REQUEST FOR COUNCIL ACTION CITY OF SAN DIEGO		CERTIFICATE NUMBER (FOR COMPTROLLER'S USE ONLY) N/A
TO: CITY COUNCIL	FROM (ORIGINATING DEPARTMENT): City Treasurer	DATE: 10/9/2015

SUBJECT: Annual Presentation of the City Treasurer's Investment Policy and Delegation of Authority to the City Treasurer to Invest Funds

PRIMARY CONTACT (NAME, PHONE):	SECONDARY CONTACT (NAME, PHONE):
Kent Morris,619-533-6253/ MS 51-V	Thomas Williams, 619-533-6256/ MS 51-V

COMPLETE FOR ACCOUNTING PURPOSES

FUND					
FUNCTIONAL AREA					
COST CENTER					
GENERAL LEDGER ACCT					
WBS OR INTERNAL ORDER					
CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00
FUND					
FUNCTIONAL AREA					
COST CENTER					
GENERAL LEDGER ACCT					
WBS OR INTERNAL ORDER					
CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00

COST SUMMARY (IF APPLICABLE): N/A

ROUTING AND APPROVALS

CONTRIBUTORS/REVIEWERS:		APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
Environmental Analysis		ORIG DEPT.	Granewich, Gail	10/12/2015
Liaison Office		CFO		
Financial Management		DEPUTY CHIEF	Lewis, Mary	10/14/2015
Comptroller		COO		
		CITY ATTORNEY		
		COUNCIL PRESIDENTS OFFICE		

PREPARATION OF: ☒ RESOLUTIONS ☐ ORDINANCE(S) ☐ AGREEMENT(S) ☐ DEED(S)

1. Accept the City Treasurer's Investment Policy for the Pooled Investment Funds dated January 1, 2016.
2. Authorize the City Treasurer to invest the City's funds for a period of one year, from January 1, 2016 through December 31, 2016.

STAFF RECOMMENDATIONS:
Approve Requested Action

SPECIAL CONDITIONS (REFER TO A.R. 3.20 FOR INFORMATION ON COMPLETING THIS SECTION)	
COUNCIL DISTRICT(S):	All
COMMUNITY AREA(S):	All
ENVIRONMENTAL IMPACT:	This activity is not a project as defined by the California Environmental Quality Act Section 21065 and State CEQA Guidelines Section 15378(b)(5), as it is an organizational or administrative activity of government that will not result in direct or indirect physical changes in the environment. The determination that this activity is not subject to the CEQA, pursuant to Section 15060(c)(3), is not appealable and a Notice of Right to Appeal the Environmental Determination (NORA) is not required.
CITY CLERK INSTRUCTIONS:	None

COUNCIL ACTION
EXECUTIVE SUMMARY SHEET
CITY OF SAN DIEGO

DATE: 10/9/2015
ORIGINATING DEPARTMENT: City Treasurer
SUBJECT: Annual Presentation of the City Treasurer's Investment Policy and Delegation of Authority to the City Treasurer to Invest Funds
COUNCIL DISTRICT(S): All
CONTACT/PHONE NUMBER: Kent Morris/619-533-6253/ MS 51-V

DESCRIPTIVE SUMMARY OF ITEM:
Pursuant to California Government Code §53607 and §53646, the City Treasurer must annually request delegation of authority to invest or reinvest the City's funds and present the City Treasurer's Investment Policy to City Council at a public meeting.
STAFF RECOMMENDATION:
Approve Requested Action
EXECUTIVE SUMMARY OF ITEM BACKGROUND:

The California Government Code (CGC) has vested authority with the City Council to invest or reinvest funds of the City or to sell or exchange securities purchased. Under CGC §53607, the City Council may delegate this authority to the City Treasurer for a period of one (1) year. City Council Resolution R-309310, adopted on November 25, 2014, was the last time the Council delegated this authority and is effective from January 1, 2015 until December 31, 2015.

The City Treasurer has an established Investment Policy which is reviewed annually for legislative changes. On October 9, 2015, the Investment Advisory Committee was presented with the City Treasurer's Investment Policy with no proposed changes and unanimously recommended approval of the Investment Policy.

The City Treasurer and Investments Division staff report semi-annually the results of portfolio performance, investment strategy and annually present any proposed changes in the Investment Policy to the Investment Advisory Committee, which was established in 1990.

CITY STRATEGIC PLAN GOAL(S)/OBJECTIVE(S):

Goal #3: Create and sustain a resilient and economically prosperous City.
Objective #5: Enhance San Diego's global standing

FISCAL CONSIDERATIONS: There is no direct impact to the General Fund as a result of the approval of this resolution. Denying approval of this resolution may cause the City to miss opportunities to invest City funds and miss potential market gains from investment.

EQUAL OPPORTUNITY CONTRACTING INFORMATION (IF APPLICABLE): N/A

PREVIOUS COUNCIL and/or COMMITTEE ACTION (describe any changes made to the item from what was presented at committee):

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: N/A

KEY STAKEHOLDERS AND PROJECTED IMPACTS: None

Granewich, Gail
Originating Department

Lewis, Mary
Deputy Chief/Chief Operating Officer

CITY OF SAN DIEGO

City Treasurer's Investment Policy

Effective: January 1, ~~2015~~2016

Department of Finance

Gail R. Granewich
City Treasurer

1200 3rd Ave, Suite 100
San Diego, CA 92101
(619) 533-~~6313~~6314

Available online: http://www.sandiego.gov/treasurer/pdf/invpolicy.pdf

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THE CITY OF SAN DIEGO

CITY TREASURER'S INVESTMENT POLICY
POOLED INVESTMENT FUNDS

I. SCOPE

In accordance with the Charter of the City of San Diego, and under authority granted by the City Council, the Treasurer is responsible for investing the unexpended cash in the City Treasury. This investment policy applies to all the investment activities of the City of San Diego, except for the employees' retirement funds, which are administered separately, the proceeds of certain debt issues which are invested in qualified mutual funds or managed and invested by trustees appointed under indenture agreements, and the assets of trust funds which are placed in the custody of the Funds Commission by Council ordinance. All financial assets of all other funds shall be administered in accordance with the provisions of this policy.

1. Definitions

"CGC" means California Government Code.

"Corporation" means a legal entity created under the laws of a state to carry on some business or other authorized activity. Limited liability companies are also considered a corporation under California Government Code §53601. This definition applies to individual securities like corporate notes/bonds.

"Cost Value" (aka "Book Value") means the original cost of the investment, plus accrued interest and amortization or accretion of any premium or discount.

"Credit Risk" means the risk of loss due to the failure of the issuer of a security.

"DVP" means delivery versus payment.

"Leverage" means 1) the use of borrowed funds to increase earnings on existing investments, e.g. reverse repurchase agreement or 2) with structured notes, leveraging can take place when the coupon rate is determined by leveraging an index (e.g. 2 times 3 month LIBOR minus 18%).

"Market Risk" means the risk of market value fluctuations due to overall changes in the general level of interest rates.

“NRSRO” means Nationally Recognized Statistical Rating Organization, e.g. Moody’s, Standard & Poor’s, and Fitch.

II. OBJECTIVES

A. Safety of principal

Safety of principal is the foremost objective of the City of San Diego. Investment decisions shall seek to minimize net capital losses on a portfolio basis. This policy recognizes that market conditions may warrant the sale of individual securities that would incur market losses in order to protect further capital losses. The intent of this policy is to ensure that capital losses are minimized on a portfolio level rather than on each transaction. The City shall seek to preserve principal by mitigating various types of risk, including credit risk and market risk.

1. Credit risk - Credit or default risk shall be mitigated by investing in only very safe securities (see Section IX for detailed limitations on credit risk), and by diversifying the investment portfolio so that the failure of any one issuer would not unduly harm the City's cash flow.

2. Market risk - Market or interest rate risk shall be mitigated by establishing two portfolios with target durations based upon the expected short and long-term cash needs of the City. The liquidity portfolio will be structured with an adequate mix of highly liquid securities and maturities to meet major cash outflow requirements for at least the next six months (per CGC §53646). The liquidity portfolio will use the Bank of America Merrill Lynch 3-6 month Treasury Index as a benchmark and seek to maintain a duration of plus or minus 40% of the duration of that benchmark. The core portfolio will use the Bank of America Merrill Lynch 1-3 year Treasury Index as a benchmark and maintain a duration of plus or minus 20% of the duration of that benchmark. It will consist of high quality liquid securities with a maximum maturity of 5 years, will be structured to meet the longer-term cash needs of the City and seek to match or exceed the performance of the index. The use of leverage is strictly limited to the use of reverse repurchase agreements as outlined in Section IX (K). At no time will the use of any such reverse repo, structured product or derivative security violate the maximum security limits or maximum maturity limits as

stated in this policy.

B. Liquidity

The City Treasurer's pooled investment fund will be composed of two portfolios (core and liquidity). While both portfolios will invest in liquid securities with an emphasis on the safety of principal, the liquidity portfolio will be designed to ensure that the projected pool expenditure requirements of the City for the next six months can be met with anticipated revenues and a combination of maturing securities, coupon payments and/or highly liquid investments at all times, as required by California Government Code §53646.

C. Performance Measurement

The portfolios shall be designed to attain a market average rate of return through economic cycles.

The performance of the core portfolio shall be measured on a total return basis against the Bank of America Merrill Lynch 1-3 year Treasury Index. It is explicitly recognized herein, however, that in a diversified portfolio managed on a total return basis, realized and unrealized losses are inevitable, and must be considered within the context of the overall investment return. The City Treasurer will coordinate trading activity with the Chief Financial Officer when the realization of portfolio losses will have a significant impact on budgeted interest revenues and will inform Financial Management and the Comptroller's Office of such losses.

The return for the liquidity portfolio should, on average, equal or exceed the return on the Bank of America Merrill Lynch 3-6 month bill index over a rolling three year period.

III. DELEGATION OF AUTHORITY

The City Council, as permitted under California Government Code §53607, delegates the responsibility to invest or reinvest the funds of the City of San Diego or to sell or exchange securities so purchased, to the City Treasurer.

Within the Office of the City Treasurer, responsibility for the day-to-day investment of City funds is delegated to the Chief Investment Officer. In the absence of the Chief Investment Officer and Investment Officer, the City Treasurer shall take responsibility for the daily investment of City funds.

IV. ETHICS AND CONFLICT OF INTEREST

In accordance with California Government Code §§1090 et seq., 87100 et seq., 89502(c) and 89503(c) and City of San Diego Administrative Regulation 95.60, officers and employees of the City will refrain from any activity that could conflict with the proper execution of the investment program or that could impair their ability to make impartial investment decisions. All investment personnel shall comply with the reporting requirements of the Political Reform Act, to include the annual filing of Statements of Economic Interest.

Investment staff are prohibited from engaging in trading for their personal account where there would be a perceived conflict of interest, e.g. trading in a broker/bank stock that has a relationship with the City, or would otherwise be in violation of the law or a conflict of interest as stated above. The Investment staff are required to report their personal trading activity concurrently or on a monthly basis and are required to provide a signed statement of all of their personal transactions annually to the City Treasurer.

V. SAFEKEEPING OF SECURITIES

To protect against potential losses caused by collapse of individual securities dealers, all securities owned by the City, including collateral on repurchase agreements, but necessarily excluding securities used as collateral for reverse repurchase agreements, shall be held in safekeeping by the City's custodian bank or a third party bank trust department, acting as agent for the City under the terms of a custody or trustee agreement executed by the bank and by the City. All securities will be received and delivered using standard delivery-versus-payment (DVP) procedures and in accordance with State Code. Any exception to this standard delivery practice, e.g. DVP failure necessitating delivery other than by simultaneous exchange, will require written procedural approval by the City Treasurer.

VI. INTERNAL CONTROL

The City Treasurer has established a system of internal controls to ensure compliance with the policies and procedures of the City of San Diego and the California Government Code. These policies and procedures are reviewed during the year by the Chief Financial Officer. At least annually an independent audit is conducted by a public accounting firm which includes a review of the investment procedures and activities of the Office of the City Treasurer.

The Investment Advisory Committee, established in March 1990, is charged with the responsibility to review on an on-going basis the investment policy and practices of the City Treasurer and to recommend changes.

VII. REPORTING

The City Treasurer is required to submit a quarterly report of investment activity to the City Council in accordance with California Government Code §53646. The City Treasurer has elected to provide such report consistent with the reporting requirements of California Government Code §53646 on a monthly basis. The report shall be designed with the advice of the Investment Advisory Committee.

VIII. QUALIFIED DEALERS

The City shall transact business with broker/dealers that meet the qualification criteria established by the City Treasurer. In accordance with California Government Code §53601 a bank/dealer must be qualified as a dealer regularly reporting to the New York Federal Reserve Bank in order to conduct repurchase or reverse repurchase agreements with the City. Investment staff shall ensure that broker/dealers who wish to do business with the City meet the City Treasurer's Broker/Dealer Qualification Criteria (Exhibit 1), make markets in securities appropriate to the City's needs, and can provide additional value through competitive execution, timely market information and general research.

Annually, the City Treasurer shall send a copy of the current investment policy to all dealers who have met the qualification criteria and are doing business with the City Treasurer. Investment staff will maintain a qualification matrix and annually review dealers to ensure they are qualified. Confirmation of receipt of this policy shall be considered as evidence that the dealer understands the City's investment policies, and intends to show the City only appropriate investments. A copy of the City Treasurer's standard receipt form is attached (Exhibit 2).

The Investment staff is permitted to deal directly with the issuers of any securities that are authorized for purchase under Section IX of this policy and meet all the qualifications of this policy.

IX. AUTHORIZED INVESTMENTS

In accordance with California Government Code §53600.3 the City Treasurer or the Chief Investment Officer or their designees who are authorized to make investment decisions on behalf of the City and its agencies are trustees and therefore fiduciaries subject to the prudent investor standard:

> *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*.

Trading is prohibited when cash or liquid securities are not available to pay for the securities being purchased. The taking of short positions, that is, selling securities which the City does not own, is also prohibited.

Investments which exceed 5 years in maturity require that authority be granted by City Council before purchase. Written authority of the City Council must be granted specifically or as part of an investment program no less than three months prior to the date of purchase (CGC §53601).

The City may invest in securities issued by U.S. Government Agencies that contain embedded calls or options as long as those securities are not inverse floaters, range notes, interest only strips that are derived from a pool of mortgages or a security that could result in a zero or negative accretion of interest if held to maturity (CGC §53601.6). The exception to this restriction would be a structured note in the final coupon period that has the same characteristics as any other simple fixed term security. The City may invest up to a maximum of 8% of the cost value of the portfolio at time of purchase in structured notes. These limitations will not apply to investments in shares of beneficial interest issued by diversified management companies as referenced in subparagraph (M) of this section (CGC §53601).

Callable securities (i.e. securities redeemable in part or in full by the issuer prior to the maturity date) shall not exceed 30% of the cost value of the portfolio. Callable securities which have passed their final call date and are no longer callable will not be included when calculating the 30% limit.

The City may invest in floating-rate securities whose coupon resets are based upon a single fixed income index which would be representative of an eligible investment (e.g. LIBOR, T-bill, prime, 2 year CMT), provided that the security

is not leveraged (e.g. 2 times an index) or has a coupon that resets inversely to the underlying index.

The City is further governed by the California Government Code, §§ 53600 et seq. A copy of applicable California Government Code provisions is attached as Exhibit 3. Within the context of these limitations, the following investments are authorized, and further limited herein:

A. United States Treasury Bills, Bonds, and Notes, 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 which can be invested in this category.

B. Obligations issued by agencies of the U.S. Government, such as the Government National Mortgage Association (GNMA), the Federal Farm Credit Bank System (FFCB), the Federal Home Loan Bank System (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC). No more than 1/3 of the cost value of the total portfolio at time of purchase can be invested in the unsecured debt of any one agency.

C. United States dollar 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 “AA” or better by an NRSRO and shall not exceed 30% of the cost value of the portfolio at time of purchase. The 30% maximum percentage may be invested entirely in one of the listed names for this investment type. These investments shall be classified as “Supranationals” for reporting purposes.

Investments detailed in D through I below shall have a long-term rating in the “A” rating category or higher and a short-term rating in the highest rating category by at least two NRSRO’s at the time of purchase, unless the full principal and interest accrual of the investment is guaranteed by the Federal Deposit Insurance Incorporation (FDIC) or collateralized in accordance with California Government Code. Investments maturing in one year or less must at least meet the short-term rating requirement if long-term ratings are not available.

Investments detailed in D through I below are additionally restricted as to percentage of the cost value of the portfolio in any one issuer name up to a maximum of 5%. The total cost value invested in any one issuer name will not

exceed 5% of an issuer's net worth. An additional 5%, or a total of 10%, of the cost value of the portfolio in any one issuer name can be authorized upon written approval of the City Treasurer. For purposes of this Policy, debt issued out of the parent company, any subsidiary or holding company, or at the bank level (if applicable) shall be considered issuance out of the same issuer name.

Any bank, savings association, federal association or federally insured industrial loan company the City deposits money with is required to have an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisorial agency of its record of meeting the credit needs of California communities including low and moderate income neighborhoods.

D. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as banker's acceptances. Banker's acceptances purchased may not exceed 180 days to maturity or 40% of the cost value of the portfolio.

E. Commercial paper issued by domestic corporations having assets in excess of $500,000,000. Purchases of eligible commercial paper may not exceed 270 days to maturity nor represent more than 10% of the outstanding paper of an issuing corporation. Purchases of commercial paper may not exceed 25% of the cost value of the portfolio. The exclusive use of banks, savings and loans and primary dealers mentioned in Section VIII will not pertain to the purchase and sale of commercial paper. No more than 10% of the outstanding commercial paper of any single corporate issuer may be purchased by the City at any time.

F. Negotiable certificates of deposit ("NCD") issued by a nationally or state-chartered bank or a state or federal savings institutions, or a state-licensed or federally-licensed branch of a foreign bank ("Yankee"). Purchases of negotiable certificates of deposit may not exceed 30% of the cost value of the portfolio. The City is prohibited from investing its funds in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the City, the City Treasurer, or any person delegated by the City Treasurer to have investment decision making authority also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee, or the supervisory committee of the state or federal credit union issuing the certificate of deposits.

G. Time deposits. The City may invest in non-negotiable time deposits collateralized in accordance with the California Government Code, in those banks and savings and loan associations which meet the requirements for investment in negotiable certificates of deposit. This category also includes

non-negotiable certificates placed through a nationally or state chartered commercial bank, savings bank, and savings and loan associations, provided that the full principal and interest accrual is insured by the Federal Deposit Insurance Corporation (FDIC), pursuant to California Government Code §53601.8. These fully FDIC insured certificates of deposit shall have a maximum maturity of 12 months and will be limited to 2% of the portfolio, and the placement agent and individual certificate of deposit issuers are exempt from the credit rating criteria specified in this investment policy. Since time deposits are not liquid, no more than 25% of the cost value of the portfolio may be invested in this category.

H. Medium-term notes/bonds. The City may invest in medium-term notes or bonds issued by corporations organized and operating within the United States. The issuing corporation must in excess of $500,000,000 in shareholder's equity. Purchase of medium-term notes/bonds may not exceed 30% of the cost value of the portfolio.

I. Municipal Securities of Local Agencies of California. Pursuant to the California Government Code §53601(e), the City may invest in bonds, notes, warrants, or other evidences 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. The City may invest up to a maximum of 20% of the cost value at time of purchase of the pooled portfolio in these securities. No more than 5% of the cost value of the portfolio at time of purchase may be invested in notes issued by any one issuer or in notes insured by any one insurer, except for securities supported by the full faith of the State of California.

J. Repurchase agreements. The City may invest in repurchase agreements with primary dealers of the Federal Reserve Bank of New York with which the City has entered into a master repurchase agreement. The Public Securities Association standard master repurchase agreement with the document titled "Supplemental Terms and Conditions of the City of San Diego" is the "Master Repurchase Agreement." The maturity of repurchase agreements shall not exceed one year. The market value of securities used as collateral for repurchase agreements shall be initially priced with margin ratios as stated in the Master Repurchase Agreement. Collateral pricing will be monitored at least monthly and margins adjusted no less than quarterly (CGC §53601) by the Investment staff. Margin amounts are to be maintained at 102% (CGC §53601) of the value of the repurchase agreement. In order to conform with provisions of the Federal Bankruptcy Code which provide for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be

certificates of deposit, eligible bankers' acceptances, or securities that are direct obligations of the United States or any agency of the United States. Additionally, all repo collateral must meet the eligibility and investment restrictions of this policy.

K. Reverse repurchase agreements. The City may invest in reverse repurchase agreements only with primary dealers of the Federal Reserve Bank of New York with which the City has entered into a master repurchase contract as stated in Section IX of the Policy. The City may invest up to a maximum of 20% of the base value of the portfolio in reverse repurchase agreements. In addition, reverse repurchase agreements may only be utilized if the following conditions are met.

1. The security to be sold for the reverse has been owned and fully paid for by the City for a minimum of 30 days (CGC §53601).

2. The agreement does not exceed 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using the reverse and the final maturity of the same security (i.e., the security being used as collateral).

3. Any security purchased with the proceeds of a reverse repurchase agreement may not exceed 92 days to maturity unless there is a written codicil guaranteeing a minimum earning or spread for the entire life of the security (to maturity) being purchased for reinvestment purposes.

4. For the purposes of this section the “base value” of the pool portfolio of the City is defined as that dollar amount obtained by totaling all cash balances placed in the pool excluding any amounts obtained through selling securities by reverse repurchase agreements or other similar borrowing methods (CGC §53601).

L. Local Agency Investment Fund. The City may invest in the Local Agency Investment Fund (LAIF) established by the State Treasurer for the benefit of local agencies under §16429.1 of the California Government Code up to the maximum permitted.

M. Notes, bonds, or other obligations which are at all times secured by a valid first priority security interest in securities of the types listed by CGC §53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by CGC §53652 for the purpose of securing local agency deposits. The securities serving as

collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities which the security interest is granted. Securities eligible for investment under this subdivision shall be issued by an issuer rated in a rating category of "AA" or its equivalent or better by a NRSRO and having a rating in the "A" category or higher for the issuer's unsecured debt, as provided by a NRSRO.

N. Any U.S. Government agencies' mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years maturity. Securities eligible for investment under this subdivision shall be issued in the public securities market and rated in a rating category of "AAA" or its equivalent by a NRSRO and having a rating in the "A" category or higher for the issuer's unsecured debt, as provided by a NRSRO. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus money that may be invested pursuant to this section.

O. Shares of beneficial interest issued by diversified management companies or mutual funds shall be rated in the highest rating category of at least two of the NRSROs and must have in excess of $500,000,000 in assets under management. The company or mutual fund must retain an investment advisor registered with the SEC with no less than five years experience managing money market mutual funds, or if the fund is not a money market mutual fund, investing in the securities and obligations as authorized by subdivision (A) to (N) inclusive. The total purchase price of this category shall not include commissions and shall not exceed 20% of the cost value of the portfolio, with no more than 5% of the cost value of the portfolio invested in any one fund (CGC §53601).

P. Financial futures. The City may buy financial futures contracts only to hedge against changes in market conditions for the reinvestment of bond proceeds when deemed appropriate.

Ineligible Investments.

Investments not described herein, including, but not limited to, common stocks and long-term corporate notes/bonds are prohibited from use in this portfolio.

Summary Table of the Policy's Authorized Investments[8]

Investment Type	Maximum Maturity [1]	Maximum % of Portfolio	Maximum % with One Issuer	Minimum Rating [7]
U.S. Treasury Obligations (bills, bonds, or notes)	5 years	None	None	None
U.S. Agencies	5 years	(2)	(2)	None
Supranationals	5 years	30%	30%	AA
Bankers' Acceptances [6]	180 days	40%	10%	(3)
Commercial Paper [6]	270 days	25%	10%	P-1
Negotiable Certificates [6]	5 years	30%	10%	(3)
Repurchase Agreements	1 year	None	None	None
Reverse Repurchase Agreements [4]	92 days	20%	None	None
Local Agency Investment Fund	N/A	None	None	None
Non-Negotiable Time Deposits [6]	5 years	25%	10%	(3)
Medium Term Notes/Bonds [6]	5 years	30%	10%	A
Municipal Securities of California Local Agencies [6]	5 years	20%	10%	A
Mutual Funds	N/A	20%	5%	AAA
Notes, Bonds, or Other Obligations	5 years	None	None	AA
Mortgage and Asset-Backed Securities	5 years	20%	None	AAA
Financial Futures [5]	None	None	None	None

[1] In the absence of a specified maximum, the maximum is 5 years.
[2] No more than one-third of the cost value of the total portfolio at time of purchase can be invested in the unsecured debt of any one agency.
[3] Credit and maturity criteria must be in accordance with Section X of the City Treasurer's Investment Policy.
[4] Maximum % of portfolio for Reverse Repurchase Agreements is 20% of base value.
[5] Financial futures transactions would be purchased only to hedge against changes in market conditions for the reinvestment of bond proceeds.
[6] Investment types with a 10% maximum with one issuer are further restricted per the City Treasurer's Investment Policy: 5% per issuer and an additional 5% with authorization by the City Treasurer.
[7] Minimum credit rating categories include modifications (+/-).
[8] The City's investments are governed by California Government Code, Sections 53600 et seq. Within the investments permitted by the Code, the City seeks to further restrict eligible investments to the guidelines listed above. In the event a discrepancy is found between this policy and the Summary Table above, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the time the security is purchased.

X. MATURITY AND CREDIT RATING CRITERIA

This rating criteria will apply at the time of purchase. To be eligible for purchase an issuing institution or its debt must meet the minimum rating requirements as described in CGC §§53601 et seq. The City requires that all securities be rated by at least two NRSROs, with at least two qualifying ratings from Moody's, Standard and Poor's, or Fitch. If an eligible investment is downgraded after purchase, in a rating category which is below the minimum required, the Chief Investment Officer or Investment Officer will document his/her analysis and recommendation for disposition of the security for review by the City Treasurer.

XI. POLICY REVIEW

The Treasurer shall annually render to the Mayor, the Chief Financial Officer, the City Council, and the Investment Advisory Committee a statement of investment policy. The investment policy will be considered at a regular meeting of the City Council as required by California Government Code §53646.

Exhibit 1: City Treasurer's Broker/Dealer Qualification Criteria
Exhibit 2: Receipt form (see Section VIII)
Exhibit 3: California Government Code §§53601 et seq.

Exhibit #1

City Treasurer

Broker/Dealer Qualification Criteria

The following criteria is established to guide the City Treasurer Investment staff in their qualification of broker/dealers [the firm]. This criteria is reviewed by the City Treasurer's Investment Advisory Committee as provided for in the City Treasurer's Investment Policy.

1. Any firm entering into a new business relationship to conduct security transactions with the City Treasurer's Office is required to make application and qualify for recommendation by the City Treasurer.

2. Upon application and as requested by the City Treasurer's Investment staff all the firms are required to provide a copy of their most recent published annual report, quarterly reports issued since the last annual report, Financial and Operational Combined Uniform Single (FOCUS) Report, organization chart, any financial information regarding credit lines and debt support provided by the parent firm and any other data required.

3. The City views the relationship of the firm and its representatives to the City as being a long-term mutually beneficial business relationship. We expect the firm and its staff to act with integrity and trust. The firm must ensure that its staff is aware of the City Treasurer's Investment Policy as well as California Government Code sections 53601 and 53635 that govern the securities transactions of the City.

4. The firm is required to have a net capital position in excess of $100 million, be in compliance with the minimum net capital requirements of the SEC's Uniform Net Capital Rule and the New York Stock Exchange Rule 104.20 if applicable to their firm.

5. The firm is required to maintain an active secondary market for the securities sold to the City.

6. Treasurer's staff will conduct on-site visits of the firm as necessary and practical to ensure that the firm and its staff can continue to provide the services the City requires to be delivered in a timely and efficient manner.

7. The firm will be monitored by the Investment staff to ensure that the City is being provided the best execution on trades, capable and knowledgeable sales and support staff, economic and credit research, technical analysis (if available) and credit market support as needed.

8. The firm or parent must have an operating history of profitability and capital requirements consistent with the highest standards and regulatory requirements of the industry and the judgment of the Investment staff.

9. All securities purchased by the City from the firm will be delivered to the City's Custodian Bank on a "delivery vs. payment" basis (California Government Code).

10. No firm shall be eligible for selection who has made a political contribution within any consecutive 48 month period in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to any political official or candidate for office with the City.

11. All firms transacting repurchase or reverse repurchase agreements with the City must be a reporting dealer to the Federal Reserve Bank of New York, as required by California Government Code Section 53601, and must have a fully executed Master Repurchase Agreement with Annex I on file with the City Treasurer.

12. All firms must maintain a Moody's and Standard and Poor’s or comparable national or international credit rating service short term rating of A1/P1 and long-term debt rating category of A/a or be a primary dealer of the Federal Reserve Bank of New York to maintain their business relationship with the City.

13. Preference will be given to those firms that can provide the broadest array of investment services to the City.

14. All firms are required to conduct their business with the City in a manner that reflects the highest ethical standards.

Exhibit #2

City of San Diego
Office of the City Treasurer
1200 Third Ave.
16th Floor, Suite 1624
San Diego, CA 92101

Re: Receipt of Investment Policy of the City of San Diego Dated -January 1, ~~2015~~2016

We are in receipt of a copy of the referenced Investment Policy of the City of San Diego. We have read and understand the provisions and guidelines of the Policy. We attest that our firm meets the City of San Diego's requirements shown in Exhibit 1 of their Investment Policy entitled "Broker/Dealer Qualification Criteria." All salespersons covering the City's account will be made aware of this Policy, and will be directed to give consideration to its provisions and constraints in selecting investment opportunities to present to the City.

We agree to provide the City with a copy of our annual reports as they are published.

We agree to provide an electronic or facsimile copy of all trades executed with your office and our firm to the Chief Investment Officer, Investment Assistant, or fax (619) 533-6259, on the trade date. All trade confirmations are to be mailed or e-mailed to our office.

Signed: _____
Name

_____
Title

_____
Firm

_____
Date

Exhibit 3: California Government Code Section 53601
Print date: 9/29/2014

53601.
This section shall apply to a local agency that is a city, a district, or other local agency that does not pool money in deposits or investments with other local agencies, other than local agencies that have the same governing body. However, Section 53635 shall apply to all local agencies that pool money in deposits or investments with other local agencies that have separate governing bodies. The legislative body of a local agency having moneys in a sinking fund or moneys in its treasury not required for the immediate needs of the local agency may invest any portion of the moneys that it deems wise or expedient in those investments set forth below. A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered, or nonregistered format, shall require delivery of the securities to the local agency, including those purchased for the agency by financial advisers, consultants, or managers using the agency's funds, by book entry, physical delivery, or by third-party custodial agreement. The transfer of securities to the counterparty bank's customer book entry account may be used for book entry delivery.
For purposes of this section, "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. Where this section does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment:
(a) Bonds issued by the local agency, 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.
(b) United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
(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.
(d) Registered treasury notes or bonds of any of the other 49 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 states, in addition to California.
(e) Bonds, notes, warrants, or other evidences of indebtedness of a 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.
(f) 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.
(g) Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days' maturity or 40 percent of the agency's moneys that may be invested pursuant to this section. However, no more than 30 percent of the agency's moneys may be invested in the bankers' acceptances of any one commercial bank pursuant to this section.
This subdivision does not preclude a municipal utility district from investing moneys in its treasury in a manner authorized by the Municipal Utility District Act (Division 6 (commencing with Section 11501) of the Public Utilities Code).
(h) 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 of the following conditions in either paragraph (1) or (2):
(1) The entity meets the following criteria:
(A) Is organized and operating in the United States as a general corporation.
(B) Has total assets in excess of five hundred million dollars ($500,000,000).
(C) Has debt other than commercial paper, if any, that is rated "A" or higher by an NRSRO.
(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 programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.
(C) 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. Local agencies, other than counties or a city and county, may invest no more than 25 percent of their moneys in eligible commercial paper. Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper of any single issuer. Counties or a city and county may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Section 53635.
(i) Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposit do not come within Article 2 (commencing with Section 53630), except that the amount so invested shall be subject to the limitations of Section 53638. The legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the moneys are prohibited from investing local agency funds, or funds in

the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or a person with investment decisionmaking authority in the administrative office manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.
(j) (1) Investments in repurchase agreements or reverse repurchase agreements or securities lending agreements of securities authorized by this section, as long as the agreements are subject to this subdivision, including the delivery requirements specified in this section.
(2) Investments in repurchase agreements may be made, on an investment authorized in this section, when the term of the agreement does not exceed one year. The market value of securities that underlie a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.
(3) Reverse repurchase agreements or securities lending agreements may be utilized only when all of the following conditions are met:
(A) The security to be sold using a reverse repurchase agreement or securities lending agreement has been owned and fully paid for by the local agency for a minimum of 30 days prior to sale.
(B) The total of all reverse repurchase agreements and securities lending agreements on investments owned by the local agency does not exceed 20 percent of the base value of the portfolio.
(C) The agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.
(D) Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counterparty using a reverse repurchase agreement or securities lending agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement or securities lending agreement, unless the reverse repurchase agreement or securities lending agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.
(4) (A) Investments in reverse repurchase agreements, securities lending agreements, or similar investments in which the local agency sells securities prior to purchase with a simultaneous agreement to repurchase the security may be made only upon prior approval of the governing body of the local agency and shall be made only with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency.
(B) For purposes of this chapter, "significant banking relationship" means any of the

following activities of a bank:
(i) Involvement in the creation, sale, purchase, or retirement of a local agency's bonds, warrants, notes, or other evidence of indebtedness.
(ii) Financing of a local agency's activities.
(iii) Acceptance of a local agency's securities or funds as deposits.
(5) (A) "Repurchase agreement" means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third-party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery.
(B) "Securities," for purposes of repurchase under this subdivision, means securities of the same issuer, description, issue date, and maturity.
(C) "Reverse repurchase agreement" means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date and includes other comparable agreements.
(D) "Securities lending agreement" means an agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.
(E) For purposes of this section, the base value of the local agency's pool portfolio shall be that dollar amount obtained by totaling all cash balances placed in the pool by all pool participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements, securities lending agreements, or other similar borrowing methods.
(F) For purposes of this section, the spread is the difference between the cost of funds obtained using the reverse repurchase agreement and the earnings obtained on the reinvestment of the funds.
(k) Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated "A" or better by an NRSRO. Purchases of medium-term notes shall not include other instruments authorized by this section and may not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.
(l) (1) Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, and that comply with the investment restrictions of this article and Article 2 (commencing with Section 53630). However, notwithstanding these restrictions, a counterparty to a reverse repurchase agreement or securities lending agreement is not required to be a primary dealer of the Federal Reserve Bank of New York if the company's board of directors finds that the counterparty presents a minimal risk of default, and the value of the securities underlying a repurchase agreement or securities lending agreement may be 100 percent of the sales price if the securities are marked to

market daily.
(2) 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.).
(3) If investment is in shares issued pursuant to paragraph (1), the company shall have met either of the following criteria:
(A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.
(B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, and with assets under management in excess of five hundred million dollars ($500,000,000).
(4) If investment is in shares issued pursuant to paragraph (2), the company shall have met either of the following criteria:
(A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.
(B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars ($500,000,000).
(5) The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include commission that the companies may charge and shall not exceed 20 percent of the agency's moneys that may be invested pursuant to this section. However, no more than 10 percent of the agency's funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).
(m) Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.
(n) Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.
(o) A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer

receivable passthrough certificate, or consumer receivable-backed bond of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by an NRSRO and rated in a rating category of "AA" or its equivalent or better by an NRSRO. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus moneys that may be invested pursuant to this section.
(p) Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (o), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:
(1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.
(2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (o), inclusive.
(3) The adviser has assets under management in excess of five hundred million dollars ($500,000,000).
(Amended by Stats. 2011, Ch. 382, Sec. 3. Effective January 1, 2012.)

53601.1.
The authority of a local agency to invest funds pursuant to Section 53601 includes, in addition thereto, authority to invest in financial futures or financial option contracts in any of the investment categories enumerated in that section.
(Added by Stats. 1983, Ch. 534, Sec. 3.)

53601.2.
As used in this article, "corporation" includes a limited liability company.
(Added by Stats. 2004, Ch. 118, Sec. 18. Effective January 1, 2005.)

53601.5.
The purchase by a local agency of any investment authorized pursuant to Section 53601 or 53601.1, not purchased directly from the issuer, shall be purchased either from an institution licensed by the state as a broker-dealer, as defined in Section 25004 of the Corporations Code, or from a member of a federally regulated securities exchange, from a national or state-chartered bank, from a savings association or federal association (as defined by Section 5102 of the Financial Code) or from a brokerage firm designated as a primary government dealer by the Federal Reserve bank.
(Amended by Stats. 2001, Ch. 57, Sec. 2. Effective January 1, 2002.)

53601.6.
(a) A local agency shall not invest any funds pursuant to this article or pursuant to

Article 2 (commencing with Section 53630) in inverse floaters, range notes, or mortgage-derived, interest-only strips.
(b) A local agency shall not invest any funds pursuant to this article or pursuant to Article 2 (commencing with Section 53630) in any security that could result in zero interest accrual if held to maturity. However, a local agency may hold prohibited instruments until their maturity dates. The limitation in this subdivision shall not apply to local agency investments in shares of beneficial interest issued by diversified management companies registered under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.) that are authorized for investment pursuant to subdivision (l) of Section 53601.
(Amended by Stats. 2009, Ch. 332, Sec. 68.1. Effective January 1, 2010.)

53601.8.
Notwithstanding Section 53601 or any other provision of this code, a local agency that has the authority under law to invest funds, at its discretion, may invest a portion of its surplus funds in deposits at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of deposits. The following conditions shall apply:
(a) The local agency shall choose a nationally or state chartered commercial bank, savings bank, savings and loan association, or credit union in this state to invest the funds, which shall be known as the “selected” depository institution.
(b) The selected depository institution may use a private sector entity to help place local agency deposits with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States and are within the network used by the private sector entity for this purpose.
(c) Any private sector entity used by a selected depository institution to help place its local agency deposits shall maintain policies and procedures requiring both of the following:
(1) The full amount of each deposit placed pursuant to subdivision (b) and the interest that may accrue on each such deposit shall at all times be insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.
(2) Every depository institution where funds are placed shall be capitalized at a level that is sufficient, and be otherwise eligible, to receive such deposits pursuant to regulations of the Federal Deposit Insurance Corporation or the National Credit Union Administration, as applicable.
(d) The selected depository institution shall serve as a custodian for each such deposit.
(e) On the same date that the local agency’s funds are placed pursuant to subdivision (b) by the private sector entity, the selected depository institution shall receive an amount of insured deposits from other financial institutions that, in total, are equal to, or greater than, the full amount of the principal that the local agency initially deposited through the selected depository institution pursuant to subdivision (b).
(f) Notwithstanding subdivisions (a) to (e), inclusive, a credit union shall not act as a selected depository institution under this section or Section 53635.8 unless both of the following conditions are satisfied:
(1) The credit union offers federal depository insurance through the National Credit

Union Administration.
(2) The credit union is in possession of written guidance or other written communication from the National Credit Union Administration authorizing participation of federally insured credit unions in one or more deposit placement services and affirming that the moneys held by those credit unions while participating in a deposit placement service will at all times be insured by the federal government.
(g) It is the intent of the Legislature that this section shall not restrict competition among private sector entities that provide placement services pursuant to this section.
(h) The deposits placed pursuant to this section and Section 53635.8 shall not, in total, exceed 30 percent of the agency's funds that may be invested for this purpose.
(i) Purchases of certificates of deposit pursuant to this section, Section 53635.8, and subdivision (i) of Section 53601 shall not, in total, exceed 30 percent of the agency's funds that may be invested for this purpose.
(j) Excluding purchases of certificates of deposit pursuant to this section, no more than 10 percent of the agency's funds that may be invested for this purpose may be submitted, pursuant to subdivision (b), to any one private sector entity that assists in the placement of deposits with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States, for the local agency's account.
(k) This section shall remain in effect only until January 1, 2017, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2017, deletes or extends that date.
(Amended by Stats. 2013, Ch. 228, Sec. 1. Effective January 1, 2014. Repealed as of January 1, 2017, by its own provisions. See later operative version added by Sec. 2 of Ch. 228.)

53601.8.
Notwithstanding Section 53601 or any other provision of this code, a local agency that has the authority under law to invest funds may, at its discretion, invest a portion of its surplus funds in certificates of deposit at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of certificates of deposit, provided that the purchases of certificates of deposit pursuant to this section, Section 53635.8, and subdivision (i) of Section 53601 do not, in total, exceed 30 percent of the agency's funds that may be invested for this purpose. The following conditions shall apply:
(a) The local agency shall choose a nationally or state-chartered commercial bank, savings bank, savings and loan association, or credit union in this state to invest the funds, which shall be known as the "selected" depository institution.
(b) The selected depository institution may submit the funds to a private sector entity that assists in the placement of certificates of deposit with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States for the local agency's account.
(c) The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by the

Federal Deposit Insurance Corporation or the National Credit Union Administration.
(d) The selected depository institution shall serve as a custodian for each certificate of deposit that is issued with the placement service for the local agency's account.
(e) At the same time the local agency's funds are deposited and the certificates of deposit are issued, the selected depository institution shall receive an amount of deposits from other commercial banks, savings banks, savings and loan associations, or credit unions that, in total, are equal to, or greater than, the full amount of the principal that the local agency initially deposited through the selected depository institution for investment.
(f) Notwithstanding subdivisions (a) to (e), inclusive, no credit union may act as a selected depository institution under this section or Section 53635.8 unless both of the following conditions are satisfied:
(1) The credit union offers federal depository insurance through the National Credit Union Administration.
(2) The credit union is in possession of written guidance or other written communication from the National Credit Union Administration authorizing participation of federally insured credit unions in one or more certificate of deposit placement services and affirming that the moneys held by those credit unions while participating in a deposit placement service will at all times be insured by the federal government.
(g) It is the intent of the Legislature that this section shall not restrict competition among private sector entities that provide placement services pursuant to this section.
(h) This section shall become operative on January 1, 2017.
(Repealed (in Sec. 1) and added by Stats. 2013, Ch. 228, Sec. 2. Effective January 1, 2014. Section operative January 1, 2017, by its own provisions.)

CITY OF SAN DIEGO

City Treasurer's Investment Policy

Effective: January 1, 2016

Department of Finance

Gail R. Granewich
City Treasurer

1200 3rd Ave, Suite 100
San Diego, CA 92101
(619) 533-6314

Available online: http://www.sandiego.gov/treasurer/pdf/invpolicy.pdf

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THE CITY OF SAN DIEGO

CITY TREASURER'S INVESTMENT POLICY
POOLED INVESTMENT FUNDS

I. SCOPE

In accordance with the Charter of the City of San Diego, and under authority granted by the City Council, the Treasurer is responsible for investing the unexpended cash in the City Treasury. This investment policy applies to all the investment activities of the City of San Diego, except for the employees' retirement funds, which are administered separately, the proceeds of certain debt issues which are invested in qualified mutual funds or managed and invested by trustees appointed under indenture agreements, and the assets of trust funds which are placed in the custody of the Funds Commission by Council ordinance. All financial assets of all other funds shall be administered in accordance with the provisions of this policy.

1. Definitions

"CGC" means California Government Code.

"Corporation" means a legal entity created under the laws of a state to carry on some business or other authorized activity. Limited liability companies are also considered a corporation under California Government Code §53601. This definition applies to individual securities like corporate notes/bonds.

"Cost Value" (aka "Book Value") means the original cost of the investment, plus accrued interest and amortization or accretion of any premium or discount.

"Credit Risk" means the risk of loss due to the failure of the issuer of a security.

"DVP" means delivery versus payment.

"Leverage" means 1) the use of borrowed funds to increase earnings on existing investments, e.g. reverse repurchase agreement or 2) with structured notes, leveraging can take place when the coupon rate is determined by leveraging an index (e.g. 2 times 3 month LIBOR minus 18%).

"Market Risk" means the risk of market value fluctuations due to overall changes in the general level of interest rates.

“NRSRO” means Nationally Recognized Statistical Rating Organization, e.g. Moody’s, Standard & Poor’s, and Fitch.

II. OBJECTIVES

A. Safety of principal

Safety of principal is the foremost objective of the City of San Diego. Investment decisions shall seek to minimize net capital losses on a portfolio basis. This policy recognizes that market conditions may warrant the sale of individual securities that would incur market losses in order to protect further capital losses. The intent of this policy is to ensure that capital losses are minimized on a portfolio level rather than on each transaction. The City shall seek to preserve principal by mitigating various types of risk, including credit risk and market risk.

1. Credit risk - Credit or default risk shall be mitigated by investing in only very safe securities (see Section IX for detailed limitations on credit risk), and by diversifying the investment portfolio so that the failure of any one issuer would not unduly harm the City's cash flow.

2. Market risk - Market or interest rate risk shall be mitigated by establishing two portfolios with target durations based upon the expected short and long-term cash needs of the City. The liquidity portfolio will be structured with an adequate mix of highly liquid securities and maturities to meet major cash outflow requirements for at least the next six months (per CGC §53646). The liquidity portfolio will use the Bank of America Merrill Lynch 3-6 month Treasury Index as a benchmark and seek to maintain a duration of plus or minus 40% of the duration of that benchmark. The core portfolio will use the Bank of America Merrill Lynch 1-3 year Treasury Index as a benchmark and maintain a duration of plus or minus 20% of the duration of that benchmark. It will consist of high quality liquid securities with a maximum maturity of 5 years, will be structured to meet the longer-term cash needs of the City and seek to match or exceed the performance of the index. The use of leverage is strictly limited to the use of reverse repurchase agreements as outlined in Section IX (K). At no time will the use of any such reverse repo, structured product or derivative security violate the maximum security limits or maximum maturity limits as

stated in this policy.

B. Liquidity

The City Treasurer's pooled investment fund will be composed of two portfolios (core and liquidity). While both portfolios will invest in liquid securities with an emphasis on the safety of principal, the liquidity portfolio will be designed to ensure that the projected pool expenditure requirements of the City for the next six months can be met with anticipated revenues and a combination of maturing securities, coupon payments and/or highly liquid investments at all times, as required by California Government Code §53646.

C. Performance Measurement

The portfolios shall be designed to attain a market average rate of return through economic cycles.

The performance of the core portfolio shall be measured on a total return basis against the Bank of America Merrill Lynch 1-3 year Treasury Index. It is explicitly recognized herein, however, that in a diversified portfolio managed on a total return basis, realized and unrealized losses are inevitable, and must be considered within the context of the overall investment return. The City Treasurer will coordinate trading activity with the Chief Financial Officer when the realization of portfolio losses will have a significant impact on budgeted interest revenues and will inform Financial Management and the Comptroller's Office of such losses.

The return for the liquidity portfolio should, on average, equal or exceed the return on the Bank of America Merrill Lynch 3-6 month bill index over a rolling three year period.

III. DELEGATION OF AUTHORITY

The City Council, as permitted under California Government Code §53607, delegates the responsibility to invest or reinvest the funds of the City of San Diego or to sell or exchange securities so purchased, to the City Treasurer.

Within the Office of the City Treasurer, responsibility for the day-to-day investment of City funds is delegated to the Chief Investment Officer. In the absence of the Chief Investment Officer and Investment Officer, the City Treasurer shall take responsibility for the daily investment of City funds.

IV. ETHICS AND CONFLICT OF INTEREST

In accordance with California Government Code §§1090 et seq., 87100 et seq., 89502(c) and 89503(c) and City of San Diego Administrative Regulation 95.60, officers and employees of the City will refrain from any activity that could conflict with the proper execution of the investment program or that could impair their ability to make impartial investment decisions. All investment personnel shall comply with the reporting requirements of the Political Reform Act, to include the annual filing of Statements of Economic Interest.

Investment staff are prohibited from engaging in trading for their personal account where there would be a perceived conflict of interest, e.g. trading in a broker/bank stock that has a relationship with the City, or would otherwise be in violation of the law or a conflict of interest as stated above. The Investment staff are required to report their personal trading activity concurrently or on a monthly basis and are required to provide a signed statement of all of their personal transactions annually to the City Treasurer.

V. SAFEKEEPING OF SECURITIES

To protect against potential losses caused by collapse of individual securities dealers, all securities owned by the City, including collateral on repurchase agreements, but necessarily excluding securities used as collateral for reverse repurchase agreements, shall be held in safekeeping by the City's custodian bank or a third party bank trust department, acting as agent for the City under the terms of a custody or trustee agreement executed by the bank and by the City. All securities will be received and delivered using standard delivery-versus-payment (DVP) procedures and in accordance with State Code. Any exception to this standard delivery practice, e.g. DVP failure necessitating delivery other than by simultaneous exchange, will require written procedural approval by the City Treasurer.

VI. INTERNAL CONTROL

The City Treasurer has established a system of internal controls to ensure compliance with the policies and procedures of the City of San Diego and the California Government Code. These policies and procedures are reviewed during the year by the Chief Financial Officer. At least annually an independent audit is conducted by a public accounting firm which includes a review of the investment procedures and activities of the Office of the City Treasurer.

The Investment Advisory Committee, established in March 1990, is charged with the responsibility to review on an on-going basis the investment policy and practices of the City Treasurer and to recommend changes.

VII. REPORTING

The City Treasurer is required to submit a quarterly report of investment activity to the City Council in accordance with California Government Code §53646. The City Treasurer has elected to provide such report consistent with the reporting requirements of California Government Code §53646 on a monthly basis. The report shall be designed with the advice of the Investment Advisory Committee.

VIII. QUALIFIED DEALERS

The City shall transact business with broker/dealers that meet the qualification criteria established by the City Treasurer. In accordance with California Government Code §53601 a bank/dealer must be qualified as a dealer regularly reporting to the New York Federal Reserve Bank in order to conduct repurchase or reverse repurchase agreements with the City. Investment staff shall ensure that broker/dealers who wish to do business with the City meet the City Treasurer's Broker/Dealer Qualification Criteria (Exhibit 1), make markets in securities appropriate to the City's needs, and can provide additional value through competitive execution, timely market information and general research.

Annually, the City Treasurer shall send a copy of the current investment policy to all dealers who have met the qualification criteria and are doing business with the City Treasurer. Investment staff will maintain a qualification matrix and annually review dealers to ensure they are qualified. Confirmation of receipt of this policy shall be considered as evidence that the dealer understands the City's investment policies, and intends to show the City only appropriate investments. A copy of the City Treasurer's standard receipt form is attached (Exhibit 2).

The Investment staff is permitted to deal directly with the issuers of any securities that are authorized for purchase under Section IX of this policy and meet all the qualifications of this policy.

IX. AUTHORIZED INVESTMENTS

In accordance with California Government Code §53600.3 the City Treasurer or the Chief Investment Officer or their designees who are authorized to make investment decisions on behalf of the City and its agencies are trustees and therefore fiduciaries subject to the prudent investor standard:

> *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*.

Trading is prohibited when cash or liquid securities are not available to pay for the securities being purchased. The taking of short positions, that is, selling securities which the City does not own, is also prohibited.

Investments which exceed 5 years in maturity require that authority be granted by City Council before purchase. Written authority of the City Council must be granted specifically or as part of an investment program no less than three months prior to the date of purchase (CGC §53601).

The City may invest in securities issued by U.S. Government Agencies that contain embedded calls or options as long as those securities are not inverse floaters, range notes, interest only strips that are derived from a pool of mortgages or a security that could result in a zero or negative accretion of interest if held to maturity (CGC §53601.6). The exception to this restriction would be a structured note in the final coupon period that has the same characteristics as any other simple fixed term security. The City may invest up to a maximum of 8% of the cost value of the portfolio at time of purchase in structured notes. These limitations will not apply to investments in shares of beneficial interest issued by diversified management companies as referenced in subparagraph (M) of this section (CGC §53601).

Callable securities (i.e. securities redeemable in part or in full by the issuer prior to the maturity date) shall not exceed 30% of the cost value of the portfolio. Callable securities which have passed their final call date and are no longer callable will not be included when calculating the 30% limit.

The City may invest in floating-rate securities whose coupon resets are based upon a single fixed income index which would be representative of an eligible investment (e.g. LIBOR, T-bill, prime, 2 year CMT), provided that the security

is not leveraged (e.g. 2 times an index) or has a coupon that resets inversely to the underlying index.

The City is further governed by the California Government Code, §§ 53600 et seq. A copy of applicable California Government Code provisions is attached as Exhibit 3. Within the context of these limitations, the following investments are authorized, and further limited herein:

A. United States Treasury Bills, Bonds, and Notes, 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 which can be invested in this category.

B. Obligations issued by agencies of the U.S. Government, such as the Government National Mortgage Association (GNMA), the Federal Farm Credit Bank System (FFCB), the Federal Home Loan Bank System (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC). No more than 1/3 of the cost value of the total portfolio at time of purchase can be invested in the unsecured debt of any one agency.

C. United States dollar 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 “AA” or better by an NRSRO and shall not exceed 30% of the cost value of the portfolio at time of purchase. The 30% maximum percentage may be invested entirely in one of the listed names for this investment type. These investments shall be classified as “Supranationals” for reporting purposes.

Investments detailed in D through I below shall have a long-term rating in the “A” rating category or higher and a short-term rating in the highest rating category by at least two NRSRO’s at the time of purchase, unless the full principal and interest accrual of the investment is guaranteed by the Federal Deposit Insurance Incorporation (FDIC) or collateralized in accordance with California Government Code. Investments maturing in one year or less must at least meet the short-term rating requirement if long-term ratings are not available.

Investments detailed in D through I below are additionally restricted as to percentage of the cost value of the portfolio in any one issuer name up to a maximum of 5%. The total cost value invested in any one issuer name will not

exceed 5% of an issuer's net worth. An additional 5%, or a total of 10%, of the cost value of the portfolio in any one issuer name can be authorized upon written approval of the City Treasurer. For purposes of this Policy, debt issued out of the parent company, any subsidiary or holding company, or at the bank level (if applicable) shall be considered issuance out of the same issuer name.

Any bank, savings association, federal association or federally insured industrial loan company the City deposits money with is required to have an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisorial agency of its record of meeting the credit needs of California communities including low and moderate income neighborhoods.

D. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as banker's acceptances. Banker's acceptances purchased may not exceed 180 days to maturity or 40% of the cost value of the portfolio.

E. Commercial paper issued by domestic corporations having assets in excess of $500,000,000. Purchases of eligible commercial paper may not exceed 270 days to maturity nor represent more than 10% of the outstanding paper of an issuing corporation. Purchases of commercial paper may not exceed 25% of the cost value of the portfolio. The exclusive use of banks, savings and loans and primary dealers mentioned in Section VIII will not pertain to the purchase and sale of commercial paper. No more than 10% of the outstanding commercial paper of any single corporate issuer may be purchased by the City at any time.

F. Negotiable certificates of deposit ("NCD") issued by a nationally or state-chartered bank or a state or federal savings institutions, or a state-licensed or federally-licensed branch of a foreign bank ("Yankee"). Purchases of negotiable certificates of deposit may not exceed 30% of the cost value of the portfolio. The City is prohibited from investing its funds in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the City, the City Treasurer, or any person delegated by the City Treasurer to have investment decision making authority also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee, or the supervisory committee of the state or federal credit union issuing the certificate of deposits.

G. Time deposits. The City may invest in non-negotiable time deposits collateralized in accordance with the California Government Code, in those banks and savings and loan associations which meet the requirements for investment in negotiable certificates of deposit. This category also includes

non-negotiable certificates placed through a nationally or state chartered commercial bank, savings bank, and savings and loan associations, provided that the full principal and interest accrual is insured by the Federal Deposit Insurance Corporation (FDIC), pursuant to California Government Code §53601.8. These fully FDIC insured certificates of deposit shall have a maximum maturity of 12 months and will be limited to 2% of the portfolio, and the placement agent and individual certificate of deposit issuers are exempt from the credit rating criteria specified in this investment policy. Since time deposits are not liquid, no more than 25% of the cost value of the portfolio may be invested in this category.

H. Medium-term notes/bonds. The City may invest in medium-term notes or bonds issued by corporations organized and operating within the United States. The issuing corporation must in excess of $500,000,000 in shareholder's equity. Purchase of medium-term notes/bonds may not exceed 30% of the cost value of the portfolio.

I. Municipal Securities of Local Agencies of California. Pursuant to the California Government Code §53601(e), the City may invest in bonds, notes, warrants, or other evidences 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. The City may invest up to a maximum of 20% of the cost value at time of purchase of the pooled portfolio in these securities. No more than 5% of the cost value of the portfolio at time of purchase may be invested in notes issued by any one issuer or in notes insured by any one insurer, except for securities supported by the full faith of the State of California.

J. Repurchase agreements. The City may invest in repurchase agreements with primary dealers of the Federal Reserve Bank of New York with which the City has entered into a master repurchase agreement. The Public Securities Association standard master repurchase agreement with the document titled "Supplemental Terms and Conditions of the City of San Diego" is the "Master Repurchase Agreement." The maturity of repurchase agreements shall not exceed one year. The market value of securities used as collateral for repurchase agreements shall be initially priced with margin ratios as stated in the Master Repurchase Agreement. Collateral pricing will be monitored at least monthly and margins adjusted no less than quarterly (CGC §53601) by the Investment staff. Margin amounts are to be maintained at 102% (CGC §53601) of the value of the repurchase agreement. In order to conform with provisions of the Federal Bankruptcy Code which provide for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be

certificates of deposit, eligible bankers' acceptances, or securities that are direct obligations of the United States or any agency of the United States. Additionally, all repo collateral must meet the eligibility and investment restrictions of this policy.

K. Reverse repurchase agreements. The City may invest in reverse repurchase agreements only with primary dealers of the Federal Reserve Bank of New York with which the City has entered into a master repurchase contract as stated in Section IX of the Policy. The City may invest up to a maximum of 20% of the base value of the portfolio in reverse repurchase agreements. In addition, reverse repurchase agreements may only be utilized if the following conditions are met.

1. The security to be sold for the reverse has been owned and fully paid for by the City for a minimum of 30 days (CGC §53601).

2. The agreement does not exceed 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using the reverse and the final maturity of the same security (i.e., the security being used as collateral).

3. Any security purchased with the proceeds of a reverse repurchase agreement may not exceed 92 days to maturity unless there is a written codicil guaranteeing a minimum earning or spread for the entire life of the security (to maturity) being purchased for reinvestment purposes.

4. For the purposes of this section the “base value” of the pool portfolio of the City is defined as that dollar amount obtained by totaling all cash balances placed in the pool excluding any amounts obtained through selling securities by reverse repurchase agreements or other similar borrowing methods (CGC §53601).

L. Local Agency Investment Fund. The City may invest in the Local Agency Investment Fund (LAIF) established by the State Treasurer for the benefit of local agencies under §16429.1 of the California Government Code up to the maximum permitted.

M. Notes, bonds, or other obligations which are at all times secured by a valid first priority security interest in securities of the types listed by CGC §53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by CGC §53652 for the purpose of securing local agency deposits. The securities serving as

collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities which the security interest is granted. Securities eligible for investment under this subdivision shall be issued by an issuer rated in a rating category of "AA" or its equivalent or better by a NRSRO and having a rating in the "A" category or higher for the issuer's unsecured debt, as provided by a NRSRO.

N. Any U.S. Government agencies' mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years maturity. Securities eligible for investment under this subdivision shall be issued in the public securities market and rated in a rating category of "AAA" or its equivalent by a NRSRO and having a rating in the "A" category or higher for the issuer's unsecured debt, as provided by a NRSRO. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus money that may be invested pursuant to this section.

O. Shares of beneficial interest issued by diversified management companies or mutual funds shall be rated in the highest rating category of at least two of the NRSROs and must have in excess of $500,000,000 in assets under management. The company or mutual fund must retain an investment advisor registered with the SEC with no less than five years experience managing money market mutual funds, or if the fund is not a money market mutual fund, investing in the securities and obligations as authorized by subdivision (A) to (N) inclusive. The total purchase price of this category shall not include commissions and shall not exceed 20% of the cost value of the portfolio, with no more than 5% of the cost value of the portfolio invested in any one fund (CGC §53601).

P. Financial futures. The City may buy financial futures contracts only to hedge against changes in market conditions for the reinvestment of bond proceeds when deemed appropriate.

Ineligible Investments.

Investments not described herein, including, but not limited to, common stocks and long-term corporate notes/bonds are prohibited from use in this portfolio.

Summary Table of the Policy's Authorized Investments[8]

Investment Type	Maximum Maturity [1]	Maximum % of Portfolio	Maximum % with One Issuer	Minimum Rating [7]
U.S. Treasury Obligations (bills, bonds, or notes)	5 years	None	None	None
U.S. Agencies	5 years	(2)	(2)	None
Supranationals	5 years	30%	30%	AA
Bankers' Acceptances [6]	180 days	40%	10%	(3)
Commercial Paper [6]	270 days	25%	10%	P-1
Negotiable Certificates [6]	5 years	30%	10%	(3)
Repurchase Agreements	1 year	None	None	None
Reverse Repurchase Agreements [4]	92 days	20%	None	None
Local Agency Investment Fund	N/A	None	None	None
Non-Negotiable Time Deposits [6]	5 years	25%	10%	(3)
Medium Term Notes/Bonds [6]	5 years	30%	10%	A
Municipal Securities of California Local Agencies [6]	5 years	20%	10%	A
Mutual Funds	N/A	20%	5%	AAA
Notes, Bonds, or Other Obligations	5 years	None	None	AA
Mortgage and Asset-Backed Securities	5 years	20%	None	AAA
Financial Futures [5]	None	None	None	None

[1] In the absence of a specified maximum, the maximum is 5 years.
[2] No more than one-third of the cost value of the total portfolio at time of purchase can be invested in the unsecured debt of any one agency.
[3] Credit and maturity criteria must be in accordance with Section X of the City Treasurer's Investment Policy.
[4] Maximum % of portfolio for Reverse Repurchase Agreements is 20% of base value.
[5] Financial futures transactions would be purchased only to hedge against changes in market conditions for the reinvestment of bond proceeds.
[6] Investment types with a 10% maximum with one issuer are further restricted per the City Treasurer's Investment Policy: 5% per issuer and an additional 5% with authorization by the City Treasurer.
[7] Minimum credit rating categories include modifications (+/-).
[8] The City's investments are governed by California Government Code, Sections 53600 et seq. Within the investments permitted by the Code, the City seeks to further restrict eligible investments to the guidelines listed above. In the event a discrepancy is found between this policy and the Summary Table above, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the time the security is purchased.

X. MATURITY AND CREDIT RATING CRITERIA

This rating criteria will apply at the time of purchase. To be eligible for purchase an issuing institution or its debt must meet the minimum rating requirements as described in CGC §§53601 et seq. The City requires that all securities be rated by at least two NRSROs, with at least two qualifying ratings from Moody's, Standard and Poor's, or Fitch. If an eligible investment is downgraded after purchase, in a rating category which is below the minimum required, the Chief Investment Officer or Investment Officer will document his/her analysis and recommendation for disposition of the security for review by the City Treasurer.

XI. POLICY REVIEW

The Treasurer shall annually render to the Mayor, the Chief Financial Officer, the City Council, and the Investment Advisory Committee a statement of investment policy. The investment policy will be considered at a regular meeting of the City Council as required by California Government Code §53646.

Exhibit 1: City Treasurer's Broker/Dealer Qualification Criteria
Exhibit 2: Receipt form (see Section VIII)
Exhibit 3: California Government Code §§53601 et seq.

Exhibit #1

City Treasurer

Broker/Dealer Qualification Criteria

The following criteria is established to guide the City Treasurer Investment staff in their qualification of broker/dealers [the firm]. This criteria is reviewed by the City Treasurer's Investment Advisory Committee as provided for in the City Treasurer's Investment Policy.

1. Any firm entering into a new business relationship to conduct security transactions with the City Treasurer's Office is required to make application and qualify for recommendation by the City Treasurer.

2. Upon application and as requested by the City Treasurer's Investment staff all the firms are required to provide a copy of their most recent published annual report, quarterly reports issued since the last annual report, Financial and Operational Combined Uniform Single (FOCUS) Report, organization chart, any financial information regarding credit lines and debt support provided by the parent firm and any other data required.

3. The City views the relationship of the firm and its representatives to the City as being a long-term mutually beneficial business relationship. We expect the firm and its staff to act with integrity and trust. The firm must ensure that its staff is aware of the City Treasurer's Investment Policy as well as California Government Code sections 53601 and 53635 that govern the securities transactions of the City.

4. The firm is required to have a net capital position in excess of $100 million, be in compliance with the minimum net capital requirements of the SEC's Uniform Net Capital Rule and the New York Stock Exchange Rule 104.20 if applicable to their firm.

5. The firm is required to maintain an active secondary market for the securities sold to the City.

6. Treasurer's staff will conduct on-site visits of the firm as necessary and practical to ensure that the firm and its staff can continue to provide the services the City requires to be delivered in a timely and efficient manner.

7. The firm will be monitored by the Investment staff to ensure that the City is being provided the best execution on trades, capable and knowledgeable sales and support staff, economic and credit research, technical analysis (if available) and credit market support as needed.

8. The firm or parent must have an operating history of profitability and capital requirements consistent with the highest standards and regulatory requirements of the industry and the judgment of the Investment staff.

9. All securities purchased by the City from the firm will be delivered to the City's Custodian Bank on a "delivery vs. payment" basis (California Government Code).

10. No firm shall be eligible for selection who has made a political contribution within any consecutive 48 month period in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to any political official or candidate for office with the City.

11. All firms transacting repurchase or reverse repurchase agreements with the City must be a reporting dealer to the Federal Reserve Bank of New York, as required by California Government Code Section 53601, and must have a fully executed Master Repurchase Agreement with Annex I on file with the City Treasurer.

12. All firms must maintain a Moody's and Standard and Poor’s or comparable national or international credit rating service short term rating of A1/P1 and long-term debt rating category of A/a or be a primary dealer of the Federal Reserve Bank of New York to maintain their business relationship with the City.

13. Preference will be given to those firms that can provide the broadest array of investment services to the City.

14. All firms are required to conduct their business with the City in a manner that reflects the highest ethical standards.

Exhibit #2

City of San Diego
Office of the City Treasurer
1200 Third Ave.
16th Floor, Suite 1624
San Diego, CA 92101

Re: Receipt of Investment Policy of the City of San Diego Dated January 1, 2016

We are in receipt of a copy of the referenced Investment Policy of the City of San Diego. We have read and understand the provisions and guidelines of the Policy. We attest that our firm meets the City of San Diego's requirements shown in Exhibit 1 of their Investment Policy entitled "Broker/Dealer Qualification Criteria." All salespersons covering the City's account will be made aware of this Policy, and will be directed to give consideration to its provisions and constraints in selecting investment opportunities to present to the City.

We agree to provide the City with a copy of our annual reports as they are published.

We agree to provide an electronic or facsimile copy of all trades executed with your office and our firm to the Chief Investment Officer, Investment Assistant, or fax (619) 533-6259, on the trade date. All trade confirmations are to be mailed or e-mailed to our office.

Signed: _____
Name

_____
Title

_____
Firm

_____
Date

Exhibit 3: California Government Code Section 53601
Print date: 9/29/2014

53601.
This section shall apply to a local agency that is a city, a district, or other local agency that does not pool money in deposits or investments with other local agencies, other than local agencies that have the same governing body. However, Section 53635 shall apply to all local agencies that pool money in deposits or investments with other local agencies that have separate governing bodies. The legislative body of a local agency having moneys in a sinking fund or moneys in its treasury not required for the immediate needs of the local agency may invest any portion of the moneys that it deems wise or expedient in those investments set forth below. A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered, or nonregistered format, shall require delivery of the securities to the local agency, including those purchased for the agency by financial advisers, consultants, or managers using the agency's funds, by book entry, physical delivery, or by third-party custodial agreement. The transfer of securities to the counterparty bank's customer book entry account may be used for book entry delivery.
For purposes of this section, "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. Where this section does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment:
(a) Bonds issued by the local agency, 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.
(b) United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
(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.
(d) Registered treasury notes or bonds of any of the other 49 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 states, in addition to California.
(e) Bonds, notes, warrants, or other evidences of indebtedness of a 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.
(f) 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.
(g) Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days' maturity or 40 percent of the agency's moneys that may be invested pursuant to this section. However, no more than 30 percent of the agency's moneys may be invested in the bankers' acceptances of any one commercial bank pursuant to this section.
This subdivision does not preclude a municipal utility district from investing moneys in its treasury in a manner authorized by the Municipal Utility District Act (Division 6 (commencing with Section 11501) of the Public Utilities Code).
(h) 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 of the following conditions in either paragraph (1) or (2):
(1) The entity meets the following criteria:
(A) Is organized and operating in the United States as a general corporation.
(B) Has total assets in excess of five hundred million dollars ($500,000,000).
(C) Has debt other than commercial paper, if any, that is rated "A" or higher by an NRSRO.
(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 programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.
(C) 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. Local agencies, other than counties or a city and county, may invest no more than 25 percent of their moneys in eligible commercial paper. Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper of any single issuer. Counties or a city and county may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Section 53635.
(i) Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposit do not come within Article 2 (commencing with Section 53630), except that the amount so invested shall be subject to the limitations of Section 53638. The legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the moneys are prohibited from investing local agency funds, or funds in

the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or a person with investment decisionmaking authority in the administrative office manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.
(j) (1) Investments in repurchase agreements or reverse repurchase agreements or securities lending agreements of securities authorized by this section, as long as the agreements are subject to this subdivision, including the delivery requirements specified in this section.
(2) Investments in repurchase agreements may be made, on an investment authorized in this section, when the term of the agreement does not exceed one year. The market value of securities that underlie a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.
(3) Reverse repurchase agreements or securities lending agreements may be utilized only when all of the following conditions are met:
(A) The security to be sold using a reverse repurchase agreement or securities lending agreement has been owned and fully paid for by the local agency for a minimum of 30 days prior to sale.
(B) The total of all reverse repurchase agreements and securities lending agreements on investments owned by the local agency does not exceed 20 percent of the base value of the portfolio.
(C) The agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.
(D) Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counterparty using a reverse repurchase agreement or securities lending agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement or securities lending agreement, unless the reverse repurchase agreement or securities lending agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.
(4) (A) Investments in reverse repurchase agreements, securities lending agreements, or similar investments in which the local agency sells securities prior to purchase with a simultaneous agreement to repurchase the security may be made only upon prior approval of the governing body of the local agency and shall be made only with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency.
(B) For purposes of this chapter, "significant banking relationship" means any of the

following activities of a bank:
(i) Involvement in the creation, sale, purchase, or retirement of a local agency's bonds, warrants, notes, or other evidence of indebtedness.
(ii) Financing of a local agency's activities.
(iii) Acceptance of a local agency's securities or funds as deposits.
(5) (A) "Repurchase agreement" means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third-party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery.
(B) "Securities," for purposes of repurchase under this subdivision, means securities of the same issuer, description, issue date, and maturity.
(C) "Reverse repurchase agreement" means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date and includes other comparable agreements.
(D) "Securities lending agreement" means an agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.
(E) For purposes of this section, the base value of the local agency's pool portfolio shall be that dollar amount obtained by totaling all cash balances placed in the pool by all pool participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements, securities lending agreements, or other similar borrowing methods.
(F) For purposes of this section, the spread is the difference between the cost of funds obtained using the reverse repurchase agreement and the earnings obtained on the reinvestment of the funds.
(k) Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated "A" or better by an NRSRO. Purchases of medium-term notes shall not include other instruments authorized by this section and may not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.
(l) (1) Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, and that comply with the investment restrictions of this article and Article 2 (commencing with Section 53630). However, notwithstanding these restrictions, a counterparty to a reverse repurchase agreement or securities lending agreement is not required to be a primary dealer of the Federal Reserve Bank of New York if the company's board of directors finds that the counterparty presents a minimal risk of default, and the value of the securities underlying a repurchase agreement or securities lending agreement may be 100 percent of the sales price if the securities are marked to

market daily.
(2) 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.).
(3) If investment is in shares issued pursuant to paragraph (1), the company shall have met either of the following criteria:
(A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.
(B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, and with assets under management in excess of five hundred million dollars ($500,000,000).
(4) If investment is in shares issued pursuant to paragraph (2), the company shall have met either of the following criteria:
(A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.
(B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars ($500,000,000).
(5) The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include commission that the companies may charge and shall not exceed 20 percent of the agency's moneys that may be invested pursuant to this section. However, no more than 10 percent of the agency's funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).
(m) Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.
(n) Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.
(o) A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer

receivable passthrough certificate, or consumer receivable-backed bond of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by an NRSRO and rated in a rating category of "AA" or its equivalent or better by an NRSRO. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus moneys that may be invested pursuant to this section.
(p) Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (o), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:
(1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.
(2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (o), inclusive.
(3) The adviser has assets under management in excess of five hundred million dollars ($500,000,000).
(Amended by Stats. 2011, Ch. 382, Sec. 3. Effective January 1, 2012.)

53601.1.
The authority of a local agency to invest funds pursuant to Section 53601 includes, in addition thereto, authority to invest in financial futures or financial option contracts in any of the investment categories enumerated in that section.
(Added by Stats. 1983, Ch. 534, Sec. 3.)

53601.2.
As used in this article, "corporation" includes a limited liability company.
(Added by Stats. 2004, Ch. 118, Sec. 18. Effective January 1, 2005.)

53601.5.
The purchase by a local agency of any investment authorized pursuant to Section 53601 or 53601.1, not purchased directly from the issuer, shall be purchased either from an institution licensed by the state as a broker-dealer, as defined in Section 25004 of the Corporations Code, or from a member of a federally regulated securities exchange, from a national or state-chartered bank, from a savings association or federal association (as defined by Section 5102 of the Financial Code) or from a brokerage firm designated as a primary government dealer by the Federal Reserve bank.
(Amended by Stats. 2001, Ch. 57, Sec. 2. Effective January 1, 2002.)

53601.6.
(a) A local agency shall not invest any funds pursuant to this article or pursuant to

Article 2 (commencing with Section 53630) in inverse floaters, range notes, or mortgage-derived, interest-only strips.
(b) A local agency shall not invest any funds pursuant to this article or pursuant to Article 2 (commencing with Section 53630) in any security that could result in zero interest accrual if held to maturity. However, a local agency may hold prohibited instruments until their maturity dates. The limitation in this subdivision shall not apply to local agency investments in shares of beneficial interest issued by diversified management companies registered under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.) that are authorized for investment pursuant to subdivision (l) of Section 53601.
(Amended by Stats. 2009, Ch. 332, Sec. 68.1. Effective January 1, 2010.)

53601.8.
Notwithstanding Section 53601 or any other provision of this code, a local agency that has the authority under law to invest funds, at its discretion, may invest a portion of its surplus funds in deposits at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of deposits. The following conditions shall apply:
(a) The local agency shall choose a nationally or state chartered commercial bank, savings bank, savings and loan association, or credit union in this state to invest the funds, which shall be known as the “selected” depository institution.
(b) The selected depository institution may use a private sector entity to help place local agency deposits with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States and are within the network used by the private sector entity for this purpose.
(c) Any private sector entity used by a selected depository institution to help place its local agency deposits shall maintain policies and procedures requiring both of the following:
(1) The full amount of each deposit placed pursuant to subdivision (b) and the interest that may accrue on each such deposit shall at all times be insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.
(2) Every depository institution where funds are placed shall be capitalized at a level that is sufficient, and be otherwise eligible, to receive such deposits pursuant to regulations of the Federal Deposit Insurance Corporation or the National Credit Union Administration, as applicable.
(d) The selected depository institution shall serve as a custodian for each such deposit.
(e) On the same date that the local agency’s funds are placed pursuant to subdivision (b) by the private sector entity, the selected depository institution shall receive an amount of insured deposits from other financial institutions that, in total, are equal to, or greater than, the full amount of the principal that the local agency initially deposited through the selected depository institution pursuant to subdivision (b).
(f) Notwithstanding subdivisions (a) to (e), inclusive, a credit union shall not act as a selected depository institution under this section or Section 53635.8 unless both of the following conditions are satisfied:
(1) The credit union offers federal depository insurance through the National Credit

Union Administration.
(2) The credit union is in possession of written guidance or other written communication from the National Credit Union Administration authorizing participation of federally insured credit unions in one or more deposit placement services and affirming that the moneys held by those credit unions while participating in a deposit placement service will at all times be insured by the federal government.
(g) It is the intent of the Legislature that this section shall not restrict competition among private sector entities that provide placement services pursuant to this section.
(h) The deposits placed pursuant to this section and Section 53635.8 shall not, in total, exceed 30 percent of the agency's funds that may be invested for this purpose.
(i) Purchases of certificates of deposit pursuant to this section, Section 53635.8, and subdivision (i) of Section 53601 shall not, in total, exceed 30 percent of the agency's funds that may be invested for this purpose.
(j) Excluding purchases of certificates of deposit pursuant to this section, no more than 10 percent of the agency's funds that may be invested for this purpose may be submitted, pursuant to subdivision (b), to any one private sector entity that assists in the placement of deposits with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States, for the local agency's account.
(k) This section shall remain in effect only until January 1, 2017, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2017, deletes or extends that date.
(Amended by Stats. 2013, Ch. 228, Sec. 1. Effective January 1, 2014. Repealed as of January 1, 2017, by its own provisions. See later operative version added by Sec. 2 of Ch. 228.)

53601.8.
Notwithstanding Section 53601 or any other provision of this code, a local agency that has the authority under law to invest funds may, at its discretion, invest a portion of its surplus funds in certificates of deposit at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of certificates of deposit, provided that the purchases of certificates of deposit pursuant to this section, Section 53635.8, and subdivision (i) of Section 53601 do not, in total, exceed 30 percent of the agency's funds that may be invested for this purpose. The following conditions shall apply:
(a) The local agency shall choose a nationally or state-chartered commercial bank, savings bank, savings and loan association, or credit union in this state to invest the funds, which shall be known as the "selected" depository institution.
(b) The selected depository institution may submit the funds to a private sector entity that assists in the placement of certificates of deposit with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States for the local agency's account.
(c) The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by the

Federal Deposit Insurance Corporation or the National Credit Union Administration.
(d) The selected depository institution shall serve as a custodian for each certificate of deposit that is issued with the placement service for the local agency's account.
(e) At the same time the local agency's funds are deposited and the certificates of deposit are issued, the selected depository institution shall receive an amount of deposits from other commercial banks, savings banks, savings and loan associations, or credit unions that, in total, are equal to, or greater than, the full amount of the principal that the local agency initially deposited through the selected depository institution for investment.
(f) Notwithstanding subdivisions (a) to (e), inclusive, no credit union may act as a selected depository institution under this section or Section 53635.8 unless both of the following conditions are satisfied:
(1) The credit union offers federal depository insurance through the National Credit Union Administration.
(2) The credit union is in possession of written guidance or other written communication from the National Credit Union Administration authorizing participation of federally insured credit unions in one or more certificate of deposit placement services and affirming that the moneys held by those credit unions while participating in a deposit placement service will at all times be insured by the federal government.
(g) It is the intent of the Legislature that this section shall not restrict competition among private sector entities that provide placement services pursuant to this section.
(h) This section shall become operative on January 1, 2017.
(Repealed (in Sec. 1) and added by Stats. 2013, Ch. 228, Sec. 2. Effective January 1, 2014. Section operative January 1, 2017, by its own provisions.)

Annual Presentation of City Treasurer's Investment Policy and Delegation of Authority to Invest Funds

November 9, 2015

Kent Morris, Chief Investment Officer

Tom Williams, Investment Officer

California Government Code

- CGC §53607 – Delegation of Authority

  "The authority of the legislative body to invest or to reinvest funds of a local agency, or to sell or exchange securities so purchased, may be delegated for a one-year period by the legislative body to the treasurer of the local agency…"

- CGC §53646 – Statement of Investment Policy

  "The treasurer or chief fiscal officer of the local agency may annually render to the legislative body of that local agency and any oversight committee of that local agency a statement of investment policy, which the legislative body of the local agency shall consider at a public meeting."

Pooled Investment Fund

- Market Value: $1.99 Billion (as of 09/30/15)
- Permitted Investments governed by CGC §53601
- Objectives
  - Preservation of Principal
  - Liquidity
  - Yield
- Managed as two separate portfolios
  - Liquidity (35% of Total Pool)
  - Core (65% of Total Pool)
    - Total return basis
- 0.60% – Annual Yield (as of 09/30/2015)
- Conservative, disciplined portfolio management philosophy

Summary of Investment Policy Changes

No substantive changes made to the City Treasurer's Investment Policy.

Rationale: No changes to legislation; no changes recommended by the Investment Advisory Committee

QUESTIONS?