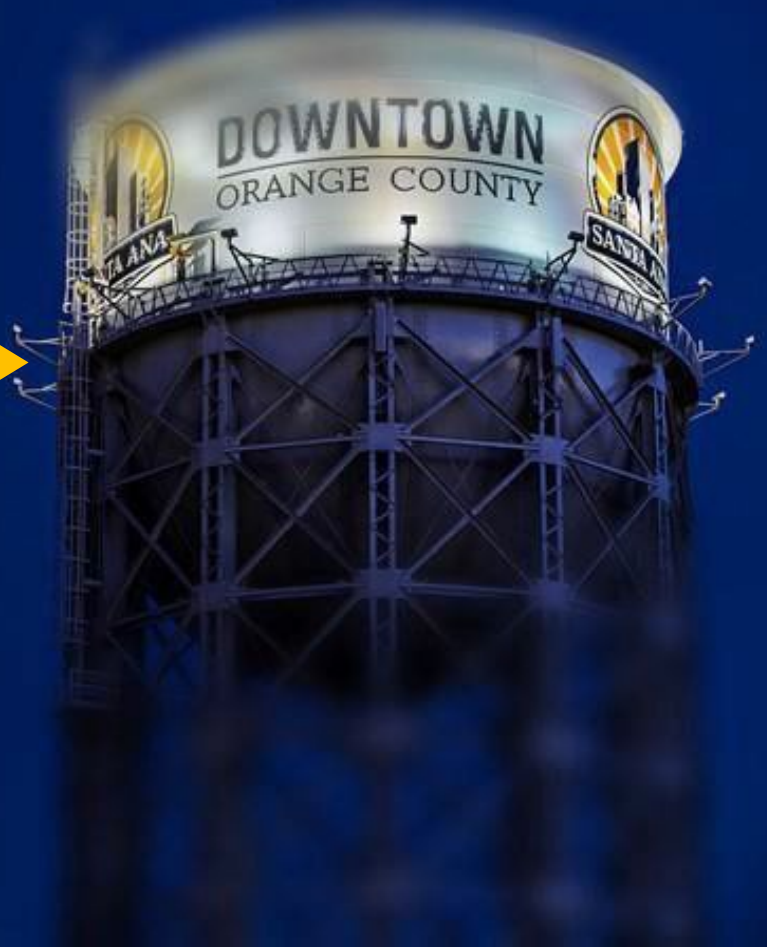


JUNE 03, 2025



City of Santa Ana

INVESTMENT POLICY STATEMENT 2025-26

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CITY OF SANTA ANA
ANNUAL STATEMENT OF INVESTMENT POLICY
JULY 1, 2025 – JUNE 30, 2026

INTRODUCTION: The purpose of this Statement of Investment Policy is intended to provide specific criteria for the prudent investment of City of Santa Ana (City) funds and to set investment objectives, policies, establish guidelines, and define responsibilities for the investment of idle or unexpended funds for the City. The ultimate investment goal is to enhance the economic status of the City while protecting funds under management and meeting the daily cash flow demands of the City.

1.0 POLICY

The policy of the City of Santa Ana is to invest idle or unexpended funds within the scope of this investment policy in a prudent and suitable manner that will provide, within the parameters of this investment policy, the highest reasonable investment return relative to the risk being assumed while maintaining maximum security and meeting all cash flow demands. This policy is intended to comply with Federal law and the Code of California for investment of public funds. In instances in which this policy is more restrictive than Federal or State law, this policy shall be controlling.

This policy is fixed and general in nature; it defines authorized investments and guides the investment decisions and security selection process. The City's Investment Policy will be regularly reviewed and adjusted to create an investment portfolio that is suitable for the City given current conditions.

2.0 SCOPE

2.1 Applicability of Investment Policy

This investment policy applies to all funds and investment transactions of the City. These funds are accounted for in the Annual Comprehensive Financial Report (ACFR), which includes the following:

- General Fund
- Special Revenue Funds
- Capital Projects Funds (includes restricted bond proceeds)
- Enterprise Funds (includes restricted bond proceeds)
- Trust and Agency Funds
- Internal Service Funds
- Any new fund created by the City of Santa Ana, unless specifically exempted

The restricted bond proceeds are invested in compliance with this investment policy and applicable bond resolutions. Individual employee retirement contribution funds and deferred compensation are excluded from this policy.

2.2 Pooling of Funds

Except for cash in certain restricted and special funds, the City of Santa Ana will consolidate cash balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

3.0 PRUDENCE

3.1 Standard of Care – Prudent Investor

The City investment program shall be managed in a professional and prudent manner worthy of the public trust and review. The standard of prudence to be used by City Investment Officials shall be the "prudent investor rule" standard and shall be applied in the context of managing the overall investment portfolio.

The "prudent investor rule" provides, pursuant to California Government Code Section 53600.3, that investments shall be made with judgment and care. When investing, reinvesting or managing public funds a trustee shall act with care, skill, prudence and diligence under circumstances then prevailing. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from exceptions are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

The City is governed by the California Government Code, Sections 16429.1 and Title 5, Division 2, Part 1, Chapter 4, entitled Financial Affairs, commencing with section 53630. Each investment transaction and the entire portfolio must comply with California Government Code, Sections 53600 and 53635 et seq. and this policy.

3.2 Written Investment Procedures

City Investment Officials shall establish written procedures consistent with this investment policy for the operation of the investment program. Procedures should include but not be limited to: authorized personnel, segregation of duties, internal controls, wire transfer agreements, daily cash flow review, basis for awarding bids, portfolio inventory, and reporting. The procedures document is intended to provide guidance for staff and to provide continuity in the event of an interruption of services of the Treasury and Customer Services Manager and/or Assistant Finance Director.

4.0 **OBJECTIVES**

The primary objectives, in priority order, for the City of Santa Ana's investment activities shall be *Safety, Liquidity, and Yield*:

4.1 **Safety of Principal**

Safety of principal is the foremost objective of the City of Santa Ana, care must be taken to ensure the preservation of capital and the protection of principal. Each investment transaction shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk by following guideline listed below.

A. Credit Risk

Credit Risk is the risk of loss due to the failure of the security issuer or backer to redeem the outstanding debt at the stated maturity date. Credit risk also applies to the overall market perception of the financial strength and capacity of the issuer. The City of Santa Ana will minimize credit risk by:

- i. Limiting investments to authorized investments as set forth in Section 10.0 of this investment policy;
- ii. Pre-qualifying the financial institutions, broker-dealers, intermediaries, and advisors with which the City will do business;
- iii. Diversifying the investment portfolio so that potential losses on individual securities will be minimized.
- iv. Holding a minimum percentage of the total portfolio in highly marketable short-term treasuries, checking with interest, government pooled account, or a combination of all three. The minimum percentage shall be set monthly by the FMSA Investment Advisory Committee based on a rolling twenty-four month analysis of the City's minimum cash position requirements adjusted for any exceptional anticipated cash out flows.

B. Market or Interest Rate Risk

Market or interest rate risk is the risk that the market value of securities in the portfolio may fall due to changes in general interest rates. The City of Santa Ana will minimize interest market interest rates, by:

- i. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and
- ii. Purchasing investments with the intent to hold until maturity; and

- iii. By investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio to 3 years using the securities' stated final maturities.

4.2 Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (*static liquidity*). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (*dynamic liquidity*). The City's cash flow shall be updated on a daily basis and will be considered prior to the investment of securities, which will reduce the necessity to sell investments for liquidity purposes.

4.3. Yield (Return on Investment)

The City's investment portfolio shall be designed with the objective of attaining a market-average rate of return throughout budgetary and economic cycles taking into account the investment risk constraints and liquidity needs. The return on investments is to be accorded secondary importance compared to the safety and liquidity objectives described above. The core of investments will focus on relatively low risk securities with an expectation of earning a reasonable return relative to the risk being assumed. It is the general policy of the City to hold investments until market value equals or exceeds amortized cost or book value of the security. Securities shall not be sold prior to maturity with the following exceptions:

- A. a declining credit security could be sold early to minimize loss of principal;
- B. a simultaneous purchase of a security and the sale of another (security swap) to enhance the quality, yield, or target duration in the portfolio; or
- C. a sale of a specific security prior to its maturity and a capital gain or loss recorded in order to improve the credit quality, liquidity, or rate of return of the portfolio in response to market conditions and/or City risk preferences;
- D. general liquidity needs of the investment portfolio require that a security be sold;

- E. Pre-payment of City debt or contribution servicing obligation. In the event the City is presented with an option for prepayment of a City debt or contribution servicing obligation, the following analysis will be conducted by with regards to a comparison between the amortized savings, which may be realized by exercising such prepayment option and:
- i. the current portfolio yield;
 - ii. the trend of the debt or contribution servicing obligation;
 - iii. whether variances in the trend are substantial;
 - iv. the City's net cash position; and
 - v. the market value of investment instrument(s) recommended by staff to be liquidated to fulfill a prepayment election.

When selling a security prior to maturity, City Investment Officials and/or officers (*see generally subsection 5.1 et seq. - Investment Authority and Responsibility*) must be prepared to justify the reasons and explain any gains or losses.

Compliance with the investment policy does not measure return, but rather manages risk. Policy compliance does not provide a benchmark to meet or exceed, but is a model to follow. The City will benchmark its investment to an agreed upon treasury index.

The City shall strive to maintain one hundred percent (100%) investment of idle funds after consideration for a compensating balance to cover the cost of services provided by the City's depository bank. The funds available for investment are determined by cash flow projections updated daily. Investments are monitored so that legal limits on types of investments are not exceeded.

5.0 DELGATION OF AUTHORITY

5.1 Investment Authority and Responsibility

The authority for conducting investment transactions resides with the Executive Director of Finance and Management Services Agency (FMSA) as chief fiscal officer and ex officio City Treasurer. The Executive Director for (FMSA) under the general direction of the City Council, shall be responsible for all investment transactions undertaken and shall establish a system of controls to regulate the investment activities of subordinate officials.

5.2 Delegation of Authority

The Executive Director for FMSA or her/his designees (Investment Officials) shall invest all funds for the City in accordance with the City adopted investment policy. The Executive Director for FMSA hereby delegates day-to-day responsibility for the investment of City funds to the FMSA Financial Analyst. Managerial and supervisory responsibility for the investment of City funds may be held by either the Assistant Director of Finance and Management Services (Assistant Director) or the Treasury and Customer Services Manager (Treasury Manager). Each designee shall act in accordance with the established policies and internal controls set forth in the investment policy.

5.3 The Executive Director may engage the services of external investment management advisors to assist in the management of the City's investment portfolio in a manner consistent with the City's objectives. Such advisors may be granted discretion to purchase and sell investment securities in accordance with the Policy. Such advisors must be registered with the Security and Exchange Commission, and possess experience in public funds investment management. Such engagement and/or delegation by the Executive Director shall not remove or diminish her/his investment responsibility.

5.4 Assignment of Activities

Supporting and ancillary activities, including but not limited to: cash flow analysis, municipal or corporate bond credit worthiness evaluation, investment risk assessment, portfolio analysis, purchase and sale recommendation, safekeeping, policy and investment procedures review recommendation, and monthly and quarterly reporting, may be assigned to qualified persons within Treasury or within the FMSA Accounting or Administrative Services divisions as deemed appropriate by either the Director and/or Assistant Finance Director.

5.5 Qualified Persons

Qualified Persons shall refer to: (1) persons holding either a California Municipal Treasurers Association, California Treasury Certificate and/or Certified California Municipal Treasurer Certificate; or an Association of Public Treasurers of the United States and Canada, Certified Public Finance Administrator Certificate, or a National Association of State Treasurers Certificate in Public Treasury Management; or (2)

persons who are performing investment related duties under the guidance and direction of certificate holders. Working together, Investment Officials and Qualified Persons comprise the FMSA investment staff.

5.6 FMSA Investment Advisory Committee

To provide a regular departmental forum and consultive body for evaluating investment portfolio performance and strategy, internal procedures and controls, and for making recommendations to the Executive Director for FMSA in her/his capacity as chief fiscal officer and City Treasurer, a FMSA Investment Advisory Committee is established. All authorized Investment Officials are de facto standing members of the FMSA Investment Advisory Committee. At the discretion of the Executive Director for FMSA, other FMSA investment staff may be authorized membership on the committee. Meetings shall be held regularly on a basis determined by the Executive Director for FMSA. The FMSA Investment Advisory Committee's evaluations and recommendations are subject to the approval of the Executive Director for FMSA, who services as committee chair.

6.0 ETHICS AND CONFLICTS OF INTEREST

6.1 Investment Officials and Officers

Investment Officials, officers, and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Investment Officials, officers and employees shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Investment Officials, officers and employees shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City of Santa Ana.

6.2 Statement of Economic Interests

Investment Officials and officers authorized to approve investment decisions shall be required to submit an annual Statement of Economic Interests, also known as a Form 700 in accordance with California Government Code, Section 1090 et seq. The Form 700 provides transparency and ensures accountability in two ways:

- 1) It provides necessary information to the public about official's and officer's personal financial interests to ensure that officials and officers are making decisions in the best interest of the public and not enhancing their personal finances.
- 2) It serves as a reminder to the public official of potential conflicts of interest so the official or officer can abstain from making or participating in governmental decisions that are deemed conflicts of interest.

7.0 AUTHORIZED FINANCIAL INSTITUTIONS AND QUALIFIED BROKER-DEALERS

- 7.1 If the City utilizes a SEC registered external investment advisor, the advisor shall maintain a list of authorized broker-dealers and complete the appropriate due diligence required by the SEC. The external investment advisor may use its own list of approved broker/dealers and financial institutions for investment purposes on behalf of the City. The investment advisor shall submit the list of approved broker/dealers to the City's FMSA investment staff on an annual basis. The Executive Finance Director may restrict the use of a broker/dealer which may be deemed unsuitable.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS

8.1 Allowable Investment Instruments – State Law

California Government Code Section 53601 establishes allowable investment instruments applicable to all local agencies along with maximum maturities, maximum specified percentages of total portfolio, and minimum quality requirements. Section 53601.1 authorizes local agencies to invest in financial futures or financial option contracts in any of the allowable investment categories enumerated in section 53601.

8.2 Authorized Investments

City of Santa Ana further restricts permitted investments to those listed below and where applicable, the Investment Advisory Committee may reduce maximum maturities, or maximum specified percentages of total portfolio (concentration limits), and may increase minimum quality requirements. Within this scope, the City diversifies its investments by types of investments, maturity dates, concentration limits, and quality requirements.

- A. United States Treasury Bills, Notes, and Bonds, for which the full faith and credit of the United States are pledged for payment of principal and interest. Purchases of this category shall not exceed five years to maturity. There is no percentage limit in this category.
- B. Obligations issued by a Federal Agency or a United States Government Sponsored Enterprise. Federal Agency Issues include, but are not limited to GNMA (Government National Mortgage Association), FFCB (Federal Farm Credit Bank), FHLB (Federal Home Loan Bank), FHLMC (Federal Home Loan Mortgage Corporation), FNMA (Federal National Mortgage Association), FHA (Federal Housing Administration), and TVA (Tennessee Valley Authority). Although there is no percentage limitation on these issues, purchases of this category shall not exceed five years to maturity and the "prudent investor" rule shall apply for a single agency name as U.S. Government backing is implied rather than guaranteed.

- C. Supranational Obligations in United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase or sale within the United States. Investments under this subdivision shall be rated "AA" or better by an NRSRO and shall not exceed thirty (30%) percent of the cost value of the investment portfolio.
- D. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as banker's acceptances, which are eligible for purchase by the Federal Reserve System. Purchases of banker's acceptances may not exceed one hundred eighty (180) days or forty percent (40%) of the cost value of the Fund which may be invested pursuant to this section. However, no more than thirty percent (30%) of the City's cost value of the investment portfolio may be invested in the banker's acceptances of any one commercial bank pursuant to this section.
- E. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a Nationally Recognized Statistical Rating Organization (NRSRO). The entity that issues the commercial paper shall be organized and operating within the United States, as a general corporation, shall have total assets in excess of five-hundred, million dollars (\$500,000,000), and has debt other than commercial paper, if any, that is rated "A" or higher by NRSRO. The entity is organized within the United States as a special purpose corporation, trust, or limited liability company; has program wide credit enhancements including, but not limited to: over-collateralization, letters of credit, or a surety bond; has commercial paper that is rated "A-1" or higher, or the equivalent, by an NRSRO. Eligible commercial paper shall have a maximum maturity of two hundred seventy (270) days or less. The City may purchase no more than ten percent (10%) of the outstanding commercial paper of any single corporate issue. Purchases of commercial paper may not exceed twenty-five percent (25%) of the investment portfolio.
- F. Repurchase Agreements. For purposes of this section, the term "repurchase agreement" means a purchase of securities by the local agency pursuant to an agreement by which the seller will repurchase the securities on or before a specified date and for a specified amount and will deliver the underlying securities to a third-party custodian. The City may invest in repurchase agreements with primary dealers of the Federal Reserve with which the City has entered into a Securities Industry and Financial Markets Association (SIFMA) Master Repurchase Agreement (MRA) which specifies terms and conditions of repurchase agreements. The market value of securities used as collateral for repurchase agreements shall not be allowed to fall below one hundred two percent (102%) of the value of the repurchase agreement and shall be adjusted no less than quarterly by the tri-party custodial agent. The investments in repurchase agreements shall be in compliance if the underlying securities are

brought back up to one hundred two percent (102%) no later than the next business day. The underlying collateral shall be limited to United States Government Treasury Bills, Notes, and Bonds, or obligations issued by a Federal Agency or United States Government Sponsored Enterprises obligations. Upon the written approval of the Executive Director for FMSA, substituted securities may be pledged for collateral but shall consist only of investments permitted within this investment policy with a maximum maturity of five (5) years. If there is a default of the broker, the collateral securities can be sold. Since the securities are valued daily, it is likely that the sale proceeds will equal or exceed the value of the repurchase agreement amount. Purchases in this category shall not exceed one (1) year or twenty percent (20%) of the cost value of the investment portfolio. Retail repurchase agreements and reverse agreements shall not be authorized for purchase.

- G. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union or by a state-licensed branch of a foreign bank. However, the City shall not invest in negotiable certificates of deposit issued by a state or federal credit union if a member of the City Council or any City personnel with investment decision making authority also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit. Effective January 1, 2020 no more than fifty percent (50%) of the cost value of the City's investment portfolio may be invested in deposits, including certificates of deposit, through a placement service as authorized under Government Code 53601.8 (excludes negotiable certificates of deposit authorized under Section 53601(i)). On January 1, 2026, the maximum percentage of the portfolio shall revert back to thirty percent (30%) percent. Investments made pursuant to Government Code Section 53635.8 remain subject to a maximum of thirty percent (30%) of the cost value of the investment portfolio. The amounts so invested shall be subject to the limitations of Government Code Section 53638 which generally provides that the deposit shall not exceed the shareholder's equity of any depository bank, or the total net worth of any depository savings association or federal association, or the total of the unimpaired capital and surplus of an insured industrial loan company. Purchases of this category shall not exceed five years to maturity.
- H. Local Agency Investment Fund - State Pool. The City may invest in the Local Agency Investment Fund (LAIF) established by the State Treasurer under California Government Code Section 16429.1 for the benefit of local agencies. LAIF provides daily liquidity; therefore, there is no final stated maturity for this investment category. Although there is no percentage limitation on this fund, the "prudent investor" rule shall apply for a single agency name. In keeping with LAIF deposit limit investments, City LAIF investments shall not exceed \$75 million per active account, unless a greater deposit limit for regular accounts is authorized by the State Treasurer during the term of this Statement of Investment Policy, in which case City LAIF investments may increase up to that limit.

- I. California Cooperative Liquid Assets Securities System (CLASS) Prime Fund – Joint Powers of Authority Pool. The City may invest in the California CLASS Prime Fund established by a joint exercise of powers entity authorized under California Government Code Section 6509.7 for the benefit of all public agencies in the State of California that have authority to invest their treasury funds. The California CLASS Prime Fund provides daily liquidity; therefore, there is no final stated maturity for this investment category. Although there is no percentage limitation on this fund, the “prudent investor” rule shall apply for a single agency name. The California CLASS Prime Fund does not limit a maximum or minimum investment balance, in which case City California CLASS Prime Fund investments may increase or decrease based on pool performance, daily cash flow needs, etc.
- J. City of Santa Ana Bonds. The City may invest in bonds issued by the City or agency of the City including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the City or agency of the City. The City shall at all times adhere to restrictions and limitations of the bond indenture. Purchases of this category shall not exceed five years to maturity. There is no percentage limit in this category.
- K. Other State of California Local Agency Bonds. The City may invest in other State of California Local Agency Bonds. Notes, warrants or other evidence of indebtedness of any local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency. Investments in this category shall be restricted to instruments that have a ranking of A-1 or higher, or the equivalent by not less than two of the following nationally recognized statistical rating organizations: Moody’s, Standard & Poor’s or Fitch. Purchases of this category shall not exceed five years to maturity. There is no percentage limit in this category.
- L. Medium Term Corporate Notes (MTN) defined as all 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. Notes eligible for investment shall be rated in a rating category of “A” or its equivalent or better by a nationally recognized rating service. Purchases in this category shall not exceed five (5) years to maturity or thirty percent (30%) of the cost value of the investment portfolio. Purchases in a single issuer in this category shall not exceed five percent (5%) of the cost value of the investment portfolio.
- M. A mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond. Securities eligible for investment under this subdivision shall be rated in a rating category of “AAA” or its equivalent or better by an NRSRO and have a maximum remaining maturity of

five years or less. Purchase of securities authorized by this subdivision shall not exceed 10 percent of the agency's surplus moneys that may be invested pursuant to this section.

N. Shares of beneficial interest otherwise known as money market shares issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. The company shall have met either of the following criteria:

1. Attain the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs, and
2. Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five (5) years' experience investing in the securities and obligations authorized by subsection (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, of Section 53601 of the Government Code and with assets under management in excess of five-hundred, million dollars (\$500,000,000). The purchase price of shares of beneficial interest, (mutual funds) purchased pursuant to this subdivision shall not include any commission that these companies may charge.

Investments in this category shall be restricted to money market mutual funds that seek to maintain a Net Asset Value of \$1. Money market mutual funds provide daily liquidity; therefore, there is no final stated maturity for this investment category. Investments in mutual funds shall be restricted to funds that have the highest ranking or the highest letter and numerical rating provided by not less than two of the following nationally recognized statistical rating organizations: Moody's, Standard & Poor's or Fitch. Purchases in this category shall not exceed 20% of the book value of the investment portfolio. Purchases in a single mutual fund shall not exceed 10% of the book value of the Portfolio.

8.3 Suitability of Investments

Suitability, not simply return, is the standard for selecting investments for the portfolio. The Executive Director for FMSA, and all authorized Investment Officials and other supporting FMSA investment staff shall review the following when selecting or recommending investments for the City:

- Sufficient liquidity to meet current obligations
- Appropriate level of market risk
- Diversified portfolio
- Legal investments
- Market rate of return

The Executive Director for FMSA and his/her designees are not required to invest in all the investment options authorized in this Statement of Investment Policy. Selection will be based on cash flow characteristics, exposure to market risk, rate of return, the technical ability of the staff responsible for administering the program, and the availability of time and tools for staff to engage in conservative, but effective, management of the City's investment portfolio.

9.0 PROHIBITED INVESTMENTS AND INVESTMENT PRACTICES

9.1 Ineligible Investments - State Law

Certain investments, however, are prohibited by California Government Code Section 53601.6. Accordingly, the City shall not invest in any inverse floaters, range notes, mortgage derived, or interest-only strips or other securities which could result in zero-interest accrual if held to maturity. However, prohibited securities that were purchased and are currently held in the City's portfolio, as of the date of this policy adoption, which were previously allowed under the California Government Code, yet are now prohibited due to changes in the Code may be held until their maturity dates.

9.2 Disallowed Investments - Higher Perceived Risk

Besides investments prohibited by statute, this policy disallows investments in the following due to a higher perceived risk:

- Investment agreements – contracts regarding funds deposited by an investor often separated into those offered by banks and those offered by insurance companies commonly known as Guaranteed Investment Contracts (GICs) or Guaranteed Investment Agreements (GIAs);
- Securities lending agreements – agreements allowing local agencies to earn incremental income on their investment portfolio by loaning securities in their portfolio to financial services companies for a limited time;
- Unregistered securities – purchases of private resales of unregistered securities to institutions, such as Securities Act of 1933, Section 5, Rule 144A securities.

9.3 Prohibited Investment Practices

Assets of the City shall not be invested pursuant to the following investment practices:

- Trading of securities strictly for speculation or solely for the realization of short-term trading gains.
- A contract providing for the compensation of an agent or fiduciary solely based upon the performance of the invested assets.
- If a fiduciary or other third party with custody of public investment transaction records of the City fails to produce records within a reasonable

time, when requested by the City, the City shall make no new investments with or through the fiduciary or third party and shall not renew maturing investments with or through the fiduciary or third party.

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- A contract providing for the compensation of an agent or fiduciary solely based upon the performance of the invested assets.
- If a fiduciary or other third party with custody of public investment transaction records of the City fails to produce records within a reasonable time, when requested by the City, the City shall make no new investments with or through the fiduciary or third party and shall not renew maturing investments with or through the fiduciary or third party.

10.0 INVESTMENT POOLS/MUTUAL FUNDS

Government sponsored investment pools (Local Agency Investment Fund (LAIF), County Pools, Joint Powers Authority Pools, and the State Treasury Voluntary Investment Program Fund), are sources for short-term cash management.

Before seeking City Council approval for participation in one or more additional investment pools/money market mutual funds, the Executive Director for FMSA or his/her designees will conduct a thorough investigation the prospective pool prior to recommending City investment.

Before recommending investing in a prospective pool, the following issues must be reviewed and considered:

The pool must meet the requirements of state statute description of eligible investment securities, and a written statement of investment policy and objectives.

A description of interest calculations and how it is distributed, and how gains and losses are treated.

- i. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
- ii. A description of who may invest in the program, size and frequency of minimum and maximum deposits, how many withdrawal transactions are allowed (daily, monthly, quarter, annually, etc.), and whether advance notice is required for withdrawal transactions.
- iii. A description of how and who in the governing body of the program is

authorized to make program changes, including frequency. The description must include how program participants are informed of program changes and impacts.

- iv. A schedule for receiving statements and portfolio listings.
- v. A description of how reserves, retained earnings, etc. are utilized by the pool.
- vi. A model of the fee schedule, and when and how it is assessed.
- vii. A description of eligibility and/or acceptance of bond proceeds.
- viii. The pool must contain only the types of investment allowed by California Code.

Upon approval for participation in one or more additional investment pools the FMSA investment staff shall thereafter on an annual basis investigate and reconfirm the pool's compliance with items listed above and shall monitor the pool's performance reports.

11.0 COLLATERALIZATION/SECURITY FOR DEPOSIT OF PUBLIC FUNDS

Money must be deposited in state or national banks, state or federal savings associations or state or federal credit unions in the State of California. It may be in inactive deposits, active deposits or interest-bearing active deposits. The deposits cannot exceed the amount of the bank's or savings and loan's paid up capital and surplus.

The bank or savings and loan must secure the active and inactive deposits with eligible securities having a market value of one-hundred, ten percent (110%) of the total amount of the deposits. State law also allows as an eligible security, first trust deeds having a value of one-hundred, fifty percent (150%) of the total amount of the deposits. A third class of collateral is letters of credit drawn on the Federal Home Loan Bank (FHLB).

The Treasurer may waive, at his/her discretion, security for that portion of a deposit which is insured pursuant to federal law. Currently, the first two-hundred, fifty-thousand dollars (\$250,000) of a deposit is federally insured.

12.0 SAFEKEEPING AND CUSTODY

12.1 Perfected Interest and Delivery versus Payment

In accordance with California Government Code Section 53601, to protect against potential losses caused by collapse of individual securities dealers, all securities owned by the City, except securities used as collateral for repurchase agreements, shall be kept in safekeeping with "*perfected interest*" by the City's custodial bank or a third party bank trust department, acting as agent for the City under the terms of a custody agreement executed by the bank and by the City. Perfected interest refers to establishment of a superior ownership right in and legal control over the securities assets held by the bank custodian on the City's behalf and is intended to protect the City from the custodial bank's own creditors in the event of

a bank default and filing for bankruptcy. All securities, excepting investments which are not deliverable (such as LAIF, California CLASS Prime Fund, direct time certificates of deposit, and money market mutual funds), will be received and delivered using standard “*delivery versus payment*”. Delivery versus payment refers to delivery of securities with an exchange of money for the securities at the time of delivery, rather than delivery of securities with an exchange of a signed receipt for the securities.

13.0 DIVERSIFICATION

The purpose of diversification is to reduce overall portfolio risk while attaining market rates of return and to enable the City to meet all anticipated cash requirements. The investment portfolio shall consist of various types of securities approved by state statute and this Statement of Investments Policy. Investments shall vary in issuers, asset classes, industries and maturities to meet City’s financial obligations. Diversifying the investment portfolio will help mitigate the loss of funds as a result of failure of any one issuer. Investments shall further be diversified between structures and imbedded options within the security.

The investments shall be diversified by:

- Limiting investments to avoid over-concentration in securities of a specific issuer (excluding treasury bills).
- Limiting investment in securities that have higher credit risks.
- Limiting certificates of deposit to the maximum federally insured amount.
- Investing in securities with varying maturities.
- Investing a minimum percentage of the total portfolio as established by the FMSA Investment Advisory Committee in highly marketable short-term treasuries, checking accounts with interest, government pooled account, or a combination of all three (See Section 4.1 (A)(iv)).

14.0 INTERNAL CONTROLS

The Executive Director for FMSA is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The Finance Department, with oversight and approval of the Executive Director for FMSA, has developed a system of internal investment controls and a segregation of responsibilities of investment functions in order to assure an adequate system of internal control over the investment function. No investment personnel may engage in an investment transaction except as provided for under the terms of this policy and the procedure established by the Executive Director for FMSA.

Internal control procedures address:

- Control of collusion

- Control of fraud
- Control of misrepresentation by third parties
- Control of employee error
- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Delivery versus payment
- Clear delegation of authority
- Conformation of transactions for investment and wire transfers
- Written procedures for placing of investment transactions
- FMSA Investment Advisory Committee

In addition, cash balances are reconciled daily by non-investment employees and reconfirmed by the City's accounting staff. Accounting staff also verifies investment activities and holdings on a regular basis which are reviewed by the FMSA Investment Advisory Committee. The Executive Director for FMSA, at his/her discretion, shall establish a process for annual independent reviews by an external auditor to the extent contemplated by generally accepted auditing standards, during the course of the City's annual audit.

15.0 REPORTING

Government Code Section 53646(b)(1) previously mandated that annual investment policies and quarterly reports be rendered to the legislative body (for the City of Santa Ana - the City Council). AB 2853 amended Government Code Section 53646 making these requirements permissive rather than mandatory. Although the Annual Statement of Investment Policy and Quarterly Reports to City Council are no longer required, we believe it to be both prudent and in keeping with the spirit of the City's Sunshine Policy that these documents continue to be provided. The Executive Director for FMSA shall therefore continue to render to the City Council an annual Statement of Investment Policy and regular reports to the City Manager and the City Council containing detailed information on all securities, investments, and moneys of the City. Pursuant to Government Code 53607 the reports shall include monthly transactions for the reporting period. The reports will be submitted to the City Manager and City Council on a monthly basis and will be rendered formally to the City Council on a quarterly basis as part of a scheduled open City Council Meeting agenda within forty-five (45) days following the end of each quarter.

The report will contain the following information on the funds that are subject to this investment policy:

- 1) Type of investment and name of issuer;
- 2) Date of maturity;
- 3) Par amount;

- 4) Dollar amount invested in all securities, and investments and monies held by the City (amortized cost or book value);
- 5) Weighted average maturity of the investments;
- 6) Current market value as of the date of report of all funds held by the City and under the management of any outside party that is not also a local agency or LAIF and the source of the valuation;
- 7) Source of the market value information;
- 8) A list of the any funds, investments or programs, including loans, under the management of contracted parties such as LAIF, investment. pools, outside money managers, and securities lending agents);
- 9) A statement of compliance with the investment policy or an explanation for non-compliance; and
- 10) A statement of the local agency's ability to meet its pool's expenditure requirements for the next six months, as well as an explanation of why sufficient money will not be available if that is the case.

16.0 POLICY CONSIDERATIONS

18.0 Exemptions

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy as long as it was in compliance with State of California law and the City's investment policy in effect at the time of purchase. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

18.1 Stabilization Fund

Except for cash in certain restricted and special funds, the consolidation of cash balances from all funds and the maintenance of portfolio liquidity (both static and dynamic) as provided for in this policy taken together with the monthly affirmation to the City Manager and City Councilmembers of the City's ability to meet its pool's expenditure requirements for the next six months shall be deemed to functionally meet and exceed the requirements of Article VI., Sec. 610, of the City of Santa Ana Charter as relates to the maintenance of a stabilization fund.

18.2 Amendments

In the event this policy is amended prior to the end of its twelve month fiscal year term the amended Statement of Investment Policy shall be resubmitted to City Council for review and adoption by City Council Resolution.

18.3 Approval

This Statement of Investment Policy is approved by City Council on this 03th day of June, 2025 pursuant to City Council Resolution # 2025-2.

17.0 POLICY REVIEW, CERTIFICATION, AND ADOPTION

15.1 Policy Review

This Statement of Investment Policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of PRINCIPAL, LIQUIDITY, AND YIELD, and to: 1) reflect changes in applicable California state codes, 2) maintain its relevance to current financial and economic trends, and 3) meet the needs of the City of Santa Ana.

15.2 Policy Certification

This certified Statement of Investment Policy will be resubmitted to the Association of Public Treasurers of the United States and Canada (APTUS&C) and the California Municipal Treasurers Association (CMTA) for review and re-certification every five (5) years, or more often in the event of significant legislative changes, or changes in industry standards, or substantive non-administrative modifications to the body of the policy statement, exclusive of revisions or additions to appendices or glossaries. In FY 2019-20, the City of Santa Ana received Investment Policy

Certifications from both the APTUS&C at the international North American level and the CMTA at the state level, and in FY 2021-22, the City of Santa Ana received Investment Policy Certification from CMTA at the state level.

15.3 Adoption

The Executive Director for FMSA shall annually render this Statement of Investment Policy to the City Council and City Manager. The City Council shall annually review and adopt this Statement of Investment Policy by resolution at a public meeting.

Submitted to the Santa Ana City Council for approval, this 3rdth day of June 2025.

Alex Trinidad, CPA
Acting. Executive Director & City
Treasurer Finance & Management
Services Agency

RP

**ALLOWABLE INVESTMENT INSTRUMENTS PER STATE GOVERNMENT
CODE (AS OF JANUARY 1, 2025)^A APPLICABLE TO ALL LOCAL AGENCIES^B**

See “Table of Notes for Figure 1” on the next page for footnotes related to this figure.

INVESTMENT TYPE	MAXIMUM MATURITY ^C	MAXIMUM SPECIFIED % OF PORTFOLIO ^D	MINIMUM QUALITY REQUIREMENTS	GOV'T CODE SECTIONS
Local Agency Bonds	5 years	None	None	53601(a)
U.S. Treasury Obligations	5 years	None	None	53601(b)
State Obligations— CA And Others	5 years	None	None	53601(c) 53601(d)
CA Local Agency Obligations	5 years	None	None	53601(e)
U.S Agency Obligations	5 years	None	None	53601(f)
Bankers' Acceptances	180 days	40% ^E	None	53601(g)
Commercial Paper—Non-Pooled Funds ^F (under \$100,000,000 of investments)	270 days or less	25% of the agency's money ^G	Highest letter and number rating by an NRSRO ^H	53601(h)(2)(c)
Commercial Paper—Non-Pooled Funds ^I (min. \$100,000,000 of investments)	270 days or less	40% of the agency's money ^G	Highest letter and number rating by an NRSRO ^H	53601(h)(2)(c)
Commercial Paper— Pooled Funds ^J	270 days or less	40% of the agency's money ^G	Highest letter and number rating by an NRSRO ^H	53635(a)(1)
Negotiable Certificates of Deposit	5 years	30% ^K	None	53601(i)
Non-negotiable Certificates of Deposit	5 years	None	None	53630 et seq.
Placement Service Deposits	5 years	50% ^L	None	53601.8 and 53635.8
Placement Service Certificates of Deposit	5 years	50% ^L	None	53601.8 and 53635.8
Repurchase Agreements	1 year	None	None	53601(j)
Reverse Repurchase Agreements and Securities Lending Agreements	92 days ^M	20% of the base value of the portfolio	None ^N	53601(j)
Medium-Term Notes ^O	5 years or less	30%	“A” rating category or its equivalent or better	53601(k)
Mutual Funds And Money Market Mutual Funds	N/A	20% ^P	Multiple ^{Q, R}	53601(l) and 53601.6(b)
Collateralized Bank Deposits ^S	5 years	None	None	53630 et seq. and 53601(n)
Mortgage Pass-Through and Asset-Backed Securities ^T	5 years or less ^T	20%	“AA” rating category or its equivalent or better ^T	53601(o)
County Pooled Investment Funds	N/A	None	None	27133
Joint Powers Authority Pool	N/A	None	Multiple ^U	53601(p)
Local Agency Investment Fund (LAIF)	N/A	None	None	16429.1
Voluntary Investment Program Fund ^V	N/A	None	None	16340
Supranational Obligations ^W	5 years or less	30%	“AA” rating category or its equivalent or better	53601(q)
Public Bank Obligations	5 years	None	None	53601(r), 53635(c) and 57603

