



August 14, 2020

**TO:** CADA Board of Directors

**SUBJECT:** **August 21, 2020, Board Meeting**  
**AGENDA ITEM 5**

**ANNUAL AFFIRMATION OF DELEGATION OF INVESTMENT AUTHORITY  
TO THE CITY TREASURER**

**CONTACT:** Noelle Mussen, Finance Director

### **RECOMMENDED ACTION:**

Staff recommends the Board adopt a resolution delegating CADA's investment authority to the City Treasurer for one year.

### **BACKGROUND**

At the May 1999 Board Meeting, the Board adopted Resolution No. 99-13 which establishes the procedure to be followed to ensure compliance with the requirements of California Government Code Chapter 749, Statutes of 1996 and Chapter 783, Statutes of 1995. This procedure calls for the Board Secretary to include the annual affirmation of the delegation of CADA's investment authority to the City Treasurer as a standing agenda item for each August Board Meeting. August was selected as the month to annually affirm this delegation because the investment activity report for the period ending June 30<sup>th</sup> (the end of CADA's fiscal year) would be available to the Board for its review.

An Investment Officer from the City of Sacramento will provide a presentation on the City's investment practices at the Board Meeting.

### **POLICY ISSUES**

Section 10(b) of CADA's Joint Powers Agreement designates that the City Treasurer shall serve as CADA's Treasurer. In accordance with that direction, the City Treasurer has performed these services since CADA's creation in July 1978.

Under State legislation enacted in 1995/1996, actions required of a Treasurer and the governing board it serves are as follows:

#### *Governing Board -*

- Shall annually consider the Treasurer's investment policies and any proposed change or revision.
- Shall annually delegate authority to the Treasurer to invest or reinvest agency funds and to sell or exchange securities purchased for a period of one year. Said responsibility shall continue until revoked or a one-year period expires.

*Treasurer -*

- Shall submit a monthly/quarterly investment report of transactions to the Governing Board.

Each August, after review of the City Treasurer's investment policies and any proposed changes and revisions, the CADA Board reaffirms the delegation of investment authority to the City Treasurer until it is revoked or a one-year period expires. Because the one-year period of investment authority awarded at last year's August meeting will expire on August 31, 2020, action at the August 21, 2020 meeting is required.

The resolution proposed for action at this meeting also requires the City Treasurer to provide CADA evidence of City Council approval of any investment deviations from California Government Code Sections 53600.5 and 53601 prior to the purchase of such investments. Attached for Board information is the current Investment Policy of the City of Sacramento and the Allowable Investments for Local Agencies (**Attachments 1 & 3**). The current investment policy was adopted by the City Council was approved by the City Council at its July 28<sup>th</sup> meeting. Staff was informed by the City Treasurer's Office that there were no changes to this policy from the last policy change done intra-year in April 2020, which allowed more funds to local community investments if needed during at the beginning of the pandemic shutdown. The Treasurer's Office has also advised that there have been no investment deviations from the above-referenced sections of the California Government Code or changes to the City's investment policy.

### **FISCAL IMPACT**

Schedule permitting, CADA's Finance Director attends each quarterly Investment Committee meeting held by the City Treasurer. At these meetings the activity for the various investment pools managed by the Treasurer is reviewed. CADA's participation in the City Treasurer's investments is limited to City Investment Pool A. As noted in the Investment Activity Report for the period ending June 30, 2020 (**Attachment 2**), Pool A's market value was \$1,518,399,810. CADA's participation in this fund includes \$20,520,237 of General Operation investment; \$38,641 of Tax Exempt bond proceeds; and \$263,427 of Taxable bond proceeds, for a total of ~.0137% of the pool.

Monthly Investment Activity Reports for Pool A are transmitted to the Board as part of each Board package. Interest earnings are credited to CADA's account on a monthly basis. For the procurement of the City Treasurer's services, the City bills CADA a nominal fee of 2% of the average quarterly balance each quarter.

### **STRATEGIC PLAN**

By ensuring that CADA's invested funds are prudently managed consistent with a Board-adopted investment policy, the proposed action addresses CADA's Strategic Plan Goal to "maintain fiscal responsibility."

### **ENVIRONMENTAL REVIEW**

Not applicable.

### **CONTRACT AWARD CONSIDERATIONS**

Not applicable.

Attachments:

1. City of Sacramento Investment Policy
2. June 2020 Investment Activity Report
3. Allowable Investments for Local Agencies

**RESOLUTION NO. 2020-0236**

Adopted by the Sacramento City Council

July 28, 2020

**Resolution Approving the Investment Policy Governing the Investment of City's Pooled Treasury Funds and Delegating Investment Authority to the City Treasurer****BACKGROUND**

- A. Sound investment practices are facilitated by the preparation of written governing policy statements. Such policies should cover all substantive aspects of the investment of funds. The City Treasurer has prepared a comprehensive Investment Policy document pursuant to which the City, acting through his office, will manage and conduct investment of the City's pooled treasury funds. The Investment Policy is attached hereto as Exhibit A.
- B. In furtherance of the prudent management of the City's treasury pools, the Investment Policy is in compliance with State law provisions establishing investment objectives and setting forth permissible investment of public funds not required for immediate expenditure.
- C. Section 73 of the Sacramento City Charter vests the City Treasurer with authority to deposit and invest funds of the City treasury, subject to the annual delegation of investment authority from the City Council to the City Treasurer pursuant to state law.
- D. The delegation of investment authority and responsibility from the City Council to the City Treasurer will allow the City Treasurer and his staff to continue the prudent investment of the City's pooled treasury funds and the effective and efficient support of the City's efforts to meet its cash flow needs.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

- Section 1. The Investment Policy submitted by the City Treasurer, attached hereto as Exhibit A, is hereby approved.
- Section 2. The City Council, pursuant to Government Code section 53607, delegates to the City Treasurer for a period of twelve (12) months the authority to invest the City's pooled treasury funds in accordance with the Investment Policy.

Section 3. Exhibit A is part of this resolution.

**Table of Contents:**

Exhibit A – City of Sacramento Investment Policy

Adopted by the City of Sacramento City Council on July 28, 2020, by the following vote:

Ayes: Members Ashby, Carr, Guerra, Hansen, Harris, Jennings, Schenirer, Warren and Mayor Steinberg

Noes: None

Abstain: None

Absent: None

Attest: **Mindy Cuppy** Digitally signed by Mindy Cuppy  
Date: 2020.07.31 12:59:28 -07'00'  

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Mindy Cuppy, City Clerk

*The presence of an electronic signature certifies that the foregoing is a true and correct copy as approved by the Sacramento City Council.*

## Exhibit A

# CITY OF SACRAMENTO INVESTMENT POLICY

The purpose of this document is to set forth the investment and operational policies for the management of the public funds of the City of Sacramento. These policies are designed to ensure the prudent management of public funds under management by the Sacramento City Treasurer.

Although the Sacramento City Charter generally provides the City Treasurer with the authority to deposit and invest funds in the City Treasury, undertaking of the investment activities by the City Treasurer is subject to the annual delegation of investment authority from the City Council as the body being primarily responsible for the investment of City funds. Accordingly, these policies are applicable to the management of City treasury funds as that task may be delegated to the City Treasurer.

A copy of this policy statement will be provided to all investment brokers and dealers and others in related fields doing business with the City of Sacramento, and will be provided to other interested parties on request. In addition, this policy statement will be posted to the City Treasurer's page of the City's internet website.

An entity retained to provide investment-related services to the City of Sacramento shall not render services unless and until it confirms, in writing, that it has received and reviewed this policy statement, and is prepared to implement its terms, as applicable to the services to be provided by the entity.

### **I. Governing Authority; Scope**

Section 73 of the Sacramento City Charter vests the City Treasurer with authority to deposit and invest funds of the City treasury, subject to the annual delegation of investment authority from the City Council to the City Treasurer pursuant to Government Code section 53607. These policies shall apply to the City Treasurer's investment of City treasury funds.

The City Treasurer investment program for all treasury funds shall be operated in conformance with applicable federal, state, and other legal requirements. This policy statement is intended to conform to Government Code sections 53600, et seq, and interpretation of these policies shall be consistent with those statutes.

### **II. Objectives**

#### **A. Primary Objectives**

The primary objectives of investment activities, in order of priority, are safety, liquidity, and yield:

##### *1. Safety*

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective is to mitigate credit risk and interest rate risk.

- (a) Credit Risk. Credit risk is the risk of loss due to the failure of the security issuer or backer. The City will minimize credit risk by:
  - (i) Limiting investments to the types of securities listed in Section VI of this Investment Policy
  - (ii) Re-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business in accordance with Section IV.
  - (iii) Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.
- (b) Interest Rate Risk. Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The City will minimize interest rate risk by:
  - (i) Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity
  - (ii) Investing operating funds primarily in shorter-term securities, money market mutual funds, the Local Agency Investment Fund (“LAIF”) managed by the State of California, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy.

## 2. *Liquidity*

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or LAIF which offer same day liquidity for short-term funds.

The staff of the City Treasurer’s Office shall (i) monitor the City’s budget formation and approval process and (ii) actively engage with City staff to assess and manage cash flow needs of the City.

## 3. *Yield*

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the low level of risk being assumed.

Securities shall generally be held until maturity with the following exceptions:

- (a) A security with declining value may be sold early to minimize loss of principal.

- (b) A security swap would improve the quality, yield, or target duration in the portfolio.
- (c) Liquidity needs of the portfolio require that the security be sold.
- (d) Where the sale of the security to realize capital gains is advisable in the judgment of the investment officers.

B. Other Objectives

1. *Pooling of Funds*

Except for cash in certain restricted and special funds, the City will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds proportionately based on their respective participation and in accordance with generally accepted accounting principles. The pooling of funds shall have no effect on the legal character of the pooled funds, i.e. funds whose use is restricted by law shall remain restricted and cannot be used as part of the City's general fund.

2. *Local Considerations/Community Investments*

Where possible, as a secondary objective, funds may be invested for the betterment of the local economy. The City Treasurer may accept a proposal from an "eligible local community institution" that provides for a reduced rate of interest provided that such institution documents the use of deposited funds for local community development projects. To qualify as an "eligible local community institution", the following criteria must be met:

- An eligible local community institution is defined as being headquartered in counties in and around Sacramento, including but not limited to Placer, El Dorado, Sutter, and Yolo.
- To be recognized as an eligible local community institution the entity must have had a 5 star "Superior" Rating from either Bauer Financial or IDC Financial Publishing for the past 4 consecutive quarters. Eligible institutions must submit their quarterly ratings to the City Treasurer's office and maintain their 5-star rating continuously. If an eligible local community institution drops below the required 5-star rating, they will have 1 quarter to cure the deficiency. If in the following quarter the institution does not re-achieve a 5-star rating with the same independent rating company, the City may withdraw funds allocated to that institution
- Institutions who receive deposits from the City as part of a local community investment not eligible for FDIC insurance must be secured by collateral of 110% as described in California Government Code Section 53651 and 53652.
- Institutions who receive deposits from the City as part of a local community investment must commit to invest 50% of the deposits in the local community, within the City of Sacramento City limits

- Institutions must provide a detailed semi-annual report to the City Treasurer's Office that shows evidence that the institution is meeting the 50% local community investment mandate on the City's deposits. If an institution cannot provide evidence that it has met the 50% local community investment criteria, the City may withdraw its deposits from the institution.
- As a matter of prudence, the amount the City Treasurer may invest in eligible local community institutions will be limited to 3.5% of the institution's total assets, as determined by the quarterly independent financial reports. If, during the course of an investment with an eligible local institution, the City exceeds the maximum 3.5% deposit level, the City may withdraw any funds in excess of the limit to cure the deficiency.
- The city may place deposits with eligible local community institutions up to a total of 10% of the total in the City's portfolio. If this amount is exceeded the City may withdraw funds from any institution to reduce the total community investment back below the maximum.

Although an eligible local community institution may meet all of the above stated criteria, it is not a guarantee that the City will maintain deposits. The City Treasurer retains the right to make deposit and withdrawal decisions based on the Primary Objectives of the Investment Policy stated above.

### *3. Favored Investments*

Investments are encouraged in entities that have demonstrated significant commitment and cooperation (a) with foreclosure prevention efforts, including, without limitation, temporary moratoriums on foreclosures, renegotiation of the principle mortgage balances to reflect current values, and other good faith negotiations with homeowners in regard to delinquent mortgages, and/or (b) in offering free or low-cost banking services to low- and moderate-income residents who are part of the traditionally "unbanked" or "under-banked" population. The City Treasurer may take into consideration the level of effort an entity expends in either the foreclosure relief or community banking areas, or both, when considering competing investments. If the City Treasurer is satisfied with the record of an entity in regard to such efforts, then the Treasurer's investment staff may invest in the securities of the entity, provided that the investment is otherwise consistent with the requirements of this Investment Policy statement.

## **III. Standards of Care**

### *A. Prudence*

In accordance with Government Code section 53600.3, the standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures developed by the City Treasurer and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided extraordinary deviations from expectations are reported by subordinate investment officers to the City Treasurer in a prompt fashion and that the sale of securities is carried out in accordance with the terms of this policy.



Pursuant to the "prudent person" standard, investment officers 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. Funds shall be managed not for speculation where the sole goal of a transaction is to increase principal balances, but for investment intended to earn a reasonable rate of return on invested funds, considering the probable safety of their capital as well as the probable income to be derived. Despite that investment transactions are undertaken with care pursuant to the "prudent person" standard, it is recognized that invested funds are subject to the vagrancies of the markets beyond the control of the investment officers.

#### *B. Ethics and Conflicts of Interest*

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and investment officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

Investment officers shall file State Fair Political Practices Commission's Statement of Economic Interests and make the disclosures required by the City's conflict of interest policies.

#### *C. Delegation of Authority*

Authority to manage the City treasury investment program is granted to the City Treasurer pursuant to Sacramento City Charter section number 73, unless the Charter specifically indicates otherwise, subject to annual delegation of investment authority by the City Council pursuant to Government Code section 53607. Pursuant to the City Charter, the City Treasurer also is authorized to appoint deputies and employees, as prescribed by Council resolution, to implement the investment program. The City Treasurer and those employees appointed by the Treasurer to perform investment activities pursuant to these policies shall be referred to herein collectively as "investment officers."

Investment officers shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy ("Investment Procedures Manual"). Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures manual. The investment officers shall be responsible for all transactions undertaken and shall establish a system of controls to regulate their activities.

### **IV. Authorized Financial Institutions, Depositories, and Broker/Dealers**

#### *A. Selection*

Financial institutions and depositories involved in implementing the City Treasurer's investment activities are selected on a competitive basis in order to obtain high quality services by reliable, reputable and stable entities. The competitive process may be formal or informal, as determined by the City Treasurer in his or her discretion, with the objective of obtaining the quality of services necessary to serve the best interests of the City and relevant stakeholders, with services performed at competitive fees and rates. Such processes may occur from time to time by the City Treasurer's Office whether at the time the City Treasurer contracts for the general banking services or otherwise. The firm or firms providing investment-related services may or may not be, at the discretion of the City Treasurer, the same firm providing general banking services. Among the factors that the City Treasurer may consider in obtaining such services are (i) minimum qualifications pertaining to capacity, satisfaction of requirements to conduct required business, i.e. licenses, permits, registrations, certifications, etc.; (ii) capitalization; (iii) insurance and bonding; (iv) safekeeping and custodial experience; (v) status in good standing; (vi) ability and capacity of the firm to provide a full range of services as may be required by the City Treasurer; (vii) extent of the value added by an entity over the services provided by firms then-providing investment-related services to the City Treasurer's Office; and (viii) other attributes as may be determined by the City Treasurer from time to time. The City Treasurer may determine the number and nature of firms to be retained to provide investment-related services based upon the volume of existing and projected investment work. Those firms that are selected to execute transactions on behalf of the City shall do so in a good faith manner and in the best interests of the City, and shall disclose to and advise the investment officers of material facts that bear upon the pricing of a given transaction order given by investment officers. All financial institutions executing investment transactions shall satisfy the requirements of Government Code section 53601.5. All depositories shall satisfy the institutional qualifications and security requirements described in Government Code sections 53648 et seq.

#### *B. Performance Review*

All financial institutions and depositories shall maintain the qualifications and attributes deemed appropriate by the City Treasurer, including, but not limited to those enumerated in subsection A above, and shall perform their duties in a satisfactory manner. The City Treasurer, at his or her discretion, shall conduct periodic performance reviews to ensure the institutions and depositories are providing services in the best interests of the City.

### **V. Safekeeping and Custody**

#### *A. Delivery vs. Payment*

All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

#### *B. Safekeeping*

Securities will be held by an independent third-party custodian selected by the City Treasurer. The inventory and value of cash and securities held by the custodian will be reconciled on a daily basis. The custodial institution shall annually provide a copy of their most recent report on internal controls in accordance with Statement on Standards for Attestation Engagements No. 18, or SSAE 18.

#### *C. Internal Controls, Investment Procedures Manual*

The City Treasurer is responsible for establishing and maintaining an internal control structure designed to guide the activities of the investment officers to ensure that the assets of the City are protected from loss, theft or misuse. Details of the internal controls system shall be documented in the Investment Procedures Manual and shall be reviewed and updated annually, as needed. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. The internal controls structure shall address the following points:

1. Prevention of collusion
2. Separation of transaction authority from accounting and recordkeeping
3. Custodial safekeeping
4. Avoidance of physical delivery securities
5. Clear delegation of authority to subordinate staff members
6. Written confirmation of transactions for investments and wire transfers
7. Development of a wire transfer agreement with the lead bank and third-party custodian

Accordingly, the City Treasurer shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures or alternatively, compliance should be assured through the City annual independent audit.

## **VI. Suitable and Authorized Investments**

### *A. Investment Types*

Allowable investments of funds not required for the immediate use by the City are limited to those described in Government Code sections 16429.1 (Local Agency Investment Fund), 53601 (investment of surplus), 53601.8 (certificates of deposit), 53635 (purchase of commercial paper by pools) and 53638 (bank deposits), as such statutes may be amended or renumbered from time to time. These allowable investments, and their permitted amounts and attributes, are set forth in a summary prepared and updated from time to time by the California Debt and Investment Advisory Commission ("CDIAC") entitled, "Allowable Investment Instruments Per State Government Code, Applicable To All Local Agencies," included CDIAC's "Local Agency Investment Guidelines" publication that may be located at <http://www.treasurer.ca.gov/cdiac/LAIG/guideline.pdf>

### *B. Extended Maturities*

The investment officers will observe the maximum maturity term of five years on various of the allowable investments. However, where a particular investment is found by the investment officers to be advantageous and consistent with these policies, but for a nominal exceedance of a 5-year maximum

maturity caused by effect of the security's issuance and maturity dates, or the settlement date of the transaction, or both, they are authorized to invest in the following obligations with remaining maturities of five (5) years, plus not more than thirty (30) calendar days: U.S. Treasury obligations, obligations of California or other states, California local agency obligations, U.S. Agency obligations and medium-term notes. The City Treasurer will provide notice to the City Council of such investments within periodic investment reports made to the Council. See, Section VIII.A. Pursuant to Government Code section 53601, investment officers shall not make investments in instruments with maturities longer than five (5) years, plus thirty (30) calendar days, without prior approval of the City Council.

### *C. Securities Lending*

The investment officers at their discretion may engage in securities lending activities pursuant to securities lending agreements (as defined in Government Code section 53601(j)(5)(D)) provided that the following are satisfied:

1. Securities lending transactions are to be governed by agreements entered into by the City Treasurer and the agent or agents the City Treasurer engages to perform such transactions provided that such agreements
  - (a) comply with the requirements of Government Code section 53601(j), and
  - (b) require the payment of cash collateral equal to or greater than 102% of the market value of the loaned security at the time of the loan.
  
2. The securities lending agreements may allow for the use of cash collateral for the reinvestment in securities that
  - (a) comply with the requirements of Government Code section 53601(j)(3)(D), and
  - (b) are securities whose direct investment is authorized by Government Code section 53601 and these policies,
  - (c) provided that nothing herein shall preclude the City Treasurer from entering into securities lending agreements that reduces the scope of investments made with cash collateral to something less than that allowed under subsections (a) and (b) above.

## **VII. Investment Parameters**

### *A. Diversification*

The City shall diversify its investment portfolio. To minimize risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or type of securities, all cash and cash equivalent assets in all City funds shall be diversified by maturity, issuer, and class of security. Diversification strategies shall be determined and revised on an ongoing basis by the investment officers for all funds covered by these investment policies. In establishing specific diversification strategies, these investment policies shall apply. The investment officers shall emphasize that portfolio maturities will be staggered to avoid undue concentration of assets in a specific maturity sector. Maturities selected shall provide for

stability of income and reasonable liquidity.

*B. Cash Management Funds*

1. Liquidity shall be assured through practices ensuring that the payroll dates and dates of large disbursements are covered through maturing investments or marketable U.S. Treasury bills.
2. Positions in securities having potential default risk shall be limited in size pursuant to the maximum limits set forth in Government Code section 53601. See Attachment A. Such securities include the following: Commercial paper; negotiable certificates of deposit, and Banker's Acceptances.
3. Risks of market price volatility shall be controlled through maturity diversification.
4. Liquidity risk: Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as LAIF, money market funds, overnight repurchase agreements, and/or marketable securities that can be sold to raise cash in one day's notice, to ensure that appropriate liquidity is maintained to meet ongoing obligations.

*C. Competitive Bids*

The investment officers shall obtain competitive bids from at least two brokers or financial institutions on all purchases and sales of investment instruments executed on the secondary market for consideration in excess of \$15 million per purchase transaction.

**VIII. Reporting**

*A. Investment Reports*

The City Treasurer shall present to the City Council, the City Manager and the City's internal auditor monthly investment reports that include the transactions as required by Government Code section 53607.

*B. Marking to Market*

For purposes of preparation of the investment reports, the market value of the portfolio shall be calculated. In defining market value, considerations should be given to the GASB Statement 31 pronouncement.

*C. Performance Standards*

The investment portfolio will be managed in accordance with the parameters specified within this statement of policies. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be

established against which portfolio performance shall be compared on a regular basis. The benchmarks shall be reflective of the actual securities being purchased and risks undertaken.

## **IX. Policy Considerations**

### *A. Exemption*

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy, provided that the City Treasurer may take steps he or she deems appropriate to address non-compliant investments in the best interest of the City and pool participants. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

### *B. Amendments*

This policy shall be reviewed annually by the investment officers. Any change must be approved by the City Treasurer, followed by review and consideration by the City Council pursuant to Section X of these policies.

## **X. City Council Consideration of Investment Policy**

This policy shall be reviewed and considered by the City Council on an annual basis pursuant to Government Code section 53646(a)(2).

## **XI. Miscellaneous**

### *A. Statutory References*

All statutory references cited in these policies shall refer to the statute as it may be amended or renumbered from time to time.



# Investment Report June 2020



John Colville, City Treasurer

*Office of the City Treasurer - City of Sacramento*

City of  
**SACRAMENTO**  
Office of the City Treasurer

Historic City Hall  
915 I Street, 3rd Floor  
Sacramento, CA 95814  
916-808-5168

**Quarterly Investment  
Committee Meeting**  
Thursday, July 23, 2020  
10:00AM-11:00AM  
CTO Conference Room, 2<sup>nd</sup> Floor



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# INVESTMENT COMMITTEE MEETING

July 23, 2020  
10:00 AM to 11:00 AM  
City Treasurer's Conference Room  
915 I Street, HCH 2<sup>nd</sup> Floor  
(916) 808-5168

Meeting called by: John Colville, City Treasurer  
Stacy Hussey, Chief Investment Officer  
Patrick Zalasky, Investment Officer

Invitees: Dawn Holm (Department of Finance)  
Susana Jackson (SHRA)  
Tim Kerr (American River Flood Control District - ARFCD)  
Noelle Mussen (CADA)  
Kevin King (Reclamation District No. 1000)  
Rivkah Sass, Roxana Puerner and Johnny Ea (Sacramento Public Library Authority-SPLA)  
Kimberli S. Burns (The Natomas Basin Conservancy – TNBC)  
Mike Testa, Daniel Santucci (Visit Sacramento)  
City Treasurer’s Office Staff

Please read: **Investment Statement Update**

## Agenda

Economic Commentary and Market Conditions	Patrick Zalasky
Monthly Yield Curve Analysis	Patrick Zalasky
Cash Flow Analysis	Patrick Zalasky
Pooled Funds Analysis - City Pool A and SHRA Investment Pool	Patrick Zalasky
Miscellaneous Topics	All

## Additional Information

Special notes: If unable to attend, please feel free to call with any questions or comments.

This report has been reviewed and approved by:

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City Treasurer

To: Investment Committee Members

From: Patrick Zalasky

### Investment Statement Update

The quarterly meeting of the Investment Committee was cancelled in April due to the shelter in place orders effective in California. As of this writing, orders are being relaxed around the state, with businesses beginning to open and plans being discussed on the best way to get the state economy working its way back toward full capacity. It is our hope that we will be able to hold our scheduled meeting of the Investment Committee on Thursday, July 23, 2020. Information will be communicated to all pool participants as we get closer to that date.

As expected, the United States economy suffered a major blow as widespread shelter in place orders went into effect across the country in an effort to keep hospitals from becoming overwhelmed with patients suffering from Covid-19. By the end of April, many states had done just that and were beginning to open up businesses in carefully designed manners that would minimize the chances of experiencing another outbreak. Locally, the state of California is beginning to ease most orders in an effort to get people back to work. There appears to be momentum to get as many people as possible back to their jobs by sometime in July.

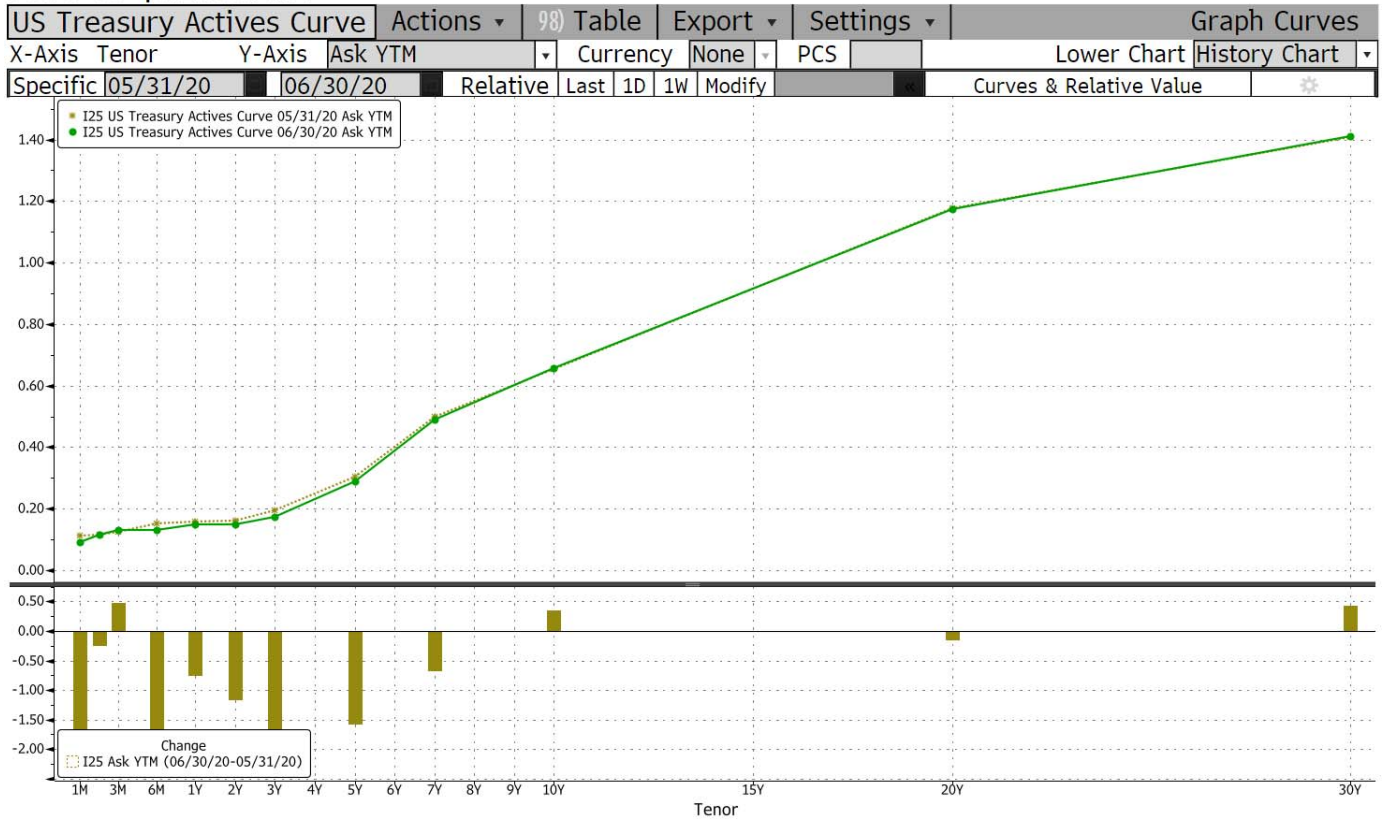
Nationally, unemployment has leapt to nearly 15%, which is the highest it has been since The Great Depression. There is optimism, though, as the federal government, including The Federal Reserve Board, have taken aggressive action to support the economy through this crisis. Stimulus has been massive in scope as municipalities, small businesses, and consumers have had money directed toward them in an effort to help everyone weather this storm. The City of Sacramento was a beneficiary, as we qualified for a grant of \$89 million from the federal government that will be used to help those that have been most affected by the virus and its impact (this grant is most responsible for the jump in the value of Pool A during April). Fed Chair Jerome Powell is on record saying that the central bank is willing to do whatever it takes to support the economy as it reacts to the shutdown and poises itself for a recovery.

As expected, interest rates have plummeted in response to the actions of The Fed. Their intervention has calmed markets, but was accomplished by injecting cash into the system, which effectively pushes interest rates downward. There is a general feeling that rates could remain rather low through 2021 as the effects of the shutdown might lead to a long and protracted recovery. With that in mind, the Investment Team is prioritizing the three main investment goals: Liquidity, Safety, and (when available) Yield. Rest assured, there is enough liquidity in the portfolio to meet the needs of every stakeholder in the pool. Decisions on investments are being made with an eye toward seeking out the most stable names in the market so that the portfolio remains strong, stable, and secure as we move from the lockdown through the restart and the recovery.

We are very comfortable with the positioning and structure of Pool A. The Investment Team will continue to monitor market conditions on a regular basis and will make decisions based on what is in the best interests of all pool participants. We look forward to seeing you all again very soon.

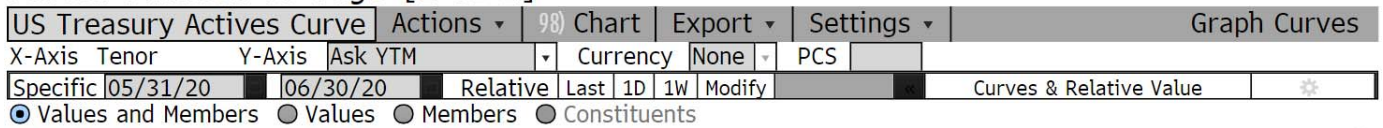
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	I25 Ask YTM US Treasury Actives Curve 06/30/20		I25 Ask YTM US Treasury Actives Curve 05/29/20		I25 Ask YTM (Change) 06/30/20-05/29/20	
	Tenor	Description	Yield	Description	Yield	Yield
11)	1M	GBM Govt	0.091	Same	0.112	-2.0
12)	2M	GB2 Govt	0.114	Same	0.117	-0.3
13)	3M	GB3 Govt	0.129	Same	0.125	0.5
14)	6M	GB6 Govt	0.130	Same	0.152	-2.2
15)	1Y	GB1 Govt	0.150	Same	0.157	-0.8
16)	2Y	GT2 Govt	0.149	Same	0.160	-1.2
17)	3Y	GT3 Govt	0.173	Same	0.194	-2.1
18)	5Y	GT5 Govt	0.288	Same	0.304	-1.6
19)	7Y	GT7 Govt	0.491	Same	0.498	-0.7
20)	10Y	GT10 Govt	0.656	Same	0.653	0.3
21)	20Y	GT20 Govt	1.174	Same	1.176	-0.2
22)	30Y	GT30 Govt	1.411	Same	1.406	0.4

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**CITY OF SACRAMENTO - INVESTMENT POOL A**  
**6-MONTH CASH FLOW ANALYSIS**  
**July 1, 2020 - December 31, 2020**

*In millions*

<b>Cash Balances:</b>	
CalTRUST	228.194
Fidelity Fund	3.192
Five Star Bank Community Fund	40.046
JP Morgan Chase	1.402
LAIFA	75.000
Overnight Sweep	2.522
River City Bank Community Fund	25.031
Safe Credit Union Community Fund	30.037
Less: Required bank balance by policy	(0.500)
<b><i>Cash available at beginning of period:</i></b>	<b>404.924</b>
<b>Projected net cash flow:</b>	
July-20	9.075
August-20	(17.242)
September-20	12.838
October-20	1.885
November-20	1.233
December-20	72.377
<b><i>Net cash flow during period:</i></b>	<b>80.166</b>
<b><i>Cash in excess of policy: 1</i></b>	<b>485.090</b>
<b>Cash Balances of non-City and/or Pool A Participants:</b>	
<b>SCERS Cash:</b>	
Fixed Bonds	(0.182)
Large Cap Growth	(0.226)
International	(0.045)
Equity Income	(0.595)
Retirement Trust Operating Fund	(5.231)
Ann Land/Bertha Henschel Endowment Fund	(0.088)
Ethel Hart Mutual Endowment Fund	(0.107)
George H. Clark Memorial Scholarship Fund	(0.008)
Capitol Area Development Authority (CADA)	(20.364)
American River Flood Control District (ARFCD)	(8.628)
The Natomas Basin Conservancy (TNBC)	(0.442)
Sacramento Public Library Authority (SPLA)	(36.571)
Reclamation District No. 1000	(2.110)
SPLA Hurst Trust	(0.839)
Gifts to Share	(0.724)
Visit Sacramento	(2.805)
Other Misc Non-City Funds (CalEPA, City/County Office-Water Planning, etc)	(2.869)
<b><i>Total cash balances of non-City and/or Pool A participants: 2</i></b>	<b>(81.834)</b>
<b><i>Excess or (Shortfall) if all Pool A participants withdraw all funds within 6 months: 3</i></b>	<b>403.256</b>

<sup>1</sup>The City will be able to meet its cash flow needs for the next six months, with \$485 mm to cover on going expenditures

<sup>2</sup> Non-City and/or Pool A participants have \$82 mm invested in Pool A

<sup>3</sup> If all non-City and/or Pool A participants withdraw the entire \$82 mm within the next twelve months, the City will have \$403 mm to cover on going expenditures

**CITY OF SACRAMENTO - INVESTMENT POOL A**  
**12-MONTH CASH FLOW ANALYSIS**  
**July 1, 2020 - June 30, 2021**

*In millions*

Cash Balances:	
CalTRUST	228.194
Fidelity Fund	3.192
Five Star Bank Community Fund	40.046
JP Morgan Chase	1.402
LAIFA	75.000
Overnight Sweep	2.522
River City Bank Community Fund	25.031
Safe Credit Union Community Fund	30.037
Less: Required bank balance by policy	(0.500)
<b><i>Cash available at beginning of period:</i></b>	<b>404.924</b>
Projected net cash flow:	
July-20	9.075
August-20	(17.242)
September-20	12.838
October-20	1.885
November-20	1.233
December-20	72.377
January-21	69.494
February-21	5.956
March-21	1.256
April-21	29.776
May-21	87.143
June-21	(22.638)
<b><i>Net cash flow during period:</i></b>	<b>251.152</b>
<b><i>Cash in excess of policy: <sub>1</sub></i></b>	<b>656.076</b>
Cash Balances of non-City and/or Pool A Participants:	
SCERS Cash:	
Fixed Bonds	(0.182)
Large Cap Growth	(0.226)
International	(0.045)
Equity Income	(0.595)
Retirement Trust Operating Fund	(5.231)
Ann Land/Bertha Henschel Endowment Fund	(0.088)
Ethel Hart Mutual Endowment Fund	(0.107)
George H. Clark Memorial Scholarship Fund	(0.008)
Capitol Area Development Authority (CADA)	(20.364)
American River Flood Control District (ARFCD)	(8.628)
The Natomas Basin Conservancy (TNBC)	(0.442)
Sacramento Public Library Authority (SPLA)	(36.571)
Reclamation District No. 1000	(2.110)
SPLA Hurst Trust	(0.839)
Gifts to Share	(0.724)
Visit Sacramento	(2.805)
Other Misc Non-City Funds (CalEPA, City/County Office-Water Planning, etc)	(2.869)
<b><i>Total cash balances of non-City and/or Pool A participants: <sub>2</sub></i></b>	<b>(81.834)</b>
<b><i>Excess or (Shortfall) if all Pool A participants withdraw all funds within 12 months: <sub>3</sub></i></b>	<b>574.242</b>

<sup>1</sup>The City will be able to meet its cash flow needs for the next twelve months, with \$656 mm to cover on going expenditures

<sup>2</sup> Non-City and/or Pool A participants have \$82 mm invested in Pool A

<sup>3</sup> If all non-City and/or Pool A participants withdraw the entire \$82 mm within the next twelve months, the City will have \$574 mm to cover on going expenditures

**Capitol Area  
Development  
Authority**

**CAPITOL AREA DEVELOPMENT AUTHORITY**

**MONTHLY REVIEW – JUNE 2020**

**STRATEGY**

The CADA funds are invested in the City of Sacramento’s Pool A investment fund. The Fund is invested pursuant to the objectives and requirements set forth in the City’s investment policy. The three objectives of the investment policy, in order of priority, are (1) the preservation of capital by the investment in safe instruments, (2) the liquidity needs of the City and pool participants so such parties will have access to cash when they need it, and (3) the maximizing of current income while remaining consistent with the other more important objectives. The City’s investment policy incorporates applicable provisions of state law including, among other things, the prudent person standard and California Code Section 53601 pertaining to eligible investments.

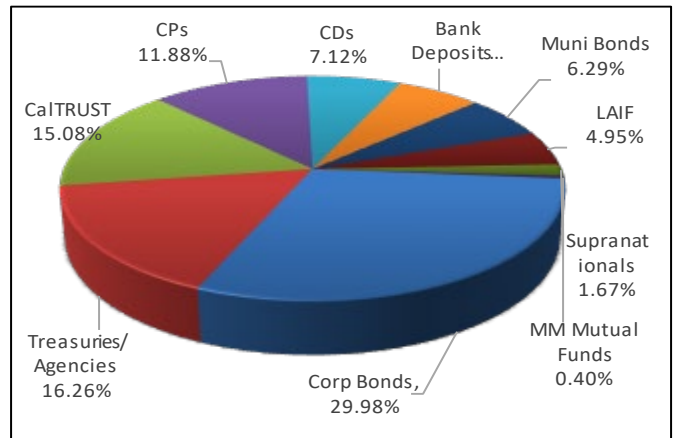
**PORTFOLIO STATISTICS**

Beginning Balance	20,490,350
Contributions	0
Withdrawals	0
Interest Earned	29,887
Ending Balance	20,520,237

**PERFORMANCE COMPARISON**

City Pool A	1.77%
LAIF	1.22%
90 Day T-Bill	0.14%
Federal Funds	0.08%

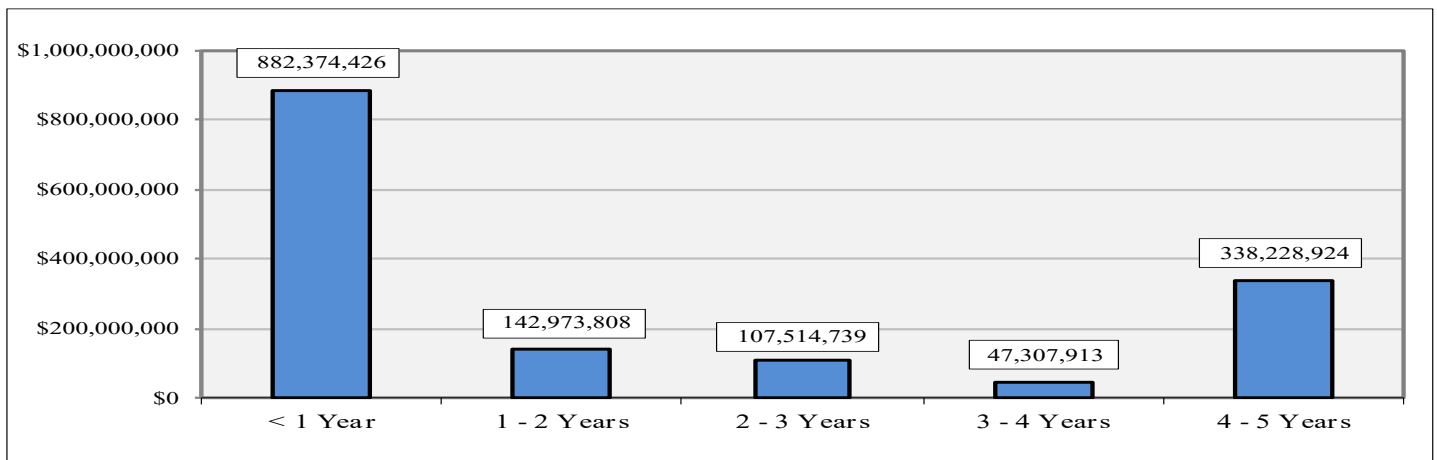
**CITY POOL A PORTFOLIO COMPOSITION**



Asset Type	Pct. Assets	YTM
Corp Bonds	29.98%	2.19%
Treasuries/Agencies	16.26%	1.64%
CalTRUST	15.08%	0.97%
CPs	11.88%	1.63%
CDs	7.12%	1.53%
Bank Deposits	6.37%	1.44%
Muni Bonds	6.29%	2.23%
LAIF	4.95%	1.22%
Supranationals	1.67%	2.08%
MM Mutual Funds	0.40%	0.06%

**CITY POOL A MATURITY SCHEDULE**

Maturity	Market Value	Pct. Holdings
< 1 Year	882,374,426	58.10%
1 - 2 Years	142,973,808	9.42%
2 - 3 Years	107,514,739	7.08%
3 - 4 Years	47,307,913	3.12%
4 - 5 Years	338,228,924	22.28%
<b>Total</b>	<b>1,518,399,810</b>	<b>100.00%</b>



City of Sacramento  
**CASH LEDGER**  
*Capitol Area Development Authority - Banking*  
*From 06-01-20 To 06-30-20*

**All Cash Accounts**

Trade Date	Settle Date	Tran Code	Quantity	Security	Amount	Cash Balance
<b>Pool A Interest Receivable</b>						
06-01-20				Beginning Balance		422,103.56
06-30-20	06-30-20	in		Pool A Cash	29,887.50	451,991.06
				Jun 2020 estimated Pool A interest		
					29,887.50	
06-30-20				Ending Balance		451,991.06
<b>Pool A Cash</b>						
06-01-20				Beginning Balance		20,068,246.07
06-30-20				Ending Balance		20,068,246.07



# CAPITOL AREA DEVELOPMENT AUTHORITY – TAX EXEMPT

## MONTHLY REVIEW – JUNE 2020

### STRATEGY

The CADA funds are invested in the City of Sacramento’s Pool A investment fund. The Fund is invested pursuant to the objectives and requirements set forth in the City’s investment policy. The three objectives of the investment policy, in order of priority, are (1) the preservation of capital by the investment in safe instruments, (2) the liquidity needs of the City and pool participants so such parties will have access to cash when they need it, and (3) the maximizing of current income while remaining consistent with the other more important objectives. The City’s investment policy incorporates applicable provisions of state law including, among other things, the prudent person standard and California Code Section 53601 pertaining to eligible investments.

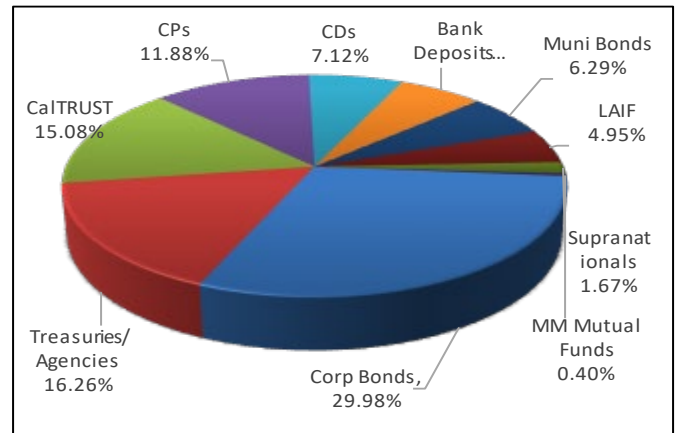
### PORTFOLIO STATISTICS

Beginning Balance	38,585
Contributions	0
Withdrawals	0
Interest Earned	56
Ending Balance	38,641

### PERFORMANCE COMPARISON

City Pool A	1.77%
LAIF	1.22%
90 Day T-Bill	0.14%
Federal Funds	0.08%

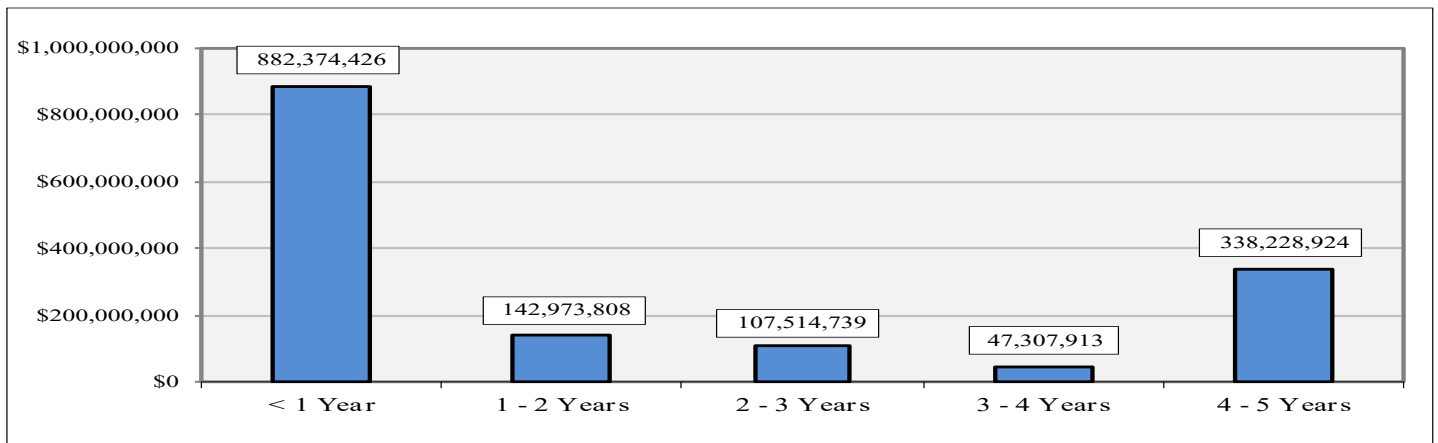
### CITY POOL A PORTFOLIO COMPOSITION



Asset Type	Pct. Assets	YTM
Corp Bonds	29.98%	2.19%
Treasuries/Agencies	16.26%	1.64%
CalTRUST	15.08%	0.97%
CPs	11.88%	1.63%
CDs	7.12%	1.53%
Bank Deposits	6.37%	1.44%
Muni Bonds	6.29%	2.23%
LAIF	4.95%	1.22%
Supranationals	1.67%	2.08%
MM Mutual Funds	0.40%	0.06%

### CITY POOL A MATURITY SCHEDULE

Maturity	Market Value	Pct. Holdings
< 1 Year	882,374,426	58.10%
1 - 2 Years	142,973,808	9.42%
2 - 3 Years	107,514,739	7.08%
3 - 4 Years	47,307,913	3.12%
4 - 5 Years	338,228,924	22.28%
Total	1,518,399,810	100.00%



City of Sacramento  
**CASH LEDGER**  
*Capitol Area Development Authority - Tax Exempt*  
*From 06-01-20 To 06-30-20*

**All Cash Accounts**

Trade Date	Settle Date	Tran Code	Quantity	Security	Amount	Cash Balance
<b>Pool A Interest Receivable</b>						
06-01-20				Beginning Balance		794.89
06-30-20	06-30-20	in		Pool A Cash	56.28	851.17
				Jun 2020 estimated Pool A interest		
					56.28	
06-30-20				Ending Balance		851.17
<b>Pool A Cash</b>						
06-01-20				Beginning Balance		37,790.27
06-30-20				Ending Balance		37,790.27

**CAPITOL AREA DEVELOPMENT AUTHORITY – TAXABLE**

**MONTHLY REVIEW – JUNE 2020**

**STRATEGY**

The CADA funds are invested in the City of Sacramento’s Pool A investment fund. The Fund is invested pursuant to the objectives and requirements set forth in the City’s investment policy. The three objectives of the investment policy, in order of priority, are (1) the preservation of capital by the investment in safe instruments, (2) the liquidity needs of the City and pool participants so such parties will have access to cash when they need it, and (3) the maximizing of current income while remaining consistent with the other more important objectives. The City’s investment policy incorporates applicable provisions of state law including, among other things, the prudent person standard and California Code Section 53601 pertaining to eligible investments.

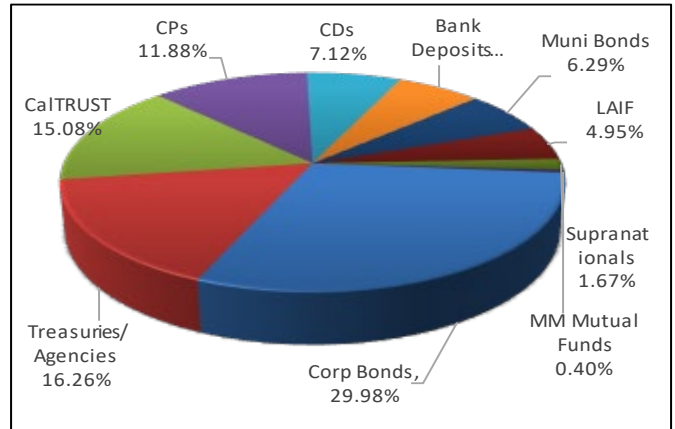
**PORTFOLIO STATISTICS**

Beginning Balance	263,043
Contributions	0
Withdrawals	0
Interest Earned	384
Ending Balance	263,427

**PERFORMANCE COMPARISON**

City Pool A	1.77%
LAIF	1.22%
90 Day T-Bill	0.14%
Federal Funds	0.08%

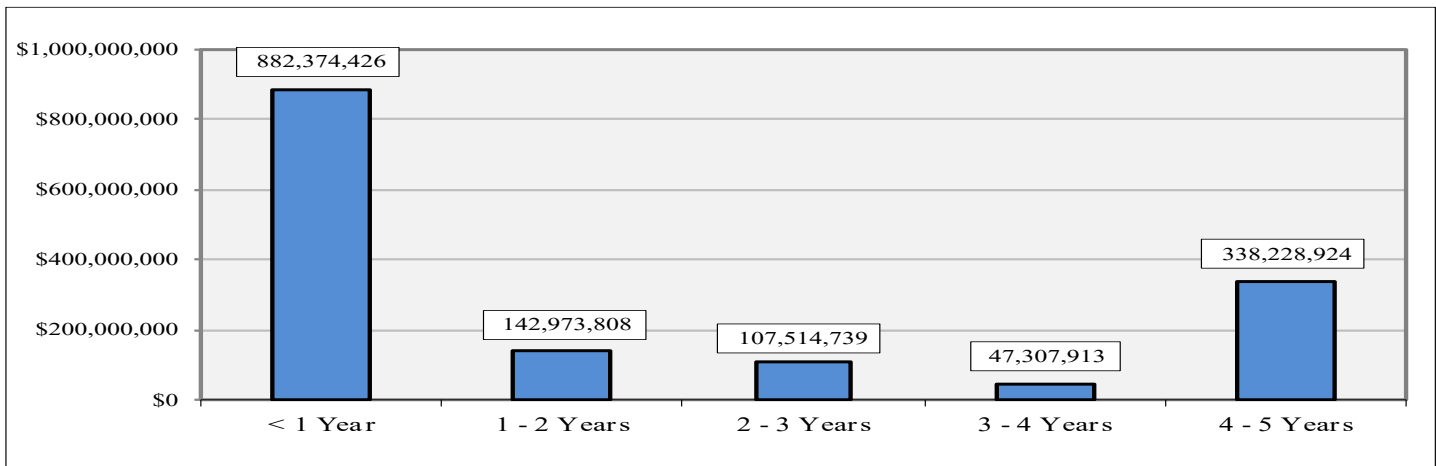
**CITY POOL A PORTFOLIO COMPOSITION**



Asset Type	Pct. Assets	YTM
Corp Bonds	29.98%	2.19%
Treasuries/Agencies	16.26%	1.64%
CalTRUST	15.08%	0.97%
CPs	11.88%	1.63%
CDs	7.12%	1.53%
Bank Deposits	6.37%	1.44%
Muni Bonds	6.29%	2.23%
LAIF	4.95%	1.22%
Supranationals	1.67%	2.08%
MM Mutual Funds	0.40%	0.06%

**CITY POOL A MATURITY SCHEDULE**

Maturity	Market Value	Pct. Holdings
< 1 Year	882,374,426	58.10%
1 - 2 Years	142,973,808	9.42%
2 - 3 Years	107,514,739	7.08%
3 - 4 Years	47,307,913	3.12%
4 - 5 Years	338,228,924	22.28%
Total	1,518,399,810	100.00%



City of Sacramento  
**CASH LEDGER**  
*Capitol Area Development Authority - Taxable*  
*From 06-01-20 To 06-30-20*

**All Cash Accounts**

Trade Date	Settle Date	Tran Code	Quantity	Security	Amount	Cash Balance
<b>Pool A Interest Receivable</b>						
06-01-20				Beginning Balance		5,418.82
06-30-20	06-30-20	in		Pool A Cash	383.68	5,802.50
				Jun 2020 estimated Pool A interest		
					383.68	
06-30-20				Ending Balance		5,802.50
<b>Pool A Cash</b>						
06-01-20				Beginning Balance		257,624.67
06-30-20				Ending Balance		257,624.67



**CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION**

Update for 2013

Reflects state law changes  
effective as of January 1, 2013

CDIAC 13.02

**FIGURE 1****ALLOWABLE INVESTMENT INSTRUMENTS PER STATE GOVERNMENT CODE (AS OF JANUARY 1, 2013)<sup>A</sup> APPLICABLE TO ALL LOCAL AGENCIES<sup>B</sup>**

See "Table of Notes for Figure 1" on the next page for footnotes related to this figure.

INVESTMENT TYPE	MAXIMUM MATURITY <sup>C</sup>	MAXIMUM SPECIFIED % OF PORTFOLIO <sup>D</sup>	MINIMUM QUALITY REQUIREMENTS
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations—CA And Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S Agency Obligations	5 years	None	None
Bankers' Acceptances	180 days	40% <sup>E</sup>	None
Commercial Paper—Select Agencies <sup>F</sup>	270 days	25% of the agency's money <sup>G</sup>	"A-1" if the issuer has issued long-term debt it must be rated "A" without regard to modifiers <sup>H</sup>
Commercial Paper—Other Agencies <sup>I</sup>	270 days	40% of the agency's money <sup>J</sup>	"A-1" if the issuer has issued long-term debt it must be rated "A" without regard to modifiers <sup>H</sup>
Negotiable Certificates of Deposit	5 years	30% <sup>K</sup>	None
CD Placement Service	5 years	30% <sup>K</sup>	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days <sup>L</sup>	20% of the base value of the portfolio	None <sup>M</sup>
Medium-Term Notes <sup>N</sup>	5 years	30%	"A" Rating
Mutual Funds And Money Market Mutual Funds	N/A	20% <sup>O</sup>	Multiple <sup>P,Q</sup>
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	"AA" Rating <sup>R</sup>
Bank/Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple <sup>S</sup>
Local Agency Investment Fund (LAIF)	N/A	None	None
Voluntary Investment Program Fund <sup>T</sup>	N/A	None	None

## TABLE OF NOTES FOR FIGURE 1

- <sup>A</sup> Sources: Sections 16340, 16429.1, 53601, 53601.8, 53635, 53635.2, and 53638.
- <sup>B</sup> *Municipal Utilities Districts have the authority under the Public Utilities Code Section 12871 to invest in certain securities not addressed here.*
- <sup>C</sup> *Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceeds this five year maturity limit. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.*
- <sup>D</sup> *Percentages apply to all portfolio investments regardless of source of funds. For instance, cash from a reverse repurchase agreement would be subject to the restrictions.*
- <sup>E</sup> *No more than 30 percent of the agency's money may be in bankers' acceptances of any one commercial bank.*
- <sup>F</sup> *"Select Agencies" are defined as a "city, a district, or other local agency that do[es] not pool money in deposits or investment with other local agencies, other than local agencies that have the same governing body."*
- <sup>G</sup> *No more than 10 percent of the agency's money may be invested in any one issuer's commercial paper.*
- <sup>H</sup> *Issuing corporation must be organized and operating within the U.S. and have assets in excess of \$500 million.*
- <sup>I</sup> *"Other Agencies" are counties, a city and county, or other local agency "that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body." Local agencies that pool exclusively with other local agencies that have the same governing body must adhere to the limits set for "Select Agencies," above.*
- <sup>J</sup> *No more than 10 percent of the agency's money may be invested in the commercial paper of any one corporate issuer.*
- <sup>K</sup> *No more than 30 percent of the agency's total funds may be invested in CDs authorized under Sections 53601.8, 53635.8, and 53601(i).*
- <sup>L</sup> *Reverse repurchase agreements or securities lending agreements may exceed the 92-day term if the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity dates of the same security.*
- <sup>M</sup> *Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state chartered bank that has a significant relationship with the local agency. The local agency must have held the securities used for the agreements for at least 30 days.*
- <sup>N</sup> *"Medium-term notes" are defined in Section 53601 as "all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the U.S. or by depository institutions licensed by the U.S. or any state and operating within the U.S."*
- <sup>O</sup> *No more than 10 percent invested in any one mutual fund.*
- <sup>P</sup> *A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years experience investing in instruments authorized by Sections 53601 and 53635.*
- <sup>Q</sup> *A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years experience investing in money market instruments with assets under management in excess of \$500 million.*
- <sup>R</sup> *Issuer must have an "A" rating or better for the issuer's debt as provided by a nationally recognized rating agency.*
- <sup>S</sup> *A joint powers authority pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years experience investing in instruments authorized by Section 53601, subdivisions (a) to (o).*
- <sup>T</sup> *Local entities can deposit between \$200 million and \$10 billion into the Voluntary Investment Program Fund, upon approval by their governing bodies. Deposits in the fund will be invested in the Pooled Money Investment Account.*

**RESOLUTION NO. 20 - 22**

Adopted by the Capitol Area Development Authority

August 21, 2020

**RESOLUTION REAFFIRMING ANNUAL DELEGATION OF INVESTMENT AUTHORITY  
TO THE CITY TREASURER**

**WHEREAS**, California Government Code Chapter 749, Statutes of 1996, authorizes the legislative body of a local government to delegate its investment authority to the Treasurer of the local agency for a one-year period; and

**WHEREAS**, the Authority has reviewed the current City of Sacramento's Investment Policy; and

**WHEREAS**, the City Treasurer has informed the Authority that as it pertains to City Investment Pool A and public fund investments of the City of Sacramento, the City Investment Policy is generally consistent with California Government Code Sections 53600.5 and 53601 and that the City Investment Policy specifically requires City Council approval of any investment deviations from these government code sections; and

**WHEREAS**, the City Treasurer has informed the Authority that there have been no investment deviations from the California Government Code or changes to the investment policy since its adoption by the Board in August 2018.

**NOW, THEREFORE, BE IT RESOLVED**, by the Capitol Area Development Authority Board of Directors that the Capitol Area Development Authority delegates investment authority to the City Treasurer for the period of one year. The City Treasurer shall assume responsibility for the transactions until the delegation of authority is revoked or the one-year period expires.

**BE IT FURTHER RESOLVED**, by the Capitol Area Development Authority Board of Directors, that it delegates said investment authority with the understanding that:

- 1) The City Treasurer shall submit monthly reports of transactions and quarterly investment reports to the Authority.
- 2) When the City Treasurer deems that deviation from the California Government Code Sections 53600.5 and 53601 is prudent, prior to the purchase of such investments, the City Treasurer shall provide the Authority with evidence of City Council approval of said deviation; and that
- 3) The City Treasurer shall notify the Authority of any proposed amendments to the City of Sacramento's Investment Policy prior to said amendments becoming effective.

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Ann Bailey, Chair

ATTEST:

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Jill Azevedo  
Acting Secretary to the Board of Directors