

**REDDING AREA BUS AUTHORITY  
BOARD POLICY**

SUBJECT	RESOLUTION NUMBER	POLICY NUMBER	EFFECTIVE DATE
<b>INVESTMENT POLICY</b>	RABA-90	111	2/22/94
AMENDED <i>(Replaced in its entirety)</i>	RABA 2014-03	111	10/20/14

**BACKGROUND**

On April 19, 1988, the Redding Area Bus Authority (RABA) approved an Investment Policy submitted by staff. In May 1988, a resolution was adopted by the Board authorizing the investment of RABA funds in the Local Agency Investment Fund (LAIF); and on August 16, 1988, the Board approved a request from the Redding City Treasurer (City Treasurer) to co-mingle City of Redding and RABA funds in the LAIF subject to the following conditions:

1. That a detailed monthly report from the City Treasurer be submitted to RABA at the end of each month, seven working days before the next regular RABA meeting.
2. That RABA may cancel this agreement at any time with 30 days written notice.

It appears in the best interest of RABA to have an Investment Policy adopted by resolution in order to have consistent guidelines for reporting and updating of procedures relating to the investment of RABA revenue.

**PURPOSE**

The City Treasurer, who has been given the authority by the Joint Exercise of Powers Agreement to invest and reinvest RABA funds, should have clear guidelines in place for reporting this activity to the RABA Board of Directors.

Therefore, the Investment Policy is designed to provide guidelines for the prudent investment of RABA's idle funds and reporting of the same. Reviewing, amending or updating of this policy shall be conducted no less than once a year.

**POLICY**

The City Treasurer has the fiduciary responsibility to maximize the productive use of RABA's assets entrusted to his/her care and to invest and manage those funds with reasonable care, skill, and caution. Therefore, RABA must operate its idle cash investment pool under the "prudent investor standard" set forth in California Probate Code §16047. This affords RABA a broad spectrum of investment opportunities as long as the investment is deemed prudent and is allowable under current legislation of the State of California (Government Code §53600 *et seq.*).

RABA recognizes that it has an obligation to be aware of the possible social and political impacts of its investments and will act responsibly if issues of this nature arise.

RABA shall strive, whenever possible, to make investments that benefit the local area. Priority will be given to investments that promote community economic development, i.e., dealing with local financial institutions, etc., provided that the investment selection criteria is met and yield is not significantly impacted.

### **ALLOWABLE INVESTMENTS**

RABA complies with Government Code §53600 *et seq.*, which is incorporated herein by this reference.

### **CRITERIA FOR SELECTING INVESTMENTS IN PRIORITY ORDER**

1. **Safety.** The safety and risk associated with an investment refers to the potential loss of principal and/or interest. There are basically two types of risk in cash investment: The first, credit risk, refers to the financial strength of the entity that is obligated to repay the investment. The second, principal protection, refers to the potential loss of principal due to market fluctuations or due to an early liquidation of the investment. In order for RABA to fulfill its fiduciary responsibility in regard to the funds entrusted to it, RABA must invest in only those investments which present no substantial threat to principal.
2. **Liquidity.** This is the marketability of an investment or the ease with which it can be converted to cash. Generally, the more liquid or marketable the security, the lower the yield. The importance of this factor in investment selection is dependent upon the possibility of the circumstances arising that would necessitate the investment being converted to cash before maturity.

Funds must be available in varying amounts to meet RABA's daily cash needs. The City Treasurer, therefore, shall structure RABA investments in such a manner as to provide for its daily cash needs while, at the same time, participating in longer term<sup>1</sup> higher yield instruments with cash that is not currently restricted from expenditure or for which there is not an immediate need.

3. **Yield.** The yield is the earnings an investment provides. It is usually expressed as an annual rate of return (the percentage annual earnings are of the invested principal). Since obtaining investment earnings is the motivation for investing, yield is a significant factor in all investment transactions; however, it shall become a consideration only after all other investment criteria are satisfied.

### **INVESTMENT LIMITATIONS**

Security purchases and holdings shall be maintained within the statutory limits imposed by the California Government Code section 53600 *et seq.*

### **COLLATERAL REQUIREMENTS**

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<sup>1</sup> Government Code §53601 restricts the term remaining to maturity for any investment to five (5) years.

Pursuant to Government Code §53652, collateral requirements to secure RABA's active or inactive deposits are as follows:

- a) 110% if backed by those eligible securities described by Government Code §53651, excluding those securities set forth in Government Code §53651(m) and §53651(p);
- b) 150% if backed by those eligible securities described by Government Code §53651(m); and
- c) 105% if backed by those eligible securities described by Government Code §53651(p);

Pursuant to Government Code §53653, RABA may waive security for that portion of any deposit that is insured pursuant to federal law.

### **WITH WHOM TO TRANSACT**

The City Treasurer or designee shall make investment transactions only with financial institutions, national firms, or security dealers that are reputable and that exhibit financial stability. In addition, the security dealers must be able to meet the requirements for classification as primary dealers with the New York Federal Reserve Bank or currently licensed by the State of California. The Request For Information ("RFI") shall be utilized as a significant factor in the selection and periodic review of the institutions and/or individuals utilized for investment transactions.

### **COMPETITIVE OFFERS**

The City Treasurer or designee shall obtain at least three (3) offers from investment officers or broker/dealers including the potential yield for each security RABA intends to purchase. Each investment officer or broker/dealer shall have on file a current RFI.

### **DIVERSIFICATION**

The portfolio shall contain a variety of security types, issuers, and maturities.

### **SAFEKEEPING**

Investment securities purchased by RABA shall be held in the name of RABA, delivered to the Redding City Treasurer, or delivered to the City's Trust and Custody Officer with offices within the State of California. Investment purchases shall be delivery versus payment.

### **SELLING SECURITIES PRIOR TO MATURITY**

Losses may be acceptable on a sale and should be taken if the reinvested proceeds will generate earnings (net of the resultant capital loss or early withdrawal penalty) that are greater than the earnings that would be generated if the existing investment were held to maturity. Further, securities may be sold at a loss prior to maturity for liquidity needs.

Gains are acceptable on a sale prior to maturity of the investment and may be taken if the reinvested proceeds and capital gains will generate earnings that are greater than the loss of opportunity should the investment be held to maturity. Further, securities may be sold at a gain prior to maturity for liquidity needs.

## **REPORTING**

The City Treasurer shall provide a monthly report to the RABA Board of Directors. This report shall show how investments have been made and whether the investments are in conformance with the Investment Policy.

The City Treasurer or Chief Fiscal Officer shall annually render to the legislative body of the local agency and any oversight committee a statement of investment policy, which the legislative body of the local agency shall consider at a public meeting. Any changes in the policy shall also be considered by the legislative body of the local agency at a public meeting. Government Code §53646(a).

## **DEBT PROCEEDS**

Notwithstanding any other provisions to the contrary, the proceeds from a debt issuance shall be invested in “permitted investments” as defined by the trust agreement associated with the debt issue (which may include investment in the State Pool, Local Agency Investment Fund or LAIF), provided that those permitted investments have a rating of no less than A- by Standard & Poor’s Corporation or A3 by Moody’s Investors Service. The investment of proceeds from a debt issuance shall also be in compliance with the requirements imposed by rating agencies, bond insurers, and federal and state law.

The Investment Policy lists the criteria to be utilized for the selection of investments and priority considerations. For purposes of this section, the term “Treasurer” is that individual defined in the bond documents and amendments of the debt issue. The Treasurer is subject to the applicable provisions of any indenture, trust agreement, or resolution providing for a trustee or other fiscal agent. The individual designated as “Treasurer” by the bond documents or amendments of the debt issue shall have custody of all the money of the issuing authority from whatever source and, if the issuing authority is operated pursuant to a Joint Powers Agreement, then that person shall have the powers, duties, and responsibilities specified by Government Code §6505.5.

1. Due Diligence – It shall be the responsibility of the Treasurer to structure and monitor the bond proceeds investment process and to verify that fees paid to brokers are reasonable and commensurate with the work performed. The Treasurer shall consult with bond counsel and financial advisors, when applicable, during the development of the bond issue documents and shall be responsible for determining whether the proceeds shall be actively or passively invested as a result of Federal regulations that may govern the issue.
2. Conflicts of Interest – Underwriters and financial advisors may not receive compensation, finder’s fees, honoraria or gifts from parties involved in investment transactions. Subject to any restrictions imposed by Federal regulations, the bond underwriter or advisor may bid for investment funds in an openly competitive bidding, but not as sole source broker or intermediary. If a financial advisor or underwriter also acts in an investment capacity, the firm shall certify that its fees (a) do not exceed the fees it customarily charges for investment activity and (b) include no compensation for services provided in the underwriting.

3. Avoidance of Abuses – The City will refrain from abusive practices in the investment of bond proceeds and will obtain market price instruments. For bond issues to which Federal yield or regulatory restrictions apply, the primary objective shall be to prudently obtain satisfactory market yields and to minimize the costs associated with investment of such funds. The Treasurer shall obtain full disclosure of brokerage and other fees associated with investment of bond proceeds and shall require written disclosure of any payments made by investment firms or brokers to third parties associated with the City in the issuance of its bonds.
4. Arbitrage Record Keeping – The Treasurer shall establish systems and procedures to comply with Federal regulations governing the investment of bond proceeds, including investment record keeping system