

RESOLUTION CC 2013-42

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GLENDORA, CALIFORNIA, ADOPTING THE ANNUAL STATEMENT OF INVESTMENT POLICY FOR THE FISCAL YEAR BEGINNING JULY 1, 2013 AND ENDING JUNE 30, 2014

**THE CITY COUNCIL
City of Glendora, California**

THE CITY COUNCIL OF THE CITY OF GLENDORA DOES HEREBY RESOLVE AS FOLLOWS:

WHEREAS, Section 53600 et seq. of the California Government Code governs the investment of public funds by local governments; and

WHEREAS, City Council Resolution 03-3 delegates investment authority to the City Treasurer and authorizes the City Treasurer to invest or deposit public funds in accordance with California Government Code Sections 53600 and 53630, et seq.; and

WHEREAS, the Financial Policies for the City of Glendora require a Statement of Investment Policy be maintained to govern the City's investing activities and as part of a sound and prudent Treasury Management program.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF GLENDORA, CALIFORNIA, DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. The City Council does hereby adopt the attached Exhibit containing the Statement of Investment Policy for the fiscal year beginning July 1, 2013 and ending June 30, 2014.

SECTION 2. Any and all prior resolutions adopting a Statement of Investment Policy for the City of Glendora shall be hereby rescinded.

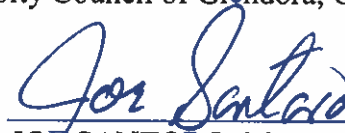
SECTION 3. The Mayor shall sign and the City Clerk shall certify to the passage and adoption of this resolution, shall enter the same in the Book of Original Resolutions and that this resolution shall take effect and be in force on this date.

SECTION 4. The City Clerk is hereby directed to forward a copy of this resolution to the Finance Director.

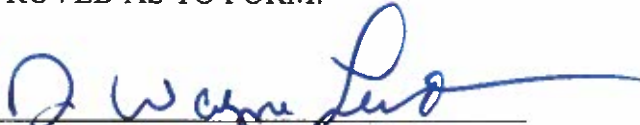
APPROVED and PASSED this 27th day of August, 2013.

City Council of Glendora, California

BY: _____


JOE SANTORO, Mayor

APPROVED AS TO FORM:



D. WAYNE LEECH, City Attorney

I, Kathleen R. Sessman, City Clerk of the City of Glendora, do hereby certify that the foregoing Resolution was duly adopted by the City Council of the City of Glendora at a regular meeting held on the 27th day of August, 2013, by the following vote:

AYES:	COUNCIL MEMBERS:	Davis, Murabito, Tessitor, Nelson, and Santoro
NOES:	COUNCIL MEMBERS:	None
ABSENT:	COUNCIL MEMBERS:	None
ABSTAIN:	COUNCIL MEMBERS:	None

Dated: August 28, 2013



KATHLEEN R. SESSMAN, City Clerk

RESOLUTION CC 2013-43

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
GLENDDORA, CALIFORNIA, DELEGATING THE CITY COUNCIL'S
INVESTMENT AUTHORITY TO THE CITY TREASURER**

**THE CITY COUNCIL
City of Glendora, California**

**THE CITY COUNCIL OF THE CITY OF GLENDDORA DOES HEREBY
RESOLVE AS FOLLOWS:**

WHEREAS, California Government Code Section 53601 authorizes the legislative body of a city having money in a sinking fund or money in its treasury not required for the immediate needs of the city to invest a portion of the money that it deems wise or expedient in certain investments, and;

WHEREAS, pursuant to California Government Code Section 53607, the authority of the legislative body to invest or to reinvest funds of the city, or to sell or exchange securities so purchased, may be delegated for a one-year period by the legislative body to the treasurer of the local agency, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires, and shall make a monthly report of those transactions to the legislative body, and;

WHEREAS, on August 27, 2013, the City Council of the City of Glendora approved an investment policy for the fiscal year 2013-2014, and;

WHEREAS, pursuant to California Government Code Section 53607, the City Council of the City of Glendora desires to delegate its investment authority under California Government Code Section 53601 to the city treasurer.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF GLENDDORA,
CALIFORNIA, DOES HEREBY RESOLVE AS FOLLOWS:**

SECTION 1. The City Council of the City of Glendora, California pursuant to Government Code Section 53607, hereby delegates to the city treasurer of the City of Glendora the authority of the city council to invest or to reinvest funds of the city, or to sell or exchange securities so purchased, for a one-year period.

SECTION 2. The city treasurer shall hereafter assume full responsibility for those transactions relating to the investment or the reinvestment of city funds, and the sale or exchange of securities so purchased until the delegation of this authority is revoked or expires. The authority so delegated shall comply with the provisions of State of California law, including California Government Code Section 53601, and the city's investment policy.

SECTION 3. The city treasurer shall make a monthly report of those investment transactions to the city council.

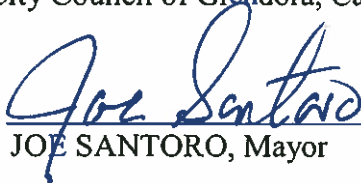
SECTION 4. The city treasurer is authorized to execute all contracts necessary to assume and perform the responsibilities authorized herein.

SECTION 5. The City Clerk shall certify to the passage and adoption of this resolution and shall enter the same in the Book of Original Resolutions.


SECTION 6. The City Clerk is hereby directed to forward a copy of this resolution to the City Treasurer.

APPROVED and PASSED this 27th day of August, 2013.

City Council of Glendora, California

BY: 
JOE SANTORO, Mayor


APPROVED AS TO FORM:


D. WAYNE LEECH, City Attorney

I, Kathleen R. Sessman, City Clerk of the City of Glendora, do hereby certify that the foregoing Resolution was duly adopted by the City Council of the City of Glendora at a regular meeting held on the 27th day of August, 2013, by the following vote:

AYES:	COUNCIL MEMBERS:	Davis, Murabito, Tessitor, Nelson, and Santoro
NOES:	COUNCIL MEMBERS:	None
ABSENT:	COUNCIL MEMBERS:	None
ABSTAIN:	COUNCIL MEMBERS:	None

Dated: August 28, 2013


KATHLEEN R. SESSMAN, City Clerk

**CITY OF GLENDORA
STATEMENT OF INVESTMENT POLICY
FISCAL YEAR 2014**

INTRODUCTION

The City Council of the City of Glendora (also acting as the Successor Agency to the Glendora Community Redevelopment Agency together, the "City") recognizes its responsibility to prudently direct the investment of the City's funds on behalf of the City's existing and future residents. The City Council further recognizes that the City's investment assets are essential to the City's financial strength, the effective implementation of long-range financial plans and, ultimately, its ability to respond to the needs of the community.

The investment policies and practices of the City of Glendora take into consideration that California statutes authorize the City of Glendora to finance acquisition or construction of various projects and capital assets through the issuance and sale of municipal securities, including but not limited to general obligation bonds and revenue bonds. Depending on the type and the authority for the issuance and sale of the bond, the City's general fund and/or certain sources of City revenue may be pledged as security for the bonds. The bonding and the resulting security interest in city funds and revenue may supersede all or portions of this Policy, but not the requirements of the California Government Code.

This Statement sets forth policies which shall govern the investment of the City's funds. It will be used by the City's Treasurer, the Investment Advisory Committee, other City officials and staff, as well as all other third party providers of investment or investment related services. Its purpose is to direct the prudent investment and protection of the City's funds and investment portfolio.

1. POLICY

It is the policy of the City to invest public funds in a manner which will provide the highest investment return with maximum security while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds.

2. SCOPE

This Investment Policy applies to all financial assets of the City of Glendora. The following funds are covered by this Investment Policy and are accounted for in the City's Comprehensive Annual Financial Report:

- A) General Fund
- B) Special Revenue Funds
- C) Debt Service Funds
- D) Capital Project Funds
- E) Enterprise Funds

- F) Internal Services Funds
- G) Trust and Agency Funds
- H) Any new funds created by the City Council, unless specifically exempted

The investment of bond proceeds will be governed by the permitted investment section of bond documents. If the bond documents are silent as to the investment of the proceeds, the proceeds will be invested in accordance with this Policy.

3. PRUDENCE

The standard of prudence to be used by investment officials shall be the “prudent investor” standard and shall be applied in the context of managing an overall portfolio. Investments shall be made 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 City.

Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4. OBJECTIVE

The objective of the investment portfolio is to meet the short and long term cash flow demands of the City. To achieve this objective, the portfolio will be structured to provide safety of principal and liquidity, while then providing a return on investments.

4.1. Safety of Principal

Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the City will diversify its investments by investing funds among a variety of securities offering diversified returns and approved financial institutions. The City shall seek to preserve principal by mitigating the two types of risk in order of importance: credit risk and market risk.

- a. Credit Risk Credit risk, defined as the risk of loss due to failure of an issuer of a security, shall be mitigated by purchasing U.S. Treasuries or high grade securities. All investments beyond Treasury securities will be diversified so that the failure of any one issuer would not unduly harm the City’s cash flow. Credit risk shall also be mitigated by pre-qualifying financial institutions, broker/dealers, intermediaries and advisors with which the City does business.

- b. **Market or Interest Rate Risk** Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. Interest rate risk may be mitigated by structuring the Funds so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in shorter-term securities. The cash flow is updated on a daily basis and will be considered prior to the investment of securities, which will reduce the necessity to sell investments for liquidity purposes. Long-term securities shall not be purchased for the sole purpose of short-term speculation. Securities shall not be sold prior to maturity with the following exceptions: 1) A security whose credit declines or is expected to decline may be sold IF there is a reasonable expectation that the prompt payment of principal and interest becomes unlikely. A temporary or modest decline in a security's credit rating should not in and of itself trigger a liquidation; 2) A security swap would improve the quality, yield, or target duration in the portfolio; or 3) Liquidity needs of the portfolio require that the security be sold. The weighted average maturity of the funds will be limited to three years or less. Purchases of investments will be restricted to securities with a final stated maturity not to exceed five (5) years, unless the City Council has granted express authority to make the investment with a maturity in excess of five years, either specifically or as a part of an investment program approved by the City Council no less than three months prior to the investment.

4.2. **Liquidity**

The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

4.3. **Return on Investments**

The City's investment portfolio shall be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

5. **DELEGATION OF AUTHORITY**

Authority to manage the City's investment program is derived from the following:

The City of Glendora's Resolution 03-3 delegates investment authority to the City Treasurer. It further authorizes the City Treasurer to invest or deposit the City's funds in accordance with California Government Code Sections 53600 and 53630, et seq. and all related State and Federal laws.

In the Treasurer's absence, and subject to City Council approval, the Treasurer may assign investment responsibilities to the City Manager. The Treasurer will provide prior

written notification to the City Manager and the City Council regarding the assignment of responsibilities. In the event that the Treasurer is unable to assign responsibility, the City Manager will select a designee. In addition, at the discretion of the Treasurer, cash monitoring and investment responsibilities can be assigned to a designated assistant and a surety bond will be obtained by the City for said assistant.

The responsibility for establishing, monitoring and maintaining a strong system of investment controls and directing an independent audit of the investment function is delegated to the City Manager. The City Manager's designee(s) may assist in carrying out these functions.

The City Council's primary responsibilities over the investment function include establishing investment policies, annually reviewing such policies, reviewing monthly investment reports issued by the Treasurer and authorizing any deviations from the City's Investment Policy.

5.1. INVESTMENT PROCEDURES

The City Treasurer shall establish written investment policy procedures for the operation of the investment program consistent with this policy (see Appendix F). The procedures should include reference to: safekeeping, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the City Treasurer.

The Treasurer shall make any necessary changes to the written investment policy procedures manual upon recommendation of the Investment Advisory Committee and approval of the City Manager.

6. ETHICS AND CONFLICTS OF INTEREST

The City Treasurer and other employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. The City Treasurer and investment officials shall disclose to the City Manager any material interests in financial institutions with which they conduct business within their jurisdiction. They shall further disclose any large personal financial/investment positions that could be related to the performance of the City's investment portfolio. During the course of the year, if there is an event subject to disclosure that could impair the ability of the City Treasurer or investment employees to make impartial decisions, the City Council will be notified in writing within 10 days of the event.

7. AUTHORIZED DEALERS AND FINANCIAL INSTITUTIONS

The purchase by the City of any authorized investment, not purchased directly from the issuer, shall be purchased either from an institution licensed by the state as a broker-

dealer, or from a member of a federally regulated securities exchange, from a national or state-chartered bank, from a savings association or federal association or from a brokerage firm designated as a primary government dealer by the Federal Reserve bank. The Treasurer will maintain a list of financial institutions authorized to provide investment services. No public deposit shall be made except in a qualified public depository as established by state laws.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the City Treasurer with the following: Audited Financial Statements, proof of Financial Industry Regulatory Authority (FINRA) registration, trading resolution, proof of California registration completed Broker/Dealer Questionnaire, certification of having read this City's investment policy, and completed Agreement for Securities Service (see Appendices B & C). Broker/dealer applicants may be requested to provide local government or other client references within the State of California.

An annual review of the financial condition and registrations of qualified bidders will be conducted by the Treasurer. A current financial statement is required to be on file for each financial institution and broker/dealer in which the City invests.

8. AUTHORIZED AND SUITABLE INVESTMENTS

The City is empowered by statute to invest in the following types of securities: investments set forth in this section are authorized investments pursuant to Section 53601 (see Attachments) of the Government Code and are authorized investments for the City subject, however, to the prohibitions set forth in Section 10 of this Investment Policy.

A. Securities of the U.S. Government

U.S. Treasury Bills – issued by the U.S. Treasury and are available in maturities out to one year. They are non-interest bearing and sold on a discount basis. The face amount is paid at maturity.

U.S. Treasury Notes – issued by the U.S. Treasury with maturities from two to ten years. They are issued in coupon form and many issues are also available in registered form. Interest is payable at six month intervals until maturity.

U.S. Treasury Bonds – issued by the U.S. Treasury with maturities of ten years to thirty years. The City may purchase the interest and/or principal of a U.S. Treasury Bond. A principal only instrument is commonly called a “stripped” or “zero” coupon. Stripped coupons are sold at a discount basis. The face amount is paid at maturity.

B. Securities of U.S. Government Agencies

The capital of U.S. government agencies was initially financed by the United States Treasury. But as they have grown and operated profitably over the years, the

Treasury's investment has been replaced in a large measure by private capital. At present, obligations of only a few agencies are backed by the full faith and credit of the U.S. Government. The obligations of all the federal agencies described in the following sections are not guaranteed by the U.S. Government with the exception of Government National Mortgage Association (GNMA), but are considered to be investments of the highest quality.

Federal National Mortgage Association – (Fannie Mae) a quasi-public corporation created by an act of Congress to assist the home mortgage market by purchasing mortgages insured by the Federal Housing Administration and the Farmers Home Administration, as well as those guaranteed by the Veterans Administration. Fannie Mae issues Notes and Bonds and there is a strong secondary market in these securities. A secondary market means these instruments are actively traded, i.e. they are bought and sold daily. Bonds are issued for 15 and 30 year maturities with interest paid semi-annually. Interest is computed on a 30/360 day basis. Notes are issued with maturities of less than one year with interest paid at maturity.

Government National Mortgage Association – (Ginnie Mae) a wholly-owned corporation instrumentality of the United States within the Department of Housing and Urban Development. A certificate collateralized by FHA/VA residential mortgages represents a share in a pool of FHA or VA mortgages. Ginnie Mae's are registered securities. Original maturities range from 12 to 30 years with a 7 to 12 year assumed average life. (Assumed average life is due to prepayments of mortgages). Principal and interest are paid monthly and sent directly from the issuer of the pool, usually a mortgage banker, to the City.

Federal Home Loan Banks – (FHLB) provide credit to member lending institutions such as savings and loan associations, cooperative banks, insurance companies and savings banks. The agency offers bonds in the public market with maturities of 1 to 10 years. These bonds are usually offered on a quarterly basis depending on the current demands of the housing industry. Interest is paid semi-annually on a 30/360 day basis.

Federal Farm Credit Banks – (FFCB) debt instruments issued to meet the financial needs of farmers and the national agricultural industry. These issues enjoy an established secondary market. Discount notes are issued monthly with 6 and 9 month maturities. Longer term debentures (2-5 years) are also issued. Discount notes pay interest at maturity. Debentures pay interest semi-annually on a 30/360 day basis.

Federal Home Loan Mortgage Corporation – (Freddie Macs) A publicly held government-sponsored enterprise created in 1970 pursuant to the Federal Home Loan Mortgage Corporation Act, Title III of the Emergency Home Finance Act of 1970, as amended. Freddie Mac's statutory mission is to provide stability in the secondary market for home mortgages, to respond appropriately to the private capital market and to provide ongoing assistance to the secondary market for

home mortgages by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for home mortgage financing. Maturity can be from 1 to 30 years. These loans can be either set at a fixed rate or a variable rate.

C. Bonds

City Bonds – Bonds issued by the City, 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.

State Bonds – Registered state warrants or treasury notes or bonds of the State of California, 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.

Municipal Bonds – Bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State of California, including bonds payable solely out of the 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.

D. Time Deposits and Certificates of Deposit

Time Deposits are placed with commercial banks and savings and loan agencies in California. A time deposit is a receipt for funds deposited in a financial institution for a specified period of time at a specified rate of interest. Deposits up to \$250,000 (referred to as Jumbo CDs) per institution are insured by the government. Deposits in excess of the federal deposit insurance limit are required to be collateralized as specified under Government Code Section 53630 et seq. Purchases of certificates of deposit may not exceed 30 percent of the City's surplus money to be invested. Generally the time is 3 months to 2 years. Denominations can be any agreed upon amount and interest is normally calculated using actual number of days on a 360-day year and paid monthly. An institution must meet the following criteria to be considered by the City:

- The institution must have received a minimum overall satisfactory rating, under the Community Reinvestment Act, for meeting the credit needs of California Communities in its most recent evaluation.
- The institution must maintain a net worth to asset ratio of at least 3 percent and a positive earnings record.
- The institution must be in compliance with the Financial Institution Reform Act (FIRREA) capital ratio requirements for risk-based, tangible, and core capital.
- The institution must make available a current Federal Deposit Insurance Corporation (FDIC) call report or a Federal Home Loan Bank (FHLB) report. A call report presents the financial condition of the institution to the agency with

oversight responsibility of that institution.

E. Negotiable Certificates of Deposit

Eligible paper is limited to issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000). Negotiable Certificates of Deposit may not exceed 30 percent of the City's surplus funds to be invested. Maturities range from 3 months to 2 years and are generally issued in blocks of \$1 million, \$5 million, \$10 million, etc. Interest is paid semi-annually computed on a 30/360 day basis.

F. Banker's Acceptance Notes

Banker's acceptances are short term investments otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of banker's acceptances may not exceed 180 days maturity or 40 percent of the City's surplus money that may be invested pursuant to this section. In addition, no more than 30 percent of the City's surplus funds may be invested in the bankers acceptances of any one commercial bank pursuant to this section.

G. Commercial Paper

Commercial paper is the trade name applied to unsecured promissory notes issued by finance and industrial companies to raise funds on a short term basis. Only commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's Investors Service, Inc., or Standard and Poor's Corporation is allowable. Eligible paper is further limited to issuing corporations that are organized and operating within the United States as a general corporation and having total assets in excess of five hundred million dollars (\$500,000,000) and having an "A" or higher rating for the issuer's debt, other than commercial paper, if any, as provided for by Moody's Investors Service, Inc., or Standard and Poor's Corporation. Purchases of eligible commercial paper may not exceed 270 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation. Purchases of commercial paper may not exceed 25 percent of the City's surplus money that may be invested pursuant to this section.

H. Local Agency Investment Fund demand deposit

The Local Agency Investment Fund (LAIF) was established by the State to enable treasurers to place funds in a pool for investment. Each agency is limited to an investment of \$50 million per account. The City uses this fund for short term liquidity investment, and yield when rates are declining as funds are available upon demand. Interest is paid quarterly.

I. Repurchase Agreement

Repurchase agreement means a purchase of securities by the City pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a

specified date and for a specified amount and the counterparty will deliver the underlying securities to the City by book entry, physical delivery, or by third-party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery. Investments in repurchase agreements are allowable but must comply with current Government code and a Master Repurchase Agreement must be signed with the bank or dealer.

The market value of securities that underlay a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.

J. Mutual Funds

Mutual Funds are limited to the following:

- a. Limited Term Government Funds
- b. Money Market Funds limited to Treasury obligations (Reverse Repurchase not allowed) with a highest rating from Moody's or Standard & Poor's to allow the funds held by the Bond Trustee to be invested. In addition, the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of five hundred million dollars (\$500,000,000) and has at least 5 years' experience investing in instrument authorized by Government Code Sections 53601.

K. Investment Pools

A thorough investigation of a pool/fund is required prior to the City's investment and on a continual basis. The City currently permits the use of the Local Agency Investment Funds (LAIF) along with certain mutual funds. Any additional pool shall provide the following (See Appendix D):

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), and how often are the securities priced and the program audited.
- A description of who may invest in the program, how often, and what size deposits and withdrawals are allowed
- A schedule for receiving statements and portfolio listings.
- A list of any reserves, retained earnings, etc. utilized by the pool.
- A fee schedule, when and how it is assessed.
- Pool eligibility for bond proceeds and/or pool policy on accepting such proceeds.

9. MASTER REPURCHASE AGREEMENT

If repurchase agreements are legal and authorized by policy, a Master Repurchase Agreement must be signed with the bank or dealer (see Attachments).

10. PROHIBITED INVESTMENTS AND TRANSACTIONS

The City shall be in full compliance with 53601.6 regarding prohibited investments.

- The City shall not invest public monies in financial instruments that are not authorized under this Statement of Investment Policy
- The City shall not engage in securities lending, short selling or other hedging strategies.
- The City shall not invest any funds in inverse floaters, range notes, or interest-only strips that are derived from a pool or mortgages or reverse repurchase agreements.
- The City shall not invest any funds in any security that could result in zero interest accrual if held to maturity.
- The City shall not purchase or sell securities on margin.
- The following types of investments shall not be directly used by the City:
 - a. Federal Agency Issues: Guaranteed Small Business Administration (SBA) Notes
 - b. Mutual Funds - except those specified in Section 8. (Authorized and Suitable Investments). In addition, the City will allow cash held by Fiscal Agent to invest in Money Market Funds limited to Treasury obligations (Reverse Repurchase Agreements not allowed) with a highest rating from Moody's or Standard & Poor's
 - c. Medium Term Corporate Notes
 - d. Reverse Repurchase Agreements

It is acknowledged that investment pools in which the City invests may invest funds in the securities set forth in this subdivision.

11. SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodial designated by the Treasurer and evidenced by safekeeping receipts. The only exception to the foregoing shall be depository accounts and securities purchases made with: (i) LAIF, (ii) other permitted investment pools, and (iii) money market mutual funds, since the purchased securities are not deliverable. Evidence of each

these investments will be held by the Treasurer in accordance with internal procedures.

12. DIVERSIFICATION

The City operates its investment pool with many State- and self-imposed constraints. It does not buy stocks and it does not speculate. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

The City will diversify its investments by security type, institution and maturity/call dates. With the exception of U.S. Treasury securities and authorized pools, no more than 50 percent of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

13. MAXIMUM MATURITIES

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. The City Council expressly permits bond reserve funds to 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 specified funds.

14. 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 written 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.

15. PERFORMANCE STANDARDS

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).

16. REPORTING

The City Treasurer shall provide the City Council monthly investment reports which provide a clear picture of the status of the current investment portfolio. The management report shall include the a listing of individual securities held at the end of the reporting period by authorized investment category, the average life and final maturity of all investments listed, coupon rate, discount or earnings rate, Par Value, Amortized Book Value Market Value of each investment in the portfolio, including funds managed for the City of Glendora by third parties. The report will also include the source of the portfolio valuation. As specified in California Government Code Section 53646 (e), if all funds are placed in LAIF, FDIC-insured accounts and/or in a county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a certification that the City of Glendora 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.

17. INVESTMENT POLICY ADOPTION

The City's investment policy shall be reviewed annually by the Glendora Investment Advisory Committee, and any modifications made thereto must be approved by the Glendora City Council. The City's investment policy shall then be adopted annually by resolution of the Glendora City Council.

**CITY OF GLENDORA
STATEMENT OF INVESTMENT POLICY
FISCAL YEAR 2014**

INTRODUCTION

The City Council of the City of Glendora (also acting as the Successor Agency to the Glendora Community Redevelopment Agency together, the “City”) recognizes its responsibility to prudently direct the investment of the City’s funds on behalf of the City’s existing and future residents. The City Council further recognizes that the City’s investment assets are essential to the City’s financial strength, the effective implementation of long-range financial plans and, ultimately, its ability to respond to the needs of the community.

The investment policies and practices of the City of Glendora take into consideration that California statutes authorize the City of Glendora to finance acquisition or construction of various projects and capital assets through the issuance and sale of municipal securities, including but not limited to general obligation bonds and revenue bonds. Depending on the type and the authority for the issuance and sale of the bond, the City’s general fund and/or certain sources of City revenue may be pledged as security for the bonds. The bonding and the resulting security interest in city funds and revenue may supersede all or portions of this Policy, but not the requirements of the California Government Code.

This Statement sets forth policies which shall govern the investment of the City’s funds. It will be used by the City’s Treasurer, the Investment Advisory Committee, other City officials and staff, as well as all other third party providers of investment or investment related services. Its purpose is to direct the prudent investment and protection of the City’s funds and investment portfolio.

1. POLICY

It is the policy of the City to invest public funds in a manner which will provide the highest investment return with maximum security while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds.

2. SCOPE

This Investment Policy applies to all financial assets of the City of Glendora. The following funds are covered by this Investment Policy and are accounted for in the City’s Comprehensive Annual Financial Report:

- A) General Fund
- B) Special Revenue Funds
- C) Debt Service Funds
- D) Capital Project Funds
- E) Enterprise Funds

- F) Internal Services Funds
- G) Trust and Agency Funds
- H) Any new funds created by the City Council, unless specifically exempted

The investment of bond proceeds will be governed by the permitted investment section of bond documents. If the bond documents are silent as to the investment of the proceeds, the proceeds will be invested in accordance with this Policy.

3. PRUDENCE

The standard of prudence to be used by investment officials shall be the “prudent investor” standard and shall be applied in the context of managing an overall portfolio. Investments shall be made 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 City.

Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4. OBJECTIVE

The objective of the investment portfolio is to meet the short and long term cash flow demands of the City. To achieve this objective, the portfolio will be structured to provide safety of principal and liquidity, while then providing a return on investments.

4.1. Safety of Principal

Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the City will diversify its investments by investing funds among a variety of securities offering diversified returns and approved financial institutions. The City shall seek to preserve principal by mitigating the two types of risk in order of importance: credit risk and market risk.

- a. **Credit Risk** Credit risk, defined as the risk of loss due to failure of an issuer of a security, shall be mitigated by purchasing U.S. Treasuries or high grade securities. All investments beyond Treasury securities will be diversified so that the failure of any one issuer would not unduly harm the City's cash flow. Credit risk shall also be mitigated by pre-qualifying financial institutions, broker/dealers, intermediaries and advisors with which the City does business.

- b. **Market or Interest Rate Risk** Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. Interest rate risk may be mitigated by structuring the Funds so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in shorter-term securities. The cash flow is updated on a daily basis and will be considered prior to the investment of securities, which will reduce the necessity to sell investments for liquidity purposes. Long-term securities shall not be purchased for the sole purpose of short-term speculation. Securities shall not be sold prior to maturity with the following exceptions: 1) A security whose credit declines or is expected to decline may be sold IF there is a reasonable expectation that the prompt payment of principal and interest becomes unlikely. A temporary or modest decline in a security's credit rating should not in and of itself trigger a liquidation; 2) A security swap would improve the quality, yield, or target duration in the portfolio; or 3) Liquidity needs of the portfolio require that the security be sold. The weighted average maturity of the funds will be limited to three years or less. Purchases of investments will be restricted to securities with a final stated maturity not to exceed five (5) years, unless the City Council has granted express authority to make the investment with a maturity in excess of five years, either specifically or as a part of an investment program approved by the City Council no less than three months prior to the investment.

4.2. Liquidity

The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

4.3. Return on Investments

The City's investment portfolio shall be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

5. DELEGATION OF AUTHORITY

Authority to manage the City's investment program is derived from the following:

The City of Glendora's Resolution 03-3 delegates investment authority to the City Treasurer. It further authorizes the City Treasurer to invest or deposit the City's funds in accordance with California Government Code Sections 53600 and 53630, et seq. and all related State and Federal laws.

In the Treasurer's absence, and subject to City Council approval, the Treasurer may assign investment responsibilities to the City Manager. The Treasurer will provide prior

written notification to the City Manager and the City Council regarding the assignment of responsibilities. In the event that the Treasurer is unable to assign responsibility, the City Manager will select a designee. In addition, at the discretion of the Treasurer, cash monitoring and investment responsibilities can be assigned to a designated assistant and a surety bond will be obtained by the City for said assistant.

The responsibility for establishing, monitoring and maintaining a strong system of investment controls and directing an independent audit of the investment function is delegated to the City Manager. The City Manager's designee(s) may assist in carrying out these functions.

The City Council's primary responsibilities over the investment function include establishing investment policies, annually reviewing such policies, reviewing monthly investment reports issued by the Treasurer and authorizing any deviations from the City's Investment Policy.

5.1. INVESTMENT PROCEDURES

The City Treasurer shall establish written investment policy procedures for the operation of the investment program consistent with this policy (see Appendix F). The procedures should include reference to: safekeeping, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the City Treasurer.

The Treasurer shall make any necessary changes to the written investment policy procedures manual upon recommendation of the Investment Advisory Committee and approval of the City Manager.

6. ETHICS AND CONFLICTS OF INTEREST

The City Treasurer and other employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. The City Treasurer and investment officials shall disclose to the City Manager any material interests in financial institutions with which they conduct business within their jurisdiction. They shall further disclose any large personal financial/investment positions that could be related to the performance of the City's investment portfolio. During the course of the year, if there is an event subject to disclosure that could impair the ability of the City Treasurer or investment employees to make impartial decisions, the City Council will be notified in writing within 10 days of the event.

7. AUTHORIZED DEALERS AND FINANCIAL INSTITUTIONS

The purchase by the City of any authorized investment, not purchased directly from the issuer, shall be purchased either from an institution licensed by the state as a broker-

dealer, or from a member of a federally regulated securities exchange, from a national or state-chartered bank, from a savings association or federal association or from a brokerage firm designated as a primary government dealer by the Federal Reserve bank. The Treasurer will maintain a list of financial institutions authorized to provide investment services. No public deposit shall be made except in a qualified public depository as established by state laws.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the City Treasurer with the following: Audited Financial Statements, proof of Financial Industry Regulatory Authority (FINRA) registration, trading resolution, proof of California registration completed Broker/Dealer Questionnaire, certification of having read this City's investment policy, and completed Agreement for Securities Service (see Appendices B & C). Broker/dealer applicants may be requested to provide local government or other client references within the State of California.

An annual review of the financial condition and registrations of qualified bidders will be conducted by the Treasurer. A current financial statement is required to be on file for each financial institution and broker/dealer in which the City invests.

8. AUTHORIZED AND SUITABLE INVESTMENTS

The City is empowered by statute to invest in the following types of securities: investments set forth in this section are authorized investments pursuant to Section 53601 (see Attachments) of the Government Code and are authorized investments for the City subject, however, to the prohibitions set forth in Section 10 of this Investment Policy.

A. Securities of the U.S. Government

U.S. Treasury Bills – issued by the U.S. Treasury and are available in maturities out to one year. They are non-interest bearing and sold on a discount basis. The face amount is paid at maturity.

U.S. Treasury Notes – issued by the U.S. Treasury with maturities from two to ten years. They are issued in coupon form and many issues are also available in registered form. Interest is payable at six month intervals until maturity.

U.S. Treasury Bonds – issued by the U.S. Treasury with maturities of ten years to thirty years. The City may purchase the interest and/or principal of a U.S. Treasury Bond. A principal only instrument is commonly called a “stripped” or “zero” coupon. Stripped coupons are sold at a discount basis. The face amount is paid at maturity.

B. Securities of U.S. Government Agencies

The capital of U.S. government agencies was initially financed by the United States Treasury. But as they have grown and operated profitably over the years, the

Treasury's investment has been replaced in a large measure by private capital. At present, obligations of only a few agencies are backed by the full faith and credit of the U.S. Government. The obligations of all the federal agencies described in the following sections are not guaranteed by the U.S. Government with the exception of Government National Mortgage Association (GNMA), but are considered to be investments of the highest quality.

Federal National Mortgage Association – (Fannie Mae) a quasi-public corporation created by an act of Congress to assist the home mortgage market by purchasing mortgages insured by the Federal Housing Administration and the Farmers Home Administration, as well as those guaranteed by the Veterans Administration. Fannie Mae issues Notes and Bonds and there is a strong secondary market in these securities. A secondary market means these instruments are actively traded, i.e. they are bought and sold daily. Bonds are issued for 15 and 30 year maturities with interest paid semi-annually. Interest is computed on a 30/360 day basis. Notes are issued with maturities of less than one year with interest paid at maturity.

Government National Mortgage Association – (Ginnie Mae) a wholly-owned corporation instrumentality of the United States within the Department of Housing and Urban Development. A certificate collateralized by FHA/VA residential mortgages represents a share in a pool of FHA or VA mortgages. Ginnie Mae's are registered securities. Original maturities range from 12 to 30 years with a 7 to 12 year assumed average life. (Assumed average life is due to prepayments of mortgages). Principal and interest are paid monthly and sent directly from the issuer of the pool, usually a mortgage banker, to the City.

Federal Home Loan Banks – (FHLB) provide credit to member lending institutions such as savings and loan associations, cooperative banks, insurance companies and savings banks. The agency offers bonds in the public market with maturities of 1 to 10 years. These bonds are usually offered on a quarterly basis depending on the current demands of the housing industry. Interest is paid semi-annually on a 30/360 day basis.

Federal Farm Credit Banks – (FFCB) debt instruments issued to meet the financial needs of farmers and the national agricultural industry. These issues enjoy an established secondary market. Discount notes are issued monthly with 6 and 9 month maturities. Longer term debentures (2-5 years) are also issued. Discount notes pay interest at maturity. Debentures pay interest semi-annually on a 30/360 day basis.

Federal Home Loan Mortgage Corporation – (Freddie Macs) A publicly held government-sponsored enterprise created in 1970 pursuant to the Federal Home Loan Mortgage Corporation Act, Title III of the Emergency Home Finance Act of 1970, as amended. Freddie Mac's statutory mission is to provide stability in the secondary market for home mortgages, to respond appropriately to the private capital market and to provide ongoing assistance to the secondary market for

home mortgages by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for home mortgage financing. Maturity can be from 1 to 30 years. These loans can be either set at a fixed rate or a variable rate.

C. Bonds

City Bonds – Bonds issued by the City, 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.

State Bonds – Registered state warrants or treasury notes or bonds of the State of California, 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.

Municipal Bonds – Bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State of California, including bonds payable solely out of the 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.

D. Time Deposits and Certificates of Deposit

Time Deposits are placed with commercial banks and savings and loan agencies in California. A time deposit is a receipt for funds deposited in a financial institution for a specified period of time at a specified rate of interest. Deposits up to \$250,000 (referred to as Jumbo CDs) per institution are insured by the government. Deposits in excess of the federal deposit insurance limit are required to be collateralized as specified under Government Code Section 53630 et seq. Purchases of certificates of deposit may not exceed 30 percent of the City's surplus money to be invested. Generally the time is 3 months to 2 years. Denominations can be any agreed upon amount and interest is normally calculated using actual number of days on a 360-day year and paid monthly. An institution must meet the following criteria to be considered by the City:

- The institution must have received a minimum overall satisfactory rating, under the Community Reinvestment Act, for meeting the credit needs of California Communities in its most recent evaluation.
- The institution must maintain a net worth to asset ratio of at least 3 percent and a positive earnings record.
- The institution must be in compliance with the Financial Institution Reform Act (FIRREA) capital ratio requirements for risk-based, tangible, and core capital.
- The institution must make available a current Federal Deposit Insurance Corporation (FDIC) call report or a Federal Home Loan Bank (FHLB) report. A call report presents the financial condition of the institution to the agency with

oversight responsibility of that institution.

E. Negotiable Certificates of Deposit

Eligible paper is limited to issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000). Negotiable Certificates of Deposit may not exceed 30 percent of the City's surplus funds to be invested. Maturities range from 3 months to 2 years and are generally issued in blocks of \$1 million, \$5 million, \$10 million, etc. Interest is paid semi-annually computed on a 30/360 day basis.

F. Banker's Acceptance Notes

Banker's acceptances are short term investments otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of banker's acceptances may not exceed 180 days maturity or 40 percent of the City's surplus money that may be invested pursuant to this section. In addition, no more than 30 percent of the City's surplus funds may be invested in the bankers acceptances of any one commercial bank pursuant to this section.

G. Commercial Paper

Commercial paper is the trade name applied to unsecured promissory notes issued by finance and industrial companies to raise funds on a short term basis. Only commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's Investors Service, Inc., or Standard and Poor's Corporation is allowable. Eligible paper is further limited to issuing corporations that are organized and operating within the United States as a general corporation and having total assets in excess of five hundred million dollars (\$500,000,000) and having an "A" or higher rating for the issuer's debt, other than commercial paper, if any, as provided for by Moody's Investors Service, Inc., or Standard and Poor's Corporation. Purchases of eligible commercial paper may not exceed 270 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation. Purchases of commercial paper may not exceed 25 percent of the City's surplus money that may be invested pursuant to this section.

H. Local Agency Investment Fund demand deposit

The Local Agency Investment Fund (LAIF) was established by the State to enable treasurers to place funds in a pool for investment. Each agency is limited to an investment of \$50 million per account. The City uses this fund for short term liquidity investment, and yield when rates are declining as funds are available upon demand. Interest is paid quarterly.

I. Repurchase Agreement

Repurchase agreement means a purchase of securities by the City pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a

specified date and for a specified amount and the counterparty will deliver the underlying securities to the City by book entry, physical delivery, or by third-party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery. Investments in repurchase agreements are allowable but must comply with current Government code and a Master Repurchase Agreement must be signed with the bank or dealer.

The market value of securities that underlay a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.

J. Mutual Funds

Mutual Funds are limited to the following:

- a. Limited Term Government Funds
- b. Money Market Funds limited to Treasury obligations (Reverse Repurchase not allowed) with a highest rating from Moody's or Standard & Poor's to allow the funds held by the Bond Trustee to be invested. In addition, the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of five hundred million dollars (\$500,000,000) and has at least 5 years' experience investing in instrument authorized by Government Code Sections 53601.

K. Investment Pools

A thorough investigation of a pool/fund is required prior to the City's investment and on a continual basis. The City currently permits the use of the Local Agency Investment Funds (LAIF) along with certain mutual funds. Any additional pool shall provide the following (See Appendix D):

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), and how often are the securities priced and the program audited.
- A description of who may invest in the program, how often, and what size deposits and withdrawals are allowed
- A schedule for receiving statements and portfolio listings.
- A list of any reserves, retained earnings, etc. utilized by the pool.
- A fee schedule, when and how it is assessed.
- Pool eligibility for bond proceeds and/or pool policy on accepting such proceeds.

9. MASTER REPURCHASE AGREEMENT

If repurchase agreements are legal and authorized by policy, a Master Repurchase Agreement must be signed with the bank or dealer (see Attachments).

10. PROHIBITED INVESTMENTS AND TRANSACTIONS

The City shall be in full compliance with 53601.6 regarding prohibited investments.

- The City shall not invest public monies in financial instruments that are not authorized under this Statement of Investment Policy
- The City shall not engage in securities lending, short selling or other hedging strategies.
- The City shall not invest any funds in inverse floaters, range notes, or interest-only strips that are derived from a pool or mortgages or reverse repurchase agreements.
- The City shall not invest any funds in any security that could result in zero interest accrual if held to maturity.
- The City shall not purchase or sell securities on margin.
- The following types of investments shall not be directly used by the City:
 - a. Federal Agency Issues: Guaranteed Small Business Administration (SBA) Notes
 - b. Mutual Funds - except those specified in Section 8. (Authorized and Suitable Investments). In addition, the City will allow cash held by Fiscal Agent to invest in Money Market Funds limited to Treasury obligations (Reverse Repurchase Agreements not allowed) with a highest rating from Moody's or Standard & Poor's
 - c. Medium Term Corporate Notes
 - d. Reverse Repurchase Agreements

It is acknowledged that investment pools in which the City invests may invest funds in the securities set forth in this subdivision.

11. SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodial designated by the Treasurer and evidenced by safekeeping receipts. The only exception to the foregoing shall be depository accounts and securities purchases made with: (i) LAIF, (ii) other permitted investment pools, and (iii) money market mutual funds, since the purchased securities are not deliverable. Evidence of each

these investments will be held by the Treasurer in accordance with internal procedures.

12. DIVERSIFICATION

The City operates its investment pool with many State- and self-imposed constraints. It does not buy stocks and it does not speculate. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

The City will diversify its investments by security type, institution and maturity/call dates. With the exception of U.S. Treasury securities and authorized pools, no more than 50 percent of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

13. MAXIMUM MATURITIES

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. The City Council expressly permits bond reserve funds to 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 specified funds.

14. 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 written 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.

15. PERFORMANCE STANDARDS

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).

16. REPORTING

The City Treasurer shall provide the City Council monthly investment reports which provide a clear picture of the status of the current investment portfolio. The management report shall include the a listing of individual securities held at the end of the reporting period by authorized investment category, the average life and final maturity of all investments listed, coupon rate, discount or earnings rate, Par Value, Amortized Book Value Market Value of each investment in the portfolio, including funds managed for the City of Glendora by third parties. The report will also include the source of the portfolio valuation. As specified in California Government Code Section 53646 (e), if all funds are placed in LAIF, FDIC-insured accounts and/or in a county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a certification that the City of Glendora 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.

17. INVESTMENT POLICY ADOPTION

The City's investment policy shall be reviewed annually by the Glendora Investment Advisory Committee, and any modifications made thereto must be approved by the Glendora City Council. The City's investment policy shall then be adopted annually by resolution of the Glendora City Council.