



AGENDA

CITY OF CAMARILLO INVESTMENT COMMITTEE

Monday, August 26, 2019 – 8:30 a.m.

Camarillo City Hall – Administrative Conference Room
601 Carmen Drive, Camarillo

ADA COMPLIANCE STATEMENT

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk's Office at (805) 388-5316. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting. (28 CFR 3.102.35.104 ADA Title II.)

1. Call to Order
2. Set Next Meeting Date:
[Note: Next meeting tentatively scheduled for Monday, September 23, 2019 at 8:30 a.m.]
3. Minutes of July 22, 2019 Investment Committee Meeting
4. Financial Reports:
 - A. Investment Report, July 31, 2019
 - B. Chronological Investment Activity Report for the Month Ended July 31, 2019
 - C. Portfolio Summary, Chandler Asset Management as of July 31, 2019
 - D. Receipts, Disbursements, and Fund Balances, July 31, 2019
 - E. General Fund Comparative Balance Sheet, May 31, 2019, June 30, 2019 and June 30, 2018
 - F. Extraordinary Items – N/A
5. Discussion Item(s):
 - A. Investment Policy Review
6. Information Item(s) – No Discussion Necessary
 - A. Pooled Money Investment Account Market Valuation, July 31, 2019
7. Committee Comments
8. Public Comments
9. Adjournment

Written materials relating to these agenda items are available for public inspection in the Office of the City Clerk at 601 Carmen Drive, Camarillo, during regular business hours, Monday through Friday, 8:00 a.m. to 5:00 p.m. Questions may be referred to Genie Rocha, Director of Finance at (805) 388-5320.

Distribution:

C. Craven, Councilmember
S. Mulchay, Councilmember
Dave Norman, City Manager
Tully Clifford, Assistant City Manager
Mr. Keene Henn
Mr. Jeffrey Fryer
Genie Rocha, Director of Finance

Mark Uribe, Assistant Director of Finance
Brian Richie, Accounting Manager
Kristen Madary, Accountant
City Clerk (PDF)
City Clerk Counter Copy
J. Gordon (agenda)
K. Talley (agenda)

MINUTES

City of Camarillo – Investment Committee

Monday, July 22, 2019, 8:30 a.m.

1. Call to Order: 8:30 a.m.

Committee Members Present: Councilmember Shawn Mulchay, Keene Henn, and Jeff Fryer.

Committee Members Absent: Councilmember Charlotte Craven

Staff Present: City Manager Dave Norman, Assistant City Manager Tully Clifford, Director of Finance Genie Rocha, Assistant Director of Finance Mark Uribe, Accounting Manager Brian Richie, Accountant Kristen Madary, Administrative Specialist Veronica Madrigal (as Committee Secretary)

2. Next Meeting Tentatively Set: Monday, August 26, 2019

3. Minutes of June 24, 2019: *Approved as presented*

4. Financial Reports:

- A. Investment Report, June 30, 2019
- B. Chronological Investment Activity Report for the Month Ended June 30, 2019
- C. Portfolio Summary, Chandler Asset Management as of June 30, 2019
- D. Receipts, Disbursements, and Fund Balances, June 30, 2019
- E. General Fund Comparative Balance Sheet, April 30, 2019, May 31, 2019 and May 31, 2018
- F. Extraordinary Items – N/A

Ms. Rocha summarized the Investment Report and the Chronological Investment Activity Report. Mr. Schmitt reviewed the Portfolio Summary from Chandler Asset Management. Ms. Rocha reviewed the Receipts, Disbursements, and Fund Balances, and Mr. Richie summarized the General Fund Comparative Balance Sheet. The Committee received and filed the financial reports.

5. Discussion Item(s)

- A. Investment Portfolio Review Presentation by Chandler Asset Management
Mr. Schmitt, Chandler Asset Management presented the Investment Portfolio Review for quarter ended June 30, 2019.

- B. Investment Policy Review

Ms. Rocha provided the current Investment Policy for the Committee's review. The Policy will be reviewed at the August 26, 2019 Committee meeting to discuss any recommended revisions.

6. Information Item(s): No Discussion Necessary

- A. Pooled Money Investment Account Market Valuation, June 30, 2019

7. Committee Comments

8. Public Comments: None

9. Adjournment: The meeting was adjourned at approximately 9:14 a.m.

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City of Camarillo

Investment Report

July 31, 2019

Compliance Report and Attestations

Investment Summary:	At Par	Purchase Price (C/L)	Market Totals Per Trustee	% Yield
	\$	\$	\$	%
LAIIF Accounts	\$ 110,500,000	\$ 110,500,000	\$ 110,500,000	2.38%
Securities:				
U. S. T-Notes & Bills	38,800,000	38,184,216	37,617,372	
Agencies	58,310,000	58,171,725	59,393,925	
Certificates of Deposits	4,225,000	4,221,742	4,235,251	
Subtotal Securities	101,335,000	100,577,683	101,246,548	2.12%
Subtotal LAIF Accounts & Securities	<u>\$ 211,835,000</u>	<u>211,077,683</u>	<u>211,746,548</u>	2.25%
Accrued Interest			728,687	
Total Market Value			<u>212,475,235</u>	
Bond Proceeds with Trustees:				
All Other Bonds		4,102,825	4,102,825	
Total Investments		<u>\$ 215,180,508</u>	<u>\$ 216,578,060</u>	

Investment Policy Check List

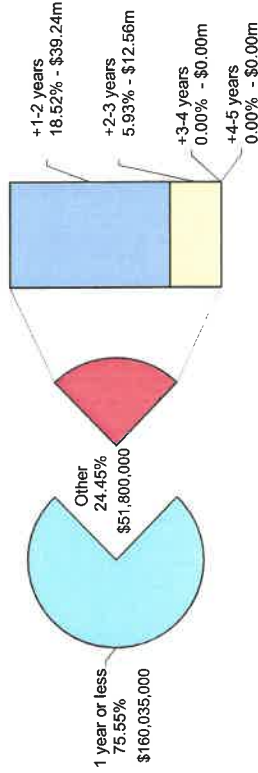
This investment report is in compliance with the following:

- (1) All securities have a maturity of 5 years or less.
- (2) Total Agency investments do not exceed 75% of the portfolio.
- (3) Total Investments for each Agency Issuer do not exceed 20% of the portfolio.
- (4) No agency transactions were locked in during July 2019 for settlement in August 2019.

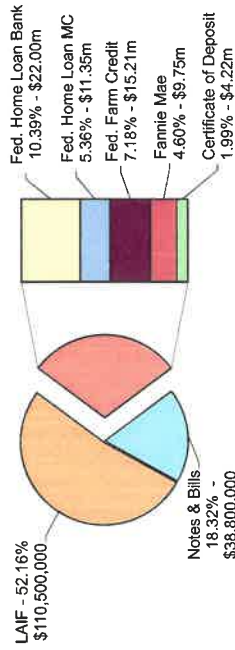
Security Maturities / Totals at Par

INVESTMENT MATURITY SCHEDULE

Investments have a maturity of five years or less



Investment by Type



ATTESTATIONS

All City investments are shown above and conform to the City Investment Policy. All investment transactions during this period are included in this report. As Treasurer and Director of Finance of the City of Camarillo, we attest that sufficient investment liquidity and anticipated revenue are available to meet the next six (6) months' estimated expenditures.

[Signature]

David J. Norman, City Manager / Treasurer

8/19/19

Date

[Signature]

Cemile Kocha / Director of Finance

8/19/19

Date

Investment	Interest Rate	Purchase Date	Maturity or Call Date	Par Value	Purchase Price	Market Value Per Trustee			Securities Interest			Yield	
						Balance 6/30/2019	Purchases (Maturities)	Market Incr. or (Decr)	Balance 7/31/2019	Fiscal Year Received	Y-T-D		Accrued Interest
Continued - U.S. Securities													
Home Loan Bank	1.750%	6/21/17	6/12/20	1,000,000	1,004,210	997,480	-	180	997,660	-	-	2,382	1.60%
Home Loan Bank	1.750%	2/22/18	6/12/20	1,000,000	986,300	997,480	-	180	997,660	-	-	2,382	2.36%
Treasury Note	1.500%	4/25/18	6/15/20	1,400,000	1,370,031	1,393,826	-	(1,428)	1,392,398	-	-	2,697	2.53%
Home Loan Bank	2.400%	4/19/18	7/15/20	1,000,000	996,810	1,003,950	-	(430)	1,003,520	12,000	-	1,067	2.55%
Home Loan Bank	1.830%	9/28/17	7/29/20	1,250,000	1,255,325	1,247,588	-	(425)	1,247,163	11,438	-	127	1.68%
Treasury Note	2.000%	5/10/18	7/31/20	2,000,000	1,975,625	2,001,320	-	(2,880)	1,998,440	20,000	-	109	2.57%
Treasury Note	1.500%	9/28/17	8/15/20	1,250,000	1,246,782	1,254,191	-	(1,323)	1,252,868	-	-	8,719	1.59%
Treasury Note	1.500%	5/24/18	8/15/20	1,000,000	975,547	985,436	-	(1,040)	984,397	-	-	8,851	2.64%
Treasury Note	2.125%	3/8/18	8/31/20	1,000,000	994,336	1,010,359	-	(1,613)	1,008,746	-	-	8,964	2.36%
Treasury Note	2.125%	4/25/18	8/31/20	1,400,000	1,385,672	1,395,257	-	(2,227)	1,393,030	-	-	12,379	2.58%
Home Loan Bank	1.375%	9/21/17	9/28/20	1,250,000	1,241,288	1,241,750	-	(1,238)	1,240,513	-	-	5,872	1.61%
Home Loan MC	1.625%	1/10/18	9/29/20	1,000,000	1,086,140	1,096,260	-	(1,881)	1,094,379	-	-	6,058	2.10%
Treasury Note	1.375%	1/31/17	9/30/20	1,000,000	989,027	993,590	-	(1,130)	992,460	-	-	4,621	1.28%
Home Loan Bank	1.700%	10/30/15	10/19/20	1,000,000	1,008,020	997,240	-	(1,820)	995,420	-	-	4,817	1.53%
Treasury Note	1.375%	3/9/17	10/31/20	1,000,000	982,542	1,013,390	-	(1,438)	1,011,952	-	-	3,544	1.28%
Treasury Note	1.375%	5/10/18	10/31/20	2,000,000	1,941,250	1,967,170	-	(2,792)	1,964,378	-	-	6,880	2.61%
Home Loan MC	1.875%	12/6/17	11/17/20	1,250,000	1,245,250	1,249,613	-	(2,238)	1,247,375	-	-	4,818	2.01%
Treasury Note	1.625%	9/28/17	11/30/20	1,250,000	1,248,881	1,256,018	-	(1,742)	1,253,801	-	-	3,468	1.65%
Treasury Note	1.625%	5/10/18	11/30/20	1,000,000	975,469	986,872	-	(1,742)	985,129	-	-	2,725	2.62%
Certificate of Deposit	2.100%	12/6/17	12/07/20	245,000	243,898	245,305	-	(264)	245,041	-	-	803	2.26%
Treasury Note	1.875%	9/20/18	12/15/20	1,000,000	979,492	1,000,470	-	(2,150)	998,320	-	-	2,408	2.83%
Fannie Mae	1.875%	9/28/17	12/28/20	1,250,000	1,257,163	1,259,798	-	(2,129)	1,257,669	-	-	1,166	1.69%
Fannie Mae	1.875%	3/8/18	12/28/20	1,000,000	985,630	989,842	-	(1,673)	988,169	-	-	1,702	2.41%
Certificate of Deposit	2.150%	1/19/18	1/19/21	245,000	244,265	245,649	-	(328)	245,322	2,612	-	188	2.25%
Treasury Note	1.375%	6/01/17	1/31/21	1,000,000	992,386	992,970	-	(1,840)	991,130	6,875	-	37	1.59%
Treasury Note	2.125%	6/08/18	1/31/21	2,000,000	1,975,234	2,009,140	-	(5,080)	2,004,060	21,250	-	115	2.49%
Home Loan MC	2.375%	2/22/18	2/16/21	2,000,000	1,993,480	2,017,320	-	(6,040)	2,011,280	-	-	21,771	2.49%
Home Loan MC	2.375%	7/17/18	2/16/21	2,000,000	1,982,420	2,017,320	-	(6,040)	2,011,280	-	-	21,771	2.73%
Treasury Note	1.125%	7/28/17	2/28/21	1,000,000	980,199	988,710	-	(1,800)	986,910	-	-	4,708	1.70%
Fed Farm Credit Bank	2.500%	3/8/18	3/01/21	2,000,000	2,022,600	2,022,600	-	(6,960)	2,015,640	-	-	20,833	2.49%
Home Loan Bank	1.750%	6/21/17	3/12/21	1,000,000	1,000,850	998,020	-	(2,450)	995,570	-	-	6,757	1.73%
Treasury Note	2.250%	6/08/18	3/31/21	1,000,000	990,000	1,007,770	-	(2,890)	1,004,880	-	-	7,561	2.62%
Fannie Mae	2.500%	6/08/18	4/13/21	1,000,000	1,004,680	1,000,270	-	(5,140)	2,018,200	-	-	15,000	2.68%
Treasury Note	1.375%	5/18/17	4/30/21	1,000,000	992,620	992,620	-	(2,420)	990,200	-	-	3,475	1.62%
Treasury Note	1.375%	8/29/17	5/31/21	1,000,000	992,074	992,500	-	(2,660)	989,840	-	-	2,329	1.59%
Treasury Note	2.000%	11/30/18	5/31/21	1,000,000	980,039	1,004,300	-	(3,240)	1,001,060	-	-	3,388	2.83%
Home Loan Bank	1.875%	6/14/17	6/11/21	1,000,000	1,004,680	1,000,270	-	(1,370)	998,900	-	-	2,604	1.75%
Fannie Mae	2.750%	10/16/18	6/22/21	1,000,000	994,670	1,018,060	-	(2,980)	1,015,080	-	-	2,979	2.96%
Treasury Note	1.125%	8/29/17	7/31/21	1,000,000	981,566	987,110	-	(2,420)	984,690	5,625	-	31	1.61%
Treasury Note	2.000%	3/8/18	8/31/21	2,000,000	1,966,719	2,010,620	-	(6,720)	2,003,900	-	-	16,739	2.50%
Treasury Note	1.125%	9/28/17	9/30/21	1,250,000	1,217,729	1,233,500	-	(3,563)	1,229,938	-	-	4,726	1.80%
Home Loan Bank	3.000%	10/24/18	10/12/21	3,000,000	2,995,590	3,079,920	-	(10,620)	3,069,300	-	-	27,250	3.05%
Treasury Note	1.250%	9/21/17	10/31/21	1,250,000	1,225,639	1,236,088	-	(3,713)	1,232,375	-	-	3,949	1.74%
Fed Farm Credit Bank	1.950%	11/15/17	11/02/21	1,310,000	1,307,511	1,311,860	-	(2,633)	1,309,227	-	-	6,315	2.00%
Home Loan Bank	1.875%	12/6/17	12/10/21	500,000	495,066	500,705	-	(1,840)	498,865	-	-	1,328	2.13%
Fannie Mae	2.000%	9/21/17	1/05/22	1,250,000	1,258,837	1,256,563	-	(4,338)	1,252,225	12,500	-	1,806	1.83%
Treasury Note	1.875%	2/22/18	3/31/22	2,000,000	1,944,766	2,008,820	-	(7,500)	2,001,320	-	-	12,602	2.59%
FY 2019/20 Interest Prior to 7/2019 for Matured/Called Securities				101,335,000	100,577,683	105,618,146	(4,250,000)	(121,599)	101,246,548	137,018	-	505,491	2.12%
Total U.S. Securities				211,835,000	211,077,683	214,118,146	3,168,532	(5,540,131)	211,746,548	805,550	805,549	728,687	2.25%

At 7/31/2019, the City's average earnings rate on all investments listed above was 2.25%, while 2.12% was the average purchase price yield to maturity on securities only.
Note: U.S. Security market values are provided by Bank of New York Mellon.

Total Market Value:	
Total US Securities	\$ 211,746,548
Total Accrued Interest	\$ 728,687
	\$ 212,475,235

Table 1: Securities Matured			
Security Type	Par	Purchase Price	(1) Gain / (Loss) (2) Int. Earn Over Life of Sec'y Net = (1) + (2)
Treasury Note	2,000,000	1,963,594	36,406
Home Loan MC	1,250,000	1,237,325	12,675
Home Loan MC	1,000,000	983,190	16,810
			58,906
			34,551
			29,935

City of Camarillo

Investment Report

July 31, 2019

Description	Assessment District		Successor Agency		Lease Revenue	Revenue
	Mello-Roos Bonds CFD#1 2017 Bonds	2014 SA (C.D.C.) Refunding Bonds	2016 SA (C.D.C.) Refunding Bonds, Series A & A-T	2016 SA (C.D.C.) Refunding Bonds, Series B		
Original Bond / Note Issue Amount	5,766,065	15,915,000	9,555,000	31,295,000	7,630,000	18,900,000
Date of Bond / Note Issue	6/06/17	11/12/14	12/22/16	12/22/16	4/26/12	8/11/15
Date of Final Maturity	9/01/32	9/01/36	09/01/41	09/01/41	12/01/33	6/01/36
Interest Rates	3.15%	3.50% - 5.25%	1.62% - 5.00%	2.00% - 5.00%	1.00% - 4.25%	2.00% - 5.00%
Principal Outstanding @ July 31, 2019	5,457,300	13,965,000	8,870,000	29,615,000	5,605,000	16,300,000
Next Principal Payment Due						
Principal Payment Amount	313,905	500,000	260,000	570,000	300,000	680,000
Principal Payment Due Date	9/01/19	9/01/19	9/01/19	9/01/19	12/01/19	6/01/20
Next Two Interest Payments Due						
1st installment due	9/01/19	9/01/19	9/01/19	9/01/19	12/01/19	12/01/19
1st installment amount	85,952	348,588	166,272	633,200	97,272	314,397
2nd installment due	3/01/20	3/01/20	3/01/20	3/01/20	6/01/20	6/01/20
2nd installment amount	81,008	336,088	163,672	621,800	93,522	314,397
Type of Investment						
U.S. Bank	475,547	892,802	431,345	1,222,097	499,560	1,344
Bank of New York Mellon Tax-Exempt MMKT*	-	-	580,130	-	-	-
Total Investments per Bank	475,547	892,802	1,011,475	1,222,097	499,560	1,344
Deposits in Transit / Fair Value Adj.	-	-	-	-	-	-
Total Investments Per G/L	475,547	892,802	1,011,475	1,222,097	499,560	1,344

*Unspent bond proceeds from the refunded 2006 Tax-Exempt Housing bond as well as investment earnings.

City of Camarillo

Chronological Investment Activity Report - At Par

For the Month Ended July 31, 2019

(Bond Proceeds Accounts Excluded)

Date	Description	L/AIF City	L/AIF Camsan	L/AIF CCI Corp.	L/AIF Subtotal	Bank of NY Mellon Securities (at Par)	Investment Total
June 30	Beginning Balance	\$ 36,000,000	\$ 36,000,000	\$ 36,500,000	\$ 108,500,000	\$ 105,585,000	\$ 214,085,000
July 11	L/AIF Wire	-	-	500,000	500,000	-	500,000
July 15	L/AIF Qtr Ended 6/30/19 Interest Earnings	221,745	225,148	221,639	668,532	-	668,532
July 15	L/AIF Wire	2,000,000	-	-	2,000,000	-	2,000,000
July 15	One Matured Security	-	-	-	-	(2,000,000)	(2,000,000)
July 16	L/AIF Wire	-	-	(2,221,639)	(2,221,639)	-	(2,221,639)
July 19	L/AIF Wire	-	2,750,000	-	2,750,000	-	2,750,000
July 19	Two Matured Securities	-	-	-	-	(2,250,000)	(2,250,000)
July 22	L/AIF Wire	-	(1,475,148)	-	(1,475,148)	-	(1,475,148)
July 24	L/AIF Wire	1,500,000	-	-	1,500,000	-	1,500,000
July 29	L/AIF Wire	(1,721,745)	-	-	(1,721,745)	-	(1,721,745)
	Subtotal of Incr. / <Decr.> in A/C Balances	2,000,000	1,500,000	(1,500,000)	2,000,000	(4,250,000)	(2,250,000)
July 31	Ending Balance	\$ 38,000,000	\$ 37,500,000	\$ 35,000,000	\$ 110,500,000	\$ 101,335,000	\$ 211,835,000



PORTFOLIO CHARACTERISTICS

Average Modified Duration	0.51
Average Coupon	2.11%
Average Purchase YTM	2.26%
Average Market YTM	2.22%
Average S&P/Moody Rating	AA+/Aaa
Average Final Maturity	0.53 yrs
Average Life	0.52 yrs

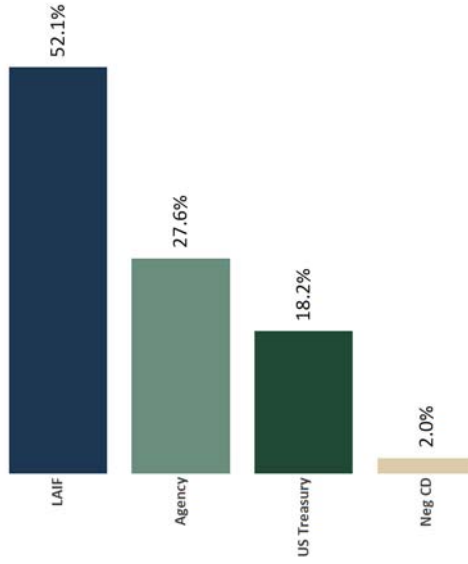
ACCOUNT SUMMARY

	Beg. Values as of 6/30/19	End Values as of 7/31/19
Market Value	214,103,397	211,735,109
Accrued Interest	1,122,123	728,687
Total Market Value	215,225,521	212,463,796
Income Earned	374,647	412,113
Cont/WD		
Par	214,084,999	211,834,999
Book Value	213,261,790	211,077,681
Cost Value	213,261,790	211,077,681

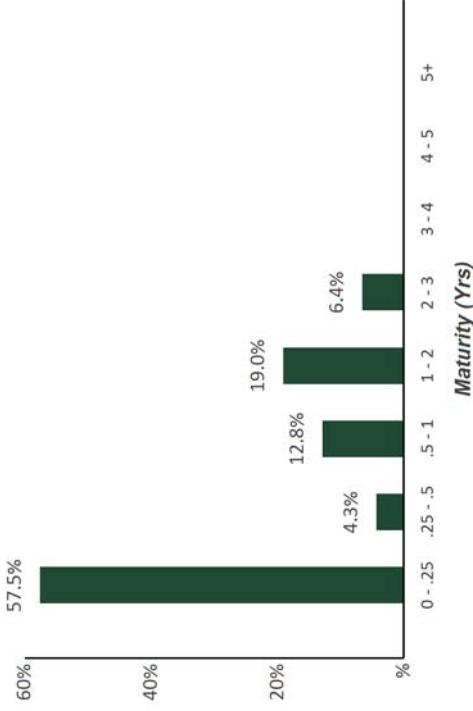
TOP ISSUERS

Local Agency Investment Fund	52.1%
Government of United States	18.2%
Federal Home Loan Bank	10.4%
Federal Farm Credit Bank	7.2%
Federal Home Loan Mortgage Corp	5.4%
Federal National Mortgage Assoc	4.6%
Other	1.5%
Bank of Montreal Chicago	0.6%
Total	100.0%

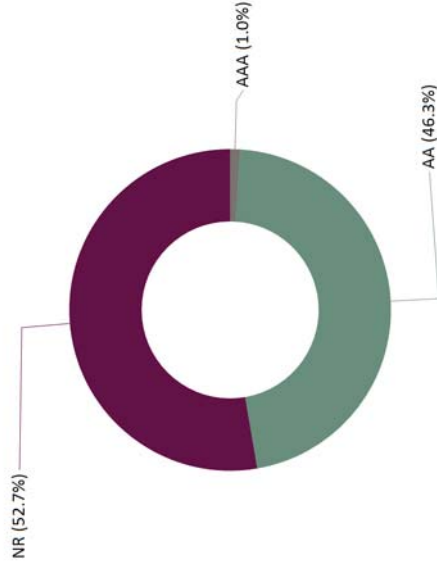
SECTOR ALLOCATION



MATURITY DISTRIBUTION



CREDIT QUALITY (S&P)



Note: There may be a slight difference in the market value between the custodian and investment advisor due to small variances of the independent valuation provided by third party vendors.

CITY OF CAMARILLO
Receipts, Disbursements, and Fund Balances
 (CA State Govt. Code 41004)
 7/31/2019 (Preliminary)

Total Receipts	\$	6,361,700
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Total Disbursements	\$	8,294,506
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Fund Type	Fund Balance
General Fund	\$ 67,405,350
Special Revenue Funds	33,190,926
Trust Funds *	(49,853,526)
Debt Service Fund	497,720
Capital Projects Funds	14,425,223
Internal Service Funds	38,898,451
Enterprise Funds	159,059,733
Total Fund Balances	\$ 263,623,877

* Successor Agency Fund fund balance includes outstanding bonds.

City of Camarillo
General Fund
Comparative Balance Sheet

May 31 and June 30, 2019 and June 30, 2018

	May 2019	Preliminary June 2019	Preliminary June 2018	Year over Year Increase (Decrease)	Increase (Decrease)
Assets:					
Cash and investments	\$ 60,113,410	\$ 59,569,779	\$ 62,652,641	\$ (3,082,862)	(4.92) %
Accounts receivable, net	208,022	1,945,031	1,921,410	23,621	1.23
Inventories	-	-	850	(850)	(100.00)
Prepaid items	271,871	133,430	65,245	68,185 (1)	104.51
Deposits	125,000	125,000	125,000	-	-
Total Assets	<u>\$ 60,718,303</u>	<u>\$ 61,773,240</u>	<u>\$ 64,765,146</u>	<u>\$ (2,991,906)</u>	<u>(4.62) %</u>
Liabilities and Fund Balance:					
Liabilities:					
Accounts payable	\$ 89,728	\$ 2,163,072	\$ 2,762,057	\$ (598,985)	(21.69) %
Wages & payroll taxes payable	-	-	-	-	-
Compensated absences payable	-	-	462,001	(462,001)	(100.00)
Deposit & Deferred revenues	21,469	18,780	16,811	1,969	11.71
Total Liabilities	<u>111,197</u>	<u>2,181,852</u>	<u>3,240,869</u>	<u>(1,059,017)</u>	<u>(32.68)</u>
Fund Balance:					
Nonspendable	396,871	258,430	190,245	68,185	35.84
Committed	42,484,000	51,178,734 (2)	46,850,000	4,328,734	9.24
Assigned	732,998	264,289	434,502	(170,213)	(39.17)
Unassigned	16,993,237	7,889,935	14,049,530	(6,159,595)	(43.84)
Total Fund Balance	<u>60,607,106</u>	<u>59,591,388</u>	<u>61,524,277</u>	<u>(1,932,889)</u>	<u>(3.14)</u>
Total Liabilities and Fund Balance	<u>\$ 60,718,303</u>	<u>\$ 61,773,240</u>	<u>\$ 64,765,146</u>	<u>\$ (2,991,906)</u>	<u>(4.62) %</u>

Fund Balance:

Beginning Balance on July 1	62,329,280	62,329,280	58,329,358	3,999,922	6.86
Revenues	36,656,558	40,302,133	38,523,691	1,778,442 (3)	4.62
Expenditures	(35,912,900)	(35,574,193)	(32,764,787)	(2,809,406) (4)	8.57
Interfund Transfers-in	16,168	16,168	29,390	(13,222)	(44.99)
Interfund Transfers-out	(2,482,000)	(7,482,000)	(2,593,375)	(4,888,625) (5)	188.50
Total Fund Balance	<u>60,607,106</u>	<u>59,591,388</u>	<u>61,524,277</u>	<u>(1,932,889)</u>	<u>(3.14) %</u>

- (1) The City prepaid its PERS current fiscal year obligation of \$1,994,569 in July 2018, compared to prior fiscal year's prepayment of \$1,742,473. This prepayment is amortized over 26 bi-weekly pay periods. \$1,898,153 has been amortized through June 2019.
- (2) Pursuant to GASB 54, City Council adopted a Resolution committing \$51.2m of the General Fund Balance for fiscal year ending June 30, 2019 (\$21.5m Council Reserve Goal, \$7.8m Economic Development, \$3.7m Courthouse Property Reuse, \$10.0m Natural Disaster Recovery, \$0.2m Camarillo Springs Debris Barrier Remediation Maintenance, and \$8.0m Pleasant Valley Rec & Park District Senior Center).
- (3) Increase in revenues primarily due to \$1.2m increase in sales tax and \$0.5m increase in property tax.
- (4) Increase in expenditures primarily due to \$2.2m from the consolidation of Street Maintenance Division of the Gas Tax Fund to the General Fund in FY 2018/19, and \$0.5m increase in police services primarily due to rate increase in the current fiscal year.
- (5) Increase in transfers-out primarily due to the \$5.0m in pension trust contribution for the Pension Rate Stabilization



City of Camarillo

CITY COUNCIL POLICY

Section: Finance

Date Adopted: February 15, 1989
Last Amended: September 26, 2018

Subject: **Investment Policy**

Number: 3.04

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PURPOSE

To establish a policy for managing the City's monetary investments. This policy also applies to the funds for which the City provides financial management services.

POLICY

Authorized officials in positions of trust will act with care and prudence when making decisions regarding management and investment of public funds. Investments will be made in accordance with provisions of California Government Code, the Municipal Code, and this policy. The City's investment objectives are to safeguard principal, ensure liquidity to meet cash flow needs, and obtain an appropriate rate of return.

A. Internal Control

Internal control will be established and documented in writing. The controls will be designed to prevent loss of public funds arising from fraud, employee error, misrepresentation by third parties, and imprudent actions by employees and officers of the City. Controls deemed most important include:

1. Separation of duties.
2. Separation of transaction authority from accounting and recordkeeping.
3. Custodial safekeeping.
4. Clear delegation of authority.
5. Specific limitations regarding securities loss and remedial action.
6. Maintain control of wire transfers.
7. Minimize number of authorized investment officials.
8. Document transactions and strategies.
9. Maintain a code of ethics standard.

The City's investment procedures manual will establish and maintain an internal control structure designed to ensure the assets managed under the scope of this policy are protected from loss, theft, or misuse. The internal control structure will provide reasonable assurance these objectives are met.

B. Prudence

Pursuant to California Government Code, Section 53600.3, all persons authorized to make investment decisions on behalf of the City are trustees and therefore fiduciaries subject to the Prudent Investor Standard.

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

C. Ethics and Conflicts of Interest

The City promotes a culture of honesty and ethical behavior. Officers and employees responsible for investing funds will refrain from personal business activity that conflicts with their ability to make impartial investment decisions.

D. Safety

The City will insure the safety of its invested funds by limiting risk associated with credit and interest rates. Risks are mitigated through diversification of the portfolio and monitoring of investments, depositories, and security dealers.

E. Liquidity

The City's investment portfolio will be structured to meet anticipated cash flow needs.

F. Return

The objective of investment performance is to earn a total rate of return over a market cycle which approximates the return on a market index of Treasury and Federal Agency securities of commensurate risk and duration.

G. Maturity

The investment portfolio will be structured to provide sufficient funds to meet cash flow needs. A bond ladder strategy may be used for a portion of the City's funds where it is appropriate. The average maturity of the investment portfolio will not exceed three years, and no investment will have a maturity of more than five years from its date of purchase.

H. Authorized Investments

The City may invest funds through banks, savings and loans, authorized investment advisers, broker/dealers, as well as the State of California.

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

Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity, and shall be exempt from the current policy. At the time of the investment's maturity or liquidation, such funds shall be reinvested only as provided in the current policy.

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

Authorized investments are:

1. State of California Local Agency Investment Fund (LAIF). The City may invest up to the maximum amount permitted by LAIF. LAIF's investments in instruments prohibited by or not specified in the City's policy do not exclude the investment in LAIF itself from the City's list of allowable investments, provided LAIF's reports allow the Treasurer to adequately judge the risk inherent in LAIF's portfolio.
2. United States Treasury notes, bonds, bills, or certificates of indebtedness, and for which the full faith and credit of the United States are pledged for the payment of principal and interest. There are no limits on the dollar amount or percentage that the City may invest in U.S. Treasuries.
3. Insured demand deposits, as defined by Section 5102 of the Financial Code, in national or state-chartered banks or state or federal associations.
4. Certificates of deposit, as defined by Section 5102 of the Financial Code, issued by a national or state-chartered bank or a state or federal association, provided the total will not exceed 15% of the total portfolio.
5. Federal agency or United States government sponsored enterprises, provided the total issues will not exceed 75%, nor will one issuer exceed 20%, of the total portfolio. Purchases are limited to the following senior issues:

- a. Federal National Mortgage Association (FNMA) “Fannie Mae”.
 - b. Government National Mortgage Association (GNMA) “Ginnie Mae”.
 - c. Federal Home Loan Mortgage Corporation (FHLMC) “Freddie Mac”.
 - d. Federal Home Loan Bank (FHLB).
 - e. Federal Farm Credit Banks (FFCB).
 - f. Federal Agricultural Mortgage Corporation (FAMC) “Farmer Mac”.
 - g. Tennessee Valley Authority (TVA).
6. Government or U.S. Treasury money market funds rated “AAA” by two nationally recognized rating organizations. The total investment will not exceed 5% of the total portfolio.
 7. Municipal Securities that are obligations of the City, the State of California, and any local agency within the State of California. Municipal securities must be rated in a rating category of “A” or its equivalent or better by at least one Nationally Recognized Statistical Rating Organization (NRSRO). The exposure to these securities shall not exceed 20%, nor will any single issuer exceed 5% of the portfolio.
 8. Negotiable Certificates of Deposit (NCDs), issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or a federally-licensed or state-licensed branch of a foreign bank. The amount of the NCD insured up to the FDIC limit does not require any credit ratings. Any amount above the FDIC insured limit must be issued by institutions which have short-term obligations rated “A-1” or its equivalent or better by at least one NRSRO; or long-term obligations rated in a rating category of “A” or its equivalent or better by at least one NRSRO. The exposure to these securities shall not exceed 20%, nor will any single issuer exceed 5% of the portfolio.

I. Prohibited Investments and Activities

1. Investments not specifically identified by this policy without the prior approval of the City Council are prohibited.
2. Trading securities for the sole purpose of speculating or taking an unhedged position on the future direction of interest rates is prohibited.
3. In accordance with Government Code, Section 53601.6 investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.

4. Investment in any security that could result in a zero interest accrual if held to maturity is prohibited.
5. Purchasing or selling securities on margin is prohibited.
6. The use of reverse repurchase agreements, securities lending, or any other form of borrowing or leverage is prohibited.
7. The purchase of foreign currency denominated securities is prohibited.
8. The purchase of futures and options is prohibited.

J. Collateralization Requirements

Uninsured time deposits with banks and savings and loans will be collateralized in the manner prescribed by law for depositories accepting municipal investment funds. The collateral for certificates of deposits will be an amount equal to a minimum of 150% of the face value of the deposited funds in the securities that are classified as a mortgage and 110% of the face value of the deposited funds for all other classes of security (California Government Code Sections 53651 and 53652).

K. Safekeeping of Securities and Certificates of Deposit (CD)

1. Securities. The City will contract with a bank or trust company for the safekeeping of securities. The third party custodian must provide written safekeeping documentation.
2. Certificates of Deposit. The City will hold its own CDs.

L. Risk Management and Diversification

1. Mitigating Credit Risk in the Portfolio is addressing the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The City will mitigate credit risk by adopting the following strategies:
 - a. The diversification requirements included in the "Authorized Investments" section of this policy are designed to mitigate credit risk in the portfolio.
 - b. No more than 5% of the total portfolio may be deposited with or invested in securities issued by any single issuer unless otherwise specified in this policy.
 - c. The City may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of

the portfolio in response to market conditions or City's risk preferences.

- d. If securities owned by the City are downgraded by an NRSRO to a level below the quality required by this investment policy, it will be the City's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.
 - i. If a security is downgraded, the Treasurer will use discretion in determining whether to sell or hold the security based on its current maturity, the economic outlook for the issuer, and other relevant factors.
 - ii. If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported monthly to the Council.

2. Mitigating Market Risk in the Portfolio is addressing the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The City recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The City will mitigate market risk by providing adequate liquidity for short-term cash needs, and by purchasing longer-term investments only with funds that are not needed for current cash flow purposes.

- a. The City further recognizes that certain types of securities, including variable rate securities, securities with principal pay downs prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The City, therefore, adopts the following strategies to control and mitigate its exposure to market risk:
 - i. The City will maintain a minimum of six months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements.
 - ii. The maximum percent of callable securities (does not include "make whole call" securities as defined in the Glossary) in the portfolio will be 20%.
 - iii. The maximum stated final maturity of individual securities in the portfolio will be five (5) years, except as otherwise stated in this policy.
 - iv. The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Benchmark, an

index selected by the City based on the City's investment objectives, constraints, and risk tolerances.

M. Investment Transactions

1. To the extent practicable, the Treasurer shall endeavor to complete investment transactions using a competitive bid process whenever possible. The City Council will determine which financial institutions are authorized to provide investment services to the City. It shall be the City's policy to purchase securities only from authorized institutions and firms.
2. All transactions must be approved in writing by two authorized signatories and will be conducted on a delivery-versus-payment basis.
3. A preformatted form will be used for all wire transfers.
4. Wire transfers between brokers and/or security dealers are prohibited.
5. Wire transfers directly between the State of California (LAIF) and the City's safekeeping bank are permitted.

N. Investment Services

All providers of Investment Services must be approved by Council and must have an office in the State of California.

1. Investment Advisers. External investment advisers must be registered under the Investment Advisers Act of 1940.
2. Broker/Dealers. Broker/dealers must qualify under the Securities and Exchange Commission Rule 15C3-1, and annually provide the City Treasurer with an audited financial statement and documents verifying compliance with Rule 15C3-1.

O. Notice of Policy

The City will include a copy of this investment policy and the resolution when opening an account and annually provide a copy to all current investment advisers and broker/dealers. Receipt of the policy and confirmation that the policy has been reviewed by persons approved to advise the City, will be acknowledged in writing.

P. Reporting

The Director of Finance will prepare a monthly Investment Report, including a management summary of the status of the investment portfolio and all security transactions made during the past month. Investments will be reported at fair market value as of the closing business day of each month. This report will be

approved and signed by the City Manager and submitted to the Investment Committee and City Council within thirty (30) days following the end of the month.

For financial reporting purposes, the City values its investments annually in accordance within the fair value hierarchy established by Generally Accepted Accounting Principles and is stated in the cash and investment footnote of the Comprehensive Annual Financial Report (CAFR). The hierarchy categorizes inputs to valuation techniques into three levels based on the relative availability of market pricing information. The hierarchy gives the highest priority to unadjusted quotes in active market for identical assets and the lowest priority to unobservable input

Q. Annual Review

This Investment Policy will be reviewed annually by the Investment Committee and the City Council. The review will take place no later than September 30 of each fiscal year.

R. Glossary of Investment Terms

1. Agencies. Shorthand market terminology for any obligation issued by a government-sponsored entity (GSE) or a federally related institution. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:
 - a. FAMC. The Federal Agricultural Mortgage Corporation, also known as “Farmer Mac”, is a stockholder-owned, publicly traded company that was chartered by the United States federal government in 1988 to serve as a secondary market in agricultural loans such as mortgages for agricultural real estate and rural housing.
 - b. FFCB. The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.
 - c. FHLB. The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.
 - d. FHLMC. Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also known as “FreddieMac” issues discount notes, bonds and mortgage pass-through securities.
 - e. FNMA. Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as “FannieMae,” issues discount notes, bonds and mortgage pass-through securities.

- f. GNMA. The Government National Mortgage Association, also known as “GinnieMae,” issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.
- g. TVA. The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.
2. Authorized Institution. A bank, broker dealer or registered investor advisor that has been approved by the City to conduct business with.
3. Benchmark. A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.
4. Bid. The price at which a buyer offers to buy a security.
5. Broker. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.
6. Callable. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline since an issuer issues securities, it will likely call its current securities and reissue them at a lower rate of interest. Callable securities have reinvestment risk as the investor may receive its principal back when interest rates are lower than when the investment was initially made.
7. Certificate of Deposit (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.
8. Collateral. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.
9. Coupon. The rate of return at which interest is paid on a bond.
10. Credit Risk. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.
11. Dealer. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.
12. Discount. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker’s acceptances, are known as discount securities. They

sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

13. Diversification. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.
14. Duration. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).
15. Fair Value Measurement and Application (GASB 72). This accounting statement addresses the accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset between market participants at the measurement date. The fair value hierarchy prioritizes the inputs used to measure fair value into three broad Levels (Levels 1, 2 and 3), moving from quoted prices in active markets in Level 1 to unobservable inputs in Level 3. The City's investments are typically categorized using level 2 fair value inputs.
 - a. Level 1 inputs are observable, quoted prices for identical assets or liabilities in active markets.
 - b. Level 2 inputs are quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; and inputs other than quoted prices e.g. interest rates and yield curves.
 - c. Level 3 inputs are unobservable inputs for the asset or liability. These should be based on the best information available at the time of valuation. The reporting entity's own data should be adjusted if information is reasonably available without undue cost and effort. (These investments are typically not held by the City and would be a rare occurrence in the City's investment portfolio).
16. Laddering. This is an investment strategy whereby an investor staggers the maturity of the bonds in their portfolio so they mature at regular intervals and the income or proceeds can be used by the investor for projects, expenses, or reinvestment.
17. Leverage. Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.
18. Liquidity. The speed and ease with which an asset can be converted to cash.

19. Local Agency Investment Fund (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.
20. Local Agency. Any city or county, including a charter city or county, or special district.
21. Make Whole Call. A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."
22. Margin. The difference between the market value of a security and the loan a broker makes using that security as collateral.
23. Market Risk. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.
24. Market Value. The price at which a security can be traded.
25. Maturity. The final date upon which the principal of a security becomes due and payable.
26. Modified Duration. The percent change in price for a 100 basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.
27. Money Market. The market in which short-term debt instruments (T-bills and discount notes) are issued and traded.
28. Municipal Securities. Securities issued by state and local agencies to finance capital and operating expenses.
29. Mutual Fund. An entity which pools the funds of investors and invests those funds in a set of securities specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.
30. Nationally Recognized Statistical Rating Organization (NRSRO). A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially

debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

31. Negotiable CD. A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).
32. Prudence. Pursuant to California Government Code, Section 53600.3, all persons authorized to make investment decisions on behalf of the City are trustees and therefore fiduciaries subject to the Prudent Investor Standard. The standard states “all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the City, 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. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.”
33. Repurchase Agreement. Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.
34. Safekeeping. A service to bank customers whereby securities are held by the bank in the customer's name.
35. Total Portfolio. A measure of total investible assets of the City including currency, deposits, and securities.
36. Total Rate of Return. A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.
37. Treasury Notes. All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.
38. Volatility. The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

**STATE OF CALIFORNIA
POOLED MONEY INVESTMENT ACCOUNT MARKET VALUATION**

	<u>June 30, 2019</u>		<u>July 31, 2019</u>		<u>Change from prior month</u>	
United States Treasury:						
Bills	\$ 24,142,790,000	22.82%	\$ 22,250,888,000	22.69%	\$ (1,891,902,000)	-7.84%
Notes	27,725,679,500	26.20%	27,786,861,000	28.34%	61,181,500	0.22%
subtotal	<u>\$ 51,868,469,500</u>	<u>49.02%</u>	<u>\$ 50,037,749,000</u>	<u>51.04%</u>	<u>\$ (1,830,720,500)</u>	<u>-3.53%</u>
Federal Agency:						
SBA	\$ 656,508,633	0.62%	\$ 639,688,533	0.65%	\$ (16,820,100)	-2.56%
MBS-REMICs	22,510,770	0.02%	22,176,276	0.02%	(334,495)	-1.49%
Debentures	2,540,481,800	2.40%	2,587,173,850	2.64%	46,692,050	1.84%
Debentures FR	-	0.00%	-	0.00%	-	0.00%
Debentures CL	300,819,000	0.28%	300,239,000	0.31%	(580,000)	-0.19%
Discount Notes	18,695,685,000	17.67%	15,362,647,250	15.67%	(3,333,037,750)	-17.83%
GNMA	-	0.00%	-	0.00%	-	0.00%
subtotal	<u>\$ 22,216,005,203</u>	<u>21.00%</u>	<u>\$ 18,911,924,908</u>	<u>19.29%</u>	<u>\$ (3,304,080,294)</u>	<u>-14.87%</u>
Supranational Debentures	\$ 743,698,541	0.70%	\$ 742,823,113	0.76%	\$ (875,428)	-0.12%
CDs and YCDs FR	\$ 500,000,000	0.47%	\$ 400,000,000	0.41%	\$ (100,000,000)	-20.00%
Bank Notes	\$ 600,272,962	0.57%	\$ 599,868,985	0.61%	\$ (403,977)	-0.07%
CDs and YCDs	\$ 17,485,383,525	16.52%	\$ 15,581,955,626	15.89%	\$ (1,903,427,899)	-10.89%
Commercial Paper	\$ 6,767,140,361	6.40%	\$ 6,172,410,083	6.30%	\$ (594,730,278)	-8.79%
Corporate:						
Bonds FR	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%
Bonds	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%
Repurchase Agreements	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%
Reverse Repurchase	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%
Time Deposits	\$ 4,854,740,000	4.59%	\$ 4,815,740,000	4.91%	\$ -	0.00%
AB 55 & GF Loans	\$ 778,773,000	0.74%	\$ 780,748,000	0.80%	\$ -	0.00%
Total	\$ 105,814,483,092	100.00%	\$ 98,043,219,716	100.00%	\$ (7,771,263,376)	-7.34%
Fair Value (Incl Accrued Int)	\$ 106,046,486,872		\$ 98,298,089,629		\$ (7,748,397,243)	-7.31%