

**JOINT RESOLUTION**  
**CC 2023-41                      CC 2023-41 (SA)**

**A JOINT RESOLUTION OF THE CITY COUNCIL AND SUCCESSOR AGENCY, OF THE CITY OF GLENDORA, CALIFORNIA, ADOPTING THE ANNUAL STATEMENT OF INVESTMENT POLICY FOR THE FISCAL YEAR BEGINNING JULY 1, 2023 AND ENDING JUNE 30, 2024**

**CITY COUNCIL and SUCCESSOR AGENCY,  
City of Glendora, California**

**WHEREAS**, California Government Code Section 53600 et seq. governs the investment of public funds by local governments; and

**WHEREAS**, The Fiscal and Budgetary Policies for the City of Glendora state the following: The City will invest cash balances in conformance with the California Government Code and the three main investment objectives of safety, liquidity and yield. The City will adhere to the prudent investor standard and best practices in Treasury Management. The City will maintain a Statement of Investment Policy. And,

**WHEREAS**, pursuant to California Government Code Section 53607, the City Council of the City of Glendora has delegated its investment authority under California Government Code Section 53601 to the City Treasurer.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF GLENDORA, CALIFORNIA, DOES HEREBY RESOLVE AS FOLLOWS:**

**SECTION 1.** The City Council does hereby adopt the attached Exhibit A containing the Statement of Investment Policy for the fiscal year beginning July 1, 2023 and ending June 30, 2024.

**SECTION 2.** Any and all prior resolutions adopting a Statement of Investment Policy for the City of Glendora shall be hereby rescinded.

**SECTION 3.** The Mayor shall sign and the City Clerk shall certify to the passage and adoption of this resolution and shall enter the same in the Book of Original Resolutions and that this resolution shall take effect and be in force on this date.

**SECTION 4.** The City Clerk is hereby directed to forward a copy of this resolution to the City Treasurer.

**APPROVED** and **PASSED** this 27<sup>th</sup> day of June, 2023

City Council and Successor Agency,  
Glendora, CA

DocuSigned by:  
BY: Gary Boyer  
GARY BOYER  
Mayor  
Jun 28, 2023 | 4:37 PM PDT

APPROVED AS TO FORM:  
Aleshire & Wynder, LLP

DocuSigned by:  
William Wynder  
WILLIAM W. WYNDER  
City Attorney  
Jun 28, 2023 | 4:39 PM PDT

**CERTIFICATION**

I, Kathleen R. Sessman, City Clerk/Communications Director of the City of Glendora, do hereby certify that the foregoing Resolution was duly adopted by the City Council, Successor Agency, to the former Glendora Community Redevelopment Agency of the City of Glendora at a regular meeting held on the 27<sup>th</sup> day of June, 2023, by the following vote:

AYES:	MEMBERS:	Allawos, Davis, Fredendall, Thompson, and Boyer.
NOES:	MEMBERS:	None.
ABSENT:	MEMBERS:	None.
ABSTAIN:	MEMBERS:	None.

Dated: June 28, 2023

DocuSigned by:  
Kathleen Sessman  
KATHLEEN R. SESSMAN  
City Clerk/Communications Director  
Jun 29, 2023 | 10:28 AM PDT

**Exhibit A****CITY OF GLENDORA  
STATEMENT OF INVESTMENT POLICY  
FISCAL YEAR 2024****INTRODUCTION**

The City Council of the City of Glendora (also acting as the Successor Agency to the Glendora Community Redevelopment Agency together, the “City”) recognizes its responsibility to prudently direct the investment of the City’s funds on behalf of the City’s existing and future residents. The City Council further recognizes that the City’s investment assets are essential to the City’s financial strength, the effective implementation of long-range financial plans and, ultimately, its ability to respond to the needs of the community.

This Statement sets forth policies which shall govern the investment of the City’s funds. It will be used by the City’s Treasurer, other City officials and staff, as well as all other third-party providers of investment or investment related services. Its purpose is to direct the prudent investment and protection of the City’s funds and investment portfolio.

**1. POLICY**

It is the policy of the City to invest public funds in a manner which will provide the highest investment return with maximum security while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds; and meet the objectives of the Policy, in priority order of Safety, Liquidity and Return on investment.

**2. SCOPE**

This Investment Policy applies to all financial assets of the City of Glendora. The following funds are covered by this Investment Policy and are accounted for in the City's Annual Comprehensive Financial Report (ACFR) on a pooled basis:

- A) General Fund
- B) Special Revenue Funds
- C) Capital Project Funds
- D) Enterprise Funds
- E) Internal Services Funds
- F) Trust and Agency Funds
- G) Any new funds created by the City Council, unless specifically exempted

The investment of bond proceeds is governed by the permitted investment section of bond documents. If the bond documents are silent as to the investment of the proceeds, the proceeds will be invested in accordance with this Policy.

## Investment Policy for Fiscal Year 2024

## Exhibit A

### 3. PRUDENCE

The standard of prudence to be used by investment officials shall be the “Prudent Investor Standard” (California Government Code Sections 53600.3) and shall be applied in the context of managing an overall portfolio. Investments shall be made 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 City, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the City.

Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

### 4. OBJECTIVE

The City’s cash management system is designed to accurately monitor and forecast revenues and expenditures to meet the short and long-term cash flow demands of the City thus enabling the City Treasurer to fully invest funds. To achieve this objective, the portfolio will be structured to provide safety of principal and liquidity, while then providing a return on investments. The City Treasurer will maintain a diversified investment portfolio to accomplish the primary objectives of safety, liquidity, and return on investments (in that order of priority).

- **Safety:** The safety or risk associated with an investment refers to the potential loss of principal, accrued interest, or a combination of these. The City seeks to mitigate credit risk by prequalifying and continuously monitoring financial institutions with which it will do business and by scrutiny of the credit worthiness of the investment instruments as well as the institutions. Such resources as Fitch, Moody’s and Standard and Poor’s rating services may be utilized for this review. The City seeks to mitigate interest rate risk through diversification of instruments as well as maturities.
- **Liquidity:** The City’s investment portfolio will be structured with sufficient liquidity to allow the City to meet its anticipated cash requirements. This will be accomplished through diversity of instruments to include those with active secondary markets, those which match maturities to expected cash needs and the State Local Agency Investment Fund (LAIF) with immediate withdrawal provisions.
- **Return on Investments:** The City’s investment portfolio shall have the objective of attaining a comparative performance measurement or an acceptable rate of return throughout budgetary and economic cycles. These measurements should be commensurate with the City’s investment risk constraints identified in the Investment Policy and the cash flow characteristics of the portfolio.

**5. DELEGATION OF AUTHORITY**

Authority to manage the City's investment program is derived from the following:

The City Council has authorized the City Treasurer to invest City funds in accordance with California Government Code Section 53600, et. seq.

In the City Treasurer's absence, and subject to City Council approval, the City Treasurer may assign investment responsibilities to the City Manager. The City Treasurer will provide prior written notification to the City Manager and the City Council regarding the assignment of responsibilities. In the event the City Treasurer is unable to assign responsibility, the City Manager will select a designee. In addition, at the discretion of the City Treasurer, cash monitoring and investment responsibilities can be assigned to a designated assistant.

The responsibility for establishing, monitoring and maintaining a strong system of investment controls and directing an independent audit of the investment function is delegated to the City Manager. The City Manager's designee(s) may assist in carrying out these functions.

The City Council's primary responsibilities over the investment function include establishing investment policies, annually reviewing such policies, reviewing monthly investment reports issued by the Treasurer and authorizing any deviations from the City's Investment Policy.

**6. INVESTMENT PROCEDURES**

The City Treasurer shall establish written investment policy procedures for the operation of the investment program consistent with this policy. The procedures should include reference to safekeeping, wire transfer agreements, banking service contracts and collateral/depository agreements.

**7. ETHICS AND CONFLICTS OF INTEREST**

The City Treasurer and other employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. The City Treasurer and investment officials must provide a public disclosure document by the specified deadline each year or when material interest in a financial institution or personal investment position requires it. Furthermore, investment officials must refrain from undertaking personal investment transactions with the same individual(s) employed by the financial institution with whom business is conducted on behalf of the City. During the course of the year, if there is an event subject to disclosure that could impair the ability of the City Treasurer or investment employees to make impartial decisions, the City Council will be notified in writing within 10 days of the event.

**8. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

The Treasurer will maintain a list of financial institutions authorized to provide investment services to the public agency in the State of California. These may include an institution licensed by the state as a broker-dealer, or from a member of a federally regulated securities exchange, from a national or state-chartered bank, from a savings association or federal association or from a brokerage firm designated as a primary or regional dealer that qualifies under Securities & Exchange Commission (SEC) Rule 15c3-1 (uniform net capital). A determination should be made to ensure all approved broker/dealer firms, and individuals covering the City have at least 5 years in-depth experience working in institutional fixed income. In addition, the broker/dealer firms should have the ability to meet all of their financial obligations in dealing with the Public Agency. The firms, and individuals covering City, should be knowledgeable and experienced in Public Agency investing and the investment products involved. No public deposit shall be made except in a qualified public depository as established by state laws.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the City Treasurer with the following:

- Audited Financial Statements,
- proof of Financial Industry Regulatory Authority (FINRA) registration,
- trading resolution,
- proof of California registration
- completed broker/dealer questionnaire,
- certification of having read this City's investment policy,
- and depository contracts and
- requested information such as other client references within the State of California.

An annual review of the financial condition and registrations of qualified bidders may be conducted by the Treasurer. A current financial statement is required to be on file for each financial institution and broker/dealer in which the City invests.

**9. AUTHORIZED AND SUITABLE INVESTMENTS**

The City is empowered by statute to invest in the following types of securities: investments set forth in this section are authorized investments pursuant to Section 53601 of the Government Code and are authorized investments for the City subject to the prohibitions set forth in Section 10 of this Investment Policy. Section 53601 provides the maximum term of any investment authorized under this section unless otherwise stated, is five years. Additionally, Section 53610 states any forward settlement that exceeds 45 days from the time of investment is prohibited.

**A. U.S. Government Treasury Securities**

United States Treasury notes, bonds, bills, 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. There is no limitation as to the percentage of the portfolio invested in this category.

**Investment Policy for Fiscal Year 2024****Exhibit A****B. Federal Agencies Securities**

Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There is no limitation as to the percentage of the portfolio invested in this category.

**C. Municipal Bonds**

Municipal notes maturities must be in a rating category of “A” or its equivalent or better by a nationally recognized statistical rating organization (NRSRO). There is no limitation as to the percentage of the portfolio invested in this category.

- **City Bonds** – Bonds issued by the City, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the City or by a department, board, agency, or authority of the City if it is allowed in the bond’s indenture.
- **State Bonds** – Registered state warrants or treasury notes or bonds of the State of California, 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.
- **Obligation of other Local Agencies** – Bonds, notes, warrants, or other evidence of indebtedness of any local agency within the State of California, 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.
- **Obligations of Other States** – Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.

**D. Deposits and Certificates of Deposit**

Deposits and certificates of deposit which are federally insured or collateralized as specified under CA Code 53630 et. seq.; issued by a nationally or state-chartered bank, a savings association, or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. The amount per institution is limited to the maximum insurance coverage provided under the FDIC or NCUA unless collateralized in accordance with CA Code.

**Investment Policy for Fiscal Year 2024****Exhibit A****E. Negotiable Certificates of Deposit**

Negotiable certificates of deposit (NCD) issued by a nationally or state-chartered bank, a savings association, or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, 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 City's moneys 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. 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 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 a person with investment decision making authority in the administrative office 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 the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

**F. Banker's Acceptance Notes**

Banker's acceptances are short term investments otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of banker's acceptances may not exceed 180 days maturity or 40 percent of the City's surplus money that may be invested pursuant to this section. In addition, no more than 30 percent of the City's surplus funds may be invested in the banker's acceptance of any one commercial bank pursuant to this section.

**G. Medium-Term Corporate Notes**

Medium-term notes are defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the 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 ratings category of "A" or its equivalent or better by an NRSRO. Purchases of medium-term notes shall not include other instruments authorized by this section and may not exceed 30 percent of City's moneys that may be invested pursuant to this section. A local agency, other than counties or a city and county, may purchase no more than 10 percent of its total investment assets in the medium-term notes of any single issuer.

**H. Commercial Paper**

Only 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



**Investment Policy for Fiscal Year 2024****Exhibit A**

organization (NRSRO). Eligible paper is further limited to issuing corporations that are organized and operating within the United States as a general corporation and having total assets in excess of five hundred million dollars (\$500,000,000) and has debt other than commercial paper, if any, that is rated in a rating category “A” or its equivalent or higher by an NRSRO. Purchases of eligible commercial paper may not exceed 270 days maturity nor represent more than 10 percent of the commercial paper of any single issuer. Purchases of commercial paper may not exceed 25 percent of the City’s surplus money that may be invested pursuant to this section.

**I. Local Agency Investment Fund demand deposit**

The Local Agency Investment Fund (LAIF) was established by the State to enable treasurers to place funds in a pool for investment. Each agency is limited to an investment of \$75 million per account. The City may use this fund to the current \$75 million limit for short term liquidity investment, and yield when rates are declining as funds are available upon demand. Interest is paid quarterly.

**J. Repurchase Agreement**

Repurchase agreement means a purchase of securities by the City 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 City 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. Investments in repurchase agreements are allowable but must comply with current Government code and a Master Repurchase Agreement must be signed with the bank or dealer.

The market value of securities that underlay 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 percent no later than the next business day. The term does not exceed one year.

**K. Mutual Funds**

Mutual Funds are limited to the following:

- Limited Term Government Funds
- Money Market Funds limited to Treasury obligations (Reverse Repurchase not allowed) with a highest rating from an NRSRO with no load and maintained at \$1 par value. In addition, the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of five hundred million dollars (\$500,000,000) and has at

**Investment Policy for Fiscal Year 2024****Exhibit A**

least 5 years' experience investing in instrument authorized by Government Code Sections 53601.

- The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include commission that the companies may charge and shall not exceed 20 percent of the agency's moneys that may be invested pursuant to this section. However, no more than 10 percent of the City's funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1). This limitation does not apply to money market mutual funds.

**L. Investment Pools**

A thorough investigation of a pool/fund is required prior to the City's investment and on a continual basis. The City currently permits the use of the Local Agency Investment Funds (LAIF) along with certain mutual funds. Any additional pool shall provide the following:

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), and how often are the securities priced and the program audited.
- A description of who may invest in the program, how often, and what size deposits and withdrawals are allowed
- A schedule for receiving statements and portfolio listings.
- A list of any reserves, retained earnings, etc. utilized by the pool.
- A fee schedule, when and how it is assessed.
- Pool eligibility for bond proceeds and/or pool policy on accepting such proceeds.

**M. Supranational**

Supranational securities of United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated "AA" or better by an NRSRO and shall not exceed 30 percent of City's moneys that may be invested pursuant to this section.

**10. MASTER REPURCHASE AGREEMENT**

If repurchase agreements are legal and authorized by policy, a Master Repurchase Agreement must be signed with the bank or dealer.

**11. COLLATERALIZATION**

Collateralization will be required on two types of investments, certificates of deposit and

**Investment Policy for Fiscal Year 2024****Exhibit A**

repurchase agreements. The Collateralization for the certificates of deposit shall be defined by Section 53630 et. seq. and the repurchase agreements will be at 102 % or greater of market value of principal and interest.

Collateral will always be held by an independent third party with whom the City has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained. The right of collateral substitution is granted.

**12. REVIEW OF INVESTMENT PORTFOLIO**

The securities held by the City of Glendora must be in compliance with the Authorized and Suitable Investments at the time of purchase. From time to time, some securities may not comply with the Authorized and Suitable Investments limits subsequent to the date of purchase. Therefore, the Treasurer shall at least monthly review the portfolio to identify those securities that do not comply. The Treasurer shall establish procedures to report to the council major and critical incidences of noncompliance through the review of the portfolio.

**13. PROHIBITED INVESTMENTS AND TRANSACTIONS**

The City shall be in full compliance with 53601.6 regarding prohibited investments.

- The City shall not invest public monies in financial instruments that are not authorized under this Statement of Investment Policy
- The City shall not engage in securities lending, short selling, or other hedging strategies.
- The City shall not invest any funds in inverse floaters, range notes, or interest-only strips that are derived from a pool or mortgages or reverse repurchase agreements.
- The City shall not invest any funds in any security that could result in zero interest accrual if held to maturity.
- The City shall not purchase or sell securities on margin.
- The City shall not purchase any Reverse Repurchase Agreements

It is acknowledged investment pools in which the City invests may invest funds in the securities set forth in this subdivision.

**14. SAFEKEEPING AND CUSTODY**

All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis or debit checking basis, whichever is more beneficial to the City. All securities purchased or acquired shall be delivered to the City by book entry, physical delivery or by third party

**Investment Policy for Fiscal Year 2024****Exhibit A**

custodial agreement evidenced by safekeeping receipts. The only exception to the foregoing shall be depository accounts and securities purchases made with: (i) LAIF, (ii) other permitted investment pools, and (iii) money market mutual funds since the purchased securities are not deliverable.

**15. DIVERSIFICATION**

The City's portfolio will be suitably diversified by type and institution in an effort to reduce portfolio risk while attaining market average rates.

- Security Type and Institution - U.S. Treasury securities and authorized pools, and any portfolio or institutional limits shall comply with the California Government Code. Investments are further limited by specific language relating to each investment type as stated in Section 9 of this Policy.
- Maximum Maturities - To the extent possible, the City Treasurer will attempt to match investments with anticipated cash flow requirements. The City's portfolio will not be directly invested in securities which mature more than five years from the date of purchase. Additionally, see Section 16 of this policy.

Except for U.S. Treasuries, Agencies, Supranational, FDIC/ NCUSIF -insured Certificate of Deposits, authorized pools, and money market funds, no more than 5 percent of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

**16. MAXIMUM MATURITIES**

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. On general funds, per CA Code, the City will not directly invest in securities maturing more than 5 years from the date of purchase unless approval is given by the City Council 90 days prior to investing.

**17. INTERNAL CONTROL**

The Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with the City's Investment Policy and for establishing internal controls that are designed to prevent losses due to fraud, negligence, and third-party misrepresentation. Accordingly, the City Treasurer shall establish written procedures for the operation of the City's investment program that are consistent with the provisions of this Investment Policy.

Internal controls deemed most important shall include (but not limited to): avoidance of collusion; separation of duties and administrative controls; separating transaction authority from accounting and record keeping; custodial safekeeping; clear delegation of authority; management approval and review of investment transactions; specific limitations regarding securities losses and remedial action; written confirmation of telephone transactions; documentation of investment transactions and strategies; and

monitoring of results.

## **18. PERFORMANCE STANDARDS**

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

The City's investment strategy is passive. Passive investment portfolio management generally indicates the City Treasurer will purchase an instrument and hold it through to call or maturity, and then reinvest the monies. Although the City's investment strategy is passive, this will not restrict the Treasurer from evaluating when the sale and subsequent purchase of a security (known as a swap) are appropriate or if the sale of an instrument is prudent prior to final maturity. Given this strategy, the basis used by the City Treasurer to determine whether market yields are being achieved shall be the Local Agency Investment Funds (LAIF) with the understanding that LAIF lags the market on both the upside and downside of interest rate movements and investing the portfolio accordingly.

## **19. REPORTING**

The City Treasurer shall provide the City Council monthly investment reports which provide a clear picture of the status of the current investment portfolio. The management report shall include a listing of individual securities held at the end of the reporting period by authorized investment category, the average life and final maturity of all investments listed, coupon rate, discount or earnings rate, Par Value, Amortized Book Value Market Value of each investment in the portfolio, including funds managed for the City of Glendora by third parties. The report will also include the source of the portfolio valuation. As specified in California Government Code Section 53646 (e), if all funds are placed in LAIF, FDIC-insured accounts and/or in a county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The City Treasurer shall maintain a complete and timely record of all investment transactions.

## **20. INVESTMENT POLICY ADOPTION**

The City's investment policy shall be reviewed and adopted annually by resolution of the Glendora City Council with or without changes.

## **21. INVESTMENT POLICY GLOSSARY (see next page)**

**INVESTMENT POLICY GLOSSARY**

**AGENCIES:** Federal agency securities and/or Government-sponsored enterprises.

**ASKED:** The price at which securities are offered on the market.

**BANKER’S ACCEPTANCE (BA):** A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

**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 investments.

**BROKER:** A broker brings buyers and sellers together for a commission.

**CERTIFICATE OF DEPOSIT (CD):** A time deposit with a specific maturity evidenced by a certificate. Large-denomination CDs are typically negotiable.

**COLLATERAL:** Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**COMMERCIAL PAPER:** Commercial paper is the trade name applied to unsecured promissory notes issued by finance and industrial companies to raise funds on a short-term basis.

**ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR):** The official annual report for the City of Glendora. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

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

**DELIVERY VERSUS PAYMENT:** There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

**DIVERSIFICATION:** Dividing investment funds among a variety of securities offering independent returns.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):** A federal agency that insures bank deposits, currently up to \$250,000 per entity.

**FEDERAL NATIONAL MORTGAGE ASSOCIATION (Fannie Mae):** a quasi-public corporation created by an act of Congress to assist the home mortgage market by purchasing mortgages insured by the Federal Housing Administration and the Farmers Home

**Investment Policy for Fiscal Year 2024****Exhibit A**

Administration, as well as those guaranteed by the Veterans Administration. Fannie Mae issues Notes and Bonds and there is a strong secondary market in these securities. A secondary market means these instruments are actively traded, i.e., they are bought and sold daily. Bonds are issued for 15-year and 30-year maturities with interest paid semi-annually. Interest is computed on a 30/360 day basis. Notes are issued with maturities of less than one year with interest paid at maturity.

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (Ginnie Mae):** a wholly-owned corporation instrumentality of the United States within the Department of Housing and Urban Development. A certificate collateralized by FHA/VA residential mortgages represents a share in a pool of FHA or VA mortgages. Ginnie Mae's are registered securities. Original maturities range from 12 to 30 years with a 7 to 12 year assumed average life. (Assumed average life is due to prepayments of mortgages). Principal and interest are paid monthly and sent directly from the issuer of the pool, usually a mortgage banker, to the City.

**FEDERAL HOME LOAN BANKS (FHLB):** provide credit to member lending institutions such as savings and loan associations, cooperative banks, insurance companies and savings banks. City offers bonds in the public market with maturities of 1 to 10 years. These bonds are usually offered on a quarterly basis depending on the current demands of the housing industry. Interest is paid semi-annually on a 30/360 day basis.

**FEDERAL FARM CREDIT BANKS (FFCB):** debt instruments issued to meet the financial needs of farmers and the national agricultural industry. These issues enjoy an established secondary market. Discount notes are issued monthly with 6-month and 9-month maturities. Longer term debentures (2-5 years) are also issued. Discount notes pay interest at maturity. Debentures pay interest semi-annually on a 30/360 day basis.

**FEDERAL HOME LOAN MORTGAGE CORPORATION (Freddie Mac):** A publicly held government-sponsored enterprise created in 1970 pursuant to the Federal Home Loan Mortgage Corporation Act, Title III of the Emergency Home Finance Act of 1970, as amended. Freddie Mac's statutory mission is to provide stability in the secondary market for home mortgages, to respond appropriately to the private capital market and to provide ongoing assistance to the secondary market for home mortgages by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for home mortgage financing. Maturity can be from 1 to 30 years. These loans can be either set at a fixed rate or a variable rate.

**LOCAL AGENCY INVESTMENT FUND (LAIF):** LAIF was established by the State to enable treasurers to place funds in a pool for investment. Each agency is limited to an investment of \$65 million per account.

**LIQUIDITY:** A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

**MARKET VALUE:** The price at which a security is trading and could presumably be

**Investment Policy for Fiscal Year 2024****Exhibit A**

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purchased or sold.

**MASTER REPURCHASE AGREEMENT:** A written contract covering all future transactions between the parties to repurchase – reverse 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 borrower.

**MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.

**MONEY MARKET:** The market in which short-term debt instruments (bills, commercial paper, bankers’ acceptances, etc.) are issued and traded.

**NATIONALLY RECOGNIZED STATISTICAL-RATING ORGANIZATION (NRSRO):** Only 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.

**NATIONAL CREDIT UNION SHARE INSURANCE FUND (NCSIF):** The National Credit Union Administration administers the NCSIF that insures certificates of deposits with Credit Unions up \$250,000 per entity.

**PORTFOLIO:** Collection of securities held by an investor.

**PRIMARY DEALER:** A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) – registered securities broker-dealers, banks, and a few unregulated firms.

**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 – the so-called legal list. 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.

**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 the current income return.

**REPURCHASE AGREEMENT (RP OR REPO):** A holder of securities sells these



**Investment Policy for Fiscal Year 2024****Exhibit A**

securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security “buyer” in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structure to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money, or increasing bank reserves.

**REVERSE REPURCHASE AGREEMENT (REVERSE REPO):** A reverse-repurchase agreement (reverse repo) involves an investor borrowing cash from a financial institution in exchange for securities. The investor agrees to repurchase the securities at a specified date for the same cash value plus an agreed upon interest rate. Although the transaction is similar to a repo, the purpose of entering into a reverse repo is quite different. While a repo is a straightforward investment of public funds, the reverse repo is a borrowing.

**SAFEKEEPING:** A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank’s vaults for protection.

**SECURITIES & EXCHANGE COMMISSION:** Agency created by Congress to protect investors in securities transactions by administering securities legislation.

**TIME DEPOSITS:** are non-negotiable and placed with commercial banks and savings and loan agencies in California. A time deposit is a receipt for funds deposited in a financial institution for a specified period of time at a specified rate of interest. Deposits up to \$250,000 (referred as Jumbo CDs) per institution are insured by the government Federal Deposit Insurance Corporation (FDIC). Deposits in excess of the federal deposit insurance limit are required to be collateralized as specified under Government Code Section 53630 et seq.

**TREASURY BILLS:** A non-interest-bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

**TREASURY BONDS:** Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

**TREASURY NOTES:** Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

**UNIFORM NET CAPITAL RULE (SEC Rule 15C3-1):** Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

**YIELD:** The rate of annual income return on an investment, expressed as a percentage. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD** or **YIELD TO MATURITY** is the current income

**Investment Policy for Fiscal Year 2024**

**Exhibit A**

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yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.