

RESOLUTION NO. 85-10

A RESOLUTION OF THE CITY COUNCIL OF THE  
CITY OF RIDGECREST, CALIFORNIA, ADOPTING  
INVESTMENT POLICY FOR PUBLIC FUNDS

WHEREAS, Chapter 1226, 1984 Statutes requires the adoption of an investment policy for public funds;

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The Investment Policy for Public Funds as described in Exhibit A, attached hereto and incorporated herein by reference as though fully set forth, is hereby adopted as the Investment policy of the City of Ridgecrest.
2. This policy shall expire on December 31, 1985, at which time it shall be reviewed, revised as required and re-adopted.

APPROVED AND ADOPTED this 3rd day of April, 1985, by the following vote:

AYES: Mayor Bergens, Councilmembers Condos, Pearson, and Wiknich  
NOES: None  
ABSENT: Councilmember Mower  
ABSTAIN: None

  
\_\_\_\_\_  
Anna Marie Bergens, Mayor

ATTEST:

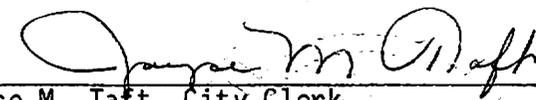
  
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Joyce M. Taft, City Clerk

Exhibit A

INVESTMENT POLICY FOR PUBLIC FUNDS

1. Purpose

This statement is intended to provide direction for the investment of the City's temporary idle cash under the prudent man rule. Civil code Section 2261, et seq. states in part "in investing... for the benefit of another, a trustee shall exercise the judgement and care, under the circumstances then prevailing, which men of prudence, discretion, and intelligence exercise in the management of their own affairs..."

The City's ultimate investment goal is to enhance the financial condition of the City while ensuring the safety of funds invested and assuring that money is always available when needed.

2. Objectives

The City strives to maintain the level of investment of all idle funds as near 100% as possible, through the optimum operation of its cash management system which is designed to accurately monitor and forecast expenditures and revenue. The City attempts to obtain the highest yield on its investments consistent with preservation of principal and liquidity and consistent with the cooperation of the City's operating departments in avoiding sudden cash withdrawals, loss of interest and possible penalties.

3. Delegation of Authority

The City invests in the spectrum of instruments allowable under the Government Code Section 53600 et seq. of the State of California. The City Council has delegated, by resolution, the authority to invest to the City Treasurer, subject to the limitations set forth in the Investment Policy. The City shall hold its public funds investor harmless for responsible transactions undertaken in accordance with the Investment Policy.

4. Investment Strategy

To maximize returns, the economy and various markets are monitored carefully in order to assess the probable course of interest rates. The City lengthens its maturities when rates are falling and shortens maturities when rates are rising. The City attempts to take advantage of imperfections in the market where a security's price is out of line with other investments, and tries to improve yields during contracyclical changes in interest rates and through the purchase of occasional odd lots which are offered at bargain prices.

5. Investment Instruments

The City invests in the following investment instruments as approved by the California Government Code:

Securities of the U.S. Government, or its Agencies.

Local Agency Investment Fund (State of California) Demand Deposits

Certificates of Deposit (Time Deposits) placed with commercial banks and savings and loan companies.

Bankers Acceptances.

Re-purchase Agreements.

Passbook Savings Account Demand Deposits.

Other investments that are, or may become, legal investments through the State of California Government Code and with prior approval of the City Council.

6. Policy Criteria for Selecting Investments, in Order of Priority

A. Safety

Safety and the minimizing of risk associated with investing refers to attempts to reduce the potential for loss of principal, interest or a combination of the two. The first level of risk control is found in state law which restricts the particular type of investments permissible for municipalities. The second level of risk control is reduction of default risk by investing in instruments that appear upon examination to be the most credit worthy. The third level of risk control is reduction of market risk by investing in instruments that have maturities coinciding with planned dates of disbursement, thereby eliminating risk of loss from a forced sale.

B. Liquidity

Liquidity refers to the ability to easily sell at any time with a minimal risk of losing some portion of principal or interest. Liquidity is an important quality for an investment to have, for at any time the City may have unexpected or unusual circumstances that result in larger disbursements than expected, and some investments may need to be sold to meet the contingency. Most investments of the City are highly liquid, with the exception of Time Certificates of Deposits issued by banks and savings and loan companies. Maturity dates for Time Certificates of Deposits shall be selected in anticipation of disbursement needs, thereby obviating the need for forced liquidation or lost interest penalties.

C. Yield

Yield is the potential dollar earnings an investment can provide, and also is sometimes described as the rate of return. The City attempts to obtain the highest yield possible when selecting an investment, provided that the criteria stated in the Investment Policy for safety and liquidity are met.

7. Policy Constraints

The City operates its investment program with many State and self-imposed constraints. It does not speculate; it does not buy stocks or corporate bonds; it does not deal in futures or options; it does not purchase on margin through Reverse Re-purchase Agreements. Investments of over one year will be avoided as the market risk involved outweighs the potential for higher interest income (particularly in connection with securities of the U.S. Government, or its agencies). The weighted average life of the portfolio is maintained within limits dictated by the cash flow needs of the City. The City diversifies its investment to reduce potential default on market risks. The portfolio is carefully monitored to assure the prudent management of the portfolio.

8. Selection of Investment Contacts

The City determines those firms (broker, broker/dealers, banks, and savings and loans) with which it will do investment business based on the following criteria:

- A. Being authorized under California Government Code Section 53635.5 to transact investments with local agencies.
- B. Receipt of a positive, audited financial statement.
- C. Being in business for a minimum of three years as evidence of minimum experience.

9. Safekeeping

Securities purchased from broker/dealers (if any) shall be held in third party safekeeping by the trust department of the City's bank or other designated third party trust, in the City's name and control.

10. Investment Controls

The City has a System of Internal Investment Controls and a Segregation of Responsibilities of Investments Functions. All requests for investment transactions are over the signatures of two City officials as follows:

- A. The City Treasurer and the City Clerk or the City Administrator, or

- B. The Mayor and the City Clerk or the City Administrator.

In the absence of the City Treasurer, the City Clerk will act as the Treasurer and will make the investment decisions (normally based on the criteria outlined by the Treasurer prior to his departure on business or vacation).

**11. Investment Reports**

- A. The Treasurer annually renders a Statement of Investment Policy to the City Council for their approval.
- B. The Treasurer renders a monthly investment report to the City Administrator and City Council showing the type of investment, institution, date of maturity, amount of deposit, current market value for all securities with a maturity of more than 12 months, rate of interest, specifying in detail each investment in Re-purchase Agreements, and such other data as may be required by the City.
- C. The monthly Investment Report states its relationship to the Statement of Investment Policy by indicating each and every instance that there is a divergence from or violation of Policy or stating that the monthly report is in compliance with the approved Statement of Investment Policy.

**12. Investment Audits**

Annually, the City Council reviews and evaluates the investment program and updates the Statement of Investment Policy. The City's auditor will include in the scope of the audit investments executed, matured, and on-going. The City's Accountant will assist the Treasurer in confirming the accuracy of his reports and will confirm correlation with City's system of accounts.