# SHASTA COUNTY TREASURY

# INVESTMENT POLICY STATEMENT 2024

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**Treasurer**

# INVESTMENT POLICY STATEMENT

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# PREFACE

Each issue addressed in this policy is considered to be of timely and significant importance to the administration of the investment portfolio. While some portions of this policy are a restatement of State law, these restatements are integral to the purpose and flow of this policy.

The following statements are intended to insure the achievement of the purpose, goals, and objectives of the investment strategy in an orderly, accurate manner. However, there is no guarantee that problems, errors, or losses will not arise in the course of administering the investment of funds.

Unforeseen factors may affect the achievement of the goals and objectives of the portfolio. A list of factors include, but are not limited to, the following: national or international events or crises, deviation of actual cash flow from forecasted cash flow, unexpected demands on cash flow, policies made with regard to investment in local depositories, and errors in data or impact local, national or international financial markets, economies or politics which in turn has a decided effect on the portfolio.

Keeping in mind the obstacles and deterrents in pursuing portfolio goals and objectives, this policy is designed to achieve a reasonable rate of return over an economic cycle, consistent with limited risk and prudent investment practices.

# INVESTMENT POLICY STATEMENT
# OF THE
# SHASTA COUNTY TREASURER

## APPLICATION AND SCOPE

The principles, parameters and/or restrictions contained in this policy apply to all activities of the treasurer relating to the management, investment and/or deposit of investable funds in the possession or under the control of the treasurer.

As used in this policy, "Treasurer" includes the person elected to the office of Shasta County Treasurer-Tax Collector-Public Administrator, the Chief Deputy Treasurer-Public Administrator, Treasury Cashiers, and all other persons acting in their capacity as deputies or agents of the Treasurer. The term "Department Head" means the person elected to the office of Shasta County Treasurer-Tax Collector-Public Administrator. The term "Investment Officer" means the person elected to office of the Shasta County Treasurer-Tax Collector-Public Administrator and/or the Chief Deputy Treasurer-Public Administrator.

Funds resulting from various statutorily authorized forms of financing may be subject to unique requirements imposed by statute or as incorporated in the debt instruments or documents authorizing the issuance thereof as approved by the authorizing legislative body. In the event of a conflict between any provision of this policy and any provision relating to the financing, the provision specific to the financing will prevail.

## PURPOSE

The purpose of the investment policy is to facilitate accomplishment of the goals and objectives of the Treasurer with regard to the investment of idle funds, to provide a framework within which to carry out the business of administering and investing the idle funds of the Treasury, to improve communications at all levels between those interested in the process of investing and administering the idle funds of the Treasury, and to ensure compliance with legal requirements and policies adopted by the Oversight Committee and Board of Supervisors.

## LEGAL COMPLIANCE

All investing and investment decisions shall be made with full compliance to California Government Codes § 27000 et seq. and § 53600 et seq., as well as any forthcoming amendments or additions to the California Government Code in relation to the investment of local agency idle funds. In addition, the Treasurer may provide further restrictions and guidelines for the investment of idle funds through this Statement of Investment Policy.

## GOALS & OBJECTIVES

### PRIMARY GOALS

The Treasurer's primary goals for the investment of idle funds (the portfolio) are in order of priority:

1. **Safety**
   Safety of Principal shall mean the safeguarding of capital through the selection of investments and investing procedures to best protect against loss arising from default, fraud, or error. To achieve preservation of principal the portfolio structure will be diversified to mitigate credit risk and market risk.

   **Credit Risk:** The inherent risk of an issuer(s) ability and willingness to repay interest and principal, which shall be mitigated by diversifying the fund so that the failure of any one issuer would not unduly harm the Fund's cash flow.

   **Market Risk:** The inherent risk of market value fluctuations due to changes in the general level of interest rates. Because longer maturity fixed-income securities have greater market risk than shorter maturity securities, market risk will be mitigated by establishing a limit for the weighted average maturity. It is recognized, in an active portfolio, occasional losses on individual securities are inevitable and must be considered within the context of the overall investment return.

2. **Liquidity**
   Liquidity Maintenance shall mean to always have the ability to convert sufficient securities in the portfolio to cash, with little or no loss in value, to cover cash flow needs of the County and its investing agencies, to meet contingency needs.

3. **Yield**
   Yield refers to earning a reasonable rate of return and shall take into consideration current market conditions, the present phase of the market cycle, both present and future cash flow needs, and the other primary goals of Safety and Liquidity Maintenance.

## MAINTENANCE OF PUBLIC TRUST

As the Treasurer has been entrusted with the safekeeping of Public Monies received from Public Sources, the Treasurer in managing Investment Portfolios shall exercise a high degree of professionalism to insure and sustain public confidence, remembering that both the investment instruments and the methods of transacting investment business are subject to public review and scrutiny.

## ETHICS AND CONFLICT OF INTEREST

The Treasurer and all investment personnel shall refrain from personal business activity which could create a conflict with proper execution of the investment program or could impair the ability to execute impartial investment decisions. The Treasurer and all investment personnel shall disclose to the Treasury Oversight Committee any material financial interests in financial institutions which conduct business with the County of Shasta and shall disclose any material financial investment positions which could be related in a conflicting manner to the performance of the County of Shasta investment portfolio.

## TERM

This policy is effective January 1st of each year, and shall remain in effect until it is amended or replaced by the Shasta County Treasurer-Tax Collector-Public Administrator and the new or amended policy has been submitted to and approved by the Shasta County Board of Supervisors and the Shasta County Treasury Oversight Committee.

## ELIGIBILITY AND CONTINUING EDUCATION

The Board of Supervisors enacted Ordinance SCC97-1 relating to eligibility and continuing education requirements for the office of Treasurer-Tax Collector. Said requirements are hereby applied to the position of Chief Deputy Treasurer-Public Administrator except that any certifications required to be filed by the Treasurer-Tax Collector with the State Controller shall in the case of the Chief Deputy Treasurer-Public Administrator be filed with the Treasurer-Tax Collector-Public Administrator.

## PRUDENT INVESTOR

Government Code § 53600.3. Except as provided in subdivision (a) of Section 27000.3, all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of alike character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

## OVERVIEW

Unless otherwise stated, all references to statutes contained herein are to provisions of the Government Code of the State of California.

The Shasta County Treasurer-Tax Collector-Public Administrator is responsible for the operation of a cash management and investment program pursuant to the provisions of Section 53635 et seq. of the Government Code. If the Shasta County Board of Supervisors enacts an ordinance pursuant to the provisions of Section 27000.1 delegating the Board's authority to invest or re-invest the funds of the County and the funds of other depositors in the County treasury, pursuant to Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5, the treasurer shall thereafter assume full responsibility for those transactions until the Board of Supervisors, by ordinance, revokes its delegation of authority. During the term of any such delegation, should that occur, the provisions of this policy shall apply to any investments made under such delegated authority.

The cash management and investment program is conducted on a "pooled" basis. The "pool" consists of "investable" funds belonging to the County of Shasta and a multitude of other local agencies, primarily school districts and special districts. Investable funds exist when the treasury balance exceeds the daily cash flow requirements of the treasury. The legislature has found and declared that by pooling deposits from local agencies and other participants, county treasuries operate in the public interest when they consolidate banking and investment activities, reduce duplication, achieve economies of scale, and carry out coherent and consolidated investment strategies.

When investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds, the primary objective of the County Treasurer shall be to safeguard the principal of the funds under his or her control. The secondary objective shall be to meet the liquidity needs of the depositor. The third objective shall be to achieve a return on the funds under his or her control. This policy is constructed to meet those objectives.

## AUTHORITY

## DELEGATION

Investment authority is delegated to the Treasurer by the Board of Supervisors, in accordance with California Government Code § 53607, by Shasta County Resolution No 74-78 on May 20th, 1974.

Pursuant to California Government Code § 27000.1, subject to § 53607, the Board of Supervisors may, by ordinance, delegate to the County Treasurer the authority to invest or reinvest the funds of the County and the funds of the other depositors in the County Treasury, pursuant to Chapter 4 (commending with Government Code § 53600) of Part 1 of Division 2 of Title 5 of the Government Code. The County Treasurer shall assume full responsibility for those transactions until the Board of Supervisors either revokes its delegation of authority, by ordinance, or decides not to renew the annual delegation.

Annual approval of this Investment Policy by the Board of Supervisors constitutes renewal of the annual delegation of investment authority to the Treasurer, effective January 1st of each year.

## TREASURY OVERSIGHT COMMITTEE

Pursuant to the addition of Article 6, to Chapter 5 of Division 2 of Title 3 of the California Government Code, the County Treasurer shall create a County Treasury Oversight Committee to promote the public interest by involving depositors in the management of their funds and by enhancing the security and investment return of their funds through the establishment of criteria for the withdrawal of funds. Nothing in this policy shall be construed to allow the County Treasury Oversight Committee to direct individual investment decisions, select individual investment advisors, brokers or dealers, or impinge on the day-to-day operations of the County Treasury. The duties of the County Treasury Oversight Committee will be delineated in the Investment Guidelines. In compliance with California Government Code § 27131 and to maintain equity of all depositors, the membership of the County Treasury Oversight Committee shall consist of the following:

## MEMBERS

The members of the Treasury Oversight Committee (TOC) shall consist of:

(a) The county treasurer.
(b) The county auditor, auditor-controller, or finance director, as the case may be.
(c) A representative appointed by the county board of supervisors.
(d) The county superintendent of schools or his or her designee.
(e) A representative selected by a majority of the presiding officers of the governing bodies of the school districts and community college districts in the county.

Government Code § 27133 (d) requires limits to be set on the receipt of honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other persons with whom the County Treasury conducts business by any member of the County Treasury Oversight Committee. These limits may be in addition to the limits set by a committee member's own agency, by raising money for the County Treasury or a Board of Supervisor (with the exception of raising money for their own position) while serving as a member on the committee.

## DUTIES OF THE TREASURY OVERSIGHT COMMITTEE (TOC)

The Treasury Oversight Committee (TOC) is required annually to review and monitor the investment policy prepared by the County Treasurer, pursuant to Government Code § 27133, and to cause an annual compliance audit, pursuant to Government Code § 27134.

Established here as policy, the TOC will review and accept the Statement of Investment Policy prepared by the Treasurer in January of each year. Any revisions to the Statement of Investment Policy will also be reviewed and accepted by the TOC prior to submitting any such revisions to the Board of Supervisors for review and acceptance.

The Treasurer will annually submit the Statement of Investment Policy to the Board of Supervisors to be reviewed and accepted at a public meeting as required by Government Code § 53646. This section also requires that any change in the policy be reviewed and accepted by the Board of Supervisors at a public meeting. As a matter of policy, the Statement of Investment Policy will be accepted by the TOC prior to being submitted to the Board of Supervisors in January of each year.

## ANNUAL AUDIT

As of the end of each fiscal year, the TOC shall cause an annual audit to be conducted to determine compliance with the Statement of Investment Policy and an audit of the interest apportionment. Additionally, the audit may address questions of portfolio structure and risk. The audit findings will be an agendized item at the TOC meeting following the release of the audit. The cost of the audit will be charged against the Treasurer's budget and will be included in the investment expenses which are deducted from earnings prior to interest apportionment. A copy of the annual audit will be distributed pursuant to Government Code § 53686.

## MEETINGS

The TOC meets on a quarterly basis. These meetings are scheduled within 30 days after the end of each quarter. Meeting dates and times are established at the beginning of each calendar year.

## AUTHORIZED INVESTMENT INSTRUMENTS

By statute (Section 53635), the following instruments are eligible for inclusion in the investment portfolio. For purposes of this policy, the term "investment portfolio" means all investments which produce earnings that are apportioned to pool participants based on the participants average daily balances in the treasury during the apportionment period. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. Investments in these instruments are subject to the limitations, restrictions or parameters contained in the policy language following each description:

A. Bonds issued by the local agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency.

*Policy:* *For purposes of this policy, the term "local agency" means the County of Shasta. Shall not exceed two years remaining to maturity and the total invested in instruments of this type shall not exceed 5% of the portfolio. Each investment of this type shall have specific written authorization of the department head.*

B. United States Treasury notes, bills, bonds, or certificates of indebtedness or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

*Policy:* *Except for treasury bills, which may be acquired without limit, investments of this type shall not exceed five years remaining to maturity.*

C. Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.

*Policy:* *Shall not exceed two years remaining to maturity, and the total invested in instruments of this type shall not exceed 10% of the portfolio. Each investment of this type shall have specific written authorization of the department head. Any such written authorization relating to registered warrants shall contain a statement that the department head expects, based on circumstances then present, that the warrants will be redeemed within one year.*

D. Bonds, notes, warrants or other evidences of indebtedness of any local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the local agency or by a department, board, agency or authority of the local agency.

*Policy:* *For purposes of this policy, the term "any local agency within this state" means local agencies other than the County of Shasta whose funds are deposited in the Shasta County Treasury. Shall not exceed one year remaining to maturity, and the total invested in instruments of this type shall not exceed 10% of the portfolio. Each investment of this type shall have specific written authorization of the department head.*

E. Obligations issued by federal home loan banks, the Federal Home Loan Bank, the Tennessee Valley Authority, or in obligations, participations, or other instruments of, or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association; or in guaranteed portions of Small Business Administration notes; or in obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise.

*Policy:* *Shall not exceed five years remaining to maturity and the total invested in instruments of this type shall not exceed 80% of the portfolio and no single issuer shall exceed 20% of the portfolio. No investment shall be made in Small Business Administration notes.*

F. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances. Purchases of banker’s acceptances may not exceed 180 days maturity or 40 percent of the agency's surplus funds, which may be invested pursuant to this section. However, no more than 30 percent of the agency's surplus funds may be invested in the banker's acceptances of any one commercial bank pursuant to this section.

*Policy:* *The total invested in instruments of this type shall not exceed 35% of the portfolio, and no single issuer shall exceed 10% of the portfolio. The issuer must have a minimum long-term credit rating of A from Standard & Poor's Corporation and A2 from Moody's Investor Service, Inc. If the issuer is a branch of a foreign bank, the investment must meet the credit standard and have the specific written authorization of the department head.*

G. Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by a nationally recognized statistical rating organization (NRSRO). Eligible paper is further limited to issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars ($500,000,000) and having an "A-1" or higher rating by an NRSRO. Purchase of eligible commercial paper may not exceed 270 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation. Purchases of commercial paper may not exceed 40 percent of the agency's surplus money which may be invested pursuant to this section.

*Policy:* *Shall not exceed 270 days remaining to maturity and shall not exceed 20% of the portfolio. No single issuer shall exceed 4% of the portfolio.*

H. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association, or a federal association, a state or federal credit union, federally chartered branch of foreign banks (Yankee Banks), or by a federally licensed or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed 30 percent of the agency's surplus money, that may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposit do not come within Article 2 (commencing with Section 53630), except that the amount so invested shall be subject to the limitations of Section 53638. For purposes of this section, the legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the moneys are prohibited from depositing or investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or an employee of the Administrative Officer, Manager's Office, budget office, Auditor-Controller's Office or Treasurer's Office of the local agency also serves on the board of directors, or any committee appointed by the board of directors or the credit committee or supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

*Policy:* *Shall not exceed one year remaining to maturity and shall not exceed 20% of the portfolio, provided, however, that the 20% limit may be exceeded if the transaction exceeding the 20% limit is of a duration of 30 days or less. No single issuer shall exceed 5% of the portfolio.*

I. (1) Investments in repurchase agreements or reverse repurchase agreements of any securities authorized by this section, so long as the agreements are subject to this subdivision, including the delivery requirements specified in this section.

(2) Investments in repurchase agreements may be made, on any investment authorized in this section, when the term of the agreement does not exceed one year. The market value of securities that underlie a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day.

(3) Reverse repurchase agreements may be utilized only when all of the following conditions are met:

(a) The security to be sold on reverse repurchase agreement has been owned and fully paid for by the local agency for a minimum of 30 days prior to sale, the total of all reverse repurchase agreements on investments owned by the local agency does not exceed 20 percent of the base value of the portfolio, and the agreement does not exceed a term of 92 days, unless 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 and the final maturity date of the same security

(4) Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counter party by way of a reverse repurchase agreement shall not be used to purchase another security with a

maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement, unless the reverse repurchase 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 and the final maturity date of the same security. Reverse repurchase agreements specified in subparagraph (I) of paragraph (3) may not be entered into unless the percentage restrictions specified in that subparagraph are met.

(5) Investments in reverse repurchase agreements or similar investments in which the local agency sells securities prior to purchase with a simultaneous agreement to repurchase the security, may only be made upon prior approval of the governing body of the local agency, and shall only be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency.

(6) (a) "Repurchase agreement" means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery.

(b) "Securities", for purpose of repurchase under this subdivision, means securities of the same issuer, description, issue date and maturity.

(c) "Reverse repurchase agreement" means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date and includes other comparable agreements.

(d) For purposes of this section, the base value of the local agency's pool portfolio shall be that dollar amount obtained by totaling all cash balances placed in the pool by all pool participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements or other similar borrowing methods.

(e) For purposes of this section, the spread is the difference between the cost of funds obtained using the reverse repurchase agreement and the earnings obtained on the reinvestment of the funds.

*Policy:* *Reverse repurchase agreements or similar investments are prohibited. Repurchase agreements shall not exceed 10% of the portfolio, and the term of the agreement shall not exceed 5 days. The 10% limit may be exceeded if the total invested in the repurchase agreement does not exceed 20% of the portfolio and the term of the agreement does not extend beyond the next county business day.*

J. Medium-term notes defined as all corporate and depository institution debt securities with a maximum of five years' maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated in a rating category of "A" or better by an NRSRO. Purchases of medium-term notes may not exceed 30 percent of the agency's surplus money which may be invested pursuant to this section.

*Policy:* *The total invested in instruments of this type shall not exceed 20% of the portfolio and no single issuer shall exceed 3% of the portfolio. Each investment of this type shall have the specific written approval of the department head.*

K. Shares of beneficial interest issued by diversified management companies investing in the securities and obligations as authorized by subdivisions (A) to (K), inclusive, of this section and which comply with the investment restrictions of this article (Article 2) and Article 1 (commencing with Section 53600). To be eligible for investment pursuant to this subdivision, these companies shall either: (1) attain the highest ranking or the highest letter and numerical rating provided by not less than two of the three largest nationally recognized rating services, or (2) have an investment adviser registered with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations as authorized by subdivisions (A) to (M), inclusive, of this section and with assets under management in excess of five hundred million dollars ($500,000,000). The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that the companies may charge and shall not exceed 20 % of the agency's surplus money, which may be invested pursuant to this section. No more than 10% of the agency's funds may be invested in shares of beneficial interest of any one mutual fund (money market, LIR).

*Policy:* *The total investment in instruments of this type shall not exceed 5% of the portfolio.*

L. Notes, bonds, or other obligations which are at all times secured by a valid first priority security interest in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

*Policy:* *Investments of this type are prohibited.*

M. Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate or consumer receivable-backed bond of a maximum of five years maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by an NRSRO and rated in a rating category of "AA" or its equivalent or better by an NRSRO. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus money that may be invested pursuant to this section.

*Policy:* *Investments of this type are prohibited.*

N. Inactive deposits made in accordance with the provisions of Article 2 (commencing with Section 53630) of Chapter 4 of Part 1 of Division 2 of Title 5

*Policy:* *No such deposits will be made in any institution that is not rated A or higher. The amount deposited in any single institution shall not exceed 7.5% of the portfolio.*

O. Deposits to the Local Agency Investment Fund of the State of California pursuant to Resolution No. 77-98 of the Shasta County Board of Supervisors dated April 18, 1977.

*Policy:* *Notwithstanding any other provision of this policy, deposits to L.A.I.F. may be made, subject only to the limitations thereon imposed by the State Treasurer.*

## SELECTION CRITERIA

### Brokers/Dealers and Depositories

The treasury shall maintain a list of qualified institutions with which the treasury will execute investment transactions. Only dealers that are licensed to do business in California and the investment departments of major California banks rated "AA" or higher and total assets in excess of $5,000,000,000 will be considered for inclusion on the list of qualified institutions. The department head will decide whether or not an institution should be placed on the list based on the length of time it has been in existence, its demonstrated ability to successfully maintain relationships with other municipal investors and its reputation for a commitment to maintaining a high level of professionalism and to meeting industry standards of ethical behavior. The foregoing criteria is intended to result in a list of well-known institutions of the highest quality.

No broker, brokerage, dealer or securities firm shall be placed on or remain on the list if it has, within any consecutive 48-month period made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the Shasta County Treasurer, any member of the Shasta County Board of Supervisors, any candidate for those offices, or any member of the Shasta County Treasury Oversight Committee.

The department head will periodically review each institution on the list and make a determination whether or not, in the opinion of the department head, it is in the best interests of the pool participants that the institution remain on the list.

The Investment Officer may remove an institution from the list at any time, and the fact that an institution is on the list does not create an obligation to execute investment transactions with a listed institution. The Investment Officer will furnish a copy of the current Statement of Investment Policy to each listed institution, who will then sign and return a receipt showing receipt and compliance to the policy.

### Representatives of Qualified Institutions

Individuals who represent qualified institutions in securities transactions with the treasury must be registered with the National Association of Securities Dealers, Inc., as having passed the General Securities Representative Examination (Series 7) and the Uniform Securities Agent State Law Examination (Series 63). Each representative:

- Shall have expertise and significant experience in institutional sales.
- Shall supply references consisting of the names of individuals at three California public agencies with whom they have executed investment transactions.

The Investment Officer shall maintain a list of authorized representatives of qualified institutions with whom the treasury may execute investment transactions.

## INVESTMENTS

Investments will be made by selection of instruments from the list of authorized investments only and the selection is further limited by the following in order to assure adequate liquidity while minimizing credit and market risks.

### Prohibited Investment Types and Restrictions Applicable to All Investments

Pursuant to Section 53631.5, any investment in inverse floaters, range notes or interest-only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual if held to maturity is prohibited.

Further, no investment shall be made in any security that, absent default on the part of the issuer, contains any provision, index or structure that would introduce any element of uncertainty in regard to the amount or rate of earnings if held to maturity or the amount of principal returned if held to maturity.

No investment shall be made in any security that has a maturity in excess of five years from the date of purchase.

Except for Repurchase Agreements, Sweep Account and Treasury Bills, the amount invested in a single issue shall not exceed 4% of the portfolio.

Notwithstanding the provisions of Section 53601.1 of the Government Code, no investments in financial futures or financial option contracts are allowed under this policy.

### Maturity Scheduling

Market risks and cash flow problems will be reduced by a "hold to maturity" policy. This policy requires that the maturity of the instrument selected conform to anticipated cash flow requirements. In other words, no investment will be made knowing that the instrument will have to be sold prior to maturity. Securities may be liquidated prior to maturity if the sale is to meet unanticipated cash flow requirements or market conditions so warrant and the sale has department head approval. No securities may be exchanged or traded for other securities. No securities will be purchased that have a maturity in excess of three years from the date of purchase without department head approval. The dollar-weighted average days to maturity of the portfolio shall not exceed 1095 days.

## CREDIT ASSESSMENT

In determining the creditworthiness of an issuer, counter party or depository, the Investment Officer shall utilize the ratings of Standard and Poor's Corporation, Moody's Investor Services, Inc., Fitch, GFI Bank Rating Services, or nationally recognized statistical rating organization (NRSRO)

## DIVERSIFICATION

Both market risk and credit risk can be reduced by constructing an investment portfolio that contains a broad mix of types of investments and issuers. The policy or statutory limitations that are contained in the section of this policy which sets forth permissible investments are to be measured against the portfolio at the time of the transaction subject to the limitation occurs.

## YIELD

Investments meeting all other requirements of this policy shall be chosen based on yield. A minimum of three quotes for investment options meeting the maturity scheduling requirements shall be obtained for each transaction having a term in excess of five days and a written record of the quotes shall be retained by the Investment Officer until after the next subsequent compliance audit conducted pursuant to the provisions of Section 27134. Yield shall always be the last consideration, and if the quotes obtained are not for the same instrument, issues of safety, liquidity and diversity shall be given greater consideration than yield.

**SAFEKEEPING**

Securities purchased from brokers and/or dealers shall be held in third party safekeeping by the trust department of the County's bank or other designated third-party trust, in the County's name or control. All investment transactions subject to "delivery vs. payment" shall be conducted on that basis. This practice ensures that the transaction settles after the transaction terms and conditions of the parties involved have been met.

**PERFORMANCE BENCHMARK**

The investment portfolio is constructed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, matching the investment risk controls and cash flow requirements, thus preserving capital, meeting liquidity, and providing yield. The Treasurer’s investment strategy is to manage the portfolio with less risk than a benchmark comparable index and to use economies of scale to invest and administer the program at a reasonable cost. As a result, the portfolio is benchmarked against both the BofA Merrill Lynch 1-3 Year US Treasury Index and the California Local Agency Investment Fund (LAIF).

**INTERNAL CONTROLS & PROCEDURES**

The Treasurer has established a system of written internal controls, which is reviewed annually with the County’s independent (external) auditor. The controls are designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions of employees of the Treasurer’s Office. The Treasurer shall evaluate any audit reports in a timely manner with the Treasury Oversight Committee. The quarterly audit reports of the Treasury shall be provided as required by Government Code § 26920 through 26922. Daily compliance of the investment portfolio shall be performed by the Treasurer’s Compliance Division. Compliance will be determined on a fair market value basis. Cash held at the bank will not be included in the pool balance. All agreements, statements, and trade packets will be subject to review annually by auditors in conjunction with their audit.

The Treasurer has procedures for the investment process that are consistent with this policy and are statutorily compliant. Procedures include safekeeping, master repurchase agreements, wire transfer agreements, collateral and depository agreements, banking service contracts and other investment and banking related activities. Such procedures include explicit delegation of authority to personnel responsible for investment transactions.

The Treasurer shall designate a staff person as a liaison/deputy in the event circumstances require timely action and the County Treasurer is not present. No investment personnel may engage in an investment transaction except as provided under terms of this policy and the procedures established by the County Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of Treasury personnel.

**COMPETITIVE BIDDING**

All transactions will be made through the use of competitive bids whenever possible. At least two (2) competitive bids will be solicited for each transaction. If the solicitation of two bids is not feasible or practical, the reason will be stated in the transaction documentation. Exceptions to the use of competitive bids may include, but are not limited to, the following:

1. Market circumstances where time constraints would make the bid process impractical.
2. Investments possessing distinctive characteristics.
3. Overnight deposits where time constraints may not accommodate the bid process.
4. Transactions in which investments are actively traded and priced by market information services such as Telerate and Bloomberg, where current market price can be readily determined.

**REPORTING**

California Government Code § 53646 requires the following regarding reporting:

> *The Treasurer shall annually render a Statement of Investment Policy to the Oversight Committee and to the Board of Supervisors*

As required by Government Code § 53646, the quarterly report will include:

1. A list of holdings as of the last day of the quarter:
   (a) Type of Investment
   (b) Issuer
   (c) Date of Maturity
   (d) Par Amount
   (e) Book Value
   (f) Market Value at Quarter-end (and Source of Value)

2. A statement of compliance with the Statement of Investment Policy or an explanation of any variance.
3. A statement of the pool's ability to meet the expenditure requirements for the next six months or an explanation of why the pool cannot meet the expenditure requirements.

A monthly transaction report will be made available to the legislative body per Government Code § 53607.

As deemed appropriate, the Treasurer or the TOC may issue additional statistical or narrative reports.

## MARK-TO-MARKET

Mark-to-Market is the requirement of the AICPA's pronouncement GASB 31 which dictates that portfolios disclose the Fair Market Value of investments on a given date. Fair Market Value can be determined by an independent agency. The cost of an independent agency is significant and we have determined that the portfolio valuation will be mark-to-market using our custodian's fair market valuation rather than incurring an additional vendor cost. Our custodian utilizes several market pricing services, including Merrill Lynch, Bloomberg, and others.

## CALCULATING AND APPORTIONING THE COSTS

The manner of calculating and apportioning the costs of investing, depositing, banking, auditing, reporting or otherwise handling or managing funds is as follows:

A. Total earnings for all funds will be accounted for and accumulated. All costs incurred as described in Government Code Sections 27013, 17133 and 27135 will be accounted for and paid out of earnings.
B. All costs will be spread at the same time and as part of the process of apportioning earnings so that each participant's share is in proportion to its earnings.

## CRITERIA FOR CONSIDERING REQUESTS TO WITHDRAW FOR INVESTMENT PURPOSES

The County Treasurer shall provide a form to agencies requesting withdrawal of funds for investment purposes.

Assessment of the effect of a proposed withdrawal on the stability and predictability of the investments in the county treasury will be based on the following criteria:

1. Size of withdrawal.
2. Size of remaining balances of:
   (a) Pool
   (b) Agency
3. Current market condition.
4. Duration of withdrawal.
5. Effect on predicted cash flows.
6. A determination if there will be sufficient balances remaining to cover costs.
7. Adequate information, including the statutory authority that allows the funds to be invested outside the treasury pool, has been supplied to the County Treasurer in order to make a proper finding that other pool participants will not be adversely affected.

Requests for withdrawals for the purpose of investing or depositing funds outside the pool shall be made at least ten (10) business days in advance of the proposed withdrawal date. Notice in writing of at least five (5) business days shall be required for withdrawals in excess of $250,000.00 for loan repayments, capital expenditures and any expenditure not in the ordinary course of operations.

## TERMS AND CONDITIONS FOR NON-STATUTORY COMBINED POOL PARTICIPANTS

All entities qualifying under Government Code Section 27133(g), may deposit funds for investment purposes providing all of the following have been accomplished:

1. The agency's administrative body has requested the privilege, has agreed to terms and conditions of an investment agreement as prescribed by the County Treasurer, and has by resolution identified the authorized officer acting on behalf of the agency.
2. The County Board of Supervisors approves the investment agreement.
3. The County Auditor-Controller has prescribed the appropriate accounting procedures.

## LIMITS ON RECEIPT OF HONORARIA, GIFTS AND GRATUITIES

No member of the staff of the Treasurer's Office or member of the Shasta County Treasury Oversight Committee may accept any honoraria, gift or gratuity from advisors, brokers, dealers, bankers, or other persons with whom the county treasury conducts business. Excepted from the foregoing are ordinary desk-top promotional items of advertising, such as calendars, planners, etc., which are clearly identifiable as such. This prohibition is in addition to any other limit or prohibition set by the County of Shasta, the members' own agency, or by the Fair Political Practices Commission.

**REPORTING**

The County Treasurer will submit a copy of the Report of Investments required by Section 53646(b)(1) to the Shasta County Treasury Oversight Committee at the same time said report is submitted to the Board of Supervisors. The report shall be submitted within 30 days of the quarter, or month at the option of the Board of Supervisors, following the end of the period covered by the report.

**DATE:** 12/01/2023

Lori J. Scott

**LORI J. SCOTT**
**Treasurer-Tax Collector-Public Administrator**

## AUTHORIZED INVESTMENTS & DIVERSIFICATION

Pursuant to CA Government Code § 27000 – Prudence definition,
§ 53600 – Local agency definition, § 53601 – Authorized Investments
(See Appendix 1 for complete investment listing)

The Treasurer has established the following self-imposed restrictions which are stricter than the statutory requirement to ensure diversification is maintained in the portfolio. The diversification is critical to reduce risks associated with investment concentration, quality, and duration. The portfolio's approved Weighted Average Maturity (WAM) is not to exceed 1095 days with no more than 10% held in one issuer's name. Cashflow projections, fed fund targets and other opportunities are continuously evaluated to define the strategy for the portfolio.

| Government Code § 53601 INVESTMENT TYPES & RESTRICTIONS* | | | TREASURER IMPOSED |
|---|---|---|---|
| TYPE | MAXIMUM TERM | MAXIMUM % | RESTRICTIONS |
| (a) Local Agency Bonds | 5 years | No limit | 5% |
| (b) USTN, Bonds, Bills, … | 5 years | No limit | 50% |
| (c) Reg'd State Wts, TN Bonds | 5 years | No limit | 10% |
| (e) Local Agency Bonds, Notes,… | 5 years | No limit | 75% |
| (f) Agency Obligations…Federal Agency/GSE | 5 years | No limit | 75% |
| (g) Bankers Acceptances | 180 days | 40%; limited to 30% in one specific bank | 35%; limited to 10% in one specific bank |
| (h) Commercial Paper | 270 days | 40%; limited to 30% in one specific comm | 20%; limited to 10% in one single corp. issuer |
| (i) Certificates of Deposits | 5 years | 30% | 20% |
| (j) Repurchase Agreements * | 1 years | 20% | 20% |
| (k) Corp. Notes (MTnS) * | 5 years | 30% | 20% |
| LAIF | not specified | 75MM | 75MM or 25% |

Due to fluctuations in the portfolio's balance, compliance testing is applicable on the day of purchase.

*THE COUNTY TREASURER WILL NOT PURCHASE reverse repurchase agreements, strips or zero interest investment.

# SHASTA COUNTY TREASURER

## LISTING OF
## INVESTMENT TERMINOLOGY

**Accrued Interest:** The amount of interest that is earned, but unpaid since the last interest payment date.

**Agency:** Securities issued by government-sponsored corporations such as Federal Home Loan Banks (FHLB) or Federal Land Banks (FLB.) Agency securities are exempt from Securities and Exchange Commission (SEC) registration requirements.

**American Call:** Bonds may be called at any time following the first call or lockout period.

**Amortization:** Accounting procedure that gradually reduces the cost value of a limited life of intangible asset through periodic charges to income. It is a common practice to amortize any premium over par value paid in the purchase of bond investments or any discount under par value recognized in the purchase of bond investments.

**Asked Price:** The price at which securities are offered from a seller.

**Asset Backed Securities (ABS):** Securities collateralized with consumer receivables, such as automobile loans, credit card receivables, or home equity loans, which are owned by the issuer, but placed with a trustee for the benefit of the investor.

**Banker's Acceptances:** Banker's acceptances (BAs) are another form of money market instruments issued by banks. BAs arise from transactions involving the import, export, transit, or storage of goods. The underlying transaction that gives rise to a BA is almost completely irrelevant to the credit quality or the liquidity of the instrument; the actual BA is created at a late stage in the underlying transaction when a back accepts its obligation to pay the holder of the unconditional obligation of the accepting bank.

From an investor's point of view, a BA is a bank obligation that has at least the same credit strength as any CD issued by the same bank. BAs are typically stronger that CDs because in addition to the credit strength of the accepting bank, they are backed by the credit strength of a drawer; an endorsing bank, if one is involved in the transaction; and usually by the pledge of documents representing ownership of the trade goods and insurance on the goods. BAs do not carry federal deposit insurance.

The term of a BA may be for an even 90, 180, or 270 days when it is created but is often for an odd number of days by the time an investor purchases it.

BAs meeting certain Federal Reserve regulations are called eligible BAs. Eligible BAs cannot exceed 180 days and are not subject to reserve requirements.

Like Treasury bills, BAs do not pay interest. Instead, they are bought and sold on a discount basis. For larger BAs created by creditworthy banks, there is an active secondary market.

**Banker Note (BN):** Similar to Commercial Paper (debt instrument issued by the Bank's holding company), but the Bank Note is issued directly by the Bank and not the holding company. BNs represent the highest senior debt issued by the bank, second only to Certificate of Deposit holders; highly negotiable and liquid; an allowable and accepted institutional investment form.

**Basis Point:** One basis point equals 1/100 of one percent. Example: 0.25% is twenty-five basis points. Basis points are used more often to describe changes in yields on bonds, notes, and other fixed-income securities.

**Benchmark:** A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investment.

**Bermuda Call:** Bonds may only be called on a pre-determined schedule of call dates: Monthly, Quarterly, Annually, etc.

**Bid Price:** The price at which a buyer offers to buy a security.

**Bond:** A long-term debt instrument in which the investor lends money to the bond issuer, who agrees to pay a stated rate of interest over a specified period of time. Very simply, a bond is a promissory note which is traded in the financial markets. The investor's position is that of lender.

**Bond Rating:** A rating selected from a scale which indicates the relative likelihood of default.

**Book Entry:** The system, maintained by the Federal Reserve, by which most money market securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains a computerized record of the ownership of these securities, and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). These securities do not receive physical certificates.

**Book Value:** The original cost of the investment, plus accrued interest and amortization of any premium or discount.

**Broker:** A middleman who brings buyers and sellers together and handles their orders, generally charging a commission for his services. The broker does not own or take a position in the security.

**Call Option:** A contract which allows the holder to buy a specified quantity of an asset at a specified price on or within a specified date.

**Callable Bonds:** Bonds which may be redeemed by the issuing company prior to the maturity date.

**Canary Call:** Bonds may be called during an open call period, if not called on the last date, then they become non-callable to maturity.

**Capital Gain/Loss:** The profit or loss realized from the sale of a capital asset.

**Certificate of Deposit (CD):** A time deposit with a specific maturity evidenced by a certificate. Large-denomination CDs are typically negotiable.

**Collateral:** Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement or securities pledged by a financial institution to secure deposits of public moneys. Repurchase agreements are required and must be executed with approved broker-dealers, collateralized with either: (1) U.S. Treasuries or Agencies with a market value of 102% for collateral marked to market daily; or (2) money market instruments which are on the approved list of the County and which meet the qualifications of the Policy with a marked value of 102%

**Commercial Paper (CP):** Commercial paper is an unsecured, short-term promissory note issued by corporations for specific amounts and with specific maturity dates. Typical issuers are firms that need large amounts of short-term working capital or firms with fluctuating requirements for short-term funds.

Commercial paper is relatively safe but not the same quality as U.S. Treasury or agency obligations. Major credit rating agencies provide published credit ratings for commercial paper issues. Issuers without strong credit ratings, as well as smaller and less well-known companies, often can only find buyers for their commercial paper if it is backed by a letter of credit from a commercial bank or guaranteed by the issuer's parent company.

Commercial paper can be sold at a discount or can be interest bearing; however, most commercial paper is issued at a discount. Terms can be as short as one day and usually do not exceed 270 days. Minimum sizes are determined by each issuer. They are often $100,000 but may be smaller.

**Coupon or Coupon Rate:** The rate at which a bond pays interest. Stated as a percentage of par and computed out to a dollar amount. Example: A note with a coupon of 6% pays $30,000 interest per million dollars of par every six months, or $60,000 annually

**Current Yield:** The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

**CUSIP Number:** A nine-digit letter and number combination established by the Committee on Uniform Securities Identification Procedures that is used to identify publicly traded securities. Each publicly traded security receives a unique CUSIP number when the security is issued.

**Custodian:** A bank or other financial institution that keeps custody of stock certificates and other assets.

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

**Debenture:** A bond secured only by the general credit of the issuer.

**Delivery Versus Payment (DVP):** Delivery of securities with a simultaneous exchange of money for the securities.

**Derivative:** A security whose interest rate of principal amount may vary and is determined by a market index or a combination of market indexes.

**Discount:** The amount by which the price for a security is less than its par.

**Discount Securities:** Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for the full face value of the investment.

**Diversification:** An investment strategy designed to spread the risk in a portfolio by dividing investments among different sectors, industries, and companies.

**Dollar-Weighted Average Maturity:** A calculation that expresses the "average maturity" of an investment portfolio using investment's maturity weighted by size of that investment.

**European Call:** Bonds may only be called on one pre-determined date.

**Federal Credit Agencies:** Agencies of the Federal government set up to supply credit to various classes of institutions and individuals.

**Federal Deposit Insurance Corporation (FDIC):** A federal agency that insured bank deposits, currently up to $250,000 per deposit.

**Federal Farm Credit Bank Securities:** The Federal Farm Credit Banks (FFCBs) issue two types of short-term securities. Debentures are issued for terms of three, six and 12 months. Interest on the debentures is paid at maturity.

The FFCBs also sell discount notes. Like Treasury bills, FFCB discount notes pay interest at maturity since they are sold at a discount, but redeemed at par. The discount notes are issued with original maturities ranging from five to 365 days.

Minimum size for both debentures and discount notes is $5,000. Obligations of the FFCBs are not guaranteed by the U.S. government but are considered to have implied backing.

**Federal Funds Rate:** Interest rate at which banks lend federal funds to each other.

**Federal Home Loan Banks (FHLB):** Government sponsored wholesale banks that lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies.

**Federal Home Loan Bank Notes:** The Federal Home Loan Bank (FHLB) issues discount notes. Like Treasury bills, these pay interest at maturity since they are sold at a discount but redeemed at par. The discount notes are issued with original maturities ranging from five to 365 days. These discount notes can be called before maturity. The minimum size is $5,000.

Obligations of the FHLB are not guaranteed by the U.S. government but are considered to have implied backing.

**Federal Home Loan Mortgage Corporation Discount Notes:** The Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac) also issues discount notes. The discount notes are issued with original maturities ranging from one to 360 days. Minimum size is $25,000. These discount notes are not guaranteed by the U.S. government but are considered to have implied backing.

**Federal National Mortgage Association Residential:** The Federal National Mortgage Association (FNMA or Fannie Mae) issues unsecured obligations called residential financing securities or REFs. REFs are issued with original maturities of six months, one year, and two years. Interest on the one- and two-year notes is paid semiannually. Minimum size is $10,000. REFs are not guaranteed by the U.S. government but are considered to have implied backing.

**Federal Open Market Committee (FOMC):** This committee sets Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

**Federal Reserve System:** A U.S. centralized banking system which has supervisory powers over the 12 Federal Reserve banks and about 6,000 member banks.

**Fed Funds:** The settlement is to be consummated with funds on deposit at the Federal Reserve Bank; and, thus, available the same day. All government securities are traded on Fed Funds; also referred to as "same day funds".

**Fixed-Income Securities:** Securities which return a fixed income over a specified period.

**Floating Rate Note:** A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g.: Treasury bills, LIBOR, etc.).

**Government National Mortgage Association (GNMA or Ginnie Mae):** Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, saving and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FmHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

**Government-Sponsored Enterprises (GSE):** Government sponsored obligations, participation, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

**Interest:** The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

**Liquidity:** The speed and ease with which an investment can be converted to cash.

**Local Agency:** County, city, city and county, including a charter city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

**Market:** Refers to the place, physical or electronic, that investment transactions take place. The New York Stock Exchange (NYSE) is a recognized exchange (stock market) with a physical location in New York. The Chicago Board of Trade (CBT) is a recognized exchange (commodities market) with a physical location in Chicago. The "over-the-counter" market is an electronic and phone system used to trade investments which are not traded on recognized exchanges. Bond and money market investments (fixed income securities) are traded on the "over-the-counter" market.

**Mark-To-Market:** The market valuation for every security in a portfolio used in determining Net Asset Value (NAV).

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

**Master Repurchase Agreement:** A required written contract covering all future transactions between the parties to repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrow (see Collateral).

**Maturity:** The date on which the principal or last principal payment on a debt is due and payable.

**Medium Term Note (MTN):** Debt securities issued by a corporation or depository institution with a maturity ranging from nine months to 5 years. The term "medium-term-notes" refers to the time it takes for an obligation to mature and includes other corporate debt securities originally issued maturities longer than five years, but which have now fallen within the 5-year maturity range. MTNs issued by banks are also called "bank notes."

**Money Market:** The market in which short term debt instruments (Treasury bills, discount notes, commercial paper, bankers' acceptances, etc.) are issued and traded.

**Money Market Mutual Funds:** An investment company that pools money from investors and invests in a variety of short-term money market, instruments. The Net Asset Value (NAV) of these funds should remain at $1.00; however, it is not guarantees.

**Municipal Debt:** Issued by public entitles to meet capital needs.

**Nationally Recognized Rating Services:** Firms that review the creditworthiness of the issuers of debt securities and express their opinion in the form of letter ratings (e.g.: AAA, AA, A, BBB, etc.). The primary rating agencies include Standard & Poor's Corporation; Moody's Investor Services, Inc.; Fitch Investors Service; Duff & Phelps Investment Service; Thomas Bank Watch and International Bank Credit Analyst.

**Negotiable Certificate of Deposit (CD):** Large-dollar-amount, short-term certificate of deposit. Such certificates are issued by large banks and bought mainly by corporations and institutional investors. They are payable either to the bearer or to the order of the depositor, and, being NEGOTIABLE, they enjoy an active SECONDARY MARKET, where they trade in round lots of $5 Million.

**Non-Callable:** Bond that is exempt from any kind of redemption for a stated time period. Also known as a Bullet Bond.

**Offer Price:** The price asked by a seller of securities.

**Open Market Operations:** Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy.

**Par Value:** The amount of principal which must be paid at maturity; also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

**Physical Delivery:** The delivery of an investment to the custodian bank in the form of a certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

**Plain Vanilla:** Non-derivative investments which are not leveraged and whose interest rates do not change.

**Portfolio:** A group of securities held by an investor.

**Premium:** The difference between the par value of a bond and the market value of the bond, when the market value is above par.

**Price:** The percentage of par at which a security is bought and sold. Corporate debt is traded in denominations of $100^{th}$ of a percent. Government debt is traded in denominations of 32nds of a percent.

**Price Risk:** The risk that the price of a bond sold prior to maturity will be less than the price at which the bond was originally purchased.

**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.

**Prime Rate:** The interest rate banks charge the biggest borrowers with the best credit ratings.

**Principal:** The face value or par value of an investment.

**Prudent Person Rule:** An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

**PSA Master Repurchase Agreement:** A required written contract covering all future transactions between the authorized bank and the Treasurer to repurchase agreements that establish each party's rights in the transactions (see Collateral & Repurchase Agreement).

**Qualified Institutional Buyer:** A qualified institutional buyer (QIB) is a class of investor that can safely be assumed to be a sophisticated investor and hence does not require the regulatory protection that the Securities Act's registration provisions give to investors. In broad terms, QIBs are institutional investors that own or manage on a discretionary basis at least $100 million worth of securities, such as private placement securities for example. On Aug. 26, 2020, the SEC adopted amendments to the QIB and accredited investor definitions that broadened the list of entities eligible adding governmental agencies.

**Qualified Public Depositories:** A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

**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.

**Receivable-Backed Securities:** Securities collateralized with consumer receivables, such as automobile loans, credit card receivables, or home equity loans, which are owned by the issuer, but placed with a trustee for the benefit of the investor.

**Receivable Pass-Through Certificate:** A debt obligation that is backed by a portfolio of receivables, normally issued by a bank of financial institution. The interest and principal of the obligation is paid out of the cash flow generated by the receivables portfolio.

**Registered State Warrant:** A short-term obligation of a state governmental body issued in anticipation of revenue.

**Reinvestment Risk:** The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

**Repurchase Agreement (RP or REPO):** Repurchase agreements (repos) involve selling a security subject to an agreement for the seller to buy it back (repurchase it) from the buyer. A repo is a type of short-term secured loan. The security that is sold is usually a U.S. Treasury obligation; however, agency securities are also used. Typical maturities may be as short as overnight or as long as six months.

**Revenue Anticipation Notes or RANs:** Notes issued for thirteen months or less which are used to finance cashflow in anticipation of future tax revenue. Used by agencies having cashflow gaps between revenues and expenses that requires short-term interim financing. Also see Tax Anticipation Notes (TANs) and Tax and Revenue Anticipation Notes (TRANs).

**Rule G-37 of the Municipal Securities Rulemaking Board:** Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

**Safekeeping:** The holding of securities in a segregated account by a custody gent or trustee. Transactions are escrowed through these accounts by the custody agent or trustee. Safekeeping services are typically provided by banks and other financial institutions.

**Secondary Market:** A market made for the purchase and sale of outstanding issues following the initial distribution.

**Securities & Exchange Commission (SEC):** The federal agency responsible for supervising and regulating the securities industry.

**Settlement Date:** The date on which the purchase or sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.

**Supranationals:** International institutions that provide development financing, advisory services and/or other financial services to their member countries to achieve overall goal of rates, 0% risk weighting with Basle II and III, Financial strength based on diversified, sovereign shareholders, conservative risk management, quality loan portfolio (preferred creditor status), substantial liquidity and consistent profitability strong capitalization.

**Structured Notes:** Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations that have imbedded options (e.g.: call features; step-up coupons) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

**Tax and Revenue Anticipation Notes or TRANs:** Notes issued for thirteen months or less. They are a combination of Tax Anticipation Notes (TANs) and Revenue Anticipation Notes (RANs). Also see Revenue Anticipation Notes (RANs) and Tax Anticipation Notes (TANs).

**Tax Anticipation Notes or TANs:** Notes issued for thirteen months or less which are used to finance cashflow in anticipation of future tax revenue. Commonly used by California local governments whose primary revenues are property taxes which are collected in December and April. Also see Revenue Anticipation Notes (RANs) and Tax and Revenue Anticipation Notes (TRANs).

**Trade Date:** The date and time corresponding to an investor's commitment to buy or sell a security.

**Treasuries:** Securities issued by the U.S. Treasury and backed by the FULL FAITH & CREDIT of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the U.S. and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds. The income from Treasury securities is exempt from state and local, but not federal taxes.

**Treasury Bills:** Non-interest bearing discount securities with maturities under one year issued by the U.S. Treasury to finance the national debt.

**Treasury Notes (USTN) and Bonds:** Treasury notes and bonds, the long-term debt obligations of the U.S. government, bear coupons and thus resemble municipal bonds. Interest is payable every six months at a rate of one-half the annual coupon.

Treasury coupon securities trading are conducted by the same securities dealers who trade T-bills. Notes are issued for original maturities of one to 10 years and carry that label only because of federal statutory language. Bonds are issued with original maturities of more than 10 years.

**U.S. Treasury Bills:** U.S. Treasury bills are the shortest term obligations issued by the U.S. Treasury. Bills are issued for maturities of one year or less. Usually, the Treasury issues bills in three maturities: 13 weeks, 26 weeks, and 52 weeks. Occasionally, the Treasury sells bills with different maturities, usually to match expected tax receipts. Those bills are referred to as cash management bills.

Bills are sold by the Treasury at weekly auctions. New 13-week and 26-week bills are issued each week. The auctions for 13-week and 26-week bills are held on Mondays. Bills purchased at an auction settle on the following Thursday, and they mature on Thursdays. If a Thursday is a bank holiday, the Friday is used. The Treasury usually issues 52-week bills only once each month. Bill transactions tend to be large. Even though the minimum size is only $10,000, a round Lot is considered to be $1 million. Buyer of bills in amounts less than a round Lot receive slightly higher prices (i.e., lower yields) than buyers of round Lots.

The owner of a Treasury bill earns a return because the bills are sold at a discount and redeemed at par.

> Example. A one-year bill may be sold at a discount price of 94 and redeemed at the end of the year at par, or 100. In the example, the owner of a $100,000 bill would pay $94,000 and receive $100,000 a year later. The difference of $6,000 is the amount of the discount. The discount rate in the example is six percent.

Investors need to be aware that the yield they receive from Treasury bills is not the same as the discount rate.

**Yankee Bank:** A foreign bank with operations in the U.S. Bonds issued by these banks are called Yankee Bonds.

**Yield:** The rate of annual income return on an investment, expressed as a percentage.

**Yield to Maturity (YTM):** The rate of return earned on an investment considering all cashflows and timing factors: interest earnings, discounts, and premiums above par.

**Zero-Coupon Bonds/U.S. Treasury Strips:** A bond which represents ownership of a single coupon or principal payment due on a U.S. Treasury Bond. "Zero" or "strips" mature at face value at a specified date in the future and make no payments until that date. They always sell at a discount from face value.

**Shasta County Treasurer**
**Disaster/Business Continuity Plan**
**Banking and Investment Functions**

## Scope

The Shasta County Treasurer's banking and investment functions are mission critical and as such, the office must have a Disaster/Business Continuity Plan in place. In the event we are unable to operate from our office, the plan shall be activated. Periodically, the plan shall be tested.

The plan's goal is to protect and account for all funds on deposit with the county treasurer and to be able to continue our banking and investment functions for all participants in the event of occurrence (earthquake, fire, pandemic, or other event) which disrupts normal operations.

## Chain of Command

The chain of command shall be in order of:
- Treasurer,
- Chief Deputy Treasurer
- Chief Deputy Tax Collector

## Continuity Procedure

In the event we are unable to conduct normal business operations, the authorized persons shall interact with one another by home phone, email or cellular phone to decide on the alternate location. If unable to contact one another, the authorized persons shall through the county's office of emergency services establish contact with one another.

## Functions & Tasks to be Performed

Recognizing we may be operating in less than optimal conditions, the primary functions are to protect and continue to account for all funds on deposit with the county Treasurer. While normal processes may be modified, the investment policy shall be strictly followed.

Tasks to be performed include:

- Daily cash work up
- Investment of maturing securities and any daily deposits after making an allowance for checks/wires expected to clear
- Daily cash and bank reconciliation
- For deposits, the treasurer's office will notify county departments, special districts and schools of any changes to their deposit location. Deposits to any account other than those established by the treasurer is prohibited.
- Disbursement activity will be coordinated with the county Auditor-Controller.

## Equipment and Emergency Packets

The “authorized persons” in the treasurer’s office including support staff upon an occurrence are official disaster workers and are assigned to support our Disaster/Business Recover Plan. Each shall have on their possession their County of Shasta Identification Card.

The level of disruption and assigned work location will be determined by the Treasurer, Chief Deputy Treasurer or Chief Deputy Tax Collector. All related costs shall be absorbed by the Treasurer’s office and reimbursed pursuant to Government Code section 27013.

In all cases, the safety of treasury personnel is paramount. In no event should our alternate location or alternate procedure be employed if doing such will endanger anyone.

## Offsite Locations

Failing the ability to operate from our office, our operations will relocate in the following order of priority:

- Location determined by the County Office of Emergency Services or County Administrator
- Treasurer’s home
- Chief Deputy Treasurer’s home
- One of our banks operations centers which may be outside Shasta County in a worst-case scenario