RESOLUTION NO. 2015-3449

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MOORPARK, CALIFORNIA, ADOPTING THE ANNUAL INVESTMENT POLICY FOR FISCAL YEAR 2014/15 AND RESCINDING RESOLUTION NO. 2014-3324

WHEREAS, on October 15, 2014, the City Council reviewed and adopted the City of Moorpark's annual Investment Policy; and

WHEREAS, a staff report has been presented to the Council requesting adoption of the annual Investment Policy; and

WHEREAS, the Investment Policy describes the investment of City funds in compliance with the Municipal Code and state law, and, therefore, the Investment Policy is to be hereby submitted to an oversight committee in compliance with state law; and

WHEREAS, Investment Policy Resolution No. 2014-3324 is proposed to be rescinded and an updated Investment Policy Resolution adopted.

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

SECTION 1. The annual Investment Policy attached hereto as "Exhibit A" has been reviewed in a public meeting and is hereby adopted.

SECTION 2. The City Council hereby delegates the duties of the City Treasurer to the Finance Director for a twelve month period as per State of California, Government Code Section 53607.

SECTION 3. City Council Resolution No. 2014-3324 is hereby rescinded.

SECTION 4. The City Clerk shall certify to the adoption of the resolution and shall cause a certified resolution to be filed in the book of original resolutions.

PASSED AND ADOPTED this 21st day of October, 2015.

Janice S. Parvin, Mayor

ATTEST:

Maureen Benson, City Clerk

Attachment: Exhibit "A" - City of Moorpark Investment Policy

Exhibit A

CITY OF MOORPARK

INVESTMENT POLICY

1.0 Introduction. The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities of the City of Moorpark, Successor Agency to the Redevelopment Agency and Moorpark Public Financing Authority. Related activities which comprise good cash management include accurate cash projections, the expeditious collection of revenue, the control of disbursements, cost-effective banking relations, and arranging for a short-term borrowing program which coordinates working capital requirements and investment opportunities.

2.0 Policy. It is the policy of the City of Moorpark to invest public funds not required for immediate day-to-day operations in accordance with the principals of sound treasury management and the provisions of California Government Code § 53600 et seq., the Municipal Code and this policy.

3.0 Scope. This policy applies to all investment activities of the City of Moorpark, except for the proceeds of certain debt issues that are invested and managed by trustees appointed under indenture agreements.

3.1 Pooled Investments. Investments for the City and its component units will be made on a pooled basis, including the City of Moorpark, the Successor Agency to the Redevelopment Agency, and the Moorpark Public Financing Authority.

All pooled funds are accounted for in the Comprehensive Annual Financial Report of the City of Moorpark. Funds include the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Trust and Agency Funds.

3.2 Investments held separately. Investments of bond proceeds will be held separately when required by the bond indentures or when necessary to meet arbitrage regulations. If allowed by the bond indentures, or if the arbitrage regulations do not apply, investments of bond proceeds will be held as part of the pooled investments.

4.0 Objectives. Section 53600.5 of the California Government Code outlines the primary objectives of a trustee investing public money. The primary objectives, in order of priority, of the City's investment activities shall be:

4.1 Safety. Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio.

4.2 Liquidity. The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated. Operational liquidity shall be one and one-half (1.5) times the City's highest level of liquidity demand within the most recent three year period. The liquidity demand calculation shall be reviewed annually; concurrently with the annual review of the Investment Policy.

4.3 Return on Investment. Investment return becomes a consideration only after the basic requirements of safety and liquidity have been met. The City shall attempt to obtain an acceptable return provided that the requirements of safety and liquidity are first met.

The City Treasurer shall strive to maintain the level of investment of all contingency reserves and inactive funds as close to 100% as possible. While the objectives of safety and liquidity must first be met, it is recognized that portfolio assets represent a potential source of significant revenues. It is to the benefit of the City that these assets be managed to produce optimum revenues, consistent with state statutes and local ordinances.

5.0 Duties and Responsibilities. The State of California gives the City Council the ability to delegate the investment authority to the City Treasurer for a one-year period in accordance with Section 53607 of the California Government Code. The delegation will require renewal each year. No person may engage in investment transactions unless directed by the City Treasurer.

In the execution of this delegated authority, the City Treasurer may establish accounts with well qualified, financially sound financial institutions and/or brokers/dealers for the purpose of completing investment transactions in accordance with this policy. The criteria used to select qualified financial institutions and broker/dealers are identified in paragraph 14 of this policy.

The City Treasurer may designate in writing a Deputy City Treasurer, who in the absence of the City Treasurer, will assume the City Treasurer's duties and responsibilities. The City Treasurer shall retain full responsibility for all transactions undertaken under the terms of this policy.

The City Treasurer is required to annually render a statement of investment policy to the City Council to be considered at a public meeting.

The City Treasurer is required to submit quarterly investment reports to the City Council and City Manager. The investment report shall comply with the requirements of Gov. Code, §53646.

6.0 Prudence. Section 53600.3 of the California Government Code identifies those persons authorized to make investment decisions on behalf of a local agency. As a trustee, the standard of prudence to be used shall be the "prudent investor" standard and shall be applied in the context of managing the overall portfolio. 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.

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

7.0 Ethics and Conflicts of Interest. All participants in the City's investment process shall seek to act responsibly as custodians of the public trust. 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 recommendations and decisions. Employees and investment officials shall make all disclosures appropriate under the Fair Political Practices Act, and may seek the advice of the City Attorney and the Fair Political Practices Commission whenever there is a question concerning personal financial or investment positions that could represent potential conflicts of interest.

8.0 Authorized Investments.

8.1 Pooled Investments. The City Treasurer may invest City funds in the following instruments as specified in the California Government Code, Section 53601, subject to the limitations set out in that section and as further limited in this policy. Investments will be made only in readily marketable securities actively traded in the secondary market.

8.1.1 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.

8.1.2 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).

8.1.3 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).

8.1.4 Time Certificates of Deposit, major Banks or Savings & Loans: Deposits should not exceed five-year maturity and shall be collateralized as specified in paragraph 9.0 of this policy.

8.1.5 Negotiable Certificates of Deposit issued by nationally or state-chartered bank. Purchases may not exceed 30% of the portfolio and final maturity may not exceed five (5) years from date of purchase.

8.1.6 Banker's Acceptances, Foreign/Domestic, with a minimum rating of "A1" by Standard & Poors 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.

8.1.7 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.

8.1.8 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 "AAA" or "AA" categories of Moody's Investment Services, Inc. and Standard and Poors Corporation. Purchases may not exceed 30% of the portfolio.

8.1.9 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 Poors Corporation. Investments will be collateralized as specified in paragraph 9.0 of this Investment Policy.

8.1.10 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.

8.1.11 County Pooled Investment Funds in accordance with the laws and regulations governing those Funds and State law.

8.1.12 State of California pooled "Local Agency Investment Fund" in accordance with the laws and regulations governing those Funds and State law.

8.1.13 Insured deposits: Deposits not exceeding $250,000.00 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.

8.1.14 The "Sweep" account for the overnight investment of idle funds shall be subject to this policy.

8.2 Investments held separately. Investments of bond funds will be made in conformance with the trust indenture for each issue. Such investments will be held separately when required.

9.0 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.

10.0 Unauthorized Investments/Investment Activities. Section 53601.6 of the California Government Code disallows the following investments acquired after January 1, 1996: inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages.

10.1 No investment will be made that has either (1) an embedded option or characteristic which could result in a loss of principal if the investment is held to maturity, or (2) an embedded option or characteristic which could seriously limit accrual rates or which could result in zero accrual periods.

10.2 No investment will be made that could cause the portfolio to be leveraged.

11.0 Investment Strategy.

11.1 Pooled Investments. A buy and hold strategy will generally be followed; that is, pooled investments once made will usually be held until maturity. A buy and hold strategy will result in unrealized gains or losses as market interest rates fall or rise from the coupon rate of the investment. Unrealized gains or losses, however, will diminish as the maturity dates of the investments are approached or as market interest rates move closer to the coupon rate of the investment. A buy and hold strategy requires that the portfolio be kept sufficiently liquid to preclude the undesirable sale of investments prior to maturity. Occasionally, the City Treasurer may find it advantageous to sell an investment prior to maturity, but this should be only on an exception basis and only when it is clearly favorable to do so.

11.2 Investments held separately. Investments held separately for bond proceeds will follow the trust indenture for each issue.

12.0 Diversification. To the extent feasible the portfolio will be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. In addition to the limitations on specific security types indicated in paragraph 8.0 of this Investment Policy, and with the exception of U.S. Treasury/Federal agency securities and authorized pools, no more than five percent (5%) of the City's portfolio will be placed with a single issuer.

13.0 Maximum Maturities.

13.1 Pooled Investments. A policy of laddered maturities will be followed for pooled investments. The following maturity requirements will apply as of the month end of each reporting period.

13.1.1 At least twenty percent (20%) of the portfolio shall mature within one year from the current date. No more than fifty percent (50%) of the entire portfolio may have a maturity date between three (3) and five (5) years from the current date. Investments with a maturity greater than five (5) years will not be made. The average portfolio investment maturity shall be three (3) years or less. A dollar-weighted average will be used in computing the average maturity of the portfolio.

13.1.2 Callable investments will be recorded at their maturity dates.

13.2 Investments Held Separately. Maturities for investments held separately will conform to the trust indenture for each issue.

14.0 Selection of Financial Institutions and Broker/Dealers. Investments shall be purchased only through well established, financially sound institutions. The City Treasurer shall maintain a list of financial institutions and broker/dealers approved for investment. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions will be given a copy of the City's Investment Policy, and a return cover letter which must be signed indicating that the investment policy has been read and understood. Qualified financial institutions and broker/dealers must supply the City Treasurer with the following:

14.1 Financial Institutions.

- Current audited financial statements.
- Depository contracts, as appropriate.
- A copy of the latest FDIC call report.

- Proof that commercial banks, savings banks, or savings and loan associations are state or federally chartered.

14.2 Broker/Dealers.
- Current audited financial statements.
- Proof that brokerage firms are members in good standing of a national securities exchange.

Commercial banks, savings banks, and savings and loan associations must maintain a minimum net worth to asset ratio of 3% (total regulatory net worth divided by total assets), and must have had a positive net earnings for the last reporting period.

15.0 Purchase, Payment, and Delivery. A competitive bid process, when practical, will be used to place all investment transactions. When two or more investment opportunities offer essentially the same maturity, liquidity, yield, and quality, priority will be given first to the financial institutions based in the City of Moorpark, and second to other financial institutions in the State of California. Purchases on margin will not be made. Payment for securities will be done on a Delivery Versus Payment (DVP) basis via the City's custodian. Delivery of securities will be made to the City in accordance with the third party custodial agreement.

16.0 Safekeeping and Custody. All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-vs.-payment basis. All securities owned by the City will be held by a third-party custodian designated by the City Treasurer and evidenced by a monthly statement from the custodian. Collateral for time deposits in savings and loans will be held by the Federal Home Loan Bank of an approved Agent of Depository. Collateral for time deposits in banks will be held in the City's name in the bank's Trust Department or in the Federal Reserve Bank.

17.0 Performance Standard for Pooled Investments. Laddered maturities and a buy and hold strategy for pooled investments will cause the investment portfolio to attain a market-average rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. The rate of return of the investment portfolio will be based on the maturity value of the investments. A dollar-weighted average of yields to maturity will be used in calculating the rate of return of the entire portfolio.

18.0 Reporting. Sections 53607 and 53646 of the California Government Code allows a quarterly investment report be submitted to the City Council and the City Manager. This policy requires a quarterly investment report to be submitted no later than 30 days following the end of the quarter covered by the report.

18.1 Pooled Investments. The investment report shall be submitted quarterly by the City Treasurer within 30 days following the end of the quarter covered by the report. The quarterly report shall include the following elements:

- Itemized listing of portfolio investments by type, date of maturity, and issuer.
- Par value, dollar amount invested, amortized cost, and current market value as of the date of the report will be given for the total of all securities, investments, and moneys held by the City and its component units. The source of the market values will be cited.
- Accrued income.
- Investment transactions for the reporting period.
- Statement that the investment portfolio has the ability to meet the City's cash flow demands for the next six (6) months.
- Statement of compliance of the portfolio with the City's Investment Policy. When applicable, any material exceptions will be noted.

18.2 Investments Held Separately. A report of investments held separately shall be made quarterly within 30 days following the end of the quarter submitted as an exhibit in the City Treasurer's quarterly report. The quarterly report shall contain the information required by Section 53646 when available.

19.0 Short-term Borrowing. The City is permitted by law to borrow money to meet current short-term cash flow needs. These needs may arise either because projected cash disbursements exceed projected cash receipts, or because the City's cash accounts may be temporarily overdrawn due to the efforts to invest 100% of inactive funds at all times. To provide for these contingencies the City Treasurer is authorized to take the following actions:

19.1 Short-term Loan. When there is a shortfall between projected cash revenues and projected cash disbursements, the City Treasurer will secure a loan in the amount that would equal the cash deficit plus projected cash disbursements for one month. Any such loan will be repaid within one year.

19.2 Line of Credit. The City Treasurer may maintain a line of credit with the City's bank in an amount to cover sums temporarily overdrawn because of efforts to invest all inactive funds at all times.

20.0 Exceptions. Occasionally, exceptions to some of the requirements specified in this Investment Policy may occur for pooled investments because of events subsequent to the purchase of investment instruments, e.g. the rating of a corporate note held in the portfolio is downgraded below an "AA" rating, or total assets in the portfolio decline causing the percentage invested in corporate notes to rise above 30%.

State law is silent as to how exceptions should be corrected. Exceptions may be temporary or more lasting; they may be self-correcting or require specific action. If specific action is required, the City Treasurer should determine the course of action that would correct exceptions to move the portfolio into compliance with State and City requirements. Decisions to correct exceptions should not expose the assets of the portfolio to undue risk, and should not impair the meeting of financial obligations as they fall due. Any subsequent investments should not extend existing exceptions.

21.0 Internal Control. The City Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

22.0 Investment Policy Adoption. California Government Code § 53646(a) allows the City Treasurer to render to the City Council a statement of investment policy no less frequently than once a year for adoption. This policy requires the City Treasurer to submit the investment policy to the City Council on an annual basis. The City's investment policy and any modifications thereto shall be considered at a public meeting. Adoption shall be made by resolution of the City Council.

INVESTMENT POLICY

GLOSSARY

Amortized Cost: The cost of investments adjusted for amortized premiums and discounts. Amortized cost is used to maintain comparability with market value.

Arbitrage Regulation: The law to control the use of profit making by purchasing securities on one market for immediate resale on another in order to profit from a price difference.

Ask: The price at which securities are offered.

Bankers' Acceptances (BA): A time draft of invested funds that have been drawn on and accepted for repayment by a bank. By accepting the draft (investment of City funds), the bank is liable for the payment at maturity. The credit worthiness of Bankers' Acceptances is enhanced because they are secured by the issuing bank, the goods themselves, and the importer. This financial instrument is short-term, not more than 270 days and is sold on a discounted basis. Not more than 30% of the City's portfolio may be placed with any one bank.

Bear Market: A period of generally pessimistic attitudes and declining market prices.

Bid: The price offered for securities.

Bond: An interest-bearing security issued by a corporation, government, governmental agency or other body, which can be executed through a bank or trust company. A bond is a form of debt with an interest rate, maturity, and face value, and is usually secured by specific assets. Most bonds have a maturity of greater than one year, and generally pay interest semiannually.

Bond Indenture: Written agreement specifying the terms and conditions for issuing bonds, including; the form of the bond, the maturity date and payment schedule with interest rate, call provisions and protective covenants, if any, collateral pledged, and other terms. Obligations of the bond issuer are identified as well as the trustee's responsibility for ensuring that interest payments are made to registered bondholders.

Bond Rating: The classification of a bond's investment quality.

Book Value: A term synonymous with amortized cost.

Broker: A broker brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides; a broker does not position. In the money market, brokers are active in markets, in which banks buy and sell money, and in inter-dealer markets.

Bull Market: A period of generally optimistic attitudes and increasing market prices.

Bullet Bond: A debt instrument whose entire face value is paid at once on the maturity date. Bullet bonds are non-callable. Bullet bonds cannot be redeemed early by an issuer, so they pay a relatively low rate of interest because of the issuer's exposure to interest-rate risk. Both corporations and governments issue bullet bonds, and bullet bonds come in a variety of maturities, from short- to long-term.

Buy and Hold: Management strategy in which the intent is to hold each security until maturity.

Callable Bond: A bond that can be redeemed by the issuer prior to its maturity. Usually a premium is paid to the bond owner when the bond is called. It is also known as a "redeemable bond." The main cause of a "call" is a decline in interest rates. If interest rates have declined since a company first issued the bonds, it will likely want to refinance this debt at a lower rate of interest. In this case, the company will "call" its current bonds and reissue them at a lower rate of interest.

Certificate of Deposit (CD): A time deposit with a specific maturity and interest rate evidenced by a certificate. Maturities range from a few weeks to several years. Interest rates are set by competitive forces in the marketplace. There is a penalty for early withdrawal. CD's in large denominations are typically negotiable.

Collateralization: Refers to securities pledged by a bank to secure deposits of public monies. Also refers to evidence of deposit or other property that a borrower pledges to secure repayment of a loan.

Commercial Book-Entry: The commercial book-entry system is operated by the Federal Reserve Banks in their capacity as fiscal agents of the Treasury. Investors who maintain their securities in this system generally have purchased their securities through a financial institution or a government securities broker or dealer. These securities are recorded in the commercial book-entry system as book-entry issues held for the account of a depository institution. The depository institution (e.g., bank, brokerage firm or securities clearance organization) maintains records identifying the owners of securities held in its account in the system.

Commercial Paper: A short-term IOU, or unsecured money market obligation, issued by prime rated commercial firms and financial companies, with maturities from two (2) days up to 270 days. A promissory note of the issuer used to finance current obligations, and is a negotiable instrument. The notes are in bearer form starting at $100,000.00. State law limits the City to investments in United States corporations having assets in excess of five hundred million dollars with an "A" or higher rating.

Commission: The broker's or agent's fee for purchasing or selling securities for a client.

Coupon: The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value or a certificate attached to a bond evidencing interest due on a payment date.

Dealer: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for their own account.

Debenture: A bond secured only by the general credit of the issuer.

Delivery Versus Payment: There are two methods of delivery of securities: "delivery versus payment" and "delivery versus receipt" (also called free). Delivery versus payment is delivery of securities with an exchange of money for the securities indicating payment is due when the buyer has securities in hand or in book entry.

Discount: The difference between the cost price of a security and its value at maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be a discount.

Discount Securities: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., U.S. Treasury bills.

Diversification: Dividing investment funds among a variety of securities offering independent returns.

Embedded Option: A statement within the bond structure that would alter the interest rate earned by the bond.

Federal Credit Agencies: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., small business firms, farmers, farm cooperatives, and exporters. These are securities such as the Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), Federal Farm Credit Bureau (FFCB), Government National Mortgage Association (GNMA) and the Small Business Administration (SBA).

Federal Funds Rate: The rate of interest at which FED funds are traded. This rate is currently pegged by the Federal Reserve through open market operations.

Federal Open Market Committee: Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve Guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

Federal Reserve System: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., twelve Regional Banks and about 5,700 commercial banks that are members of the system.

Federal Deposit Insurance Corporation (FDIC): A federal agency that insures bank deposits, currently up to$250,000.00 per deposit.

Federal Home Loan Banks (FHLB): The institutions that regulate and lend to savings and loan associations. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Banks vis-à-vis member commercial banks.

Fiscal Year: An accounting or tax period comprising any twelve month period. The City's fiscal year begins on July 1.

Interest-Only Strips: Mortgage backed instrument where investor receives only the interest, no principal, from a pool of mortgages. Issues are highly interest rate sensitive. Cash flows vary between interest periods. As well, the maturity date may occur earlier than that stated if all loans within the pool are pre-paid. High prepayments on underlying mortgages can return less to the holder than the dollar amount invested.

Inverse Floater: A bond or note that does not earn a fixed rate of interest. Rather, the interest rate that is earned is tied to a specific interest-rate index identified in the bond/note structure. The interest rate earned by the bond/note will move in the opposite direction of the index, e.g. if market interest rates as measured by the selected index rises, the interest rate earned by the bond/note will decline. An inverse floater increases the market rate risk and modified duration of the investment.

Laddered Portfolio: Bond investment portfolio with securities in each maturity range (e.g. monthly) over a specified period of time (e.g. five years).

Leverage: Investing with borrowed money with the exception that the interest earned on the investment will exceed the interest paid on the borrowed money.

Liquidity: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked price is narrow and reasonable size can be done at those quotes.

Local Agency Investment Fund (LAIF): The aggregate of all funds from political subdivisions of the State of California that are placed in the custody of the State Treasurer for investment and reinvestment. This is a voluntary investment program offering agencies the opportunity to participate in a major portfolio which daily invests hundreds of millions of dollars and using the investment expertise of the State Treasurer's Office investment staff, at no additional cost to the taxpayer. Investment in LAIF, considered a short-term investment, is readily available for cash withdrawal on a daily basis.

Market Risk: The risk that market interest rates will rise causing a loss of value in investments held. All investments made by the City involve a degree of market risk. See also "Unrealized Gains (Losses).

Market Value: The price at which a security is trading and could presumably be purchased or sold.

Maturity: The date upon which the principal or stated value of an investment becomes due and payable.

Medium Term Corporate Notes: Corporate notes issued with fixed coupons and maturity. A promissory note of the issuer used to finance current obligations, which is a negotiable instrument.

Modified Duration: A measure of the sensitivity that the value of a fixed-income security has exposure to changes in market rates of interest. Modified duration is the best single measure of a portfolio's or security's exposure to market risk. Modified duration identifies the potential gain/loss in value before the gain/loss actually occurs. It is a prospective measurement, e.g., a modified duration of 1.5 indicates that when and if a 1% change in market interest rates occurs, a 1.5% change in the value of a security will result. Investments with modified durations of one to three are considered to be relatively conservative.

Money Market: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

Negotiable Certificates of Deposit (NCD): Although technically a deposit, it is a short-term note, which earns the depositor a competitive rate of return. Negotiable certificates of deposit were developed so large deposits ($100,000.00 or more) could be made at a competitive interest rate with some liquidity.

Nominee Name: Registered owner of a stock or bond if different from the beneficial owner, who acts as holder of record for securities and other assets. Typically, this arrangement is done to facilitate the transfer of securities when it is inconvenient to obtain the signature of the real owner, or the actual owner may not wish to be identified. Nominee ownership simplifies the registration and transfer of securities.

Offer: The price asked by the seller of securities. When buying securities you ask for an offer. See Asked and Bid.

Open Market Operations: Purchases and sales of government and certain other securities by the New York Federal Reserve Bank as directed by the Federal Open Market Committee in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

Operational Liquidity: To insure that adequate funds are available to meet current obligations without having to sell securities prior to maturity. This dollar amount will be set at a level equal to three times the City's highest level of liquidity demand within the most recent three year period.

Pooled Investments: Resources grouped for advantage of the participants.

Portfolio: Collection of securities held by an investor.

Primary Dealer: A group of government security dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities broker-dealers, banks, and a few unregulated firms.

Principal: The face or par value of an instrument.

Prudent Person Rule: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a legal list of securities selected by the state. In other states, the trustee may invest in a security if it is one, which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

Qualified Public Depositories: A financial institution that has been approved by the Public Deposit Protection Commission to hold public deposits. These financial institutions do not claim exemption from the payment of any sales, compensating use or ad valorem taxes under State laws, and which has segregated, for the benefit of the Commission, eligible collateral having a value of not less than its maximum liability.

Range Note: Investment whose coupon payment varies (e.g. either 7% or 3%) and is dependent on whether the current benchmark (e.g. 30 year Treasury) falls within a pre-determined range (e.g. between 6.75% and 7.25%).

Rate of Return: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

Rating: The designation used by investors' services to rate the quality of a security's creditworthiness. Moody's ratings range from the highest Aaa, down through Aa, A, Bbb, Ba, B, etc. while Standard and Poor's rating range from the highest AAA, down through AA, A, BBB, BB, B, etc.

Refinancing: Rolling over the principal on securities that have reached maturity or replacing them with the sale of new issues. The object may be to save interest costs or to extend the maturity of the loan.

Repurchase Agreement: A transaction where the seller (bank) agrees to buy back from the buyer (City) the securities at an agreed upon price after a stated period of time.

Reverse Repurchase Agreement: A transaction where the seller (City) agrees to buy back from the buyer (bank) the securities at an agreed upon price after a stated period of time.

Safekeeping: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection. See Third Party Custodian.

Secondary Market: A market made for the purchase and sale of outstanding issues following the initial distribution.

Securities and Exchange Commission (SEC): Agency created by Congress to protect investor's transactions by administering securities legislation.

SEC Rule 15C3-1: See uniform net capital rule.

Spread: The difference between two figures or percentages. For example, it may be the difference between the bid and asked prices of a quote, or between the amount paid when bought and the amount received when sold.

Structured Notes: Notes issued by Government sponsored enterprises and corporations which have imbedded options in their debt structure (e.g., call features, step-up coupons, floating rate coupons and derivative-based returns). Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the yield curve. This includes securities from the Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB) and the Student Loan Marketing Association (SLMA).

Sweep Account: Short-term income account into which all uninvested cash balances from the non-interest bearing checking account are automatically transferred on a daily basis. The sweep is used in conjunction with "zero balance" accounts to maximize investment of idle cash.

Third-Party Custodian: Corporate agent, usually a commercial bank, who, acting as trustee, holds securities under a written agreement for a corporate client and buys and sells securities when instructed. Custody services include securities safekeeping, and collection of dividends and interest. The bank acts only as a transfer agent and makes no buy or sell recommendations.

Treasury Bills: A short-term non-interest bearing security that matures in one year or less and are issued by the U.S. Treasury to finance the national debt. Bills (commonly known as "T" bills) are sold at a discount (a price less than par (face) value) and are paid at par value at maturity. They do not pay interest before maturity. Return is the difference between par and discount price.

Treasury Bonds: Long-term coupon bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than ten years. The bonds pay a fixed rate of interest every six months.

Treasury Notes: Medium term coupon bearing U.S. Treasury securities issued as direct obligations of the U.S. Government. Treasury notes mature in two, five or ten years. The notes pay a fixed rate of interest every six months.

Trustee: A bank designated as the custodian of funds and the official representative for bondholders.

Underwriter: A dealer bank or financial institution which arranges for the sale and distribution of a large batch of securities and assumes the responsibility for paying the net purchase price.

Uniform Net Capital Rule: Securities and Exchange Commission requirement that member firms, as well as non-member broker/dealers in securities, maintain a maximum ratio of indebtedness to liquid capital of 15 to 1: also called net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, and is one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

Unrealized Gains (Losses): Increases (decreases) in the value of investments representing the difference between the amortized cost of the investments and their current market value. Increases (decreases) in value are caused primarily by changes in market interest rates subsequent to purchasing the investments. Increases (decreases) in value indicate two (2) things: 1. The portfolio has a potential gain (loss) in principal if the securities are sold, and 2. The portfolio is over-performing (underperforming) the current market for similar investments. An increase in value indicates the portfolio is earning relatively more interest than current market conditions, and a decrease in value indicates that the portfolio is earning relatively less interest than current market conditions.

U.S. Government Agencies Debt: Instruments issued by various U.S. Government Agencies most of which are secured only by the credit worthiness of the particular agency.

- U.S. Agency Callable: A callable federal agency or government security gives the issuer of the bond the right (not the obligation) to redeem it at predetermined prices at specified times prior to maturity. Yields on callable bonds tend to be higher than yields on noncallable, "bullet" maturity bonds because the investor must be rewarded for taking the reinvestment risk the issuer will call the bond if interest rates decline, forcing the investor to reinvest the proceeds at lower yields.
- U.S. Agency Bullet: A security issued by various U.S. Government Agency which cannot be "called" back by the issuer. The security is non-callable and therefore the reinvestment risk is zero.

Yield: The rate of annual return on an investment expressed as a percentage. Income yield is calculated by dividing the current dollar income by the current market price for the security. Net yield, or yield to maturity, is the current income minus any premium or plus any discount from par on purchase price, with the adjustment amortized over the period from the date of purchase to the date of maturity of the instrument.

Zero Accrual Periods: A period of time in which an investment accumulates no interest.

STATE OF CALIFORNIA)
COUNTY OF VENTURA) ss.
CITY OF MOORPARK)

I, Maureen Benson, City Clerk of the City of Moorpark, California, do hereby certify under penalty of perjury that the foregoing Resolution No. 2015-3449 was adopted by the City Council of the City of Moorpark at a regular meeting held on the 21st day of October, 2015, and that the same was adopted by the following vote:

AYES: Councilmembers Mikos, Millhouse, Pollock, Van Dam, and Mayor Parvin

NOES: None

ABSENT: None

ABSTAIN: None

WITNESS my hand and the official seal of said City this 4th day of November, 2015.

Maureen Benson

Maureen Benson, City Clerk
(seal)