CITY OF TEMPLE CITY

Fiscal Year 2024-2025

INVESTMENT POLICY

CITY OF TEMPLE CITY

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CITY OF TEMPLE CITY

STATEMENT OF INVESTMENT POLICY

I. PURPOSE

This statement is intended to provide a guideline for the prudent investment of temporary idle cash, trust funds and restricted monies and to outline a policy for maximizing the efficiency of the cash management system. Ultimate investment goal is the protection of cash investments.

II. OBJECTIVE

The cash management system of the City of Temple City is designed to accurately monitor and forecast expenditures and revenues, thus insuring the investment of monies to the fullest extent possible. Attempts to obtain highest interest yields possible are a statement of fact as long as investments meet the criteria required for safety and liquidity.

III. SCOPE

This investment policy applies to activities of the City with regard to investing the financial assets of all funds, including the following: General Fund, Special Revenue Funds, Assessment Funds, Internal Service Funds, Capital Projects Funds, Debt Service Funds, Reserve Funds, Trust and Agency Funds, and any other Funds that may be created from time to time.

IV. STANDARDS OF CARE

1. PRUDENCE

The standard of prudence to be used by investment officials shall be the "prudent investor" standard as set forth in Section 53600.3 of the California Government Code, which states in part that, "When investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency". The prudent investor standard shall be applied in the context of managing the overall portfolio.

2. DELEGATION OF AUTHORITY

The authority to manage and operate the investment program is granted to the Treasurer pursuant to Section 53607 of the California Government Code. Individuals who may execute investment transactions are those positions who are authorized signatures for warrants and checks or those persons designated as a Deputy City Treasurer by the City Treasurer. No other persons are authorized to execute an investment transaction.

V. INTERNAL CONTROLS

The Treasurer/Deputy City Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse.

The Treasurer/Deputy City Treasurer shall establish the investment functions so that specific responsibility for the performance of duties and segregation of duties are assigned with a clear line. The functions of authorizing, recording transactions, and performing reconciliations are handled by separate persons to reduce the risk that a person is in a position to conceal errors or fraud in the normal course of duty.

The current segregation of duties are as follows:

Function	Responsibility
Develop formal investment policy	Treasurer/Deputy City Treasurer
Review formal investment policy	City's Auditing Firm
Adopt formal investment policy	City Council
Execute investment transactions	Treasurer/Deputy City Treasurer (the above signers as well as one of signers listed below) City Manager, City Clerk, Director of Parks & Recreation
Investment verification and recordation	Administrative Services Director
Reconcile investment records to bank statements	Accountant

While no internal control system, however elaborate, can guarantee absolute assurance that the City's assets are safeguarded, it is the intent of the City's internal control system to provide reasonable assurance that management of the investment function meets the City's objectives. These internal controls shall be reviewed annually by the independent auditor.

VI. SUITABLE AND AUTHORIZED INVESTMENTS

The California Government Code (Section 53601 and 53635) allows the City to invest in the following instruments:

CGC Section	Investment Type	Maximum Maturity	Authorized Limit (%)	Required Rating
53601(a)	Local Agency Bonds	5 years	None	None
53601(b)	U.S. Treasury Obligations	5 years	None	None
53601(c)	State of California Obligations	5 years	None	None
53601(d)	CA Local Agency Obligations	5 years	None	None
53601(e)	U.S. Agencies	5 years	None	None
53601(f)	Bankers Acceptances*	180 days	40%	Fed Reserve Eligible
53601(g)	Commercial Paper**	270 days	25%	A1/P1 Rating
53601(h)	Negotiable Certificates of Deposit	5 years	30%	None
53601(i)	Repurchase Agreements	1 year	None	None
53601(i)	Reverse Repurchase Agreements***	92 days	20% of base	None
53601(j)	Medium Term Notes	5 years	30%	A rating
53601(k)	Mutual Funds****	N/A	20%	Multiple
53601(k)	Money Market Funds	N/A	20%	Multiple
53601(m)	Collateralized Bank Deposits	5 years	None	None
53601(n)	Mortgage Pass-Through Securities	5 years	20%	AA Rating
53601(d)	Local Agency Investment Fund (LAIF)	N/A	None	None
53601(d)	County Pooled Investment Funds	N/A	None	None
53635	Time Deposits	5 years	None	None

* No more than 30% of surplus funds may be invested in Bankers Acceptances of any one commercial bank.

** Commercial paper issuers must be U.S. Corporations with $500 million plus in assets. Purchases may not represent more than 10% of outstanding paper of an issuing corporation.

*** Reverse Repurchase Agreements must be made with primary dealers of the Federal Reserve Bank of New York and the securities used for the agreement must have been held by the issuer for at least 30 days.

**** No more than 10% of an agency's surplus funds may be invested in any one mutual fund.

The City of Temple City is limiting its purchase of investments to the following vehicles:

- LAIF (Local Agency Investment Fund) - a special fund in the State Treasury which local agencies may use to deposit funds for investment. There is no minimum investment period and the minimum transaction is $5,000, in multiples of $1,000 above that, with a maximum balance of $75,000,000 as established by State Treasurer. However, any investment with LAIF must comply with other self-imposed restrictions as specified in this Investment Policy. The City is restricted to a maximum of fifteen transactions per month. It offers high liquidity because deposits can be converted to cash in twenty-four hours and no interest is lost. All interest is distributed to those agencies participating on a proportionate share basis determined by the amounts deposited and the length of time they are deposited. Interest is paid quarterly. The State retains an amount for reasonable costs of making the investments, not to exceed one-half of one percent of the earnings;

  The interest rates are fairly high because of pooling the State's surplus cash with the surplus cash deposited. This creates a multi-billion dollar money pool and allows diversified investments. In a high interest rate market, the City does better than LAIF, but in times of low interest rates, LAIF yields are higher. The City continually invests in the Local Agency Investment Fund.

- LACPIF (Los Angeles County Pooled Investment Fund – The Los Angeles County Treasurer and Tax Collector (Treasury) maintains an External Investment Pool (Pool) and manages the Pool of behalf of the participants. The primary objective of the Treasury's Investment Policy is to ensure the safety of the principal. The secondary objective is to meet the liquidity needs of the participants and the third objective is to achieve a return on funds invested. These objectives are accomplished through the purchase of high quality fixed income investments, held to a designated maturity. Local jurisdictions may participate in this pool by adopting a Resolution authorizing and requesting the investment of excess funds in this Pool.

- Certificates of Deposit - time deposits of a bank or savings and loan. They are purchased in various denominations with maturities ranging from 30 days **to 60 months**. The interest is calculated on a 360-day basis and is payable monthly, semi-annually, or at maturity in case of short term CD's;

- Passbook Savings Account - a certificate of deposit issued in any amount for a non-specified amount of time. Interest rate is much lower than CD's but the savings account allows flexibility. Funds can be deposited and withdrawn according to daily needs;

- Interest Bearing Checking Accounts - a checking account which receives revenues and pays disbursements. Interest earned can be paid to the local jurisdictions on a regular basis or left in the account to offset the fees for

monthly services;

- Money Market Mutual Funds – referred to in the California Government Code Section 53601 (k) as shares of beneficial interest issued by diversified management companies investing in securities authorized by Section 53601 (a) to (l) inclusive. Money Market Mutual Funds must have an average maturity of 90 days or less, per SEC regulations;

- U.S. Treasuries – Debt instruments issued directly by the United States Government. These instruments are of highest credit quality and payment of principal and interest are backed by the full faith and credit of the United States Government; and

- U.S Agencies – Debt instruments issued by the various federally chartered agencies. These instruments are also of the highest credit quality.

- Medium-term Notes – Corporate institutions organized and operating within the United States or by depository institutions licensed by the United States or any states and operating within the United States. One nationally recognized rating agency must rate notes eligible for investment in the "AA" category. This includes the lowest AA rating category, which is AA- for Standard and Poor's and Fitch, and AA3 for Moody's.

VII. REPORTING METHODS

The Treasurer/Deputy City Treasurer shall prepare a quarterly investment report as required by Section 53646 of the California Government Code which provides a clear picture of the status of the current investment portfolio. The report should be provided to the City Manager and legislative body. The report should include the following:

a) Type of investment;
b) Institution or issuer;
c) Date of Maturity;
d) Amount of deposit or cost of security;
e) Current market value of securities and source of market value;
f) State that there are sufficient funds to meet the next 6 months' obligations or provide an explanation as to why sufficient monies shall or may not be available; and
g) State that investments are in compliance with the City's investment policy or manner in which the portfolio is not in compliance

VIII. POLICY CONSTRAINTS

1. CITY CONSTRAINTS

The City of Temple City operates its pooled idle cash investments under the Prudent Investor Standard. The Treasurer will evaluate local banks and savings institutions and may invest idle cash funds with such institutions when the criteria for prudent investment previously stated are met. The City operates its investment pool according to State and self-imposed constraints. It does not buy stocks; it does not speculate; it does not deal in futures or options. It does not purchase or sell securities on margins or invest in derivative type investments such as inverse floaters, range notes or interest only strips derived from a pool of mortgage as prohibited under Section 53601.6 of the California Government Code. Any investment extending beyond a five-year period requires prior City Council approval.

2. LEGAL CONSTRAINTS

Surplus funds must be deposited in State or national banks, State or Federal savings association or State or Federal credit unions within the State of California. The deposits cannot exceed the amount of the bank's or savings and loan's paid-up capital and surplus.

The bank or savings and loan must secure public funds deposits with eligible securities having a market value of 110% of the total amount of the deposits. State law also allows as an eligible security, first trust deeds having a value of 150% of the total amount of the deposits.

IX. POLICY REVIEW

As required by Section 53646 of the California Government Code, this Statement of Investment Policy shall be reviewed at least annually as a public meeting of the City Council to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law, financial and economic trends.