

CITY OF EUREKA

Category: FINANCE

POLICIES & PROCEDURES

Subject: Investment Policy

Date Adopted:

File 2.70
Number

POLICY OVERVIEW

The purpose of the City's Investment Policy is to provide guidelines and limitations in a manner which will provide the maximum security of principal consistent with a market rate of return while meeting the cash flow needs of the City and conforming to all applicable State and City statutes governing the investment of public funds.

APPLICABILITY

This investment policy applies to all financial assets of the City, including all cash and investments accounted for in the following funds:

- General Fund
- Enterprise Funds
- Special Revenue Funds
- Capital Projects Funds
- Internal Service Funds
- Trust and Agency Funds
- Debt Services Funds
- Any new fund created by the City Council

POLICY OBJECTIVES:

The City's investment activities are designed to accurately monitor and forecast expenditures and revenues to achieve the following objectives:

- a. Investment of Idle Funds: The City aims to invest up to 100% of all idle funds, ensuring that funds are utilized effectively to generate returns.
- b. Ensuring Availability: It is essential to guarantee that funds are readily available when needed to meet financial obligations and respond to unforeseen circumstances.
- c. Liquidity: A significant portion of the portfolio is maintained in liquid short-term securities that can be easily converted to cash if the need arises to fulfill disbursement requirements. Investments in securities with active secondary or resale markets are recommended to address unforeseen cost requirements.
- d. Yield: Also known as the "rate of return," represents the potential earnings an investment can generate. Yield is considered once the fundamental goals

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of safety and liquidity have been met, taking into account investment risk and cash flow needs.

PRUDENCE:

The investment approach should adhere to the "prudent investor standard," as outlined in Government Code Section 53600.3. This standard mandates that when handling public funds—whether it's investing, reinvesting, buying, acquiring, exchanging, selling, or managing them—a trustee must exercise care, skill, prudence, and diligence. These actions should be in line with current conditions, including general economic factors and the agency's anticipated requirements. The standard expects the same level of care and expertise that a cautious individual with similar responsibilities and knowledge would exercise for similar types of funds and objectives. The aim is to protect the principal amount and meet the agency's liquidity needs, all while adhering to legal constraints and viewing each investment as part of a broader strategy.

DELEGATION OF AUTHORITY:

The City Treasurer is designated as the investment officer of the City, and is responsible for investment management decisions and activities. All investment transactions shall be authorized by the City Treasurer.

AUTHORIZED INVESTMENTS & LIMITATIONS:

Allowable investment instruments per State Government Code applicable to all local agencies:

Investment Type	Maximum Maturity	Maximum Specified % of Portfolio	Minimum Quality Requirements	Gov't Code Sections
Local Agency Bonds	5 years	None	None	53601(a)
U.S. Treasury Obligations	5 years	None	None	53601(b)
State Obligations—CA And Others	5 years	None	None	53601(c), 53601(d)

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CA Local Agency Obligations	5 years	None	None	53601(e)
U.S Agency Obligations	5 years	None	None	53601(f)
Bankers' Acceptances	180 days	40%	None	53601(g)
Commercial Paper—Non-Pooled Funds (<\$100M)	270 days or less	25%	Highest letter and number rating by an NRSRO	53601(h)(2)(c)
Commercial Paper—Non-Pooled Funds (min. \$100M)	270 days or less	40%	Highest letter and number rating by an NRSRO	53601(h)(2)(c)
Commercial Paper—Pooled Funds	270 days or less	40%	Highest letter and number rating by an NRSRO	53635(a)(1)
Negotiable Certificates of Deposit	5 years	30%	None	53601(i)
Non-negotiable Certificates of Deposit	5 years	None	None	53630 et seq.
Placement Service Deposits	5 years	50%	None	53601.8 and 53635.8
Placement Service Certificates of Deposit	5 years	50%	None	53601.8 and 53635.8
Repurchase Agreements	1 year	None	None	53601(j)
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20%	None	53601(j)
Medium-Term Notes	5 years or less	30%	"A" rating category or its equivalent or better	53601(k)
Mutual Funds And Money Market Mutual Funds	N/A	20%	Multiple	53601(l) and 53601.6(b)

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Collateralized Bank Deposits	5 years	None	None	53630 et seq. and 53601(n)
Mortgage Pass-Through and Asset-Backed Securities	5 years or less	20%	"AA" rating category or its equivalent or better	53601(o)
County Pooled Investment Funds	N/A	None	None	27133
Joint Powers Authority Pool	N/A	None	Multiple	53601(p)
Local Agency Investment Fund (LAIF)	N/A	None	None	16429.1
Voluntary Investment Program Fund	N/A	None	None	16340
Supranational Obligations	5 years or less	30%	"AA" rating category or its equivalent or better	53601(q)
Public Bank Obligations	5 years	None	None	53601(r), 53635(c) and 57603

AUTHORIZED BROKER/DEALERS:

The Director of Finance will maintain a list of broker/dealers authorized to provide investment services. The broker/dealers will be selected by credit worthiness that is authorized to provide investment services in the State of California. These may include "primary" dealers or "regional" dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

REPORTING & REVIEW OF THE INVESTMENT PORTFOLIO:

The Director of Finance shall report monthly on the City's pooled and Bond funds to the City Manager and City Council and shall report quarterly on other investments, such as pension funds. The following elements will be part of the investment report:

- Type of investment
- Institution/Issuer
- Date of maturity

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- Cost of security (par amount) and dollar amount in all securities
- Description of the funds, investments and programs managed by
- Contracts
- Current market value of securities
- Rate of return
- Statement of compliance to meet pool expenditure requirements for the
- next six months
- If, in any case, pool expenditures are not met, an explanation of why
- sufficient monies will not be available.

PORTFOLIO LINE OF CREDIT (PLOC):

The Portfolio Line of Credit (PLOC) serves as a flexible financial tool designed to meet the organization's specific needs. It enables immediate access to cash for operational requirements while also preserving our long-term investment strategy. Eligibility for the PLOC is restricted to high-quality assets within the investment portfolio, and the credit limit is determined based on a percentage of the portfolio's overall value, subject to periodic reviews. The PLOC is particularly useful for quick drawdowns, allowing the organization to meet urgent cash flow needs without disrupting its long-term investment objectives. By utilizing the PLOC, the organization can avoid the need for premature asset liquidation, thereby maintaining the integrity of its existing investment strategy.