

**CITY of LAGUNA WOODS
INVESTMENT POLICY REVIEW COMMITTEE
AGENDA**

Special Meeting
Wednesday, September 23, 2020
2:00 p.m.

Laguna Woods City Hall
24264 El Toro Road
Laguna Woods, California 92637

Shari L. Horne
Mayor Pro Tem
(Chair)



Noel Hatch
Mayor

Welcome to a meeting of the Laguna Woods Investment Policy Review Committee!

This meeting may be recorded, televised, and made publicly available.

Public Comments: Persons wishing to address the Committee are requested to complete and submit a speaker card to City staff. Speaker cards are available near the entrance to the meeting location. Persons wishing to address the Committee on an item appearing on this agenda will be called upon at the appropriate time during the item's consideration. Persons wishing to address the Committee on an item *not* appearing on the agenda will be called upon during the "Public Comments" item. Persons who do not wish to submit a Speaker Card, or who wish to remain anonymous, may indicate their desire to speak from the floor. Speakers are requested, but not required, to identify themselves.

Americans with Disabilities Act (ADA): It is the intention of the City to comply with the ADA. If you need assistance to participate in this meeting, please contact either the City Clerk's Office at (949) 639-0500/TTY (949) 639-0535 or the California Relay Service at (800) 735-2929/TTY (800) 735-2922. The City requests at least two business days' notice in order to effectively facilitate the provision of reasonable accommodations.

REGULAR MEETING SCHEDULE

The Laguna Woods Investment Policy Review Committee regularly meets on at least a biannual basis.

AGENDA POSTING AND AVAILABILITY

Regular and Adjourned Regular Meetings: Pursuant to California Government Code Section 54954.2 of the Ralph M. Brown Act, the City of Laguna Woods posts agendas at Laguna Woods City Hall, 24264 El Toro Road, Laguna Woods, California 92637; on the City’s website (www.cityoflagunawoods.org); and, at other locations designated by Resolution No. 17-30, at least 72 hours in advance of regular and adjourned regular meetings. Agendas and agenda materials are available at Laguna Woods City Hall during normal business hours and on the City’s website. Printed copies of agendas and agenda materials are provided at no charge in advance of meetings. After meetings have occurred, a per page fee is charged for printed copies.

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FOR ADDITIONAL INFORMATION

For additional information, please contact the City Clerk’s Office at (949) 639-0500/TTY (949) 639-0535, cityhall@cityoflagunawoods.org, or 24264 El Toro Road, Laguna Woods, California 92637.

AFFIDAVIT OF POSTING

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YOLIE TRIPPY, CMC, City Clerk

9-18-20

Date

NOVEL CORONAVIRUS (COVID-19) NOTICE

Please consider participating in this Investment Policy Review Committee meeting remotely. Written public comments may be submitted via email (cityhall@cityoflagunawoods.org) or by mail (Laguna Woods City Hall, 24264 El Toro Road, Laguna Woods, CA 92637), provided that they are received by the City prior to 2 p.m. on the day of the meeting. Written public comments may be read or summarized to the Investment Policy Review Committee at the meeting, and parties submitting comments should be aware that their email addresses and any information submitted may be disclosed or become a matter of public record. No party should expect privacy of such information.

Please exercise caution when attending Investment Policy Review Committee meetings. If you do attend this meeting, please maintain a distance of six feet or more between yourself and others, wash your hands with soap and water before and after the meeting, and refrain from handshaking and other physical contact.

I. CALL TO ORDER

II. ROLL CALL

III. PLEDGE OF ALLEGIANCE

IV. PUBLIC COMMENTS

About Public Comments: This is the time and place for members of the public to address the Committee on items *not* appearing on this agenda. Pursuant to State law, the Committee is unable to take action on such items, but may engage in brief discussion, provide direction to City staff, or schedule items for consideration at future meetings.

V. COMMITTEE BUSINESS

5.1 Investment Policy Review Committee Minutes

Recommendation: Approve the Investment Policy Review Committee meeting minutes for the special meeting on April 27, 2020.

5.2 Investment of Financial Assets Policy

Recommendation:

1. Recommend that the City Council readopt Administrative Policy 2.2 (Investment of Financial Assets) without modification.

AND

2. Recommend that the City Council renew its delegation of investment authority to the City Treasurer pursuant to California Government Code Section 53607 for a one-year period.

VI. COMMITTEE MEMBER COMMENTS

VII. ADJOURNMENT

5.1
INVESTMENT POLICY REVIEW COMMITTEE
MINUTES

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CITY OF LAGUNA WOODS CALIFORNIA
INVESTMENT POLICY REVIEW COMMITTEE MINUTES
SPECIAL MEETING
April 27, 2020
1:00 P.M.
Laguna Woods City Hall
24264 El Toro Road
Laguna Woods, California 92637

I. CALL TO ORDER

Mayor Pro Tem Horne called the Special Meeting of the Investment Policy Review Committee of the City of Laguna Woods to order at 1:01 p.m.

II. ROLL CALL

COMMITTEE MEMBERS: PRESENT: Hatch, Horne
ABSENT: -

Both committee members participated via teleconference as permitted by Governor Newsom's Executive Order N-29-20 (dated March 17, 2020).

STAFF PRESENT: City Manager Macon, Administrative Services Director/City Treasurer Torres, City Clerk Trippy

Staff participated in-person at the meeting location.

III. PLEDGE OF ALLEGIANCE

Mayor Hatch led the pledge of allegiance.

IV. PUBLIC COMMENTS – None

V. COMMITTEE BUSINESS

5.1 Investment Policy Review Committee Minutes

Moved by Mayor Hatch, seconded by Mayor Pro Tem Horne, and carried unanimously on a 2-0 vote, to approve the Investment Policy Review Committee meeting minutes for the special meeting on September 23, 2019.

5.2 Investment of Financial Assets Policy

City Manager Macon made a presentation and reviewed recommended modifications to Administrative Policy 2.2 (Investment of Financial Assets). A redline version of those

recommended modifications was included in the agenda packet.

Committee members discussed the item and staff answered related questions.

Committee members concurred with the recommended modifications as presented.

Moved by Mayor Hatch, seconded by Mayor Pro Tem Horne, and carried unanimously on a 2-0 vote, to recommend that the City Council adopt modifications to Administrative Policy 2.2 (Investment of Financial Assets) to ensure its continued adequacy and effectiveness.

VI. COMMITTEE MEMBER COMMENTS – None

VII. ADJOURNMENT

The meeting was adjourned at 1:37 p.m.

YOLIE TRIPPY, CMC, City Clerk

Approved: September 23, 2020

SHARI L. HORNE, Chair

5.2

INVESTMENT OF FINANCIAL ASSETS POLICY

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**CITY OF LAGUNA WOODS
ADMINISTRATIVE POLICY 2.2**

INVESTMENT OF FINANCIAL ASSETS

2.2.01. Statement of Purpose.

This Administrative Policy is intended to assist the City of Laguna Woods with the investment of the City’s financial assets in a manner that ensures adequate safety and liquidity, while maximizing yield (return) and complying with the requirements of California Government Code sections 5921 and 53600 *et seq.*

2.2.02. Scope.

This Administrative Policy generally applies to all financial assets of the City. Such funds are accounted for, or disclosed, in annual audited financial statements and include the General Fund, Special Revenue Funds, and the Capital Projects Fund. Funds belonging to the Laguna Woods Civic Support Fund and funds invested separately with independent fiduciaries, including funds held and managed by the California Public Employees’ Retirement System (CalPERS) for the purpose of funding employee retirement obligations and other post-employment benefits (OPEB) are exempt from this Administrative Policy.

2.2.03. Objectives.

The objectives of the City’s investment activities, in priority order, shall be:

1. Safety – Safety of principal shall be the foremost objective. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall investment portfolio and the mitigation of credit risk and interest rate risk. This Administrative Policy recognizes that market conditions may warrant the sale of individual securities that would incur market losses in order to protect from further capital losses. The intent of this Administrative Policy is to ensure that capital losses are minimized on a portfolio level rather than on each transaction. To attain the safety objective, diversification of investments among a variety of securities with independent returns and institutions is required.
2. Liquidity – The investment portfolio shall remain sufficiently liquid (i.e., capable of being converted to cash quickly) in order to enable the City to meet all reasonably anticipated cash demands and operational requirements and to

maintain compliance with all applicable indenture agreements. Since unusual or unanticipated cash demands and operational requirements may occur from time-to-time, the portfolio shall primarily consist of investments in securities with active secondary and resale markets.

3. Yield (Return) – The investment portfolio shall be designed in a manner that seeks to attain the highest rate of return, consistent with established safety and liquidity objectives. While it is acknowledged and understood that occasional measurement losses may occur, the overall portfolio should generally earn at least market interest rates (market-average rates of return throughout budgetary and economic cycles for similar investments).

2.2.04. Delegation of Authority.

City Treasurer

No person other than the City Treasurer or Acting City Treasurer (hereafter referred to jointly as the “City Treasurer”) shall engage in an investment transaction using the City’s financial assets. The City Treasurer shall additionally be responsible for all investment transactions undertaken and shall establish and maintain a system of internal controls to regulate all investing activities.

In accordance with Government Code Section 53607, the City Council delegates investment authority for a one-year period to the City Treasurer. Such delegation of authority is subject to annual review and renewal by the City Council, as well as revocation at the City Council’s discretion. Adoption of this Administrative Policy shall constitute renewal of such delegation for an additional one-year period.

Pursuant to Laguna Woods Municipal Code Section 2.10.010, the City Treasurer is appointed by, and reports to, the City Manager. The City Manager may serve as, or appoint, an Acting City Treasurer at any time during the absence of a permanent City Treasurer. During his or her appointment, the Acting City Treasurer shall have all of the powers and duties of the City Treasurer.

The City Treasurer and City Manager (with respect to his or her role appointing and supervising the City Treasurer, and participating in investment decisions) shall be relieved of personal responsibility for an individual investment’s performance or losses, market price changes, and the performance of or losses incurred by the overall portfolio provided that (1) actions were undertaken in accordance with this Administrative Policy and applicable federal and state law, (2) significant deviations

from expectations were reported to the City Council in a timely manner, and (3) appropriate action was taken to mitigate future adverse developments.

Investment Policy Review Committee of the City Council

The Investment Policy Review Committee shall be responsible for conducting at least biannual reviews of the adequacy and effectiveness of this Administrative Policy and preparing related recommendations for City Council consideration.

The City Council shall appoint two of its members to serve on the Investment Policy Review Committee for terms two calendar years in length, commencing on January 1 of each odd-numbered year. The City Council reserves the right to remove or replace any member of the Investment Policy Review Committee, with or without cause, following a publicly noticed vote of a majority of the quorum of City Councilmembers present at the time.

The Investment Policy Review Committee shall be considered a standing committee, subject to all applicable provisions of the Ralph M. Brown Act.

2.2.05. Public Trust.

The City Council, City Manager, City Treasurer, and all individuals authorized to participate in investment decisions on behalf of the City shall act as custodians of the public trust and recognize that the investment portfolio is subject to public review and evaluation. The City's overall approach to investment shall be designed and managed with a degree of professionalism that is worthy of the public trust.

2.2.06. Prudence.

The City Council, City Manager, City Treasurer, and all individuals authorized to participate in investment decisions on behalf of the City, are considered to be trustees and, therefore, fiduciaries subject to the prudent investor standard. The prudent investor standard is summarized in Government Code Section 53600.3, as follows:

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.

2.2.07. Ethics and Conflicts of Interest.

As set forth in the City’s Conflict of Interest Policy, and as otherwise required by the Political Reform Act and Fair Political Practices Commission, public officials who manage public investments are required to file economic interest disclosures.

In addition to federal, state and local statutes relating to conflicts of interest, the City Council, City Manager, City Treasurer, and all individuals authorized to participate in investment decisions on behalf of the City shall refrain from personal business association or activity that conflicts with proper execution of this Administrative Policy, or which could impair their ability to make impartial investment decisions.

2.2.08. Internal Controls and Routine External Review.

The City Treasurer shall develop, implement, and maintain a system of internal controls designed to ensure the effectiveness and efficiency of investment activities, compliance with applicable laws and regulations, and the reliability of financial reporting. Such internal controls shall seek to prevent the loss of public funds due to fraud, error, misrepresentation, and unanticipated market changes.

As a part of their annual review of internal controls, the City’s independent, external auditors shall review internal controls related to investment activities.

2.2.09. Authorized Financial Dealers, Depositories, and Institutions.

In accordance with Government Code Section 53601.5, investments shall either be purchased (1) directly from the issuer, (2) from an institution licensed by the State of California as a Broker-Dealer, as defined in Corporations Code Section 25004, provided that the institution is a primary or regional dealer qualified under federal Securities and Exchange Commission Rule 15C3-1 (Uniform Net Capitol Rule), (3) from a member of a federally regulated securities exchange, (4) from a national or

state-chartered bank, from a savings association or federal association, as defined by Financial Code Section 5102, or (5) from a brokerage firm designated as a primary government dealer by the Federal Reserve bank. In addition, investments shall only be purchased from entities or deposits made in qualified public depositories, as established by State law, with full knowledge of applicable California law and at least five years' experience providing similar services to California municipalities.

The selection of financial dealers, depositories, and institutions shall follow a periodic competitive procurement process (e.g., requests for proposals or requests for qualifications) and be subject to ultimate approval of the City Council or City Manager in accordance with established purchasing regulations and policies. The nature of the competitive procurement process, frequency thereof, and submittals required, shall be designed and determined by the City Treasurer.

On an annual basis, the City Treasurer shall send a copy of the current version of this Administrative Policy to all financial dealers, depositories, and institutions approved to do business with the City. Receipt of this Administrative Policy shall be considered confirmation that the parties to whom they were distributed understand the City's authorized investment types and requirements thereof.

2.2.10. Authorized Investments.

In accordance with the requirements set forth in this Administrative Policy and in Government Code sections 53601, 53601.6, 53601.8, 53635, 53635.2, 53638, and 53684, the following types of investment are authorized:

A. Monies required to meet immediate cash flow needs:

- *Federal Deposit Insurance Corporation (FDIC) Insured Accounts*
Fully insured by the FDIC or collateralized in accordance with Section 2.2.15

B. Monies not required to meet immediate cash flow needs, but which can be reasonably anticipated to be required over the following 12 months:

- *Bankers' Acceptances*
Minimum Standard & Poor's Rating: A-1 or Minimum Moody's Rating: P-1
- *Commercial Paper*
Minimum Standard & Poor's Rating: A-1 or Minimum Moody's Rating: P-1

- *Local Government Investment Pools and other pooled investment funds such as money market mutual funds*
Minimum Standard & Poor's Rating (Money Market Mutual Funds): AAA,
Minimum Moody's Rating: Aaa, or other rating service equivalent
 - *Passbook Savings Demand Deposits*
Fully insured by the FDIC or collateralized in accordance with Section 2.2.15
 - *Repurchase Agreements*
Collateralized in accordance with Section 2.2.15; Minimum Standard & Poor's Rating for Collateralization: AA or Minimum Moody's Rating for Collateralization: Aa
 - *All investments authorized under Section 2.2.10(A).*
- C. Monies not required to meet immediate cash flow needs, and which cannot be reasonably anticipated to be required over the following 12 months:
- *United States Treasury Obligations (notes, bonds, bills, or other certificates or coupons)*
Explicit full faith and credit guarantee of the United States Government;
Minimum Standard & Poor's Rating for Bonds: AA or A-1+, or Minimum Moody's Rating for Bonds: Aa3 or P-1
 - *United States Agency Obligations*
Implied full faith and credit guarantee of the United States Government;
Minimum Standard & Poor's Rating for Bonds: AA or A-1+, or Minimum Moody's Rating for Bonds: Aa3 or P-1
 - *State of California and Others States-issued Obligations (notes, bonds, or warrants)*
Minimum Standard & Poor's Rating for Bonds: AA or A-1+, or Minimum Moody's Rating for Bonds: Aa or P-1
 - *California Local Government-issued Municipal Obligations (notes, bonds, warrants, or other indebtedness issued by a California county, city, or local district/agency)*

Minimum Standard & Poor's Rating: AA or A-1+, or Minimum Moody's Rating: Aa or P-1

- *Certificates of Deposit (Negotiable and Non-Negotiable)*
Issued by a nationally or state-chartered bank, or state or federal savings and loan association, as defined by California Financial Code Section 5102, and fully insured by the FDIC or collateralized in accordance with Section 2.2.15
- *All investments authorized under sections 2.2.10(A) and (B).*

2.2.11. Local Government Investment Pools and Other Pooled Investment Funds.

While local government investment pools generally provide significant safety and liquidity, the City Treasurer shall complete a thorough investigation prior to making any such investment and consider the same during the monthly compliance review required by Section 2.2.13. Due diligence in investigations shall generally include a review of written statements of investment policies, objectives, fees schedules, and reporting schedules, as well as issues related to (1) eligible investors and securities, (2) the permitted frequencies and sizes of deposits and withdrawals, (3) security safeguards, including settlement processes, (4) the frequency with which securities are priced and the program audited, (5) the treatment of gains and losses, including interest calculations and distribution, (6) whether and, if so, how reserves, retained earnings, and similar funds are utilized by the investment pool, and (7) whether the investment pool is eligible for and, if so, accepts bond proceeds. In addition, only local government investment pools with at least five years' experience providing similar services to other California municipalities may be utilized. Similar due diligence and investigative procedures shall be performed prior to investing in any other pooled investment funds, such as money market mutual funds.

2.2.12. Prohibited Investments.

Notwithstanding those types of investments that are otherwise prohibited by law or this Administrative Policy, financial derivatives (e.g., futures, options, and interest rate swaps) and foreign investments (e.g., indices and currencies) are prohibited.

2.2.13. Monthly Internal Compliance Review of Investment Portfolio.

Investments shall be in compliance with the ratings and other requirements set forth in this Administrative Policy at the time of purchase. It is acknowledged and understood that some investments may not fully comply with the same following

purchase. The City Treasurer shall review the overall investment portfolio on a monthly basis and identify any investments that no longer comply. Non-compliant investments shall be reported to the City Council, City Manager, and City Attorney within 10 business days of discovery and corrected as soon as practical.

2.2.14. Safekeeping and Custody.

All investments shall be registered in the name of the City and all interest, principal payments, and withdrawals shall indicate the City as the sole payee.

All investments, with the exception of Federal Deposit Insurance Corporation (FDIC) Insured Accounts, Local Government Investment Pools, and Money Market Funds shall be held by a third-party custodian designated by the City Treasurer and evidenced by custodial agreements or safekeeping receipts. Third-party custodians shall comply with the requirements set forth in Section 2.2.09.

All security transactions, where applicable, shall use a Delivery-versus-Payment (DVP) settlement procedure with the City's payment due at the time of delivery.

2.2.15. Collateralization.

Collateral for bank deposits and certificates of deposit shall be 110% of the market value of principal and accrued interest. Collateral can be either United States Treasury securities or United States Agency securities.

Collateral for repurchase agreements shall be 102% of the market value of principal and accrued interest. Collateral can be either United States Treasury securities or United States Agency securities. The City Treasurer is authorized to grant the right of collateral substitution for repurchase agreements.

All collateral shall be held by an independent third party with whom the City has a current custodial agreement or master repurchase agreement. Evidence of ownership (safekeeping receipt) must be supplied to the City and retained.

2.2.16. Diversification.

The overall investment portfolio shall be diversified to avoid incurring unreasonable and avoidable risks associated with concentrating investments in specific investment types, maturity segments, or individual financial institutions. In a diversified portfolio, it is acknowledged and understood that occasional measurement losses

may occur. Such losses shall be considered within the overall portfolio's investment return. Diversification also requires investments to be spread among varying security types and institutions.

2.2.17. Limits and Maturities.

Authorized investments shall be invested subject to the following:

Table 2.2-1: Limits and Maturities Table

Type of Investment	Maximum Amount of Portfolio Investment	Maximum Amount of Individual Investment	Maximum Maturity
Federal Deposit Insurance Corporation (FDIC) Insured Accounts	100%	-	N/A
Bankers' Acceptances	20% (no more than 5% with one bank)	-	180 days
Commercial Paper	15% (no more than 10% of a single issuer)	-	270 days
Local Government Investment Pools	90%	-	N/A
Money Market Mutual Funds	10%	-	N/A
Certificates of Deposit (Negotiable and Non-Negotiable)	30% (no more than 10% with one bank or issuer)	\$250,000	5 years
Passbook Savings Demand Deposits	100%	-	3 years
Repurchase Agreements	10% (no more than 20% of a single issuer)	-	30 days
United States Treasury Obligations	90% of overall portfolio for any one investment type (no more than 20% of a single issuer)	-	5 years
United States Agency Obligations		-	5 years

Type of Investment	Maximum Amount of Portfolio Investment	Maximum Amount of Individual Investment	Maximum Maturity
State of California and Other States-issued Obligations	20% of overall portfolio for any one investment type (no more than 5% of a single issuer)	-	3 years
California Local Government-issued Municipal Obligations		-	3 years

2.2.18. Reporting.

The City Treasurer shall prepare and submit a monthly investment report to the City Council. The monthly report shall include a summary of all investment transactions for the reporting period, as required by Government Code Section 53607, as well as similar information that would be required by Government Code Section 53646(b) if the City prepared quarterly investment reports, to the extent that such information is available. The monthly report shall also comply with Government Accounting Standard Board (GASB) Statement No. 40 and include the following:

- A. Certification that all investment actions executed since the last report have been made in full compliance with this Administrative Policy; and
- B. Certification that the City is able to meet all cash flow needs which might reasonably be anticipated for the next 12 months.

2.2.19. Annual City Council Review and Adoption of this Administrative Policy.

This Administrative Policy shall be reviewed, modified as necessary, and adopted, at least annually, by resolution of the City Council at a duly noticed public meeting. Such annual review shall be in addition to the reviews conducted by the Investment Policy Review Committee as described in Section 2.2.04.

2.2.20. Relationship to Federal and State Laws.

Where federal or state laws are more restrictive than or contradict this Administrative Policy, such laws shall take precedence. Where this Administrative Policy is more restrictive than federal or state laws, this Administrative Policy shall take precedence. The City Treasurer shall advise the Investment Policy Review Committee of any

contradictions of federal or state law for consideration during its reviews conducted as described in Section 2.2.04.

2.2.21. Attachments.

Attachment A, “Glossary of Terms and Acronyms,” is incorporated by reference.

Attachment B, “California Municipal Treasurers Association Investment Policy Certification”

City Council Adoption: June 17, 2020

Attachment A, “Glossary of Terms and Acronyms”

This Glossary of Terms and Acronyms contains common investment terminology to provide users with a better understanding of basic investment terms. It is intended to be used as a basic reference only, is not intended to be all inclusive, and should not be treated as a substitute for professional counsel or analysis.

ACCRUED INTEREST: Coupon interest accumulated on a bond or note since the last interest payment or, for a new issue, from the dated date to the date of delivery.

AVERAGE: An arithmetic mean of selected stocks intended to represent the behavior of the market or some component of it.

BANK DEPOSITS: Deposits in banks or other depository institutions that may be in the form of demand accounts (checking) or investments in accounts that have a fixed term and negotiated rate of interest.

BANKERS’ ACCEPTANCE: A draft or bill of exchange accepted by a bank or trust company. The accepting institution, as well as the issuer, guarantees payment of the bill.

BOND PROCEEDS: The money paid to the issuer by the purchaser or underwriter of a new issue of municipal securities. These moneys are used to finance the project or purpose for which the securities were issued and to pay certain costs of issuance as may be provided in the bond contract.

BONDS: A debt obligation of a firm or public entity. A bond represents the agreement to repay the debt in principal and, typically, in interest on the principal.

BROKER: A person or firm that acts as an intermediary by purchasing and selling securities for others rather than for its own account.

CASH FLOW: A comparison of cash receipts (revenues) to required payments (debt service, operating expenses, etc.).

CERTIFICATE OF DEPOSIT: A short-term, secured deposit in a financial institution that usually returns principal and interest to the lender at the end of the loan period. Certificates of Deposit (CDs) differ in terms of collateralization and marketability. CDs appropriate to public agency investing include:

Negotiable Certificates of Deposit – Generally, short-term debt instruments that pay interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. The majority of negotiable CDs mature within six months while the average maturity is two weeks. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor). Negotiable CDs are insured by the FDIC up to \$250,000, but they are not collateralized beyond that amount.

Non-Negotiable Certificates of Deposit – CDs that carry a penalty if redeemed prior to maturity. A secondary market does exist for non-negotiable CDs, but redemption includes a transaction cost that reduces returns to the investor. Non-negotiable CDs issued by banks and savings and loans are insured by the FDIC up to the amount of \$250,000, including principal and interest. Amounts deposited above this amount may be secured with other forms of collateral through an agreement between the investor and the issuer. Collateral may include other securities, including treasuries or agency securities (e.g., issued by the Federal National Mortgage Association).

COLLATERALIZATION OF DEPOSITS: A process by which a bank or other financial institution pledges securities or other deposits for the purpose of securing the repayment of deposited funds.

COMMERCIAL PAPER: An unsecured short-term promissory note issued by corporations or municipalities, with maturities ranging from two to 270 days.

COUNTY POOLED INVESTMENT FUNDS: The aggregate of all funds from public agencies placed in the custody of the county treasurer or chief finance officer for investment and reinvestment.

COUPON: The annual rate of interest that a bond's issuer promises to pay the bondholder in the bond's face value; a certificate attached to a bond evidencing interest due on a payment date.

CREDIT RATING: The credit worthiness of an investment. Credit ratings are issued by nationally recognized statistical rating organizations (NRSROs) registered with the Securities and Exchange Commission. Three highly recognized organizations are Standard and Poor's, Moody's, and Fitch. The organizations use a primary letter designation (numbers or symbols may follow the letter designation) to indicate the quality of an investment. As an example, short-term ratings by Standard and Poor's of A-1+ and Moody's of P-1 indicate a prime or high-grade quality investment. Long-term prime or high-grade quality investments would be rated AAA or Aaa by

Standard and Poor's and Moody's, respectively. Rates beginning with letters B or C would typically indicate an investment of speculative and higher risk quality.

CREDIT RISK: The chance that an issuer will be unable to make scheduled payments of interest and principal on an outstanding obligation. Another concern for investors is that the market's perception of an issuer/borrower's credit will cause the market value of a security to fall, even if default is not expected.

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER: Someone who acts as a principal in all transactions, including underwriting, buying, and selling securities, including from his or her own account.

DELIVERY-VERSUS-PAYMENT (DVP): The payment of cash for securities as they are delivered and accepted for settlement.

DERIVATIVE: Securities that are based on, or derived from, some underlying asset, reference date, or index.

DISCOUNT: The difference between the par value of a security and the cost of the security, when the cost is below par. Investors purchase securities at a discount when return to the investor (yield) is higher than the stated coupon (interest rate) on the investment.

DISCOUNT RATE: The interest rate used in discounted cash flow analysis to determine the present value of future cash flows. The discount rate in discounted cash flow analysis takes into account not just the time value of money, but also the risk or uncertainty of future cash flows; the greater the uncertainty of future cash flows, the higher the discount rate.

DIVERSIFICATION: The allocation of different types of assets in a portfolio to mitigate risks and improve overall portfolio performance.

DURATION: A measure of the timing of the cash flows to be received from a security that provides the foundation for a measure of the interest rate sensitivity of a bond. Duration is a volatility measure and represents the percentage change in price divided by the percentage change in interest rates. A high duration measure indicates that for a given level of movement in interest rates, prices of securities will vary considerably.

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

FIDUCIARY: An individual who holds something in trust for another and bears liability for its safekeeping.

GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB): A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

INDEX: An indicator that is published on a periodic basis that shows the estimated price and/or yield levels for various groups of securities.

INTEREST: The amount a borrower pays to a lender for the use of his or her money.

INTEREST RATE RISK: The risk that an investment's value will change due to a change in the absolute level of interest rates, spread between two rates, shape of the yield curve, or any other interest rate relationship.

INVESTMENT AGREEMENTS: Contracts with respect to funds deposited by an investor. Investment agreements are often separated into those offered by banks and those offered by insurance companies. In the former case, they are sometimes referred to as “bank investment contracts.”

LIQUIDITY: The measure of the ability to convert an instrument to cash on a given date at full face or par value.

LIQUIDITY RISK: The risk that a security, sold prior to maturity, will be sold at a loss of value. For a local agency, the liquidity risk of an individual investment may not be as critical as how the overall liquidity of the portfolio allows the agency to meet its cash needs.

LOCAL AGENCY INVESTMENT FUND (LAIF): A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer’s Office.

LOCAL GOVERNMENT INVESTMENT POOL: Investment pools that range from the State Treasurer’s Office Local Agency Investment Fund (LAIF) to county pools to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

MARKET RISK: The chance that the value of a security will decline as interest rates rise. In general, as interest rates fall, prices of fixed income securities rise. Similarly, as interest rates rise, prices fall. Market risk also is referred to as systematic risk or risk that affects all securities within an asset class similarly.

MARKET VALUE: The price at which a security is trading and presumably could be purchased or sold at a particular point in time.

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

MEDIUM-TERM NOTE: Corporate or depository institution debt securities meeting certain minimum quality standards (as specified in California Government Code) with a remaining maturity of five years or less.

MONEY MARKET MUTUAL FUNDS (MMFs): Mutual funds that invest exclusively in short-term money market instruments. MMFs seek the preservation of capital as a primary goal while maintaining a high degree of liquidity and providing income representative of the market for short term investments.

MORTGAGE-BACKED SECURITIES (MBS): Securities created when a mortgagee or a purchaser of residential real estate mortgages creates a pool of mortgages and markets undivided interests or participations in the pool. MBS owners receive a pro-rata share of the interest and principal cash flows (net of fees) that are “passed through” from the pool of mortgages. MBS are complex securities whose cash flow is determined by the characteristics of the mortgages that are pooled together. Investors in MBS face prepayment risk associated with the option of the underlying mortgagors to pre-pay or payoff their mortgage. Most MBS are issued and/or guaranteed by federal agencies and instrumentalities (e.g., Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), and Federal Home Loan Mortgage Corporation (FHLMC)).

MUNICIPAL NOTES, BONDS, AND OTHER OBLIGATIONS: Obligations issued by state and local governments to finance capital and operating expenses.

MUTUAL FUNDS: An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments.

NEW ISSUE: Securities sold during the initial distribution of an issue in a primary offering by the underwriter or underwriting syndicate.

NOTE: A written promise to pay a specified amount to a certain entity on demand or on a specified date. Usually bearing a short-term maturity of a year or less (though longer maturities are issued—see “Medium-Term Note”).

OPTIONS: A contract that gives the buyer the right to buy or sell an obligation at a specified price for a specified time. Exchange Traded Options are standardized option contracts that are actively traded on the Chicago Board of Exchange on a daily basis whereas Over-the-Counter Options are traded directly between the buyer and seller at agreed upon prices and conditions (the former type of option is therefore more liquid than the latter).

PAR VALUE: The principal amount of a note or bond which must be paid at maturity. Par, also referred to as the “face amount” of a security, is the principal value stated on the face of the security. A par bond is one sold at a price of 100 percent of its principal amount.

PASSBOOK SAVINGS DEMAND DEPOSITS: An interest-bearing bank deposit that unlike time deposits which have a specified term, is typically considered readily available funds and can be withdrawn without advance notice.

PORTFOLIO: Combined holding of more than one stock, bond, commodity, real estate investment, cash equivalent, or other asset. The purpose of a portfolio is to reduce risk by diversification.

PREMIUM: The difference between the par value of a security and the cost of the security, when the cost is above par. Investors pay a premium to purchase a security when the return to the investor (yield) is lower than the stated coupon (interest rate) on the investment.

PRICE: The amount of monetary consideration required by a willing seller and a willing buyer to sell an investment on a particular date.

PRINCIPAL: The face value or par value of a debt instrument, or the amount of capital invested in a given security.

PRUDENT INVESTOR STANDARD: A standard of conduct where a person acts with care, skill, prudence, and diligence when investing, reinvesting, purchasing,

acquiring, exchanging, selling, and managing funds. The test of whether the standard is being met is if a prudent person acting in such a situation would engage in similar conduct to ensure that investments safeguard principal and maintain liquidity.

REPURCHASE AGREEMENTS: An agreement of one party (for example, a financial institution) to sell securities to a second party (such as a local agency) and simultaneous agreement by the first party to repurchase the securities at a specified price from the second party on demand or at a specified date.

RISK: The uncertainty of maintaining the principal or interest associated with an investment due to a variety of factors.

SAFEKEEPING SERVICE: Offers storage and protection of assets provided by an institution serving as an agent.

SAFETY: In the context of investing public funds, safety relates to preserving the principal of an investment in an investment portfolio; local agencies address the concerns of safety by controlling exposure to risks.

SECURITIES AND EXCHANGE COMMISSION (SEC): The federal agency responsible for supervising and regulating the securities industry.

TRUSTEE, TRUST COMPANY OR TRUST DEPARTMENT OF A BANK: A financial institution with powers to act in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

UNDERWRITER: A dealer that purchases a new issue of municipal securities for resale.

UNITED STATES AGENCY OBLIGATIONS: 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, including federal agency mortgage-backed securities. Types of instruments may include mortgage-backed securities from the Federal National Mortgage Association (FNMA) including Fannie Mae and Freddie Mac securities.

UNITED STATES TREASURY OBLIGATIONS: Debt obligations of the United States government sold by the Treasury Department in the forms of bills, notes, and bonds. Bills are short-term obligations that mature in one year or less and are sold at

a discount. Notes are obligations that mature between one year and ten years. Bonds are long-term obligations that generally mature in 10 years or more.

YIELD: The current rate of return on an investment security generally expressed as a percentage of the securities current price.

YIELD CURVE: A graphic representation that shows the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity.

Attachment B, “California Municipal Treasurers Association Investment Policy Certification”

The City’s Investment of Financial Assets policy, as adopted by the City Council on October 16, 2019, was certified by the California Municipal Treasurers Association (CMTA) on December 16, 2019.



Since receiving certification, the City’s modifications of the Investment of Financial Assets policy have been limited to addressing recommendations made by CMTA evaluators, which included clarifying authorized investment, collateralization, and reporting requirements, as well as updating the glossary of terms and acronyms and making various non-substantive changes.



City of Laguna Woods
City Treasurer's Report
 For the Month Ended August 31, 2020

ITEM 5.2 - Attachment B

CASH AND INVESTMENTS

	Beginning Balances As of 7/31/20	Earnings & Receipts	Disbursements	Purchases, Transfers & Other Adjustments	Ending Balances As of 8/31/20	% of Total Cash & Investment Balances	Maximum % Allowed per Investment Policy
Cash and Cash Equivalents							
Analyzed Checking Account (Note 1)	\$ 621,451	\$ 372,598	\$ (545,830)	\$ -	\$ 448,220	3.82%	
Cash Balances, Multi-Bank Securities (MBS) Account (Note 4)	\$ 5,618	\$ 5,606	\$ (5,771)	\$ -	\$ 5,453	0.05%	
Earned Interest in Transit and Accrued Interest, MBS Account (Note 4)	\$ 11,807	\$ 6,035	\$ (5,606)	\$ -	\$ 12,236	0.10%	
Petty Cash	\$ 2,302	\$ 198	\$ -	\$ -	\$ 2,500	0.02%	
Total Cash and Cash Equivalents	\$ 641,179	\$ 384,437	\$ (557,206)	\$ -	\$ 468,409	3.99%	100.00%
Pooled Money Investment Accounts							
Local Agency Investment Fund (LAIF) (Notes 2 and 3)	\$ 6,438,058	\$ -	\$ -	\$ -	\$ 6,438,058	54.91%	
Orange County Investment Pool (OCIP) (Notes 2 and 3)	\$ 2,165,036	\$ -	\$ -	\$ -	\$ 2,165,036	18.46%	
Total Pooled Money Investment Accounts	\$ 8,603,094	\$ -	\$ -	\$ -	\$ 8,603,094	73.37%	90.00%
Investments - Interest and Income Bearing							
Certificates of Deposit (fair value) (Note 2 and 4)	\$ 2,656,307	\$ -	\$ -	\$ (2,239)	\$ 2,654,068	22.63%	
Total Investments - Interest and Income Bearing	\$ 2,656,307	\$ -	\$ -	\$ (2,239)	\$ 2,654,068	22.63%	30.00%
TOTAL	\$ 11,900,580	\$ 384,437	\$ (557,206)	\$ (2,239)	\$ 11,725,571	100.00%	

Summary of Total Cash, Cash Equivalents, and Investments:

	General Fund	Special Revenue Funds	Totals
Analyzed Checking Account	\$ (1,354,509)	\$ 1,802,729	\$ 448,220
Cash Balances, MBS Account	\$ 5,453	\$ -	\$ 5,453
Earned Interest in Transit and Accrued Interest, MBS Account	\$ 12,236	\$ -	\$ 12,236
Petty Cash	\$ 2,500	\$ -	\$ 2,500
LAIF	\$ 6,438,058	\$ -	\$ 6,438,058
OCIP	\$ 2,165,036	\$ -	\$ 2,165,036
Certificates of Deposit	\$ 2,654,068	\$ -	\$ 2,654,068
Totals	\$ 9,922,842	\$ 1,802,729	\$ 11,725,571

(See NOTES on Page 3 of 3)



City of Laguna Woods
City Treasurer's Report
 For the Month Ended August 31, 2020

CASH AND INVESTMENTS

CUSIP	Investment #	Issuer	Term	Purchase Date	Settlement Date	Par Value	Market Value	Book Value	Stated Rate (Note 4)	Coupon Type	1st Coupon Date	Rating or Rank (*)	Yield to Maturity 365 Days	Maturity Date
Money Funds and Certificate of Deposits (CDs, Federal Deposit Insurance Corporation [FDIC] Insured)														
38148PTD9	2017-6	GOLDMAN SACHS BANK USA	36 months	11/16/17	11/22/17	245,000	246,134	245,000	2.050	Semi-Annual	05/22/18	Green*	2.050	11/23/20
61747ML58	2018-1	MORGAN STANLEY BK N A SALT LAKE	36 months	02/14/18	02/22/18	100,000	101,228	100,000	2.600	Semi-Annual	08/22/18	Green***	2.600	02/22/21
05580AMD3	2018-4	BMW BANK NORTH AMERICA	36 months	03/23/18	03/29/18	245,000	248,734	245,000	2.700	Semi-Annual	09/29/18	Green***	2.700	03/29/21
254673RS7	2018-5	DISCOVER BANK (#5649)	36 months	07/11/18	07/18/18	245,000	251,346	245,000	3.000	Semi-Annual	01/18/19	Green***	3.000	07/19/21
87164YQG2	2018-8	SYNCHRONY BANK RETAIL/MORGAN	60 months	05/19/17	05/19/17	100,000	103,886	98,288	2.470	Semi-Annual	11/19/17	Green***	2.400	05/19/22
90348JEA4	2018-6	UBS BANK USA	48 months	10/01/18	10/05/18	245,000	260,856	245,000	3.250	Monthly	11/05/18	Green***	3.250	10/05/22
61760ARV3	2018-7	MORGAN STANLEY PRIVATE BK NATL	60 months	11/06/18	11/15/18	245,000	270,999	245,000	3.550	Semi-Annual	05/15/19	Green***	3.550	11/15/23
02589AA28	2018-9	AMERICAN EXPRESS NATL	60 months	12/04/18	12/04/18	240,000	265,848	240,000	3.550	Semi-Annual	06/04/19	Green***	3.550	12/04/23
33715LCZ1	2018-10	FIRST TECHNOLOGY FED CU MTN VIEW	60 months	12/07/18	12/12/18	245,000	271,940	245,000	3.600	Monthly	01/12/19	Green***	3.600	12/12/23
949763ZA7	2019-1	WELLS FARGO BK N A	60 months	04/09/19	04/10/19	245,000	266,335	245,000	2.850	Monthly	05/10/19	Green*	2.850	04/10/24
75472RBB6	2020-1	RAYMOND JAMES BK NATL ASSN	60 months	02/06/20	02/14/20	245,000	260,210	245,000	1.750	Semi-Annual	08/14/20	Green***	1.750	02/14/25
59013KGJ9	2020-2	MERRICK BANK	60 months	03/24/20	03/31/20	100,000	106,552	100,000	1.800	Monthly	05/01/20	Green***	1.800	03/31/25
Accrued Interest - Month End							12,236							
Total CDs						2,500,000	2,666,304	2,498,288						

(*) At the time of purchase and until September 2017, CDs were rated or ranked using an IDC Financial Publishing, Inc. (IDC) compiled ranking, and includes a one-number summary rank of quality comprised of 35 key financial ratios. Ranks range from 1 (the lowest) to 300 (the highest) and fall into one of the following six groups per Table 1. Post September 2017, CDs are ranked using the Veribanc Rating System, a two-part color code and star classification system which tests the present standing and future outlook by reviewing an institution's capital strength, asset quality, management ability, earnings sufficiency, liquidity, and sensitivity to market risk. Table 2 below summarizes the Veribanc color rankings. Veribanc star ratings of one to three, with three being best, are used to help review a possible future trend of an institutions health based on metrics from ten prior quarters. A rating of one, two, or three, are not necessarily an indicator of risk or an undesirable investment. The City reviews other rating systems and issuer financials before choosing any investment.

Table 1: CD Rankings (used prior to September 2017)

IDC Rank	Group Meaning
200-300	Superior
165-199	Excellent
125-164	Average
75-124	Below Average
2-74	Lowest Ratios
1	Highest Probability of Failure

Table 2: Veribanc Color Rankings (used post September 2017)

Veribanc Rank	Color Meaning
Green	Highest rating, exceeds qualifications in equity and income tests
Yellow	Merits attention, meets minimal qualifications in equity and income tests
Red	Merits close attention, does not meet minimal qualifications for equity and has incurred significant losses

Government Pooled Money Investment Accounts (PMIA) (Notes 2 and 3)

CUSIP	Investment #	Issuer	Term	Purchase Date	Settlement Date	Par Value	Market Value	Book Value	Stated Rate	Coupon Type	1st Coupon Date	Rating or Rank (*)	Yield to Maturity 365 Days	Maturity Date
N/A	N/A	Local Agency Investment Fund (LAIF)	N/A	Various	Various	6,438,058	6,438,058	6,438,058	Pending	N/A	N/A	N/A	N/A	N/A
N/A	N/A	Orange County Investment Pool (OCIP)	N/A	Various	Various	2,165,036	2,165,036	2,165,036	Pending	N/A	N/A	N/A	N/A	N/A
Total PMIA						8,603,094	8,603,094	8,603,094						

(See NOTES on Page 3 of 3)



City of Laguna Woods
City Treasurer's Report
 For the Month Ended August 31, 2020

CASH AND INVESTMENTS

	Beginning Balances As of 7/31/20	Contributions / (Withdrawals)	Administrative Fees & Investment Expense	Unrealized Gain / (Loss)	Ending Balances As of 8/31/20
Other Post-Employment Benefits (OPEB) Trust					
CalPERS California Employers' Retiree Benefit Trust (CERBT) (CERBT holds all assets and administers the OPEB Trust)	\$ 131,099	\$ -	\$ (10)	\$ 1,354	\$ 132,444
Total Other Funds - Held in Trust	<u>\$ 131,099</u>	<u>\$ -</u>	<u>\$ (10)</u>	<u>\$ 1,354</u>	<u>\$ 132,444</u>

Notes:

Note 1 - Analyzed Checking Account / Monthly activity reported does not reflect August 2020 vendor invoicing processed after the date of this report.

Note 2 - During August 2020, transaction activity in pooled money investment accounts, investment accounts and fiduciary trusts included:

LAIF / The City made no deposits to or withdrawals from the LAIF account. The balance includes an adjustment in the amount of \$31,363.52 to reflect the fair market value of the investment at June 30, 2020.

OCIP / The City made no deposits to or withdrawals from the OCIP account. The balance includes an adjustment in the amount of \$18,013.41 to reflect the fair market value of the investment at June 30, 2020.

Investments / There were no maturities or purchases of investments. Investments were adjusted in the amount of (\$2,239.30) to report balances at fair market value as of August 31, 2020.

OPEB Trust / The City made no contributions to the OPEB Trust. The OPEB Trust experienced a net gain of \$1,344.48 in August 2020.

Note 3 - Investment earnings on pooled money investment accounts deposited and reported August 2020 net of related fees were:

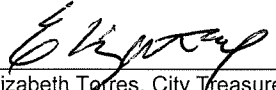
Pool	Earnings Post	Prior Period Earnings Deposited	Deposit for Period Ended	Current Month / Quarter Gross Yield	Current Month / Quarter Earnings Will Post	Notes
LAIF	Quarterly	\$0	N/A	See Notes	October 2020	Total pool interest for August 2020 was 0.784% and the City's yield will be slightly lower based on allocation ratios and administrative fees to be deducted.
OCIP	Monthly	\$2,649	April 2020	See Notes	See Notes	The OCIP August 2020 statement had not been received at the time of this report; balance reported is as of July 31, 2020. Interest is posted three months in arrears and fees are posted monthly. Accrued interest pending payment at July 31, 2020 was \$6,831.21. July 2020 interest rate was 1.223% and fees were 0.059%.

Note 4 - CDs / The stated earnings rate for CDs is a fixed rate for the full term. The City earned interest of \$5,605.60 and transferred out \$5,771.09 in cash balances to the City's checking account in August 2020. Cash balances to be invested or paid out are classified separately on page 1 of 3. The City's portfolio also has \$12,236.21 in accrued interest, not yet vested.

City Treasurer's Certification

I, Elizabeth Torres, City Treasurer, do hereby certify:

- That all investment actions executed since the last report have been made in full compliance with the City's Investment of Financial Assets Policy; and
- That the City is able to meet all cash flow needs which might reasonably be anticipated for the next 12 months.


 Elizabeth Torres, City Treasurer

9/10/20
 Date

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