

CITY OF DINUBA

STATEMENT OF INVESTMENT POLICY

A. PURPOSE & SCOPE

The purpose of this document is to provide guidelines for the prudent investment of the City's temporary idle cash and outline the policies for maximizing the efficiency of the City's cash management system. The ultimate goal is to enhance the economic status of the City while protecting its pooled cash. It is intended that this policy cover all funds and investment activities under the direct authority of the City Council and Board of the Dinuba Redevelopment Agency.

B. OBJECTIVE

The City's cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest funds to the fullest extent possible. The City attempts to obtain the highest yield obtainable as long as investments meet the criteria established for safety and liquidity. It is the primary duty of the Treasurer/Finance Director to protect, preserve and maintain cash and investments placed in their trust on behalf of the citizens of the community.

1. Safety. The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of these amounts.

2. Liquidity. This refers to the ability to "cash in" at any moment in time with a minimal chance of losing some portion of principal or interest. Liquidity is an important investment quality especially when the need for unexpected funds occurs occasionally. An adequate percentage of the portfolio should be maintained in liquid short-term securities which can be converted to cash if necessary to meet disbursement requirements. Since all cash requirements cannot be anticipated, investments in securities with active secondary or resale markets is highly recommended. Emphasis should be on marketable securities with low sensitivity to market risk.

3. Yield. Yield is the potential dollar earnings an investment can provide and sometimes is described as the rate of return. Yield should become a consideration only after the requirements of safety and liquidity have been met.

4. Diversification. The investment portfolio will be diversified to avoid incurring unreasonable and

avoidable risks regarding specific security types or individual financial institutions.

5. Public Trust. All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

C. REPORTING

The Treasurer/Finance Director shall file a monthly investment report with the City Manager and City Councilmembers. This report will include all required elements of the monthly report as prescribed by Government Code Section No. 53646.

Required elements of the monthly report:

- a) Type of investment
- b) Institution
- c) Date of maturity
- d) Amount of deposit or cost of the security
- e) Current market value of securities with maturity in excess of 12 months
- f) Rate of interest
- g) Statement relating the report to the Statement of Investment Policy
- h) Statement that there are sufficient funds to meet the next 30 days' obligations

D. SAFEKEEPING

Securities purchased from brokers/dealers shall be held in third party safekeeping by the trust department of the City or Agency's bank or other designated third party trust, in the City or Agency's name and control, whenever possible.

E. INTERNAL CONTROLS

A system of internal controls should be established and documented. Internal control is the plan of organization and all the related systems established by the management's objectives of ensuring, as far as practicable:

- a) the orderly and efficient conduct of business, including adherence to management policies.
- b) the safeguarding of assets.
- c) the prevention or detection of errors and fraud.
- d) the accuracy and completeness of the accounting records.
- e) the timely preparation of reliable financial information.

Guidelines for internal control are included in California Municipal Treasurer Association Investment Standards which will be used as guidelines for the City of Dinuba to ensure the above controls.

F. POLICY

Dinuba operates its temporary pooled idle cash investments under the prudent man rule (Civil Code Section 2261, et seq)*. This affords the City a broad spectrum of investment opportunities as long as the investment is deemed prudent and is allowable under current legislation of the State of California (Government Code Section No. 53600 et seq.)

Investments may be made in the following media:

- a) Securities of the U. S. Government, or its agencies
- b) Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan companies. Investments of \$100,000 or less are insured by the Federal Government. Investments over \$100,000 should be collateralized.
- c) Negotiable Certificates of Deposit.
- d) Bankers Acceptance.
- e) Commercial Paper.
- f) Local Agency Investment Fund (State Pool) Demand Deposits.
- g) Passbook Savings Account Demand Deposits.

The City strives to maintain the level of investment of all funds as near 100 percent as possible, through daily and projected cash flow determinations. Idle cash management and investment transactions are the responsibility of the City Treasurer, in conjunction with the Finance Director.

The basic premise underlying the City's investment philosophy is, and will continue to be, to ensure that money is always safe and available when needed.

* The prudent man rule states, in essence, that "in investing property for the benefit of another, a trustee shall exercise the judgement and care, under the circumstances then prevailing, which man of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation but for investment considering the probable safety of their capital as well as the probable income to be derived".