

**CITY OF OJAI**

**RESOLUTION NO. 15-33**

**A RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF OJAI, CALIFORNIA  
APPROVING STATEMENT OF INVESTMENT POLICY**

**WHEREAS**, California Government Code Section 53646(a)(2) requires that local governments annually review and consider changes to their Statement of Investment Policy; and

**WHEREAS**, the City Council of the City of Ojai has reviewed and does hereby approve the current Statement of Investment Policy for the City of Ojai with no changes.

**NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF OJAI, CALIFORNIA, DOES HEREBY RESOLVE AND** approve the current Statement of Investment Policy with no changes, attached hereto as "Exhibit A" and made a part hereof; and

**BE IT FURTHER RESOLVED** that the Statement of Investment Policy shall be reviewed on an annual basis as required by the aforementioned California Government Code.


**PASSED, APPROVED AND ADOPTED** on this 30<sup>th</sup> day of June, 2015 by the following vote:

**AYES:** Blatz, Haney, Lara, Weirick  
**NOES:** None  
**ABSENT:** Clapp  
**ABSTAIN:** None

CITY OF OJAI, CALIFORNIA

  
\_\_\_\_\_  
Severo Lara, Mayor

ATTEST:

  
\_\_\_\_\_  
Rhonda K. Basore, City Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Matthew Summers, Interim Assistant City Attorney



## CITY OF OJAI

# STATEMENT OF INVESTMENT POLICY

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### I. INTRODUCTION

The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy for public money and to formalize the City's investment-related activities. Such activities, which collectively constitute a comprehensive cash management program, include accurate cash projections, the expeditious collection of revenue, the control of disbursements, and cost-effective banking relations. In concert with these requirements are the many facets of an appropriate and secure short-term investment program.

### II. SCOPE

It is intended that this policy cover all funds and investment activities under the authority of the City, with the exception of bond proceeds, which are administered by a third party fiscal agent.

### III. OBJECTIVES

- A. **Safety:** It is the primary duty and responsibility of the Investment Officer to protect cash and investments placed in his/her trust on behalf of the citizens of the community.
- B. **Liquidity:** An adequate percentage of the portfolio should be maintained in liquid short-term securities, which can be converted to cash if necessary to meet disbursement requirements. Since all cash requirements cannot be anticipated, investments in securities with active secondary or resale markets is highly recommended. Emphasis shall be on marketable securities with low sensitivity to market risk.
- C. **Yield:** Yield shall become a consideration only after the basic requirements of safety and liquidity has been met.
- D. **Market-Average Rate of Return:** The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the City's risk constraints, the cash flow characteristics of the portfolio, and State and local laws, ordinances or resolutions that restrict investments.



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E. **Diversification:** The investment portfolio will be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions.

F. **Prudence:** The standard of prudence to be used by investment officials shall be the “prudent investor” per Government Code section 53600.3, which states:

. . . care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

This “Prudent Investor Standard” shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided that deviations from expectation are reported in a timely fashion, and appropriate action is taken to control adverse developments. It is the City’s full intent, at the time of purchase, to hold all investments until maturity to ensure the return of all invested principal dollars.

G. **Public Trust:** All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio it must be recognized that occasional measured losses are inevitable, and must be considered within the context of the overall portfolio’s investment return, provided that adequate diversification has been implemented.

#### IV. DELEGATION OF AUTHORITY (GOVERNMENT CODE SECTION 53607)

A. **Investment Officer:** The Treasurer designates Director of Finance to be the Investment Officer for the City of Ojai. The responsibility of the placement of all investments is hereby delegated to the Investment Officer



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who shall establish and adhere to written procedures, which will comply with all sections of the Government Code of the State of California.

**B. Investment Oversight Committee:** The Finance Committee shall be the investment oversight committee, which consists of the City Manager, the Director of Finance, the City Attorney, the City Treasurer and two City Council members. The purpose of the committee is to: 1) review the investment practices used by the Investment Officer for compliance with

the investment policy and written procedures; 2) analyze the monthly Treasurer's report for adherence to established guidelines; and 3) advise City Council of any deviations from guidelines or any practices which are deemed to be imprudent for a public agency. The committee shall perform these procedures at least quarterly unless internal or market circumstances require otherwise.

#### V. REPORTING

The Treasurer shall submit a monthly investment report to the City Council. Required elements of the monthly report:

- a) Type of investment/issuer;
- b) Date of maturity;
- c) Cost of the security;
- d) Current market value of securities with maturity in excess of 12 months;
- e) Rate of interest of securities.

Government Code Sections 8855 and 53636, effective January 1, 2001, established investment reporting requirements to the California Debt and Investment Advisory Commission (CDIAC). All cities and counties must mail a copy of their second and fourth quarter investment reports within 60 days of the close of the quarter to CDIAC. In addition, an updated copy of the investment policy must be sent within 60 days of any subsequent amendments to the policy. The requirement to report was temporarily suspended during fiscal year 2003-04. However, the City continues to report to both our legislative body and to CDIAC.

#### VI. AUTHORIZED INVESTMENT INSTRUMENTS FOR THE CITY OF OJAI

The following investment instruments are authorized for use by the Investment Officer:



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#### **U.S. Treasury Bills**

Definition: Treasury Bills are direct obligations of the United States Government. They are issued weekly with maturity dates up to one year. They are issued and traded on a discount basis and the interest is computed on a 360-day basis. They are issued in minimum transaction amount of \$10,000 in multiples of \$5,000 above that.

Security Requirements: They are highly liquid, in addition to being considered the safest of all investments.

#### **Certificates of Deposit (CD)**

Definition: A time deposit with a specific maturity evidenced by a certificate.

Security Requirements: All such deposits will be insured by an agency of the Federal Government or secured by sufficient collateral. On all deposits over the FDIC limit (currently \$250,000), that do not fall under the insurance protection, a minimum 110 percent in government securities or 150 percent in first mortgages for additional collateral security will be required. Should mortgages be chosen for the additional security, they will be variable interest rate mortgages in order to meet competitive market rates at any given time. The above deposits will not be made with any institution, whether located within the City or elsewhere, regardless of their size, unless they have a rating, which exceeds the average rate of all banks in the State of California. Local institutions will be given preference whenever practicable.

#### **Federal Agency Issues**

Definition: These are securities issued by various federal agencies and are guaranteed directly or indirectly by the United States Government. All agency obligations qualify as legal investments and are acceptable as security for public deposits. Examples are:

. . . FHLB's (Federal Home Loan Banks) offer debt instruments used to finance loans to member banks. They are issued intermittently in minimum denominations of \$5,000;

. . . FICB's (Federal Intermediate Credit Banks Debentures) are loans to lending institutions used to finance the short-term and intermediate needs of farmers, such



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as seasonal production. They are usually issued monthly with a nine-month maturity in minimum denominations of \$5,000;

. . . FFCB's (Federal Farm Credit Banks) are debt instruments used to finance the short and intermediate term needs of farmers and the national agricultural industry. They are issued monthly with three and six month maturities; and

. . . FLBB's (Federal Land Bank Bonds) are long-term mortgage credit provided to farmers by Federal Land Banks. These bonds are issued at irregular times for various maturities from a few months to ten years. The minimum denomination is \$1,000. They carry semi-annual coupons. Interest is calculated on a 360 day, 30-day month basis. They usually provide higher yields than regular treasury issues with the same advantages.

Security Requirements: Investments will be held by a third party fiscal agent.

**City Response** - by primary dealers. No requirements other than the City's Investment Policy

#### **Negotiable Certificates of Deposit (NCD)**

Definition: Negotiable Certificates of Deposit are unsecured obligations of the financial institution, bank or savings and loan, bought at par value with promise to pay face value plus accrued interest at maturity. They are high-grade negotiable instruments, paying a higher interest rate than regular CD's. The primary market issuance is in multiples of \$1 million; the secondary market usually trades in denominations of \$500,000, although smaller lots are occasionally available.

Security Requirements: Although the Government allows a 30 percent limit, no more than 5 percent of City's idle funds will be invested in any one institution and cannot exceed shareholders' equity of that institution. Furthermore, all such deposits will be insured by an agency of the Federal Government or secured by sufficient collateral. On all deposits over the FDIC limit (currently \$250,000), that do not fall under the insurance protection, a minimum 110 percent in government securities or 150 percent in first mortgages for additional collateral security will be required. Should mortgages be chosen for the additional security, they will be variable interest rate mortgages in order to meet competitive market rates at any given time. The above deposits will not be made with any institution, whether located within the City or elsewhere, regardless of their size, unless they have a rating, which exceeds the average rate of all banks in the State of California. Local institutions will be given preference whenever practicable.



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#### **Local Agency Investment Fund (LAIF)**

**Definition:** The Local Agency Investment Fund is a voluntary investment alternative for California's local governments and special districts authorized by the California Government Code. The LAIF is managed by the State Treasurer's Office with oversight by the Local Agency Investment Advisory Board. All securities in LAIF are purchased under the authority of Government Code Sections 16430 and 16480.8. There is no minimum investment period and the minimum transaction is \$5,000, in multiples of \$1,000 above that, with a maximum of \$40 million for any agency. It offers high liquidity because deposits can be converted to cash in 24 hours and no interest is lost. All interest is distributed to those agencies participating on a proportionate share.

**Security Requirements:** State law prohibits LAIF from impounding any depositor's funds and prohibits the fund from declaring bankruptcy. State statutes define and authorize the permissible investments of the fund.

#### **Investment Trust of California (CalTRUST)**

**Definition:** The Investment Trust of California (CalTRUST) is a voluntary pooled investment program for California local governments and special districts authorized by Section 53601(p) of the California Government Code. CalTRUST is administered by the CalTRUST Joint Powers Authority, created pursuant to the provisions of California Government Code Section 6509.7, and whose Board of Trustees consists of local agency treasurers and finance directors. Wells Capital Management serves as the Investment Advisor to each of the CalTRUST funds. Each of the three CalTRUST funds, the CalTRUST Heritage Money Market Fund, the CalTRUST Short-Term Fund and the CalTRUST Medium-Term Fund complies with all of the restrictions and limitations placed on local agency investments by California Government Code Sections 53601 and 53635. The CalTRUST Heritage Money Market Fund provides same-day liquidity, while the CalTRUST Short-Term Fund provides next-day liquidity. The CalTRUST Medium-Term Fund provides monthly liquidity. There are no minimum or maximum transaction limits with the CalTRUST funds. All interest is distributed to participating agencies on a proportionate basis.

**Security Requirements:** California Government Code Sections 53601 and 53635 govern the permissible investments for the CalTRUST funds. These are the same Code Sections which govern the City of Ojai's investments.







