

**EL DORADO COUNTY
POOLED INVESTMENTS
STATEMENT OF INVESTMENT POLICY**

The County of El Dorado is a Charter County which invests its funds in accordance with the California Government Code (GC) §27000 et seq. and §53635 et seq.

In accordance with GC §27000.5 the criteria of selecting investments and the order of priority are:

1. Safety of principal
2. Liquidity
3. Public Trust
4. Yield

Government bills, notes, and government agency paper guaranteed by the full faith and credit of the United States Government are considered to be the highest quality investments available.

For the uninsured portion of any investment, banks and savings and loans are required to pledge either blocks of Federal securities as collateral at 110% of the County's investment, or banks and savings and loans are required to pledge blocks of real estate mortgages as collateral at 150% of the investment.

While the County recognizes that all investments carry a certain degree of risk, the Treasury attempts to minimize the risks relative to safety of principal.

The County attempts to schedule its maturities to meet anticipated cash needs.

All participants in the investment process shall seek to act responsibly as custodians of the public trust.

To maximize yields, El Dorado County utilizes computerized cash management reporting systems and compares offerings from more than one source. All measures of return on investment shall be based upon the overall portfolio performance, with individual investment (or investment type) performance being of secondary regard. Proper diversification should support this rationale.

Reporting

On no less than a quarterly basis, the Treasury shall submit to the Board of Supervisors, and the Chief Administrative Officer a report of investments pursuant to GC §53646(b).

Investments

Permissible investments for a local agency are addressed in GC, [§16429.1b](#), §53601, [§53601.8](#), §53635 et seq., §53637, §53638, §53651, §53652, and §53653.

The County investment pool operates within State and self-imposed constraints. The County ensures all minimum credit requirements listed in California Government Code 53601 are adhered to annually. The Treasury does not buy stocks or deal in futures or options. The Treasury does not invest in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages. Proceeds from Tax Revenue Anticipation Notes or Grant Anticipation Notes shall not be invested for a term exceeding the term of the note. No investment may exceed five years to maturity nor have an underlying investment in excess of five years without express permission of the Board of Supervisors. FDIC insured instruments and all instruments backed by the full faith and credit of the United States Government are permitted investments.

Authorized Investments	Maximum % of Portfolio	Purchase Restrictions	Maximum Term	Credit Quality
U.S. Treasury Notes	100%	None	5 Years	Guaranteed by U.S. Government
U.S. Treasury Bonds	100%	None	5 Years	Guaranteed by U.S. Government
U.S. Treasury Bills	100%	None	5 Years	Guaranteed by U.S. Government
Cash Management Bills	100%	None	5 Years	Guaranteed by U.S. Government
U.S. Federal Agency or U.S. Government Sponsored Enterprise (GSE) obligations	100%	No more than 25% of portfolio in any one Federal Agency*	5 Years	Guaranteed by U.S. Government
Money Market Mutual Funds	20%	No more than 10% of portfolio with any one issuer*, must seek to maintain consistent net asset value (NAV) of \$1	Daily Liquidity	Rating category of AAA quality equivalent or better by two or more Nationally Recognized Statistical Ratings Organizations (NRSRO) or Advisor requirements

Public Investment Money Market Accounts (MMA)-(Collateralized)	30%	No more than 20% of portfolio with any one issuer*	Daily Liquidity	Secured with Collateral
Non-negotiable Certificates of Deposit, Non-negotiable	30%	No more than 5% with any one issuer*	5 Years	Insured <u>up to Federal Limit then secured with collateral</u>
Collateralized Certificate of Deposit, Non-negotiable	30%	No More than 5% with any one issuer*	5 Years	Rating category of A-1, P-1, F-1 equivalent or better by NRSRO
Negotiable Certificates of Deposit	30%	No more than 5% with any one issuer*	5 Years	Rating category of A-1, P-1, F-1 equivalent or better by a NRSRO
Bankers Acceptances	40%	No more than 5% with any one issuer*, Drawn on and accepted by a commercial bank	180 Days	Rating category of A-1, P-1, F-1 equivalent or better by a NRSRO
Domestic Commercial Paper	25%	No more than 10% with any one issuer*	270 Days	Rating category of A-1, P-1, F-1 equivalent or better by a NRSRO
Repurchase Agreement (REPO)	20%	No more than 5% with any one issuer*	1 Year	Secured with Collateral
Medium-Term Corporate Notes	30%	No more than 10% with any one issuer*, Issued by corporations organized and operating within the United States, depository institutions licensed by the United States, or any state and operating within the United States	5 Years	Rating category of A equivalent or better
State and Local Government Bonds	20%	No more than 5% with any one issuer*,	5 Years	Rating category of A equivalent or

		Issued by State and local governments in the United States		better by one NRSRO
Local Agency Investment Fund (LAIF)**	100%	75,000,000.00 Cap per State Treasurer approves maximum to be deposited	Daily Liquidity	Complies with CA Government Code §16429.1 and §16430
<u>CalTRUST***</u>	<u>30%</u>	<u>None</u>	<u>Daily Liquidity</u>	<u>Complies with CA Government Code §53601 (p)</u>
<u>California Asset Management Program (CAMP)***</u>	<u>30%</u>	<u>None</u>	<u>Daily Liquidity</u>	<u>Complies with CA Government Code §53601 (p)</u>
<u>Deposit Placement Services Certificate of Deposit Account Registry Service (CDARS)</u>	30%	Individual deposit no more than can be Federally insured	5 Years	FDIC Insured
<u>California Asset Management Program (CAMP)***</u>	100%	2 x LAIF	Daily Liquidity	Complies with CA Government Code §53601
Registered California State Warrants, or Treasury Notes, or Bonds	100%	None	5 Years	Guaranteed by the State of California

* Per issuer limitations applies at time of purchase of an investment.

** LAIF is a Local Government Investment Pool (LGIP) (sponsored and established by the state or local government) operating under GC §16429.1 and §16430, with investment policies and regulations that may differ from El Dorado County's.

*** CalTRUST and CAMP are Local Government Investment Pools as a Joint Powers Authority (JPA) (sponsored by several cities or counties joined together) operate under GC §53601 (p). Both JPA's invest in investments permitted by §53601 of Title 5, Division 2, Chapter 4 of the Government Code of California.

The County recognizes that all investments carry a certain degree of risk.

Safekeeping

All securities purchased shall be held in safekeeping by a third party custodian pursuant to an agreement between the custodian and the County Treasury pursuant to GC §53608. "Delivery versus payment" shall be used for securities transactions, and no security will be held by the broker/dealer from whom purchased.

Criteria for Broker Selection

In accordance with GC §27133(c) any broker, brokerage, dealer, or securities firm that has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board to the local treasurer, any member of the governing board of the local agency, or a candidate for those offices, shall not sell to (or purchase from) the County Treasury securities or other instruments.

Criteria for Considering Agency Request to Withdraw from Pool

Pursuant to GC §27136, depositors who seek to withdraw funds for investing or depositing those funds outside the County Treasury pool shall first submit the request for withdrawal to the County Treasurer in writing.

The County Treasurer will honor all requests to withdraw funds for normal cash flow purposes that are approved by the El Dorado County Auditor-Controller at a one-dollar net asset value.

Any requests to withdraw funds for purposes other than cash flow, such as external investing, shall be subject to the consent of the County Treasurer. In accordance with GC §27136 et seq. and §27133(h) et seq., such requests for withdrawals must first be made in writing to the County Treasurer. These requests are subject to the County Treasurer's consideration of the stability and predictability of the Pooled Investment Fund.

Assessment of the effect of a proposed withdrawal on the stability and predictability of the investments in the Pooled Investment Fund will be based on the following criteria:

- 1) Size of withdrawal
- 2) Size of remaining balance of:
 - a) Pool
 - b) Agency
- 3) Current market conditions
- 4) Duration of withdrawal
- 5) Effect on predicted cash flows
- 6) A determination if there will be sufficient balances remaining to cover costs
- 7) Adequate information has been supplied to the County Treasurer in order to make a proper finding that other pool participants will not be adversely affected

Note: To accommodate agencies with their own boards and with a desire for flexibility, withdrawals for the purpose of investing outside the County Pool will be permitted if an agency's balance of funds outside the County Treasury Pool does not exceed a total of \$115,000.00 at any time during the year. These small balances will be considered as not affecting the other pool participants. This total "not to exceed" is the total for the agency, not a total by fund. The balance remaining in the Treasury must not be in a negative (deficit) position or all funds must be immediately returned to the Treasury, and the privilege to withdraw any amount will be revoked and not reinstated for a period of six months. Any

agency withdrawing funds must comply with all government code sections related to withdrawal of funds, investment of funds, and bonding, as applicable.

For outside investors who utilize GC §53684, where the County Treasurer does not serve as the agency's treasurer, any withdrawal request must be made in writing 30 days in advance per GC §53684(d).

In no event shall funds be withdrawn that, in the judgement of the County Treasurer, will adversely affect the interest of the other participants in the pool.

Criteria for Non-Statutory Agency Request to Participate in Pool

All entities qualifying under GC §27133(g) may deposit funds for investment purposes providing the following has been accomplished:

- The agency's administrative body has requested in writing the privilege, has agreed to all terms, conditions, rules, and regulations of existing participants as prescribed by the County Treasurer, and has delivered to the County Treasury a resolution identifying the authorized officer(s) acting on behalf of the agency.

Apportioning Treasury Cost

As authorized under GC § 27013, the actual administrative cost of investing, depositing, cash handling, and other management costs associated with the accounting of funds, the deposit of funds, the reconciling of accounts, the interest apportionment, and the investment of funds for the pool will be apportioned among the depositors on the basis of each entity's average daily cash balance. For ease of accounting, all costs are offset against the interest earned before the interest is apportioned.

Apportioning Investment Losses

Given the inherent risk of any investment, in the event of a loss, it will be recorded by apportioning the amount among the depositors on the basis of each fund's investment earnings in the twelve month period immediately prior to and including the month of recognition. If a subsequent recovery occurs, either partial or complete, the recovery will be distributed among the depositors in the same proportion as the original loss was apportioned.