

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

825  
A



**FROM:** Don Kent, Treasurer-Tax Collector

**SUBMITTAL DATE:**  
March 10, 2011

**SUBJECT:** County of Riverside Asset Leasing Corporation (CORAL) Funds Statement of Investment Policy

**RECOMMENDED MOTION:** Approve the revised CORAL Funds Statement of Investment Policy to become effective immediately upon approval by the Board of Supervisors.

**BACKGROUND:** California Government Code Section 53646(a) states, "The Treasurer may 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 Statement of Investment Policy sets the parameters of the County Treasurer's investment activities for CORAL Funds.

(Continued on Page 2)

Don Kent, 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:	2010/2011

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

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

APPROVE

BY:   
Karen L. Johnson

**County Executive Office Signature**

**MINUTES OF THE BOARD OF SUPERVISORS**

On motion of Supervisor Stone, seconded by Supervisor Buster and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Buster, Tavaglione, Stone, Benoit and Ashley  
Nays: None  
Absent: None  
Date: March 22, 2011  
XC: Treasurer

Kecia Harper-Ihem  
Clerk of the Board

By:   
Deputy

**Prev. Agn. Ref.:** ATTACHMENTS F **District:** ALL **Agenda Number:**

WITH THE CLERK OF THE BOARD

2.7

Departmental Concurrence

Dept't Recomm.: ☒ Consent ☐ Policy  
Per Exec. Off.: ☒ Consent ☐ Policy

**BOARD OF SUPERVISORS**

Form 11: County of Riverside Asset Leasing Corporation (CORAL) Funds Statement of Investment Policy

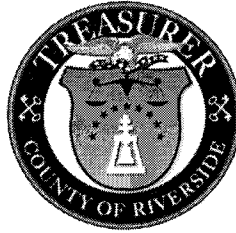
March 10, 2011

Page 2

**BACKGROUND CONT:** The County's Investment Oversight Committee has reviewed the policy, as required, at its February 3, 2011 meeting. All changes are in compliance with each particular debt issue's indenture, as well as, California Government Code Sections 53601 & 53635.

Attached is the revised policy and a red-lined copy reflecting changes outlined in the the CORAL Funds Statement of Investment Policy.

**NOTE:** These changes are mostly administerial in nature and bring the Policy current with changes in the Government Code. The proposed changes do not supersede the authorizing documents of each individual bond issue of the County of Riverside Asset Leasing Corporation.



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

**PURPOSE AND OBJECTIVE**

The objective of this policy is to ensure the safety of principal, provide adequate liquidity to meet both expected and unexpected withdrawal requirements, and earn a rate of return equal to or exceeding each outstanding issue's arbitrage yield. These objectives must be consistent and fully compliant with each debt issue's authorizing documents as well as State and Federal Law.

To the extent that an issue has accumulated negative arbitrage, the investment objective shall be to reduce or eliminate such negative arbitrage within the prudent guidelines established herein to the extent possible.

**AUTHORITY**

The Authority for the direction of investments is delegated within the particular debt issue's indenture, Board resolution, and/or fiscal agent agreement and escrow agreement. On November 14, 1996, the CORAL Board of Directors did delegate to the County Treasurer the responsibility for investing Bond, Note and COP proceeds. Pursuant to the governing document, either the County Treasurer and/or his designee is authorized to make investments. It shall be maintained with the fiscal agent and updated as required. Authorized designees are authorized to make investments, make wire electronic fund transfers and order the receipt and delivery of investment securities to and from accounts.

**AUTHORIZED INVESTMENTS**

California Government Code Section 5922 (d) specifies that proceeds from a local government's debt issues may be invested in any investments specified in that issue's trust indenture, fiscal agency agreement, board resolution or ordinance. Therefore, each debt issue's individual authorizing documents will specify authorized investments in the definition section under the term "Permitted Investments" or "Investment Securities."

The County Treasurer shall comply with the schedule of "Permitted Investments" applicable to each issue. See Schedule I.

## **INVESTMENT ADVISOR**

To the extent authorized by the Board of Supervisors, an investment advisor may, pursuant to contract, provide financial advice and direction on investments to be made, but, their authority shall be limited and shall not extend to the holding of bond proceeds and portfolio assets. Contracts with investment advisory consultants shall stipulate that payment for services is to be made from the administrative fees of CORAL and shall require full disclosure of fees.

## **FISCAL AGENTS AND TRUSTEES**

The fiscal agent or trustee may at the direction of the County Treasurer act as principal or agent in the making or disposing of any investment as defined in the district's bond indenture. The fiscal agent or trustee may sell at the best market price obtainable, or present for redemption, any authorized investment so purchased whenever it shall be necessary to provide monies to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which the authorized investment is credited. The fiscal agent or trustee shall not be liable or responsible for any loss resulting from such investment. In the absence of written investment direction from the County Treasurer, or authorized designee, the fiscal agent or trustee shall invest obligations as directed by the bond documents which govern those obligations.

## **SECURITY CUSTODY AND DELIVERY**

All securities shall be deposited for safekeeping with the fiscal agent or trustee contracted to provide the issuer with custodial security clearance services. These third party trust department arrangements provide each district with ownership and control over the securities held by the fiscal agent or trustee on the districts' behalf. 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 by the Treasurer and retained on file for review and audit purposes.

## **LIQUIDITY**

The County Executive Office will provide periodic liquidity requirements of each CORAL bond issue to the County Treasurer to facilitate investment maturities with cash flow requirements. Based upon the characteristics of each fund, all investment maturities are to coincide with expected cash disbursement requirements (i.e. debt service or construction costs) thereby eliminating the need to utilize reverse-repurchase agreements or the untimely sale of securities at market value.

## **LEVERAGE**

No reverse-repurchase agreements shall be made without the prior approval of the County Treasurer, and then only as may be required for temporary and unanticipated cash-flow needs of the particular funds of a bond issue, nor shall any security purchased be made subject to a security lending agreement.

## **TRADING OF SECURITIES**

Securities may be traded or sold prior to maturity either at a profit or a loss when economic circumstances, trends in short-term interest rates, or a deterioration in the credit-worthiness of the issuer warrants a sale of the securities to either enhance the investment's yield or to minimize further erosion and loss of investment principal. However, the sale of securities at a loss can only be made after first securing the approval of the County Treasurer.

## **COMPLIANCE REPORTS**

The County Treasurer will provide the required quarterly compliance reports for all outstanding CORAL debt issues.

Each report shall contain: a) consolidated listing of investment securities by type, quality and maturity; b) the book value compared to current market value and sources of valuations; c) each individual issue's arbitrage yield, current rate of earnings and arbitrage status accrued through the latest rebate report or estimate; and d) a cover letter certifying the compliance of each issue's investments with the "permitted investments" definition in each indenture or fiscal agency agreement.

## **ACCOUNTABILITY AND CONTROL**

The report on the investment portfolio will be reviewed quarterly by the Investment Oversight Committee and the CORAL Board of Directors, and filed by the County of Riverside Executive Office with the County of Riverside Board of Supervisors and County of Riverside Auditor-Controller.

## **EFFECTIVE DATE**

This policy statement is to be effective on the date of approval by the CORAL Board of Directors and the County of Riverside Board of Supervisors and will remain in force until subsequently amended in writing.



Don Kent  
County of Riverside  
Treasurer-Tax Collector

March 10, 2011

Date

**OFFICE OF THE TREASURER-TAX COLLECTOR  
COUNTY OF RIVERSIDE  
STATEMENT OF INVESTMENT POLICY  
CORAL FUNDS  
SCHEDULE I**

AUTHORIZED INVESTMENTS	PURCHASE RESTRICTIONS	CREDIT QUALITY (S&P/MOODY'S)
U.S. Treasury Notes, bills, bonds or other certificates of indebtedness	Maximum 5 year maturities	NA
Notes, participations, or obligations issued by the agencies of the Federal Government	Maximum 5 year maturities	NA
Bonds, notes, warrants or certificates of indebtedness issued by the State or local agencies or County of Riverside. Registered treasury notes or bonds of any of the other 49 United States per Government Code Section 53601 (d)	Maximum 5 year maturities	L/T AA-, Aa3, AA- or better
Commercial paper of U.S. Corp with total assets exceeding \$500 mm	Limit dollar amount in any one issuer to \$20 million Maximum 90 day maturity	S/T ratings A-1, P-1, F-1 or better
State of California Local Agency Investment Fund	NA	NA
Repurchase Agreement with collateral restricted to U.S. Treasury & Federal Agency Securities	Master Repurchase agreements to be on file prior to investment	NA
Reverse Repurchase Agreement on U.S. Treasury and Federal Agency securities in portfolio	For temporary and unanticipated cash flow needs only Maximum maturity of 92 days	NA
Corporate notes on U.S. Corp	Maximum 3 year maturities	L/T AA, Aa2, AA or better
Investment Agreements/Flex term repo agreements	Subject to the Treasurer's policy statements governing guaranteed investment contracts	L/T AA-, Aa3, AA- or better
Money Market mutual funds that invest in eligible securities meeting requirements of California Government Code	Registered with SEC, No NAV adjustments, No front end loads	Long Term "AAA" (2 of 3 nationally recognized rating services)
Other investments specifically authorized by the indenture or trust agreement	See governing documents	See governing documents



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

**PURPOSE AND OBJECTIVE**

The objective of this policy is to ensure the safety of principal, provide adequate liquidity to meet both expected and unexpected withdrawal requirements, and earn a rate of return equal to or exceeding each outstanding issue's arbitrage yield. These objectives must be consistent with full and fully compliant ~~ee-with~~ ~~of~~ each debt issue's ~~financial~~ authorizing documents as well as State and Federal Law.

Formatted: Font: Not Italic

To the extent that an issue has accumulated negative arbitrage, the investment objective shall be to reduce or eliminate such negative arbitrage within the prudent guidelines established herein to the extent possible.

**AUTHORITY**

The Authority for the direction of investments is delegated ~~by~~ within the particular ~~bond~~ debt ~~issue's~~ indenture, Board resolution, and/or fiscal agent agreement and escrow agreement. On November 14, 1996, the CORAL Board of Directors did delegate to the County Treasurer the responsibility for investing the Bond, Note and COP proceeds. Pursuant to the governing document, either the County Treasurer and/or his designee is authorized to make investments. It shall be maintained with ~~both Auditor-Controller and the~~ Fiscal Agent and updated as required. Authorized ~~d~~ Designees are authorized to make investments, make wire electronic fund transfers and ~~to~~ order the receipt and delivery of investment securities to and from accounts.

**AUTHORIZED INVESTMENTS**

California Government Code Section 5922 (d) specifies that proceeds from a local government's debt issues may be invested in any investments specified in that issue's trust indenture, fiscal agency agreement, board resolution or ordinance. Therefore, each debt issue's individual authorizing documents will specify authorized investments in the definition section under the term "Permitted Investments" or "Investment Securities."

The County Treasurer shall comply with the schedule of "Permitted Investments" applicable to each issue. See Schedule I.

### INVESTMENT ADVISOR

To the extent authorized by the Board of Supervisors, an investment advisor may, pursuant to contract, provide financial advice and direction on investments to be made, but their authority shall be limited and shall not extend to the holding of bond proceeds and portfolio assets. Contracts with investment advisory consultants shall stipulate that payment for services is to be made from the administrative fees of CORAL and shall require full disclosure of fees.

### FISCAL AGENTS AND TRUSTEES

The fFiscal aAgent or tTrustee may at the direction of the County Treasurer act as principal or agent in the making or disposing of any investment as defined in the district's bond indenture. The fFiscal aAgent or tTrustee may sell at the best market price obtainable, or present for redemption, any aAuthorized iInvestment so purchased whenever it shall be necessary to provide monies to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which the aAuthorized iInvestment is credited. The fFiscal AAgent or TTrustee shall not be liable or responsible for any loss resulting from such investment. In the absence of written investment direction from the County Treasurer, or authorized designee, the fFiscal aAgent or tTrustee shall invest obligations as directed by the bond documents which govern those obligations.

### SECURITY CUSTODY AND DELIVERY

All securities shall be deposited for safekeeping with the fFiscal aAgent or tTrustee contracted to provide the iIssuer with custodial security clearance services. These third party trust department arrangements provide each district with ownership and control over the securities held by the fFiscal aAgent or tTrustee on the dDistricts' behalf. 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 by the Treasurer and retained on file for review and audit purposes.

### LIQUIDITY

The County Executive Office will provide periodic liquidity requirements of each CORAL bond issue to the County Treasurer to facilitate investment maturities with cash flow requirements. Based upon the characteristics of each fund, all investment maturities are to coincide with



expected cash disbursement requirements (i.e. debt service or construction costs) thereby eliminating the need to utilize reverse-repurchase agreements or the untimely sale of securities at market value.

#### **LEVERAGE**

No reverse-repurchase agreements shall be made without the prior approval of the County Treasurer, and then only as may be required for temporary and unanticipated cash-flow needs of the particular funds of a bond issue, nor shall any security purchased be made subject to a security lending agreement.

#### **TRADING OF SECURITIES**

Securities may be traded or sold prior to maturity either at a profit or a loss when economic circumstances, trends in short-term interest rates, or a deterioration in the credit-worthiness of the issuer warrants a sale of the securities to either enhance the investment's yield or to minimize further erosion and loss of investment principal. However, the sale of securities at a loss can only be made after first securing the approval of the County Treasurer.

#### **COMPLIANCE REPORTS**

The County Treasurer will provide the required quarterly compliance reports for all outstanding CORAL debt issues.

Each report shall contain: a) consolidated listing of investment securities by type, quality and maturity; b) the book value compared to current market value and sources of valuations; c) each individual issue's arbitrage yield, current rate of earnings and arbitrage status accrued through the latest rebate report or estimate; and d) a cover letter certifying the compliance of each issue's investments with the "permitted investments" definition in each indenture or fiscal agency agreement.

#### **ACCOUNTABILITY AND CONTROL**

The report on the investment portfolio will be reviewed quarterly by the Investment Oversight Committee and the CORAL Board of Directors, and filed by the County of Riverside Executive Office with the County of Riverside County Board of Supervisors and the County of Riverside Auditor-Controller.

#### **EFFECTIVE DATE**

This policy statement is to be effective on the date of approval by the CORAL Board of Directors and the ~~Riverside County~~ of Riverside Board of Supervisors and will remain in force until subsequently amended in writing.

---

Don Kent  
County of Riverside  
Treasurer-Tax Collector

---

Date

**OFFICE OF THE TREASURER-TAX COLLECTOR  
COUNTY OF RIVERSIDE  
STATEMENT OF INVESTMENT POLICY  
CORAL FUNDS  
SCHEDULE I  
OCTOBER 20, 1999**

AUTHORIZED INVESTMENTS	PURCHASE RESTRICTIONS	CREDIT QUALITY (S&P/MOODY'S/FITCH)
U.S. Treasury Notes, bills, bonds or other certificates of indebtedness	Maximum 5 year maturities	NA
Notes, participations, or obligations issued by the agencies of the Federal Government	Maximum 5 year maturities	NA
Bonds, notes, warrants or certificates of indebtedness issued by the State or local agencies or County of Riverside. Registered treasury notes or bonds of any of the other 49 United States per Government Code Section 53601 (d)	Maximum 5 year maturities	L/T A+, Aa3, A- or better
Bankers' Acceptances among 200 largest banks by size of deposits	Limited dollar amount in any one issuer to \$30 million. Maximum 180 day maturity	S/T ratings A-1 P-1
Commercial paper of U.S. Corp with total assets exceeding \$500 mm	Limit dollar amount in any one issuer to \$20 million. Maximum 90 day maturity	S/T ratings A-1, or P-1, F-1 or better
State of California Local Agency Investment Fund	Limit dollar amount to \$20 million. NA	NA
Repurchase Agreement with collateral restricted to U.S. Treasury & Federal Agency Securities	Master Repurchase agreements to be on file prior to investment	NA
Reverse Repurchase Agreement on U.S. Treasury and Federal Agency securities in portfolio	For temporary and unanticipated cash flow needs only. Maximum maturity of 92 days	NA
Corporate notes on U.S. Corp	Maximum 3 1/2 year maturities	L/T AA, or Aa2, AA or better
Investment Agreements/ Flex term repo agreements	Subject to the Treasurer's policy statements governing guaranteed investment contracts dated October 20, 1999	L/T AA, Aa3, A- or Aa2 or better
Money Market mutual funds that invest in eligible securities meeting requirements of California Government Code and Assets under management of \$500 mm	Short-term Money Market Funds providing immediate liquidity. Registered with the SEC, no NAV adjustments, no front end loads	Long/Term ratings "AAA" (2 of 3 nationally recognized rating services) with Both Standard & Poor's and Moody's
Other investments specifically authorized by the	See governing documents	See governing documents

