

VENTURA COUNTY

STATEMENT OF INVESTMENT POLICY

AS APPROVED MAY 21, 2024



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STATEMENT OF INVESTMENT POLICY

Policy

This Statement of Investment Policy ("investment policy") provides the guidelines for prudent investment of public funds in a manner that will provide the highest investment return with optimal security and liquidity. The Policy and practices of the County Treasurer-Tax Collector are based on prudent money management principles and California State Law, specifically Government Code Sections 27000 - 27000.5; 27130 - 27137; and 53600 - 53686. Furthermore, it outlines the policies essential to ensuring the safety and financial strength of the County's investment pool.

This Policy is based on the principles of prudent money management and conforms to all applicable Federal and State laws governing the investment of public funds. In instances where the Policy is more restrictive than Federal or State law, the Policy will supersede.

The Policy shall be reviewed annually, and any modifications made thereto must be approved by the Board of Supervisors.

Scope

This investment policy applies to all financial assets held and managed by the County Treasury, including participant funds invested by the County Treasury, and investment activities under the direct authority of the County Treasury, as set forth in the State Government Code, Sections 53600 et seq., with the following exceptions:

- Proceeds of debt issuance shall be invested in accordance with the County Treasury's general investment philosophy as set forth in this policy; however, such proceeds are to be invested pursuant to the permitted investment provisions of their specific bond indentures.
- Any other funds specifically exempted by the County Board of Supervisors.

Prudence Standard

Pursuant to California Government Code, Section 53600.3, the Treasurer-Tax Collector of Ventura County and all persons authorized to make investment decisions on behalf of the County are trustees and therefore fiduciaries subject to the Prudent Investor Standard:

"...all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act 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 the agency, 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 agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

This rule allows the County Treasury the option to operate over a broad spectrum of investment opportunities defined within Section 53601 *et seq.* of the California Government Code. Therefore, the County's investment pool will be made up of a selection of investments that ensure diversification and meet the liquidity needs of the organization. The major overriding premise underlying the County's investment objective is always to ensure that funds are available when needed.

The Treasurer-Tax Collector and other authorized persons responsible for managing County funds acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes provided that the Treasurer-Tax Collector or other authorized persons acted in good faith. Deviations from expectations of a security's credit or market risk should be reported to the governing body in a timely fashion and, appropriate action should be taken to control adverse developments.

Investment Objectives

It is the policy of the County to invest public funds in a manner that will provide for the preservation of capital while meeting the daily cash flow requirements of the County and other participants, while attaining a market average yield within an acceptable and defined level of risk.

The Policy has three primary objectives, in order of priority:

- 1) The safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall investment pool. To attain this objective, the County will diversify its investments by investing funds among a variety of securities with independent returns.
- 2) Maintenance of liquidity to meet cash flow needs and operating requirements that may be reasonably anticipated.
- 3) To earn a competitive rate of return (i.e., yield) throughout budgetary and economic cycles, within the confines of the California Government Code, this policy, and procedural structure.

In order to accomplish the objectives of safety, liquidity, and return, the economy and various financial markets are monitored daily in order to assess the probable course of interest rates and thus maximize yield on the County's temporarily idle funds. In a market with increasing interest rates, the County Treasury will attempt to invest in securities with shorter maturities. This strategy allows funds to be available for other investments when interest rates are at higher levels. Conversely, when interest rates appear to be near a plateau, the County Treasury will attempt to lock in a higher rate of return. The length of term for all investments shall be commensurate with the short, medium, and long-term cash flow needs of the County and other investment pool participants.

Delegation of Authority to Invest

The Treasurer-Tax Collector's authority to invest is delegated by the Board of Supervisors in accordance with the California Government Code Sections 27000.1 and 53607.

Statutory authority for the investment and safekeeping functions are found in Sections 53600 et seq., and 53630 et seq., of the California Government Code.

The Treasurer-Tax Collector has the authority to react to unstable market conditions in order to preserve the safety, liquidity or yield of the investment pool. The Treasurer-Tax Collector's reaction may temporarily change the investment parameters or investment practices of the County until the market has stabilized or until the Board of Supervisors has approved a revised investment policy.

The Treasurer-Tax Collector shall immediately notify the Treasury Oversight Committee members and the Board of Supervisors at their next scheduled meeting of any changes to the investment parameters or practices that were precipitated by the unstable market conditions.

Ethics and Conflict of Interest

All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment pool is subject to public review and evaluation. No County employee nor Treasury Oversight Committee member may directly or indirectly accept or solicit from any persons, corporations, or group having a business relationship with the County anything of economic value as a gift, gratuity, or favor that would conflict with the County Administrative Policy.

No County employee nor Treasury Oversight Committee member shall, outside of regular working hours, engage in any profession, trade, business, or occupation which is incompatible or involves a conflict of interest with his duties as a County officer or employee, or which in any way may reflect unfavorably on the County, the appointing authority, or his fellow employees.

Qualifications of Authorized Brokers, Dealers, and Financial Institutions

The Treasurer-Tax Collector will maintain a list of approved financial institutions authorized to provide investment services. Additionally, pursuant to California Government code 53601.5, the Treasurer-Tax Collector shall transact business only with approved direct issuers; security brokers/dealers selected by creditworthiness that are licensed by the State of California and licensed by the Financial Industry Regulatory Authority (FINRA); National or State chartered bank or savings institutions; and primary government dealers designated by the Federal Reserve.

Any broker/dealer interested in conducting business with the County must have an office within the State of California and is required to fill out an extensive questionnaire maintained by the Treasurer-Tax Collector. This questionnaire is then reviewed by the Treasurer-Tax Collector and upon acceptance, permits the County to deal with the broker/dealer.

The Treasurer-Tax Collector views the relationship of the firm and its representatives to the County as being a long-term mutually beneficial business relationship. The Treasurer-Tax Collector expects the firm and its staff to act with integrity and trust. The firm must ensure that its staff is aware of the County's investment policy as well as California Government Code sections 53601 and 53635 that govern the securities transactions of the County. The firm will be required to issue written acknowledgment annually that it has read and will comply with the County's investment policy.

No broker/dealer may have made political contributions greater than the limits expressed in Rule G-37 of the Municipal Securities Rule Making Body to the Treasurer-Tax Collector, Board of Supervisors, or candidate for those offices, or Treasury Oversight Committee members.

The County Treasury staff shall investigate dealers with which it will conduct business in order to determine: if the firm is adequately capitalized and meets the Federal Reserve's minimum capital requirements for broker/dealer operations, makes markets in securities appropriate to the County's investment policy, the individual covering the account has a minimum of three years dealing with large institutional accounts, and receives three favorable recommendations from other short term cash portfolio managers.

Upon application, all firms will provide a copy of their most recent published annual report; quarterly reports issued since the last annual report; Financial and Operational Combined Uniform Single (FOCUS) Report; organization chart; and any financial information regarding credit lines and debt support provided by the parent firm.

Furthermore, no later than July 31 of each calendar year, in addition to the required annual written acknowledgment of the investment policy compliance, only as requested by the Treasurer-Tax Collector, all firms will provide a copy of their most recent published annual report; FOCUS Report; organization chart; and any financial information regarding credit lines and debt support provided by the parent firm.

Public deposits will be made only in qualified public depositories as established by State law. Deposits will be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with State law.

SECURITY INSTRUMENTS

Authorized Investments

The County Treasury's investments are governed by the California Government Code, Sections 53600 et seq. Within the investments permitted by the Code, the County seeks to restrict eligible investments further to the guidelines listed below. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence. The percentage holding limits listed in this section apply at the time the security is purchased.

Any investment currently held when the policy is adopted that does not meet the new policy guidelines can be held until maturity and shall be exempt from the current policy. At the time of the investment's maturity or liquidation, such funds shall be reinvested only as provided in the current policy. Concentration limits and minimum credit quality requirements apply at the time of purchase. Maturity shall be measured from the date of trade settlement.

An appropriate risk level shall be maintained by primarily purchasing securities that are of high quality, liquid, and marketable. The investment pool shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual issuers.

U.S. Agencies

The purchase of U.S. agency securities shall be limited to issues of the Federal Farm Credit Banks (FFCB), Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corp. (Freddie Mac/FHLMC), the Federal National Mortgage Corporation (Fannie Mae/FNMA), or in obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored or backed entity. There shall be no limitation on the percentage of the investment pool that can be invested in this category. The fund's holdings of any one federal agency security shall not exceed 35 percent of the total fund at the time of purchase. The maximum percentage of agency callable securities in the investment pool will be 20 percent. The maximum maturity of any one agency investment shall not exceed three years or 1150 days.

U. S. Government

U.S. Government securities are United States Treasury Bills, Notes, Bonds, and other government obligations that are backed by the full faith and credit of the United States Government. There shall be no limitation on the percentage of the investment pool that can be invested in this category. The maturity of a security is limited to a maximum of three years or 1150 days.

Commercial Paper

Commercial Paper is a short-term unsecured promissory note issued to finance short-term credit needs. Commercial Paper eligible for investment must be of "prime" quality of the highest ranking or of the highest short-term letter and numerical rating as provided for by at least one Nationally Recognized Statistical Rating Organization (NRSRO). Eligible paper is further limited to all of the following conditions in either paragraph (a) or (b) and other requirements specified below:

- a) Issuing corporations that are organized and operating within the United States and have total assets in excess of \$500 million and be rated in a rating category of "A" or its equivalent or higher rating for the issuer's debt, other than commercial paper, if any, as provided for by at least one NRSRO.
- b) Issuing entities organized within the United States as a special purpose corporation, trust, or limited liability company. The securities must have program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.

Purchases of eligible Commercial Paper may not exceed 270 days to maturity. Purchases of Commercial Paper may not exceed 40 percent of the investment pool at the time of the purchase. No more than 10 percent of the total assets of the investment pool at the time of the purchase may be invested in any one issuer's commercial paper. The Treasurer-Tax Collector shall establish a list of approved Commercial Paper issuers in which investments may be made.

Medium-Term Notes

Medium-Term Notes are defined as corporations and depository institution debt securities 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. Medium-Term Notes eligible for investment must be rated in a rating category of "A" or its equivalent or higher by at least one NRSRO. Medium-Term Notes may not exceed 30 percent

of the investment pool at the time of the purchase and may not have a maturity of longer than 3 years or 1150 days. No more than 10 percent of the investment pool may be invested in any single issuer.

Municipal Notes, Bonds and Other Obligations

The Treasurer-Tax Collector may invest in bonds, notes, warrants, or other evidence of indebtedness of any local agency within this state, including bonds payable solely out of 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.

The Treasurer-Tax Collector may invest in registered state warrants or treasury notes or bonds of this state, 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.

The Treasurer-Tax Collector may also invest in registered treasury notes issued by any of the other 49 states, 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.

Municipal notes normally have a specific maturity date, and bear interest that is scheduled to be paid at specific intervals. Municipal notes, bonds and other obligations may not exceed 30 percent of the investment pool at the time of purchase and the maturity may not exceed three years or 1150 days. No more than 10 percent of the investment pool may be invested in any single issuer. Municipal notes must be rated in a rating category of "A" or its equivalent or higher by at least one NRSRO.

Banker's Acceptances

A Banker's Acceptance is a draft or bill of exchange accepted by a bank or trust company and brokered to investors in the secondary market. Banker's Acceptances may be purchased for a period of up to 180 days and in an amount not to exceed 40 percent of the investment pool at the time of the purchase, with no more than 10 percent of the investment pool at the time of the purchase in the Banker's Acceptances of any one commercial bank. The Treasurer-Tax Collector shall establish a list of those banks deemed most credit worthy for the investment in Banker's Acceptances, limited to those institutions rated as noted in **Commercial Paper** and **Medium-Term Notes**, above.

Negotiable Certificates of Deposit and Yankee Certificates of Deposit

Negotiable Certificates of Deposit (NCD) are issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank against funds deposited for a specified period of time and earn specified or variable rates of interest. The Treasurer-Tax Collector may invest up to 30 percent of the investment pool at the time of the purchase in NCD's. No more than 10 percent of the investment pool may be invested in any single issuer. Amounts of NCD investments insured up to the FDIC limit do not require any credit ratings. Any amount above the FDIC insured limit must be issued by institutions that have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO, or long-term obligations rated in a rating category of "A" or its equivalent, or higher by at least one NRSRO.

NCD's differ from other Certificates of Deposit in that they are liquid instruments which are traded in secondary markets. The maximum term to maturity of any NCD shall be one year or 365 days. The Treasurer-Tax Collector shall establish a list of eligible domestic commercial banks, thrifts and state licensed foreign banks (Yankee Certificates of Deposit) that will be eligible for investment.

Yankee Certificates of Deposit (YCD) are issued in the United States by a branch or agency of a foreign bank. They are negotiable instruments, and most have a minimum face value of \$100,000, making them appropriate for large investors. The maximum term to maturity of any YCD shall be one year or 365 days.

Certificates of Deposit

Certificates of Deposit (CD) are deposits by the Treasurer-Tax Collector in commercial banks or savings and loan associations within the State of California.

Federally Insured Time Deposits are Non-Negotiable Certificates of Deposit in state or federally chartered banks, savings and loans, or credit unions, provided in state or federally chartered banks, savings and loans, or credit unions, provided that the amount per institution is limited to the maximum covered under federal insurance.

Collateralized Time Deposits are Non-Negotiable Certificates of Deposit in state or federally chartered banks, savings and loans, or credit unions in excess of insured amounts which are fully collateralized with securities in accordance with California law.

Local institutions shall receive preference for deposits up to \$250,000 if competitive rates are offered. These investments are non-negotiable. The maximum term to maturity shall not exceed one year or 365 days and shall be fully insured by the FDIC. No more than 20 percent of the investment pool will be invested in a combination of federally insured and collateralized time deposits.

Collateralized Bank Deposits

County Treasury deposits with financial institutions will be collateralized with pledged securities per California Government Code, Section 53651. There are no limits on the dollar amount or percentage that the County may invest in collateralized bank deposits.

Repurchase Agreements

The County may invest in repurchase agreements with banks and dealers of primary dealer status recognized by the Federal Reserve with which the County has entered into a repurchase contract that specifies the terms and conditions of repurchase agreements. The maturity of repurchase agreements shall not exceed 90 days. The market value of securities used as collateral for repurchase agreements shall be monitored daily by the Treasurer-Tax Collector and will not be allowed to fall below 102 percent of the value borrowed against those funds. The value is adjusted monthly based on the value of the repurchase agreement.

In order to conform with provisions of the Federal Bankruptcy Code which provide for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be certificates of deposit, commercial paper, eligible bankers' acceptances, or securities that are direct obligations of, or that are fully guaranteed as to principal and interest by the United States or any agency of the United States. Furthermore, this collateral shall not exceed three years or 1150 days to maturity.

There shall be a \$75 million limitation in repurchase agreements with any one institution.

Local Agency Investment Fund

The Treasurer-Tax Collector may invest in the Local Agency Investment Fund (LAIF) established by the State Treasurer for the benefit of local agencies up to the maximum permitted by LAIF regulations.

Local Government Investment Pools

The Treasurer-Tax Collector may invest in shares of beneficial interest issued by a joint powers authority pursuant to Government Code section 53601(p). The combined investment local government investment pools shall not exceed 10 percent at the time of the purchase.

Supranationals

The Treasurer-Tax Collector may invest surplus funds to include United States dollar-denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB).

These issuers must have a maximum remaining maturity of three years (1150 days) or less, be eligible for purchase and sale within the United States, be rated "AAA" or its equivalent by at least one NRSRO and shall not exceed 30 percent of the investment pool. No more than 10 percent of the investment pool may be invested in any single issuer.

Money Market Mutual Funds

The County Treasury may invest in shares of beneficial interest issued by diversified management companies that are Money Market Mutual Funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and issued by diversified management companies and meet either of the following criteria:

- (i) Have attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
- (ii) Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of \$500 million.

No more than 20 percent of the total investment pool may be invested in the shares of any one Money Market Mutual Fund. Money market mutual funds shall be limited to government money market funds, which primarily invest in cash, government securities, and/or repurchase agreements that are collateralized fully with government securities.

Prohibited Transactions and Asset-Backed Securities

At the time of purchase, all permitted investments shall conform in all respects with this investment policy and with applicable provisions of the California Government Code. Moreover, state law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.

In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.

Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited. Purchasing or selling securities on margin is prohibited. The use of reverse repurchase agreements, securities lending, or any other form of borrowing or leverage is prohibited. The purchase of foreign currency denominated securities is prohibited.

The Treasurer-Tax Collector may not invest in asset backed securities such as Collateralized Mortgage Obligations.

The purchase of a security with a forward settlement date exceeding 45 days from the time of the investment is prohibited.

Investment Pools/Mutual Funds

The County Treasury shall conduct a thorough investigation of any pool or mutual fund prior to making an investment, and on a continual basis thereafter. The Treasurer-Tax Collector or designee will address the following topics:

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations, how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), how often the securities are priced, and the program audited.
- A description of who may invest in the program, how often, and what size deposit and withdrawal are allowed.
- A schedule for receiving statements and portfolio listings.
- Are reserves, retained earnings, etc., utilized by the pool/fund?
- A fee schedule, and when and how it is assessed.
- Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?
- Is the pool/fund rated?

Collateralization

Certificates of Deposit: The County Treasury shall require any commercial bank or savings and loan association to deposit eligible securities with an agency of a depository approved by the State Banking Department to secure any uninsured portion of a Non-Negotiable Certificate of Deposit. The value of eligible securities as defined pursuant to California Government Code, Section 53651, pledged against a Certificate of Deposit shall be equal to 150 percent of the face value of the CD if the securities are classified as mortgages and 110 percent of the face value of the CD for all other classes of security.

Bank Deposits: This is the process by which a bank or financial institution pledges securities, or other deposits for the purpose of securing repayment of deposited funds. The County Treasury shall require any bank or financial institution to comply with the collateralization criteria defined in California Government Code, Section 53651.

Repurchase Agreements: The County Treasury requires that Repurchase Agreements be collateralized only by securities authorized in accordance with California Government Code:

- The securities that collateralize the repurchase agreement shall be priced at Market Value, including any Accrued Interest plus a margin. The Market Value of the securities that underlie a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities. In order to conform with provisions of the Federal Bankruptcy Code which provide for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be certificates of deposit, commercial paper, eligible bankers' acceptances, or securities that are direct obligations of, or that are fully guaranteed as to principal and interest by the United States or any agency of the United States. Furthermore, this collateral shall not exceed three years or 1150 days to maturity.
- Financial institutions shall mark the value of the collateral to market at least monthly and increase or decrease the collateral to satisfy the ratio requirement described above.
- The County Treasury shall receive monthly statements of collateral.

POOL OPERATIONS

Safekeeping of Securities

To protect against potential losses caused by the collapse of individual securities dealers, all securities managed by the County Treasury, including collateral on repurchase agreements, shall be held in safekeeping by a third-party custodian, acting as agent for the County under the terms of a custody agreement executed by the custodian and the Treasurer-Tax Collector. All trades executed between the County Treasury and a dealer will settle on a delivery vs. payment basis with a custodial bank. All security transactions engaged in by the Treasurer-Tax Collector shall be countersigned by another authorized County Treasury employee.

Security Custody & Deliveries

All securities purchased shall be deposited for safekeeping with the custodian contracted to provide the County Treasurer-Tax Collector with custodial security clearance services.

All security holdings shall be reconciled monthly by the County Treasury staff and audited by the Auditor-Controller at least quarterly.

All security transactions are to be conducted on a "delivery-versus-payment basis". Confirmation receipts on all investments are to be reviewed immediately for conformity with County Treasury transaction documentation. Confirmations resulting from securities purchased under repurchase agreements should clearly state the exact and complete nomenclature of the underlying securities purchased, that these securities have been sold to the County Treasury under a repurchase agreement, and the stipulated date and amount of the resale by the County Treasury back to the seller of the securities.

Diversification: Investment and the Notion of Risk

In order to accomplish the investment objectives of the County Treasury, the concept of risk must be clearly defined as it relates to the investment of public funds. This concept of risk finds its ultimate translation into a structured and well-diversified portfolio.

The County Treasury shall ensure the safety of its idle funds by limiting credit and market rate risk. These two types of risk can clearly damage a public sector portfolio.

Credit risk is defined as the risk that a security or a portfolio will lose some or all its value due to a real or perceived change in the ability of the issuer to repay its debt. Credit risk shall be mitigated by:

- 1) Pre-qualifying financial institutions with which it will do business through utilizing Moody's Investors Service, Standard and Poor's Ratings Services, or Fitch Ratings.
- 2) Diversify the investment pool so that the failure of any one issuer or backer will not place any undue financial burden on the County.
- 3) Monitor all County investments daily to anticipate and respond appropriately to a significant reduction in the creditworthiness of a depository.
- 4) No more than 10 percent of the total investment pool may be deposited with or invested in securities issued by any single issuer unless otherwise specified in this policy.

With the exception of LAIF, insured deposits, and U.S. Treasury and Government Agency issues, investments shall be placed only in those instruments and institutions rated favorably as determined by the Treasurer-Tax Collector in accordance with this investment policy and with the assistance of Moody's Investors Service, Standard and Poor's Ratings Services, or Fitch Ratings.

If the rating of any security drops below the minimum acceptable rating for that security class, the investment will be sold if no significant loss of principal is involved or matured at the earliest possible convenience. These sales must be individually approved by the Treasurer-Tax Collector. If a decision is made to retain the security, the credit situation will be monitored and reported to the Board of Supervisors.

Market risk is defined as the risk that the market value of portfolio securities will fall due to an increase in interest rates. The County recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The County will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes. Market risk shall be mitigated by:

- 1) Structure the investment pool so that securities mature at times to meet the ongoing cash needs of the County.
- 2) Restructure the investment pool to minimize the loss of market value or cash flow.
- 3) Limit the weighted average maturity of the investment pool holdings to 375 days.

The investment program of Ventura County shall be managed with a degree of professionalism that is worthy of the public trust and adheres to the tenets of modern portfolio theory.

The County Treasury is very cognizant of past losses of public funds by local agencies throughout California. Those losses resulted in a loss of confidence by the public in public sector investment expertise. This policy seeks to ensure that proper controls are maintained by the Treasurer-Tax Collector and subordinate staff.

There are times when it becomes necessary for losses to be taken:

- A) Interest rates appear to be rising and the funds can be invested shorter term at higher rates.
- B) When opportunities arise that will result in an increase in overall interest income for the County.
- C) When cash needs are greater than expected.

Therefore, in order to mitigate these event risks to the County's investment pool all investment losses shall be approved by the Treasurer-Tax Collector, exclusively. This authority shall not be delegated.

Liquidity and Maximum Maturities

The County's investment pool will be structured so that securities will mature at or about the same time as cash is needed to meet demand and in accordance with the economic projections mentioned above.

The County Treasury will construct a portfolio consisting of securities with active secondary and resale markets. Any investments for which no secondary market exists, such as time deposits, shall not exceed 375 days and no investment will have a maturity of more than 1150 days.

Internal Controls

The Treasurer-Tax Collector shall establish a system of internal controls, which shall be documented in writing. The controls will be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, and unanticipated changes in financial markets.

Except for declared emergencies, the County Treasurer-Tax Collector's Office shall observe the following procedures daily:

- All investment transactions shall be entered into the accounting system.
- County Treasury investments shall be transacted, confirmed, accounted for, and audited by different people.

Performance Evaluation

The County's investment pool shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, considering the County's risk constraints, the

cash flow characteristics of the investment pool, and state and local laws, ordinances, or resolutions that restrict investments.

The Treasurer-Tax Collector shall monitor and evaluate the investment pool's performance relative to the chosen market benchmark(s), which will be included in the Treasurer-Tax Collector's monthly report. The Treasurer-Tax Collector shall select an appropriate, readily available index to use as a market benchmark.

Investment Pool Reporting

The Treasurer-Tax Collector shall prepare a monthly Investment Report to be presented at a regularly scheduled meeting of the Board of Supervisors, including a succinct management summary that provides a clear picture of the status of the current investment pool, market conditions and strategy for the coming months. The report will also include a listing of all investments by type, name of issuer, date of maturity, par and dollars amount invested in each security, investment, and the money within the County Treasury. The report will contain a statement assuring the Board that the anticipated cash flow needs of the participants will be met. The report will also include a statement that the investment practices and investment pool holdings comply with the investment policy or an explanation as to why there is a condition which exists outside of the investment policy. The Treasurer-Tax Collector will also provide a copy of the Investment Report to the Treasury Oversight Committee members at scheduled meetings.

AUTHORITY AND RESPONSIBILITIES OF THE TREASURER-TAX COLLECTOR

Authority to Execute Investment Transactions

The authority to execute investment transactions daily is limited to the Treasurer-Tax Collector. This function may be delegated to the Assistant Treasurer-Tax Collector and/or other County Treasury personnel at the discretion of the Treasurer-Tax Collector.

Competitive Bidding

All purchases/sales shall be made only after a process of competitive bidding, unless the information provided on electronic market quotation services, faxes, or email transmissions show current market rates. A minimum of three offers/bids should be obtained before an investment is purchased or sold. Exceptions to the above would involve transactions in U.S. Treasury or federal agency obligations, repurchase agreements, securities possessing unique characteristics that would make competitive bidding impractical, or market circumstances in which competitive bidding could be adverse to the best interest of the Treasurer-Tax Collector's investment program.

Review of the Investment Pool

The Treasurer-Tax Collector shall periodically, but no less than quarterly, review the County's investment pool to identify investments that do not comply with this investment policy and establish protocols for reporting major and critical incidences of noncompliance to the Governing Body.

Place and Time for Conducting Business

Investment transactions shall be conducted through authorized County systems under approved County policies and procedures.

Disaster Recovery Program

The Treasurer-Tax Collector's Disaster Plan includes critical phone numbers and addresses of key County Treasury and investment personnel, as well as currently approved bankers and broker/dealers. The plan provides for an offsite location to be communicated at the time of readiness if the Treasurer-Tax Collector's offices are uninhabitable. In the event the Treasurer-Tax Collector or authorized staff is unable to invest idle funds of the investment pool, uninvested cash sweeps into an interest-bearing vehicle.

Until normal operations of the Treasurer-Tax Collector's office have been restored, the limitations on the size of an individual issuer and the percentage restrictions by investment type would be allowed to exceed those approved in this investment policy and would be required to be reported to the Board of Supervisors and investment pool participants in a timely manner.

Extraordinary Withdrawals

The Treasurer-Tax Collector will maintain a schedule of seasonal deposits into and withdrawals from the investment pool by participating districts. Constant contact with the pool participants will be maintained to ascertain any cash needs beyond the anticipated cash-flow patterns. Our investment strategy is based upon the known cash-flow patterns, which allow the Treasurer-Tax Collector to maximize interest earnings for the County and other pool participants.

In accordance with California Government Code Sections 27133(h) and 27136, such requests for withdrawals must first be made to the Treasurer-Tax Collector. Extraordinary withdrawals could create a liquidity problem and negatively impact the earnings of the remaining pool participants if the Treasurer-Tax Collector is forced to liquidate securities before their scheduled maturity date. When evaluating a request to withdraw funds, the Treasurer-Tax Collector will assess the effect of the withdrawal on the stability and predictability of the investment pool and the interest of other depositors. A pool participant who wishes to withdraw from the investment pool or make an extraordinary withdrawal, will be encouraged to work with the County Treasury to arrange a withdrawal schedule to prevent losses to the withdrawing district or the remaining pool participants. Losses experienced by the County investment pool, which were precipitated by the unnoticed extraordinary withdrawal of funds, will be borne by the district that caused such losses to occur. The Treasurer-Tax Collector reserves the right to choose which securities to liquidate and could choose to sell the securities that have the lowest earnings.

No negative balances may be maintained by pool participants at any time.

Terms and Conditions that a Local Agency May Participate in the Pool

Local agencies may, by resolution of their governing bodies and the approval of the Treasurer-Tax Collector, deposit excess funds in the County Treasury for the purpose of investment by the Treasurer-Tax Collector. The procedures for this process are contained in the County Treasury Procedural Manual.

Apportionment of Interest and Costs

Interest shall be apportioned to all pool participants quarterly, based upon the ratio of the average daily balance of each individual fund to the average daily balance of all funds in the investment pool. The amount of interest apportioned shall be determined using the accrual

method of accounting, whereby interest will be apportioned for the quarter in which it was actually earned. The Treasurer-Tax Collector may deduct from the gross interest earnings those administrative costs relating to the management of the County Treasury, including salaries and other compensation, banking costs, equipment costs, supplies, the cost of information services, cashiering, accounting, reporting remittance processing, depositing of public funds, audit, and any other costs as provided by Section 27013, 27133(f), and 27135.

Review and Adoption of Investment Policy

The investment policy will be reviewed and adopted at least annually to ensure consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.

Any recommended modifications or amendments shall be presented by the Treasurer-Tax Collector to the Board of Supervisors for their consideration and adoption.

Prepared by:

Doree Horgan
Treasurer-Tax Collector

May 21, 2024
Date

Approved:

Supervisor Kelly Long, District 3
Board of Supervisors, Chair

Date

INVESTMENT GLOSSARY

Accrued Interest – Interest that has accumulated but has not yet been paid from the most recent interest payment date or issue date to a certain date.

Agency Issues – Securities issued by federal agencies, those chartered by the federal government or Government Sponsored Enterprises that are considered to be backed by the federal government. See also Government Sponsored Enterprises.

Amortized Cost – The original cost of the principal adjusted for the periodic reduction of any discount or premium from the purchase date until a specific date (also called “Book Value”).

Banker's Acceptance – Money market instrument created from transactions involving foreign trade. In its simplest and most traditional form, a banker's acceptance is merely a check, drawn on a bank by an importer or exporter of goods.

Basis Point – A unit of measurement equal to 1/100 of 1 percent. For example, the difference between a security yielding 3.25 percent and one yielding 3.20 percent is five basis points.

Benchmark – An index or security used to compare the performance of a portfolio.

Bond – A long-term debt instrument of a government or corporation promising payment of the original investment plus interest by a specified future date.

Bullet – A colloquial term for a bond that cannot be redeemed, or called, prior to maturity.

Callable Bond – A bond in which the issuer may redeem all or a portion of its outstanding principal before maturity under specified conditions.

Collateralization – Process by which a borrower pledges securities, property, or other deposits to secure the repayment of a loan and/or security.

Collateralized Certificate of Deposit – An instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period that the bank collateralizes with securities at a minimum of 110 percent of the deposit amount.

Commercial Paper – Money Market instrument representing an unsecured short-term promissory note of a corporation at a specified rate of return for a specified period.

Coupon – The stated interest rate on a debt security that an issuer promises to pay.

Credit Quality – An indication of risk that an issuer of a security will fulfill its obligation, as rated by a rating agency.

Credit Rating – A standardized assessment, expressed in alphanumeric characters, of a company's creditworthiness.

Credit Risk – The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Derivatives – Securities which derive their value from that of another security or an underlying index, currency or other measure. Floating rate notes (also “floaters”) are not considered derivatives.

Discount Instruments – Securities that are sold at a discount to face value.

Diversification – The practice or concept of investing in a range of securities by sector, maturity, asset class or credit quality in order to reduce and spread financial risk.

Dollar Weighted Average Maturity – The sum of the amount of each security investment multiplied by the number of days to maturity, divided by the total amount of security investments.

Duration – A measure of the price volatility of a portfolio and reflects an estimate of the projected increase or decrease in the value of that portfolio based upon a decrease or increase in the interest rates. A duration of 1.0 means that for every one percent increase in interest rates, the market value of the portfolio would decrease by 1.0 percent.

Earnings Apportionment – The quarterly interest distribution to the pool participants where the actual investment costs incurred by the Treasurer-Tax Collector are deducted from the interest earnings of the pool.

Government Obligations – Securities issued by the U.S. Treasury and Federal Agencies. U.S. Treasuries are direct obligations of the Federal Government. Agencies are not direct obligations of the Federal Government but involve Federal sponsorship or guarantees.

Government Sponsored Enterprises (GSE's) – Private, shareholder-owned companies with a relationship with government agencies. These agencies are generally viewed to have an implied guarantee of the U.S. government.

Highly Liquid – The most eminent type of security that is easily converted to cash because there are many interested buyers and sellers to trade large quantities at a reasonable price.

Illiquid – A security that is difficult to buy or sell or has a wide spread between the bid price and offer price in the secondary market. There are few buyers and sellers willing to trade large quantities at a reasonable price.

Interest Rate Risk – The risk associated with declines or rises in interest rates that cause an investment in a fixed-income security to increase or decrease in value. Also called “Market Risk”.

Liquid – A security that is easily bought and sold because of the willingness of interested buyers and sellers to trade large quantities at a reasonable price.

Local Agency Obligation – An indebtedness issued by a local agency, department, board, or authority within the State of California.

Long-Term – The term used to describe a security when the maturity is over one year.

Market Value – An estimate of the value of a security at which the principal would be sold from a willing seller to a willing buyer at the date of pricing.

Medium-Term Notes – These are Corporate Notes and Bank Notes that are debt obligations of banks, corporations, and insurance companies. They are issued at a specific rate of return for a specific period of time.

Money Market Mutual Fund – A mutual fund with investments directed in short-term money market instruments only, which can be withdrawn daily without penalty.

Municipal Notes, Bonds, and Other Obligations – Municipal notes, bonds, and other obligations are securities issued by state and local government agencies to finance capital and operating expenses. The characteristics of a municipal bond or note are often similar to the characteristics of corporate bonds and notes or the U.S. government and federal agency bonds and notes. Municipal notes normally have a specific maturity date, and bear interest that is scheduled to be paid at specific intervals. Municipal notes, bonds, and other obligations may not exceed a maximum of three years or 1150 days. Municipal notes must meet the minimum debt rating described above in Medium Term Notes.

Negotiable Certificate of Deposit – A Money Market instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period of time that is traded in secondary markets.

Par – The stated maturity value, or face value, of a security.

Pass-Through Securities – A debt instrument that reflects an interest in a mortgage pool, consumer receivables pool and equipment lease-backed pool that serves as collateral for a bond.

Pool – In this context, the pooled monies of different government agencies administered by the Treasurer-Tax Collector. Each pool member owns a fractional interest in the securities held in the pool.

Portfolio Value – The total book value amount of all the securities held in the County Treasury's investment pool.

Primary Dealer – A group of dealers and banks that can buy and sell securities directly with the Federal Reserve Bank of New York.

Private Placements – Securities that do not have to be registered with the Securities and Exchange Commission because they are offered to a limited number of sophisticated investors. Effective December 8, 2020, Rule 501(a) and Rule 144A of the Securities Act were amended to include government bodies in the definitions of "accredited investor" and "qualified institutional buyer" thereby allowing broker/dealers to sell private

placement securities to government entities.

Range Notes – Notes which pay interest only if the underlying index upon which it is benchmarked falls within a certain range.

Repurchase Agreement – A repurchase agreement consists of two simultaneous transactions. One is the purchase of securities by an investor (i.e., the County), and the other is the commitment by the seller (i.e., a broker/dealer) to repurchase the securities at the same price, plus interest, at some mutually agreed future date.

Reverse Repurchase Agreement – The mirror image of Repurchase Agreements. In this instance, the County's investment pool is the seller of securities to an investor.

Safekeeping – A custodian bank's action to store and protect an investor's securities by segregating and identifying the securities.

Securities Lending – A transaction wherein the County's pool transfers its securities to brokers/dealers and other entities for collateral, which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

Short-Term – The term describes a security when the maturity is one year or less.

Supranationals – Senior unsecured unsubordinated obligations that are issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. They are eligible for purchase and sale within the United States and approved for investments by local agencies in California as of January 1, 2015.

Total Return – The sum of all investment income plus changes in the capital value of a portfolio for a given period.

Voluntary Participants – Local agencies that are not required to deposit their funds with the Treasurer-Tax Collector.

Weighted Average Maturity – The remaining average maturity of all securities held in a portfolio.

Yankee Certificates of Deposit – Yankee Certificates of Deposit (YCD) are issued in the United States by a branch or agency of a foreign bank. They are negotiable instruments, and most have a minimum face value of \$100,000, making them appropriate for large investors.

Yield – The gain expressed as a percentage that an investor derives from a financial asset.

Yield to Maturity – The percentage rate of return paid if the security is held to its maturity date. The calculation is based on the coupon rate, length of time to maturity, and market price. It assumes that coupon interest paid over the life of the security is reinvested at the same rate.

APPENDIX A: INVESTMENT INSTRUMENTS

Investment Instruments	Maximum Maturity	Investment/Issuer Limit	Approved Selected Agencies
U.S. Agencies	3 years or 1150 days	35%/issuer 20% callable	Yes
Commercial Paper (CP)	270 days	40% 10%/issuer	Yes
Medium Term Notes (MTN)	3 years or 1150 days	30% 10%/issuer	Yes
Supranationals	3 years or 1150 days	30% 10%/issuer	Yes
U.S. Government Treasury Bills, Notes, and Bonds	3 years or 1150 days	N/A	
Negotiable Certificates of Deposit (NCD)/Yankee Certificates of Deposit (YCD)	1 year or 365 days	30% 10%/issuer	Yes
Certificates of Deposits (CD)	1 year or 365 days	20%	Yes
Local Agency Investment Fund (LAIF)	N/A	maximum as permitted by LAIF regulations	
Local Government Investment Pools	N/A	10%	
Municipal Notes, Bonds and Other Obligations	3 years or 1150 days	30% 10%/issuer	
Banker's Acceptances	180 days	40% 10%/issuer	
Collateralized Bank Deposits	N/A	N/A	
Repurchase Agreements	90 days	\$75 million/institution	
Money Market Mutual Funds	N/A	20%	