|  |
| --- |
|  |
| **City of Laguna Beach** |
| **Investment Policy** |
|  |
| **Calendar Year 2020**  **Approved by the City Council December 3, 2019** |
| **Office of the City Treasurer**  Laura Parisi, CPA, CCMT  City Treasurer |

City of Laguna Beach

**Investment Policy**

# January 1, 2020 through December 31, 2020

Table of Contents

1.0 Policy Statement 2

2.0 Scope 2

3.0 Investment Philosophy 3

4.0 Objective 3

5.0 Investment Authority 4

6.0 Ethics and Conflicts of Interest 4

7.0 Authorized Financial Dealers and Institutions 4

8.0 Authorized and Suitable Investments 4

9.0 Review of Investment Portfolio 7

10.0 Investment Pools 7

11.0 Unauthorized Investments 8

12.0 Collateralization 9

13.0 Safekeeping and Custody 9

14.0 Diversification 9

15.0 Maximum Maturities 10

16.0 Internal Controls 10

17.0 Performance Standards 10

18.0 Investment of Debt Proceeds 11

19.0 Reporting 11

20.0 Investment Policy Adoption 11

Glossary 12

Broker/Dealer Questionnaire 17

City of Laguna Beach

**Investment Policy**

# January 1, 2020 through December 31, 2020

1. **POLICY STATEMENT:**

It is the policy of the City to invest public funds based on compliance with state law and prudent money management practices. The primary goal of the City’s Investment Policy is to invest in a manner that will provide the maximum security of the principal invested with a secondary emphasis on providing adequate liquidity and finally to achieve a market rate of return within the parameters of prudent risk management while conforming to all state statutes and local regulations governing the investment of public funds.

1. **SCOPE:**

This investment policy applies to all financial assets of the City. These funds are accounted for in the City’s Comprehensive Annual Financial Report and include:

* **General Fund,**
* **Measure LL,**
* **Open Space,**
* **Capital Improvement,**
* **Parking Authority,**
* **Parking in Lieu,**
* **Park in Lieu,**
* **Art in Lieu,**
* **Drainage Fund,**
* **Housing in Lieu,**
* **Gas Tax,**
* **Street Lighting,**
* **Sewer Service,**
* **Disaster Contingency,**
* **Transportation Infrastructure,**
* **Transit,**
* **Internal Service Funds – Insurance,**
* **Internal Service Funds – Vehicle Replacement,**
* **Assessment District Construction and Debt Service Funds** (see section 18.0 “Investment of Debt Proceeds”).

**Specific Investment Accounts** – From time to time, the City Council may authorize an investment in other specific investments or the management of bond proceeds issued by the City of Laguna Beach. This may include deposits that are set aside for future needs of a long-term nature and may be invested in longer-term securities as allowed by the Government Code.

No investment will be made in any security with a remaining maturity in excess of five years at the time of purchase or a below market rate of return, unless the City Council has granted express authority to make such an investment. Inter fund transfers are not covered by this policy.

1. **INVESTMENT PHILOSOPHY:**

The City’s investment philosophy is to invest conservatively to minimize risk. Investments shall be made in a manner consistent with the Prudent Investor Standard for trustees of local government monies, as described in Government Code section 53600.3, which states as follows:

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.

1. **OBJECTIVE:**

The authority governing investments for municipal governments is set forth in Government Code sections 53600 et seq. The primary objectives of investment activities, in order of priority, are:

* 1. **SAFETY:**

Safety of principal is the foremost objective of the investment program. The investment of City funds shall be undertaken to seek to ensure the preservation of capital in the overall portfolio. To attain this objective, the City shall diversify its investments by investing funds among a variety of securities offering independent returns and from various financial institutions.

* 1. **LIQUIDITY:**

The investment portfolio will remain sufficiently liquid to enable the City to meet the operating requirements that are reasonably anticipated.

* 1. **YIELD:**

The City’s investment portfolio shall be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, commensurate with the City’s investment risk constraints and the cash flow characteristics of the portfolio. The benchmark rate of return is defined in paragraph 17.1.

1. **INVESTMENT AUTHORITY:**

The authority to manage the City’s investment program is derived from Government Code, Section 53600 et seq. The City Council has delegated the management responsibility for the investment program to the City Treasurer. The City Treasurer shall be responsible for investment management decisions and all transactions undertaken and shall establish a system of controls. The City Treasurer shall designate one or more persons, subject to approval by the City Council, to serve as Deputy Treasurer, in the event circumstances require timely action and the City Treasurer is not present.

No deputy may engage in an investment transaction except as provided under this Investment Policy and the procedures established by the City Treasurer and approved by the City Council.

1. **ETHICS AND CONFLICTS OF INTEREST:**

All participants in the investment process shall act as fiduciaries of the public trust. The City Treasurer and Deputy Treasurer(s) shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. The City Treasurer and Deputy Treasurer(s) shall disclose any material financial interests in financial institutions that conduct business with the City and they shall further disclose any personal financial/investment positions that could be affected by the performance of the City’s operations and functions or by the management of the City’s investment program.

1. **AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS:**

The City Treasurer shall maintain a list of broker/dealers and financial institutions authorized to provide investment services to the City of Laguna Beach. These may include primary dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule).

Annually, the City Treasurer shall review each approved broker/dealer’s financial condition and registrations to determine whether he/she should remain on the approved list. Additional broker/dealers may be added to the approved list as needed. The questionnaire used for these processes is attached to this Investment Policy.

1. **AUTHORIZED AND SUITABLE INVESTMENTS:**

Investment alternatives are governed by California statute and are further limited by the provisions of this Investment Policy. The following investment types are authorized and may be selected for investment given the liquidity needs and economic circumstances of the City, at the discretion of the City Treasurer.

**8.1 U. S. Treasury Securities**

United States Treasury bills, notes and bonds or certificates of indebtedness, for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no limit on the percentage of a portfolio that can be invested in this category.

**8.2 U.S. Government Agency Securities**

Obligations, participations or other instruments of or issued by a federal agency or a United States government-sponsored enterprise. There is no limit on the percentage of a portfolio that can be invested in this category.

**8.3 Certificates of Deposit**

Certificates of deposit include the traditionally known form, negotiable certificates of deposit or the investment commonly known as CDARS. All certificates of deposit must be collateralized or fully insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA). The Certificates of Deposit must comply with Government Code section 53601(i). There is 25% limit on the percentage of a portfolio that can be invested in this category.

**8.4 Bankers’ Acceptances**

Bankers’ Acceptances, also known as time drafts (bills of exchange) are drawn on and accepted by a commercial bank. Purchases of bankers’ acceptances shall not exceed 180 days maturity and must be issued by one of the 10 largest domestic banks or one of the 20 largest international banks. There is 25% limit on the percentage of a portfolio that can be invested in this category.

**8.5 Commercial Paper**

At the time of purchase, commercial paper must be rated either A-1/P-1/F1 or better by at least two Nationally Recognized Statistical Rating Organizations or have an A rating or better when applicable. No more than 3% of the total assets of the portfolio may be invested in any one issuer’s commercial paper and corporate notes when combined. There is 25% limit on the percentage of a portfolio that can be invested in this category.

**8.6 Bank Deposits**

Funds in banks or other depository institutions may be in demand accounts (checking) or investments in accounts that have a fixed term and negotiated rate of interest. California law requires that public deposits in banks be insured by the Federal Deposit Insurance Corporation (FDIC), or, to the extent not insured, collateralized with certain types of securities. There is 25% limit on the percentage of a portfolio that can be invested in this category.

**8.7 Medium-term Corporate Notes**

Medium-term notes are defined as all corporate and depository institution debt securities with a maximum remaining maturity of not more than five years. They must be issued by corporations organized and operating within the United States. Notes eligible for investment shall be rated in the A category by at least two Nationally Recognized Statistical Rating organizations. No more than 3% of the total assets of the portfolio may be invested in any one issuer’s medium-term corporate notes and commercial paper when combined. There is 25% limit on the percentage of a portfolio that can be invested in this category.

**8.8 Municipal Notes or Bonds**

Obligations of a political subdivision of the United States are investments authorized by this policy. At the time of purchase, long-term investments must have a rating in the A category, or better, by at least two Nationally Recognized Statistical Rating Organizations. Short-term investments must have a rating of A-1/P-1/F1 or better by at least two Nationally Recognized Statistical Rating Organizations. Municipal debt issued by the City of Laguna Beach is exempt from the credit rating requirement.

No more than 5% of the total assets of the portfolio may be invested in any one issuer’s municipal notes or bonds. There is 25% limit on the percentage of a portfolio that can be invested in this category.

**8.9 Investment Pools**

Investment pools are organized and operated by a treasurer, investment officer, or external investment advisory firm. The Local Agency Investment Fund (LAIF) is the only Investment Pool authorized as of the date this policy was adopted. LAIF is a State of California managed investment pool established by the State Treasurer for the benefit of local agencies. There is no limit on the percentage of a portfolio that can be invested in this category.

**8.91 Supranational Securities**

Supranational securities are defined as United States dollar denominated senior unsecured, unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC) or Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Supranational securities eligible for investment shall be in the rating category “AA” or better from at least two Nationally Recognized Statistical Rating Organizations. There is a 5% limit on the percentage of a portfolio that can be invested in this category.

Any State of California legislative action that further restricts allowable maturities, investment type or percentage allocations, shall be incorporated into this Investment Policy and supersede any and all previous applicable provisions inconsistent with such legislative action.

1. **REVIEW OF INVESTMENT PORTFOLIO:**

The securities held by the City of Laguna Beach must comply with Section 8.0 “Authorized and Suitable Investments” at the time of purchase. If at a later date, a security is no longer in compliance with Section 8.0 the City Treasurer shall report the non-compliant security to the City Council and the City Manager and shall include a disclosure in the monthly Investment Report if the security is held at the date the report is prepared.

1. **INVESTMENT POOLS:**

A thorough investigation of the pool is required prior to recommending authorization for investment. A questionnaire shall be developed that will provide the following information;

* A description of eligible investment securities, and a written statement of investment policy and objectives;
* A description of interest calculations and how they are distributed, and how gains and losses are treated;
* A description of how the securities are safeguarded (including the settlement processes) and how often the securities are priced and the program audited;
* A description of who may invest in the program, how often, and what size deposits and withdrawals are allowed;
* A schedule for receiving statements and portfolio listings;
* A description of the utilization and level of reserves, retained earnings or other collateral and how they are used by the fund;
* A fee schedule, and when and how is it assessed; and
* Whether the fund is eligible for bond proceeds and/or whether it will accept such proceeds.

**11.0 UNAUTHORIZED INVESTMENTS:**

Certain investments are prohibited by Government Code   
section 53601.6, including inverse floaters, range notes, mortgage-derived interest-only STRIPS and securities that results in zero interest accrual if held to maturity unless the agency holds the security to maturity (except for money market funds). Besides investments prohibited by statute, this policy disallows investment in the following due to a higher perceived risk:

* **Asset –backed securities (ABS)** are supported by pools of installment loans or leases or by pools of revolving lines of credit;
* **Investment agreements** are contracts regarding funds deposited by an investor often separated into those offered by banks and those offered by insurance companies commonly known as GICs;
* **Mortgage-backed securities** are created when a mortgagee or purchaser of residential real estate mortgages creates a pool of mortgages and markets undivided interests or participations in the pool;
* **Repurchase agreements** are a short-term purchase of securities with a simultaneous agreement to sell the securities back on a specified date at an agreed upon price;
* **Reverse-repurchase agreements** involve an investor borrowing cash from a financial institution for securities;
* **Securities lending agreements** allow local agencies to earn incremental income on their investment portfolio by loaning securities in their portfolio to financial services companies for a limited time;
* **Mutual funds** are various forms of beneficial interests, issued by diversified management companies that may strive to maintain a stable Net Asset Value of $1.00.

In addition to the above specific investments, it can be generalized that investments with the following characteristics are unauthorized by this City Investment Policy:

* **Options** are contracts that give the buyer the right to buy or sell an obligation at a specified price for a specified time;
* **Derivatives** have a principal and/or interest payment subject to uncertainty as to timing and/or amount;
* **Financial futures** are exchange traded contracts to buy or sell a financial instrument at a specific price and on a specific future date.

**12.0 COLLATERALIZATION:**

All demand deposits, time deposits and certificates of deposits that are not insured by the Federal Deposit Insurance Corporation “FDIC” must be fully collateralized under the Government Code.

**13.0 SAFEKEEPING AND CUSTODY:**

All security transactions entered into by the City of Laguna Beach shall be conducted on a delivery-versus-payment (DVP) basis. An independent, third party custodian designated by the City Treasurer shall hold all securities. The third party custodian shall be required to issue a safekeeping receipt to the City that lists the specific instrument, rate, maturity and other pertinent information.

**14.0 DIVERSIFICATION:**

Consistent with the City’s investment philosophy described in Section 3.0 above, it is the policy to diversify the investment portfolio to minimize the risk of loss resulting from over concentration of assets in a specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed. Diversification standards by security type and issuer shall be:

**0% to 100%**

* U.S. Treasury securities;
* U.S. Government Agency securities;
* Local Agency Investment Fund.

**0% to 25%**

* Certificates of Deposit;
* Bankers’ Acceptances;
* Commercial Paper \*;
* Bank deposits;
* Medium-term corporate notes \*;
* Municipal notes or bonds \*\*.

**0% to 5%**

* Supranational securities.

\*No more than 3% of the total assets of the portfolio may be invested in the securities issued by a single entity.

\*\*No more than 5% of the total assets of the portfolio may be invested in the securities issued by a single entity.

**15.0** **MAXIMUM MATURITIES:**

To the extent possible, the City of Laguna Beach will match security maturities to cash flow requirements during the remaining budgeted period. Investments will have a maximum remaining maturity of only the limitations imposed by state law or five (5) years from purchase, whichever is shorter.

**16.0 INTERNAL CONTROL:**

The City Treasurer shall establish a process of independent review with the cooperation of the City Manager every year. The independent auditor to perform the review shall be selected at an Investment Status Meeting. This review shall include procedures that test the compliance with the policies and procedures set forth in this Investment Policy.

**17.0 PERFORMANCE STANDARDS:**

The investment portfolio shall be designed with the objective of obtaining a benchmark rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

**17.1 Benchmark Rate of Return**

The City’s investment strategy is passive. Given this strategy, the City Treasurer shall determine whether market yields are being achieved by comparing the average City portfolio yield to the 2-year U.S. Treasury Note or the treasury security that most closely matches the duration of the portfolio, whichever is shorter. The market yield (benchmark rate of return) is an objective of this Investment Policy, as referenced above in paragraph 4.3.

**18.0 INVESTMENT OF DEBT PROCEEDS:**

Proceeds of debt issuances shall be invested under the requirements of related debt agreements, rather than the requirements of this Investment Policy.

**19.0 REPORTING:**

The City Treasurer shall provide monthly investment reports that provide a clear, accurate and complete depiction of the investment portfolio. The monthly report shall be provided to the City Council at a public meeting and shall be available for public viewing on the City of Laguna Beach website. The report shall also be provided to the City Manager and his/her designees. Schedules in the monthly investment report shall include the following;

* A listing of individual securities held at the end of the reporting period by authorized investment category,
* Average life and final maturity of all investments listed,
* Coupon, discount or earnings rate,
* The benchmark 2-year U.S. Treasury note,
* Par value and fair value and
* Percentage of the portfolio represented by each investment category.

**20.0 INVESTMENT POLICY ADOPTION:**

The City’s Investment Policy shall be adopted by resolution of the City Council. The Investment Policy shall be reviewed annually by the City Council. Any modifications made to the Investment Policy must be approved by the City Council.

**GLOSSARY**

**AGENCIES**: Agencies of or sponsored by the Federal government set up to supply credit to various classes of institutions. Examples include Federal Home Loan Banks (FHLB), Federal Farm Credit Bank (FFCB), Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA) and Sallie Mae.

**ASKED**: The price at which securities are offered by a selling party to a buying party.

**BANKERS’ ACCEPTANCE (BA):** A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill and the issuer.

**BENCHMARK**: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio’s investments.

**BID**: The price offered by a buyer of securities. (When selling securities, you ask for a bid.) See Offer.

**BROKER/DEALER**: An individual or firm that brings buyers and sellers together in a securities transaction.

**CERTIFICATE OF DEPOSIT (CD**): A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD’s are typically negotiable.

**COLLATERAL**: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR):** The official annual report for the City of Laguna Beach. It includes five combined statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principles (GAAP). It also includes supporting schedules necessary to demonstrate compliance with GAAP, finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

**CORPORATE MEDIUM-TERM NOTE** – Corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

**COUPON**: (a) The annual rate of interest that a bond’s issuer promises to pay the bondholder on the bond’s face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

**DEALER:** A dealer acts as a principal in all transactions, buying and selling for his own account.

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

**DELIVERY VERSUS PAYMENT (DVP)**: Delivery of securities with a simultaneous exchange of money.

**DEPUTY:** Deputy Treasurer that is appointed by the City Treasurer and for whose acts she or her bondsmen are responsible. The Deputy Treasurer(s) eligible to work in the area of investment of excess funds are subject to City Council approval.

**DERIVATIVES**: Financial products dependent for their value on (or derived from) an underlying financial instrument, a commodity, or an index.

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

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

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):** A federal agency that insures bank deposits up to $250,000 per deposit.

**FEDERAL FUNDS RATE:** The interest rate charged by one institution lending federal funds to another.

**FEDERAL HOME LOAN BANKS (FHLB):** Government sponsored wholesale banks (12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

**FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA**): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie

Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation’s purchases include a variety of adjustable mortgages, second loans and fixed-rate mortgages. FNMA’s securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

**FEDERAL OPEN MARKET COMMITTEE (FOMC):** 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 to influence the volume of bank credit and money.

**FEDERAL RESERVE SYSTEM:** The central bank of the United States created by Congress and comprising a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

**GOVERNMENT CODE** – The Government Code of the State of California.

**GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)** – The independent organization that establishes and improves standards of accounting and financial reporting for the United States, state and local governments.

**INTERFUND TRANSFER** – The transfer or loan from another fund within the City of Laguna Beach.

**LIQUIDITY:** A liquid asset can be converted easily and rapidly into cash without a substantial loss.

**LOCAL AGENCY INVESTMENT FUND (LAIF):** The aggregate of all funds from political subdivisions placed in the custody of the State Treasurer for investment and reinvestment.

**MARKET VALUE**: The price at which a security is trading and could presumably be purchased or sold.

**MARKET RATE OF RETURN:** A rate of return commensurate with the market for similar securities (maturity, credit rating, duration and liquidity) would be considered a market rate of return.

**MATURITY**: The date upon which the principal or stated value of an investment becomes due.

**MONEY MARKET MUTUAL FUNDS:** Open-ended mutual fund that invests in commercial paper, banker’s acceptances, repurchase agreements, government securities, certificates of deposit and other highly liquid securities and pays money market rates of interest.

**MUNICIPAL ADVISOR RULE:** A regulation of non-dealer “municipal advisors” such as financial advisors. In addition, the rule pertains to banks and broker dealers acting as municipal advisors. Municipal advisors have a fiduciary responsibility to the government agency receiving their services and they must register with the SEC. Municipal finance professionals that do not have a fiduciary duty to issuers cannot provide advice to governments unless certain exemptions are met. The SEC has published a list of frequently asked questions: http://www.sec.gov/info/municipal/mun-advisors-faqs.pdf.

**NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO):** Firms that review the creditworthiness of the issuers of debt securities and express their opinions in the form of letter rating categories (e.g. AAA, AA, A, BBB, etc). The primary rating agencies are the following; Standard & Poor’s Corporation, Moody’s Investor Services, Inc.; Fitch, Inc. and Dominion Bond Rating Service, Ltd.

**OFFER**: The price asked by a 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 in the open market by the New York Federal Reserve Bank as directed by the FOMC 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.

**PORTFOLIO**: Collection of securities held by an investor.

**PRIMARY DEALER**: A group of government securities dealers that serve as trading counterparties of the New York Federal Bank in implementing monetary policy. This role includes the obligations to (i) participate consistently in open market operations to carry out U.S. monetary policy under the direction of the Federal Open Market Committee (FOMC) and (ii) provide the New York Federal Banks’s trading desk with market information and analysis helpful in the formation and implementation of monetary policy. Primary dealers are also required to participate in all auctions of U.S. government debt and to make reasonable markets for the New York Federal Bank when it transacts for its foreign official account-holders.

**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. The City of Laguna Beach calculates the rate of return based on the purchase price and the interest rate paid by the security when the Investment Report was prepared.

**SAFEKEEPING**: A service provided by banks and trust companies when the bank or trust company stores the securities, receives interest payments and redeems issues at maturity.

**SECONDARY MARKET**: A market made for the purchase and sale of outstanding following the initial distribution.

**SECURITIES & EXCHANGE COMMISSION**: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

**SEC RULE 15C3-1:** See Uniform Net Capital Rule.

**SETTLEMENT DATE**: The date that city cash has been exchanged for an investment. This will be considered the date that the investment is owned by the City.

**SUPRANATIONALS:** Development banks that share the same goal of providing an improved standard of living in their member countries, but each having different mandates. There are three banks (supranationals) in which California local agencies can invest in their debt obligations: the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC) and Inter-American Development Bank (IADB).

**TREASURY BILLS**: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

**TREASURY BONDS**: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of over 10 years.

**TREASURY NOTES**: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of one to 10 years.

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

**YIELD:** The rate of annual income return on an investment, expressed as a percentage. There are nine methods of calculating yield identified by the California Debt and Investment Advisory Commission. The Treasurer shall select the method he or she thinks would be most informative to the reader of the report.



**City of Laguna Beach**

**Office of the City Treasurer**

Laura Parisi, CPA, CCMT

**Broker/Dealer Questionnaire and Certification**

1. Name of Firm:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. Address:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
3. Telephone: ( )\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. E-mail and website: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. Primary Representative:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Title:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Telephone: ( )\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

E-mail:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Are you or have you been a broker or dealer approved by the City Treasurer? \_\_\_\_\_\_ If so, how many years? \_\_\_\_\_
2. What type of investments authorized by the California investment code and the City of Laguna Beach Investment Policy does your firm offer? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
3. Please identify three California governmental agencies with a contact name, phone number and the number of years you have been doing business with that agency that we may contact for a reference.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Does your firm currently and during the prior seven years comply with the net capital requirements of SEC rule 15c3-1? \_\_\_\_\_\_
2. Has your firm ever been subject to a regulatory, state or federal agency investigation for alleged improper, fraudulent, disreputable or unfair activities? Have any of your employees been investigated? If so, please explain. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
3. Please provide the audited financial statement for your firm and proof of FINRA report and California registration with this questionnaire and certification.

**CERTIFICATION**

I certify under penalty of perjury under the laws of the State of California that I have read the City of Laguna Beach’s Investment Policy and the laws of the State of California related to authorized and suitable investments and that I will only offer such authorized and suitable investments for sale to the City.

Signed:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Dated:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_