Finance Department

# City of Tustin

300 Centennial Way
Tustin, CA 92780

Director
(714) 573-3061

Secretary
(714) 573-3060

Water Billing
(714) 573-3075

FAX (714) 832-0825

January 14, 2004

Ms. Shirley Opie, Assistant Executive Director
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814

RE: Incorrect Reduction Claim for the City of Tustin, 02-9635802-I-47

Dear Ms. Opie:

The following documents are enclosed for your review. Thank you.

1. Declaration of Larry Schutz
2. Copies of Quarterly Investment Reports from fiscal years 1995-96, 1996-97, 1997-98 and 1998-99
3. Copies of the City of Tustin Investment Policy adopted in 1993, 1996, 1997, 1998 and 1999

Sincerely,

Larry Schutz
Assistant Finance Director

LS:ts

Attachments

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JAN 16 2004
COMMISSION ON
STATE MANDATES

LS:CommissionOnStateMandatesCoverPage.doc

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RE: Incorrect Reduction Claim for the City of Tustin, 02-9635802-I-47

I, Larry Schutz, make the following declarations:

1. I am an employee of the City of Tustin Finance Department and am over the age of 18 years.
2. I am currently employed as Assistant Finance Director and have been so for the past 17 years.
3. As a manager of the Finance Department, I have access to and am involved in processing of claims for reimbursement for expenditures mandated by the State.
4. I am a duly authorized custodian of records or other qualified witness with authority to certify such records.
5. Any attached copies of records are true copies of records as retained at our place of business.
6. The records were prepared by the personnel of our office in the ordinary course of business at or near the time of the act, condition or event.
7. The records include a copy of quarterly investment reports from fiscal years 1995-96, 1996-97, 1997-98 and 1998-99.
8. Also included are copies of the City of Tustin Investment Policy adopted in 1993, 1996, 1997, 1998 and 1999.

I do declare that the above declarations are made under penalty of perjury and are true and correct to the best of my knowledge, and that such knowledge is based on personal observation, information or belief.

Date: January 14, 2004

City of Tustin

By: Larry Schutz
Larry Schutz, Assistant Finance Director

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COMMISSION ON
STATE MANDATES

LS:CommissionOnStateMandatesRefIncorrectReductionClaim.doc

Inter-Com

DATE: APRIL 30, 1996

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: G. W. JEFFRIES, TREASURER

SUBJECT: INVESTMENT REPORT

Attached is our initial quarterly Investment Report, "rendered" within thirty days as required by Senate Bill 564.

Please notice the revised format, which now shows a summary of various categories and totals, as well as several statements now required. Attachments include the detailed list of investments, graphics, and a glossary.

You also will notice the balances of Deferred Compensation accounts and various bond proceeds issues are prior to 3-31-96. They are as timely as we can manage.

We expect to agendize all quarterly Investment Reports as soon as possible within thirty days.

Please call me at 573-3064 or 838-4187 if I may be of further assistance.

GWJ:InvRept1.Apr

# *CITY OF TUSTIN INVESTMENT REPORT*

## SUMMARY
## QUARTER ENDING
## MARCH 31,1996

| DESCRIPTION | Maximum Maturity | Allowable Portion of Portfolio | Original Purchase Total | Current Book Value | Current Market Value | Current Concentration |
|---|---|---|---|---|---|---|
| CITY OF TUSTIN: | | | | | | |
| Time Deposits | 5 yrs | No Limit | $0 | $0 | $0 | 0.00% |
| Negotiated Deposits (CD's) | 5 yrs | 10% | $0 | $0 | $0 | 0.00% |
| Commercial Paper | 90 days | 25% | $0 | $0 | $0 | 0.00% |

c. Government-sponsored pools, such as California State Treasurer's Local Agency Investment Fund (LAIF), and Mutual Funds, as authorized by California Government Code section 53601 et seq. if in the judgment of the Treasurer, they meet MTA of US&C suggested due diligence standards, or are rated in the highest category by a nationally recognized rating service.

d. Commercial Bank Time Drafts (Bankers Acceptances), highest letter and numerical short term debt ratings by Moody's or Standard and Poors, A1 or P1 or equivalent; but not in excess of **twenty-five (25) percent** of invested funds at the time of purchase with a maximum maturity of **one hundred and eighty (180) days.**

e. Corporate notes of a maximum maturity of five (5) years remaining to stated final maturity, issued by corporations organized and operating within the U.S. or by depository institutions licensed by the U.S. or any State, and operating within the U.S. Notes eligible for investment under this subdivision shall have a long term debt rating of AA or its equivalent by Moody's or Standard and Poors. Purchases may not exceed **ten (10) percent** of invested funds at the time of purchase.

f. Federal Agency bonds or notes, but not in excess of **fifty (50) percent** of invested funds at time of purchase with a maximum maturity of five (5) years remaining to stated final maturity.

g. U.S. Treasury securities not exceeding five (5) years to final maturity.

h. Investment Contracts. Bond proceeds may be placed in investment contracts if authorized by borrowing documents. Guarantors of such contracts shall have at least an AA rating by two major investment services. Contracts shall contain market value protection in case of downgrading by including delivery of cash or Treasury securities, at the election of the City.

i. Mutual Funds. Money market mutual funds as permitted by California Government Code 53601(k) are authorized if deemed appropriate by the Treasurer after due diligence similar to **Investment Limitations** (subparagraph **c**).

**Liquidity.** The marketability (salability) of a security shall be considered at the time of purchase since the security may have to be sold at a later date to meet an unanticipated cash demand.

**Maturity Limitations.** As a general rule, intermediate-term maturities shall not represent a significant percentage of the total portfolio. Unless previously authorized by City Council, no investment may have a term final stated maturity longer than five (5) years. At the time of purchase, holdings with maturities greater than one (1) year shall not exceed **thirty-five (35) percent** of the total portfolio.

**Collateral.** Collateral requirements are addressed in California Government Code Section 53652. All active and inactive deposits must be secured at all times with eligible securities in securities pools pursuant to Sections 53656 and 53657. Eligible securities held as collateral shall have a market value in excess of the total amount of all deposits of a depository as follows:

--government securities at least 110 percent.
--mortgage backed securities, at least 150 percent.

**Authorized Broker/Dealers.** Investments shall be transacted only through Authorized Broker/Dealers which have been reviewed and approved by the **Treasurer** for reliability, credit worthiness and trustworthiness.

**Diversification.** The portfolio shall consist of various types of securities approved by statute and this Statement of Investment Policy, as well as varied issuers and maturities.

**Safekeeping.** Securities purchased from broker/dealers shall be held in third party safekeeping by the trust department of the local agency's bank, or by other third party trustee designated by the Treasurer. Said securities shall be held in the name of the City with the trustee executing agreements and confirmations of investment transactions as directed by the City Treasurer.

**III. STRATEGY.** Strategy refers to the plan to manage financial resources in the most advantageous manner.

**Economic Forecasts.** The Treasurer periodically may obtain economic forecasts from economists and financial experts through bankers and broker/dealers in order to assist in the formulation of investment plans.

**Implementing Investment Strategy.** The Treasurer shall execute investment transactions which conform to current and anticipated cash requirements, interest rate trends, and stated investment strategy.

**Relationships.** The Treasurer shall maintain a close working relationship with the departments of the City to anticipate and accommodate disbursements of City funds. For liquidity planning purposes, Department Heads shall apprise the Treasurer when large expenditures (over $500,000) are anticipated.

**Preserve Portfolio Value.** The Treasurer shall develop an investment strategy that maintains earnings near the market and preserves the value of the City's portfolio.

**Internal Controls.** The Finance Department shall establish a system of internal controls which shall be reviewed annually, with the independent Auditor. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent action by employees and officers of the City of Tustin.

The City attempts to invest 100% of all available funds through daily and projected cash flow determinations and after consideration of bank requirements for clearings and services. Management of idle cash and investment transactions is the responsibility of the City Treasurer. The City's investment philosophy is to insure that money is always safe and available when needed.

The City of Tustin Audit Committee shall review the City's Investment Policy with the City Treasurer at least annually. Exceptions to the policy shall receive prior approval of the Audit Committee. Proposed amendments will be brought to the City Council for final action upon the recommendation of the Committee.

Adopted by the City Council: 4-7-97

EmpOp:InvPol97.FIN

Finance Department

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# CITY OF TUSTIN
# STATEMENT OF INVESTMENT POLICY

## I. GENERAL.

### PURPOSE

This statement is intended to provide guidelines for the investment of the City's temporary idle cash, and to outline the policies for maximizing the efficiency of the City's Cash Management System. The ultimate goal is to enhance the economic status of the City while protecting its pooled cash. It is the intent of the City Council that all deposit and investment activities authorized by this policy shall be at the sole discretion of the City Treasurer as to selection and appropriateness.

### SCOPE

It is intended that this policy cover all funds and investment activities under the direct authority of the City.

### OBJECTIVE

The City's Cash Management System is designed to monitor and forecast expenditures and revenues, thus enabling the City to invest funds to the fullest extent possible. The City investments meet the criteria established for safety and availability. The investment portfolio will be diversified to avoid incurring unreasonable risks regarding specific security types or individual financial institutions.

## POLICY

The City of Tustin operates its temporary pooled idle cash investments under the prudent man rule (Civil Code Sec. 2261, et seq. and Government Code Section 53600.3). The prudent man rule states, in essence, that "in investing....property for the benefit of another, a trustee shall exercise the judgment and care, under the circumstances then prevailing, which men of prudence, discretion and intelligence exercise in the management of their own affairs...." This affords the City a broad spectrum of investment opportunities so long as the investment is deemed prudent and allowable under current legislation of the State of California (Government Code Section 53600 et seq.) and the guidelines established by the following prioritized criteria for selecting investments:

1. **Safety.** It is the primary duty and responsibility of the City, City Council, City Treasurer and Director of Finance at all times to protect, preserve and maintain intact the principal placed in trust with the City on behalf of the citizens of the community.

2. **Availability.** An adequate percentage of the portfolio shall be maintained in liquid, short-term securities which can be converted to cash as necessary to meet disbursement requirements.

3. **Yield.** Yield is to be a consideration only after the basic requirements of adequate safety and availability have been met.

**Legal Investment Authority.** Temporarily idle monies shall be invested in accordance with State and local laws and regulations and this Statement of Investment Policy.

**Statement of Investment Policy.** Each year after review and report by the Audit Committee, the Treasurer shall submit to the City Council a proposed Statement of Investment Policy for Council consideration and adoption as submitted, or as revised by the City Council.

**Cash Purchase Only.** All securities shall be purchased on a delivery vs payment (DVP) basis only. Securities shall not be purchased on margin, credit or for other than full cash payment and shall not be pledged as collateral.

**Reverse Repurchase Agreements.** Funds shall not be invested directly in reverse repurchase agreements.

**Selling Securities Prior to Maturity.** Generally, losses will be acceptable on a sale before maturity if the reinvested proceeds will earn income with a present value greater than the present value of the income that would have been generated by the old investment, considering any capital loss or foregone interest on the original investment.

**Performance Standards.** The investment portfolio will be designed to obtain a market-average rate of return during budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow needs. The market-average rate of return is defined as the U.S. Treasury security yield which most closely matches the portfolio's weighted average maturity (WAM) as stated on the monthly investment report, using a 12-month moving average.

**Quarterly Reports.** The Treasurer shall render a quarterly report to the City Council, City Manager and internal and external auditors, which states its relationship to the Statement of Investment Policy. Sample attached, Exhibit I.

Required elements of the quarterly report are as follows:

a. Type of investment.
b. Institution.
c. Date of maturity.
d. Amount of deposit or cost of the security.
e. Rate of interest.
f. Statement relating the report to the Statement of Investment Policy.
g. Statement that there are sufficient funds to meet the next 6 months' obligations.
h. The current book value.
i. The current market value.
j. Average portfolio life.
k. Average portfolio yield.
l. Current treasury yield that most closely matches average portfolio life.

Reports of the State Treasurer's Local Agency Investment Fund (LAIF) or other qualified funds shall be accepted in lieu of subparagraphs a. through l. to support City deposits in the funds. The Treasurer also shall render a monthly report of investment transactions. Sample attached, Exhibit II.

**II. GUIDELINES.** The following directions and limitations are established hereby to direct and control investment activities in such a manner that above-stated goals are achieved.

**Delegation of Authority.** California Government Code, Section 53607 provides the authority for the legislative body of the local agency to invest funds of the local agency or to delegate that full responsibility to the Treasurer of the local agency. Under City of Tustin Ordinance No. 832, the City Council has authorized the City Treasurer to invest City funds in accordance with California Government Code Section 53600, et. seq.

**Ethics and Conflicts of Interest.** The City Treasurer shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair the ability to make impartial investment decisions. The City Treasurer is governed by Government Code Section 1090 et.seq.; the Political Reform Act of 1974 regarding disclosure of material financial interests; disqualification requirements and the City's gift regulation.

**Investment Transactions.** Every investment transaction shall be reviewed, authorized and documented by the Treasurer.

**Pooled Cash.** Wherever practical, the City's cash shall be consolidated into one bank account and invested on a pooled basis. Interest earnings shall be allocated according to each fund's cash balance as required.

**Competitive Bids and Offers.** Purchase and sale of securities shall be made on the basis of documented competitive offers and bids whenever practical. Documented opinions of reasonableness are acceptable substitutes if necessary.

**Cash Forecast.** The cash flow for the City shall be analyzed with the receipt of revenues and maturity of investments scheduled so that adequate cash will be available to meet disbursement requirements.

**Investment Limitations**. Security purchases, deposits and holdings shall be maintained with statutory limits imposed by the California Government Code and shall include only the following:

a. Certificates of Deposit (or time deposits) of less than $100,000 may be placed with commercial banks, savings and loan institutions and federally insured industrial loan companies (with a percentage of equity to assets of not less than three (3) percent to the extent they are fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation as required by the Government Code). Deposits in excess of $100,000 may be made based on a full evaluation of financial soundness of the depository and approved collateral at the required percentage of market value in accordance with California Government Code Section 53651 and 53652. Evaluation of financial soundness shall be based on a minimum equity to asset ratio of three (3) percent; $100 million of assets minimum; continued profitability with a minimum rating service rating of A or better. The maximum deposit per institution shall not exceed the lesser of $1 million, or ten (10) percent of the bank's capital (or equity account as measured by Findley's Bank-A-Lert Report). Total non-insured deposits shall not exceed ten (10) percent of invested funds and limited to a maximum maturity of one year.

b. Prime quality Commercial Paper, highest letter and numerical short term debt ratings by Moody's or Standard and Poors, A1 or P1 or equivalent; but not to exceed twenty-five (25) percent of invested funds at the time of purchase and limited to a maximum maturity of ninety (90) days. Average weighted maturity shall not exceed 31 days if Commercial Paper exceeds fifteen (15) percent of total portfolio assets.

c. Government-sponsored pools, such as California State Treasurer's Local Agency Investment Fund (LAIF), and Mutual Funds, as authorized by California Government Code section 53601 et seq. if in the judgment of the Treasurer, they meet MTA of US&C suggested due diligence standards, or are rated in the highest category by a nationally recognized rating service.

d. Commercial Bank Time Drafts (Bankers Acceptances), highest letter and numerical short term debt ratings by Moody's or Standard and Poors, A1 or P1 or equivalent; but not in excess of twenty-five (25) percent of invested funds at the time of purchase with a maximum maturity of one hundred and eighty (180) days.

e. Corporate notes of a maximum maturity of five (5) years remaining to stated final maturity, issued by corporations organized and operating within the U.S. or by depository institutions licensed by the U.S. or any State, and operating within the U.S. Notes eligible for investment under this subdivision shall have a long term debt rating of AA or its equivalent by Moody's or Standard and Poors. Purchases may not exceed ten (10) percent of invested funds at the time of purchase.

f. Federal Agency bonds or notes, but not in excess of fifty (50) percent of invested funds at time of purchase with a maximum maturity of five (5) years remaining to stated final maturity.

g. U.S. Treasury securities not exceeding five (5) years to final maturity.

h. Investment Contracts. Bond proceeds may be placed in investment contracts if authorized by borrowing documents. Guarantors of such contracts shall have at least an AA rating by two major investment services. Contracts shall contain market value protection in case of downgrading by including delivery of cash or Treasury securities, at the election of the City.

i. Mutual Funds. Money market mutual funds as permitted by California Government Code 53601(k) are authorized if deemed appropriate by the Treasurer after due diligence similar to Investment Limitations (subparagraph c).

**Liquidity.** The marketability (salability) of a security shall be considered at the time of purchase since the security may have to be sold at a later date to meet an unanticipated cash demand.

**Maturity Limitations.** As a general rule, intermediate-term maturities shall not represent a significant percentage of the total portfolio. Unless previously authorized by City Council, no investment may have a term final stated maturity longer than five (5) years. At the time of purchase, holdings with maturities greater than one (1) year shall not exceed thirty-five (35) percent of the total portfolio.

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**Safekeeping.** Securities purchased from broker/dealers shall be held in third party safekeeping by the trust department of the local agency's bank, or by other third party trustee designated by the Treasurer. Said securities shall be held in the name of the City with the trustee executing agreements and confirmations of investment transactions as directed by the City Treasurer.

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**Preserve Portfolio Value.** The Treasurer shall develop an investment strategy that maintains earnings consistent with defined "Performance Standards" (page 2) and preserves the value of the City's portfolio.

**Internal Controls.** The Finance Department shall establish a system of internal controls which shall be reviewed annually, with the independent Auditor. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent action by employees and officers of the City of Tustin. The Finance Department will maintain the City's Investment Records in compliance with Government Accounting Standards Board Rule 31 (GASB 31).

The City attempts to invest 100% of all available funds through daily and projected cash flow determinations and after consideration of bank requirements for clearings and services. Management of idle cash and investment transactions is the responsibility of the City Treasurer. The City's investment philosophy is to insure that money is always safe and available when needed.

The City Treasurer shall annually review the City's Investment Policy with the City of Tustin Audit Committee. Proposed amendments will be brought to the City Council for final action upon the recommendation of the City Treasurer.

**Adopted by the City Council: 6-1-98**

GWJ:InvestmentPolicy98.doc

Finance Department

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**Performance Standards.** The investment portfolio will be designed to obtain a market-average rate of return during budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow needs. The market-average rate of return is defined as the U.S. Treasury security yield which most closely matches the portfolio's weighted average maturity (WAM) as stated on the monthly investment report, using a 12-month moving average.

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Manager and internal and external auditors, which states its relationship to the Statement of Investment Policy. Sample attached, Exhibit I.

Required elements of the quarterly report are as follows:

a. Type of investment.
b. Institution.
c. Date of maturity.
d. Amount of deposit or cost of the security.
e. Rate of interest.
f. Statement relating the report to the Statement of Investment Policy.
g. Statement that there are sufficient funds to meet the next 6 months' obligations.
h. The current book value.
i. The current market value.
j. Average portfolio life.
k. Average portfolio yield.
l. Current treasury yield that most closely matches average portfolio life.

Reports of the State Treasurer's Local Agency Investment Fund (LAIF) or other qualified funds shall be accepted in lieu of subparagraphs a. through l. to support City deposits in the funds. The Treasurer also shall render a monthly report of investment transactions. Sample attached, Exhibit II.

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**Pooled Cash.** Wherever practical, the City's cash shall be consolidated into one bank account and invested on a pooled basis. Interest earnings shall be allocated according to each fund's cash balance as required.

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**Cash Forecast.** The cash flow for the City shall be analyzed with the receipt of revenues and maturity of investments scheduled so that adequate cash will be available to meet disbursement requirements.

**Investment Limitations.** Security purchases, deposits and holdings shall be maintained with statutory limits imposed by the California Government Code and shall include only the following:

a. Certificates of Deposit (or time deposits) of less than $100,000 may be placed with commercial banks, savings and loan institutions and federally insured industrial loan companies (with a percentage of equity to assets of not less than three (3) percent to the extent they are fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation as required by the Government Code). Deposits in excess of $100,000 may be made based on a full evaluation of financial soundness of the depository and approved collateral at the required percentage of market value in accordance with California Government Code Section 53651 and 53652. Evaluation of financial soundness shall be based on a minimum equity to asset ratio of three (3) percent; $100 million of assets minimum; continued profitability with a minimum rating service rating of A or better. The maximum deposit per institution shall not exceed the lesser of $1 million, or ten (10) percent of the bank's capital (or equity account as measured by Findley's Bank-A-Lert Report). Total non-insured deposits shall not exceed ten (10) percent of invested funds and limited to a maximum maturity of one year.

b. Prime quality Commercial Paper, highest letter and numerical short term debt ratings by Moody's or Standard and Poors, A1 or P1 or equivalent; but not to exceed twenty-five (25) percent of invested funds at the time of purchase and limited to a maximum maturity of ninety (90) days. Average weighted maturity shall not exceed 31 days if Commercial Paper exceeds fifteen (15) percent of total portfolio assets.

c. Government-sponsored pools, such as California State Treasurer's Local Agency Investment Fund (LAIF), and Mutual Funds, as authorized by California Government Code section 53601 et seq. if in the judgment of the Treasurer, they meet MTA of US&C suggested due diligence standards, or are rated in the highest category by a nationally recognized rating service.

d. Commercial Bank Time Drafts (Bankers Acceptances), highest letter and numerical short term debt ratings by Moody's or Standard and Poors, A1 or P1 or equivalent; but not in excess of twenty-five (25) percent of invested funds at the time of purchase with a maximum maturity of one hundred and eighty (180) days.

e. Corporate notes of a maximum maturity of five (5) years remaining to stated final maturity, issued by corporations organized and operating within the U.S. or by depository institutions licensed by the U.S. or any State, and operating within the U.S. Notes eligible for investment under this subdivision shall have a long term debt rating of AA or its equivalent by Moody's or Standard and Poors. Purchases may not exceed ten (10) percent of invested funds at the time of purchase.

f. Municipal Securities. If appropriate, City Treasurer may invest in City obligations, as well as other suitable local and State of California securities. Such investments of other

than City securities shall be rated not less than A by Moody's or Standard & Poor's and shall not exceed ten percent (10%) of total portfolio and five percent (5%) of any one issuer's securities. Maximum City exposure to a single issuer shall not exceed 10% for State of California securities and 5% for all other local agency securities.

g. Federal Agency bonds or notes, but not in excess of fifty (50) percent of invested funds at time of purchase with a maximum maturity of five (5) years remaining to stated final maturity.

h. U.S. Treasury securities not exceeding five (5) years to final maturity.

i. Investment Contracts. Bond proceeds may be placed in investment contracts if authorized by borrowing documents. Guarantors of such contracts shall have at least an AA rating by two major investment services. Contracts shall contain market value protection in case of downgrading by including delivery of cash or Treasury securities, at the election of the City.

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**Liquidity.** The marketability (salability) of a security shall be considered at the time of purchase since the security may have to be sold at a later date to meet an unanticipated cash demand.

**Maturity Limitations.** As a general rule, intermediate-term maturities shall not represent a significant percentage of the total portfolio. Unless previously authorized by City Council, no investment may have a term final stated maturity longer than five (5) years. At the time of purchase, holdings with maturities greater than one (1) year shall not exceed thirty-five (35) percent of the total portfolio.

**Collateral.** Collateral requirements are addressed in California Government Code Section 53652. All active and inactive deposits must be secured at all times with eligible securities in securities pools pursuant to Sections 53656 and 53657. Eligible securities held as collateral shall have a market value in excess of the total amount of all deposits of a depository as follows:

--government securities at least 110 percent.
--mortgage backed securities, at least 150 percent.

**Authorized Broker/Dealers.** Investments shall be transacted only through Authorized Broker/Dealers which have been reviewed and approved by the Treasurer for reliability, credit worthiness and trustworthiness.

**Diversification.** The portfolio shall consist of various types of securities approved by statute and this Statement of Investment Policy, as well as varied issuers and maturities.

**Safekeeping.** Securities purchased from broker/dealers shall be held in third party safekeeping by the trust department of the local agency's bank, or by other third party trustee designated by the Treasurer. Said securities shall be held in the name of the City with the

trustee executing agreements and confirmations of investment transactions as directed by the City Treasurer.

**III. STRATEGY.** Strategy refers to the plan to manage financial resources in the most advantageous manner.

**Economic Forecasts.** The Treasurer periodically may obtain economic forecasts from economists and financial experts through bankers and broker/dealers in order to assist in the formulation of investment plans.

**Implementing Investment Strategy.** The Treasurer shall execute investment transactions which conform to current and anticipated cash requirements, interest rate trends, and stated investment strategy.

**Relationships.** The Treasurer shall maintain a close working relationship with the departments of the City to anticipate and accommodate disbursements of City funds. For liquidity planning purposes, Department Heads shall apprise the Treasurer when large expenditures (over $500,000) are anticipated.

**Preserve Portfolio Value.** The Treasurer shall develop an investment strategy that maintains earnings consistent with defined "Performance Standards" (page 2) and preserves the value of the City's portfolio.

**Internal Controls.** The Finance Department shall establish a system of internal controls which shall be reviewed annually, with the independent Auditor. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent action by employees and officers of the City of Tustin. The Finance Department will maintain the City's Investment Records in compliance with Government Accounting Standards Board Rule 31 (GASB 31).

The City attempts to invest 100% of all available funds through daily and projected cash flow determinations and after consideration of bank requirements for clearings and services. Management of idle cash and investment transactions is the responsibility of the City Treasurer. The City's investment philosophy is to insure that money is always safe and available when needed.

The City Treasurer shall annually review the City's Investment Policy with the City of Tustin Audit Committee. Proposed amendments will be brought to the City Council for final action upon the recommendation of the City Treasurer.

**Adopted by the City Council: 1-19-99**

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