SAN LUIS OBISPO COUNTY TREASURY INVESTMENT POLICY

2016 **James P. Erb, CPA County Treasurer**

James P. Erb, CPA, Treasurer
San Luis Obispo County

1055 Monterey Street
Room D-290, County Government Center
San Luis Obispo, CA 93408
Telephone Number: (805) 781-5842
Fax Number: (805) 781-1079
Email: ttc@co.slo.ca.us
Website: www.sloacttc.com

Approval Schedule

- County Treasury Oversight Committee (CTOC)
  Meeting on October 26, 2015
- County Board of Supervisors
  Meeting on November 24, 2015

Approved policy will remain in effect until succeeding policy is adopted.

INVESTMENT POLICY

- Established: May 1983
- Current Revision: November 2015

Cover Photo by: Linda Munoz - County Government Center

Table of Contents

Overview 1
1. Purpose 1
2. Frequently Used Abbreviations 1
3. Preface 1
4. Policy 2
5. Scope 2
6. Objectives and Strategy 2
7. Authority/Delegation of Authority 3
Administration, Controls, and Oversight 5
8. Fiduciary Responsibility: Standards of Care 5
9. Ethics and Conflict of Interest 5
10. Internal Controls and Procedures 6
11. Safekeeping of Investments 7
12. Competitive Bidding 7
13. Documentation 8
14. Terms for Combined Pool Deposits and Withdrawals 8
15. Withdrawal of Funds 9
16. External Oversight: County Treasury Oversight Committee (CTOC) 10
17. External Oversight: Quarterly Review 10
18. External Oversight: Annual Review 10
19. Time and Place of Investing 11
20. Employee Procedures for Reporting Violations 11
21. Public Inquiry 11
22. Disaster / Business Continuity Plan 11
Investments 12
23. Authorized Securities Brokers/Dealers and Depository Institutions 12
24. Trading and Early Sales of Securities 13
25. Authorized Investments, Limits, and Restrictions 13
Bank Accounts 17
26. Governing Code and Policy 17
27. Fee Credits 17
28. Public Investment Money Market Accounts (PIMMAs) 17

29. Federally Insured Cash Accounts (FICAs) 18
30. Use of Local Depositories 18
Reports 19
31. Reports, Timing, and Distribution 19
32. Performance Measurement and Evaluation 20
33. Quarterly Costs and Interest Income Distribution 20
Appendix A - Common Credit and Debt Ratings and Definitions 21
Appendix B - Glossary of Selected Financial and Investment Terms 22
Appendix C – Request for Withdrawal from Treasury Pool 35
Appendix D – Resolution Authorizing Withdrawal of Funds 36
Appendix E - Contact Information for Reporting Violations 37

Overview

1. Purpose
   The purpose of the San Luis Obispo County Treasury Investment Policy is to clearly state the guidelines and standards established by the San Luis Obispo County Auditor-Controller-Treasurer-Tax Collector for management of the County's Combined Pool Investment Fund, including prudent investment, objectives, internal controls, oversight, and reporting requirements.

2. Frequently Used Abbreviations
   Throughout the pages which follow, the San Luis Obispo County Treasury Investment Policy will be referred to simply as the "Policy," the San Luis Obispo County Combined Pool Investment Fund will be referred to simply as the "Combined Pool," the San Luis Obispo County Auditor-Controller-Treasurer-Tax Collector will be referred to simply as the "County Treasurer," and California Government Code will be referred to simply as "CGC."

3. Preface
   a. This Policy has been researched, prepared, and written under the direction of the County Treasurer, with input from the County Administrative Office and the County Treasury Oversight Committee. The Policy is presented annually to the County Board of Supervisors for approval as required by CGC §53646 and shall remain in effect until the succeeding policy is adopted.
   b. The statements made herein are intended to ensure the achievement of the purpose, goals, and objectives of the Combined Pool portfolio in an orderly, accurate manner. Some portions are a restatement of State law, but are included because they are integral to the purpose and flow of the policy.
   c. There is no guarantee that problems, errors, or losses will not arise in the course of administering the investment of public funds. Obstacles that may affect the achievement of the goals and objectives of the portfolio include, but are not limited to, unforeseen national or international events or crises, natural disasters, unexpected demands on cash flow, errors in data or advice used to make decisions, as well as any other unforeseen event that may have an effect on local, national, or international financial markets, economies or politics which in turn has an effect upon the fund.
   d. All investments made while this policy is in effect are governed by the statements and constraints contained herein. Investments made prior to the adoption of this policy are subject to the policy in place at the time the investment was made. The County Treasurer will consider efforts to reposition investments made under prior policies to comply with the current policy, subject to the risk-reward tradeoff inherent in such changes.
   e. In addition to this Policy itself, the County Treasurer also maintains detailed procedures to support and ensure compliance with the Policy.

4. Policy
    a. The County Treasurer shall prudently manage County funds and funds of local agencies in the Combined Pool pursuant to the defined objectives, which in order of priority, are safety, liquidity, and yield, while maintaining compliance with relevant laws and policies.
    b. While this Policy is intended to guide the investment activities of the Combined Pool, nothing in this Policy is intended to prevent the County Treasurer from acting in the best interest of the County in the face of changing market conditions and circumstances. The County Treasurer is therefore authorized to make written exceptions to this policy within the limits of CGC and all relevant laws.
    c. Any requests for exceptions must be made in writing to the County Treasurer from the Treasury Manager, the Division Manager, the Assistant County Treasurer, or a person acting in one of these capacities.

5. Scope
    a. This Policy is intended to cover all investment activities in the Combined Pool under the direct authority of the County Treasurer. The County maintains the Combined Pool with cash and investments which provide cash flow for the funding needs of the participants. Participants include County departments, agencies, schools, and special districts. A list of all participants is maintained by fund in the County's enterprise financial system.
    b. Since bank accounts are not considered investments per CGC, banking processes, standards, and relationships are not subject to this Policy, although a section on bank accounts and their use within the overall investment strategy is included herein for reference.

6. Objectives and Strategy
    a. The objectives of the Combined Pool are in order of priority: to ensure safety, then to meet liquidity needs, and finally to earn a return, while maintaining compliance with federal, state, and local laws and regulations.
    b. The County Treasurer is first and foremost a custodian of funds, and accordingly, emphasizes conservative investment strategies, even within what is allowed by government codes and practiced by many other government agencies. All investments are subject to risk, and no policy will eliminate risk in all cases. Such conservative and risk-avoidance approaches to investment management designed to emphasize safety, may result in correspondingly lower portfolio yields, but also reduce exposure to losses of principal.
    c. Safety
        i. The Combined Pool shall be managed in a manner that ensures the safety of the principal by minimizing risk. Exposure to risk may come from such factors as changing market conditions, potential default by an issuer of investments, rising interest rates which devalue fixed rate investments, unforeseen cash flow needs which may create unplanned liquidity needs, and more. Risk will be managed by multiple methods, including:

1. Limiting investments to the safest types of securities.
2. Diversifying issuers, instruments, and maturities.
3. Setting maximum limits for each issuer.
4. Setting maximum limits for each type of investment.
5. Emphasizing investments which are guaranteed by the government explicitly, implicitly, or through FDIC insurance, or have pledged collateral to secure the principal balance.
6. Pre-qualifying custody financial institutions, which hold purchased securities on behalf of the County, and requiring them to hold such securities in the County Treasurer's name.
7. Planning cash flow such that investment maturities and available bank balances meet planned cash flow needs, thereby avoiding the need to sell securities in the open market prior to maturity.
8. Various restrictions on investments as contained in the Policy.
9. Additional methods as determined by the County Treasurer.

ii. The Combined Pool shall be managed with a high degree of care and prudence. While all investments contain a degree of risk, the proper exercise of prudence, the adherence to a high level of ethical standards, the proper delegation of authority, and strong internal controls reduce the risk of any realized loss.

d. Liquidity
The County Treasurer shall maintain cash flow projections and shall ensure the Combined Pool has sufficient liquidity to meet all operating cash flow requirements of the participants. Pursuant to CGC §63646(b).3, the County Treasurer also includes as part of the Quarterly Report of Investments, a formal statement regarding the ability of the Combined Pool to meet anticipated needs of participants for the upcoming six (6) months. This will be accomplished by structuring the portfolio so that maturities meet cash flow requirements. The Combined Pool shall include marketable securities to assist in meeting unanticipated cash requirements.

e. Yield
Each purchase made shall be subject to meeting the requirements of safety, liquidity, and competitive pricing. Subject to meeting the requirements of safety and liquidity first, as well as all requirements of government code and this Policy, reasonable efforts will be made to earn the maximum available yield.

f. Legal Compliance
This Policy is written to be in compliance with federal, state, and local laws and regulations. The Combined Pool is managed in compliance with this Policy and applicable laws. Whenever laws change, any affected section in this policy shall automatically change accordingly to conform to law.

7. Authority/Delegation of Authority
   a. CGC §27000.1 and §53607 authorize the Board of Supervisors to delegate, on an annual basis, full investment and depository authority to the County Treasurer. Approval of this Policy constitutes such delegation. CGC §24101 further authorizes the County Treasurer to delegate this authority to one or

more Deputy Treasurers, for example the Assistant County Treasurer, or another qualified management level employee.

b. The County Treasurer may also engage the services of one or more external investment managers to assist in the management of the Combined Pool in a manner consistent with the County's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Policy. Each external manager assigned any portion of the Combined Pool must be registered under the Investment Advisors Act of 1940 and must individually comply with the investment parameters established by this Policy.
c. No person may engage in an investment transaction except when delegated to do so by the County Treasurer and only as provided under the terms of this Policy and the procedures established and approved by the County Treasurer.
d. To provide limits and structure to the delegation of authority to manage investments, the County Treasurer will maintain a list of authorized County investment personnel, authorized financial dealers and institutions, and a system of internal controls and written procedures to regulate the activities of investment personnel, as outlined in this Policy, and as may be modified from time to time by approval of the County Treasurer.

Administration, Controls, and Oversight

8. Fiduciary Responsibility: Standards of Care
    a. The County Treasurer shall manage the Combined Pool pursuant to the "Prudent Investor Standard," as defined in CGC §27000.3(c): When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the County Treasurer or the Board of Supervisors, as applicable, shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the county and other depositors, 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 county and the other depositors. Within the limitations of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law.
    b. Investment personnel, while exercising due diligence and acting in compliance with federal, state, and local laws and regulations in accordance with the County Treasurer's written policies and procedures, and this Policy, shall be relieved of personal responsibility for market and credit risks provided that deviations from expectations are reported in a timely manner. For purposes of example, this could involve reporting a credit rating downgrade on an investment held by the Treasury. Such information should be reported immediately to the County Treasurer and/or Assistant County Treasurer.

9. Ethics and Conflict of Interest
    a. Individuals performing the investment function and members (including their designated alternates) of the County Treasury Oversight Committee (CTOC), as described in Section 16 of this Policy, shall maintain the highest standards of conduct. This includes maintaining independence and having no actual conflicts of interest or appearance of such.
    b. County Treasury investment personnel and members of the CTOC shall:
        i. Refrain from any personal business activity that could conflict with the proper execution and management of the investment program.
        ii. Not engage in any profession, trade, business, or occupation which is incompatible or involves a conflict of interest with their duties or that could affect their ability to make impartial decisions.
        iii. Not undertake personal investment transactions with the same individual with whom business is conducted on behalf of the County.
        iv. Not solicit or accept rebates, gifts, gratuities, or favors from any bank, broker, dealer, or any other person, firm, or organization with which the County Treasurer conducts business, unless such rebates, gifts, gratuities, or favors are available to the general public under the same conditions. Exceptions may be made for minor items of advertising and other items of minimal value with the approval of the County Treasurer.

v. Disclose any material interest in financial institutions, with which the County does business, and any personal financial or investment positions that could create the appearance of lack of independence.

c. In addition, per CGC §27132.1 - §27133.3, CTOC members shall:
   i. Not be employed by an entity that has contributed to the campaign of a candidate for the office of County Treasurer or contributed to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the County Treasury in the previous three years or during the period that the employee is a member of the committee.
   ii. Not directly or indirectly raise money for a candidate for County Treasurer or a member of the governing board of any local agency that has deposited funds in the County Treasury while a member on the committee.
   iii. Not secure employment with, or be employed by, bond underwriters, bond counsel, security brokerages or dealers, or financial services firms, with whom the County Treasurer is doing business during the period that the person is a member of the committee or for one year after leaving the committee.
d. Nothing in this Policy supersedes any County ordinance or State law which regulates conduct. This Policy may set standards higher than those established by ordinances or other laws.

10. Internal Controls and Procedures
   a. The County Treasurer shall establish and maintain a system of internal controls, which are appropriate for the circumstances, to provide reasonable assurance that the investment objectives are met, and to ensure that the assets of the Combined Pool are protected from loss, theft, or misuse. The concept of "reasonable assurance" recognizes that the cost of control shall not exceed the benefits likely to be derived, and that the valuation of costs and benefits requires estimates and judgments by management.
   b. Internal controls shall include, but not be limited to:
      i. Clear delegations of authority.
      ii. Provisions for legal compliance monitoring.
      iii. Third party safekeeping of investments.
      iv. Provisions for ongoing monitoring and auditing of internal controls.
      v. Written procedures, consistent with this Policy, for the operation of the investment program. These procedures, inclusive of those noted below in Section 10.c shall include reference to separation of duties, safekeeping, collateralization, wire transfers, and banking related activities.
   c. Except for declared emergencies, the County Treasurer's Office shall observe the following procedures on a daily basis:
      i. All investment transactions conducted by the County Treasurer's Office shall be immediately verified and entered into the treasury investment management system.

ii. County investments shall be executed, confirmed, accounted for, and audited by different people.
    1. Daily investment activity, preparation of investment tickets, and trade instructions to custody shall be handled by designated investment personnel.
    2. Broker investment confirmations shall be reviewed and compared to the investment tracking system by designated staff not directly supervised by investment personnel. Discrepancies shall be referred immediately to the Assistant County Treasurer, other authorized management personnel, or the County Treasurer (provided that they did not execute the transaction).

11. Safekeeping of Investments
    a. Securities purchased shall be held in the County Treasurer's name and deposited for safekeeping with the custodian bank that has contracted to provide the County Treasurer with custodial security clearance services or with a tri-party custodian bank under a written tri-party custody agreement. These third party trust department arrangements provide the County with a perfected interest in, ownership of, and control over the securities held by the custodian bank on the County's behalf, and are intended to protect the County from the bank's own creditors in the event of a bank default and filing for bankruptcy. Securities are not to be held in investment firm/broker dealer accounts.
    b. Security holdings shall be reconciled monthly by the County Treasurer and audited at least quarterly by the County's external auditors. Authorized staff, not directly supervised by investment personnel, shall compare the safekeeping statements provided by the custodian bank with the statements generated by the treasury investment management system utilized by the County Treasurer.
    c. Security transactions are to be conducted on a "delivery vs. payment basis." This ensures that securities are deposited in the County Treasurer account with the custodian bank prior to the release of funds.
    d. A list of individuals, who are authorized to handle investment transactions and wire transfers, together with their signatures, shall be provided to the custodian bank and the depository banks.
    e. Trade instructions to the custodian banks shall be made for all investment purchases or sale transactions, either by electronic transmission or facsimile.
    f. Collateralized certificates of deposits and Teeter Notes shall be safe kept in the County Treasurer's vault.

12. Competitive Bidding
    All investment transactions shall be made through the use of competitive bids whenever possible. If the solicitation of competitive bids is not feasible or practical, the reason will be stated in the transaction documentation.

13. Documentation

Procedures and forms have been created and are used which produce documentation to facilitate:

i. Clear and concise audit trails for all transactions.
ii. Strong internal controls.
iii. Evidence of the use of competitive bidding or written explanation for non-compliance to the competitive bid process.
iv. Written criteria for the selection of the investment type.

14. Terms for Combined Pool Deposits and Withdrawals

a. CGC §27133 and §27136 require the County Treasurer through this Policy to define the limits and conditions under which local agencies having their money in the Combined Pool may deposit and withdraw their funds for investment purposes. Per CGC §53607, the County Treasurer is the final authority as to how funds, which the County Treasurer is held responsible for overseeing, are to be invested. The County Treasurer shall take into account the current financial condition of the sum total of the Combined Pool's agencies, the conditions of the market place, as well as the cash flow projections and the potential for changes in the Combined Pool's cash needs. The County Treasurer shall protect the earnings of each individual local agency in the Combined Pool, and see that decisions are made that treat all Combined Pool participants in a fair and equitable manner.
b. Should a legislative body of a local agency determine that certain funds would not be required by the local agency for a period of at least one year, the local agency may petition the County Treasurer to invest that portion of the local agency's excess funds in a specific investment under the control of the County Treasurer. The County Treasurer may specify terms and conditions for such an investment.
c. Funds will be accepted at all times, in the manner prescribed, from those agencies where the County Treasurer is also the treasurer for the local agency, or from any agencies that by statute must place their money in the Combined Pool. Interest shall be earned based on the average daily balance apportioned on a quarterly basis.
d. Local agencies from outside the County may not deposit funds in the Combined Pool.
e. Funds from local agencies within the County, not required by statute to deposit their excess funds in the Combined Pool, and wishing to participate in the Combined Pool, may be accepted if the County Treasurer is assured that these funds are in lieu of longer-term investments. Such funds are subject to withdrawal restrictions for a set minimal term to be agreed upon prior to the funds being accepted into the Combined Pool, and may only be withdrawn subject to the conditions described in Section 15 below.
    i. These terms will be agreed to and contracts signed prior to any such funds being accepted into the Combined Pool.

ii. Specific investments are not normally permitted with such funds, though on a cost recovery basis and under circumstances that dictate such activity, exceptions may be permitted.

15. Withdrawal of Funds
    a. For normal operations, the Combined Pool's cash management plan provides for adequate liquidity to cover day-to-day operations of the fund's participants. The County Treasurer will consider all requests to withdraw funds for normal operations at a one-dollar net asset value. To accommodate large withdrawals that exceed those normally associated with operations, the following written notification requirements shall be followed to allow for adjustments to the liquidity position of the Combined Pool.
        i. Withdrawals of up to $1,000,000: 24 hours.
        ii. Withdrawals of up to $5,000,000: 48 hours.
        iii. Withdrawals of $5,000,001 and above: 72 hours.
    b. For investment purposes outside the Combined Pool, the County Treasurer shall provide a form to agencies requesting withdrawal of funds for investment purposes (see Appendix C). The County Treasurer expresses no opinion on the suitability of any investment contemplated in connection with withdrawals for investment purposes, and requires a resolution approving the withdrawal from the agency's governing board. Once the funds are withdrawn from the Combined Pool, the agency assumes full responsibility for its investments, and for establishing appropriate policies governing them. Each member of the governing body of the agency also assumes personal liability and responsibility for maintaining the prudent investor standard, per CGC §53600.3. The County Treasurer does not direct or set rules on such policies or the investments of these funds.

        The County Treasurer will assess the effect of a proposed withdrawal on the stability and predictability of the remaining investments in the Combined Pool, based on such factors as:
        i. Size of the withdrawal.
        ii. Size of the remaining balances of the Combined Pool and the agency requesting the withdrawal.
        iii. Adequacy of remaining balances in the Combined Pool to cover costs.
        iv. Current market conditions.
        v. Effect on predicted cash flows.
        vi. Adequate information supplied to the County Treasurer in order to make a proper finding that other Combined Pool participants will not be adversely affected. If the County Treasurer finds that a withdrawal will adversely affect other participants, the County Treasurer may approve the withdrawal if the County Treasurer and the requesting agency arrive at an agreement that will negate this effect.

16. External Oversight: County Treasury Oversight Committee (CTOC)
    a. Pursuant to CGC §27130 et seq., the County Board of Supervisors, in consultation with the County Treasurer has created a CTOC. In compliance with CGC §27132 and County Board of Supervisors Resolution 96-47, the CTOC shall consist of five members nominated by the County Treasurer and confirmed by the County Board of Supervisors. The members are:
        i. The County Auditor-Controller.
        ii. A representative appointed by the County Board of Supervisors.
        iii. The County Superintendent of Schools or his or her designee.
        iv. A representative selected by a majority of the presiding officers of the governing bodies of the school districts and community college districts in the County.
        v. One member of the public with expertise in, or academic background in, public finance.
    b. Per CGC §27133 and §27134, the CTOC shall:
        i. Review and monitor the County Treasurer's annual Investment Policy and any subsequent changes thereto, prior to its submission to the County Board of Supervisors for review and adoption.
        ii. Monitor the Combined Pool investment portfolio reports and the portfolio's compliance with law and this Policy.
        iii. Cause an annual compliance audit to be conducted on the Combined Pool, by contracting the services of the County's contracted external auditors, an independent certified public accountant separately contracted by the CTOC, or any combination thereof. Results of this audit shall be presented to the County Board of Supervisors.
    c. Nothing in this Policy shall be construed to allow the CTOC to direct individual investment decisions, select individual investment advisors, brokers or dealers, or impinge on the day-to-day operations of the County Treasury.

17. External Oversight: Quarterly Review
    a. The County's external auditors shall perform a quarterly audit of the County Treasurer's statement of assets in the County Treasury per CGC §26920. This audit shall verify that the records of the County Treasurer are reconciled and confirm compliance with federal, state, local laws and regulations, and this Policy. Exceptions shall be noted and reported to the County Treasurer and the County Board of Supervisors.
    b. The CTOC members shall be provided with the County Treasurer's Quarterly Report of Investments, for purposes of facilitating their review thereof.

18. External Oversight: Annual Review
    a. The CTOC shall cause an annual compliance audit on this Policy to be conducted per Section 16.b.iii above.
    b. Independent certified public accountants shall perform an annual audit of the books of accounts, financial records, and transactions of all offices of the County, including the County Treasurer.

c. This Policy shall be presented annually to the County Board of Supervisors for their review and approval at a public meeting.

19. Time and Place of Investing
Investing will be done on business days during the hours of 6 a.m. and 5 p.m. at the Office of the County Treasurer. The County Treasurer can make exceptions during emergencies or in the best interests of the County.

20. Employee Procedures for Reporting Violations
Violations of any laws, rules, or regulations with regard to the investment of the money on deposit in the County Treasury are to be reported to the appropriate authority. Any such reporting will not be the subject of adverse action to the employee(s) making such report. A reference list of appropriate authorities can be found in Appendix E.

21. Public Inquiry
Transactions, holdings, and activities are a matter of public record. Reports are available to the public on the County's Web site 24 hours a day, 7 days a week.

22. Disaster / Business Continuity Plan
    a. The goal of the Disaster Recovery Plan is to protect all funds deposited with the County Treasury, and allow designated personnel to perform the banking and investment functions to meet the needs of Combined Pool participants if an emergency disrupts normal operations.
    b. Each member of the investment team is provided with the Disaster Recovery Plan that includes the following information:
        i. Contact information for key personnel, authorized banks and broker/dealers.
        ii. A copy of this Policy.
        iii. The County Treasurer's written policies and procedures.
        iv. Forms and Information.
    c. Normal processes may be modified to accommodate the emergency situation. However, the investment restrictions in this Policy and the County Treasurer's written policies and procedures will be strictly followed.
    d. Emergency conditions allowing, at least two authorized members of the investment team will meet at an agreed upon location as determined by the County Treasurer.

Investments

23. Authorized Securities Brokers/Dealers and Depository Institutions
    a. The County Treasurer's intent is to enter into long-term relationships with Securities Brokers/Dealers and Depository Institutions. Therefore, the integrity of the firm and the personnel assigned to the County Treasury's account is of primary importance.
    b. Securities Brokers/Dealers must:
        i. Be designated as a "Primary Dealer" by the Federal Reserve Bank of New York, or confirm that they are a member of the Financial Industry Regulatory Authority (FINRA), registered with the Securities & Exchange Commission (SEC), and possess all other required licenses.
        ii. Ensure that the assigned staff members must complete a Brokers Agreement, which shall remain in effect until revoked, stating in writing their acceptance and understanding of this Policy.
        iii. Provide related services that will enhance the account relationship, which could include an active secondary market for its securities, internal credit research analysis on the securities offered for sale, willingness to purchase securities from the Combined Pool, capability of providing market analysis, economic projections, newsletters, or other services.
        iv. Provide the County Treasurer with annual financial statements, and demonstrate a stable financial condition.
        v. Have adequate financial strength and capital to support the level of trading that is approved. Adequate financial strength will be assessed by a review of the balance sheet and income statement of the broker/dealer.
        vi. Process all transactions on a "delivery vs. payment" basis or for repurchase agreements, on a tri-party or bi-party basis.
        vii. Have been in operation for more than five (5) years.
        viii. Deliver all securities to the County Treasurer's custodian bank. (The County Treasurer is prohibited from establishing a broker/dealer account for the purpose of holding the County's securities.)
    c. Repurchase Agreement Counterparties will be limited to either of the following:
        i. Primary government securities dealers who report daily to the Federal Reserve Bank of New York.
        ii. Banks, savings and loan associations, or diversified securities broker-dealers subject to regulation of capital standards by any State or Federal regulatory agency.
    d. CGC §27133(c) prohibits the selection of 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 County Treasurer, any member of the governing board of the County or depositing local agency, or any candidate for those offices.

e. Depository Institutions
   i. The County Treasurer shall consider and monitor the credit worthiness and approve each depository institution maintained on the authorized list which he or she determines is in the best interests of the County. For a nationally or state chartered bank, savings bank, savings association, federal association, and credit union, the County Treasurer will consider the following:
      1. Strong capitalization:
         a. Total risk-based capital ratio of at least 10%.
         b. Tier 1 risk-based capital ratio of at least 6%.
         c. Tier 1 leverage ratio of at least 5%.
         d. Not subject to directive, order, or written agreement to meet and maintain specific capital levels.
      2. Low exposure to non-performing loans: Total Asset Classification Ratio below 40%.
      3. Favorable credit ratings from nationally known ratings agencies.
      4. Consistent profitability.
      5. Meets banking requirements of the County Treasurer (i.e., electronic handling of deposits and redemption of maturing deposits).
      6. Meets other criteria deemed appropriate by the County Treasurer.
      7. Has received an overall rating of not less than “satisfactory” in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California’s communities, including low and moderate-income neighborhoods, pursuant to governmental regulations.
   ii. Depository Institutions may act as Securities Brokers/Dealers by adhering to the criteria in Section 23b.ii to b.viii above.

24. Trading and Early Sales of Securities
    Investments are to be purchased with the intent of holding the security to maturity. Trading of any security before maturity requires written authorization by the County Treasurer.

25. Authorized Investments, Limits, and Restrictions
    a. The investment of money on deposit in the County Treasury is limited to those investments specified by CGC §53601 and §53635.
    b. This Policy further restricts allowable investment types, maximum amounts, maximum ratios, and maximum maturities as outlined in the Summary of Investment Restrictions included herein.

Summary of Investment Restrictions

Source of Restrictions →	California Government Code (GC)				San Luis Obispo County Investment Policy		
Exceptions to Policy →	Exceptions Not Allowed				Written Approval of County Treasurer		
Investment Type (1)	CGC Section	% of Total Portfolio (2)	% By Issuer (2)	Max. Maturity (3)	% of Total Portfolio (2)	% By Issuer (2)	Max. Maturity (3)
U.S. Treasury Notes	53601 (b)	100%		5 years	100%		5 years
U.S. Treasury Bonds	53601 (b)	100%		5 years	100%		5 years
U.S. Treasury Bills	53601 (b)	100%		5 years	100%		5 years
Cash Management Bills	53601 (b)	100%		5 years	100%		5 years
Federal Agency or U.S. Government-Sponsored Enterprise (GSE) obligations (4)	53601 (f)	100%		5 years	25% per agency or GSE		5 years
Bankers' Acceptances – Domestic (A)	53601 (g)	40%	30%	180 days	30%	10%	180 days
Bankers' Acceptances – Foreign (A)	53601 (g)		30%	180 days	10%	4%	90 days
Commercial Paper (B)	53601 (h) & 53635 (a)	40%	10%	270 days	15%	5%	90 days
Repurchase Agreements(C)	53601 (j)	100%		1 year	15%		30 days
Pledged Funds held by a trustee or fiscal agent (D)	53601 (m)	100%		5 years	100%		5 years
State of California Local Agency Investment Fund (LAIF) (E)	16429.1	100%		N/A	20%		On Demand
Public Investment Money Market Accounts (PIMMAs)(Collateralized) (5)	53631 et seq.				50%	20%	On Demand
Federally Insured Cash Account (FICA) (6) (F)	53635.8	30%			15%		On Demand

Footnotes:
(1) See footnote at end of chart.
(2) See footnote at end of chart.
(3) See footnote at end of chart.
(4) For example, Federal Home Loan Bank, Farm Credit, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and others.
(5) PIMMAs are interest-bearing active bank accounts, which by code are considered depository accounts, not investments. However, because these accounts are part of the County's investment pool, they are treated as investments for reporting purposes only. PIMMAs are fully liquid and collateralized by eligible securities per GC §53651 et seq.
(6) Similar to CDARS, a FICA is a single large deposit distributed into individual deposits of less than $250,000 each with banks that participate in the FICA network. As a result, full FDIC insurance is maintained. FICA is a fully liquid interest-bearing bank account, which by code is considered a depository account, not an investment. However, because this account is part of the County's investment pool, it is treated as an investment for reporting purposes only.

Notable Other Restrictions:
(A) Must have the highest short-term credit rating of a NRSRO.
(B) Must be of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a Nationally Recognized Statistical Rating Organization (NRSRO). The entity that issues the commercial paper shall meet all of the conditions in either paragraph (1) or (2) of GC §53601 (h). At time of purchase, issuer must be on the "Approved Commercial Paper Issuers List" as modified and approved from time to time by the County Treasurer.
(C) Market value of securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. Maturity limitation of five years at the date of purchase does not apply to securities underlying a repurchase agreement. Other restrictions same as underlying securities. The tri-party repurchase agreement between the County Treasurer, the seller, and the custodian or the bi-party repurchase agreement between the County Treasurer and the seller, must be on file in the County Treasurer's Office before conducting repurchase transactions cvered by the agreement.
(D) May be invested per specific statutory provisions or in accordance with the ordinance, resolution, indenture, or agreement of a local agency providing for the issuance.
(E) Subject to LAIF restrictions; as of 11/16/09, limited by LAIF to a maximum of $50 million.

(Investments – Continued)

Source of Restrictions →	California Government Code (GC)				San Luis Obispo County Investment Policy		
Exceptions to Policy →	Exceptions Not Allowed				Written Approval of County Treasurer		
Investment Type (1)	CGC Section	% of Total Portfolio (2)	% By Issuer (2)	Max. Maturity (3)	% of Total Portfolio (2)	% By Issuer (2)	Max. Maturity (3)
Investments Which Must Have Specific Written Approval of the County Treasurer for Each Type of Investment							
Bonds Issued by the County of San Luis Obispo	53601 (a)			5 years	5%		1 year
Registered California State Warrants, or Treasury Notes, or Bonds	53601 (c)	100%		5 years	10%		1 year
Registered Treasury Notes, or Bonds of any of the other 49 states	53601 (d)	100%		5 years	5%		1 year
Bonds, Notes, Warrants or other evidence of indebtedness of any local agency in California	53601 (e)	100%		5 years	5%		1 year
Collateralized Certificates of Deposit (7)	53631 et seq.	30%		5 years	5%	1%	1 year
Negotiable CD (Not Collateralized)	53601 (i) 53638			5 years		1%	90 days
Certificate of Deposit Account Registry Service (CDARS) - FDIC Insured (8)(F)	53601.8 & 53635.8			5 years	15%	1%	1 year
Medium-term Notes(G)	53601 (k)	30%		5 years	15%	4%	4 years
Money Market Mutual Fund (Shares of Beneficial Interest) issued by diversified management companies	53601 (l)	20%	10%	On Demand	10%	10%	On Demand
Money Market Mutual Fund (Shares of Beneficial Interest) issued by a Joint Powers Authority	53601 (p)	100%		On Demand			
Notes, Bonds, or other obligations collateralized per GC §53651 and GC §53652	53601 (n)	100%		5 years	5%		1 year
Mortgage Passthrough Security, Collateralized Mortgage Obligations, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond (9)(H)	53601 (o)	20%		5 years	5%		1 year
Supranationals (I)	53601 (q)	30%		5 years	30%	10%	5 years

Footnotes:

(7) Collateralized to secure deposit in excess of the limit covered by FDIC.(8) Deposits placed through CDARS are distributed into individual Certificates of Deposit (CD) of less than $250,000 each that are fully FDIC insured, and placed through a network participating bank that uses the CD Account Registry Service, a private entity that assists in the placement of the individual CDs.(9) The County Treasurer may invest or direct the investment of these funds when authorized to do so by the County Administrative Officer or the County Board of Supervisors.

Notable Other Restrictions:

(F) Does not require specific written approval of the County Treasurer for each investment but is listed with collateralized CDs and negotiable CDs because it is subject to 30% percentage limit to the portfolio for all CDs.

(G) Must be issued at a fixed rate. Maturities over one year must have a minimum rating of "AA" by S&P, "Aa1" by Moody's, or "AA" by Fitch.

(H) Securities eligible for investment shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a NRSRO and rated in a rating category of "AA" or its equivalent or better by a NRSRO.

(I) Maximum remaining maturity of 5 years or less, eligible for purchase and sale within the United States, and must have a rating of "AA" or better by an NRSRO.

(Investments – Continued)

Source of Restrictions →	California Government Code (GC)				San Luis Obispo County Investment Policy		
Exceptions to Policy →	Exceptions Not Allowed				Written Approval of County Treasurer		
Investment Type (1)	CGC Section	% of Total Portfolio (2)	% By Issuer (2)	Max. Maturity (3)	% of Total Portfolio (2)	% By Issuer (2)	Max. Maturity (3)
Investments Not Allowed in the Investment Policy							
Reverse Repurchase Agreements	53601 (j)	20%		92 days			
Securities Lending Agreements	53601 (j)			92 days			

Footnotes:

(1) See appendix for definitions of investment types.

(2) Where a percentage limit is specified, that limit is applicable on the date of purchase. For purposes of limits on daily investments, the purchase is considered to be made when the deposit is made into the daily investment account, and not each individual day thereafter. Daily Investments are those where the entire balance is subject to daily withdrawal. Even though there may be no change in a daily investment's account balance, it is considered to be "renewed" daily. These investments currently include Repurchase Agreements, Public Investment Money Market Accounts, the State of California Local Agency Investment Fund, and Federally Insured Cash Accounts.

(3) Per GC §53601, the San Luis Obispo County Board of Supervisors has the authority to allow investments with maturity over five years on an exception basis.

Bank Accounts

26. Governing Code and Policy
    Bank accounts, where withdrawals can be made at any time without notice, are not covered by the investment limits and restrictions contained in this Policy, but are subject to CGC §53630, et seq. For sake of clarity and to allow a comprehensive view of the County Treasurer's Combined Pool management strategies, the following policies apply, in addition to applicable government codes, to bank deposit accounts. The County Treasurer will determine the optimal use and mix of bank accounts and investments in executing the Combined Pool's objectives of safety, liquidity, and yield, in the best interests of the County.

27. Fee Credits
    a. Based on average balances maintained, many banks offer credits against banking fees. For checking and other transactional bank accounts, which do not earn interest, the effective return offered through fee credits on average balances may at times be superior to traditional investment alternatives.
    b. The County Treasurer's policy regarding bank account balances therefore shall be to optimize those balances based on a risk-adjusted net rate of return, with fee avoidance being considered a cash return, relative to other investments.

28. Public Investment Money Market Accounts (PIMMAs)
    a. A PIMMA is a bank deposit account which is collateralized per CGC §53651 and §53652. These accounts are bank accounts by code, not investments. Nevertheless, the County Treasurer's policy shall be to treat them as investments for purposes of management, internal controls, oversight, and portfolio statistics.
    b. Unlike typical investments, funds may be withdrawn at any time without a dollar limit or penalty, but the number of withdrawals per month is usually limited.
    c. Further, any bank accepting a deposit of public funds must pledge securities as collateral pursuant to CGC §53651 and §53652 to secure the principal balance.
        i. The securities must be held in trust for safekeeping by an independent third party custodian.
        ii. The market value of the securities to be held in trust depends on the type of securities, but is typically 110% of the principal balance.
        iii. Other conditions and restrictions apply as specified by the above code sections.
    d. PIMMAs offer multiple levels of safety to protect County funds. The first level of protection is the bank's own assets and equity. However, if those were inadequate and the bank failed, then the FDIC typically orchestrates efforts to find a purchaser or other solution to make depositors whole, and if that also was inadequate, then per CGC §53665, the County Treasurer could demand the custodian to convert the pledged securities to cash for the benefit of the County.

e. Multiple levels of safety, combined with daily liquidity, makes these accounts very attractive, provided the interest rate, which varies widely from bank to bank, is acceptable.
f. Each new PIMMA deposit must be approved by the County Treasurer, and must have required documentation pursuant to US Code Title 12, §1823(e), including acknowledgment of the collateralization by a certificate of the secretary of the Board of Directors of the bank.
g. The County Treasurer's policy regarding PIMMAs shall be to use these accounts when the characteristics of safety, liquidity, and yield are favorable compared to traditional investments.

29. Federally Insured Cash Accounts (FICAs)
    a. A FICA is an interest-bearing active bank deposit per CGC §53644, not an investment. The County Treasurer's policy shall be to treat these accounts as investments for purposes of management, internal controls, oversight, and portfolio statistics.
    b. This account is similar to a Certificate of Deposit Account Registry Service (CDARS) account, where a single large deposit is placed through a pass-through bank into individual deposits of less than $250,000 each with banks that participate in the FICA network. As a result, full FDIC insurance is maintained. Unlike a CDARS account, however, the full balance may be withdrawn upon demand without a dollar limit or penalty.
    c. The County Treasurer’s policy regarding FICAs shall be to use these accounts when the characteristics of safety, liquidity, and yield are favorable compared to other investments and bank accounts.

30. Use of Local Depositories
    Where practical, reasonable efforts will be made to establish deposit accounts at local depositories headquartered within the County for the purpose of stimulating local economic growth. Preference to local depositories will not be given at the expense of meeting the objectives of this Policy.

Reports

31. Reports, Timing, and Distribution
    a. Reports shall be produced and distributed in accordance with CGC as noted below and by resolutions of the County Board of Supervisors. Additional reports may be produced at the option of the County Treasurer.
    b. A summary of all new investment purchases shall be recorded on the Treasurer's Daily Report (TDR).
    c. A quarterly Interest Letter shall be prepared summarizing interest earned and costs incurred for the quarter, and be distributed to the County Administrative Office.
    d. A Quarterly Report of Investments shall be produced no later than the 20th of the month after the end of the quarter, and be distributed to the County Board of Supervisors, the County Treasury Oversight Committee, the County Administrative Officer, and the Combined Pool participants that report to a separate board, e.g., school districts and special districts. The report shall include, but not be limited to, the following information:
        i. The type of investment, name of issuer, date of maturity, par, and dollar amount invested.
        ii. A description of any funds, investments that are under the management of contracted parties.
        iii. The market value as of the date of the report.
        iv. The weighted average maturity of investments within the County Treasury.
        v. Purchase dates and book values.
        vi. Information on separately managed funds, which are County funds outside the control of the County Treasurer.
        vii. A Dollar Factor, which can be applied to pool balances to determine market value.
        viii. A statement by the County Treasurer that the Combined Pool is in compliance with this Policy or the manner in which the Combined Pool is not in compliance.
        ix. A statement by the County Treasurer confirming the County Treasury's ability to meet its expenditure requirements for the next six months, or an explanation as to why sufficient money shall not be available.
    e. For public benefit, the Quarterly Report of Investments shall be posted on the County's Web site within 20 days following the end of the quarter.
    f. The County Treasurer may include the Quarterly Report of Investments on the Board of Supervisors agenda within 60 days following the end of the quarter covered by the report.
    g. An annual report of cash and investments with deposit and investment credit ratings shall be produced for use in the County's Comprehensive Annual Financial Report, which is audited by independent certified public accountants.
    h. When reports include market values of securities held, the source of those values shall be from any combination of the following:
        i. The custodian bank holding the securities.
        ii. Estimates of values received from broker/dealers.

iii. Internal calculations based on the current market rate for a specific instrument as identified in the County Treasurer's written policies and procedures, and adjusted for estimated spreads to that instrument.

32. Performance Measurement and Evaluation
    a. In order to evaluate the effectiveness of the County Treasurer in executing this Policy, the following benchmarks will be used:
        i. For safety, an annual rating of the Combined Pool by a Nationally Recognized Statistical Ratings Organization shall be obtained. The benchmark shall be the top rating issued by that organization. Fitch Ratings has been retained for this purpose.
        ii. For yield and liquidity, the benchmark shall be the weighted average days to maturity and the weighted average yield for the State of California Local Agency Investment Fund (LAIF).
    b. Other benchmarks as determined by the County Treasurer.

33. Quarterly Costs and Interest Income Distribution
    a. Interest is earned based on the average daily balance apportioned on a quarterly basis, after deducting costs as allowed by CGC §27013, §53684, and §27135.
    b. Combined Pool income and/or losses will be calculated using the accrual basis of accounting.
    c. Combined Pool income shall be reconciled daily against cash receipts, and quarterly prior to distribution.
    d. All moneys deposited in the Combined Pool by the participants represent an individual interest in all assets and investments in the Combined Pool based upon the amount deposited. Except for specific investments in which the interest income is to be credited directly to the fund from which the investment was made, all investment income is to be distributed pro-rata based upon each participant's average daily cash balance for the fiscal quarter.
    e. Prior to the quarterly apportionment of the Combined Pool investment income, the County Treasurer is permitted to deduct the actual cost of managing the Combined Pool. Accordingly, the County Treasurer shall deduct the actual cost incurred for banking and investment related services, including but not limited to: banking fees, custodial safekeeping charges, necessary capital outlays, the costs of investment advisory services, credit ratings, and the pro-rata annual cost of the salaries including fringe benefits for the personnel in the County Treasurer's Office engaged in the administration, investment, auditing, cashiering, accounting, reporting, remittance processing and depositing of public funds for investment, together with the related computer and office expenses associated with the performance of these functions.
    f. Administrative costs will be distributed at 50 percent against earnings of non-specific investments, with the remaining 50 percent against earnings of all investments. Banking costs will be distributed at 80 percent against earnings of non-specific investments, with the remaining 20 percent against earnings of all investments.

Appendix A - Common Credit and Debt Ratings and Definitions

Long-Term Debt and Individual Bank Ratings				
Rating Interpretation	**S&P (1)**	**Moody's(1)**	**Fitch (2)**	**Fitch Individual Bank Rating**
Best-quality grade	AAA	Aaa	AAA	A
High-quality grade	AA+ AA AA-	Aa1 Aa2 Aa3	AA+ AA AA-	A A/B B
Upper Medium Grade	A+ A A-	A1 A2 A3	A+ A A-	B B/C B/C
Medium Grade	BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-	C C/D C/D
Speculative Grade	BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-	D D D
Low Grade	B+ B B-	B1 B2 B3	B+ B B-	D/E D/E D/E
Poor Grade to Default	CCC+	Caa	CCC	D/E
In Poor Standing	CCC CCC-	- -	- -	D/E D/E
Highly Speculative Default	CC -	Ca C	CC -	D/E E
Default	- - D	- - -	DDD DD D	E E E

(1) Rating for both Long-Term Debt and Individual Banks
(2) Long-Term Debt Rating only

Short-Term Municipal Note Investment Grade Ratings			
Rating Interpretation	**S&P**	**Moody's**	**Fitch**
Superior Capacity	SP-1+/SP-1	MIG-1	F1+/F1
Strong Capacity	SP-2	MIG-2	F2
Acceptable Capacity	SP-3	MIG-3	F3

Short-Term Commercial Paper Investment Grade Ratings			
Rating Interpretation	**S&P**	**Moody's**	**Fitch**
Superior Capacity	A-1+/A-1	P-1	F1+/F1
Strong Capacity	A-2	P-2	F2
Acceptable Capacity	A-3	P-3	F3

Appendix B - Glossary of Selected Financial and Investment Terms

ACCRUED INTEREST - The amount of interest that is earned but unpaid since the last interest payment date.

AGENCIES OR FEDERAL AGENCIES – (See **GOVERNMENT-SPONSORED ENTERPRISES**)

AMORTIZATION – The repayment of a debt through regular installments of principal and interest scheduled over a period of time which is completed by maturity date.

AMORTIZATION SCHEDULE – A complete schedule which contains the periodic debt repayment dates and the total amount of payments with a breakdown of principal and interest.

ASK or ASKED PRICE or ASKING PRICE – The price a seller is willing to accept for a security, also known as the offer price. (Also see **BID**)

BANKER'S ACCEPTANCE - A time draft drawn on a bank and accepted by that bank as ultimate liability for payment. Used most often to finance import and export transactions. Bankers' acceptances are also collateralized by the underlying merchandise being contracted in the import-export transaction, i.e., a shipload of televisions from Japan, or rice from Thailand. With the credit strength of a bank behind it, the banker's acceptance usually qualifies as a money market instrument.

BASIS POINT - One hundredth of a percent. Example: 0.25% is twenty-five basis points.

BID or BID PRICE – The price a buyer is willing to pay for a security. (Also see **ASK**)

BOND - A long-term debt instrument in which the investor lends money to the bond issuer, which agrees to pay a stated rate of interest over a specified period of time at a fixed interest rate. Bonds are commonly referred to as fixed-income securities.

BOND RATING – A grade given to bonds that indicates their credit quality. Bond ratings are issued by various Nationally Recognized Statistical Rating Organizations (NRSROs) which provide their evaluations of a bond issuer's financial strength, or its ability to pay timely a bond's principal and interest.

BOOK ENTRY - The system maintained by the Federal Reserve, by which securities are delivered, electronically, to an investor's custodian bank. The Federal Reserve maintains a computerized record of the ownership of these securities and records any changes in ownership corresponding to payments made over the Federal Reserve wire system.

BOOK VALUE - The value an investor holds on their books as their invested amount in a security. This may be more or less than the current face value of the security, depending if the security was purchased at a price more or less than the face value.

(Glossary – Continued)

BROKER - A financial institution that facilitates transactions by matching up buyers and sellers. A broker does not buy securities for inventory purposes. (Also see **DEALER** and **PRIMARY DEALER**)

CALLABLE SECURITIES - A callable security is a bond, preferred stock, or debenture, which may be redeemed or "called" by the issuing company prior to its maturity. The company may have the right to redeem all or part of the debt. Usually done by the company when interest rates drop or when the company can refinance their debt at a lower interest rate.

CASH (SETTLEMENT) – Regarding the settlement date on the purchase of a security, a "cash settlement" is one where the delivery of securities and settlement of the transaction occurs on the same date that the trade is made.

CASH MANAGEMENT BILLS (CMB) - Short-term obligations of the United States Government, sold at a discount from their face value. The discount rate is determined at auction. The U.S. Treasury issues CMBs which range from as little as four days to several months. A CMB is the most flexible instrument of the U.S. Treasury because this can be issued on an as-needed basis to meet temporary shortfalls, in contrast to a regular schedule that the Treasury follows for issuing its other bills and notes. CMBs tend to pay higher yields than bills issued on a regular schedule.

CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SERVICE (CDARS) - CDARS is a service operated by Promontory Financial Network, an independent private sector company. About 3,000 banks participate in the CDARS network. After a deposit for investment is made with one participating network bank, that bank uses the CDARS service to distribute those funds into individual CDs issued by other members of the CDARS Network. Each such CD is issued in an amount below the standard FDIC insurance maximum ($250,000) so that both principal and interest are eligible for FDIC insurance. The original bank or institution receiving the deposit provides a single statement and reporting to the depositor. The actual CDs are held by a separate custodian bank for safekeeping. More information can be found at www.cdars.com.

CERTIFICATE OF DEPOSIT (CD) - A deposit of funds at a bank for a specified period of time that earns interest at a specified rate. Commonly known as "CD." Institutional CDs are usually issued in denominations of $100,000 or more. Maturities range from a few weeks to several years. Interest rates are set by competitive forces in the market place. (Also see **NEGOTIABLE CERTIFICATES OF DEPOSIT**)

COLLATERAL - Assets or securities which are used to secure a loan or deposit. In the event of default, the lender or depositor assumes ownership of the asset or securities. When securities are used as collateral for government deposits, they must comply with California law.

COLLATERALIZED DEBT OBLIGATIONS OR CDOs – Investment grade securities backed by a pool of bonds, loans, and other assets. CDOs do not specialize in one type of debt but are often non-mortgage loans or bonds. CDOs have a similar structure to collateralized mortgage obligations but are unique in that they represent different types of debt and credit risk. These different types of debt are often referred to as "tranches" or "slices". Each slice has a different maturity and risk associated with it. The higher the risk, the more the CDO pays.

COLLATERALIZED MORTGAGE OBLIGATIONS OR CMOs - Debt obligations issued by a special purpose entity that are collateralized by and payments linked to a pool of mortgages or mortgage backed securities. The special purpose entity (usually a trust) is set up by the sponsor who owns the loans. A different entity purchases a group of mortgages using the proceeds of an offering of securities collateralized by the mortgage (CMOs). The trustee (the issuer) uses the underlying cash flows or the collateral to fund the debt service on the CMOs. The CMOs are priced based on their own maturity and rate of return rather than that of the underlying mortgages.

COMBINED POOL - The County maintains a combined pool with cash and investments which provide cash flow for the funding needs of the participants. Participants include County departments, agencies, schools, and special districts. The combined pool is managed by the San Luis Obispo County Treasurer. The combined pool portfolio is carried at amortized cost and includes accrued interest. By pooling their funds, participants benefit from lower management and investment costs.

COMMERCIAL PAPER - Short-term unsecured obligations with maturities ranging from 2 to 270 days issued by banks, corporations, and other borrowers to investors with idle cash. Such instruments are usually discounted, although some are interest bearing. It is issued only by top rated companies and is nearly always backed by bank lines of credit. Ratings are assigned by a Nationally Recognized Statistical Rating Organization (NRSRO).

CONFIRMATION - Formal memorandum from a broker/dealer to the County Treasury giving the details of a securities transaction, i.e., purchase or sale. The confirmation is compared to the investment tracking system by authorized staff not directly supervised by investment personnel. Discrepancies shall be referred immediately to the Assistant Treasurer, other authorized management personnel, or the County Treasurer (provided that they did not execute the transaction). (See **DISCREPANCY**)

COUNTERPARTY – The other party that participates in a financial transaction. For example, a buyer of a security must be paired up with a seller that is willing to sell and vice versa.

COUPON OR COUPON RATE - The stated rate of interest on a bond. Stated as a percentage of par (face value). For example, a $1 million bond with a 6% coupon rate pays $60,000 interest annually. Treasury bond coupons are usually set to pay every six (6) months, so in this case, there would be two (2) coupons per year, each of which is $30,000 interest payment.

(Glossary – Continued)

CREDIT RISK – The risk that an issuer or other counterparty to an investment will not fulfill its obligation.

DEALER - A financial institution that participates in the financial markets by taking securities (usually in extremely large volumes) into inventory from which they are later sold. (Also see **BROKER** and **PRIMARY DEALER**)

DEFAULT - The failure to pay debt obligations as agreed in the terms of the debt.

DELIVERY VS. PAYMENT (DVP) - Refers to the practice of using an escrow procedure to process a transaction through a third-party safekeeper. This practice ensures that the transaction settles after the transaction terms and conditions of the parties involved have been met. In other words, payment will not be forwarded to the seller until securities have been delivered and vice versa.

DERIVATIVE - An investment whose characteristics and value are based on the performance of an underlying financial asset, index, or other investment. Derivatives include inverse floaters, range notes, or mortgage derived, interest-only strips and any security that could result in zero interest if held to maturity.

DISCOUNT – When a security is sold for less than its par or face value, it is said to be sold at a discount. The discount is simply the difference between the price paid and the par or face value. For example, if an investment with a par value of $1,000,000 is selling for $998,000, it is selling at a discount of $2,000.

DISCREPANCY – Regarding the purchase of a security, a difference or variance from what is expected or stated. Any of the following discrepancies found in the County Treasury investment confirmation process are referred immediately to the Assistant County Treasurer, other authorized management personnel, or the County Treasurer (provided that they did not execute the transaction). (See **CONFIRMATION**)

A. Description of a security
B. Broker information
C. Purchase or maturity date
D. Full value of a security
E. Purchase price
F. Interest amount
G. Confirmation not received within ten (10) business days

DIVERSIFICATION - The spreading of risk by investing in a variety of securities offering independent returns.

FACE VALUE – The amount the issuer agrees to pay upon maturity. The same as par value or maturity value.

FED WIRE SYSTEM - The national banks system for moving money and securities.

FEDERAL AGRICULTURAL MORTGAGE CORPORATION (Farmer Mac) - A government-sponsored enterprise which is stockholder-owned, publicly-traded company that was chartered by the United States Federal Government in 1988 to serve as a secondary market in agricultural loans such as mortgages for agricultural real estate and rural housing.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC) - A federal agency created by Congress in 1933 to maintain stability and public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions, examining and supervising financial institutions for safety and soundness and consumer protection, and managing receiverships. The current standard insurance amount is $250,000 per depositor, per insured bank, for each account ownership category.

FEDERAL FARM CREDIT SYSTEM (Farm Cr) - The oldest government-sponsored enterprise created by Congress in 1916, this nationwide system of banks and associations provides mortgage loans, credit and related services to farmers, rural homeowners, and agricultural and rural cooperatives. The banks and associations are cooperatively owned, directly or indirectly, by their respective borrowers. Currently, there are four (4) Farm Credit Banks and one (1) Agricultural Credit Bank which provide funds and support services to approximately 94 locally owned Farm Credit Associations and numerous cooperatives nationwide. Farm Credit Banks Consolidated Systemwide Debt Securities are issued through the Farm Credit Banks Funding Corporation. Both discount notes and bonds are issued.

FEDERAL HOME LOAN BANK (FHLB) - A government-sponsored enterprise which consists of a system of 12 regional banks, created in 1932, which are owned by private member institutions and regulated by the Federal Housing Finance Board (FHFB). Functioning as a credit reserve system, they facilitate extension of credit through owner-members in order to provide access to housing and to improve the quality of communities. On July 30, 2008, the Housing and Economic Recovery Act of 2008 became law which replaced the FHFB with the Federal Housing Finance Agency (FHFA) as the FHLB's regulator. Both discount notes and bonds are issued.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC or Freddie Mac) - A government-sponsored enterprise which is stockholder-owned, publicly-traded company established by Congress in 1970 to provide a continuous flow of funds to mortgage lenders, through developing and maintaining an active nationwide secondary market in conventional residential mortgages to provide opportunities for homeownership and affordable rental housing across the nation. On September 6, 2008, the Director of the Federal Housing Finance Agency (FHFA) appointed the FHFA as the conservator of Freddie Mac. Both discount notes and bonds are issued.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae) - A government-sponsored enterprise which is stockholder-owned, publicly traded company established as a federal agency in 1938 and chartered by Congress in 1968 to promote a secondary market for conventional, Federal Housing Administration, and Veterans

Administration single and multi-family mortgages. On September 6, 2008, the Director of the Federal Housing Finance Agency (FHFA) appointed FHFA as the conservator of Fannie Mae. Both discount notes and bonds are issued.

FEDERAL RESERVE (BANK) SYSTEM - System established by the Federal Reserve Act of 1913 to regulate the U.S. monetary and banking system. It is the central bank of the United States which is composed of a central governmental agency in Washington, D.C. (the Board of Governors) and 12 regional Federal Reserve Banks in major cities throughout the United States.

FEDERALLY INSURED CASH ACCOUNT (FICA) – The FICA Program is managed by StoneCastle, Cash Management, LLC, an asset management and financial services company. A FICA is an interest-bearing bank deposit, and per CGC §53644, is not an investment. This account is similar to a Certificate of Deposit Account Registry Service (CDARS) account, where a single large deposit is placed through a pass-through bank into individual deposits of less than $250,000 each, with banks that participate in the FICA network. As a result, full FDIC insurance is maintained. Unlike a CDARS account, however, the full balance may be withdrawn upon demand without a dollar limit or penalty.

FINANCIAL INSTITUTION - An institution with which the County Treasurer engages to purchase or sell securities.

FITCH, INC. (FITCH) - One of the NRSROs utilized by the County Treasurer in determining eligibility for securities purchases. (Also see **NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION**)

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae) - A wholly owned corporation within the United States Department of Housing and Urban Development, and created by the United States Federal Government through a 1968 partition of the Federal National Mortgage Association to provide financial assistance to low to moderate income homebuyers, by promoting mortgage credit. GNMA issues long-term debt backed by mortgages with repayment guaranteed by the U.S. Government.

GOVERNMENT-SPONSORED ENTERPRISES (GSE) - A general term for several privately owned, publicly chartered agencies created to reduce borrowing costs for certain sectors of the economy such as agriculture and home finance. The GSEs that issue debt instruments include Federal Home Loan Banks, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Farm Credit System, and Federal Agricultural Mortgage Corporation.

INFORMAL COMPETITIVE BID - A verbal or written bid submitted to the County Treasury by a broker/dealer for a specific security issue at a specific price or yield.

INTEREST - The amount earned while owning a debt security or interest-bearing active deposit account, generally calculated as a percentage of the principal.

(Glossary – Continued)

INVERTED OR NEGATIVE YIELD CURVE - A normal yield curve occurs when where progressively long-term securities offer higher yields. When long-term securities offer lower yields than short-term securities, the yield curve is said to be inverted or negative. An inverted yield curve may predict economic recession.

INVESTMENT GRADE - A rating that indicates that a corporate or municipal bond has a relatively low risk of default. Investment grade usually includes only the top three rating categories of the nationally recognized statistical rating organizations.

ISSUER - Legal entity that has the power to issue and distribute a security. Issuers include corporations, municipalities, foreign and domestic governments and their agencies, and investment trusts.

LETTER OF CREDIT - An instrument issued by a bank guaranteeing the payment of a customer's obligations up to a stated amount for a stated period of time. These instruments are widely used in the financing of international trade.

LIQUIDITY - For an entity, its cash and marketable security position with respect to its short-term debt obligations. For an individual asset, the ability to sell the asset at a reasonable price on short notice. It is also the ability to meet cash requirements by structuring the portfolio so that maturities meet anticipated cash flow needs as well as unanticipated cash flow needs by including marketable securities in the portfolio.

LOCAL AGENCY – A county, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

LONDON INTERBANK OFFERING RATE (LIBOR) - The rate of interest that the most creditworthy international banks dealing in the London interbank market charge each other for large loans.

MARKET VALUE - The price at which a security is trading and could presumably be purchased or sold.

MARKETABLE SECURITIES - Marketable securities are securities that are easily sold. They are assets that can be readily converted into cash, i.e., Treasuries, Agencies, Bankers' Acceptances, and Commercial Paper.

MATURITY DATE - The date on which the issuer or borrower repays the principal in total. Either paid in a lump sum at the maturity date or the final payment date on amortized debt.

MEDIUM-TERM NOTES (MTNs) – Corporate notes usually with maturities from five (5) to ten (10) years and are offered by a company through a dealer. This type of debt program is used by a company to tailor its debt issuance to meet its financing needs. MTNs can be issued on a fixed or floating rate basis.

MOODY'S INVESTORS SERVICE, INC. (MOODY'S) - One of the NRSROs utilized by the County Treasurer in determining eligibility for securities purchases. (Also see **NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION**)

MONEY MARKET MUTUAL FUNDS - An investment fund that holds the objective to earn interest for shareholders while maintaining a net asset value of $1 per share. Mutual funds, brokerage firms, and banks offer these funds. Portfolios are comprised of short-term (less than one year) securities representing high quality, liquid debt, and monetary instruments.

MORTGAGE BACKED SECURITIES (MBS) – Are debt obligations that represent claims to the cash flows from pools of mortgage loans, most commonly on residential property. Mortgage loans are purchased from banks, mortgage companies, and other originators and then assembled into pools by a governmental, quasi-governmental, or private entity. The entity then issues securities that represent claims on the principal and interest payments made by borrowers on the loans in the pool. Most MBS are issued by the GNMA, FNMA, and FHLMC. GNMA, backed by the full faith and credit of the U.S. government, guarantees that investors receive timely payments. FNMA and FHLMC also provide certain guarantees and, while not backed by the full faith and credit of the U.S. government, have special authority to borrow from the U.S. Treasury. Some private institutions, such as brokerage firms, banks, and homebuilders, also securitize mortgages, known as “private label” mortgage securities.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO) - Rating agencies whose credit ratings are used under the Security and Exchange Commission’s regulations. There are currently ten (10) officially designated NRSROs: A.M. Best Company, Inc., Dominion Bond Rating Service, Ltd., Egan-Jones Rating Company, Fitch Ratings, Japan Credit Rating Agency, Ltd., Kroll Bond Rating Agency, Inc., Moody’s Investor Service, Morning Star, Inc., Rating and Investment Information, Inc., and Standard & Poor’s Ratings Services.

NEGOTIABLE CERTIFICATE OF DEPOSIT (NCD) - A large dollar amount short-term certificate of deposit with a fixed amount of interest. NCDs are issued by large banks and bought mainly by corporations and institutional investors. They are payable either to the bearer or to the order of the depositor, and, being negotiable, they enjoy an active secondary market, but cannot be cashed-in before maturity. Although NCDs can be issued in any denomination from $100,000 up, the typical amount is $1 million and frequently in round lots of $5 million. They trade at a discount to the face value which is repaid on maturity. Maturities vary from 14 days to 12 months. (Also see **CERTIFICATE OF DEPOSIT**)

NON-STATUTORY DEPOSITOR - A depositor who is not mandated or legally required to deposit their funds in the County Treasury.

NORTH ARKANSAS V. BARRETT CASE - In April 1992, the U.S. Court of Appeals for the Eighth Circuit handed down its decision in North Arkansas Medical Center v. Barrett. The court’s decision focused on the provisions of the Financial Institutions Reform, Recovery

and Enforcement Act of 1989, particularly Section 1823(e) of Title 12 of the U.S. Code, specifying that a valid security agreement 1) is in writing, 2) executed by the depository institution and the entity making the claim contemporaneously with the acquisition of the asset, 3) is approved by the board of directors or loan committee of the institution and reflected in the minutes of that group, and 4) has been an official record of the institution continuously from the time of its execution. These requirements must be satisfied if an asset acquired by the receiver of a failed institution is to be subject to the claims of a depositor based on a security interest. The court held that the statutory requirements were not met because the pertinent documents were not executed contemporaneously with the acquisition by the financial institution of the assets and there was no evidence that any security agreement regarding these assets had been approved by the financial institution's directors or loan committee.

PAR VALUE - The same as face value or maturity value.

PUBLIC INVESTMENT MONEY MARKET ACCOUNT (PIMMA) – A PIMMA is a bank deposit which is collateralized per CGC §53651 and §53652. These accounts are bank accounts, not investments. Unlike typical investments, funds may be withdrawn at any time without a dollar limit or penalty, but the number of withdrawals per month is usually limited. PIMMAs offer multiple levels of safety to protect County funds. The first level of protection is the bank's asets and equity. The other protection is the pledged securities that the County Treasurer could demand the custodian to convert to cash in the event of a bank failure where the FDIC is not able to orchestrate a purchase or other solutions to make depositors whole. Each new PIMMA deposit must be approved by the County Treasurer and must have the required documentation pursuant to US Code Title 12, Section 1823 (e), including acknowledgment of the collateralization by a certificate of the secretary of the Board of Directors of the bank.

PORTFOLIO - A group of securities held by an investor.

POSITIVE OR NORMAL YIELD CURVE - A yield curve in which short-term interest rates are lower than long-term interest rates. This is the prevailing case most of the time. Changes in the yield curve can be used to interpret market and economic conditions.

PREMIUM – When a security is sold for greater than its par or face value, it is said to be sold at a premium. The premium is simply the difference between the price paid and the par or face value. For example, if an investment with a par value of $1,000,000 is selling for $1,002,000, it is selling at a premium of $2,000. (Also see **DISCOUNT**)

PRIMARY DEALER - Financial institutions so designated by the New York Federal Reserve Bank. Primary dealers must undergo rigorous financial and ethical examination by the New York Federal Reserve Bank to obtain and maintain primary dealership status. They are also expected to provide a market for U.S. Treasury securities and to participate in the Federal Reserves periodic auction of new issue Treasury securities. The Federal Reserve's purpose in establishing a network of primary dealers is to ensure the efficient and sound

marketability of U.S. Treasury securities. Primary dealers include Securities and Exchange Commission registered securities broker/dealers and banks.

PRINCIPAL - The face or par amount of a security not taking into account discounts or premiums. The unpaid amount remaining on amortized debt.

RECEIVABLE-BACKED SECURITIES - Securities collateralized with consumer receivables, which are owned by the issuer, but placed with a trustee for the benefit of the investor.

RECEIVABLE PASSTHROUGH CERTIFICATE - A debt obligation that is backed by a portfolio of receivables, normally issued by a bank or financial institution.

REGISTERED STATE WARRANT - A short-term obligation of a state governmental body issued in anticipation of revenue.

REPURCHASE AGREEMENT/TRI-PARTY, OR BI-PARTY - An agreement between a seller and a buyer, usually of government securities, whereby the seller agrees to repurchase the securities at an agreed upon price at a stated time. A TRI-PARTY repurchase agreement is where the purchased securities are held in safekeeping with a custodian other than the seller or the buyer. A BI-PARTY repurchase agreement is one where the purchased securities are in safekeeping with the seller.

RETURN ON AVERAGE ASSETS (ROAA) - ROAA is a measure of profits relative to size that is commonly used in analyzing banks and financial companies. It is calculated by dividing net income by average assets.

REVENUE ANTICIPATION NOTES (RAN) - Notes issued for 13 months or less which are used to finance cash flow in anticipation of future tax revenue. Used by agencies having cash flow gaps between revenues and expenses that require short-term interim financing. (Also see Tax Anticipation Notes and Tax and Revenue Anticipation Notes).

REVERSE REPURCHASE AGREEMENT - 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.

RISK-ADJUSTED ASSETS - The assets shown in the balance sheet of a bank that have had a risk weighting (percentage weight) applied to them.

RULE G-37 OF THE MUNICIPAL SECURITIES RULEMAKING BOARD - Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

SAFEKEEPING – Storage and protection of securities provided as a service by an institution serving as custodian where securities are held and registered in the client's name.

(Glossary – Continued)

SECURITIES AND EXCHANGE COMMISSION (SEC) - Federal agency created by Congress in 1934 to protect investors in securities transactions by administering securities acts. The statutes administered by the SEC are designed to promote full public disclosure and protect the investing public against malpractice in the securities market.

SECURITIES LENDING AGREEMENT - An agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.

SETTLEMENT DATE - The date on which a securities transaction will occur and ownership legally changes. (Also see **TRADE DATE**)

SUPRANATIONALS – Banks which function as international development institutions, that provide financing, advisory services, and/or other financial services to their member countries to achieve the overall goal of improving living standards through sustainable economic growth. Three such banks are authorized by California Government Code as allowable investments: the International Bank for Reconstruction and Development, International Finance Corporation, and the Inter-American Development Bank. Investment instruments issued by these institutions are guaranteed by member countries. These banks were established by international treaties known as Articles of Agreement ("the Articles"). The Articles were incorporated into U.S. federal law by Congressional Act which authorized the United States' membership and participation in the institutions. The U.S. Secretary of the Treasury sits on the Board of Governors of each of these institutions. In addition, the U.S. government is the largest shareholder of each. California Government Code mandates that investments in Supranationals must be United States dollar denominated, rated "AA" or better by an NRSRO, have a maximum remaining maturity of five years or less, and be eligible for purchase and sale within the United States.

STANDARD AND POOR'S RATINGS SERVICES - One of the NRSROs utilized by the County Treasurer in determining eligibility for securities purchases. (Also see **NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION)**

STATUTORY DEPOSITOR – A depositor whose funds are mandated by state statute or other legal requirement to be deposited into the County Treasury.

TAX ANTICIPATION NOTES (TAN) - Notes issued for 13 months or less which are used to finance cash flow in anticipation of future tax revenue. Commonly used by California local governments whose primary revenues are property taxes that are collected in December and April. (Also see Revenue Anticipation Notes and Tax and Revenue Anticipation Notes).

TAX AND REVENUE ANTICIPATION NOTES (TRAN) - Notes issued for 13 months or less. They are a combination of Tax Anticipation Notes and Revenue Anticipation Notes. (Also see Revenue Anticipation Notes and Tax Anticipation Notes).

(Glossary – Continued)

TIER 1 CAPITAL – For a bank, this consists of common stock, non-redeemable non-cumulative preferred stock, and disclosed reserves or retained earnings.

TIER 2 CAPITAL – For a bank, this consists of supplementary capital categorized as undisclosed reserves, revaluation reserves, general provisions, hybrid instruments, subordinated debt, and loan loss reserves.

TIER 1 LEVERAGE RATIO - It is calculated by dividing Tier 1 Capital by its average total consolidated assets.

TIER 1 RISK-BASED CAPITAL RATIO - A core measure of a bank's financial strength. It is also seen as a metric of a bank's ability to sustain future losses. It is calculated by dividing the bank's equity by its total risk-adjusted assets.

TOTAL ASSET CLASSIFICATION RATIO - This measures the volume of classified assets of the bank relative to the "cushion" of capital that may be used to absorb inherent losses in classified assets. Values for this ratio above 40 to 50 percent often represent less than satisfactory asset quality. It is calculated by dividing Total Adversely Classified Assets (substandard assets, doubtful assets, loss assets) by the total of Tier 1 Capital and Allowance for Loans and Leases Losses.

TOTAL RISK-BASED CAPITAL RATIO - A measure of a bank's financial strength, taking into account capital reserves for loans, investments, and certain other items not on the balance sheet. It is calculated by dividing the total of Tier 1 Capital and Tier 2 Capital by risk-adjusted assets.

TRADE DATE - The date that the terms of a securities transaction are agreed upon, including the settlement date. (Also see **SETTLEMENT DATE**)

TREASURER'S DAILY REPORT (TDR) - A report prepared daily by the County Treasury cashier summarizing the day's receipts and disbursements, investment activity, and cash. Month-to-date totals are also reported for receipts and disbursements. The TDR is submitted daily to the County Auditor-Controller.

TREASURY BILL (T-BILL) - Short-term debt obligations of the United States Government, sold at a discount from their face value. They are issued through a competitive bidding process at auctions. The discount rate is determined at auction. The U.S. Treasury issues these bills for terms of 4, 13, 26, and 52 weeks.

TREASURY BONDS - Long-term debt obligations of the United States Government. They are issued through a competitive bidding process at auctions. Treasury bonds earn a fixed rate of interest every six (6) months until maturity and are issued in a term of 30 years.

(Glossary – Continued)

TREASURY INVESTMENT MANAGEMENT SYSTEM - A database portfolio management system being used by the San Luis Obispo County Treasury that tracks investments and interest-bearing bank accounts in the Combined Pool.

TREASURY NOTES (T-NOTES) - Intermediate-term debt obligations of the United States Government. They are issued through a competitive bidding process at auctions. Treasury Notes earn a fixed rate of interest every six (6) months until maturity and are issued in terms of 2, 3, 5, 7, and 10 years.

Appendix C – Request for Withdrawal from Treasury Pool

James P. Erb, CPA
San Luis Obispo County Treasurer
D-290 County Government Center, San Luis Obispo, CA 93408
Telephone Number (805) 781-5842
Fax Number (805) 781-1079

REQUEST FOR WITHDRAWAL FROM TREASURY POOL

Request Date:	Requested Withdrawal Date:

Agency/District:

Fund Number:	Fund Name:

Contact Name:	Contact Phone Number:

Comments:

Procedure: Submit request to County Treasurer:
- amount under $5 million, 10 calendar days prior to withdraw date
- amount $5 million and over, 20 calendar days prior to withdraw date

Request must be accompanied by a copy of a resolution from the Trustees, the language of which is approved by the County Treasurer, directing the investment or authorizing an individual to act on behalf of the Trustees.

If the withdrawal from the Treasury Pool is for investment purposes, the San Luis Obispo County Treasurer expresses no opinion on the suitability of any investments contemplated.

Agency/District Authorized Signature:_____

Treasurer's Use Only	
Date Received:	Request Approved❑ Request Denied❑
Time Received:	Date Processed:
Received by:	Authorized Signature:
Comments:	

SAMPLE

Appendix D – Resolution Authorizing Withdrawal of Funds

_____(NAME OF AGENCY)
RESOLUTION NO. _____
RESOLUTION AUTHORIZING WITHDRAWAL OF FUNDS
BY THE _____(NAME OF AGENCY)
FROM THE COUNTY OF SAN LUIS OBISPO TREASURY COMBINED POOL
FOR INVESTMENT PURPOSES

The following resolution is hereby offered and read:

WHEREAS, the _____(Name of Agency) has maintained its funds in the County of San Luis Obispo Treasury Combined Pool (Combined Pool); and

WHEREAS, pursuant to California Government Code (CGC) §27136, any local agency, public agency, public entity, or public official that has funds on deposit in the Combined Pool, and that seeks to withdraw funds for the purpose of investing or depositing those funds outside the Combined Pool, shall first submit the request for withdrawal to the County Treasurer before withdrawing funds from the Combined Pool; and

WHEREAS, the County Treasurer shall evaluate each proposed withdrawal for its consistency with the criteria adopted pursuant to subdivision (h) of CGC §27133, which includes an assessment of the effect of a proposed withdrawal on the stability and predictability of the investments in the Combined Pool; and

WHEREAS, the _____(Agency's Board of Directors or Board of Trustees) certifies that it wishes to withdraw the _____ (Name of Agency) funds for investment purposes; and

WHEREAS, upon the withdrawal of funds from the Combined Pool for the purpose of investing or depositing outside of the Combined Pool, each member of the Board of Directors or Board of Trustees, or the authorized persons making investment decisions on behalf of the_____(Name of Agency), are trustees and therefore fiduciaries, and are personally liable and responsible for adhering to the prudent investor standard per CGC §53600.3:

"When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, 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;" and

WHEREAS, pursuant to CGC §53646 (a)(2), the treasurer or chief fiscal officer of the _____(Name of the Agency) shall annually render to the _____(Agency's Board of Directors or Board of Trustees) and any oversight committee, a statement of investment policy, which the _____ (Agency's Board of Directors or Board of Trustees) shall review and approve at a public meeting. Any change in the investment policy shall also be considered by the (Agency's Board of Directors or Board of Trustees) at a public meeting pursuant to this section.

NOW, THEREFORE, BE IT RESOLVED, that the _____ (Agency's Board of Directors or Board of Trustees) approves the withdrawal of funds from the Combined Pool for investment purposes.

BE IT FURTHER RESOLVED THAT, _____(Designated Agency Officer) is authorized to order the withdrawal of funds from the Combined Pool.

Upon motion of _____, seconded by _____, and on the following roll call vote to wit:
AYES:
NOES:
ABSENT:
ABSTAINING:
the foregoing resolution is hereby adopted this _____day of _____20__.

_____
(President/Chairperson)

ATTEST:
_____
(Secretary/Clerk)
APPROVED AS TO FORM AND LEGAL EFFECT:
By: _____
(Counsel)
Date: _____

SAMPLE

Appendix E - Contact Information for Reporting Violations

Violations of this Policy should first be reported to the Department Head, unless he or she is involved.

Procedural violations should be reported to:

County Administrative Officer
1055 Monterey St, Suite D-430
San Luis Obispo, CA 93408
(805) 781-5011.

Criminal violations should be reported to:

San Luis Obispo County District Attorney
1035 Palm St.
San Luis Obispo, CA 93408
(805) 781-5800.

San Luis Obispo Police Department
1042 Walnut St.
San Luis Obispo, CA 93401
(805) 781-7317

COUNTY OF
ALCALDES
1850
NOT FOR OURSELVES ALONE
SAN LUIS OBISPO. CALIFORNIA