

EXHIBIT A TO  
RESOLUTION NO. 2024-1905

**CITY OF CALABASAS  
INVESTMENT POLICY**

PURPOSE:

- A. This investment policy is set forth by the City of Calabasas (City) for the following purposes:
1. To establish a clear understanding for the City Council (Council), City management, responsible employees and third parties of the objectives, policies and guidelines for the investment of the City of Calabasas' idle and surplus funds.
  2. To offer guidance to investment staff and any outside advisers on the investment of City funds.
  3. To establish a basis for evaluating investment results.
- B. The general purpose of this Investment Policy is to outline a philosophy and attitude which will guide the investment of City funds toward the desired investment goals. It is intended to be sufficiently specific to be meaningful, yet adequately flexible to be practical.

POLICY:

It is the policy of the City of Calabasas to invest public funds in a manner that 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.

1.0 SCOPE:

This Investment Policy applies to all cash assets of the City of Calabasas. Cash held by the City shall be pooled in order to more effectively manage City cash resources. All pooled funds are accounted for in the City of Calabasas' Comprehensive Annual Financial Report and include: General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds, Enterprise Funds, Internal Service Funds, and Agency Funds.

## 2.0 PRUDENCE:

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. This standard states that investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

It is the City's full intent, at the time of purchase, to hold all investments until maturity to ensure the return of all invested principal dollars. However, it is realized that market prices of securities will vary depending on economic and interest rate conditions at any point in time. It is further recognized, that in a well-diversified investment portfolio, occasional measured losses are inevitable due to economic, bond market or individual security credit analysis. These occasional losses must be considered within the context of the overall investment program objectives and the resultant long term rate of return.

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

## 3.0 OBJECTIVES:

The cash management system of the City of Calabasas is designed to accurately monitor and forecast expenditures and revenues, thus insuring the investment of monies to the fullest extent possible. The City strives to maintain the level of investment of idle funds as near to 100% as possible. Consistent with this factor, investments are made under the terms and conditions of Sections 53600-53683 of the Government Code of California. Criteria for selecting investments and the absolute order of priority shall be:

- 3.1 Safety. Safety of principal is the foremost objective of the investment program. Investments of the City of Calabasas shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio by mitigating the two types of risk: credit risk and market risk.
  - 3.1.1 Credit Risk. Credit risk is defined as the risk of loss due to failure of the issuer of a security. This risk shall be mitigated by investing in investment grade securities and by diversifying the investment portfolio so that the failure of any one issuer does not unduly harm the City's capital base and cash flow.
  - 3.1.2 Market Risk. Market risk is defined as market value fluctuations due to overall changes in the general level of interest rates. This risk shall be mitigated by limiting: the average maturity of the City's investment portfolio to three years, the maximum maturity of any one security to five years, structuring the portfolio based on historic and current cash flow analysis, eliminating the need to sell securities prior to maturity and avoiding the purchase of long term securities for the sole purpose of short term speculation.
- 3.2 Liquidity. The City's investment portfolio shall be structured in a manner which will provide funds from maturing securities and interest payments to meet anticipated cash flow demands.
- 3.3 Yield. The City of Calabasas' investment portfolio shall be designed with the objective of attaining a market rate of return throughout market and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

#### 4.0 STRUCTURE AND RESPONSIBILITY:

This section of the Investment Policy defines the overall structure of the investment management program.

- 4.1 Authority to manage the City of Calabasas' investment program is derived from the Government Code of California, Section 53600 *et seq.*, and the City of Calabasas Municipal Code.
  - 4.1.1 Responsibilities of the City Council. The City Council shall consider and adopt a written Investment Policy in accordance with Section 13 of this policy. As provided in this policy, the Council shall receive and review quarterly Investment Reports.
  - 4.1.2 Responsibilities of the City Manager. The City Manager is responsible for directing and supervising the City Treasurer. The City Manager is also responsible to keep the City Council fully advised of the investment portfolio and as to the financial condition of the City.
  - 4.1.3 Responsibilities of the City Treasurer. The City Treasurer is appointed by the City Manager and is subject to his/her direction and supervision. The City Treasurer is charged with responsibility for the conduct of all treasury functions, including the custody and investment of City funds and the development of procedures to implement this Investment Policy.

Under general direction of the City Manager, the City Treasurer shall have responsibility for all decisions and activities of the City's investment program. The City Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

#### 5.0 AUTHORIZED FINANCIAL INSTITUTIONS AND BROKER/DEALERS:

The City 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 law. In addition, a list will also be maintained of approved security broker/dealers selected by creditworthiness who are authorized to provide investment services in the State of California. These may

include "primary" dealers or regional dealers. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the City Treasurer with the following:

1. Audited financial statements for the institutions three most recent fiscal years.
2. Completed financial institution or broker/dealer questionnaire.
3. A statement certifying that they have reviewed the City's Investment Policy and that all securities offered to the City shall comply fully with all provisions of the California Government Code and with this Investment Policy.

Selection of financial institutions and broker/dealers authorized to engage in transactions with the City shall be at the sole discretion of the City. An annual review of the financial condition of qualified bidders will be conducted by the City Treasurer.

#### 6.0 AUTHORIZED AND SUITABLE INVESTMENTS:

All investments shall be made in accordance with Sections 53600 *et seq.*, of the Government Code of California. Within the context of limitations, the following investments are authorized, as further limited herein:

- 6.1 PERMITTED INVESTMENTS under this policy shall include:
  - 6.1.1 U.S. Treasury Bills, Notes and Bonds: provided that the stated final maturity of such security does not exceed five (5) years from the date of purchase.
  - 6.1.2 Federal Agency debentures and mortgage-backed securities with a final maturity not exceeding five (5) years from the date of purchase issued by the Government National Mortgage Association (GNMA).
  - 6.1.3 Federal Instrumentality (government sponsored enterprise) debentures, discount notes, bullets, callables and step-up securities, with a final maturity not exceeding five (5) years from the date of purchase, issued by the following only: Federal Home Loan Banks (FHLB), Federal

National Mortgage Association (FNMA), Federal Farm Credit Bureau (FFCB), Federal Home Loan Mortgage Corporation (FHLMC), Federal Agricultural Mortgage Corporation (FAMCA) and Student Loan Marketing Association (SLMA).

- 6.1.4 Time Certificates of Deposit, nationally or state-chartered banks; savings or federal associations; state or federal credit unions; or federally licensed or state licensed branches of foreign banks: Deposits should not exceed five-year maturity and shall be collateralized as specified in paragraph 6.3 of this policy or FDIC, NCUA or State insured up to \$250,000.
- 6.1.5 Negotiable Certificates of Deposit issued by nationally or state-chartered banks; savings or federal associations; state or federal credit unions; or federally licensed or state licensed branches of foreign banks. Purchases may not exceed 30% of the portfolio and final maturity may not exceed five (5) years from date of purchase.
- 6.1.6 Banker's Acceptances, Foreign/Domestic, with a minimum rating of "A1" by Standard & Poor's or "P1" by Moody's (prime) rating provided that the acceptances are eligible for purchase by the Federal Reserve System and the maturity does not exceed 180 days maturity or 40% of the total portfolio.
- 6.1.7 Commercial Paper: Short-term instruments with fixed coupons, fixed maturity and no call provisions issued by corporations organized and operating within the United States, with an "A1/P1" (prime) rating or better. Purchases may not exceed 270 days maturity or 25% of the portfolio.
- 6.1.8 Medium-term Corporate Notes of a maximum of five years until maturity issued by corporations organized and operating within the United States and rated in the rating category of "A-" or better of Moody's Investment Services, Inc. and Standard and Poor's Corporation. Purchases may not exceed 30% of the portfolio.
- 6.1.9 Repurchase Agreements with a maximum maturity of one year. Repurchase Agreements will only be with primary dealers of the Federal Reserve Bank of New York, and who have long-term debt rated in the

“AAA” or “AA” categories of Moody’s Investment Services, Inc. or Standard and Poor’s Corporation. Investments will be collateralized as specified in paragraph 6.3 of this Investment Policy.

- 6.1.10 Money Market Funds registered under the Investment Company Act of 1940 which (1) are “no-load” (meaning no commission or fee shall be charged on purchases or sales of shares); (2) have a constant daily net asset value per share of \$1.00; (3) invest only in the securities and obligations authorized in this investment policy and (4) have a rating of at least two of the following: AAAm by Standard and Poor’s, Aaa by Moody’s or AAA/V1+ by Fitch. The aggregate investment in money market funds shall not exceed 20% of the City’s total portfolio.
- 6.1.11 County Pooled Investment Funds in accordance with the laws and regulations governing those Funds and State law (GC 53684)
- 6.1.12 State of California pooled “Local Agency Investment Fund” in accordance with the laws and regulations governing those Funds and State law (GC 16429.1 et seq.).
- 6.1.13 Insured deposits: Deposits not exceeding \$250,000 shall be permitted only in those financial institutions that are active members of the Federal Deposit Insurance Corporation (FDIC) and provided that the final maturity does not exceed five (5) years from date of purchase.
- 6.1.14 The “Sweep” account for the overnight investment of idle funds shall be subject to this policy.
- 6.1.15 City of Calabasas bonds provided that the stated final maturity of such security does not exceed five (5) years from the date of purchase.
- 6.1.16 Registered state warrants, treasury notes or bonds of the State of California. Registered treasury notes or bonds from any of the remaining 49 States. The stated final maturity of such security shall not exceed five (5) years from the date of purchase. Rated in the rating category of “A-” or “A-1” or better of Moody’s Investment Services, Inc. and Standard and Poor’s Corporation.

6.1.17 Bonds, notes, warrants, or other indebtedness of any local government agency within California. The stated final maturity of such security shall not exceed five (5) years from the date of purchase. Rated in the rating category of "A-" or "A-1" or better of Moody's Investment Services and Standard and Poor's.

6.2 Securities may be sold at a loss in order to improve the risk or return characteristics of the portfolio, to prevent anticipated further erosion of principal or when trading for securities that result in an expected net economic gain to the City.

If securities owned by the City are downgraded by both Moody's and S&P to a level below the quality required by this Investment Policy, it shall be the City's policy to sell such securities promptly.

6.3 Collateralization. Investments in time certificates of deposit shall be fully insured for the entire term of the certificate by the Federal Deposit Insurance Corporation (FDIC). The FDIC limit has been established by the Congress at \$250,000.00. Investments in time certificates of deposit in excess of the limit shall be properly collateralized. Section 53652 of the California Government Code requires that the depository pledge securities with a market value of at least 10% in excess of the City's deposit as collateral in government securities, and 50% in excess of the deposit as collateral in mortgage pools. Section 53649 of the California Government Code specifies that the City Treasurer is responsible for entering into deposit contracts with each depository.

Investments in repurchase agreements must also be collateralized. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest.

## 7.0 SAFEKEEPING AND CUSTODY:

All securities transactions entered into by the City of Calabasas shall be conducted on a delivery-versus-payment (DVP) basis. All securities will be held by a third-party custodian, which shall be a bank trust department, designated by the City Treasurer and evidenced by monthly custodial statements.

#### 8.0 INTERNAL CONTROL:

The City Treasurer shall establish and maintain a system of appropriate internal controls to ensure compliance with policies and procedures. The controls are designed to prevent losses of public funds arising from fraud, error or imprudent actions by employees and officers of the City. The most important controls are: separation of duties, separation of transaction authority from accounting and bookkeeping, third-party custody of securities, delegation of authority, written confirmation of telephone transactions, documentation of transactions and strategies, and periodic review of controls.

#### 9.0 ETHICS AND CONFLICTS OF INTEREST

Officers and 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. Employees and investment officials shall disclose to the City Manager any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City, particularly with regard to the time of purchases and sales.

#### 10.0 INTEREST EARNINGS:

All moneys earned and collected from investments authorized in this policy shall be allocated quarterly to various fund accounts based on the monthly cash balance in each fund as a percentage of the entire pooled portfolio.

#### 11.0 REPORTING AND REVIEWS:

The City Treasurer shall review and render quarterly reports to the City Manager and City Council in compliance with California Government Code Section 53646(b). These reports will include the face amount of the cash investment, the classification of the investment, the name of the institution or entity, the rate of interest, the maturity date, the current market value and accrued interest due for all securities.

Additionally, the report will include the amount held by the City's deferred compensation administrator(s) and a statement of the portfolio's compliance with the City's investment policy and a statement denoting the City's ability to meet its expenditure requirements for the next six months.

#### 12.0 LEGISLATIVE CHANGES:

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

#### 13.0 INVESTMENT POLICY ADOPTION:

The City of Calabasas Investment Policy shall be adopted by Resolution of the City Council on an annual basis. This Investment Policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and yield, and its relevance to current law and financial and economic trends. Any amendments to the policy shall be forwarded to City Council for approval.