

**INVESTMENT POLICY  
FISCAL YEAR 2019-2020  
TOWN OF CORTE MADERA**

This Policy is intended to provide guidelines for the prudent investment of the Town's idle cash, and outline the policies for maximizing the efficiency of the Town's cash management system. The investment goal is to enhance the economic condition of the Town while insuring liquidity, and the safety of funds invested.

**I. OBJECTIVES**

The Town's cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the Town to invest funds to the fullest extent possible. The Town attempts to obtain the highest yield on its investments consistent with the criteria established for safety and liquidity.

**II. POLICY AND GUIDELINES**

The Town Council's management responsibility for the investment program is hereby delegated to the Town Manager. The three objectives of safety, liquidity and yield are to be taken into consideration when making investment decisions in accordance with Section 53600.5 of the California Government Code.

- A. **SAFETY IS THE PRIMARY OBJECTIVE:** Safety and the minimizing of risk associated with investing refers to attempts to reduce the potential for loss of principal, interest or combination of the two. The Town invests only in those instruments that are considered very safe. Any investments other than the investment of funds in the California Local Agency Investment Fund (LAIF) are subject to advanced approval by the Town Council.
- B. **LIQUIDITY IS THE SECONDARY OBJECTIVE:** Liquidity refers to the ability to convert an investment to cash promptly with minimum risk of losing some portion of principal or interest. A portion of the portfolio should be maintained in liquid short-term securities which can be converted to cash if necessary to meet disbursement requirements.
- C. **YIELD IS THE THIRD OBJECTIVE:** Yield is the average annual return on an investment based on the interest rate, price, and length of time to maturity. The Town attempts to obtain the highest yield possible, provided that the basic criteria of safety and liquidity have been met.

**III. INVESTMENT INSTRUMENTS**

- A. **Eligible Securities:** The Town of Corte Madera may invest in the following instruments under the guidelines as provided herein and in accordance with Sections 53601, 53635, 53637, 53638, 53651, 53652 and 53653 of the California Government Code. Percentage limitations on the purchase of securities apply at the time of purchase.

- 1. **CERTIFICATES OF DEPOSIT** Time Certificates of Deposit will be made only in accounts insured pursuant to Federal laws. For deposits in excess of the insured

maximum of \$250,000, approved collateral shall be required in accordance with California Government Code Section 53652.

2. **TREASURY BILLS AND NOTES** U.S. Treasury Bills, Notes, Bonds or Certificates of Indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.
3. **LOCAL AGENCY INVESTMENT FUND (LAIF)** Investment of funds in the California LAIF which allows the State Treasurer to invest through the Pooled Money Investment Account subject to the State's annual investment policy. Maximum investment is subject to State regulation.
4. **STATE AND LOCAL AGENCY OBLIGATIONS** include bonds, notes, warrants, or other evidence of indebtedness of any local agency within the State of California and/or the State of California. Investment in State and Local Agency Obligations are limited to taxable issues rated "AAA" by one of the three nationally recognized rating agencies and further limit investments to 20% of the Town's surplus funds.
5. **OTHER** investments that are, or may become, legal investments through the State of California Government Code and with prior approval of the Town Council.

**B. Prohibited Securities:**

1. Those securities not enumerated under Section III. A. "Eligible Securities" as well as Inverse floaters, range notes, interest only strips derived from a pool of mortgages (collateralized mortgage obligations) and any security that could result in zero interest accrual if held to maturity as specified in Section 53601.6 of the California Government Code.
2. Securities lending agreements.

**IV. INTERNAL CONTROLS**

Internal controls are designed to ensure that the assets of the Town are protected from loss, theft or misuse. The internal controls shall address the following points:

- A. Control of Collusion - Collusion is a situation where two or more employees are working together to defraud their employer.
- B. Separation of duties - By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
- C. Safekeeping - Securities purchased from any bank or dealer including appropriate collateral (as defined by State law) shall be placed with the Town's depository bank in its

trust department for safekeeping. Said securities shall be held in a manner that establishes the Town's right of ownership.

- D. Clear Delegation of Authority - Subordinate staff members must have a clear understanding of their authority and responsibility to avoid improper actions.

## **V. CRITERIA FOR SELECTING BROKERS AND DEALERS**

A Broker is a firm that does not own the securities being offered. A firm could be both a Broker and a Dealer. A Dealer owns a position in the securities being offered. As used below, the term "Dealer" refers to both Brokers and Dealers.

- A. A qualified dealer must be a bank, savings and loan, or an investment securities dealer. Commercial paper issuers may be considered qualified dealers for direct issuance of their commercial paper.
- B. Investment Securities dealers must be primary dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).
- C. A qualified dealer must have a minimum capital requirement under SEC Rule 15C3-1 of \$250,000 and have at least five years of experience.
- D. A qualified dealer must supply proof of National Association of Securities Dealers (NASD) certification and State of California registration.
- E. A qualified dealer must certify that it has reviewed and understands the California Government Code Sections 53600 et seq. and the Town's Investment Policy and that all securities offered to the Town will comply fully with all provisions of the Government Code and with the Town's Investment Policy.
- F. Broker/Dealers must be approved by the Town Council prior to doing business with the Town.