

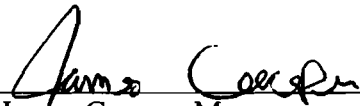
RESOLUTION NO. 2000-49

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ELK GROVE ADOPTING A STATEMENT OF INVESTMENT POLICY

BE IT RESOLVED by the City Council of the City of Elk Grove that the Statement of Investment Policy attached hereto is hereby adopted as the Investment Policy for monies of the City of Elk Grove

BE IT FURTHER RESOLVED that said Investment Policy shall be submitted to and reviewed annually by the Elk Grove City Council in accordance with Government Code Section 53646.

PASSED AND ADOPTED by the City Council of the City of Elk Grove on this 11th day of October, 2000, by the following vote:


James Cooper, Mayor

ATTEST:


Diana Biddle, Interim City Clerk

AYES: Soares, Scherman, Briggs, Cooper, Leary
NOES: None
ABSTAIN: None
ABSENT: None

CITY OF ELK GROVE

STATEMENT OF INVESTMENT POLICYI. INTRODUCTION

This statement will identify various policies and procedures that will foster a prudent and systematic investment program and which will organize and formalize investment-related activities. The related activities, which comprise good cash management, include:

- A. Accurate cash projections
- B. Timely collection of revenues
- C. Control of disbursements
- D. Cost-effective banking relations

II. SCOPE

This policy will cover all funds and investment activities under the direction of the City of Elk Grove or its investment managers.

III. OBJECTIVESA. Safety

The primary objective of this policy is to protect, preserve and maintain cash and investments of the City of Elk Grove.

B. Liquidity

An adequate percentage of the portfolio will be maintained in liquid short-term securities, which can be converted to cash as necessary to meet disbursement requirements. The liquidity percentage will be determined from time to time from projected cash flow reports. Investments will be made in securities with active secondary or resale markets. Securities with low market risk will be emphasized.

C. Yield

Within the constraints of safety and liquidity, the highest and best yield will be sought.

D. Market-Average Rate of Return

The portfolio will be designed to attain a market-average rate of return, taking into account the City of Elk Grove's risk constraints, the cash flow characteristics of the portfolio and state law.

E. Diversification

The portfolio will be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types of individual financial institutions. Excluding U.S. Government and agency securities, no more than 10% or \$250,000, whichever is less, of the portfolio may be invested in any one institution.

F. Prudence

This investment policy is based on the "prudent investment standard" which states: "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." (Government Code #53600.3)

G. Public Trust

All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio it must be recognized that occasional measured losses are inevitable and must be considered within the context of the overall investment return.

IV. AUTHORITY TO INVEST MONIES

Sections 53601, 53601.1 and 16429.1 of the Government Code provide legal authorization for investments of funds of local agencies. All investments of City of Elk Grove shall conform to the restrictions of those laws.

Gene Albaugh
10/4/2000

V. REPORTING

A. Quarterly

1. The Treasurer shall submit a quarterly investment report to the City Council, City Manager and City Internal Auditor. This report will include all items required by Government Code Section 53646. These items are:
 - a. Type of investment
 - b. Institution (issuer)
 - c. Date of maturity
 - d. Amount of deposit or cost of the security
 - e. Current market value of securities with maturities over one year
 - f. Rate of interest
 - g. Statement relating the report to the Statement of Investment Policy
 - h. Statement that there are sufficient funds to meet the next six months' obligations
 - i. Accrued interest as prescribed by Government Code Section 53646, if required by the City of Elk Grove (effective January 1, 2001).
2. The quarterly report may also include non-mandatory items such as:
 - a. Interest earned to date
 - b. Average weighted yield
 - c. Average days to maturity
 - d. Actual transactions
 - e. Percentage distribution of investment types

f. Other measurements and comparisons.

B. ANNUALLY

The Treasurer shall prepare a report detailing the performance of the portfolio as of June 30.

VI. INVESTMENT INSTRUMENTS AND MATURITIES

A. Permitted Investments

Subject to the additional requirements imposed by Government Code Section 53601, the City may purchase securities subject to the following limits:

| <u>PERMITTED INVESTMENTS DEPOSIT</u> | <u>MAXIMUM PORTFOLIO CONCENTRATION</u> | <u>MINIMUM QUALITY</u> | <u>MAXIMUM MATURITY</u> |
|--|--|----------------------------|-----------------------------|
| Treasury Bills and Notes | Unlimited | | 5 years* |
| U.S. Government and Agency Securities | Unlimited | | 5 years* |
| Time Certificates of Deposit | Unlimited | | 3 years* |
| Negotiable Certificates of Deposit | 30% | AA | 3 years* |
| Bankers Acceptances | 40% | AA | 270 days |
| Commercial Paper (max maturity < 180 days) | 15% | A1/P1 | 180 days |
| Commercial Paper (avg maturity < 31 days) | 30% | A1/P1 | 31 days |
| LAIF | \$10,000,000 | | 5 years |
| Repurchase Agreements | | | 1 year |
| Medium Term Notes | 30% | AA | 5 years* |
| Money Market Account | \$100,000** | AAA | 5 years |
| Mutual Funds | 15%** | AAA | 5 years |

* Maximum term unless expressly authorized by City Council and within the prescribed time frame for the approval (Government Code Section 53601).

** Money Market Funds and Mutual Funds are subject to a combined limit of 20% of portfolio.

Investments shall be purchased according to the minimum credit standards listed. In the event of a downgrade in credit after the date of purchase, the Treasurer shall advise the City Manager and City Council at the next regular meeting and will use his/her best professional judgment concerning the retention of the security in the portfolio.

Gene Albaugh
10/4/2000

B. Excluded Investments

The following investments or investment practices are not permitted under this Statement of Investment Policy:

1. Purchase of sale of securities on margin
2. Reverse Repurchase Agreements
3. Financial futures and financial options
4. Guaranteed Small Business Administration (SBA) Notes
5. Government National Mortgage Associate (GNMA) Notes

VII. INTERNAL CONTROLS

The system of internal control shall be established and maintained in written form. The controls are designed to prevent losses of public funds arising from fraud, error, misrepresentation of third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the City of Elk Grove. The most important controls are: control of collusion, separation of duties, separation of transaction authority from accounting and bookkeeping, custodial safekeeping, delegation of authority, limitations regarding securities losses and remedial action, written confirmation of telephone transactions, minimizing the number of authorized investment officials, documentation of transactions and strategies, and annual review of controls by the Treasurer.

VIII. BANKS AND SECURITIES DEALERS

In selecting financial institutions for the deposit of investment of City funds, the Treasurer shall consider the credit worthiness of institutions. The Treasurer shall continue to monitor their credit characteristics and financial history throughout the period in which City funds are deposited or invested. A commercial rating or bank watch service may be used to accomplish this objective.

IX. INVESTMENT RISKS

The City of Elk Grove recognizes that investment risks can result from issuer defaults, market price changes of various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk. Investment managers are expected to display prudence in the selection of securities as a way to minimize default risk. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. As

needed, the Treasurer shall periodically meet with the City Manager to establish guidelines and strategies to control credit risk, market risk and illiquidity.

In addition to these general policy considerations, the following specific policies will be followed:

- A. All transactions will be executed on a delivery versus payment basis.
- B. A competitive bid process, when practical, will be used to place all investments.

X. SAFEKEEPING AND CUSTODY

Securities purchased from broker/dealers will be held in a third-party custodian/safekeeping account except the collateral for time deposits in banks and savings and loans. The Federal Home Loan Bank of San Francisco or an approved Agent of Depository holds collateral for time deposits of thrifts. Collateral for time deposits in banks will be held in the City's name in the bank's Trust Department.

XI. STATEMENT OF INVESTMENT POLICY

Pursuant to Government Code Section 53646, the Statement of Investment Policy will be reviewed and submitted annually to the Elk Grove City Council.