



Agenda Report

File #: 19-0567

AGENDA REPORT REQUEST FOR CITY COUNCIL ACTION

DATE: 6/19/2019

TO: Honorable Mayor and City Council Members

FROM: Administrative Services Department

SUBJECT:

City Council consideration of Resolution No. 2019-044, approving the City of Corona's Investment Policy.

RECOMMENDED ACTION:

That the City Council adopt Resolution No. 2019-044 approving the City of Corona's Investment Policy.

ANALYSIS:

The City of Corona, as with all local governments in California, maintains an investment portfolio to hold its inactive cash. The City's investments allow funds to earn a return while they are in the queue to be expended on City projects and services, pursuant to the City's adopted budget. The current balance of the City's investment portfolio is approximately \$315.5 million. Through the City's contracted investment advisor, Chandler Asset Management, the City invests in a variety of instruments that provide a reliable yield over a duration of maturity between 3 months to 5 years to ensure that cash is available to meet the City's needs. Chandler Asset Management makes these investments according to the City's Investment Policy, with the oversight of the Treasury Committee, which is comprised of the City Manager, City Treasurer, and the Assistant City Manager/Administrative Services Director. The Investment Policy is a formal statement of objectives and constraints for the City's investment approach.

The City of Corona's Investment Policy is reviewed annually by the City Treasurer, Administrative Services Department, and Chandler Asset Management, and adopted by the City Council pursuant to State law. Chandler Asset Management suggested minor rewording changes in the Policy's Attachment A- Allowable Investments. The revisions incorporated were simply refining phrases to be more clearly defined. The Policy's framework and provisions have not been changed. The Treasury Committee recommends no additional modifications to the City's Investment Policy for this year's annual review.

California Government Code 53600 et. seq. sets legal parameters around the degree of risk any municipal treasury can take in its investments. These parameters ensure that public investments are sufficiently diversified, of high credit quality, and have terms of length that enable the treasury to maintain liquidity and protect against longer-term shifts in the market. Historically, the City of Corona's Investment Policy has been more conservative than the California Government Code in terms of requirement of credit rating and limiting the percentage of funds that are invested into variable-rate assets. This approach has yielded returns that are higher than the industry benchmark yet still remain safe and liquid enough to meet the City's financial needs. Investment strategies are utilized to adjust the balance between cash and investments on a continuous basis to improve the overall return on investment.

As of March 31, 2019, the average market yield of City's portfolio was 2.47%, which was 0.18% above the benchmark Bank of America Merrill Lynch 1-5 year US Treasury/Agency Index. The Treasury Committee believes that the current Investment Policy is prudent and will continue to meet or exceed this benchmark, thereby ensuring that funds remain available to support the City's cash flow needs to deliver City services expected by the public.

Monthly investment reports are filed with the City Council and posted on the City's official website for the public to provide a clear picture of the status and performance of the current investment.

All City administrative policies were assigned numbers in January 2017, as part of a comprehensive collection, organization, and digitization project completed by the Legal and Risk Management Department. The City's Investment Policy was administratively assigned the City's Administrative Policy No. 01200-602.

COMMITTEE ACTION:

Not applicable.

STRATEGIC PLAN:

This item supports the City's Strategic Plan Goal 6: Improve Communications with Our Community; Objective a: Commit to transparency in all City actions. The recommended action will help achieve these goals by providing policy and standards for the management and investment of the City's public funds.

FISCAL IMPACT:

The Investment Policy is presented for review and approval. There is no fiscal impact.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the general rule that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the action is not subject to CEQA. This action merely adopts the resolution and approves the City's Investment Policy for Fiscal Year 2019-20, and there is no possibility that adopting the resolution and approving the Policy will have a significant effect on the environment.

PREPARED BY: JENNIFER SCHAEFER, FINANCE MANAGER III

REVIEWED BY: KERRY D. EDEN, ASSISTANT CITY MANAGER/ADMINISTRATIVE SERVICES DIRECTOR

REVIEWED BY: MICHELE NISSEN, ASSISTANT CITY MANAGER

SUBMITTED BY: MITCHELL LANSDELL, ACTING CITY MANAGER

Attachments:

1. Resolution No. 2019-044
2. Administrative Policy 01200.602- Investment Policy
3. Redline of Proposed Changes to Investment Policy

RESOLUTION NO. 2019-044

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
CORONA, CALIFORNIA, APPROVING THE CITY OF
CORONA'S INVESTMENT POLICY**

WHEREAS, the City Council of the City of Corona has considered a document entitled "City of Corona's Investment Policy" which outlines the policy enacted to provide guidelines for the prudent investment of inactive cash for all funds in the investment portfolio as well as guidelines for maximizing the efficiency of the cash management system for the City, the Corona Utility Authority, the Corona Housing Authority, and the Corona Public Financing Authority; and

WHEREAS, the "City of Corona's Investment Policy" has also been administratively assigned City Administrative Policy No. 01200-602; and

WHEREAS, the "City of Corona's Investment Policy" provides for a creation of a Treasury Committee comprised of the City Treasurer, City Manager, and Assistant City Manager/Administrative Services Director; and

WHEREAS, at the direction of the City Treasurer, the City of Corona's Investment Policy shall be reviewed annually to reflect changes in the California state codes, general market conditions or to provide further clarification of the City's policy; and

WHEREAS, the Assistant City Manager/Administrative Services Director has recommended to the City Council that the "City of Corona's Investment Policy" be approved and established as the policy of the City, the Corona Utility Authority, the Corona Housing Authority, and the Corona Public Financing Authority and such other entities as may be established for cash management; and

WHEREAS, the City Council has determined that the "City of Corona's Investment Policy" be approved and established as recommended by the Assistant City Manager/Administrative Services Director.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Corona, California that the "City of Corona's Investment Policy," as presented to the City Council at the meeting in which this Resolution is adopted, is hereby approved and established as the policy of the City with respect to investments.

PASSED, APPROVED AND ADOPTED this 19th day of June, 2019.

Mayor of the City of Corona, California

ATTEST:

City Clerk of the City of Corona, California

CERTIFICATION

I, Sylvia Edwards, City Clerk of the City of Corona, California, do hereby certify that the foregoing Resolution was regularly introduced and adopted by the City Council of the City of Corona, California, at a regular meeting thereof held on the 19th day of June, 2019, by the following vote of the Council:

AYES:

NOES:

ABSENT:

ABSTAINED:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Corona, California this 19th day of June, 2019.

City Clerk of the City of Corona, California

(SEAL)



Administrative Policy

Title: Investment Policy (Reso 2019-044)					
Administered By: Administrative Services Department (Finance)					
Policy No.	Numbered Date	Revision Date	Department Head Approved	City Manager Approved	Mayor Approved
01200.602	01-03-17	06-19-19			

The document titled as follows and adopted pursuant to City Council Resolution 2019-044 is hereby adopted as an Administrative Policy with the Policy Number noted above:

City of Corona
Investment Policy
(06-19-19)

The City's Investment Policy has been annually adopted by the City Council pursuant to a duly adopted resolution. Beginning on January 3, 2017, the Investment Policy has also been administratively assigned Policy No. 01200-602.

The latest version of this Policy document is attached hereto and incorporated herein by reference.

CITY OF CORONA

INVESTMENT POLICY



Jason Scott, Mayor
Jim Steiner, Vice Mayor
Yolanda Carrillo, Council Member
Jacque Casillas, Council Member
Wes Speake, Council Member

Chad Willardson, City Treasurer

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INVESTMENT POLICY

I. PURPOSE

This document is intended to provide guidelines for the prudent investment of the City's temporary inactive cash and outline the policies for maximizing the efficiency of the City's cash management system. The goal of the City's Investment Policy (the "Policy") is to meet the short and long-term cash flow demands in a manner which will provide for the safety of principal and sufficient liquidity, while providing a suitable investment return.

The Policy shall be adopted annually by resolution of the City Council. The Policy shall be reviewed annually by both the Treasury Committee and the City Council and any modifications made thereto must be approved.

The Policy is in conformance with the California Government Code Sections 53600 et seq. However, to meet the City's needs, the investment parameters set forth in the Policy are more conservative than those allowed by state law.

II. SCOPE

The Policy shall direct the investment of the City's temporarily inactive cash for all funds in the investment portfolio. These funds are accounted for in the City of Corona Comprehensive Annual Financial Report under the following fund types:

Governmental Funds
Proprietary Funds
Fiduciary Funds

The Policy shall also direct all investments related to the Corona Utility Authority, the Corona Housing Authority, and the Corona Public Financing Authority. The Policy will not direct the investment of funds held for employees in deferred compensation plans. Additionally, the Policy will not direct the investment of bond proceeds, which are specifically governed by the individual bond documents and trust indentures.

III. PRUDENCE

The standard of prudence to be used by the investment official shall be the "prudent investor standard" as set forth in California Government Code Section 53600.3 and shall be applied in the context of managing the overall portfolio.

The City Treasurer will be responsible for maintaining and updating investment policies and procedures. The intent of the procedures will be to ensure that the investment objectives and safeguards stated in this Policy are effectively communicated to all officials involved in the investment of public funds and that

they properly reflect the intent of the “Prudent Investor” rule. The procedures will be maintained on file with the City Treasurer and the Assistant City Manager/Administrative Services Director.

IV. ETHICS AND CONFLICT OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall comply with the disclosure and disqualification requirements required by state law and any applicable regulations, including those adopted by the Fair Political Practices Commission, or FPPC. In addition, the FPPC’s Statement of Economic Interests (Form 700) shall be completed annually and submitted to the City Clerk for all individuals involved in the investment of public funds.

V. INVESTMENT SELECTION CRITERIA

Criteria for selecting investments and the order of priority are:

1. **Safety.** The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of these amounts. Safety of principal is the foremost objective of the investment program. City investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The City shall select only those investments that are considered very safe. The City shall not engage in speculation. The City shall diversify its investments by investing funds among a variety of securities and financial institutions offering independent returns.
2. **Liquidity.** Liquidity is the ability to change an investment into its cash equivalent on short notice at its prevailing market value. The funds in the City’s 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 concurrently with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio will maintain a liquidity buffer and invest primarily in securities with active secondary and resale markets.
3. **Yield.** Yield is the potential dollar earnings that an investment can provide; it is also referred to as the rate of return. The City’s portfolio shall be designed to attain a return on investments through economic cycles, taking into account investment risk constraints and liquidity needs. Return on investment is of least importance compared to the safety and liquidity objectives.

VI. TREASURY COMMITTEE

The Policy provides for the creation of a Treasury Committee (Committee). The Committee is composed of the City Treasurer, the City Manager, and the Assistant City Manager/Administrative Services Director.

The Committee shall be responsible for the following:

1. Review of financial institutions.
2. Review of investment strategy.
3. Review of investment operations guidelines and procedures.
4. Review of controls to assure compliance with the State law and the City's Policy.
5. Recommendation and approval of investment brokers, dealers, advisors and managers.
6. Review of investment reports and other related issues with the City Council on an as-needed basis.
7. Recommending modifications to the list of permitted investments.

VII. INVESTMENT RESPONSIBILITY

In accordance with the State of California Government Code section 53607, the City Council delegates investment authority to the City Treasurer for a period of one year and such investment authority must be renewed annually. Adoption of this Policy constitutes delegation of investment authority to the City Treasurer for the fiscal year unless revoked in writing.

Within the constraints set forth in the Policy, the City Treasurer has the authority to direct investment strategy and approve investment transactions for the City's investment portfolio.

The City Treasurer appoints the Assistant City Manager/Administrative Services Director as Deputy City Treasurer and authorizes the Assistant City Manager/Administrative Services Director to act on his/her behalf in performing the powers and duties of the office as needed, and to specifically take responsibility for the implementation and supervision of investment controls and operations.

The Assistant City Manager/Administrative Services Director, or his/her designee, is responsible for the following:

1. Approving daily investment transactions.
2. Developing projections of the City's cash requirements for operating needs.
3. Reviewing the liquidity position of the investment portfolio.
4. Ensuring that the City's cash position is consistent with operating requirements.
5. Preparing appropriate investment reports.
6. Developing, implementing and monitoring controls over investments.

7. Record keeping for investment transactions.

Delegation of Authority

The City may engage the services of one or more external investment management advisors to assist in the management of the City's investment portfolio in a manner consistent with the City's objectives. Such advisors may be granted discretion to purchase and sell investment securities in accordance with the Policy. Such managers must be registered under the Investment Advisers Act of 1940. All broker/dealers selected by an external advisor must comply with the requirements of California Government Code Section 53601.5.

VIII. ALLOWABLE INVESTMENTS

Allowable investments for the City are listed in the matrix provided herein as Attachment A. The list is intended to ensure that the investment portfolio is properly diversified so that no single category of investment is over weighted or poses a disproportionate credit risk to the City. It should be noted that any newly developed derivative of an allowable investment that is not specifically mentioned in the Policy must be recommended by the City Treasurer for inclusion in the Policy. Any amendments to the list of allowable investments must be submitted to the City Council, via the Treasury Committee, for review and approval.

Any prior investment currently held by the City that does not meet the guidelines of this policy shall be exempt from the requirements of the Policy. At maturity or liquidation, such funds shall be reinvested as provided by the Policy.

Should an investment's percentage exceeded the Policy limitation due to an incident such as fluctuation in portfolio size, the affected securities may be held to maturity to avoid losses. When no loss is indicated, the Treasurer shall consider reconstructing the portfolio within the Policy established percentage limits.

All purchases and sales of securities will require a minimum of three quotes when practical. The three-quote rule will be waived for the following transactions:

1. Purchase and sale of new issues of federal agency securities that are still in syndicate.
2. Purchase and sale of US treasury bills or notes in amounts of \$5 million or less.
3. Purchase and sale of short-term money market securities (i.e. commercial paper, banker's acceptances, repurchase agreements, discount notes, treasury bills) that have a final maturity of less than 30 days from settlement date.
4. Proprietary reasons, where only one broker is authorized to make or accept offers.

Repurchase agreements may be used as short-term investment vehicles when economic conditions and alternative short-term investments make it favorable to invest in repurchase agreements. Prior to the investment of any public funds in a repurchase agreement, a Master Repurchase Agreement must be properly executed and countersigned by the financial institution that is a party to the agreement. The Master Repurchase Agreement will be the format prescribed by the Bond Market Association.

Investment of bond proceeds held by fiscal agents will be made in accordance with California Government Code Section 53601 (m), which states that money from bond proceeds should be invested as specified by bond documents. In most cases, these investments will be made under the same guidelines as other City investments.

IX. INVESTMENT POOLS / MUTUAL FUNDS

A thorough investigation of the pool/fund is required prior to investing public funds in any local agency investment pool or mutual fund. The investment of any public funds must comply with the rules set forth in the California Government Code Section 53601.

X. SELECTION OF FINANCIAL INSTITUTIONS

Only institutions that demonstrate financial strength may be selected to provide fiscal agent and/or external investment management or advisory services. They shall be selected using the following criteria: financial strength, reputation, technical investment expertise, security controls and ability to conform to the City and State mandated investment parameters.

Purchases and sales of investments shall, whenever practical, be made directly from the issuer, from a member of a federally regulated securities exchange, from a national or state-chartered bank, or from a qualified broker/dealer.

Primary dealers registered with the Federal Reserve Bank of New York should be used for broker/dealer securities transactions. Exceptions to the primary dealer rule may be made with approval of the Treasury Committee provided they are consistent with the California Government Code Section 53601.5.

A copy of the Policy shall be submitted to all broker/dealers, investment management advisors, fiscal agents and financial institutions with which the City places investments.

The City shall obtain a certification evidencing that they:

1. Have reviewed the City's investment policies and objectives.
2. Are familiar with the City's investment constraints.
3. Have complied with the provisions contained in the Policy.

XI. SAFEKEEPING AND CUSTODY

To protect against fraud, embezzlement, or losses caused by insolvency of individual securities dealers, all securities owned by the City shall be held in safekeeping by the City's custodial bank, a third party bank trust account, acting as agent for the City under the terms of a custody agreement.

Except for federally insured Certificates of Deposit, money market funds or the Local Agency Investment Fund (LAIF), all investments evidenced by physical or book-entry securities shall be secured through third-party custody and the following safekeeping procedures:

1. All transactions described above shall be executed on a delivery versus payment basis.
2. The custodian shall hold assets until the investments mature or the custodial bank receives a request from the City to sell or transfer the securities.
3. Bearer instruments shall be held only through third-party institutions.

XII. COLLATERALIZATION

Certificates of Deposit - The City shall require any commercial bank or savings and loan association to deposit eligible securities with an agency of a depository approved by the State Banking Department to secure any uninsured portion of a non-negotiable Certificate of Deposit. The value of eligible securities as defined pursuant to Government Code Section 53651, pledged against a Certificate of Deposit shall be equal to 150% of the face value of the CD if the securities are classified as mortgages and 110% of the face value of the CD for all other classes of security.

Repurchase Agreements - The City requires that repurchase agreements be collateralized only by securities authorized in this Policy:

1. The securities which collateralize the repurchase agreement shall be priced at market value, including any accrued interest plus a margin. The market value of the securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities.
2. Financial institutions shall mark the value of the collateral to market at least monthly and increase or decrease the collateral to satisfy the ratio requirement described above.
3. The City shall receive monthly statements of collateral.

XIII. MATURITY

The City shall not make any investments in instruments with a stated remaining maturity that exceeds five years at the time of purchase.

The maturity of investment instruments in the portfolio shall be consistent with projected cash requirements.

It is the City's intent, at the time of purchase, to hold the majority of investments until maturity to ensure the return of all invested principal dollars. However, it is realized that market prices of securities will vary depending on economic and interest rate conditions at any point in time. As a result, the City may choose to sell a security short of final maturity to realize a capital gain if it is to the City's economic advantage to do so. It is further recognized, that in a well-diversified portfolio, occasional measured losses are inevitable due to economic, bond market or individual security credit analysis. These occasional losses must be considered within the context of the overall investment program objectives and the resultant long-term rate of return.

XIV. LIQUIDITY

In maintaining sufficient liquidity in the City's portfolio, maturities shall be selected to mature prior to or match the timing of the City's projected cash flow needs. It is intended that a liquidity base equal to forecasted cash flow needs for six months should be maintained. Additionally, the marketability of a security shall be important criteria in selecting an investment.

XV. DIVERSIFICATION

The City will diversify its investments by security type, institution, and maturity date.

Mitigating Credit Risk in the Portfolio

Credit Risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The City shall mitigate credit risk by adopting the following strategies:

1. The diversification requirements included in this section are designed to mitigate credit risk in the portfolio.
2. No more than 5% of the total portfolio may be invested in securities of any single issuer, other than the US government, its agencies and instrumentalities.
3. The City may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity or yield of the portfolio in response to market conditions or the City's risk preferences.
4. If securities owned by the City are downgraded by a Nationally Recognized Statistical Rating Organization (NRSRO) to a level below the quality required by this Policy, it shall be the City's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio. Moody's, Standard and Poor's, and Fitch are currently used as the NRSRO.

- a. If a security is downgraded below the level required by the Policy, the City Treasurer will use discretion in determining whether to sell or hold the security based on its current maturity, the loss in value, the economic outlook for the issuer, and other relevant factors.
- b. If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported monthly to the City Council.

XVI. REPORTING

The City Treasurer shall file a monthly investment report with the City Council which provides a clear picture of the status of current investments. The investment report may include comments on the fixed income markets and economic conditions, discussions regarding restrictions on percentages of investments by category, possible changes in the portfolio structure and significant changes to investment strategies. The monthly investment report filed with the City Council will contain the following:

- 1. Percentages of the portfolio represented by each investment category.
- 2. An investment inventory including types and amounts of investments, issuing financial institutions and maturities.
- 3. A list of all investment transactions that occurred during the reporting month.
- 4. Investments or programs under the management of contracted parties.
- 5. Average maturity of the portfolio.
- 6. Average total yield to maturity of the portfolio relative to the prescribed benchmarks.
- 7. Current market value of investments with maturities of more than 12 months.
- 8. A statement denoting that the investment portfolio has sufficient liquidity to meet the City's anticipated expenditure requirements for the upcoming six months.
- 9. Percent of portfolio invested by type of instrument.
- 10. Written explanations for any variances to the Policy.

XVII. INTERNAL CONTROLS

Internal controls shall be established and maintained to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees and officers of the City.

Controls deemed most important include: segregation of duties, separation of transaction authority from accounting and record keeping, custodial safekeeping, clear delegation of authority, specific limitations regarding securities losses and remedial action, control over wire transfers, minimizing the number of authorized investment officials and documentation of transactions and strategies.

The City Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with the policies and procedures set forth in this document.

XVIII. PERFORMANCE STANDARDS

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

The investment performance objective for the portfolio shall be to earn a total rate of return over a market cycle which is approximately equal to the return on a benchmark index of one to five- year government securities.

XIX. INVESTMENT POLICY ADOPTION

At the direction of the City Treasurer, the City's Investment Policy shall be reviewed annually, to reflect changes in the California state codes, general market conditions or to provide further clarification of the City's policy. The Policy shall be formally presented to the City Council for approval at a public meeting. Any change in the Policy shall also be approved at a public meeting by the City Council.

GLOSSARY OF TERMS

Accrued Interest - Interest earned but not yet received.

Asset Backed Securities – Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

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

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

Broker - A broker brings buyers and sellers together for a commission. The broker does not take a position.

Certificate of Deposit - A deposit insured up to \$100,000 by the FDIC at a set rate for a specified period of time.

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

Collateralized Mortgage Obligation (CMO) – classes of bonds that redistribute the cash flow of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

Commercial Paper – A short-term, unsecured promissory note issued by a large corporation.

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

Dealer - A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

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

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

Discount Notes - Non-interest bearing money market instruments that are issued at a Discount and redeemed at maturity for full face value (e.g., U.S. treasury bills).

Diversified Management Companies – Mutual funds or money market mutual funds registered with the Securities and Exchange Commission pursuant California Government Code Section 53601(k).

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

IADB – Inter-American Development Bank, one of the three Washington, D.C. based Supranationals issuers.

IBRD – International Bank for Reconstruction and Development, one of the three Washington, D.C. based Supranationals issuers.

IFC – International Finance Corporation, one of the three Washington, D.C. based Supranationals issuers.

Liquidity - A liquid asset is one that can be converted easily and rapidly to cash without a substantial loss of value.

Local Government Investment Pool - The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment. (i.e. Local Agency Investment Fund or LAIF).

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

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

Medium Term Notes – 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 United States or by depository institutions licensed by the United States.

Mortgage-Backed Pass-Through Securities - A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

New Issue - Term used when a security is originally "brought" to the market.

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

Portfolio - Collection of securities held by an investor.

Primary Dealer - A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve

Bank of New York and are subject to its informal oversight. Primary dealers include SEC-registered securities broker/dealers, banks and a few unregulated firms.

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

Repurchase Agreement (REPO) - A transaction where the seller (bank) agrees to buy back from the buyer (City) the securities at an agreed upon price after a stated period of time. The buyer in effect lends the seller money for the period of the agreement, and the terms of the agreement are structured to compensate the buyer for this.

Reverse Repurchase Agreement – An agreement to sell securities in return for cash with an agreement to repurchase the securities at an agreed upon price.

Risk - Degree of uncertainty of return on an asset.

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

Securities and Exchange Commission (SEC) – An agency created by Congress to protect investors in securities transactions by administering securities legislation.

Supranational – A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

Treasury Bills - U.S. treasury bills are short-term, direct obligations of the U.S. government issued with original maturities of 13 weeks and 52 weeks in book form only.

Treasury Notes - Intermediate-term Coupon bearing U.S. securities having maturities from one year to ten years.

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

Yield to Maturity - The rate of income return on an investment, minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of the purchase to the date of maturity of the bond.

Zero Coupon Bond – A bond on which interest is not payable until maturity (or earlier redemption), but compounds periodically to accumulate to a stated maturity amount.

Attachment A – Allowable Investments

ALLOWABLE INVESTMENTS*						
Instrument	CITY OF CORONA LIMITS			STATE CODE LIMITS		
	Diversification	Term	Quality	Diversification	Term	Quality
Bankers Acceptances	Not to exceed 25% in any one institution; Not to exceed 20% of portfolio	Not to exceed 180 days	Eligible for purchase by the Federal Reserve System	Not to exceed 30% in any one institution; May not exceed 40% of portfolio	Not to exceed 180 days	Eligible for purchase by the Federal Reserve System
Bonds issued by the City, including Bonds payable solely out of revenue from a revenue producing property owned, controlled or operated by the City	Not to exceed 25% of the portfolio for combined municipal debt		“A” or better ranking by nationally recognized rating services	No limit	Not to exceed 5 years	
Bonds, Notes or other evidence of indebtedness of any local agency within California, or state warrants, or Treasury Notes or Bonds of California	Not to exceed 25% of the portfolio for combined municipal debt		“A” or better ranking by nationally recognized rating services	No limit	Not to exceed 5 years	
Bonds, Notes or other evidence of indebtedness in any of the other 49 states, in addition to California	Not to exceed 25% of the portfolio for combined municipal debt		“A” or better ranking by nationally recognized rating services	No limit	Not to exceed 5 years	
Commercial Paper	Not to exceed 25% of Portfolio; May not represent more than 10% of issuer’s outstanding paper	Not to exceed 270 days	“A1/P1” rating for issuer’s Commercial Paper; “A2/A” or higher rating on long-term debt; US domiciled corporations with assets greater than \$500 million	Not to exceed 25% of Portfolio; May not represent more than 10% of issuer’s outstanding paper	Not to exceed 270 days	Prime quality with the highest letter/number rating and “A” or higher rating on the issuer’s long-term debt; US domiciled corporations with assets greater than \$500 million
Diversified Management Companies, as defined by Section 53601(l) of the Government Code	Not to exceed 10% of Portfolio	N/A	Highest ranking by not less than 2 of the 3 largest rating services;	Not to exceed 20% of Portfolio; Not more than 10% of	N/A	Highest ranking by not less than 2 of the 3 largest rating services;

ALLOWABLE INVESTMENTS*						
Instrument	CITY OF CORONA LIMITS			STATE CODE LIMITS		
	Diversification	Term	Quality	Diversification	Term	Quality
			Have an SEC registered investment advisor with more than 5 years of experience and assets under management greater than \$500 million	Portfolio in one fund		Have an SEC registered investment advisor with more than 5 years of experience and assets under management greater than \$500 million
Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.	May not exceed 75% of Portfolio	Not to exceed 5 years		No limit	Not to exceed 5 years	
Financial Futures and Financial Option Contracts	Not authorized			Pursuant to Section 53601	Not to exceed 5 years	Pursuant to Section 53601
Medium-Term Notes issued by Corporations	Not to exceed 30% of Portfolio	Not to exceed 5 years	"A" or better ranking by nationally recognized rating service US domiciled corporations or US licensed depository	Not to exceed 30% of Portfolio	Not to exceed 5 years	"A" or better ranking by a nationally recognized rating service US domiciled corporations or US licensed depository
Negotiable Certificates of Deposit issued by a Nationally or State Chartered Bank, a Federal Association, or a State Licensed Branch of a Foreign Owned Bank (Insured by Federal Government)	Not to exceed 20% of Portfolio May not exceed shareholder's equity of issuing bank or net worth of issuing S & L	Not to exceed 3 years	Bank or Savings & Loans with "A1/P1" or better short term debt rating and "A2/A" or better long-term debt rating	Not to exceed 30% of Portfolio May not exceed shareholder's equity of issuing bank or net worth of issuing S & L or	Not to exceed 5 years	Not specified

ALLOWABLE INVESTMENTS*						
Instrument	CITY OF CORONA LIMITS			STATE CODE LIMITS		
	Diversification	Term	Quality	Diversification	Term	Quality
	or Federal Association			Federal Association		
Non-Government issued Mortgage-Backed Pass-Through Securities Collateralized Mortgage Obligations and Asset-Backed Securities	Total not to exceed 15% of investing agency's surplus	Not to exceed 5 years	Securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO	Not to exceed 20% of investing agency's surplus	Not to exceed 5 years	Securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO
Repurchase Agreements	Not to exceed 10% of Portfolio	Not to exceed 14 days	Collateral of 102% or greater with securities permitted in the Policy	None	Not to exceed 1 year	Authorized Collateral of 102% or greater
Reverse Repurchase Agreements	Not authorized			None	Not to exceed 1 year	Extensive conditions listed in Section 53601 (i)
State of California Local Agency Investment Fund (LAIF) or other Local Government Investment Pools established by public entities	Limit set by LAIF	N/A	Instruments consistent with State Code	No requirement	N/A	
Supranationals	Not to exceed 10% per issuer	Not to exceed 5 years	"AA" or better ranking by a nationally recognized rating service Washington, D.C. based issuers: IADB, IBRD, and IFC	Not to exceed 30% per issuer	Not to exceed 5 years	"AA" or better ranking by a nationally recognized rating service Washington, D.C. based issuers: IADB, IBRD, and IFC
United States Treasury Notes, Bonds, Bills, or other certificates of indebtedness backed by the US Government	No limit	Not to exceed 5 years		No limit	Not to exceed 5 years	
Zero Coupon Bonds	Not authorized			Not specified		

** Unless otherwise specified in this policy, no more than 5% of the total portfolio may be invested in securities of any single issuer, other than the US government, its agencies and instrumentalities.*

Attachment B – Sample Resolution Approving the Investment Policy

RESOLUTION NO. 2019-044

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
CORONA, CALIFORNIA, APPROVING THE CITY OF
CORONA’S INVESTMENT POLICY**

WHEREAS, the City Council of the City of Corona has considered a document entitled “City of Corona’s Investment Policy” which outlines the policy enacted to provide guidelines for the prudent investment of inactive cash for all funds in the investment portfolio as well as guidelines for maximizing the efficiency of the cash management system for the City, the Corona Utility Authority, the Corona Housing Authority, and the Corona Public Financing Authority; and

WHEREAS, the “City of Corona’s Investment Policy” has also been administratively assigned City Administrative Policy No. 01200-602; and

WHEREAS, the “City of Corona’s Investment Policy” provides for a creation of a Treasury Committee comprised of the City Treasurer, City Manager, and Assistant City Manager/Administrative Services Director; and

WHEREAS, at the direction of the City Treasurer, the City of Corona’s Investment Policy shall be reviewed annually to reflect changes in the California state codes, general market conditions or to provide further clarification of the City’s policy; and

WHEREAS, the Assistant City Manager/Administrative Services Director has recommended to the City Council that the “City of Corona’s Investment Policy” be approved and established as the policy of the City, the Corona Utility Authority, the Corona Housing Authority, and the Corona Public Financing Authority and such other entities as may be established for cash management; and

WHEREAS, the City Council has determined that the “City of Corona’s Investment Policy” be approved and established as recommended by the Assistant City Manager/Administrative Services Director.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Corona, California that the “City of Corona’s Investment Policy,” as presented to the City Council at the meeting in which this Resolution is adopted, is hereby approved and established as the policy of the City with respect to investments.

PASSED, APPROVED AND ADOPTED this 19th day of June, 2019.

Mayor of the City of Corona, California

ATTEST:

City Clerk of the City of Corona, California

CERTIFICATION

I, Sylvia Edwards, City Clerk of the City of Corona, California, do hereby certify that the foregoing Resolution was regularly introduced and adopted by the City Council of the City of Corona, California, at a regular meeting thereof held on the 19th day of June, 2019, by the following vote of the Council:

AYES:

NOES:

ABSENT:

ABSTAINED:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Corona, California this 19th day of June, 2019.

City Clerk of the City of Corona, California

(SEAL)

CITY OF CORONA

INVESTMENT POLICY



~~Karen Spiegel~~Jason Scott, Mayor
~~Eugene Montanez~~Jim Steiner, Vice Mayor
~~Randy Fox~~Yolanda Carrillo, Council Member
~~Richard O. Haley~~Jacque Casillas, Council Member
~~Jason Scott~~Wes Speake, Council Member

Chad Willardson, City Treasurer

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INVESTMENT POLICY

I. PURPOSE

This document is intended to provide guidelines for the prudent investment of the City's temporary inactive cash and outline the policies for maximizing the efficiency of the City's cash management system. The goal of the City's Investment Policy (the "Policy") is to meet the short and long-term cash flow demands in a manner which will provide for the safety of principal and sufficient liquidity, while providing a suitable investment return.

The Policy shall be adopted annually by resolution of the City Council. The Policy shall be reviewed annually by both the Treasury Committee and the City Council and any modifications made thereto must be approved.

The Policy is in conformance with the California Government Code Sections 53600 et seq. However, to meet the City's needs, the investment parameters set forth in the Policy are more conservative than those allowed by state law.

II. SCOPE

The Policy shall direct the investment of the City's temporarily inactive cash for all funds in the investment portfolio. These funds are accounted for in the City of Corona Comprehensive Annual Financial Report under the following fund types:

Governmental Funds
Proprietary Funds
Fiduciary Funds

The Policy shall also direct all investments related to the Corona Utility Authority, the Corona Housing Authority, and the Corona Public Financing Authority. The Policy will not direct the investment of funds held for employees in deferred compensation plans. Additionally, the Policy will not direct the investment of bond proceeds, which are specifically governed by the individual bond documents and trust indentures.

III. PRUDENCE

The standard of prudence to be used by the investment official shall be the "prudent investor standard" as set forth in California Government Code Section 53600.3 and shall be applied in the context of managing the overall portfolio.

The City Treasurer will be responsible for maintaining and updating investment policies and procedures. The intent of the procedures will be to ensure that the investment objectives and safeguards stated in this Policy are effectively communicated to all officials involved in the investment of public funds and that

they properly reflect the intent of the “Prudent Investor” rule. The procedures will be maintained on file with the City Treasurer and the Assistant City Manager/Administrative Services Director.

IV. ETHICS AND CONFLICT OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall comply with the disclosure and disqualification requirements required by state law and any applicable regulations, including those adopted by the Fair Political Practices Commission, or FPPC. In addition, the FPPC’s Statement of Economic Interests (Form 700) shall be completed annually and submitted to the City Clerk for all individuals involved in the investment of public funds.

V. INVESTMENT SELECTION CRITERIA

Criteria for selecting investments and the order of priority are:

1. **Safety.** The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of these amounts. Safety of principal is the foremost objective of the investment program. City investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The City shall select only those investments that are considered very safe. The City shall not engage in speculation. The City shall diversify its investments by investing funds among a variety of securities and financial institutions offering independent returns.
2. **Liquidity.** Liquidity is the ability to change an investment into its cash equivalent on short notice at its prevailing market value. The funds in the City’s 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 concurrently with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio will maintain a liquidity buffer and invest primarily in securities with active secondary and resale markets.
3. **Yield.** Yield is the potential dollar earnings that an investment can provide; it is also referred to as the rate of return. The City’s portfolio shall be designed to attain a return on investments through economic cycles, taking into account investment risk constraints and liquidity needs. Return on investment is of least importance compared to the safety and liquidity objectives.

VI. TREASURY COMMITTEE

The Policy provides for the creation of a Treasury Committee (Committee). The Committee is composed of the City Treasurer, the City Manager, and the Assistant City Manager/Administrative Services Director.

The Committee shall be responsible for the following:

1. Review of financial institutions.
2. Review of investment strategy.
3. Review of investment operations guidelines and procedures.
4. Review of controls to assure compliance with the State law and the City's Policy.
5. Recommendation and approval of investment brokers, dealers, advisors and managers.
6. Review of investment reports and other related issues with the City Council on an as-needed basis.
7. Recommending modifications to the list of permitted investments.

VII. INVESTMENT RESPONSIBILITY

In accordance with the State of California Government Code section 53607, the City Council delegates investment authority to the City Treasurer for a period of one year and such investment authority must be renewed annually. Adoption of this Policy constitutes delegation of investment authority to the City Treasurer for the fiscal year unless revoked in writing.

Within the constraints set forth in the Policy, the City Treasurer has the authority to direct investment strategy and approve investment transactions for the City's investment portfolio.

The City Treasurer appoints the Assistant City Manager/Administrative Services Director as Deputy City Treasurer and authorizes the Assistant City Manager/Administrative Services Director to act on his/her behalf in performing the powers and duties of the office as needed, and to specifically take responsibility for the implementation and supervision of investment controls and operations.

The Assistant City Manager/Administrative Services Director, or his/her designee, is responsible for the following:

1. Approving daily investment transactions.
2. Developing projections of the City's cash requirements for operating needs.
3. Reviewing the liquidity position of the investment portfolio.
4. Ensuring that the City's cash position is consistent with operating requirements.
5. Preparing appropriate investment reports.
6. Developing, implementing and monitoring controls over investments.

7. Record keeping for investment transactions.

Delegation of Authority

The City may engage the services of one or more external investment management advisors to assist in the management of the City's investment portfolio in a manner consistent with the City's objectives. Such advisors may be granted discretion to purchase and sell investment securities in accordance with the Policy. Such managers must be registered under the Investment Advisers Act of 1940. All broker/dealers selected by an external advisor must comply with the requirements of California Government Code Section 53601.5.

VIII. ALLOWABLE INVESTMENTS

Allowable investments for the City are listed in the matrix provided herein as Attachment A. The list is intended to ensure that the investment portfolio is properly diversified so that no single category of investment is over weighted or poses a disproportionate credit risk to the City. It should be noted that any newly developed derivative of an allowable investment that is not specifically mentioned in the Policy must be recommended by the City Treasurer for inclusion in the Policy. Any amendments to the list of allowable investments must be submitted to the City Council, via the Treasury Committee, for review and approval.

Any prior investment currently held by the City that does not meet the guidelines of this policy shall be exempt from the requirements of the Policy. At maturity or liquidation, such funds shall be reinvested as provided by the Policy.

Should an investment's percentage exceeded the Policy limitation due to an incident such as fluctuation in portfolio size, the affected securities may be held to maturity to avoid losses. When no loss is indicated, the Treasurer shall consider reconstructing the portfolio within the Policy established percentage limits.

All purchases and sales of securities will require a minimum of three quotes when practical. The three-quote rule will be waived for the following transactions:

1. Purchase and sale of new issues of federal agency securities that are still in syndicate.
2. Purchase and sale of US treasury bills or notes in amounts of \$5 million or less.
3. Purchase and sale of short-term money market securities (i.e. commercial paper, banker's acceptances, repurchase agreements, discount notes, treasury bills) that have a final maturity of less than 30 days from settlement date.
4. Proprietary reasons, where only one broker is authorized to make or accept offers.

Repurchase agreements may be used as short-term investment vehicles when economic conditions and alternative short-term investments make it favorable to invest in repurchase agreements. Prior to the investment of any public funds in a repurchase agreement, a Master Repurchase Agreement must be properly executed and countersigned by the financial institution that is a party to the agreement. The Master Repurchase Agreement will be the format prescribed by the Bond Market Association.

Investment of bond proceeds held by fiscal agents will be made in accordance with California Government Code Section 53601 (m), which states that money from bond proceeds should be invested as specified by bond documents. In most cases, these investments will be made under the same guidelines as other City investments.

IX. INVESTMENT POOLS / MUTUAL FUNDS

A thorough investigation of the pool/fund is required prior to investing public funds in any local agency investment pool or mutual fund. The investment of any public funds must comply with the rules set forth in the California Government Code Section 53601.

X. SELECTION OF FINANCIAL INSTITUTIONS

Only institutions that demonstrate financial strength may be selected to provide fiscal agent and/or external investment management or advisory services. They shall be selected using the following criteria: financial strength, reputation, technical investment expertise, security controls and ability to conform to the City and State mandated investment parameters.

Purchases and sales of investments shall, whenever practical, be made directly from the issuer, from a member of a federally regulated securities exchange, from a national or state-chartered bank, or from a qualified broker/dealer.

Primary dealers registered with the Federal Reserve Bank of New York should be used for broker/dealer securities transactions. Exceptions to the primary dealer rule may be made with approval of the Treasury Committee provided they are consistent with the California Government Code Section 53601.5.

A copy of the Policy shall be submitted to all broker/dealers, investment management advisors, fiscal agents and financial institutions with which the City places investments.

The City shall obtain a certification evidencing that they:

1. Have reviewed the City's investment policies and objectives.
2. Are familiar with the City's investment constraints.
3. Have complied with the provisions contained in the Policy.

XI. SAFEKEEPING AND CUSTODY

To protect against fraud, embezzlement, or losses caused by insolvency of individual securities dealers, all securities owned by the City shall be held in safekeeping by the City's custodial bank, a third party bank trust account, acting as agent for the City under the terms of a custody agreement.

Except for federally insured Certificates of Deposit, money market funds or the Local Agency Investment Fund (LAIF), all investments evidenced by physical or book-entry securities shall be secured through third-party custody and the following safekeeping procedures:

1. All transactions described above shall be executed on a delivery versus payment basis.
2. The custodian shall hold assets until the investments mature or the custodial bank receives a request from the City to sell or transfer the securities.
3. Bearer instruments shall be held only through third-party institutions.

XII. COLLATERALIZATION

Certificates of Deposit - The City shall require any commercial bank or savings and loan association to deposit eligible securities with an agency of a depository approved by the State Banking Department to secure any uninsured portion of a non-negotiable Certificate of Deposit. The value of eligible securities as defined pursuant to Government Code Section 53651, pledged against a Certificate of Deposit shall be equal to 150% of the face value of the CD if the securities are classified as mortgages and 110% of the face value of the CD for all other classes of security.

Repurchase Agreements - The City requires that repurchase agreements be collateralized only by securities authorized in this Policy:

1. The securities which collateralize the repurchase agreement shall be priced at market value, including any accrued interest plus a margin. The market value of the securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities.
2. Financial institutions shall mark the value of the collateral to market at least monthly and increase or decrease the collateral to satisfy the ratio requirement described above.
3. The City shall receive monthly statements of collateral.

XIII. MATURITY

The City shall not make any investments in instruments with a stated remaining maturity that exceeds five years at the time of purchase.

The maturity of investment instruments in the portfolio shall be consistent with projected cash requirements.

It is the City's intent, at the time of purchase, to hold the majority of investments until maturity to ensure the return of all invested principal dollars. However, it is realized that market prices of securities will vary depending on economic and interest rate conditions at any point in time. As a result, the City may choose to sell a security short of final maturity to realize a capital gain if it is to the City's economic advantage to do so. It is further recognized, that in a well-diversified portfolio, occasional measured losses are inevitable due to economic, bond market or individual security credit analysis. These occasional losses must be considered within the context of the overall investment program objectives and the resultant long-term rate of return.

XIV. LIQUIDITY

In maintaining sufficient liquidity in the City's portfolio, maturities shall be selected to mature prior to or match the timing of the City's projected cash flow needs. It is intended that a liquidity base equal to forecasted cash flow needs for six months should be maintained. Additionally, the marketability of a security shall be important criteria in selecting an investment.

XV. DIVERSIFICATION

The City will diversify its investments by security type, institution, and maturity date.

Mitigating Credit Risk in the Portfolio

Credit Risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The City shall mitigate credit risk by adopting the following strategies:

1. The diversification requirements included in this section are designed to mitigate credit risk in the portfolio.
2. No more than 5% of the total portfolio may be invested in securities of any single issuer, other than the US government, its agencies and instrumentalities.
3. The City may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity or yield of the portfolio in response to market conditions or the City's risk preferences.
4. If securities owned by the City are downgraded by a Nationally Recognized Statistical Rating Organization (NRSRO) to a level below the quality required by this Policy, it shall be the City's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio. Moody's, Standard and Poor's, and Fitch are currently used as the NRSRO.

- a. If a security is downgraded below the level required by the Policy, the City Treasurer will use discretion in determining whether to sell or hold the security based on its current maturity, the loss in value, the economic outlook for the issuer, and other relevant factors.
- b. If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported monthly to the City Council.

XVI. REPORTING

The City Treasurer shall file a monthly investment report with the City Council which provides a clear picture of the status of current investments. The investment report may include comments on the fixed income markets and economic conditions, discussions regarding restrictions on percentages of investments by category, possible changes in the portfolio structure and significant changes to investment strategies. The monthly investment report filed with the City Council will contain the following:

1. Percentages of the portfolio represented by each investment category.
2. An investment inventory including types and amounts of investments, issuing financial institutions and maturities.
3. A list of all investment transactions that occurred during the reporting month.
4. Investments or programs under the management of contracted parties.
5. Average maturity of the portfolio.
6. Average total yield to maturity of the portfolio relative to the prescribed benchmarks.
7. Current market value of investments with maturities of more than 12 months.
8. A statement denoting that the investment portfolio has sufficient liquidity to meet the City's anticipated expenditure requirements for the upcoming six months.
9. Percent of portfolio invested by type of instrument.
10. Written explanations for any variances to the Policy.

XVII. INTERNAL CONTROLS

Internal controls shall be established and maintained to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees and officers of the City.

Controls deemed most important include: segregation of duties, separation of transaction authority from accounting and record keeping, custodial safekeeping, clear delegation of authority, specific limitations regarding securities losses and remedial action, control over wire transfers, minimizing the number of authorized investment officials and documentation of transactions and strategies.

The City Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with the policies and procedures set forth in this document.

XVIII. PERFORMANCE STANDARDS

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

The investment performance objective for the portfolio shall be to earn a total rate of return over a market cycle which is approximately equal to the return on a benchmark index of one to five- year government securities.

XIX. INVESTMENT POLICY ADOPTION

At the direction of the City Treasurer, the City's Investment Policy shall be reviewed annually, to reflect changes in the California state codes, general market conditions or to provide further clarification of the City's policy. The Policy shall be formally presented to the City Council for approval at a public meeting. Any change in the Policy shall also be approved at a public meeting by the City Council.

GLOSSARY OF TERMS

Accrued Interest - Interest earned but not yet received.

Asset Backed Securities – Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

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

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

Broker - A broker brings buyers and sellers together for a commission. The broker does not take a position.

Certificate of Deposit - A deposit insured up to \$100,000 by the FDIC at a set rate for a specified period of time.

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

Collateralized Mortgage Obligation (CMO) – classes of bonds that redistribute the cash flow of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

Commercial Paper – A short-term, unsecured promissory note issued by a large corporation.

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

Dealer - A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

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

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

Discount Notes - Non-interest bearing money market instruments that are issued at a Discount and redeemed at maturity for full face value (e.g., U.S. treasury bills).

Diversified Management Companies – Mutual funds or money market mutual funds registered with the Securities and Exchange Commission pursuant California Government Code Section 53601(k).

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

IADB – Inter-American Development Bank, one of the three Washington, D.C. based Supranationals issuers.

IBRD – International Bank for Reconstruction and Development, one of the three Washington, D.C. based Supranationals issuers.

IFC – International Finance Corporation, one of the three Washington, D.C. based Supranationals issuers.

Liquidity - A liquid asset is one that can be converted easily and rapidly to cash without a substantial loss of value.

Local Government Investment Pool - The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment. (i.e. Local Agency Investment Fund or LAIF).

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

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

Medium Term Notes – 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 United States or by depository institutions licensed by the United States.

Mortgage-Backed Pass-Through Securities - A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

New Issue - Term used when a security is originally "brought" to the market.

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

Portfolio - Collection of securities held by an investor.

Primary Dealer - A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve

Bank of New York and are subject to its informal oversight. Primary dealers include SEC-registered securities broker/dealers, banks and a few unregulated firms.

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

Repurchase Agreement (REPO) - A transaction where the seller (bank) agrees to buy back from the buyer (City) the securities at an agreed upon price after a stated period of time. The buyer in effect lends the seller money for the period of the agreement, and the terms of the agreement are structured to compensate the buyer for this.

Reverse Repurchase Agreement – An agreement to sell securities in return for cash with an agreement to repurchase the securities at an agreed upon price.

Risk - Degree of uncertainty of return on an asset.

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

Securities and Exchange Commission (SEC) – An agency created by Congress to protect investors in securities transactions by administering securities legislation.

Supranational – A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

Treasury Bills - U.S. treasury bills are short-term, direct obligations of the U.S. government issued with original maturities of 13 weeks and 52 weeks in book form only.

Treasury Notes - Intermediate-term Coupon bearing U.S. securities having maturities from one year to ten years.

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

Yield to Maturity - The rate of income return on an investment, minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of the purchase to the date of maturity of the bond.

Zero Coupon Bond – A bond on which interest is not payable until maturity (or earlier redemption), but compounds periodically to accumulate to a stated maturity amount.

Attachment A – Allowable Investments

ALLOWABLE INVESTMENTS*						
Instrument	CITY OF CORONA LIMITS			STATE CODE LIMITS		
	Diversification	Term	Quality	Diversification	Term	Quality
Bankers Acceptances	Not to exceed 25% in any one institution; Not to exceed 20% of portfolio	Not to exceed 180 days	Eligible for purchase by the Federal Reserve System	Not to exceed 30% in any one institution; May not exceed 40% of portfolio	Not to exceed 180 days	Eligible for purchase by the Federal Reserve System
Bonds issued by the City, including Bonds payable solely out of revenue from a revenue producing property owned, controlled or operated by the City	Not to exceed 25% of the portfolio for combined municipal debt		"A" or better ranking by nationally recognized rating services	No limit	Not to exceed 5 years	
Bonds, Notes or other evidence of indebtedness of any local agency within California, or state warrants, or Treasury Notes or Bonds of California	Not to exceed 25% of the portfolio for combined municipal debt		"A" or better ranking by nationally recognized rating services	No limit	Not to exceed 5 years	
Bonds, Notes or other evidence of indebtedness in any of the other 49 states, in addition to California	Not to exceed 25% of the portfolio for combined municipal debt		"A" or better ranking by nationally recognized rating services	No limit	Not to exceed 5 years	
Commercial Paper	Not to exceed 25% of Portfolio; May not represent more than 10% of issuer's outstanding paper	Not to exceed 270 days	"A1/P1" rating for issuer's Commercial Paper; "A2/A" or higher rating on long-term debt; US domiciled corporations with assets greater than \$500 million	Not to exceed 25% of Portfolio; May not represent more than 10% of issuer's outstanding paper	Not to exceed 270 days	Prime quality with the highest letter/number rating and "A" or higher rating on the issuer's long-term debt; US domiciled corporations with assets greater than \$500 million
Diversified Management Companies, as defined by Section 53601(l) of the Government Code	Not to exceed 10% of Portfolio	N/A	Highest ranking by not less than 2 of the 3 largest rating services;	Not to exceed 20% of Portfolio; Not more than 10% of	N/A	Highest ranking by not less than 2 of the 3 largest rating services;

ALLOWABLE INVESTMENTS*						
Instrument	CITY OF CORONA LIMITS			STATE CODE LIMITS		
	Diversification	Term	Quality	Diversification	Term	Quality
			Have an SEC registered investment advisor with more than 5 years of experience and assets under management greater than \$500 million	Portfolio in one fund		Have an SEC registered investment advisor with more than 5 years of experience and assets under management greater than \$500 million
Discount Notes or Notes issued by agencies of the Federal Government <u>Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.</u>	May not exceed 75% of Portfolio	Not to exceed 5 years		No limit	Not to exceed 5 years	
Financial Futures and Financial Option Contracts	Not authorized			Pursuant to Section 53601	Not to exceed 5 years	Pursuant to Section 53601
Medium-Term Notes issued by Corporations	Not to exceed 30% of Portfolio	Not to exceed 5 years	"A" or better ranking by nationally recognized rating service US domiciled corporations or US licensed depository	Not to exceed 30% of Portfolio	Not to exceed 5 years	"A" or better ranking by a nationally recognized rating service US domiciled corporations or US licensed depository
Negotiable Certificates of Deposit issued by a Nationally or State Chartered Bank, a Federal Association, or a State Licensed	Not to exceed 20% of Portfolio May not exceed shareholder's	Not to exceed 3 years	Bank or Savings & Loans with "A1/P1" or better short term debt rating and "A2/A" or better	Not to exceed 30% of Portfolio May not exceed shareholder's	Not to exceed 5 years	Not specified

ALLOWABLE INVESTMENTS*						
Instrument	CITY OF CORONA LIMITS			STATE CODE LIMITS		
	Diversification	Term	Quality	Diversification	Term	Quality
Branch of a Foreign Owned Bank (Insured by Federal Government)	equity of issuing bank or net worth of issuing S & L or Federal Association		long-term debt rating	equity of issuing bank or net worth of issuing S & L or Federal Association		
Non-Government issued Mortgage-Backed Pass-Through Securities Collateralized Mortgage Obligations and Asset-Backed Securities	Total Not to exceed 15% of investing agency's surplus	Not to exceed 5 years	Securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO	Not to exceed 20% of investing agency's surplus	Not to exceed 5 years	Securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO "A" or higher for issuer debt; must be rated "AA" or higher, by nationally recognized rating service
Repurchase Agreements	Not to exceed 10% of Portfolio	Not to exceed 14 days	Collateral of 102% or greater with securities permitted in the Policy	None	Not to exceed 1 year	Authorized Collateral of 102% or greater
Reverse Repurchase Agreements	Not authorized			None	Not to exceed 1 year	Extensive conditions listed in Section 53601 (i)
State of California Local Agency Investment Fund (LAIF) or other Local Government Investment Pools established by public entities	Limit set by LAIF	N/A	Instruments consistent with State Code	No requirement	N/A	
Supranationals	Not to exceed 10% per issuer	Not to exceed 5 years	"AA" or better ranking by a nationally recognized rating service Washington, D.C. based issuers: IADB, IBRD, and IFC	Not to exceed 30% per issuer	Not to exceed 5 years	"AA" or better ranking by a nationally recognized rating service Washington, D.C. based issuers: IADB, IBRD, and IFC

ALLOWABLE INVESTMENTS*						
Instrument	CITY OF CORONA LIMITS			STATE CODE LIMITS		
	Diversification	Term	Quality	Diversification	Term	Quality
United States Treasury Notes, Bonds, Bills, or other certificates of indebtedness backed by the US Government	No limit	Not to exceed 5 years		No limit	Not to exceed 5 years	
Zero Coupon Bonds	Not authorized			Not specified		

* Unless otherwise specified in this policy, No more than 5% of the total portfolio may be invested in securities of any single issuer, other than the US government, its agencies and instrumentalities.

Attachment B – Sample Resolution Approving the Investment Policy

RESOLUTION NO. 2019-044

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
CORONA, CALIFORNIA, APPROVING THE CITY OF
CORONA’S INVESTMENT POLICY**

WHEREAS, the City Council of the City of Corona has considered a document entitled “City of Corona’s Investment Policy” which outlines the policy enacted to provide guidelines for the prudent investment of inactive cash for all funds in the investment portfolio as well as guidelines for maximizing the efficiency of the cash management system for the City, the Corona Utility Authority, the Corona Housing Authority, and the Corona Public Financing Authority; and

WHEREAS, the “City of Corona’s Investment Policy” has also been administratively assigned City Administrative Policy No. 01200-602; and

WHEREAS, the “City of Corona’s Investment Policy” provides for a creation of a Treasury Committee comprised of the City Treasurer, City Manager, and Assistant City Manager/Administrative Services Director; and

WHEREAS, at the direction of the City Treasurer, the City of Corona’s Investment Policy shall be reviewed annually to reflect changes in the California state codes, general market conditions or to provide further clarification of the City’s policy; and

WHEREAS, the Assistant City Manager/Administrative Services Director has recommended to the City Council that the “City of Corona’s Investment Policy” be approved and established as the policy of the City, the Corona Utility Authority, the Corona Housing Authority, and the Corona Public Financing Authority and such other entities as may be established for cash management; and

WHEREAS, the City Council has determined that the “City of Corona’s Investment Policy” be approved and established as recommended by the Assistant City Manager/Administrative Services Director.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Corona, California that the “City of Corona’s Investment Policy,” as presented to the City Council at the meeting in which this Resolution is adopted, is hereby approved and established as the policy of the City with respect to investments.

PASSED, APPROVED AND ADOPTED this 19th day of June, 2019.

Mayor of the City of Corona, California

ATTEST:

City Clerk of the City of Corona, California

CERTIFICATION

I, Sylvia Edwards, City Clerk of the City of Corona, California, do hereby certify that the foregoing Resolution was regularly introduced and adopted by the City Council of the City of Corona, California, at a regular meeting thereof held on the 19th day of June, 2019, by the following vote of the Council:

AYES:

NOES:

ABSENT:

ABSTAINED:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Corona, California this 19th day of June, 2019.

City Clerk of the City of Corona, California

(SEAL)