

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

699A



**FROM:** Paul McDonnell, Treasurer-Tax Collector

**SUBMITTAL DATE:**  
February 21, 2006

**SUBJECT:** Amended 2006 Treasurer's Statement of Investment Policy & the Statement of Investment Policy Governing Competitively Bid Investments for Pool Participants

**RECOMMENDED MOTION:** Approve the amended 2006 Treasurer's Statement of Investment Policy & the Statement of Investment Policy Governing Competitively Bid Investments for Pool Participants

**BACKGROUND:** Our office recently received a request by a school district within the County to invest their bond proceeds (currently in the Treasurer's Pooled Investment Fund "the Pool") outside of the Pool in an investment agreement. The 2006 Treasurer's Statement of Investment Policy, approved as Item 3.24, December 13, 2005, has no formal provisions which allow Pool participants to do this.

California Government Code Section 53646(a) states, "The Treasurer shall annually render to the Board of Supervisors and any oversight committee a statement of investment policy, which the board shall review and approve at a public meeting. Any change in the policy shall also be reviewed and approved at a public meeting." The changes were reviewed by the Investment Oversight Committee on February 9, 2006.

The "Investments Made from Debt Issuance Proceeds," paragraph 1, page 6, incorporates the necessary changes to the Policy which allow for this activity as well creating a separate policy governing competitively bid investments.

Paul McDonnell  
Treasurer-Tax Collector

<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2005/06

<b>SOURCE OF FUNDS:</b>	<b>Positions To Be Deleted Per A-30</b>	<input type="checkbox"/>
	<b>Requires 4/5 Vote</b>	<input type="checkbox"/>

**C.E.O. RECOMMENDATION:**

**APPROVE**

**County Executive Office Signature**

- Dep't Recomm.:  Policy
- Per Exec. Ofc.:  Consent
- Consent
- Policy

**Prev. Agn. Ref.:**

**District:**

**Agenda Number:**

3.56



**COUNTY OF RIVERSIDE  
OFFICE OF THE TREASURER-TAX COLLECTOR  
STATEMENT OF INVESTMENT POLICY  
GOVERNING  
COMPETITIVELY BID INVESTMENTS  
FOR  
POOL PARTICIPANTS  
FEBRUARY 28, 2006**

**PURPOSE & OBJECTIVE**

This policy pertains to Pool participants requesting to invest their debt issuance proceeds in competitively bid investments outside of the Pool. Competitively bid investments that are subject to this Policy include investment agreements, guaranteed investment contracts or similar investment vehicles. Such requests shall be invested in compliance with the California Government Code, Official Statement, Bond Resolution and/or any other governing document of the debt issuance.

**REQUEST FOR BIDS (RFB's) & SOLICITATIONS**

RFB's shall be submitted to the Treasurer for review and approval prior to use in solicitation of bids. Prospective investment providers shall also be specifically approved by the Treasurer prior to being included in such solicitation. To qualify for inclusion in the RFB process, the financial institution must have ratings in the AAA/Aaa category from both Standard & Poor's (S&P) and Moody's, AA/Aa rated and fully collateralized, or, be guaranteed by a financial institution possessing such AAA/Aaa ratings.

The RFB shall address and be in compliance with this policy statement and shall within its provisions require that the broker, underwriter, and winning bidder providing the investment to fully disclose and all fees, commissions, and financial considerations paid, given or received in securing the winning bid. This disclosure shall be required of all parties to the transaction prior to closing the competitively bid investment and shall precede the executed contract submitted to the County.

**BID RESPONSES & AWARD**

A minimum of three rate responses from those providers solicited to bid must be received before a competitively bid investment is awarded by the County Treasurer. All responses must be delivered in writing to the County Treasurer directly or through the investment advisor, underwriter or broker representing the County on the specific transaction.

**SOLICITOR FOR BIDS**

The County Treasurer may select a firm to represent it in the procurement of a competitively bid investment. Such firm will meet any federal and state licensing requirement before qualifying itself to represent the County in such capacity. Prior to being designated to act on the County's

behalf, the firms shall consult and agree upon the fee or commission allowed in the transaction for performing the service, and shall agree in writing to fully disclose any and all fees, commissions, and any other form of financial consideration paid, given or received by or from the County or competitively bid investments provider in concluding the competitively bid investment.

The County retains exclusively the right to designate, appoint and hire those firm(s) authorized to act on its behalf in soliciting competitively bid investment proposals, and firm's retainer shall be evidenced by a written contract that outlines the fees and scope of services to be performed. Competitively bid investments shall not be entered into where above market profits accrue to a broker/dealer. All achievable earnings including any excess earnings will accrue to the issuer even though the issuer may incur a tax liability to rebate excess earnings to the Federal government.

### **COMPETITIVELY BID INVESTMENT PROVIDERS**

Bids may be solicited from (foreign and domestic) banks, insurance companies and corporations. "Non-rated" companies are acceptable provided their competitively bid investments have the unconditional guarantee of its parent company or a surety bond guaranteeing its performance, in either case rated in the AAA/Aaa category by both S&P and Moody's, as well as the appropriate legal enforceability opinions of counsel.

### **COLLATERAL**

Collateral shall consist of U.S. Treasury notes, bonds, bills, certificate of indebtedness, or those for which the faith and credit of the U.S. are pledged for the payment of principal and interest and federal agency securities both of which have a maximum term to maturity remaining not to exceed the years specified in the contract. Collateral shall have a market value equal to at least 105 percent of the principal amount invested and shall be market-to-market weekly with a three business day cure period for deficiencies. Collateral securities must be held by an independent third party for the benefit of the issuer or its trustee and be acceptable to the County.

Should the provider's rating be reduced below A- by S&P or A3 by Moody's, the provider shall give the Treasurer notice of such downgrade within five (5) business days. Thereupon, the Treasurer may withdraw all remaining monies invested together with accrued but unpaid interest thereon and terminate such competitively bid investments.

### **EVENTS OF DEFAULT**

The provider shall have suffered a default if any one of the following conditions occur and the condition is not fully cured within ten (10) business days having received written notice from the bank trustee or County:

- Provider fails to make prompt, punctual payment of principal and interest due on the contract or when payments are required by the draw down schedule.
- Provider fails to provide security collateral or additional collateral in the instances previously described as requirement within Section 6 of this Policy.
- Provider declares insolvency or files bankruptcy in a U.S. District Court.



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Paul McDonnell  
Treasurer-Tax Collector



**COUNTY OF RIVERSIDE  
OFFICE OF THE TREASURER TAX-COLLECTOR  
STATEMENT OF INVESTMENT POLICY**

**INTRODUCTION**

The Treasurer's Statement of Investment Policy is presented annually to the County Investment Oversight Committee for review and to the Board of Supervisors for approval, pursuant to the requirements of Sections 53646(a) and 27133 of the California Government Code so as to become effective January 1, 2006.

**SCOPE**

The Treasurer's Statement of Investment Policy is limited in scope to only those County, school and special district fund assets actually deposited and residing in the County Treasury. It does not apply to bond funds or other assets belonging to the County of Riverside, or any affiliated public agency the assets of which reside outside of the County Treasury.

**FIDUCIARY RESPONSIBILITY**

Section 27000.3 of the Government Code declares each treasurer, or governing body authorized to make investment decisions on behalf of local agencies to be a trustee and therefore a fiduciary subject to the prudent investor standard. This standard, as stated in Section 27000.3 requires that "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the county treasurer or the board of supervisors, as applicable, shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the county and other depositors, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the county and the other depositors."

**PORTFOLIO OBJECTIVES**

The first and primary objective of the Treasurer's investment of public funds is to safeguard investment principal; second to maintain sufficient liquidity within the portfolio to meet daily cashflow requirements, and third, to achieve a reasonable rate of return or yield on the portfolio consistent with these objectives. The portfolio shall be actively managed in a manner that is responsive to the public trust and consistent with State law.

**AUTHORITY**

Statutory authority for the Treasurer's investment and safekeeping functions are found in Sections 53601 and 53635 et. seq. The Treasurer's authority to make investments is to be renewed annually, pursuant to state law. It was last renewed by the Board of Supervisors on December 21, 2004 by County Ordinance No. 767.8. California Government Code Section 53607 effectively requires the legislative body to delegate investment authority of the County on an annual basis.

## **AUTHORIZED INVESTMENTS**

Investments shall be restricted to those authorized in Government Code Sections 53601 and 53635 as amended and as further restricted by this policy statement. All investments shall be governed by the restrictions shown in Schedule I which defines the type of investments authorized, maturity limitations, portfolio diversification, credit quality standards, and purchase restrictions that apply.

## **STAFF AUTHORIZED TO MAKE INVESTMENTS AND WIRE TRANSFERS**

Only the Treasurer-Tax Collector, Paul McDonnell, Assistant Treasurer, Don Kent, Chief Deputy Treasurer-Tax Collector, Jon Christensen, and, Assistant Investment Officer, Giovane Pizano are authorized to make investments (except in the case of an emergency) and to order the receipt and delivery of investment securities among custodial security clearance accounts. Staff authorized to make wire or electronic fund transfers (EFT's), and staff authorized to release these wires and EFT's are governed under the Treasurer's Wire Policy.

## **AUTHORIZED BROKER/DEALERS**

Securities transactions are limited solely to those noted on Schedule II of this policy.

## **DAILY ACCOUNTABILITY AND CONTROL**

Except for emergencies or previous authorization by the Treasurer-Tax Collector, all investment transactions are to be conducted at the Treasurer-Tax Collector's office (if open and available to conduct business), documented, and reviewed by the Treasurer-Tax Collector. All investment transactions will be entered daily into the Treasurer's internal financial accounting system with copies to be filed on a timely basis. Portfolio income shall be reconciled daily against cash receipts and quarterly, prior to the distribution of earnings among those entities sharing in pooled fund investment income.

## **SECURITY CUSTODY & DELIVERIES**

All securities except for money market funds registered in the County's name and securities issued by the County or other local agencies shall be deposited for safekeeping with banks contracted to provide the County Treasurer with custodial security clearance services. These third party trust department arrangements provide the County with a perfected interest in, and ownership and control over the securities held by the custodian on the County's behalf, and are intended to protect the County from the bank's own creditors in the event of a bank default and filing for bankruptcy. Securities are **NOT** to be held in investment firm/broker dealer accounts. All security transactions are to be conducted on a "delivery versus payment basis". Confirmation receipts on all investments are to be reviewed immediately for conformity with County transaction documentation. Securities issued by local agencies purchased directly shall be held in the Treasurer's vault. The security holdings shall be reconciled monthly and audited quarterly by the Treasurer's Internal Audits staff.

## **COMPETITIVE PRICING**

Investment transactions are to be made at current market value and competitively priced whenever possible. Competitive pricing does not necessarily require submission of bids, but does require adequate comparative analysis. The current technology utilized by the Treasury provides this information.

## **MATURITY LIMITATIONS**

Unless further restricted by law or these guidelines (Schedule I), no investment shall exceed a final maturity date of five years from the date of purchase.

## **LIQUIDITY**

The portfolio shall maintain a weighted average days to maturity (WAM) of less than 541 days or 1.5 years. To provide sufficient liquidity to meet daily expenditure requirements, the portfolio shall maintain at least 40% of its total value in securities having maturities 1 year or less.

## **SECURITIES LENDING**

The Treasurer may engage in securities lending activity limited to 20% of the portfolio's book value on the date of transaction. Instruments involved in a securities lending program are restricted to those securities pursuant to California Government Code Section 53601(i) and by the Treasurer's Statement of Investment Policy.

## **REVERSE REPURCHASE AGREEMENTS**

The Treasury shall not engage in any form of leverage for the purpose of enhancing portfolio yield. There shall be no entry into reverse repurchase agreements except for temporary and unanticipated cashflow requirements that would cause the Treasurer to sell securities at a principal loss. Any reverse repurchase agreements are restricted pursuant to California Government Code Section 53601(i) and by the Treasurer's Statement of Investment Policy.

## **MITIGATING MARKET & CREDIT RISKS**

Safety of principal is the primary objective of the portfolio. Each investment transaction shall seek to minimize the County's exposure to market and credit risks by giving careful and ongoing attention to the: (1) credit quality standards issued by the nationally recognized rating agencies on the credit worthiness of each issuer of the security, (2) limiting the concentration of investment in any single firm to the dollar limits authorized, (3) by limiting the duration of investment to the time frames noted in Schedule I, (4) and by maintaining the diversification and liquidity standards expressed within this policy.

## **TRADING & EARLY SALE OF SECURITIES**

All securities are to be purchased with the intent of holding them until maturity. However, in an effort to minimize market and credit risks, securities may be sold prior to maturity either at a profit or loss when economic circumstances, trend in short-term interest rates, or a deterioration in credit-worthiness of the issuer warrants a sale of the securities to either enhance overall portfolio yield or to minimize further erosion and loss of investment principal. Such sales should take into account the short and long term impacts on the portfolio. However, the sale of a security at a loss can only be made after first securing the approval of the Treasurer-Tax Collector.

## **PURCHASE OF WHEN ISSUED SECURITIES**

When issued (W.I.) purchases of securities and their subsequent sale prior to cash settlement are authorized as long as sufficient cash is available to consummate their acceptance into the Treasurer's portfolio on the settlement date.

## **PORTFOLIO REPORTS/AUDITING**

Portfolio reports required by Sections 53607 and 27133(e) shall be filed monthly with the Board of Supervisors. The Treasurer shall also prepare and file with the Board of Supervisors, the County Executive Officer, County Auditor-Controller, Superintendent of Schools and the Investment Oversight Committee, the Treasurer's Monthly Disclosure Report on Investments, including at a minimum, all information required by law. Monthly Treasurer's Pooled Investment Fund reports are to be filed with the County Investment Oversight Committee as required by Section 27134 of the California Government Code. Consistent with Board Policy B-21 (County Investment Policy Statement), § III A, an outside compliance audit will be conducted annually. Outside audits will be conducted at least biannually by an independent auditing firm selected by the Board of Supervisors, per Board Minute Order No. 3.48.

## **SPECIFIC INVESTMENTS**

Specific investments for individual funds may be made in accordance with the Treasurer's Statement of Investment Policy, upon written request of the responsible agency, and, approval of the Treasurer-Tax Collector. Investments outside of the policy may be made on behalf of such funds with approval of the governing Board. With the purchase of specific investments, the fund will be allocated the earnings associated with those investments. The Treasurer-Tax Collector reserves the right to allocate a prorata charge for administrative costs to such funds.

## **PERFORMANCE EVALUATION**

Portfolio performance is monitored daily and evaluated monthly in comparison to the movement of the Treasurer's Institutional Money Market Index (TIMMI), or other suitable index. Over time, the portfolio rate of return should perform in relationship to such an index. Regular meetings are to be conducted with the investment staff to review the portfolio's performance, in keeping with this policy, and current market conditions.

## **INVESTMENT OVERSIGHT COMMITTEE**

In accordance with Section 27130 et seq. of the California Government Code, the Board of Supervisors has established an Investment Oversight Committee. The role of the Committee is advisory in nature. It has no input on day to day operations of the Treasury.

## **QUARTERLY DISTRIBUTION OF INVESTMENT EARNINGS**

Portfolio income, including gains and losses (if any), will be distributed quarterly in compliance with Sections 53684 and 53844 of the California Government Code which give the Treasurer broad authority to apportion earnings and losses among those participants sharing in pooled investment income, and except for specific investments in which the interest income is to be credited directly to the fund from which the investment was made, all investment income is to be distributed prorata based upon each participant's average daily cash balance for the calendar quarter. Any subsequent adjustments of reported earnings by the Auditor-Controller will be first reviewed and approved by the Treasurer to assure compliance with California Government Code Sections 53684 and 53844.

## **QUARTERLY APPORTIONMENT OF ADMINISTRATIVE COSTS**

Prior to the quarterly apportionment of pooled fund investment income, the County Treasurer is permitted, pursuant to Section 27013 of the California Government Code, to deduct from investment income before the distribution thereof, the actual cost of the investment, audit, deposit, handling and distribution of such income.

Accordingly, in keeping with Sections 27013, 27133(f), and 27135, the Treasury shall deduct from pooled fund investment earnings the actual cost incurred for: retail banking services, wire transfers, custodial safekeeping charges, the pro-rata annual cost of the salaries including fringe benefits for the personnel in the Treasurer-Tax Collector's office engaged in the administration, investment, auditing, cashiering, accounting, reporting, remittance processing and depositing of public funds for investment, together with the related computer and office expenses associated with the performance of these functions. Costs are apportioned based upon average daily ending balances. Prior to gaining reimbursement for these costs, the Treasurer-Tax Collector shall annually prepare a proposed budget revenue estimate for "Section 27013 administrative costs", providing a detailed itemization of all costs required to be reimbursed.

### **TREASURY OPERATIONS**

Treasury operations are to be conducted in the most efficient manner to reduce costs and assure the full investment of funds. The Treasurer will maintain a policy regarding outgoing wires and other electronic transfers. Requests for outgoing transfers which do not arrive on a timely basis may be delayed. The County Treasurer may institute a fee schedule to more equitably allocate costs that would otherwise be spread to all depositors.

### **POLICY CRITERIA FOR AGENCIES SEEKING VOLUNTARY ENTRY**

Should any agency solicit entry, the agency shall comply with the requirements of Section 53684 of the California Government Code and provide to the County Treasurer a resolution adopted by its governing board stating that it has excess funds available for the purpose of investment. The resolution shall specify the amount of monies to be invested, the person authorized at the agency to coordinate the transaction, the anticipated time frame for deposits, the agency's willingness to be bound to the statutory 30 day written notice requirement for withdrawals, and acknowledging the Treasurer's ability to deduct pro-rata administrative charges permitted by Section 27013. Any solicitation for entry into the TPIF must have the County Treasurer's prior written approval before the receipt of funds is authorized. The depositing entity will enter into a depository agreement with the Treasurer.

### **POLICY CRITERIA FOR VOLUNTARY PARTICIPANT WITHDRAWALS**

With the Treasury being required to maintain a 40% liquidity position at all times during the calendar year, it is anticipated that sufficient funds will be on hand to immediately meet on demand all participant withdrawals for the full dollar amounts requested without having to make any allowance or pro-rata adjustment based on the current market value of the portfolio. In addition, any withdrawal by a local agency for the purpose of investing or depositing those funds outside the Pool shall have the prior written approval of the County Treasurer. The Treasurer's approval of the withdrawal request shall be based on (1) the availability of funds; (2) the circumstances prompting the request; (3) the dollar volume of similar requests; (4) the prevailing condition of the financial markets; (5) the present magnitude of the portfolio's "paper loss" when compared to the total book value of the portfolio, and, (6) whether the withdrawal would adversely affect other depositors in the Pool.

### **POLICY ON RECEIPT OF HONORARIA, GIFTS AND GRATUITIES**

Neither the Treasurer-Tax Collector nor any member of his staff, shall accept any gift, gratuity or honoraria from financial advisors, brokers, dealers, bankers or other persons or firms conducting business with the County Treasurer which exceeds the limits established by the Fair Political Practices Commission (FPPC) and relevant sections of California Government Code section 27133.

**ETHICS & CONFLICTS OF INTEREST**

Officers and staff members involved in the investment process shall refrain from any personal business activity that compromises the security and integrity of the County's investment program or impairs their ability to make impartial and prudent investment decisions. In addition, the County Treasurer-Tax Collector, Assistant Treasurer and Chief Deputy Treasurer-Tax Collector are required to file annually the applicable financial disclosure statements as mandated by the FPPC and County policy.

**INVESTMENTS MADE FROM DEBT ISSUANCE PROCEEDS**

The proceeds of a borrowing may be specifically invested per Schedule I of this policy (with the exception of Collateralized Time Deposits and Local Agency Obligations) as well as competitively bid investments (see County of Riverside Office Of The Treasurer-Tax Collector Statement Of Investment Policy Governing Competitively Bid Investments for Pool Participants, dated February 28, 2006).

No pooled fund investments made from the proceeds of a borrowing, the monies of which are deposited in the County Treasury, shall be invested for a period of time exceeding the maturity date of the borrowing. Nor shall any monies deposited with a bank trustee or fiscal agent for the ultimate purpose of retiring the borrowing be invested beyond the maturity date of the borrowing.

**POLICY ADOPTION & AMENDMENTS**

This policy statement will become effective February 28, 2006 following adoption by the Board of Supervisors, and, will remain in force until subsequently amended in writing by the Treasurer-Tax Collector and approved by the Board.



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Paul McDonnell  
County of Riverside  
Treasurer-Tax Collector

**SCHEDULE I**

AUTHORIZED INVESTMENTS	DIVERSIFICATION (1)	PURCHASE RESTRICTIONS	MATURITY	CREDIT QUALITY (S&P/MOODY'S/FITCH)
U.S. Treasury notes, bills, bonds or other certificates of indebtedness	100%	NA	Maximum 5 years	NA
Notes, participations, or obligations issued by the agencies of the federal government	100%	NA	Maximum 5 years	NA
Bonds, notes, warrants or certificates of indebtedness issued by the state or local agencies or County of Riverside	15% max or \$150mm	NA	Maximum 3 years	Long term - A, A2, A or better
Bankers Acceptances (BA's)	30% maximum	Max \$50mm per issuer	Maximum 180 days	Short term - A-1,P-1,F-1 or better
Commercial Paper (CP) of U.S. corporation with total assets exceeding \$500 mm	40% maximum	Max \$50mm per issuer See Schedule VI	Maximum 270 days	Short term - A-1,P-1,F-1 or better
Local Agency Obligations	2.5% max, no more than 1.25% per issuer	Board of Supervisors approval required. Issued by pool depositors only	Maximum 3 years	Non-rated, if in the opinion of the Treasurer, considered to be of investment grade or better
CalTRUST Short Term Fund	1% maximum	Board of Supervisors approval required.	Daily liquidity	NR / Portfolio managed pursuant to California Government Code § 53601 & 53635
Negotiable CD's issued by national or state chartered banks or a licensed branch of a foreign bank	25% maximum	Max \$50mm per issuer	Maximum 1 year	Short term - A-1,P-1,F-1 or better
Collateralized Time Deposits	2% maximum	See Schedule IV	Maximum 1 year	N/A
Repurchase Agreements (repo) with 102% collateral restricted to U. S. Treasuries, agencies, agency mortgages, CP, BA's	40% max, 25% in term repo over 7 days. No more than 20% w/one dealer in term repo	Repurchase agreements to be on file	Maximum 45 days	Short Term A-1, P-1, F-1 or better If A-2, P-2, F2 then overnight only
Reverse Repurchase Agreements on U. S. Treasury & federal agency securities in portfolio	10% maximum	For temporary cash Flow needs only.	Max 60 days with prior approval of Board of Supervisors	NA
Medium Term Notes or Corporate Notes on U. S. corporation	20% maximum	Max \$25mm per issuer	Maximum 2 years	Short term - A-1, P-1, F-1 Long term - AA, Aa2, AA or better AAA, Aaa, AA minimum if under 1 year AAA, Aaa, AAA minimum if over 1 year
Money Market Mutual Funds that invest in eligible securities meeting requirements of California Government Code	20% maximum	Registered with SEC No NAV adjustments No front end loads See Schedule V	Daily liquidity	Long Term - AAA by at least 2 of the 3 rating agencies

(1) Whichever is greater.

**AUTHORIZED BROKER/DEALERS  
SCHEDULE II**

The Treasurer is authorized to conduct investment security transactions with the broker/dealers which are designated by the Federal Reserve Bank as primary government dealers. Security transactions with firms, other than those appearing on this list, are prohibited.

1. Other authorized firms:

Cantor Fitzgerald Securities Corp.  
A.G. Edwards and Sons, Inc.  
Union Bank of California  
The Bank of New York  
Wells Fargo Bank  
U.S. Bank

2. Direct purchases from major commercial paper issuers, money market mutual funds, banker's acceptance issuers, negotiable CD issuers, or savings and loan are authorized.
3. Incidental purchases of less than \$10 million may be made with other firms if in the opinion of the Treasurer, such transactions are deemed advantageous.

To ensure compliance with the County Treasurer's investment guidelines, each newly authorized primary government dealer and other authorized firms (as listed above in section A, B and C) will be supplied a complete copy of this Investment Policy document approved by the Board of Supervisors.

**POLICY CRITERIA FOR SELECTION OF BROKER/DEALERS  
SCHEDULE III**

1. The County Treasurer has elected to limit security transactions as mentioned in Schedule II. Accordingly, the financial institution must confirm that they are a member of the National Association of Security Dealers (NASD), registered with the Securities & Exchange Commission (SEC), and possess all other required licenses. The Treasurer is prohibited from the selection of any broker, brokerage, dealer, or securities firm that has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the local treasurer, any member of the governing board of the local agency, or any candidate for those offices.
2. The County Treasurer's intent is to enter into long-term relationships. Therefore, the integrity of the firm and the personnel assigned to our account is of primary importance.
3. The firm must state in writing its willingness to be bound by the County Treasurer's written Investment Policy Guidelines.
4. The firm must specify the types of securities it specializes in and will be made available for our account. Additionally, the firm must maintain its own securities clearing operations to qualify doing business with the County Treasurer.
5. It is important that the firm provide related services that will enhance the account relationship which could include:
  - (a) An active secondary market for its securities.
  - (b) Internal credit research analysis on commercial paper, bankers acceptances and other securities it offers for sale.
  - (c) Be willing to trade securities for our portfolio.
  - (d) Be capable of providing market analysis, economic projections, newsletters.
  - (e) Provide market education on new investment products, security spread relationships, graphs, etc.
6. The firm must be willing to provide us annual financial statements.
7. The County Treasurer is prohibited from the establishment of a broker/dealer account for the purpose of holding the County's securities. All securities must be subject to delivery at the County's custodial bank, The Bank of New York.
8. Without exception, all transactions are to be conducted on a delivery vs. payment (DVP) basis.
9. The broker/dealer must have been in operation for more than 5 years, and, if requested, the firm must be willing to provide us a list of local government clients or other reference, particularly those client relationships established within the State of California.

**POLICY CRITERIA FOR COLLATERALIZED TIME DEPOSITS**  
**SCHEDULE IV**

Before the Treasury can place a time deposit with a local bank or savings and loan, the following criteria must be met:

1. The bank must provide us with an executed copy of the "Contract for Deposit of Moneys".
2. The interest rate on the Time Certificate of Deposit must be competitive with rates offered by other banks and savings and loans residing in Riverside County, and, must exceed the interest rate for treasury bills for a similar maturity period.
3. For investments less than \$100,000, FDIC insurance will be sufficient without requiring any collateral to be pledged with the Federal Reserve to secure the public fund deposit.
4. For investments exceeding \$100,000, there will be a waiver of collateral for the first \$100,000 deposited and protected by FDIC insurance. The remainder of the deposit shall be fully collateralized by U. S. Treasury and Federal Agency securities having maturities less than five years. The County Treasurer must receive written confirmation that these securities have been pledged in repayment of the time deposit. The securities pledged as collateral must have a current market value greater than the dollar amount of the deposit in keeping with the ratio requirements specified in Section 53652 of the Government Code. Additionally, a statement of the collateral shall be provided on a monthly basis.
5. The County Treasurer must be given a current audited financial statement for the financial year just ended as well as the most recent quarterly statement of financial condition. The financial reports must both include a statement of financial condition as well as an income statement depicting current and prior year operations.
6. The County Treasurer will not place a public fund deposit for more than 10% of the present paid-up capital and surplus of the bank.
7. The County Treasurer must receive a certificate of deposit which specifically expresses the terms governing the transaction, deposit amount, issue date, maturity date, name of depositor, interest rate, interest payment terms (monthly, quarterly, etc).
8. All time certificates must have a maturity date not exceeding one year from the date of the deposit, with interest payments based upon the stated interest rate.
9. The County Treasurer must receive a letter from the comptroller and/or treasurer of the bank at the time the initial deposit is made, that there is no known pending financial disclosure or public announcement of an adverse financial event involving the bank or savings and loan, nor is there any knowledge that a conflict of interest situation exists between any County official and an officer or employee of the bank.
10. Time deposits will only be made with banks and savings and loans having branch office locations within Riverside County.

**POLICY CRITERIA FOR ENTERING INTO A MONEY MARKET FUND  
SCHEDULE V**

1. The firm must provide in writing a statement on the fund's letterhead that the fund meets the statutory requirements of California law (i.e., Sections 53601 and 53635 of the California Government Code).
2. The fund must provide evidence that it has been registered with SEC and has "AAA" ratings from two of the nationally recognized rating agencies: Moody's, Fitch, Standard & Poor's.
3. The fund must provide us copies of their portfolio reports and shall provide at least at month-end, a complete listing of securities within the fund's portfolio.
4. The fund shall provide us a current prospectus before our participation in the fund.
5. The fund's prospectus cannot allow hedging strategies, options, futures, or security lending transactions.
6. The fund must maintain daily, a principal per share value of \$1.00 per share.
7. The fund shall provide information as to who serves as their custodial bank.
8. The fund shall provide at least annually financial statements on the fund's financial condition and investment performance.
9. The fund shall provide us wire instructions for the purchase and redemption of shares, and must be able to distribute interest earnings to the County Treasurer on a monthly basis.
10. Unless the fund is more than five years old, the County Treasurer is to be given its performance history since the inception of the fund.
11. The County Treasurer is also to be given the date the fund was established, the total assets currently under management, the recent 12 months history as to either the growth or decline in assets under management, and whether or not the fund is assessing 12B-1 management fees.

**POLICY CRITERIA FOR PURCHASES OF COMMERCIAL PAPER  
SCHEDULE VI**

	<u>Short-Term Ratings</u>	<u>Long-Term Ratings</u>
<u>Category 1</u>	A-1+/P-1/F-1+	AAA/Aaa/AAA, AA/Aa2/AA, A+/A1/A+ or better, or, NR for Asset Backed programs only.
<u>Category 2</u>	A-1/P-1/F-1	A/A2/A or better.

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Restrictions

<u>Category 1</u>	No short-term credit watch by any agency if long-term rating is AA/Aa3/AA- or less. No short-term credit watch by S&P, Moody's or Fitch if NR for the long-term ratings.
<u>Category 2</u>	No short-term credit watch by any agency. No long-term negative outlook by any agency. No Asset Backed programs. Maturity no greater than 45 days.

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Rating Agency Comparison Table

Short-Term Scale		Long-Term Scale	
<b>S&amp;P</b>	A-1+, A-1	<b>S&amp;P</b>	AAA, AA+, AA, AA-, A+, A
<b>Moody's</b>	P-1	<b>Moody's</b>	Aaa, Aa1, Aa2, Aa3, A1, A2
<b>Fitch</b>	F-1+, F-1	<b>Fitch</b>	AAA, AA+, AA, AA-, A+, A