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STAFF REPORT

TOWN COUNCIL MEETING OF JANUARY 12, 2016

To: Town Council

From: Crickett Strock, Town Clerk
Roger Carroll, Town Treasurer/Finance Director

Subject: Revised/Updated and Deleted Administrative Policies and Procedures

Date: January 5, 2016

RECOMMENDATION:

Adopt Resolution approving the revised/updated Administrative Policies and Procedures, and deleting policies that have been superseded by adopted Ordinances and State Laws

DISCUSSION:

On June 26, 2015, the Grand Jury published its report and the Town was found to be deficient in eight of the eleven County wide issues. Staff worked on correcting some of these issues and on August 11, 2015 Council approved new policies for "procedures for cellular and wireless devices;" "computer, email and internet use;" and "whistleblowers," all in the same formatting, and with reporting forms to be signed yearly (as requested by Grand Jury).

Over the past few months the existing policies have been reviewed, some needed no change (other than new formatting), some required updating/revisions (in green print), and some have been superseded by adopted ordinances or State Law and can be deleted (in red as shown on the list of existing policies). The policies have now been alphabetically indexed, as requested by Grand Jury.

Attached are the ten policies showing the revised and the existing policies for your review and approval.

CEQA

There are no CEQA issues because the updated and revised policies will not impact the environment.

FINANCIAL IMPLICATIONS:

There are no financial issues with this item.

TOWN OF LOOMIS

RESOLUTION NO. 16 - __

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOOMIS APPROVING THE REVISED/UPDATED ADMINISTRATIVE POLICIES AND PROCEDURES AND, DELETING POLICIES THAT HAVE BEEN SUPERSEDED BY ADOPTED ORDINANCES AND STATE LAWS

WHEREAS, the Placer County Grand Jury reviewed the Town Administrative Policies and Procedures and recommended that the Town of Loomis include on all policies the adoption dates and indexed for improved access; and

WHEREAS, in the process of reviewing the policies for adoption dates and indexing, staff found there were policies that should be deleted because they are superseded by adopted ordinances or state laws; and

WHEREAS, staff found the following policies that need to be revised and updated:

Setting Closure for Formal Agenda Items
Budget Transfers
Ratification of Warrants
Investment Policy
Use of End of Year General Fund Carry Over Funds
Checking Account Signatures
Financial Management
Procedures for Liability Claim Reporting
Capitalization of Fixed Assets
Processing Daily Cash Receipts

WHEREAS, the Town Council has reviewed the revised/updated policies and directs the Finance Director and/or the Town Clerk to give all policies a cursory review each July and if no change is found, to sign and date the bottom of the policy.

NOW, THEREFORE, BE IT RESOLVED by the Town Council of the Town of Loomis that the Administrative Policies and Procedures that are superseded by adopted ordinances or state laws are deleted (attached Exhibit A in red) and the revised/updated policies noted above (attached Exhibit B) are hereby adopted.

PASSED AND ADOPTED this12th day of January, 2016 by the following vote:

AYES:
NOES:
ABSTAINED:
ABSENT:

ATTEST: ______________________________
Mayor

____
Town Clerk

EXHIBIT A

TOWN OF LOOMIS

ADMINISTRATIVE POLICIES & PROCEDURES

1. ~~TRAVEL POLICY (JULY 10, 1990) Amended by #39~~, Amended by #42 (9/27/1994)

2. ~~PERMIT PROCEDURES~~ Addressed in Loomis Municipal Code, Title 13 Zoning Division 6 , Planning Permit Procedures

3. ~~USE OF PRIVATE VEHICLES ON TOWN BUSINESS (SEPT.1988)~~ This is addressed in travel policy #42 (9/27/1994)

4. ~~PROCESSING REQUESTS FOR PROPOSALS (JULY 12, 1988)~~ Addressed in Loomis Municipal Code , Title 3 , Section 3.12.060 Formal contract procedures.

5. GIFTS TO TOWN EMPLOYEES (DEC. 15, 1987) Memo to staff from Town Manager.

6. JOINT SESSIONS OF COUNCIL AND COMMISSIONS No date of approval or by whom.

7. ~~UNIFORM RULES AND PROCEDURES FOR COUNCIL AND PLANNING COMMISSION~~ Amended by #24, Standard Operating Procedures 4/14/1992

8. SETTING CLOSURE FOR FORMAL AGENDA ITEMS (RESOLUTION 85-9) 1/8/1985 Updated by attached resolution

9. ~~PROCESSING OF MINOR BOUNDARY LINE ADJUSTMENT AND CERTIFICATE OF COMPLIANCE APPLICATIONS (OCTOBER 11, 1988)~~ Addressed in the Loomis Municipal Code Chapter 14.12, Lot Line Adjustments and Section 14.64.020 Certificate of Compliance.

10. ~~CONSTRUCTION START TIME~~ Addressed in the Loomis Municipal Code, Section 13.30.070 Table 3.4, Allowable Hours of Construction.

11. ~~PROCESSING OF FINAL SUBDIVISION MAPS (JANUARY 10, 1990)~~ Addressed in the Loomis Municipal Code Chapter 14.24 Final Subdivision Map

12. ~~ADMINISTRATIVE WAIVER OF FEES FOR TREE REMOVAL PERMITS (4/20/1989)~~ Addressed in the Loomis Municipal Code, Chapter 13.54, Tree Conservation

13. ATTENDANCE POLICY FOR TOWN OFFICIALS (COMMISSIONERS) (JANUARY 10, 1989)

14. ~~REFUNDING OF FEES (11/15/1988)~~ Amended by #47 on 8/8/1995

15. ~~SMOKING POLICY AT MEMORIAL HALL AND TOWN HALL (3/10/1989)~~ Superseded by California Law AB-13 on 1/1/1995

16. BUDGET TRANSFERS (7/10/1990) Updated by attached resolution

17. ~~TRAVEL POLICY FOR COUNCILMEMBERS WHO ARE AT THE END OF TERM~~ 5/12/98 Deleted by TC

18. RATIFICATION OF WARRANTS (1/22/1991) Updated by attached resolution

19. ~~STREET LIGHTS IN NEW SUBDIVISION (6/12/1989)~~ Addressed in Conditions of Approval for new subdivisions.

20. TIE VOTE (7/10/1990)

21. INVESTMENT POLICY (6/12/1990) Updated by attached resolution

22. ~~APPEAL PROCEDURE (5/22/1990)~~ Addressed in the Loomis Municipal Code Section13.74. 030 Appeals

23. USE OF END OF YEAR GENERAL FUND CARRY OVER FUNDS (6/27/1989) Updated by attached resolution

24. STANDARD OPERATING PROCEDURES (4/14/1992)

25. ~~DUPLICATE OF ITEM 21~~

26. USE OF SEAT BELTS BY TOWN EMPLOYEES WHEN DRIVING ON TOWN BUSINESS (3/12/1991)

27. CHECKING ACCOUNT SIGNATURES (6/25/91) Updated by attached resolution

28. FINANCIAL MANAGEMENT POLICY (6/25/1991) Updated by attached resolution

29. ~~GUIDELINES FOR PARKING AND TRAFFIC ADVISORY COMMITTEE (8/22/1989)~~ No longer has this committee

30. ~~REQUIREMENTS FOR ARBORIST REPORTS (12/8/1987)~~ Addressed by in Ord. 252 Tree Conservation

31. PROCEDURES FOR LIABILITY CLAIM REPORTING (11/12/1991) Updated by attached resolution.

32. ~~CREDIT CARD POLICY (11/12/1991)~~ Amended by #48

33. CAPITALIZATION OF FIXED ASSETS (11/12/1991) Updated by attached resolution

34. ~~USE OF TOWN VEHICLES (5/12/1992)~~ Amended by #42

35. ~~SELECTION PROCESS TO COMMITTEES AND COMMISSIONS (1/12/1993)~~ Addressed in Municipal Code Section 2.36.020 (5/9/95) Planning Commission appointments.

36. SELECTION OF MAYOR AND MAYOR PRO TEMPORE (1/12/1993) Measure P

37. HARASSMENT POLICY (5/11/1993)

38. PROCESSING DAILY CASH RECEIPTS Updated by attached resolution

39. ~~AMENDMENT TO TRAVEL POLICY~~ (9/14/1993) AMENDED BY #42

40. FEES FOR ZONING AMENDMENTS TO CONFORM TO TOWN CENTER MASTER PLAN (8/26/1993) Council Approved.

41. WEARING OF SHORTS (1/1994) Town Manager Policy

42. AMENDMENT TO TRAVEL POLICY (9/27/1994) Council Approved.

43. CODE COMPLIANCE BUILDING PERMITS (10/11/1994)

44. ACTION MINUTES IN LIEU OF NARRATIVE MINUTES (11/8/1994) Approved by Council.

45. STREET NAMING POLICY (RESOLUTION 06-16) 5/9/2006

46. ~~DRUG FREE WORKPLACE~~ Amended by #54 (1/14/1997)

47. PROCESSING WAIVIER AND/OR REFUND OF FEES (8/8/1995)

48. USE AND CONTROL OF TOWN CREDIT CARDS (RESOLUTION 96-61, 8/13/1996)

49. FLEX TIME SCHEDULING AND SECONDARY EMPLOYMENT (RESOLUTION 96-62, 8/13/1996)

50. TOW ROTATION LIST FOR THE TOWN OF LOOMIS (RESOLUTION 97-23, 4/8/1997)

51. MODEL HOME BUILDING PERMITS ISSUANCE PRIOR TO SUBDIVISION IMPROVEMENTS (RESOLUTION 97-28) 5/13/1997

52. SERVING OF ALCOHOLIC BEVERAGES AT PUBLIC FESTIVALS/EVENTS (RESOLUTION 97-29) 5/13/1997

53. ~~SIDEWALK DINING OR SEATING POLICY (RESOLUTION 97-35)~~ Deleted by #55

54. AMENDING THE TOWN'S DRUG FREE WORKPLACE POLICY (RESOLUTION 97-03) 1/14/1997

55. BUSINESS USE OF PUBLIC RIGHT OF WAY (RESOLUTION 99-41) 9/14/1999

56. DEDICATION OF RIGHT OF WAY AND CONSTRUCTION OF STREET IMPROVEMENTS (RESOLUTION 00-21) 5/9/2000

57. ~~CONSTRUCTION OF ACCESSORY STRUCTURES/GARAGES ON LARGE LOT PRIOR TO CONSTRUCTION OF A RESIDENCE (MAY 8, 2000)~~ Addressed in Loomis Municipal Code Section 13.42 260 B

58. DEVELOPMENT REVIEW POLICY (RESOLUTION 11-05) 3/10/2011

59. AMICUS BRIEF 4/13/99, Resolution 99-18

EXHIBIT B

TOWN OF LOOMIS

ADMINISTRATIVE POLICIES AND PROCEDURES

SETTING CLOSURE TIME FOR FORMAL AGENDA ITEMS POLICY

Effective Date:	Resolution

PURPOSE

It is necessary for the Council of the Town of Loomis to have sufficient time to study carefully staff reports and public input on items of Town business and for Town staff to have sufficient time to prepare staff reports and presentations.

POLICY

The formal agenda will close for business items to be included on the agenda at 5:00 p.m. Friday, eleven days preceding the second Tuesday of each month.

RESOLUTION NO. 85- 9

A RESOLUTION OF THE COUNCIL OF THE TOWN OF LOOMIS SETTING CLOSURE TIME FOR FORMAL AGENDA ITEMS

WHEREAS, it is necessary for the Council of the Town of Loomis to have sufficient time to study carefully staff reports and public input on items of Town business; and

WHEREAS, it is necessary for the Town staff to have sufficient time to prepare studies and present Town business;

NOW, THEREFORE, BE IT RESOLVED THAT:

Notice is hereby given that the formal agenda will close for business items at 5:00 p.m. on the Wednesday preceding the second and fourth Tuesdays of each month.

ADOPTED AND APPROVED this 8th day of January, 1985.

MAYOR PRO TEMPORE

ATTEST:

Patricia P. Boxberger
TOWN CLERK /DEPUTY

I HEREBY CERTIFY that the foregoing is a true and correct copy of a Resolution passed and adopted by the Town Council of the Town of Loomis at a meeting thereof held on the 8th day of January, 1985.

Patricia P. Boxberger
TOWN CLERK

TOWN OF LOOMIS

ADMINISTRATIVE POLICIES AND PROCEDURES

BUDGET TRANSFERS POLICY

Effective Date:	Resolution

PURPOSE

In the interest of streamlined financial management, the following policy is adopted by the Town Council.

POLICY

Each department head is responsible for his or her budget. Departmental budgets are approved during the budget process, in total, with line item detail being only informational in nature. Transferring budget allocations between line items (except payroll items) can be made at the department head's discretion with simple notification to the Town Manager and Finance Director. Transfers to or from payroll line items can only be made with the Town Manager's approval.

Transfers between departments within a fund (i.e. General Fund, Special Revenue Funds, Capital Improvement Funds, or Maintenance District Funds) require Town Manager approval.

Transfers between funds not approved during the budget process require Council approval.

TOWN OF LOOMIS

ADMINISTRATIVE POLICY **BUDGET TRANSFERS**

In the interest of streamlined financial management, the following policy is adopted by the Town Council.

The Town Manager is authorized to approve Departmental Budget transfers of $2,000 with a maximum of $10,000 being allowed per Department per fiscal year. Such manager transfers are limited to Department Budgets. These transfers are viewed as administrative and will not require separate Council authorization. Inter-departmental transfers or transfers out of General Fund Contingency or any Reserve Accounts require Council approval.

JULY 10, 1990

TOWN OF LOOMIS

ADMINISTRATIVE POLICIES AND PROCEDURES

RATIFICATION OF DISBURSEMENTS POLICY

Effective Date:	Resolution

PURPOSE

Such a policy will allow staff to proceed without each time having to gain approval on a Council agenda prior to preparing the warrants.

POLICY

In order to assure timely payment of the Town's bills, the Town Manager and Finance Director have the authority to make disbursements as necessary throughout the month, as long as those disbursements are consistent with the adopted annual operating budget.

At each regular Town Council meeting, a list of the previous month's disbursements will be presented to the Town Council for ratification.

STAFF REPORT

COUNCIL MEETING OF JANUARY 22, 1991

TO: Honorable Mayor and Members of the Town Council

FROM: Joan L. Phillipe, Town Manager

RE: Consideration of Policy Relative to Subsequent Ratification of Warrants Due to Lapse of Regular Meeting

RECOMMENDED ACTION:

Approve policy.

ISSUE STATEMENT AND DISCUSSION:

As you know there have been several occasions over the last several years when for one reason or another a regularly scheduled meeting of the Town Council has not been held. At those times, Council has authorized staff to proceed to pay outstanding warrants so that vendors can be paid in a timely and prudent manner. Council has at the next regularly scheduled meeting ratified those warrant lists.

This method has worked very well and kept the confidence of vendors that payments will be forthcoming as usual. The recommendation, therefore, is that a policy be adopted that this process will be used at those times that regular Council meetings are cancelled. Such a policy will allow staff to proceed without each time having to gain approval on a Council agenda prior to preparing the warrants.

POLICY AND/OR FINANCIAL IMPLICATIONS:

Policy would be set with Council action to approve recommendation. No financial.

Joan L. Phillipe

TOWN OF LOOMIS

ADMINISTRATIVE POLICIES AND PROCEDURES

USE OF END OF YEAR GENERAL FUND CARRY OVER FUNDS POLICY

Effective Date:	Resolution

POLICY

On June 30 of each fiscal year, the net amount by which actual general fund revenues exceed general fund expenditures and encumbrances shall be designated to a capital project reserve. Balances in the capital project reserve will be specifically allocated annually in conjunction with adoption of the five year capital improvement program. Funds in this reserve shall be used only for one time and/or capital items.

STAFF REPORT
COUNCIL MEETING OF JUNE 27, 1989

TO: Honorable Mayor and Members of the Town Council

FROM: Joan L. Phillipe, Town Manager

DATE: June 27, 1989

RE: Request to Adopt Policy Statements Setting forth Use of End of Year General Fund Carry Over Funds and Procedure Authorizing Attendance at Conferences and Seminars

RECOMMENDED ACTION:

Approve policies

ISSUE STATEMENT AND DISCUSSION:

This request is the follow up to previous discussions held with both the Council sub-committee on budget and the Council as a whole at the Budget Workshop.

The Town follows conservative budgeting policies reflecting realistic operating budget appropriations which do not exceed estimated revenue sources available.

This often produces a year end surplus due to program delays, revenues exceeding estimates and so forth. Recognizing it is not prudent to use these carry over monies to balance the following year's budget so that revenue sources are closely scrutinized annually, the following policy is recommended for adoption:

> On June 30 of each fiscal year the net amount by which actual general fund revenues exceed revenue estimates and the net amount of unexpended budget appropriations shall be appropriated to a capital project reserve. Balances in the capital project reserve will be specifically allocated annually in conjunction with adoption of the five year capital improvement program. Funds in this reserve shall be used only for one time and/or capital items.

The second item that is recommended for approval is amendment of the existing policy authorizing attendance at conferences, seminars and various meetings. The policy currently in place requires Council approval through the agenda process of attendance at any conference or seminar. It is recommended that the policy be changed with the following as the new policy:

> Attendance at conferences and seminars requires Council approval only for those not budgeted for in the current year budget. Attendance at those budgeted for is deemed approved with the annual adoption of the budget document.

Joan L. Phillipe

Approved 6-27-89

TOWN OF LOOMIS

ADMINISTRATIVE POLICIES AND PROCEDURES

CHECKING ACCOUNT SIGNATURES POLICY

Effective Date:	Resolution

POLICY

It is the policy of the Town of Loomis that checks issued to vendors by the Town for supplies and services will have two signatures. Any of the following can sign: The Mayor, the Mayor pro tempore, the Town Manager, and the Finance Director or Treasurer.

FINANCIAL MANAGEMENT POLICY

CHECKING ACCOUNT SIGNATURES

It is the policy of the Town of Loomis that warrants issued to vendors by the Town for supplies and services will have a minimum of two signatures. One of the two signatures will always be a Councilmember; the second signature can be either the Town Treasurer or the Town Manager.

ADOPTED 6-25-91

TOWN OF LOOMIS

ADMINISTRATIVE POLICIES AND PROCEDURES

FINANCIAL MANAGEMENT POLICY

Effective Date:	Resolution

POLICY

The Finance Director or Treasurer should use good judgment in maintaining checking account balances, keeping as little as possible in non-interest bearing accounts, but sufficient to cover the cash flow for day to day payment of liabilities.

He/she should project revenues and expenses as carefully as possible to avoid unnecessary transfer costs or loss of investment corpus through the need for sudden or unplanned investment liquidations.

Transfers from non-interest bearing accounts to investment accounts should only be made when the potential income exceeds the cost of the transfer.

Minimum balances in checking accounts are up to the discretion of the Finance Director or Treasurer.

FINANCIAL MANAGEMENT POLICY

INVESTMENTS

Town business being of a cyclical nature, it should be relatively easy to estimate the amount of funds which should be retained in commercial accounts to cover known liabilities.

- In periods when certain expenses are due and payable, i.e. payrolls, contract amounts, etc., sufficient funds should remain in checking accounts to cover those obligations with a prudent reserve for unanticipated items.

- At all other times, funds in checking accounts should be maintained a the lowest possible balance, consistent with the ability of the Town to operate on a daily basis.

It is anticipated that a prudent reserve should not exceed twenty-five percent (25%) of the known obligations to be paid at recurring intervals.

At all other times, $1,000 to $5,000 should be sufficient to maintain daily operations of the Town of Loomis. All the above must, of course, be open to amendment or change should conditions warrant.

ɔPTED JUNE 25, 1991

TOWN OF LOOMIS
ADMINISTRATIVE POLICIES AND PROCEDURES

PROCEDURES FOR LIABILITY CLAIM REPORTING POLICY

Effective Date:	Resolution

PURPOSE

It is recommended that the Town of Loomis maintains a confidential file on each claim by the Town Clerk's office.

PROCEDURE

The following are the steps to process a liability claim:

1. A Town of Loomis "Claim Form" must be completed and returned with any back-up material attached and given to the Town Clerk's office.

2. Clerk will email/mail a copy of the completed claim form with all the back-up material to the Town's Claims Administrator (Administrator).

3. Within 10 days the Town Clerk's office will receive an acknowledgement of the claim from the Administrator.

4. A full report will be submitted by the Administrator approximately 30-45 days after the claim is received noting the incident, claim filing and rejection, damages, Liability, factual background and further handling.

5. A Notice of Rejection by Operation of Law will be sent out within/after 45 days from the Town Clerk's office.

6. Regular status reports are sent to the Town every 30 days until conclusion of the claim, unless an extended diary is warranted.

7. A letter from the Administrator will be sent out to the Town Attorney and the Town Clerk's office giving a closing report on the matter.

All reports and correspondence from the Administrator will be addressed to the Town Attorney and a copy to the Town Clerk (for the file).

PROCEDURES FOR LIABILITY CLAIM REPORTING
BY CLAIM ADMINISTRATOR

1. It is recommended that the City maintain a confidential file on each claim separate from the public file. All reports from BRAGG & ASSOCIATES will be addressed to the City Attorney as "Privileged Work Product" and will contain original investigation materials.

2. An Acknowledgment of Claim will be sent to the City within 10 days. This will provide the City with an acknowledgment of the claim or incident report, the reserves being established, and recommendation regarding City Council action.

3. A full-captioned report will be submitted approximately 30-45 days after the claim is received by BRAGG & ASSOCIATES. The following information is included in the report:

   Date, Time, and Place of Loss
   City Department Involved
   Type of Claim (False Arrest, Accident involving City Vehicle, Dangerous Condition of Public Property, etc.)
   Description of Accident or Incident
   Claimant Data
   Biographical Information, including Attorney Representation, if any
   Alleged Injuries and Damages
   Witnesses
   Liability Assessment and Evaluation
   Reserves
   Recommendations and/or Draft Request
   Date of Next Report

   In addition, any maps, diagrams, or photographs that have been prepared are forwarded.

4. Regular status reports are sent to the City every 30 days until conclusion of the claim, unless an extended diary is warranted. In that event the City will be notified as to when status reports should be expected.

5. We will notify the City's excess carrier of any claims as required. The City will receive a copy of our notification to the excess carrier. In addition, copies of our future correspondence may also be sent to the excess carrier.

TOWN OF LOOMIS

ADMINISTRATIVE POLICIES AND PROCEDURES

CAPITALIZATION POLICY

Effective Date:	Resolution

PURPOSE

The Town of Loomis recognizes the need to set a basis for capitalization of fixed assets for reporting purposes.

POLICY

The following is a list of items to be capitalized:

- Land, Buildings – Capitalized regardless of cost
- Equipment – Items exceeding $5,000

Items not capitalized:

- Repairs that do not significantly extend the life of the asset, regardless of cost
- Operating supplies purchased and consumed throughout the year (i.e. diesel fuel)

The Town records depreciation expense in accordance with Governmental Accounting Standards Board Statement Number 34.

TOWN OF LOOMIS

ADMINISTRATIVE POLICY — CAPITALIZATION

The Town of Loomis recognizes the need to set a basis for capitalization of fixed assets for reporting purposes.

The following is a list of items to be capitalized:

Item	Restrictions
Land,Buildings	Capitalized regardless of cost
Equipment	Items exceeding $500

Items not capitalized:

Item	Reasons
Infrastructure	Not valuable other than to Town
Computer Software	Purchased- no resale value

All items not meeting the capitalization policy will be expensed at acquisition. An Inventory will be maintained of all equipment and those items purchased with a value less than $500 will be listed in the inventory as a non-capital asset for control purposes.

Since the Town does not operate any enterprise funds, none of the capital assets are depreciated.

APPROVED BY COUNCIL 11/12/91

TOWN OF LOOMIS

ADMINISTRATIVE POLICIES AND PROCEDURES

PROCESSING DAILY CASH AND RECEIPTS POLICY

Effective Date:	Resolution

POLICY

Processing Daily Cash and Receipts

- One cash box will be maintained for petty cash disbursements and making change at the counter. The amount in this fund is set at $100.00. This cash box will remain in the Finance Director's office which is to be closed and locked every night. This box will be reconciled and replenished monthly. Petty cash disbursements will generally be made for purchases less than $20.00.
- All change made to the public will be made from the Petty cash/change box. The front desk clerk will be responsible for making change, petty cash disbursements, and reconciling the box at month's end.
- When checks are received, they shall immediately be endorsed with the Town's deposit stamp on the back of the check.
- When cash or checks are received, the receipt shall be promptly recorded into the account system and three copies of receipt produced. One copy is given to the payer. The second is kept in the receipt file. The third is attached to any explanatory documentation received, along with the payment, and placed in the folder in the Finance Director's file cabinet, next to the cash box.
- Once each week (generally, Thursday or Friday), the Town Clerk will prepare the bank deposit, reconciling the receipts in the folder in the Finance Director's to the attached cash and checks and to the information in the accounting system. When all three agree, the batch is closed in the accounting system and the related printouts are attached to the copy of the receipt and payer documentation. The Clerk will then take the deposit to the bank.
- The Finance Director will create the "batches" in the accounting system.
- It is the Finance Director's responsibility to see that the Finance Office door is closed and locked at the end of the day. This responsibility can be delegated as necessary.

POLICY FOR PROCESSING DAILY CASH AND RECEIPTS

*First thing in the morning the person responsible for the cash and daily receipts shall count the money in the Change Fund Cash Box and Petty Cash Box to make sure that the amount of money in those Boxes balances with the amount noted the previous day. The amount of money in the Change Fund should be $25.00. The amount of money in the Petty Cash Box should reconcile with the previous day's balance.

*The $50.00 Change Fund and any checks received shall be placed in the cash drawer and the drawer shall remain locked throughout the day. Keys to the drawer will be dispensed to Betty and Crickett who will keep the keys with them at all times while at work.

*If cash or checks was received of $1,000.00 or more, those monies must be deposited in the Bank that day. The Finance Officer is responsible for banking deposits. Deposit of any monies received shall be made on Friday regardless of the amount.

*Betty will be responsible for informing the Finance Officer when cash or checks totaling $1,000.00 has accumulated.

*When cash or checks are received, explanatory receipts or paper work should be attached.

*All checks shall immediately be endorsed with the Town's deposit stamp on the back of the check.

*All checks or cash received shall be kept in the cash drawer during the day.

*At the end of the day Betty is responsible for transfering any checks or cash that is in the cash drawer to the safe. Those monies shall be counted before it is deposited in the safe.

*The Finance Officer is responsible for closing and locking the safe at the end of each business day. If the Finance Officer is not in the office at the close of business, it shall be the responsibility of the Deputy Town Manager.

*All change made to the public shall be made from the Change Fund. Only Betty and Crickett shall have access to the Cash Drawer during the day. Betty will keep Finance informed if the denominations of the cash in the Change Fund needs to be changed.

*The Petty Cash Box will be kept in the safe at all times. Betty or Pat are the only authorized persons to dispense petty cash. All disbursements from the petty cash shall be documented with a receipt. Change should not be made using Petty Cash monies. Betty will keep the Finance Officer informed of the balance in the Petty Cash. The use of the petty cash is limited to reimbursements for purchases of $20.00 or less.

TOWN OF LOOMIS

ADMINISTRATIVE POLICIES AND PROCEDURES

INVESTMENT POLICY

Effective Date:	Resolution

I. POLICY
It is the policy of the Town of Loomis (the Town) to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands the Town and conforming to all State and Town statutes governing the investment of public funds.

II. SCOPE
The investment policy applies to all financial assets of the Town as accounted for in the Annual Financial Report. This policy is applicable, but not limited, to all funds listed below:

1. General Fund
2. Special Revenue Funds
3. Capital Project Funds
4. Trust Funds
5. Any New Funds created by the Town Council unless specifically exempted

III. PRUDENCE
Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, direction and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

However, it is realized that market prices of securities will vary depending on economic and interest rate conditions at any point in time. It is further recognized that in a well-diversified investment portfolio, occasional measured losses are inevitable due to economic, bond market, or individual security credit analysis. These occasional losses must be considered within the context of the overall investment program objectives and the resultant long-term rate of return.

The standard of prudence to be used by the Town Treasurer and other individuals assigned to manage the investment portfolio, shall be the “prudent person” and/or “prudent investor” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

IV. OBJECTIVE
The primary objectives, in priority order, of the Town’s investment activities shall be:

1. **Safety**
   Safety of principal is the foremost objective of the Town’s investment program. Investments of the Town shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the Town will diversify its investments by investing funds among a variety of securities offering independent returns and financial institutions.

2. **Liquidity**
The Town's investment portfolio will remain sufficiently liquid to enable the Town to meet all operating requirements which might be reasonably anticipated.

3. **Return on Investment**
The Town's investment portfolio shall be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, commensurate with the Town's investment risk constraints and cash flow characteristics of the portfolio.

V. DELEGATION OF AUTHORITY

Authority to manage the Town's investment program is derived from the California Government Code section 41000 et al. Management responsibility for the investment program is hereby delegated to the Town Treasurer who shall be responsible for all transactions undertaken. In the Town Treasurer's absence, the Finance Director and/or the Town Manager are authorized to take action to initiate investment transactions. The Treasure shall establish a system of controls to regulate the activities of the Finance Director and/or the Town Manager, and their procedures in the absence of the Treasurer.

The Treasurer shall establish written policy procedures for the operation of the investment program consistent with this policy. The procedures should include reference to: safekeeping, PSA repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer.

VI. ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that conflicts with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Additionally, the Town Treasurer and investment officials are required to annually file applicable financial disclosures as required by the Fair Political Practices Commission (FPPC).

VII. AUTHORIZED DEALERS AND INSTITUTIONS

The Treasurer will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained for approved security broker/dealers selected by credit worthiness that are authorized to provide investment services in the State of California. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state laws. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the treasurer with the following: proof of National Association of Security Dealers certification, proof of state registration and certification of having read the Town's investment policy and depository contracts.

VIII. AUTHORIZED AND SUITABLE INVESTMENTS

Investment of Town funds is governed by the California Government Code Sections 53600 ET seq. Within the context of the limitations, the following investments are authorized, as further limited herein:

1. United States Treasury Bills, Bonds, and Notes or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no percentage limitation on the amount of the portfolio that can be invested in this category, although a five-year maturity limitation is applicable.

2. Obligations issued by the Government National Mortgage Association (GNMA), the Federal Farm Credit System (FFCB), the Federal Home Loan Bank Board (FHLB), the Federal National Mortgage

Association (FNMA), the Student Loan Marketing Association (SLMA) and the Federal Home Loan Mortgage Association (FHLMC). There is no percentage limitation on the portfolio for these securities, although a five-year maturity limitation is applicable.

Investments detailed in items 3 through 10 are further restricted. The percentage of the cost value of the portfolio in any one issuer name shall not exceed a maximum percentage of 15%. The total value invested in any one issuer shall not exceed 5% of the issuer net worth. A five-year maximum maturity is applicable unless further restricted by this policy.

3. Bonds issued by the Town of Loomis. This policy allows for a maximum of 5% of the cost value of the portfolio to be available to be issued as bond financing for improvement districts within the Town limits.

4. Treasury notes, bonds or certificates of indebtedness of the States of the United States of America and their political subdivisions. Purchases may not exceed 50% of the cost value of the portfolio.

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

6. Commercial paper rated A or higher by Moody's Investor Services or by Standard and Poor's, and issued by domestic corporations having assets in excess of $500,000,000.00 and having an A or better rating on its long term debentures as provided by Moody's or Standard and Poor's. Purchase of eligible commercial paper may not exceed 180 days to maturity nor represent more than 10% of the outstanding paper of the issuing corporation. Purchases of commercial paper may not exceed 15% of the cost value of the portfolio.

7. Negotiable certificates of deposit issued by nationally or state chartered banks or state or federal savings institutions. Purchases of negotiable certificates of deposit may not exceed 30% of the total portfolio.

8. Local Agency Investment Fund (LAIF) which is a State of California managed investment pool may be used up to the maximum permitted by California State Law. See Section IX, below for additional requirements of Mutual Funds.

9. Money Market Mutual Funds may be used for investment of excess funds. See Section IX, below for additional requirements of Mutual Funds.

10. Time Deposits, non-negotiable and collateralized in accordance with California Government Code, may be purchased through banks or savings and loan associations. Since time deposits are not liquid, no more than 25% of the investment portfolio may be invested in this type of investment.

11. Medium Term Corporate Notes, with a maximum maturity of five years may be purchased. Securities eligible for investment shall be rated "A" or higher by Moody's or Standard and Poor's rating services. Purchase of medium term notes may not exceed 30% of the market value of the portfolio and no more than 15% of the market value may be invested in notes issued by one corporation. Commercial paper holdings should also be included when calculating the 15% limitation.

Ineligible investments are those that are not described herein, including, but not limited to: Repurchase (and reverse repurchase) agreements, common stocks and long-term (over five year maturity) notes and bonds are prohibited from use in this portfolio unless specifically allowed both by state law and Town

Council approval. It is noted that special circumstances may arise where these methods of investment may become necessary. Should this become necessary, the Town Council will be asked to take the appropriate action to ratify the means of investment necessary, provided that it is allowable by California Government Code.

Any State of California legislative actions that further restrict allowable maturities, investment type, or percentage allocations will supersede any of the material presented herein. In this case, the applicable law will become part and parcel of this investment policy.

IX. INVESTMENT POOLS/MUTUAL FUNDS

A thorough investigation of the pool/fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed with will answer the following general questions:

- A description of eligible investment securities, and a written statement of investment policy and objectives. The Town's funds will only be invested in pools and funds which invest in compliance with State Government Code sections 53600 ET seq.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
- A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
- A schedule for receiving statements and portfolio listings.
- Are reserves, retained earnings, etc. utilized by the pool/fund?
- A fee schedule and when and how it is assessed.
- Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

X. COLLATERALIZATION

Collateral is required for investments in certificates of deposit, repurchase agreements, and reverse repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be al least 102% of market value of principal and accrued interest.

In order to conform with the provisions of the Federal Bankruptcy Code which provides for liquidation of securities held as collateral, the only securities acceptable as collateral shall be certificates of deposit, commercial paper, eligible bankers acceptances, medium term notes or securities that are the direct obligations of, or are fully guaranteed as to the principal and interest by the United States of any agency of the United States.

XI. SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by the Town shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts.

XII. DIVERSIFICATION

The Town will diversify its investments by security type and institution. With the exception of U.S. Treasury securities, U.S. Government agency securities, and authorized pools, no more than 50% of the Town's total investment portfolio will be invested in a single security type or with a single financial institution.

The following are maximum percentage limitations by instrument, which shall be used for the Town's total portfolio:

Investment Type	Percentage
Local Agency Investment Funds	$50,000,000 per account
US Treasury Bonds/Bills/Notes	100%
US Government Agency Bonds	100%
Banker's Acceptances	40%
Commercial Paper	15%
Negotiable Certificates of Deposit	30%
Time Certificates of Deposit	25%
Medium Term Notes	30%
Treasuries and Gov. Agencies, other than Federal	50%

XIII. MAXIMUM MATURITIES

To the extent possible, the Town will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Town will not directly invest in securities maturing more that five years from the date of purchase. Reserve funds may be invested in securities exceeding five years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

Not precluding the above, maximum maturities for investments are as follows:

Investment	Time
US Treasury and Agency Securities	5 Years
Bonds Issued by Local Agencies	5 Years
Registered State Warrants & Notes	5 Years
Banker's Acceptances	180 Days
Commercial Paper	180 Days
Negotiable Certificates of Deposit	5 Years
Medium Term Corporate Notes	5 Years
Collateralized Mortgage Obligations	5 Years

XIV. INTERNAL CONTROL

The Treasurer shall establish an annual process of independent review by and external auditor. This review will provide internal control by assuring compliance with policies and procedures.

XV. PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

Market Yield (Benchmark): The Town uses an active investment strategy. Given this strategy, the basis used by the Treasurer to determine whether market yield is being achieved shall be to compare actual yield to a comparable benchmark, in this case the two year U.S. Treasury note.

XVI. REPORTING

The Treasurer shall provide the Town Council with monthly investment reports which provide a clear picture of the status of the current investment portfolio. The management report should include comments on the fixed income markets and economic conditions, discussions regarding restrictions on percentage of investment by categories, possible changes in the portfolio structure going forward and thoughts on investment strategies. Schedules in the quarterly report should include the following

1. A listing of individual securities held at the end of the reporting period by authorized investment category.
2. Average life and final maturity of all investments listed.
3. Coupon, discount or earnings rate.
4. Par value, Amortized Book Value and Market Value.
5. Percentage of the Portfolio represented by each investment category.

XVII. INVESTMENT POLICY ADOPTION

The Town's investment policy shall be adopted by resolution of the Town Council. The policy shall be reviewed annually by the Town Council and any modifications made thereto must be approved by the Town Council.

GLOSSARY OF TERMS

Accrued Interest - Interest accumulated on a security since the issue date or the last coupon payment. The buyer of the security pays the market price plus accrued interest.

Agencies - Agencies of the Federal government set up to supply credit to various classes of institutions (i.e. S&L's, small business firms, students, farmers, housing agencies, etc.)

Asked – The price at which securities are offered.

Bankers' Acceptance (BA) - A draft or bill or exchange accepted by a bank or trust company. The accepting institution, as well as the issuer, guarantees payment of the bill.

Benchmark – A comparative base for measuring the performance or risk tolerance fo the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

Basis Point - One basis point is one hundredth of one percent (.01).

Bid – The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

Bond - A financial obligation for which the issuer promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

Book Value - The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

Broker - One who brings buyers and sellers together and is compensated for his service.

Callable - Securities that the issuer has the right to redeem prior to maturity.

Certificate of Deposit (CD) - A deposit insured up to $100,000 by the FDIC at a set rate for a specified period of time. Large denominations are typically negotiable.

Collateral - Securities, evidence of deposit or pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposit of public monies.

Commercial Paper - An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

Corporate Medium Term Note - A security issued by a corporation doing business in the U.S. with a maturity not to exceed five years.

Coupon - The annual rate of interest that a bond's issuer promises to pay the bond holder on the bond's face value; a certificate attached to a bond evidencing interest due on a payment date.

Current Maturity - Amount of time left to the maturity of an obligation. (For example, a one-year bill issued nine months ago has a current maturity of three months.)

Current Yield - The interest paid on an investment expressed as a percentage of the current price of the security.

Dealer - Someone who acts as a principal in all transactions, including buying and selling from his/her own account.

Debenture – A bond secured only by the general credit of the issuer.

Delivery Versus Payment – There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for securities.

Derivatives – (1) Financial instruments whose return profile is linked to, or derived from , the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

Discount – The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

Discount Securities – Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g. U.S. Treasury Bills.

Diversification - Dividing investment funds among a variety of securities offering independent returns.

Federal Credit Agencies – Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

Federal Deposit Insurance Corporation (FDIC) – a federal agency that insures bank deposits, currently up to $100,000 per deposit.

Federal Funds Rate – The rate of interest at which Federal funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

Federal Home Loan Banks (FHLB) – Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district bank.

Federal National Mortgage Association (FNMA) – FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

Federal Open Market Committee (FOMC) – Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

Federal Reserve System – The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

Face Value - The principal amount owed on a debt instrument. It is the amount on which interest is computed and represents the amount that the issuer promises to pay at maturity.

Government National Mortgage Association (GNMA or Ginnie Mae) – Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FmHa mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

Liquidity - An asset that can easily and rapidly be converted into cash without significant loss of value.

Local Agency Investment Fund (LAIF) - A voluntary investment fund open to government entities in California that is managed by the State Treasurer's office.

Mark to Market - Adjustment of an account or portfolio to reflect actual market price rather than book price, purchase price or some other valuation.

Market Value - The price at which a security is trading and presumably could be purchased or sold at a particular point in time.

Master Repurchase Agreement – A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of a default by the seller borrower.

Maturity - The date on which the principal or stated value of an investment becomes due and payable.

Money Market - The market in which short-term debt instruments (bills, commercial paper, bankers acceptances, etc.) are issued and traded.

Mutual Funds - An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments.

Note - A written promise to pay a specified amount to a certain entity on demand or on a specified date.

Offer – The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

Open Market Operations – Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit: sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

Par Value - The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

Portfolio - Combined holding of more than one stock, bond, commodity, real estate investment, cash equivalent, or other asset. The purpose of a portfolio is to reduce risk by diversification.

Primary Dealer – A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities Broker/dealers, banks, and a few unregulated firms.

Principal - The face value or par value of a debt instrument, or the amount of capital invested in a given security.

Prudent Person Standard - A standard of conduct where a person acts with care, skill, prudence, and diligence when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing funds. The test of whether the standard is being met is if a prudent person acting in a similar situation would engage in similar conduct to ensure that investments safeguard principal and maintain liquidity.

Qualified Public Depositories – A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

Rate of Return – The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

Rating - The designation used by investors' services to rate the quality of a security's creditworthiness. Moody's ratings range from the highest Aaa, down through Aa, A, Baa, Ba, B, etc., while Standard and Poor's ratings range from the highest, AAA, down through AA, A, BBB, BB, B, etc.

Repurchase Agreements - An agreement of one party to sell securities to a second party and simultaneous agreement by the first party to repurchase the securities at a specified price from the second party on demand or at a specified date.

Safekeeping – A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

Secondary Market – A market made for the purchase and sale of outstanding issues following the initial distribution.

Securities and Exchange Commission (SEC) - The federal agency responsible for supervising and regulating the securities industry.

SEC Rule 15C3-1 – See Uniform Net Capital Rule.

Structured Notes – Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

Swap - The sale of one issue and the simultaneous purchase of another for some perceived advantage.

Treasury Bills – A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

Treasury Bonds – Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

Treasury Notes – Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

Underwriter - A dealer which purchases a new issue of municipal securities for resale.

U.S. Government Obligations - Debt obligations of the United States Government sold by the Treasury Department in the forms of Bills, Notes and Bonds. Bills are short-term obligations that mature in 1 year or less and are sold on the basis of a rate of discount. Notes are obligations which mature between 1 year and 10 years. Bonds are long-term obligations which generally mature in 10 years or more.

Weighted Average Maturity (WAM) - The average maturity of all the securities that comprise a portfolio that is typically expressed in days or years.

Yield - The rate of annual income return on an investment, expressed as a percentage. It is obtained by dividing the current dollar income by the current market price of the security.

Yield Curve - A graphic representation that shows the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity.

Yield to Maturity - The rate of income on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

RELATED GOVERNMENT CODES

GOV §16429.1 There is in the State Treasury the Local Agency Investment Fund, which fund is hereby created. Notwithstanding Section 13340, all money in the fund is hereby appropriated without regard to fiscal years to carry out the purpose of this section. The Controller shall maintain a separate account for each governmental unit having deposits in this fund.

Notwithstanding any other provisions of law, a local governmental official, with the consent of the governing body of that agency, having money in its treasury not required for immediate needs, may remit the money to the Treasurer for deposit in the Local Agency Investment Fund for the purpose of investment.

GOV § 53601. The legislative body of a local agency having money in a sinking fund of, or surplus money in, its treasury not required for immediate needs of the local agency may invest any portion of the money that it deems wise or expedient in those investments set forth below. A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered or non-registered format shall require delivery of the securities to the local agency, including those purchased for the agency by financial advisors, consultants, or managers using the agency's fund, by book entry, physical delivery, or by third party custodial agreement. The transfer of securities to the counterparty bank's customer book entry account may be used for book entry delivery. For purposes of this section "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section does not specify the limitation on the term or remaining maturity at the time of the investment, no investment may be made in any security other than a security underlying a repurchase or reverse repurchase agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as part of an investment program approved by the legislative body no less than three months prior to the investment:

(a) Bonds issued by the local agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency.

(b) United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

(c) Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.

(d) Bonds, notes, warrants, or other evidences of indebtedness of any local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

(e) Obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board, the Tennessee Valley Authority, or in obligations, participations or other instruments of, or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association; or in guaranteed portions of Small Business Administration notes; or in obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise.

(f) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances. Purchases of bankers acceptances may not exceed 270 days maturity or 40 percent of the agency's surplus money that may be invested pursuant to this section. However, no more than 30 percent of the agency's surplus funds may be invested in the bankers acceptances of any one commercial bank pursuant to this section.

This subdivision does not preclude a municipal utility district from investing any surplus money in its treasury in any manner authorized by the Municipal Utility District Act (Division 6 (commencing with Section 11501) of the Public Utilities Code).

(g) Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's Investors Service, Inc., or Standard and Poor's Corporation. Eligible paper is further limited to issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars ($500,000,000) and having an "A" or higher rating for the issuer's debt, other than commercial paper, if any, as provided for by Moody's Investors Service, Inc., or Standard and Poor's Corporation. Purchases of eligible commercial paper may not exceed 180 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation. Purchases of commercial paper may not exceed 15 percent of the agency's surplus money that may be invested pursuant to this section. An additional 15 percent, or a total of 30 percent of the agency's surplus money may be invested pursuant to this subdivision. The additional 15 percent may be so invested only if the dollar-weighted average maturity of the entire amount does not exceed 31 days. "Dollar-weighted average maturity" means the sum of the amount of each outstanding commercial paper investment multiplied by the number of days to maturity, divided by the total amount of outstanding commercial paper.

(h) Negotiable certificates of deposit issued by a nationally or state-chartered bank or a state or federal association (as defined by Section 5102 of the Financial Code) or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30 percent of the agency's surplus money which may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposit do not come within Article 2 (commencing with Section 53630) except that the amount so invested shall be subject to the limitations of Section 53638.

(i)

(1) Investments in repurchase agreements or reverse repurchase agreements of any securities authorized by this section, as long as the agreements are subject to this subdivision, including the delivery requirements specified in this section.

(2) Investments in repurchase agreements may be made, on any investment authorized in this section, when the term of the agreement does not exceed one year. The market value of securities that underlay a repurchased agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly.

(3) Reverse repurchase agreements may be utilized only when either of the following conditions are met:

(A) The security was owned or specifically committed to purchase, by the local agency, prior to December 31, 1994, and was sold using a reverse repurchase agreement on December 31, 1994.

(B) The security to be sold on reverse repurchase agreement has been owned and fully paid for by the local agency for a minimum of 30 days prior to sale; the total of all reverse repurchase agreements on investments owned by the local agency not purchased or committed to purchase, prior to December 31, 1994, does not exceed 20 percent of the base value of the portfolio; and the agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security.

(4) After December 31, 1994, a reverse repurchase agreement may not be entered into with securities not sold on a reverse repurchase agreement and purchased, or committed to purchase, prior to that date, as a means of financing or paying for the security sold on a reverse repurchase agreement, but may only be entered into with securities owned and previously paid for, for a minimum of 30 days prior to the settlement of the reverse repurchase agreement, in order to supplement the yield on securities owned and previously paid for or to provide funds for the immediate payment of a local agency obligation. Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counterparty by way of a reverse repurchase agreement, on securities originally purchased subsequent to December 31, 1994, shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement, unless the reverse repurchase agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase

agreement and the final maturity date of the same security. Reverse repurchase agreements specified in subparagraph (B) of paragraph (3) may not be entered into unless the percentage restrictions specified in that subparagraph are met, including the total of any reverse repurchase agreements specified in subparagraph (A) of paragraph (3).

(5) Investments in reverse repurchase agreements or similar investments in which the local agency sells securities prior to purchase with a simultaneous agreement to repurchase the security, may only be made upon prior approval of the governing body of the local agency and shall only be made with primary dealers of the Federal Reserve Bank of New York.

(6)

(A) " Repurchase agreement" means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery.

(B) "Securities," for purpose of repurchase under this subdivision, means securities of the same issuer, description, issue date, and maturity.

(C) "Reverse repurchase agreement" means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date, and includes other comparable agreements.

(D) For purpose of this section, the base value of the local agency's pool portfolio shall be that dollar amount obtained by totaling all cash balances place in the pool by all pool participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements or other similar borrowing methods.

(E) For purposes of this section, the spread is the difference between the cost of funds obtained using the reverse repurchase agreement and the earnings obtained on the reinvestment of the funds.

(j) Medium-term notes of a maximum of five years maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated in a rating category of "A" or its equivalent or better by a nationally recognized rating service. Purchases of medium-term notes may not exceed 30 percent of the agency's surplus money which may be invested pursuant to this section.

(k)

(1) Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (j), inclusive, or subdivision (m) or (n) and that comply with the investment restrictions of this article and Article 2 (commencing with Section 53630). However, notwithstanding these restrictions, a counterparty to a reverse repurchase agreement is not required to be a primary dealer of the Federal Reserve Bank of New York if the company's board of directors finds that the counterparty presents a minimal risk of default, and the value of the securities underlying a repurchase agreement may be 100 percent of the sales price if the securities are marked to market daily.

(2) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.).

(3) If investment is in shares issued pursuant to paragraph (1), the company shall have met either of the following criteria:

(A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

(B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by subdivisions (a) to (j), inclusive, or subdivision (m) or (n) and with assets under management in excess of five hundred million dollars ($500,000,000).

(4) If investment is in shares issued pursuant to paragraph (2), the company shall have met either of the following criteria:

(A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

(B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars ($500,000,000).

(5) The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that the companies may charge and shall not exceed 20 percent of the agency's surplus money that may be invested pursuant to this section. However, no more than 10 percent of the agency's surplus funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).

(l) Notwithstanding anything to the contrary contained in this section, Section 53635, or any other provision of law, moneys held by trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency , or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

(m) Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

(n) Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus money that may be invested pursuant to this section. [As affected by 1996 legislation]

GOV § 53631.5. (a) A local agency shall not invest any funds pursuant to this article in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages.

(b) A local agency shall not invest any funds pursuant to this article in any security that could result in zero interest accrual if held to maturity. However, a local agency may hold prohibited instruments until their maturity dates. The limitation in this subdivision shall not apply to local agency investments in shares of beneficial interest issued by diversified management companies registered under the Investment Company Act of 1940 (15 U.S. SEC. 80a-1, and following) that are authorized for investment pursuant to subdivision (k) of Section 53601.[As affected by 1995 legislation]

Town of Loomis

Investment Policy

Prepared by:

Roger Carroll
Town Treasurer

TOWN OF LOOMIS

RESOLUTION NO. 13- 25

A RESOLUTION OF THE TOWN COUNCIL OF THE
TOWN OF LOOMIS ACKNOWLEDGING THE REVIEW, RECEIPT AND FILING OF THE
ANNUAL STATEMENT OF INVESTMENT POLICY

WHEREAS, The Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern (California Government Code (GC) sections 53600.6 and 53630.1); and

WHEREAS, the legislative body of a local agency may invest surplus funds not required for the immediate necessities of the local agency in accordance with the provisions of GC sections 5921 and 5360; and

WHEREAS, the Treasurer of the Town of Loomis shall annually prepare and submit a statement of investment policy and such policy, and any changes thereto, shall be considered by the legislative body at a public meeting; and

WHEREAS, the Treasurer of the Town of Loomis declares the Annual Statement of Investment Policy for the 2013-14 fiscal year to be as stated in the Attachment A, "Town of Loomis Investment Policy," and Attachment B, "Town of Loomis Investment Internal Controls and Guidelines," and

WHEREAS, the legislative body of a local agency must annually authorize the Treasurer to invest the surplus funds in accordance with the adopted investment policy.

NOW, THEREFORE, IT IS HEREBY RESOLVED by the Council of the Town of Loomis that the foregoing be received and filed.

PASSED AND ADOPTED this 12th day of November, 2013 by the following vote:

AYES:	Black, Calvert, Morillas, Ucovich, Wheeler
NOES:	None
ABSENT:	None
ABSTAIN:	None

Acting Mayor

ATTEST:

Town Clerk

I. POLICY

It is the policy of the Town of Loomis (the Town) to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands the Town and conforming to all State and Town statutes governing the investment of public funds.

II. SCOPE

The investment policy applies to all financial assets of the Town as accounted for in the Annual Financial Report. This policy is applicable, but not limited, to all funds listed below:

1. General Fund
2. Special Revenue Funds
3. Capital Project Funds
4. Trust Funds
5. Any New Funds created by the Town Council unless specifically exempted

III. PRUDENCE

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, direction and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

However, it is realized that market prices of securities will vary depending on economic and interest rate conditions at any point in time. It is further recognized that in a well-diversified investment portfolio, occasional measured losses are inevitable due to economic, bond market, or individual security credit analysis. These occasional losses must be considered within the context of the overall investment program objectives and the resultant long-term rate of return.

The standard of prudence to be used by the Town Treasurer and other individuals assigned to manage the investment portfolio, shall be the "prudent person" and/or "prudent investor" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

IV. OBJECTIVE

The primary objectives, in priority order, of the Town's investment activities shall be:

1. Safety

Safety of principal is the foremost objective of the Town's investment program. Investments of the Town shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the Town will diversify its investments by investing funds among a variety of securities offering independent returns and financial institutions.

2. Liquidity

The Town's investment portfolio will remain sufficiently liquid to enable the Town to meet all operating requirements which might be reasonably anticipated.

3. Return on Investment

The Town's investment portfolio shall be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, commensurate with the Town's investment risk constraints and cash flow characteristics of the portfolio.

V. DELEGATION OF AUTHORITY

Authority to manage the Town's investment program is derived from the California Government Code section 41000 et al. Management responsibility for the investment program is hereby delegated to the Town Treasurer who shall be responsible for all transactions undertaken. In the Town Treasurer's absence, the Finance Director and/or the Town Manager are authorized to take action to initiate investment transactions. The Treasure shall establish a system of controls to regulate the activities of the Finance Director and/or the Town Manager, and their procedures in the absence of the Treasurer.

The Treasurer shall establish written policy procedures for the operation of the investment program consistent with this policy. The procedures should include reference to: safekeeping, PSA repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer.

VI. ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that conflicts with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Additionally, the Town Treasurer and investment officials are required to annually file applicable financial disclosures as required by the Fair Political Practices Commission (FPPC).

VII. AUTHORIZED DEALERS AND INSTITUTIONS

The Treasurer will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained for approved security broker/dealers selected by credit worthiness that are authorized to provide investment services in the State of California. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state laws. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the treasurer with the following: proof of National Association of Security Dealers certification, proof of state registration and certification of having read the Town's investment policy and depository contracts.

VIII. AUTHORIZED AND SUITABLE INVESTMENTS

Investment of Town funds is governed by the California Government Code Sections 53600 ET seq. Within the context of the limitations, the following investments are authorized, as further limited herein:

1. United States Treasury Bills, Bonds, and Notes or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no percentage limitation on the amount of the portfolio that can be invested in this category, although a five-year maturity limitation is applicable.

2. Obligations issued by the Government National Mortgage Association (GNMA), the Federal Farm Credit System (FFCB), the Federal Home Loan Bank Board (FHLB), the Federal National Mortgage Association (FNMA), the Student Loan Marketing Association (SLMA) and the Federal Home Loan Mortgage Association (FHLMC). There is no percentage limitation on the portfolio for these securities, although a five-year maturity limitation is applicable.

Investments detailed in items 3 through 10 are further restricted. The percentage of the cost value of the portfolio in any one issuer name shall not exceed a maximum percentage of 15%. The total value invested in any one issuer shall not exceed 5% of the issuer net worth. A five-year maximum maturity is applicable unless further restricted by this policy.

3. Bonds issued by the Town of Loomis. This policy allows for a maximum of 5% of the cost value of the portfolio to be available to be issued as bond financing for improvement districts within the Town limits.

4. Treasury notes, bonds or certificates of indebtedness of the States of the United States of America and their political subdivisions. Purchases may not exceed 50% of the cost value of the portfolio.

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

6. Commercial paper rated A or higher by Moody's Investor Services or by Standard and Poor's, and issued by domestic corporations having assets in excess of $500,000,000.00 and having an A or better rating on its long term debentures as provided by Moody's or Standard and Poor's. Purchase of eligible commercial paper may not exceed 180 days to maturity nor represent more than 10% of the outstanding paper of the issuing corporation. Purchases of commercial paper may not exceed 15% of the cost value of the portfolio.

7. Negotiable certificates of deposit issued by nationally or state chartered banks or state or federal savings institutions. Purchases of negotiable certificates of deposit may not exceed 30% of the total portfolio.

8. Local Agency Investment Fund (LAIF) which is a State of California managed investment pool may be used up to the maximum permitted by California State Law. See section IX, below for additional requirements of Investment Pools.

9. Money Market Mutual Funds may be used for investment of excess funds. See section IX, below for additional requirements of Mutual Funds.

10. Time Deposits, non-negotiable and collateralized in accordance with California Government Code, may be purchased through banks or savings and loan associations. Since time deposits are not liquid, no more than 25% of the investment portfolio may be invested in this type of investment.

11. Medium Term Corporate Notes, with a maximum maturity of fives years may be purchased. Securities eligible for investment shall be rated "A" or higher by Moody's or Standard and Poor's rating services. Purchase of medium term notes may not exceed 30% of the market value of the portfolio and no more than 15% of the market value may be invested in notes issued by one corporation. Commercial paper holdings should also be included when calculating the 15% limitation.

Ineligible investments are those that are not described herein, including, but not limited to: Repurchase (and reverse repurchase) agreements, common stocks and long-term (over five year maturity) notes and bonds are prohibited from use in this portfolio unless specifically allowed both by state law and Town Council approval. It is noted that special circumstances may arise where these methods of investment may become necessary. Should this become necessary, the Town Council will be asked to take the appropriate action to ratify the means of investment necessary, provided that it is allowable by California Government Code.

Any State of California legislative actions that further restrict allowable maturities, investment type, or percentage allocations will supersede any of the material presented herein. In this case, the applicable law will become part and parcel of this investment policy.

IX. INVESTMENT POOLS/MUTUAL FUNDS

A thorough investigation of the pool/fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed which will answer the following general questions:

- A description of eligible investment securities, and a written statement of investment policy and objectives. The Town's funds will only be invested in pools and funds which invest in compliance with State Government Code sections 53600 ET seq.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
- A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
- A schedule for receiving statements and portfolio listings.
- Are reserves, retained earnings, etc. utilized by the pool/fund?
- A fee schedule and when and how it is assessed.
- Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

X. COLLATERALIZATION

Collateral is required for investments in certificates of deposit, repurchase agreements, and reverse repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be al least 102% of market value of principal and accrued interest.

In order to conform with the provisions of the Federal Bankruptcy Code which provides for liquidation of securities held as collateral, the only securities acceptable as collateral shall be certificates of deposit, commercial paper, eligible bankers acceptances, medium term notes or securities that are the direct obligations of, or are fully guaranteed as to the principal and interest by the United States of any agency of the United States.

XI. SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by the Town shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts.

XII. DIVERSIFICATION

The Town will diversify its investments by security type and institution. With the exception of U.S. Treasury securities, U.S. Government agency securities, and authorized pools, no more than 50% of the Town's total investment portfolio will be invested in a single security type or with a single financial institution.

The following are maximum percentage limitations by instrument, which shall be used for the Town's total portfolio:

Investment Type	Percentage
Local Agency Investment Funds	$50,000,000 per account
US Treasury Bonds/Bills/Notes	100%
US Government Agency Bonds	100%
Banker's Acceptances	40%
Commercial Paper	15%
Negotiable Certificates of Deposit	30%
Time Certificates of Deposit	25%
Medium Term Notes	30%
Treasuries and Gov. Agencies, other than Federal	50%

XIII. MAXIMUM MATURITIES

To the extent possible, the Town will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Town will not directly invest in securities maturing more that five years from the date of purchase. Reserve funds may be invested in securities exceeding five years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

Not precluding the above, maximum maturities for investments are as follows:

Investment	Time
US Treasury and Agency Securities	5 Years
Bonds Issued by Local Agencies	5 Years
Registered State Warrants & Notes	5 Years
Banker's Acceptances	180 Days
Commercial Paper	180 Days
Negotiable Certificates of Deposit	5 Years
Medium Term Corporate Notes	5 Years
Collateralized Mortgage Obligations	5 Years

XIV. INTERNAL CONTROL

The Treasurer shall establish an annual process of independent review by and external auditor. This review will provide internal control by assuring compliance with policies and procedures.

XV. PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

Market Yield (Benchmark): The Town uses an active investment strategy. Given this strategy, the basis used by the Treasurer to determine whether market yield is being achieved shall be to compare actual yield to a comparable benchmark, in this case the two year U.S. Treasury note.

XVI. REPORTING

The Treasurer shall provide the Town Council with monthly investment reports which provide a clear picture of the status of the current investment portfolio. The management report should include comments on the fixed income markets and economic conditions, discussions regarding restrictions on percentage of investment by categories, possible changes in the portfolio structure going forward and thoughts on investment strategies. Schedules in the quarterly report should include the following

1. A listing of individual securities held at the end of the reporting period by authorized investment category.
2. Average life and final maturity of all investments listed.
3. Coupon, discount or earnings rate.
4. Par value, Amortized Book Value and Market Value.
5. Percentage of the Portfolio represented by each investment category.

XVII. INVESTMENT POLICY ADOPTION

The Town's investment policy shall be adopted by resolution of the Town Council. The policy shall be reviewed annually by the Town Council and any modifications made thereto must be approved by the Town Council.

GLOSSARY OF TERMS

Accrued Interest - Interest accumulated on a security since the issue date or the last coupon payment. The buyer of the security pays the market price plus accrued interest.

Agencies - Agencies of the Federal government set up to supply credit to various classes of institutions (i.e. S&L's, small business firms, students, farmers, housing agencies, etc.)

Asked – The price at which securities are offered.

Bankers' Acceptance (BA) - A draft or bill or exchange accepted by a bank or trust company. The accepting institution, as well as the issuer, guarantees payment of the bill.

Benchmark – A comparative base for measuring the performance or risk tolerance fo the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

Basis Point - One basis point is one hundredth of one percent (.01).

Bid – The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

Bond - A financial obligation for which the issuer promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

Book Value - The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

Broker - One who brings buyers and sellers together and is compensated for his service.

Callable - Securities that the issuer has the right to redeem prior to maturity.

Certificate of Deposit (CD) - A deposit insured up to $100,000 by the FDIC at a set rate for a specified period of time. Large denominations are typically negotiable.

Collateral - Securities, evidence of deposit or pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposit of public monies.

Commercial Paper - An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

Corporate Medium Term Note - A security issued by a corporation doing business in the U.S. with a maturity not to exceed five years.

Coupon - The annual rate of interest that a bond's issuer promises to pay the bond holder on the bond's face value; a certificate attached to a bond evidencing interest due on a payment date.

Current Maturity - Amount of time left to the maturity of an obligation. (For example, a one-year bill issued nine months ago has a current maturity of three months.)

Current Yield - The interest paid on an investment expressed as a percentage of the current price of the security.

Dealer - Someone who acts as a principal in all transactions, including buying and selling from his/her own account.

Debenture – A bond secured only by the general credit of the issuer.

Delivery Versus Payment – There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for securities.

Derivatives – (1) Financial instruments whose return profile is linked to, or derived from , the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

Discount – The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

Discount Securities – Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g. U.S. Treasury Bills.

Diversification - Dividing investment funds among a variety of securities offering independent returns.

Federal Credit Agencies – Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

Federal Deposit Insurance Corporation (FDIC) – a federal agency that insures bank deposits, currently up to $100,000 per deposit.

Federal Funds Rate – The rate of interest at which Federal funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

Federal Home Loan Banks (FHLB) – Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district bank.

Federal National Mortgage Association (FNMA) – FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

Federal Open Market Committee (FOMC) – Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

Federal Reserve System – The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

Face Value - The principal amount owed on a debt instrument. It is the amount on which interest is computed and represents the amount that the issuer promises to pay at maturity.

Government National Mortgage Association (GNMA or Ginnie Mae) – Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FmHa mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

Liquidity - An asset that can easily and rapidly be converted into cash without significant loss of value.

Local Agency Investment Fund (LAIF) - A voluntary investment fund open to government entities in California that is managed by the State Treasurer's office.

Mark to Market - Adjustment of an account or portfolio to reflect actual market price rather than book price, purchase price or some other valuation.

Market Value - The price at which a security is trading and presumably could be purchased or sold at a particular point in time.

Master Repurchase Agreement – A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of a default by the seller borrower.

Maturity - The date on which the principal or stated value of an investment becomes due and payable.

Money Market - The market in which short-term debt instruments (bills, commercial paper, bankers acceptances, etc.) are issued and traded.

Mutual Funds - An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments.

Note - A written promise to pay a specified amount to a certain entity on demand or on a specified date.

Offer – The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

Open Market Operations – Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit: sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

Par Value - The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

Portfolio - Combined holding of more than one stock, bond, commodity, real estate investment, cash equivalent, or other asset. The purpose of a portfolio is to reduce risk by diversification.

Primary Dealer – A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities Broker/dealers, banks, and a few unregulated firms.

Principal - The face value or par value of a debt instrument, or the amount of capital invested in a given security.

Prudent Person Standard - A standard of conduct where a person acts with care, skill, prudence, and diligence when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing funds. The test of whether the standard is being met is if a prudent person acting in a similar situation would engage in similar conduct to ensure that investments safeguard principal and maintain liquidity.

Qualified Public Depositories – A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

Rate of Return – The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

Rating - The designation used by investors' services to rate the quality of a security's creditworthiness. Moody's ratings range from the highest Aaa, down through Aa, A, Baa, Ba, B, etc., while Standard and Poor's ratings range from the highest, AAA, down through AA, A, BBB, BB, B, etc.

Repurchase Agreements - An agreement of one party to sell securities to a second party and simultaneous agreement by the first party to repurchase the securities at a specified price from the second party on demand or at a specified date.

Safekeeping – A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

Secondary Market – A market made for the purchase and sale of outstanding issues following the initial distribution.

Securities and Exchange Commission (SEC) - The federal agency responsible for supervising and regulating the securities industry.

SEC Rule 15C3-1 – See Uniform Net Capital Rule.

Structured Notes – Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

Swap - The sale of one issue and the simultaneous purchase of another for some perceived advantage.

Treasury Bills – A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

Treasury Bonds – Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

Treasury Notes – Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

Underwriter - A dealer which purchases a new issue of municipal securities for resale.

U.S. Government Obligations - Debt obligations of the United States Government sold by the Treasury Department in the forms of Bills, Notes and Bonds. Bills are short-term obligations that mature in 1 year or less and are sold on the basis of a rate of discount. Notes are obligations which mature between 1 year and 10 years. Bonds are long-term obligations which generally mature in 10 years or more.

Weighted Average Maturity (WAM) - The average maturity of all the securities that comprise a portfolio that is typically expressed in days or years.

Yield - The rate of annual income return on an investment, expressed as a percentage. It is obtained by dividing the current dollar income by the current market price of the security.

Yield Curve - A graphic representation that shows the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity.

Yield to Maturity - The rate of income on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

RELATED GOVERNMENT CODES

GOV §16429.1 There is in the State Treasury the Local Agency Investment Fund, which fund is hereby created. Notwithstanding Section 13340, all money in the fund is hereby appropriated without regard to fiscal years to carry out the purpose of this section. The Controller shall maintain a separate account for each governmental unit having deposits in this fund.

Notwithstanding any other provisions of law, a local governmental official, with the consent of the governing body of that agency, having money in its treasury not required for immediate needs, may remit the money to the Treasurer for deposit in the Local Agency Investment Fund for the purpose of investment.

GOV § 53601. The legislative body of a local agency having money in a sinking fund of, or surplus money in, its treasury not required for immediate needs of the local agency may invest any portion of the money that it deems wise or expedient in those investments set forth below. A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered or non-registered format shall require delivery of the securities to the local agency, including those purchased for the agency by financial advisors, consultants, or managers using the agency's fund, by book entry, physical delivery, or by third party custodial agreement. The transfer of securities to the counterparty bank's customer book entry account may be used for book entry delivery. For purposes of this section "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section does not specify the limitation on the term or remaining maturity at the time of the investment, no investment may be made in any security other than a security underlying a repurchase or reverse repurchase agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as part of an investment program approved by the legislative body no less than three months prior to the investment:

(a) Bonds issued by the local agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency.

(b) United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

(c) Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.

(d) Bonds, notes, warrants, or other evidences of indebtedness of any local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

(e) Obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board, the Tennessee Valley Authority, or in obligations, participations or other instruments of, or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association; or in guaranteed portions of Small Business Administration notes; or in obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise.

(f) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances. Purchases of bankers acceptances may not exceed 270 days maturity or 40 percent of the agency's surplus money that may be invested pursuant to this section. However, no more than 30 percent of the agency's surplus funds may be invested in the bankers acceptances of any one commercial bank pursuant to this section.

This subdivision does not preclude a municipal utility district from investing any surplus money in its treasury in any manner authorized by the Municipal Utility District Act (Division 6 (commencing with Section 11501) of the Public Utilities Code).

(g) Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's Investors Service, Inc., or Standard and Poor's Corporation. Eligible paper is further limited to issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars ($500,000,000) and having an "A" or higher rating for the issuer's debt, other than commercial paper, if any, as provided for by Moody's Investors Service, Inc., or Standard and Poor's Corporation. Purchases of eligible commercial paper may not exceed 180 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation. Purchases of commercial paper may not exceed 15 percent of the agency's surplus money that may be invested pursuant to this section. An additional 15 percent, or a total of 30 percent of the agency's surplus money may be invested pursuant to this subdivision. The additional 15 percent may be so invested only if the dollar-weighted average maturity of the entire amount does not exceed 31 days. "Dollar-weighted average maturity" means the sum of the amount of each outstanding commercial paper investment multiplied by the number of days to maturity, divided by the total amount of outstanding commercial paper.

(h) Negotiable certificates of deposit issued by a nationally or state-chartered bank or a state or federal association (as defined by Section 5102 of the Financial Code) or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30 percent of the agency's surplus money which may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposit do not come within Article 2 (commencing with Section 53630) except that the amount so invested shall be subject to the limitations of Section 53638.

(i)(1) Investments in repurchase agreements or reverse repurchase agreements of any securities authorized by this section, as long as the agreements are subject to this subdivision, including the delivery requirements specified in this section.

(2) Investments in repurchase agreements may be made, on any investment authorized in this section, when the term of the agreement does not exceed one year. The market value of securities that underlay a repurchased agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly.

(3) Reverse repurchase agreements may be utilized only when either of the following conditions are met:

> (A) The security was owned or specifically committed to purchase, by the local agency, prior to December 31, 1994, and was sold using a reverse repurchase agreement on December 31, 1994.
>
> (B) The security to be sold on reverse repurchase agreement has been owned and fully

paid for by the local agency for a minimum of 30 days prior to sale; the total of all reverse repurchase agreements on investments owned by the local agency not purchased or committed to purchase, prior to December 31, 1994, does not exceed 20 percent of the base value of the portfolio; and the agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security.

(4) After December 31, 1994, a reverse repurchase agreement may not be entered into with securities not sold on a reverse repurchase agreement and purchased, or committed to purchase, prior to that date, as a means of financing or paying for the security sold on a reverse repurchase agreement, but may only be entered into with securities owned and previously paid for, for a minimum of 30 days prior to the settlement of the reverse repurchase agreement, in order to supplement the yield on securities owned and previously paid for or to provide funds for the immediate payment of a local agency obligation. Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counterparty by way of a reverse repurchase agreement, on securities originally purchased subsequent to December 31, 1994, shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement, unless the reverse repurchase agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security. Reverse repurchase agreements specified in subparagraph (B) of paragraph (3) may not be entered into unless the percentage restrictions specified in that subparagraph are met, including the total of any reverse repurchase agreements specified in subparagraph (A) of paragraph (3).

(5) Investments in reverse repurchase agreements or similar investments in which the local agency sells securities prior to purchase with a simultaneous agreement to repurchase the security, may only be made upon prior approval of the governing body of the local agency and shall only be made with primary dealers of the Federal Reserve Bank of New York.

(6) (A) " Repurchase agreement" means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery.

(B) "Securities," for purpose of repurchase under this subdivision, means securities of the same issuer, description, issue date, and maturity.

(C) "Reverse repurchase agreement" means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date, and includes other comparable agreements.

(D) For purpose of this section, the base value of the local agency's pool portfolio shall be that dollar amount obtained by totaling all cash balances place in the pool by all pool participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements or other similar borrowing methods.

(E) For purposes of this section, the spread is the difference between the cost of funds obtained using the reverse repurchase agreement and the earnings obtained on the reinvestment of the funds.

(j) Medium-term notes of a maximum of five years maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated in a rating category of "A" or its equivalent or better by a nationally recognized rating service. Purchases of medium-term notes may not exceed 30 percent of the agency's surplus money which may be invested pursuant to this section.

(k)(1) Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (j), inclusive, or subdivision (m) or (n) and that comply with the investment restrictions of this article and Article 2 (commencing with Section 53630). However, notwithstanding these restrictions, a counterparty to a reverse repurchase agreement is not required to be a primary dealer of the Federal Reserve Bank of New York if the company's board of directors finds that the counterparty presents a minimal risk of default, and the value of the securities underlying a repurchase agreement may be 100 percent of the sales price if the securities are marked to market daily.

(2) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.).

(3) If investment is in shares issued pursuant to paragraph (1), the company shall have met either of the following criteria:

(A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

(B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by subdivisions (a) to (j), inclusive, or subdivision (m) or (n) and with assets under management in excess of five hundred million dollars ($500,000,000).

(4) If investment is in shares issued pursuant to paragraph (2), the company shall have met either of the following criteria:

(A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

(B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars ($500,000,000).

(5) The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that the companies may charge and shall not exceed 20 percent of the agency's surplus money that may be invested pursuant to this section. However, no more than 10 percent of the agency's surplus funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).

(l) Notwithstanding anything to the contrary contained in this section, Section 53635, or any other provision of law, moneys held by trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency , or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

(m) Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

(n) any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus money that may be invested pursuant to this section. [As affected by 1996 legislation]

GOV § 53631.5. (a) A local agency shall not invest any funds pursuant to this article in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages.

(b) A local agency shall not invest any funds pursuant to this article in any security that could result in zero interest accrual if held to maturity. However, a local agency may hold prohibited instruments until their maturity dates. The limitation in this subdivision shall not apply to local agency investments in shares of beneficial interest issued by diversified management companies registered under the Investment Company Act of 1940 (15 U.S. SEC. 80a-1, and following) that are authorized for investment pursuant to subdivision (k) of Section 53601.[As affected by 1995 legislation]