESTMENT STRATEGY

An economic scenario shall be developed and maintained to assist in developing an investment strategy. An investment strategy will be developed to help optimize earnings based upon liquidity needs and the economic scenario. Investments will be selected taking many variables into consideration. Several of the most important variables will be the shape of the yield curve, the anticipated change in that curve and the relative value of available securities. Proper use of the yield curve will involve not only purchasing securities with desirable maturities, but also swapping from existing portfolio securities with less desirable maturities into those with maturities that are perceived as currently more advantageous or into securities with more relative value. The average maturity of the portfolio will be shortened or lengthened primarily depending upon an evaluation of the above-mentioned factors.

AUTHORIZED INVESTMENTS

The County is further governed by California Government Code, Sections 53600 et seq. Within the content of these limitations, the following investments are authorized, as further limited herein:

A United States Treasury Bills, Bonds, Notes, and Certificates of Indebtedness, or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no limitation as to the percentage of the portfolio that can be invested in this category.

B 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. There is no limitation as to the percentage of the portfolio that can be invested in this category.

C Registered Treasury Notes or Bonds of the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.

D Registered Treasury Notes or Bonds of any of the other 49 United 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 United States, in addition to California.

E Bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State of California, 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.

F Bankers' Acceptances issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest letter and number rating category by one or more nationally recognized statistical rating organizations (NRSRO). Bankers' acceptances purchased may not exceed 180 days to maturity. No more than 40% of the market value of the portfolio may be invested in bankers' acceptances and no more than 10% of the market value of the portfolio may be invested in bankers' acceptances issued by any one bank.

G Commercial Paper rated in the highest letter and number rating category by one or more NRSROs. Commercial paper rated below the highest letter and number rating by one or more NRSROs is not eligible for purchase for the County's portfolio. The corporation that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2)

(1) The entity meets the following criteria: (a) is organized and operating within the United States, as (a) general corporation, (b) has total assets in excess of five hundred million dollars ($500,000,000), and (c) has debt, other than commercial paper, if any, that is rated in the third highest rating category (without regard to any gradations within such categories by numerical
(2) The entity meets the following criteria: (a) is organized within the United States as a special purpose corporation, trust or limited liability company, (b) has program-wide credit enhancements including, but not limited to over collateralization, letters of credit, or surety bond, and (c) has commercial paper that is rated “A-1” or higher, or the equivalent by a NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less. No more than 40% of County’s money may be invested in eligible commercial paper. No more than 10% of the market value of the portfolio may be invested in commercial paper issued by any one corporation. No more than 10% of the outstanding commercial paper of any single corporate issuer may be purchased by the local agency.

Medium-term corporate note holdings shall be considered when calculating the maximum percentage in any issuer name.

**H Negotiable Certificates of Deposit** (NCDs) issued by a nationally or state chartered bank or a state or federal savings and loan association or by a state-licensed branch of a foreign bank; provided that the senior debt obligations of the issuing institution are rated in the second highest rating category (without regard to any gradations within such categories by numerical qualifier or otherwise) by a NRSRO.

NCD’s shall not collectively exceed 30% of the market value of the portfolio.

**I Medium-Term Notes.** Corporate and depository institution debt securities with a maximum remaining maturity of three years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state and operating within the U.S. Medium-term corporate notes shall be rated in the second highest rating category (without regard to any gradations within such categories by numerical qualifier or otherwise) by a NRSRO. The aggregate total of all purchased medium-term notes may not exceed 30% of the cost value of the investment portfolio. No more than 5% of cost value of the portfolio may be invested in notes issued by any one corporation.

All securities issued by non-government issuers shall be considered when calculating the maximum percentage in any issuer name.

**J Repurchase Agreements** used solely as short-term investments not to exceed 30 days.

The County may enter into Repurchase Agreements only with primary dealers of the Federal Reserve Bank of New York. The County may invest in repurchase agreements with primary dealers with which the County has entered into a master contract that specifies terms and conditions of repurchase agreements.

The following collateral restrictions will be observed: Only U.S. Treasury securities or Federal Agency securities, as described in Authorized Investments “A” and “B,” will be acceptable collateral. All securities underlying Repurchase Agreements must be delivered to the County’s custodian bank by book entry, physical delivery, or by a third party custodial agreement. The total of all collateral for each Repurchase Agreement must equal or exceed, on the basis of market value, 104 percent of the funds borrowed against those securities. For any Repurchase Agreement with a term of more than one day, the value of the underlying securities must be reviewed on a weekly basis. The investment in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 104% no later than the next business day following the date of valuation.

Market value must be calculated each time there is a substitution of collateral.

The County or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement.

No more than 30% of the portfolio may be invested in repurchase agreements.
Reverse repurchase agreements will not be allowed.

**K Local Agency Investment Fund (LAIF).** The County may invest in the Local Agency Investment Fund established by the State Treasurer for the benefit of local agencies up to the maximum amount permitted.

**L Money Market 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 (15 U.S.C. Sec. 80a-1, et seq.). To be eligible for investment pursuant to this subdivision these companies shall either: (1) have attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations or (2) 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 mutual funds and with assets under management in excess of $500,000,000. No more than 20% of the investment portfolio shall be invested in money market funds.

**M California Asset Management Program (CAMP).** Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of the State of California, as it may be amended. The limitation is 30% of the portfolio that can be invested in this category.

**N Time Deposits.** The County may invest in non-negotiable time deposits collateralized in accordance with the California Government Code, in those banks and savings and loans associations which meet the requirement for investment in negotiable certificate of deposit. The issuer firm should have been in existence for at least five years. The County may waive the first $100,000 of collateral security for such deposits if the institution is insured pursuant to federal law. In order to secure such deposits, an institution shall maintain collateral as stated in the Government Code; securities having a market value of at least 10% in excess of the total deposit; or real estate mortgages (REM) having a value of at least 50% in excess of the total deposit. The maximum term for deposits shall be one year. In general, the issuer must have a minimum 3% net worth to assets ratio and their operation must have been profitable during their last reporting period. The limitation is 30% of the portfolio that can be invested in this category. Credit criteria and maximum percentages listed in this section are calculated at the time the security is purchased. Should an investment percentage-of-portfolio limitation be exceeded due to an incident such as fluctuation in portfolio size, the affected securities may be held to maturity to avoid losses. If a rating falls below the criteria listed in this policy, but is still in a rating category permitted by the California Government Code, the security may be held to maturity to avoid losses.

**INELIGIBLE INVESTMENTS.** Investments not described herein, including but not limited to common stocks, are prohibited from use in this portfolio. Further, investments which exceed five years in maturity require authorization by the Board of Supervisors three months prior to purchase.

**METHOD OF CALCULATING COSTS AND YIELD**

Calculations for the Finance Director’s administrative fee for costs of managing the investment portfolio include but are not limited to: investment management, accounting for the investment activity, custody of the assets, managing and accounting for the banking, receiving and remitting deposits, oversight controls and costs, and indirect and overhead expenses as authorized in Government Code Section 27013. The fee is based upon actual costs and is subtracted from gross interest earnings to all funds.

**EARNINGS DISTRIBUTION**

Interest earnings shall be allocated quarterly according to each fund’s average daily cash balances a percentage of the total investment pool. Earnings shall be the net of accrued and received interest, amortized premiums, accreted discounts and profit or loss on the sale or trade of a security attributable to
the quarter being apportioned, plus adjustments from prior quarters. The interest shall be apportioned as of the first day of the following quarter and added to each participating fund’s balance in the Pooled Investment fund. The interest apportionment report shall show the gross interest, Finance Director’s administrative fee and net interest allocated to each fund which earns interest as a part of the investment pool.

WITHDRAWAL REQUESTS

The County Director of Finance will honor and approve all requests to withdraw funds for normal cash flow at a one dollar net asset value. Any requests to withdraw funds for purposes other than cash flow, such as for external investing, shall be subject to the consent of the County Finance Director. In accordance with Government Code Section 27136 et seq. and Section 27133 (h) et seq., such requests for withdrawals must first be made in writing to the County Director of Finance. These requests are subject to the County Finance Director’s consideration of the stability and predictability of the Pooled Investment Fund, or the adverse affect on the interests of the other depositors in the Fund. Any withdrawal for such purposes shall be at the lower of the market value or total adjusted cost of the Pooled Investment fund as of the end of the month prior to the date of withdrawal.

For outside investors who utilize Government code Section 53684, where the County Finance Director does not serve as the agency’s Treasurer, any withdrawal request must be made in writing 30 days in advance. These withdrawals will also be at the lower of market value or total adjusted cost of the Pooled Investment Fund as of the end of the month prior to the date of withdrawal.

TERMS AND CONDITIONS FOR OUTSIDE INVESTORS

Outside local agencies, where the County Finance Director does not serve as the agency’s treasurer, may invest in the Pooled Investment fund through Government Code Section 53684 et seq. Deposits are subject to the consent of the County Finance Director. The local agency legislative body must approve the County Pooled Investment Fund as an authorized investment and execute a Memorandum of Understanding. Any withdrawal of these deposits must be made in writing 30 days in advance and will be paid at the lower of market value or total adjusted cost of the Pooled Investment Fund as of the end of the month prior to the date of withdrawal. If the County Finance Director deems appropriate, the deposits may be returned at any time. Outside local agencies’ funds within the County Pool may be invested at the agencies’ direction. These investments are subject to the consent of the County Finance Director and must comply with Government Code Section 53684 et seq.

LIMITATIONS ON HONORARIA

In accordance with Government Code Section 27133 (d) et seq., this Policy hereby establishes limits for the County Director of Finance and individuals responsible for management of the portfolio. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of $50 in a rolling twelve month time period from a broker/dealer, bank or service provider to the Pooled Investment Fund must report the gifts, dates and firms to the County Director of Finance and complete the appropriate State forms.

No individual may receive aggregate gifts, honoraria and gratuities in a rolling twelve month time period in excess of $280. Any violation must be reported to the California Fair Political Practices Commission.

SWAPPING OF SECURITIES

A swap is the movement from one security to another and may be done for a variety of reasons, such as to increase yield, lengthen or shorten maturities, to take a profit, or to increase investment quality. Losses or gains on security swaps must be recorded as a completed sale and purchase.

POLICY REVIEW

This investment policy shall be reviewed at least annually to ensure its consistency with the overall
objectives of preservation of principal, liquidity, rate of return and its relevance to current law and financial and economic trends.

Adopted _____________

________________________________________
Don Santoro, CPA
Director of Finance
County of Glenn
### SUMMARY OF INVESTMENT LIMITATIONS

<table>
<thead>
<tr>
<th>Description</th>
<th>Limit Per Institution</th>
<th>Limit Per Type of Investment</th>
<th>Maximum Allowable Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasuries</td>
<td></td>
<td>100%</td>
<td>3 years</td>
</tr>
<tr>
<td>Federal Agencies &amp; U.S. Gov't Sponsored Enterprises</td>
<td>50%</td>
<td>100%</td>
<td>3 years</td>
</tr>
<tr>
<td>Medium Term Notes</td>
<td>5% AA</td>
<td>30%</td>
<td>3 years</td>
</tr>
<tr>
<td>Negotiable Certificates of Deposit</td>
<td>10% AA</td>
<td>30%</td>
<td>2 years</td>
</tr>
<tr>
<td>Time Certificates of Deposit</td>
<td>10%</td>
<td>30%</td>
<td>2 years</td>
</tr>
<tr>
<td>Bankers Acceptances</td>
<td>10%</td>
<td>40%</td>
<td>180 days</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>10%</td>
<td>40%</td>
<td>270 days</td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 30 days</td>
<td>10%</td>
<td>30%</td>
<td>30 days</td>
</tr>
<tr>
<td>Greater than 30 days</td>
<td>10%</td>
<td>30%</td>
<td>365 days</td>
</tr>
<tr>
<td>Local Agency Investment Fund</td>
<td>$40 mm</td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>20%</td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>California Asset Management Program</td>
<td>30%</td>
<td></td>
<td>N/A</td>
</tr>
</tbody>
</table>

Unless otherwise specified, no more than 10% of the portfolio, except Treasuries and Agencies, may be invested in the securities of single issuer, including its related entities.

- * Based on total of surplus funds at the time the investment decision is made.
- ** LAIF has one day availability and no maturity date.