

**CITY OF LEMOORE
REDEVELOPMENT AGENCY
INVESTMENT POLICY**

INTRODUCTION

The City of Lemoore (“City”) and Redevelopment Agency has a fiduciary responsibility to maximize the productive use of assets entrusted to its care and to invest and manage these public funds wisely and prudently. The purpose of this document is to establish a prudent and systematic investment policy and to organize and formalize investment-related activities.

POLICY GUIDELINES

The City shall strive to maintain investment of idle funds and always be within the safety, liquidity and maximum guidelines. Idle cash management and investment transactions are the responsibility of the City Treasurer acting under the direction of the City Manager. The Assistant City Manager is responsible for auditing the investments for accuracy and compliance with the investment policy. This policy also applies to funds invested on behalf of the Redevelopment Agency.

SCOPE

It is intended that this policy cover all funds and investment activities under direct authority of the City and the Agency.

OBJECTIVES:

1. **Safety:** It is the primary duty and responsibility of the Treasurer to protect, preserve and maintain cash and investment placed in his/her trust on behalf of the citizens of the City.
2. **Liquidity:** An adequate percentage of the City’s portfolio should be maintained in liquid short-term securities which can be converted to cash if necessary to meet disbursement requirements. Since all cash requirements cannot be anticipated, investments in securities with active secondary or resale markets are highly recommended. Emphasis should be on marketable securities with low sensitivity to market risk.
3. **Yield:** Yield should become a consideration only after the basic requirements of safety and liquidity have been met.
4. **Market-Average Rate of Return:** The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the City’s risk constraints, the cash

flow characteristics of the portfolio, and the State and local laws, ordinances or resolutions that restrict investments.

5. **Diversification:** The investment portfolio will be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions.
6. **Public Trust:** All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio it must be recognized that occasional measured losses are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented.
7. **Prudence:** The City adheres to the "prudent person rule" which obligates a fiduciary to insure that:

"Investments shall be made with judgment and care--under circumstances then prevailing--which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

INVESTMENT STRATEGY:

Cash forecasting and management is the preferred investment strategy for the City. Cash management activities include accurate cash projections, the expeditious collection of revenue, the control of disbursements, cost-effective banking relations, and a short-term borrowing program, when needed, that coordinates working capital requirements and investment opportunity.

INVESTMENT INSTRUMENTS:

The City's allowable investments, and the length of those investments, unless specifically limited by this policy shall be governed by Government Code, sections 53601, 53601.1 and 56345. The specific investments allowed are listed below:

- 1) Full faith and credit US Government securities, and agencies of the US Government (treasury bills, treasury notes, etc.) not to exceed five years in Maturity.
- 2) Federally sponsored credit agency securities, specifically:
Government National Mortgage Association (Ginnie Mae, GNMA)

- Federal National Mortgage Association (Fannie Mae, FNMA)
Federal Home Loan Mortgage Corporation (Freddie Mac, FHLMC);
not to exceed five years in maturity.
- 3) Certificates of deposit with commercial banks and savings and loans, credit unions or thrifts which are fully insured up to two hundred fifty thousand dollars (\$250,000) by the FDIC or other federal insurance program, located in the State of California, and have maturity of one year or less.
 - 4) Commercial paper which is eligible for purchase by the discount window of the federal reserve bank (maturity of less than 180 days) and has a rating of A-1 by Moody's or P-1 by Standard and Poors.
 - 5) Passbook savings account demand deposits and money market accounts insured by up to \$250,000.
 - 6) LAIF - Local Agency Investment Fund demand deposits.

REPORTING REQUIREMENTS:

The Treasurer shall submit a quarterly investment report to the City Council. The report shall be submitted following the end of the quarter covered by the report and will include all elements prescribed by Government Code Section 53646. Such report shall include at least the following information.

- A) Type of investment
- B) Name of institution
- C) Date of maturity
- D) Amount of deposit or cost of security
- E) Current market value of security as of the date of the report, including source of valuation, except those under LAIF
- F) Rate of interest
- G) Statement relating the report to Statement of Investment Policy
- H) Statement that there are sufficient funds to meet the City next six months' financial obligations.
- I) The accrued interest earnings fiscal year-to-date for each investment.
- J) Percent distribution of each type of investment
- K) Average weighted yield of all investment.

The Investment Policy will be reviewed annually by the governing body.