RESOLUTION NO. 2022-54-3304
RESOLUTION NO. SA 2022-55-3305
RESOLUTION NO. HA 2022-12-122
RESOLUTION NO. RA 2022-03-030

A JOINT RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRWINDALE, SUCCESSOR AGENCY BOARD, HOUSING AUTHORITY BOARD, AND RECLAMATION AUTHORITY BOARD RATIFYING THE CITY OF IRWINDALE INVESTMENT POLICY, AND DELEGATING AUTHORITY TO THE CITY TREASURER TO INVEST THE SURPLUS FUNDS OF THE CITY OF IRWINDALE, IRWINDALE SUCCESSOR AGENCY, IRWINDALE HOUSING AUTHORITY, AND IRWINDALE RECLAMATION AUTHORITY

WHEREAS, Section 53646 of the State of California Government Code requires that the City Treasurer render annually to the City Council a statement of investment policy for consideration; and

WHEREAS, the City Council/Successor Agency/Housing Authority had on June 8, 2022, last reviewed and approved the existing City of Irwindale Investment Policy by adopting Resolution Numbers 2022-54-3304, SA 2022-55-3305, HA 2022-12-122, and RA 2022-03-030 respectively, and delegated investment authority to the City Treasurer; and

WHEREAS, the City Treasurer has reviewed the current Investment Policy and found that no revisions to the Investment Policy are necessary at this time.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF IRWINDALE, SUCCESSOR AGENCY BOARD, HOUSING AUTHORITY BOARD, AND RECLAMATION AUTHORITY BOARD DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. That it has reviewed and ratifies the Investment Policy attached as Exhibit "A" and made a part hereof.

SECTION 2. That it delegates the authority to invest the surplus funds of the City of Irwindale, Irwindale Successor Agency, Irwindale Housing Authority, and Irwindale Reclamation Authority to the City Treasurer consistent with the attached Investment Policy.

SECTION 3. That the Deputy City Clerk/Agency and Authority Secretary shall certify to the passage and adoption of this resolution, and the same shall thereupon take effect and be in force.

PASSED, APPROVED, AND ADOPTED this 8th day of June 2022.

Larry G. Burrola, Mayor/Chair

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STATE OF CALIFORNIA  }
COUNTY OF LOS ANGELES } ss.
CITY OF IRWINDALE  }

I, Laura M. Nieto, Chief Deputy City Clerk of the City of Irwindale, do hereby certify that the foregoing Resolution Nos. 2022-54-3304, SA 2022-55-3305, HA 2022-12-122, and RA 2022-03-030 were adopted jointly at a regular meeting of the City Council of the City of Irwindale held on June 8th 2022, by the following vote:

AYES: Councilmembers: Ambriz, Breceda, Garcia, Ortiz, Mayor / Chair Burrola

NOES: Councilmembers: None

ABSENT: Councilmembers: None

ABSTAIN: Councilmembers: None

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POLICY

The investment of the funds of the City of Irwindale ("City") is directed toward the goals of safety, liquidity and yield. The State of California authority governing investments for municipal governments is set forth in the California Government Code, Sections 53601 through 53659.

The primary objective of the investment policy ("Policy") of the City is SAFETY OF PRINCIPAL. Investments shall be placed in securities as outlined in the authorized investments and maturity sections of this document. Effective cash flow management and resulting cash investment practices are recognized as essential to good fiscal management and control. The City monitors cash flow on a daily basis and reports results to City Council quarterly to help ensure that liquidity is never threatened. The City's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with state and local law. Portfolio management requires continual analysis and as a result the balance between the various investments and maturities may change in order to give the City the optimum combination of necessary liquidity and yield based on cash flow projections.

SCOPE

The investment policy applies to all financial assets of the City as accounted for the Annual Comprehensive Financial Report (ACFR). Policy statements outlined in this document focus on the City’s pooled funds, but will also apply to all other funds under the City Treasurer’s span of control unless specifically exempted by resolution. This includes funds of the City of Irwindale, as well as the Irwindale Successor Agency, Irwindale Housing Authority, and the Irwindale Reclamation Authority. Retirement, Pension and Deferred Compensation Funds are excluded from this Policy. Funds held by a fiscal agent or trustee and pledged to payment for or security of bonds or other obligations of the City may be invested pursuant to the provisions governing the issuance of the bonds, debt or obligation of the City.

PRUDENCE
The standard to be used by investment officials shall be that of a “prudent investor” and shall be applied in the context of managing all aspects of the overall portfolio. The “prudent investor” standard is defined as: 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.

The City Treasurer and other individuals assigned to manage the investment portfolio, acting within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall be relieved of personal responsibility and liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

OBJECTIVES

Safety of Principal

Safety of principal is the foremost objective of the City. Each investment transaction shall seek to ensure that capital losses are avoided, whether from securities default, broker-dealer default or erosion of market value. The City shall seek to preserve principal by mitigating the two types of risk, credit risk and market risk, defined below:

Credit risk, defined as the risk of loss due to failure of the issuer of a security, shall be mitigated by investing in investment grade securities and by diversifying the investment portfolio.

Market risk, defined as market value fluctuations due to overall changes in the general level of interest rates, shall be mitigated by limiting the average maturity of the City's investment portfolio to three years, the maximum maturity of any one security to five years, structuring the portfolio based on historic and current cash flow analysis, thereby eliminating the need to sell securities prior to maturity and avoiding the purchase of long term securities for the sole purpose of short term speculation.
Liquidity

The City’s investment portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). A portion of the portfolio may be placed in money market mutual funds or local government investment pools that offer same day liquidity for short-term funds. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity).

Yield: Return on Investments

The City’s investment portfolio shall be designed with the objective of attaining a market rate of return through budgetary and economic cycles, commensurate with the City’s investment risk constraints and the cash flow characteristics of the portfolio. Return on investment is of least importance compared to the safety and liquidity objectives described above.

INVESTMENT MATURITY

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than 5 years from the date of purchase. At no point in time, shall more than one third of the investment portfolio have a maturity date in excess of three years into the future.

Reserve funds may be invested in securities exceeding five years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

AUTHORIZED BANKS AND SECURITY DEALERS

In selecting financial institutions for the deposit or investment of City funds, the Treasurer shall consider the credit-worthiness of institutions, and utilize only those depositories that are qualified public depositories as established by state law. In addition, only broker-dealers that are authorized in the state of California will be utilized. The Treasurer shall continue to monitor financial institutions’ credit characteristics and financial history throughout the period in which City funds are deposited or invested.

All broker-dealers who desire to become qualified bidders for investment transactions must supply the Treasurer with the following items: audited financial statements; National Association of Securities Dealers (NASD) certification; proof
of state registration; and certification of awareness of, and familiarity with Irwindale’s investment policy. A competitive bid process will be used when practical to select broker-dealers.

**AUTHORIZED INVESTMENTS**

Purchase of investments will be made with surplus funds available. Investments will be paid for, in full, as soon as practical after the time of trade. Purchases will not be made using leverage, margin accounts, reverse repurchase agreement, or other unfunded mechanisms. No investments shall conflict with Government Code section 53601.

Eligible vehicles for the investment of funds shall be limited to:


b) Bonds issued by the City of Irwindale, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the City or by a department board, agency, or authority of the City.

c) Bonds, notes, and similar securities issued by the United States Treasury. There will be no options or like instruments purchased.

d) Bonds, notes and similar securities issued by United States government agencies. There will be no options or like instruments purchased.

e) Notwithstanding the above limitations, purchase of callable bonds and notes is permissible

f) Registered state warrants or treasury notes or bonds issued by the State of California.

g) Bonds, notes, warrants or other evidence of debt issued by a local agency within the State of California, including pooled investment accounts sponsored by the State of California, County Treasurers, other local agencies or Joint Powers Agencies.

h) Medium term notes (not to exceed 5 years) of US corporations rated “A” or better by Moody’s or S&P. Not more than 30% of surplus funds can be invested in medium term notes.

i) Negotiable certificates of deposit which are fully insured by the Federal
Deposit of Insurance Corporation (FDIC).

j) Collateralized bank deposits with a perfected security interest in accordance with the Uniform Commercial Code (UCC) or applicable federal security regulations.

k) Banker’s acceptances, accepted by domestic banks, which are members of the Federal Reserve System and are eligible for purchase or discount by the Federal Reserve System. Must have a commercial paper rating of A1 or P1. Purchases of banker’s acceptances may not exceed 180 days maturity or 20% of the City’s investment portfolio. No more than 10% of the investment portfolio may be invested in the banker’s acceptances of any one commercial bank.

l) Repurchase/Reverse Repurchase Agreements of any securities authorized by this Section. Investment in Repurchase Agreements may not exceed a term of one year and the market value of the securities that underlay a Repurchase Agreement shall be no less than 102% of the funds borrowed against those securities because Repurchase Agreement limitations are set forth in California Government Code 53601(j).

m) Medium term notes (remaining term not to exceed five years) of U. S. corporations rated “A” or better by Moody’s or Standard & Poor’s Corporation. Not more than 30% of the market value of the portfolio and no more than 15% of the market value of the portfolio many be invested in notes issued by one corporation.

n) Other investment instruments whose principal is guaranteed by the US government through programs such as the Temporary Liquidity Guarantee Program. Thus, corporate bonds are allowable investments if they are insured by the federal government or FDIC (TLGP).

o) Loans between the City of Irwindale funds and other City Agency funds, which include the Housing Authority, Successor Agency, and the Reclamation Authority. Any loans made shall be approved by resolution which shall describe the purpose of the inter-agency fund loan, and include a Promissory Note that stipulates all terms of the loan. The Interest for any inter-agency fund loan shall be in line with the customary interest rate of investments for similar terms as exhibited in the latest City Treasurer’s Quarterly Report of Investments.

**DERIVATIVE INVESTMENTS**
Derivatives are investments whose value is "derived" from a benchmark or index. That benchmark can be almost any financial measure from interest rates to commodity and stock prices. The City’s investment policy shall be in compliance with California State Government Code which, effective January 1996, prohibits the purchase of inverse floaters, range notes, interest only strips or securities that could result in zero interest accrual at any point in the life of the security.

Future purchases of securities classified as derivative securities must be issued by an agency or entity authorized by this investment policy and must receive prior approval from the Governing Body.

**COLLATERAL REQUIREMENTS**

Collateral is required for investments in certificates of deposits, repurchase agreements and reverse repurchase agreements. In order to reduce market risk, the collateral level will be at least 102% of market value principal and accrued interest.

The only securities acceptable as collateral shall be direct obligations of, or fully guaranteed as to principal and interest by, the United States or any agency of the United States.

**SAFEKEEPING OF SECURITIES**

To protect against fraud or embezzlement, or losses caused by collapse of an individual securities dealer, all securities owned by the City shall be held in safekeeping by a third party bank trust department, acting as agent for the City under the terms of a custody agreement or Public Securities Association agreement (repurchase agreement collateral). All trades executed by a dealer will settle delivery vs. payment (DVP) through the City's safekeeping agent.

Securities held in custody for the City shall be independently audited on an annual basis to verify investment holdings.

All exceptions to this safekeeping policy must be approved by the City Treasurer in written form and included in monthly reporting to City Council.

**PERFORMANCE EVALUATION**

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.
The City’s investment strategy is passive. Passive investment portfolio management generally indicates that the Treasurer will purchase an instrument and hold it through to call or maturity, and then reinvest the monies. Although the City’s investment strategy is passive, this will not restrict the Treasurer from evaluating when swaps are appropriate or if the sale of an instrument is prudent prior to final maturity. Given this strategy, the basis used by the Treasurer to determine whether market yields are being achieved shall be the Local Agency Investment Funds (LAIF).

DELEGATION OF AUTHORITY

The Charter of the City assigns the custody of all City funds to the City Treasurer. Pursuant to the Government Code, the City Council may delegate to the Treasurer for a one-year period the authority to invest or to reinvest all funds of the City. The City Treasurer shall establish procedures for the operation consistent with this investment policy. The City Treasurer may authorize other Finance Department staff to initiate investment transactions.

ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program, or impairs their ability to make impartial investment decisions. Additionally, the City Treasurer is required to annually file applicable financial disclosures as required by the Fair Political Practices Commission.

INTERNAL CONTROL

The Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with the City’s Investment Policy and for establishing internal controls that are designed to prevent losses due to fraud, negligence, and third-party misrepresentation. Accordingly, the City Treasurer shall establish procedures for the operation of the City’s investment program that are consistent with the provisions of this Investment Policy.

Internal controls deemed most important shall include (but not limited to): avoidance of collusion; separation of duties and administrative controls; separating transaction authority from accounting and record keeping; custodial safekeeping; clear delegation of authority; management approval and review of investment transactions; specific limitations regarding securities losses and remedial action; written confirmation of telephone transactions; documentation of investment transactions and strategies; and monitoring of results.
REPORTING

The City Treasurer shall provide the City Council/Boardmembers quarterly investment reports which provide a clear picture of the status of the current investment portfolio. The treasurer’s report shall include the type of investments, the issuers, maturity dates, par values, and the current market values of each component of the portfolio, including funds managed for the City by third party safekeeping custodians. The report will also include the source of the portfolio valuation. The report must also include a certification that the City will meet its expenditure obligations for the next six months as required by California Government Code Section 53646(b)(3). The City Treasurer shall maintain a complete and timely record of all investment transactions.

LEGISLATIVE CHANGES

Any State of California legislative action, that further restricts allowable maturities, investment type or percentage allocations, will be incorporated into the City’s Investment Policy and supersede any and all previous applicable language.

POLICY REVIEW

The Statement of Investment Policy shall be updated annually in the month of June by the City Treasurer and submitted to the City Council for review and adoption.