

INVESTMENT POLICY STATEMENT
of the
TRINITY COUNTY TREASURER
2017

As designated by Board of Supervisors under the laws of the State of California, it is the responsibility of the County Treasurer, to secure and protect the public funds of the County, and to establish proper safeguards, controls, and procedures to maintain these funds in a lawful, rational and auspicious manner. Said maintenance shall include the prudent and secure investment of those funds that are not immediately required for daily operations, in a manner anticipated to provide additional benefit to the people of the County of Trinity. In addition, the County Treasurer acts as the Treasurer, cash manager, and investor for a sizable number of public agencies within the County rather than each entity having to locate and hire a knowledgeable person to handle the entity's banking, investments and other financial duties separately. This pooling of public funds not only eliminates duplication of expenses, but also evens out cash flow differences, permits cost savings through higher volume, and attracts more professional service providers.

This Statement of Investment Policy will be provided annually for the approval of the Board of Supervisors after discussion in an open public meeting. Upon request, it will also be provided to participants in the County Investment Pool; to securities dealers, banks and brokers, currently approved for conducting investment transactions with the County Treasurer's office in the ongoing effort to manage the excess cash portfolio; to other involved persons or entities; and to any member of the electorate wishing to review this document. The Treasurer reserves the right to provide these documents on a cost basis.

SCOPE

This Statement of Investment Policy pertains to those temporarily surplus funds available for investment under the control of the Treasurer, designated for the daily ongoing operations of the County and pool participants; and concerns the deposit, maintenance, and safekeeping of all such funds, and the investments made with these funds. This Policy does not apply to pension moneys, delayed compensation funds, trustee, and certain other non-operating funds not participating in the County Investment Pool. Percentage limitations noted within this Policy shall apply to all money considered to be within the County Investment Pool. Any investments existing outside the Pool shall be subject to that local agency's individual percentages.

PURPOSE OF POLICY STATEMENT

The purpose of this Statement of Investment Policy is to provide those entities participating in the County Investment Pool, those involved in servicing the investment requirements of the County, and any other interested party, a clear understanding of the regulations and internal guidelines that will be observed in maintaining and investing those pooled funds deemed not be required for immediate cash flow requirements.

TREASURY OBJECTIVES

The prime and overriding objective of the Treasurer is to protect the safety of the principal of the Investment Pool through the judicious purchase of those legal investments permitted to local agencies, as defined in the State of California Government Codes, consistent with current conditions and the other dominant objectives pursuant to managing a local agency portfolio, namely:

Safety: It is the primary responsibility of the Treasurer to maintain the safe return of all principal placed in investments by avoiding decisions that might result in losses through either fraud, default, or adverse market conditions. Importance is also accorded the protection of accrued interest earned on any investment instrument.

Liquidity: It is imperative that a vast majority of all investments be in items that are immediately negotiable, as the portfolio is a cash management fund. It shall always be assumed that all investments could require immediate liquidation in order to meet unexpected cash calls.

Availability: Due to the nature of a public funds portfolio, it is mandatory that moneys be available to meet the monetary requirements inherent to operating a public entity. Thus funds need to be invested in such a manner that money will always be available, without risk of trading loss, to pay normal cash requirements. A vast majority of the moneys invested by the Treasurer should never require the realization of immoderate losses should a unforeseen cash demand require the sale of investments prior to maturity. A sufficient portion of all funds shall

be invested in securities providing a high degree of availability, that is, in securities easily sold or converted to cash in a timely manner, with little or no loss of interest earnings.

Yield: While it is considered desirable to obtain a respectable yield, yield shall not be the driving force in determining which investments are to be selected for purchase. Yield is definitely considered to be of much lesser importance than safety, liquidity or availability.

Diversification: Both market risk and credit risk can be reduced by construction an investment portfolio that contains a broad mix of types of investments and issuers. The policy or statutory limitations that are contained in the section of this policy which sets forth permissible investments are to be measured against the portfolio at the time of the transaction subject to the limitation occurs.

The Treasurer places investments with the objective of obtaining a respectable rate of return, subject to market conditions, not attempting to maximize yield at the expense of either safety, liquidity, availability, and diversification, yet not totally ignoring those factors within the marketplace that may be indicative of either favorable or hazardous conditions. The portfolio will be managed conservatively, but actively enough to avert avoidable losses due to adverse market conditions.

PRUDENCE

The Treasurer is subject to the "Prudent Person Rule" whenever making a decision regarding the investment of the County's funds. This rule states, in principle:

"In investing property for the benefit of others, a trustee shall exercise the judgment and care, under circumstances then prevailing, that persons of prudence, discretion and intelligence, would exercise in the management of their own affairs - not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable safety of, as well as the probable income from, their capital."

The Treasurer, and those acting for the Treasurer, is considered to have a fiduciary, trustee, relationship with the public for the public funds, and all investment decisions will be made in a manner sustaining this responsibility.

DELEGATION OF AUTHORITY

While the Treasurer has final responsibility for all investment decisions, other Treasury personnel may aid in the day to day operations. Those staff members, in addition to the Treasurer, currently authorized to act on behalf of the County, as of the date entered on this Policy, are listed below. This list is subject to change, and those parties newly involved in transactions with the Treasurer's department should always obtain a current Trading Authorization and Agreement form, and be verbally introduced by a known Treasury employee, prior to accepting unconfirmed verbal instructions from any previously unknown Treasury staff member.

Authorized Personnel by Title

Assistant Treasurer-Tax Collector
Accountant and/or Accounting Technician

Other persons, both inside and outside County employment, may act in the role of assistant or advisor to aid in the timely and proper settlement of investment transactions. While these persons may provide information or aid in the expedient delivery of securities, they may not authorize, approve, or initiate any trading activities. Only the persons listed on a current *Trading Authorization & Agreement*, and the Treasurer, may initiate trading activity.

SECURITIES CUSTODY

The Treasurer has established a third party custody and safekeeping account to which all negotiable instruments shall be delivered upon purchase on a payment versus delivery basis. No negotiable, deliverable, securities or investments will be left in the custody of any brokerage firm or issuing party, including any collateral from Repurchase Agreements.

AUTHORIZED INVESTMENTS AND LIMITATIONS

The Government Codes of the State of California, primarily within sections 53600 et. seq., establish the legality of certain types of investment vehicles for a California local agency's portfolio. Thereby, under no circumstances is the Treasurer permitted to purchase an investment that is not specifically authorized for a local agency under these, or other code sections that may apply, or might later be enacted, pertaining to local agency investments. Securities brokers dealing with the County should possess a complete understanding of these Code sections.

An attached Addendum "Authorized Investments As Per Government Code", briefly describes the types of securities legal within the Government Code sections noted above and outlines the various limitations included in these sections. Except for the restrictions noted below in this section, all legally permitted investment options described in the Government Code are authorized at this time. Funds placed in state or local government agency investment pools shall follow the limitations placed on these deposits by the State and may change in accordance with these restrictions.

Though these Government Code sections define the investment types and terms permissible to the Treasurer under this Policy, various temporary and more restrictive constraints may at times be deemed beneficial due to transient conditions within the marketplace. These flexible constraints are not part of this Policy but are presented in a document "Temporary Constraints and Restrictions on Investments", and will change on an "as needed" basis. These constraints or restrictions may only be more restrictive than those of the Policy, but may not be less restrictive. Securities Brokers and Dealers should be aware of these temporary conditions in order to save time and best serve the County.

Though the Government Code sections define the investment types and terms permissible to the Treasurer, the Treasurer currently will not:

- ◆ Invest in any security or investment with a stated or potential final maturity longer than five years, unless the conditions of the security include terms that permit the purchaser to unconditionally "put", or sell back, to the original issuer, the security prior to five years from the purchase date; or the Board of Supervisors has pre-approved, as required by the Government Codes.
- ◆ Invest in any security or investment wherein interest might not be earned during any period the security or investment exists.
- ◆ Purchase any security wherein under terms inherent to the security, or the investment agreement under which the security is purchased, circumstances could result wherein the investment runs a risk of earning a rate of return substantially below other investments obtainable on a fixed rate basis at the time of purchase or the prevailing rate during any time prior to the maturity of the issue.

SELECTION CRITERIA

Brokers/Dealers and Depositories

The treasury shall maintain a list of qualified institutions with which the treasury will execute investment transactions. Only dealers that are licensed to do business in California and the investment departments of major California banks rated "A" or higher and minimum total assets of \$25mm will be considered for inclusion on the list of qualified institutions. The Treasurer shall decide whether or not an institution should be placed on the list based on the length of time it has been in existence, its demonstrated ability to successfully maintain relationships with other municipal investors and its reputation for a commitment to maintaining a high level of professionalism and to meeting industry standards of ethical behavior. The foregoing criterion is intended to result in a list of well-known institutions of the highest quality.

No broker, brokerage, dealer or securities firm shall be placed on or remain on the list if it has, within any consecutive 48 month period made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the Trinity County Treasurer, any member of the Trinity County Board of Supervisors, any candidate for those offices, or any member of the Trinity County Treasury Oversight Committee.

The Treasurer will periodically review each institution on the list and make a determination whether or not, in the opinion of the Treasurer, it is in the best interests of the pool participants that the institution remains on the list. The Treasurer may remove an institution from the list at any time, and the fact that an institution is on the list does not create an obligation to execute investment transactions with a listed institution. The Treasurer will furnish a copy of the Investment Policy to each listed institution, who will then sign and return showing receipt and compliance to the policy.

Representatives of Qualified Institutions

Individuals who represent qualified institutions in securities with the treasury must be registered with the National Association of securities Dealers, Inc. as having passed the General Securities Representative Examination (Series 70 and the Uniform Securities Agent State Law (Series 630. Each representative:

- 1.) Shall have expertise and significant experience in institutional sales.
- 2.) Shall supply references consisting of the names of individuals at three California public agencies with whom they have executed investment transactions.

The Treasurer shall maintain a list of authorized representatives of qualified institutions with whom the treasurer may execute investment transactions.

LIMITS ON RECEIPT OF HONORARIA, GIFTS AND GRATUITIES

Neither the Treasurer, nor any member of the Treasurer's staff, may accept any gift, honoraria, gratuity or service of value in violation of the regulations set forth by the Fair Political Practices Commission, the Government Code, additional limitations set forth by County ordinance, or internal requirements of the Treasurer. The Treasurer and all members of the Treasury staff are prohibited from conducting any business with any broker, dealer, or securities firm that has made a political contribution within any consecutive 48 month period beginning January 1, 1996, in an amount exceeding the limitation contained in Rule G 37 of the Municipal Securities Rulemaking Board, to the County Treasurer or any member of the Board of Supervisors, or any candidate for these offices.

TERMS FOR FUNDS INVESTED WITH THE COUNTY INVESTMENT POOL

The Government Code requires the County Treasurer to define the limits and conditions under which local agencies having their money in the Investment Pool may deposit and withdraw their funds. The Government Codes confer upon the Treasurer the final authority as to how funds for which the Treasurer is held responsible for overseeing, are to be invested. The Treasurer must take into consideration the current financial condition of the sum total of the Pool's agencies, the conditions of the market place, as well as the cash flow projections and the potential for changes in the Pool's cash needs. The Treasurer must protect the earnings of each individual local agency in the Pool, and also see that no decision will reward a particular agency or group of agencies within the Pool at the expense of another or others within the Pool. If the Treasurer determines that a request for a withdrawal of funds for a specific or outside investment is not, in the Treasurer's opinion, in the best interest of a particular agency, or is overly detrimental to the pool as a whole, the Treasurer must legally deny the request, or find a means of neutralizing the harm to all others affected.

Any funds deposited in accounts that are consolidated into the County Investment Pool that are not immediately required to meet cash flows of the Pool will be invested by the Treasurer or the Treasurer's staff. All Pool entities agree that by placing funds in such accounts that they agree to proportionately participate in all investments within the Investment Pool.

FUNDS OF AGENCIES REQUIRED TO INVEST WITHIN THE POOL

Funds will be accepted at all times, in the manner prescribed, from those local agencies where the County Treasurer is also the Treasurer for the local agency, or from any agencies that by statute must place their money in the County Pool. Funds will earn interest based on the average daily balance, paid on a quarterly basis.

Should a legislative body of a local agency determine that certain funds will not be required by the local agency for a period of at least two years the local agency may petition the County Treasurer to invest that portion of the local agency's excess funds in a specific investment under the control of the County Treasurer. Such a petition should state the nature of the funds the legislative body wishes to invest specifically, and the reasons why the legislative body believes a specific investment is a preferable and viable alternative to general Pool participation. Should the Treasurer determine that the request for a specific investment is valid and not counter-productive to the Pool as a whole, the Treasurer will consult with the local agency's legislative body, or its appointed representative, to suggest and determine exactly what investment(s) should be purchased to fulfill the needs of the local agency. The Treasurer will then purchase the specific investment(s) upon receipt of a written resolution, issued by the legislative body of the local agency, requesting the specific investment. The resolution must acknowledge that the local agency's legislative body takes full responsibility for the decision to purchase the specific investment(s), and that should conditions change requiring a sale prior to maturity of the specific investment(s), any loss that might be suffered as a result, will be solely that of the local agency, and that this loss shall not be shared by the Pool as a whole, nor by the County.

Under language added to the Government Code in 1995, it is not permissible for local agency legislative bodies, required to have their funds within the Pool, to withdraw funds from the Pool in order to invest outside the County Pool in any manner, at any time, without the specific permission of the Treasurer. Any such investments shall either be terminated and all funds returned to the Pool, or the securities so purchased shall be transferred to the custody of the County Treasurer immediately. Upon receipt of any such securities by the Treasurer, the Treasurer shall at the Treasurer's option, place the

investment in the Pool, terminate the investment at the current market value and credit the local agency with the proceeds, or place the security in the name of the local agency as a specific investment.

MONEY VOLUNTARILY INVESTED WITH THE COUNTY INVESTMENT POOL

By Code, the County Treasurer shall set conditions under which money from local agencies, not required to have their funds in the Investment Pool, may deposit and withdraw voluntarily invested funds.

Local agencies from outside the County will not be permitted to deposit funds in the County Pool. Funds from local agencies within the County, voluntarily wishing to participate in the Pool, shall be accepted under the terms existing in this Policy. Voluntary money may be withdrawn under conditions set forth in Sections 27133 and 27136 of the Government Codes. Specific investments are not normally permitted with voluntary funds, though on a cost recovery basis and under circumstances that dictate such activity, exceptions may be permitted.

APPORTIONING OF COSTS AND INTEREST

All costs related to investing, maintaining and accounting for the investments purchased for the Investment Pool, as authorized by Section 27013, shall be apportioned equally on the average daily balance method quarterly to all participants with funds in the Investment Pool, including those held in specific investments. Interest earning shall be apportioned on the same basis and also distributed quarterly.

CHANGE IN CONDITIONS

As provided for in Government Code section 53635, the percentages defined for investments, as well as the types or qualities of investments, shall be determined by the regulations in effect on the date of purchase. Securities or investments that no longer meet revisions in the Government Code or the current or future restrictions of the Policy shall be exempt from the new requirements until maturity or liquidation.

REPORTING

The Treasurer will report to the Board of Supervisors on a quarterly basis the holdings, status, and earning of the portfolio. Should circumstances require revision within this Policy during the year, the changes will be presented to the Board of Supervisors for approval prior to these alterations being adopted.

Date approved by Board of Supervisors: 11-21-2017

Addendum

AUTHORIZED INVESTMENT GUIDELINES AS PER GOV. CODE

Investment Type Requirements	Max. % of Portfolio	Max. Maturity	Quality
a) <u>Bonds issued by a local agency</u>	None	None	None
b) <u>Treasury obligations</u>	None	None	None
c) <u>State of California Obligations</u>	None	None	None
d) <u>Obligation of Calif. local agency</u>	None	None	None
e) <u>Obligations issued by Federal Agencies, and U.S. and Government sponsored enterprises.</u>	None	None	None
f) <u>Bankers Acceptances and</u>	40%	180days	None
g) <u>Commercial Paper</u>	40%	270 days max.	A or higher long term rating if any, A1/P1 or U. S. Corporations with \$500MM max. 10% of portfolio per issuer better C.P. rating by Moody's and S&P in assets max. 10% of issuer's program
h) <u>Negotiable C.D.s</u>	30%	5 years	None
i) <u>Repurchase Agreements</u>	None	1 year	Collateral must be a legal inv.
<u>Reverse Repurchase Agreements</u>	20% of base	92 days maximum or to maturity	None
j) <u>Medium Term Note</u>	30%	5 years	U.S. Corporations, or Banks licensed within any State of the U.S., "A" or better rating by major rating service.
k) <u>Mutual Funds</u>	20%, 10% per fund	NA	A defined money market fund; or invest only in a-j, m, n, of this list, as restricted; Highest letter and number ranking of 2 of 3 rating services; or a SEC Registered Advisor with 5 Yrs. experience, managing assets of \$500MM or more; No load.
l) <u>Investments as permitted by law in agreements of indebtedness</u>	As per bond agreement	NA	Not contrary to 53635
m) <u>Asset secured indebtedness</u>	None	None	As required by 53652
n) <u>Collateralized Mortgage obligations</u>	20%	5 years	Issuer must be rated "A" minimum, security must be "AA" by national rating service.
o) <u>Contracted Non-neg. Time Deposits</u>	None	None	None
p) <u>Pooled Agency Investment Funds</u>	None	N/A	None

These tables are not meant to be a replacement for the Government Code. Involved parties should obtain a valid, updated copy of the pertinent Code sections to fully understand all the details included within these Codes.