

## RESOLUTION NO. 5365

### **A RESOLUTION APPROVING THE STATEMENT OF INVESTMENT POLICY, AS AMENDED, AND TO TAKE EFFECT OCTOBER 1, 2022.**

The City Council of the City of El Segundo does resolve as follows:

**SECTION 1.** The City Council finds and declares as follows:

- A. The City of El Segundo is required to have a Statement of Investment Policy that regulates the investment of public funds.
- B. Pursuant to Government Code §53646(a), the City Treasurer may submit the Statement of Investment Policy to the City Council for its consideration at a public meeting.
- C. Since the Statement of Investment Policy was last approved by the City Council, the policy has been amended to:
  - 1. Update Section 7.0, Authorized Investments to reflect more restrictive guidelines in some cases, and less restrictive in others.
  - 2. Update Section 8.0, Investment Pools/Mutual Funds to explicitly call out approved mutual funds and JPAP.
  - 3. Update Section 10.0, Maximum Maturities to allow securities with maturity greater than five years under very specific, stringent circumstances.
  - 4. Replace Director of Finance with Chief Financial Officer to reflect changes to the organization.

**SECTION 2.** *Approval.* The City Council approves the Statement of Investment Policy, as amended and attached as Exhibit "A" and incorporated by reference. The Statement of Investment Policy will take effect as of October 1, 2022.

**SECTION 3.** *Severability.* If any part of this Resolution or its application is deemed invalid by a court of competent jurisdiction, the City Council intends that such invalidity will not affect the effectiveness of the remaining provisions or applications and, to this end, the provisions of this Resolution are severable.

**SECTION 4.** *Signature Authority.* The Mayor, or presiding officer, is hereby authorized to affix his signature to this Resolution signifying its adoption by the City Council of the City of El Segundo, and the City Clerk, or her duly appointed deputy, is directed to attest thereto.

**SECTION 5.** *Effective Date.* This Resolution will take effect immediately upon adoption by the City Council.

**SECTION 6.** *City Clerk Direction.* The City Clerk will certify to the passage and adoption of this Resolution, enter it in the City's book of original Resolutions, and make a record of this action in the meeting's minutes.

PASSED AND ADOPTED this 20<sup>th</sup> day of September, 2022.

  
\_\_\_\_\_  
Drew Boyles, Mayor

ATTEST:

  
\_\_\_\_\_  
Tracy Weaver, City Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Mark D. Hensley, City Attorney

**CERTIFICATION**

STATE OF CALIFORNIA        )  
COUNTY OF LOS ANGELES    )     SS  
CITY OF EL SEGUNDO         )

I, Tracy Weaver, City Clerk of the City of El Segundo, California, do hereby certify that the whole number of members of the City Council of said City is five; that the foregoing Resolution No. 5365 was duly passed, approved, and adopted by said City Council at a regular meeting held on the 20<sup>th</sup> day of September, 2022, approved and signed by the Mayor, and attested to by the City Clerk, by the following vote:

AYES:           Mayor Boyles, Mayor Pro Tem Pimentel, Council Member Pirsztuk,  
                  Council Member Nicol and Council Member Giroux

NOES:           None

ABSENT:        None

ABSTAIN:       None

WITNESS MY HAND THE OFFICIAL SEAL OF SAID CITY this 20<sup>th</sup> day of September, 2022.

*Tracy Weaver*

Tracy Weaver, City Clerk  
of the City of El Segundo,  
California

EXHIBIT "A"  
Statement of Investment Policy

**CITY OF EL SEGUNDO**



**STATEMENT OF INVESTMENT POLICY**

**EFFECTIVE October 1st, 2022**

**Matthew A. Robinson, CFA  
City Treasurer**

**CITY OF EL SEGUNDO**  
**INVESTMENT POLICY**  
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# City of El Segundo Investment Policy

## 1.0 Policy

The City of El Segundo Investment Policy (Policy) establishes the cash management and investment guidelines for the City Treasurer. The City of El Segundo invests public funds in a prudent manner with the primary objectives of, in priority order, safety of principal, adequate liquidity and investment return, in conformance with state law, including California Government Code Sections 53600 and 53635 et seq., and local statutes governing the investment of public funds.

Government Code Section 53646(a)(2) does not mandate that investment policies be updated annually. However, on an annual basis, the City Treasurer must report to the City Council any material changes to the policy as reviewed and approved by the City's Investment Advisory Committee (IAC). The IAC will be required to review and approve the policy annually.

The City Treasurer will prepare a quarterly report to the City council, City Manager and Chief Financial Officer listing investment transactions made during the reporting period pursuant to Government Code Section 53607.

Government Code Section 53607 authorizes the City Council to delegate investment authority to the City Treasurer on an annual basis.

## 2.0 Scope

This investment policy applies to all investment activities and financial assets of the City under management by the City Treasurer. This policy pertains to the City funds which are pooled for investment purposes and funds held in depository agencies.

It is the City's policy to pool funds for investment purposes to maximize efficiencies, reduce transaction costs, streamline cash flow forecasting, and provide greater access to the market.

The pooled funds include:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Enterprise Funds
- Trust and Agency Funds
- Debt Service Funds

Assets not under management of the City Treasurer are investments in the City's defined benefit plans, health savings plans, and pension plans.

### 3.0 Prudence

Government Code Section 53600.3 states that "...all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing in public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

The City Treasurer and persons that the City Treasurer delegates to manage City investments, shall use the "Prudent Investor" standard. Investment officers acting in accordance with this Policy, written portfolio guidelines and procedures, and exercising due diligence shall be relieved of personal responsibility for individual security's credit risk or market price changes, provided deviations from expectations are reported in the quarterly investment reports to the City Council, and appropriate action is taken to control adverse developments.

When investing and managing City funds, the City Treasurer and employees shall act with care, skill, prudence and diligence to meet the aims of the investment objectives listed in order in Section 5.0, Investment Objectives.

### 4.0 Ethics and Conflict of Interest

The City Treasurer, employees involved in the investment process, and the members of IAC shall refrain from all personal business activity that could conflict with the management of the investment program. All individuals involved with the investment of City funds, or review of investment transactions, will be required to file a Form 700 – Statement of Economic Interests on an annual basis in accordance with California state law.

### 5.0 Investment Objectives

Safety: Safety of principal is the foremost objective of the investment program.



Investments of the City of El Segundo shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the City shall only invest in high quality securities and it shall diversify its investments in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio so as not to harm the City's cash flow and principal. The City shall also structure its portfolio so as to prevent the need to sell securities prior to maturity and it shall not take short positions, that is, selling securities that the City does not own.

Two risks are monitored to help ensure safety of the investments. They are credit risk and market or interest rate risk.

**Credit Risk:** Credit risk is defined as the risk of loss due to the failure of an issuer to redeem the outstanding debt at the stated maturity date. Within this concept, credit risk also applies to the overall market perception of the financial strength and capacity of the issuer. Diversification of the investment portfolio by issuer, maturity date and amount invested will ensure that in the event of a failure of any one issuer, the event will not unduly harm or compromise the City's cash flow.

**Market or Interest Rate Risk:** Market or Interest Rate risk is the risk that the market value of investment securities in the portfolio may decline due to changes in general interest rates. Market rate risk can be mitigated by diversifying the investment of funds by maturity date and by investing funds to a specific cash requirement that would reduce the need to sell the security prior to maturity to meet immediate City cash flow needs.

**Liquidity:** The City of El Segundo's investment portfolio will remain sufficiently liquid to meet all operating requirements that might be reasonably anticipated.

**Return on Investments:** The City of El Segundo shall manage funds to optimize the return on investments consistent with the two primary objectives of safety and liquidity. The rate of return on investment should be designed to attain a market rate of return through budgetary and economic cycles consistent with the risk limitations, prudent investment principles and cash flow requirements identified by the City's Investment Policy.

## 6.0 Delegation of Authority

Pursuant to Government Code Section 53607, the City Council hereby authorizes the City Treasurer to invest and reinvest the City's funds, to sell or exchange securities so purchased, and to deposit securities for safekeeping in accordance with established procedures.

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 City Treasurer may delegate all, or a portion of the investment authority to subordinates pursuant to Government Code Section 41006. Such delegation by the City Treasurer shall not remove or abridge the Treasurer's investment responsibility.

The City Treasurer shall establish written procedures for the operation and management of the City's investment program consistent with this investment policy, including appropriate written agreements with financial institutions.

CITY OF EL SEGUNDO  
7.0 - AUTHORIZED INVESTMENTS  
Allowable Investment Instruments per State Government Code Applicable to All Local Agencies  
As of January 1, 2022

INVESTMENT TYPE	MAXIMUM MATURITY <sup>C</sup>	MAXIMUM SPECIFIED % OF PORTFOLIO <sup>D</sup>	CITY OF EL SEGUNDO IMPOSED RESTRICTIONS	MINIMUM QUALITY REQUIREMENTS	GOV'T CODE SECTIONS
Local Agency Bonds	5 years	None	None (No more than 1% per issuer)	None	53601(a)
U.S. Treasury Obligations	5 years	None	None	None	53601(b)
State Obligations— CA And Others	5 years	None	None (No more than 1% per issuer)	None	53601(c) 53601(d)
CA Local Agency Obligations	5 years	None	None (No more than 1% per issuer)	None	53601(e)
U.S Agency Obligations	5 years	None	None	None	53601(f)
Bankers' Acceptances	180 days	40% <sup>E</sup>	Not Permitted*	None	53601(g)
Commercial Paper—Non-Pooled Funds <sup>F</sup> (under \$100,000,000 of investments)	270 days or less	25% of the agency's money <sup>G</sup>	Not Permitted*	Highest letter and number rating by an NRSRO <sup>H</sup>	53601(h)(2)(c)
Commercial Paper—Non-Pooled Funds (min. \$100,000,000 of investments)	270 days or less	40% of the agency's money <sup>G</sup>	Not Permitted*	Highest letter and number rating by an NRSRO <sup>H</sup>	53601(h)(2)(c)
Commercial Paper—Pooled Funds <sup>I</sup>	270 days or less	40% of the agency's money <sup>G</sup>	Not Permitted*	Highest letter and number rating by an NRSRO <sup>H</sup>	53635(a)(1)
Negotiable Certificates of Deposit	5 years	30% <sup>J</sup>	No more than \$250,000 per FDIC Cert #	None	53601(i)
Non-negotiable Certificates of Deposit	5 years	None	No more than \$250,000 per FDIC Cert #	None	53630 et seq.
Placement Service Deposits	5 years	50% <sup>K</sup>	Not Permitted*	None	53601.8 and 53635.8
Placement Service Certificates of Deposit	5 years	50% <sup>K</sup>	Not Permitted*	None	53601.8 and 53635.8
Repurchase Agreements	1 year	None	Not Permitted*	None	53601(j)
Reverse Repurchase Agreements and Securities Lending Agreements	92 days <sup>L</sup>	20% of the base value of the portfolio	Not Permitted*	None <sup>M</sup>	53601(j)
Medium-Term Notes <sup>N</sup>	5 years or less	30%	30% (No more than 1% per issuer)	"A" rating category or its equivalent or better	53601(k)
Mutual Funds And Money Market Mutual Funds	N/A	20%	20% (No more than 10% per fund)	Multiple <sup>P,Q</sup>	53601(l) and 53601.6(b)
Collateralized Bank Deposits <sup>R</sup>	5 years	None	Not Permitted*	None	53630 et seq. and 53601(n)
Mortgage Pass-Through and Asset-Backed Securities	5 years or less	20%	Not Permitted*	"AA" rating category or its equivalent or better	53601(o)
County Pooled Investment Funds	N/A	None	None (No more than 50% per fund)	None	27133
Joint Powers Authority Pool	N/A	None	None (No more than 50% per fund)	Multiple <sup>S</sup>	53601(p)
Local Agency Investment Fund (LAIF)	N/A	None	None	None	16429.1
Voluntary Investment Program Fund <sup>T</sup>	N/A	None	None	None	16340
Supranational Obligations <sup>U</sup>	5 years or less	30%	30% (No more than 1% per issuer)	"AA" rating category or its equivalent or better	53601(q)
Public Bank Obligations	5 years	None	Not Permitted*	None	53601(r), 53635(c) and 57603

\*Not permitted outside a diversified fund or pooled investment vehicle  
 For notes on the table above, see p. 13 of the guide available at <https://bit.ly/3cZxoqn>

## 8.0 Investment Pools/Mutual Funds

The City of El Segundo will be required to conduct a thorough investigation of any government sponsored pool and/or mutual fund prior to investing and on a continual basis. There shall be a questionnaire completed which will provide the following:

1. A description of eligible investment securities, and a written statement of investment policy and objectives.
2. A description of interest calculations and how it is distributed, and how gains and losses are treated.
3. A description of how the securities are safeguarded (including the settlement process), and how often the securities are priced and the program audited.
4. A description of who may invest in the program, how often, what size deposits and withdrawals are allowed.
5. A schedule for receiving statements and portfolio listings.
6. A description of how the pool/fund utilizes reserves, retained earnings, etc.
7. A fee schedule, including when and how fees are assessed.
8. The eligibility of the pool/fund to invest in bond proceeds and a description of its practices.

City of El Segundo Authorized JPAP and Mutual Funds					
Name	Type	Asset Class	Term	NAV	Information Statement / Prospectus
CAMP - California Asset Management Program	JPAP	Multi	Short	Fixed	<a href="https://www.camonline.com/docs/default-source/default/current-camp-program-guide-final-042721.pdf?sfvrsn=3f5ee308_20">https://www.camonline.com/docs/default-source/default/current-camp-program-guide-final-042721.pdf?sfvrsn=3f5ee308_20</a>
CalTrust - Liquidity Fund	JPAP	Multi	Short	Fixed	<a href="https://caltrust.org/wp-content/uploads/2022/03/Information-Statement-Updated-Feb-2022.pdf">https://caltrust.org/wp-content/uploads/2022/03/Information-Statement-Updated-Feb-2022.pdf</a>
CalTrust - Short Term Fund	JPAP	Multi	Short	Floating	<a href="https://caltrust.org/wp-content/uploads/2022/03/Information-Statement-Updated-Feb-2022.pdf">https://caltrust.org/wp-content/uploads/2022/03/Information-Statement-Updated-Feb-2022.pdf</a>
CalTrust - Medium Term Fund	JPAP	Multi	Medium	Floating	<a href="https://caltrust.org/wp-content/uploads/2022/03/Information-Statement-Updated-Feb-2022.pdf">https://caltrust.org/wp-content/uploads/2022/03/Information-Statement-Updated-Feb-2022.pdf</a>
Vanguard Short-Term Inflation-Protected Securities Index Fund (VTSFX)	Mutual Fund	Treasuries	Medium	Floating	<a href="https://personal.vanguard.com/pub/Pdf/spi1867.pdf?2210120654">https://personal.vanguard.com/pub/Pdf/spi1867.pdf?2210120654</a>
Vanguard Short-Term Treasury Index Fund Institutional Shares (VSBIX)	Mutual Fund	Treasuries	Medium	Floating	<a href="https://personal.vanguard.com/pub/Pdf/spi1642.pdf?2210120628">https://personal.vanguard.com/pub/Pdf/spi1642.pdf?2210120628</a>
Vanguard Short-Term Federal Fund Admiral Shares (VSGDX)	Mutual Fund	U.S. Agencies	Medium	Floating	<a href="https://personal.vanguard.com/pub/Pdf/sp49.pdf?2210166032">https://personal.vanguard.com/pub/Pdf/sp49.pdf?2210166032</a>

## 9.0 Diversification Guidelines

The City of El Segundo will diversify its investments by security type, issuer and maturity dates. Concentration limits are indicated in the Authorized Investments Section 7.0 for all investment categories.

## 10.0 Maximum Maturities

To the extent possible, the City of El Segundo will attempt to match its investments with anticipated cash flow requirements. Pursuant to Government Code Section 53601, the City will not *directly* invest in securities maturing more than five (5) years from the date of purchase however, beginning three months from this Policy's effective date, the City may *indirectly* invest in such securities if such investment is from an approved investment pool/mutual fund from Policy Section 8.0 and the WAM (weighted average

maturity) of the pool/fund must be under (5) five years at time of purchase.

#### 11.0 Benchmarks

The City of El Segundo Quarterly Investment Report will include benchmark reporting. The benchmark reporting will be used as a reference tool only to communicate investment performance against established benchmarks. The use of benchmarks will not imply that the City Treasurer will assume more risk to the portfolio as safety of principal and liquidity of funds are the first two primary objectives of the City's portfolio. The City will use the following benchmark to compare and evaluate portfolio performance.

Interpolated Yield: The market yield of US Treasury securities as compared to the portfolio's weighted average maturity (WAM) for the long-term and short-term investments in the portfolio.

#### 12.0 Investment Advisory Committee

The City of El Segundo has established an Investment Advisory Committee (IAC) to provide advice and assistance of persons with experience in the investment field on the investment of City funds to ensure that City funds are invested in a safe and prudent manner.

The City of El Segundo Investment Advisory Committee (IAC) was established by City Council resolution 3764 on June 12, 1992.

The IAC shall have four (4) members appointed by the City Council to serve at their discretion. The committee members shall be the City Treasurer, the Chief Financial Officer, one member who shall be a resident of the City of El Segundo and one member who may be a non-resident of the City. Desirable qualifications of IAC members include, but are not limited to, work experience or educational background in banking, investments or finance.

The IAC shall review and make recommendations on City investment policy and guidelines, list of banking institutions working with the City, list of brokers and dealers working with the City, and investments in the City portfolio. IAC members shall review and vote on recommendations of any new type of investment.

The IAC shall meet on a quarterly basis to discuss the City's investments and investment objectives.

The City Treasurer will prepare a quarterly report to the City council, City Manager and Chief Financial Officer listing investment transactions made during the reporting period pursuant to Government Code Section 53607.

### 13.0 Collateralization

California Government Code, Sections 53652, et seq., requires depository institutions to post certain types and levels of collateral for public funds above the FDIC insurance amounts. The collateral requirements apply to bank deposits, both active (checking and savings accounts) and inactive (non-negotiable time certificates of deposit).

### 14.0 Safekeeping and Custody

The City of El Segundo shall require that all investment transactions be conducted through the delivery-versus-payment (DVP) process pursuant to Government Code Section 53601. Securities shall be held by a third party custodian designated by the City Treasurer and evidenced by safekeeping receipts pursuant to Government Code Section 53608.

### 15.0 Reporting

The City Treasurer will prepare a quarterly report to the City council, City Manager and Chief Financial Officer listing investment transactions made during the reporting period pursuant to Government Code Section 53607. At a minimum, the quarterly report must include type of investment, issuer name, dollar amount of each security, date of maturity, par value, book value and current market value of securities, rate of interest, funds managed by contracted parties, percentage of the portfolio in each investment category, weighted average maturity, statement of ability to meet expenditure requirements for the next six months, and Treasurer indication of compliance with the City's Investment Policy.

In addition to the quarterly report, the City Treasurer will prepare a monthly statement of investments and transactions to the Chief Financial Officer.

### 16.0 Internal Controls

The City Treasurer shall establish a system of written internal controls, which shall ensure compliance with this Investment Policy and state law. The controls shall be designed to prevent loss of public funds due to fraud, employee error, and misrepresentation by third parties, or imprudent actions of employees. The City Treasurer shall evaluate any audit reports in a timely manner with the Chief Financial Officer.

Investment transactions and holdings shall be verified by the Chief Financial Officer on a monthly basis and reviewed annually by the City's external auditor.

### 17.0 Authorized Financial Dealers and Institutions

The City Treasurer shall transact business only with banks, savings and loans, state and federal credit unions, and securities dealers. The Treasurer shall select and maintain a current list of broker/dealers, as defined by Corporations Code Section 25004, authorized to provide the City investment services. This list of broker/dealers shall be included in the Treasurer's quarterly investment report to the City Council. The broker/dealers shall meet the requirements of Government Code Section 53635.5 and Securities & Exchange Commission Rule 240.15c3-1 (uniform net capital rule). The Treasurer shall keep on file with the City an audited financial statement for each authorized broker/dealer's last complete fiscal year. Each authorized broker/dealer shall execute an acknowledgement that it has read the City's current Investment Policy and that it will abide by the terms and conditions of the Policy. Additionally, each such broker/dealer shall complete the questionnaire attached hereto. City funds shall only be placed in and invested with depositories that meet the requirements of Government Code Sections 53630 et seq.

#### 18.0 Continuing Education

The City of El Segundo recognizes that employees engaged in investment and management of public funds should be provided with continuing education on all aspects of public fund management. At a minimum, the City Treasurer, Deputy Treasurer I and Deputy Treasurer II, should complete, at a minimum, five hours of continuing education in investment management on an annual basis through qualified institutions. Staff engaged in the management and investment process are encouraged to complete more than the minimum amount of continuing education as required in this policy. The Treasurer will include in the quarterly investment report the continuing education hours for the employees listed in this section.