



Santa Rosa Investment Staff Briefing

Introduction to California Government Investment Code

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Important Codes Related to Government Investments

- ◆ California Government Code (Code)
 - Investment Surplus (53600-53610)
 - Deposit of Funds (53630-53686)

The screenshot displays the California Legislative Information website. At the top, there is a navigation bar with links for "skip to content", "home", "accessibility", "FAQ", "feedback", and "login". Below this is a "Quick Search" box with a "Bill Number" input field and a "go" button. The main navigation menu includes "Home", "Bill Information", "California Law", "Publications", "Other Resources", "My Subscriptions", and "My Favorites". The "California Law" section is expanded, showing a breadcrumb trail: "California Law >> >> Code Section Group". Below this, there is a search bar with "Code:" and "Section:" dropdown menus, a "Search" button, and a help icon. The main content area is titled "GOVERNMENT CODE - GOV" and includes a "Text Search" tab. The content lists the following sections:

- GOVERNMENT CODE - GOV
- TITLE 5. LOCAL AGENCIES [50001 - 57550] (Title 5 added by Stats. 1949, Ch. 81.)
- DIVISION 2. CITIES, COUNTIES, AND OTHER AGENCIES [53000 - 55821] (Division 2 added by Stats. 1949, Ch. 81.)
- PART 1. POWERS AND DUTIES COMMON TO CITIES, COUNTIES, AND OTHER AGENCIES [53000 - 54999.7] (Part 1 added by Stats. 1949, Ch. 81.)
- CHAPTER 4. Financial Affairs [53600 - 53997] (Chapter 4 added by Stats. 1949, Ch. 81.)
- ARTICLE 1. Investment of Surplus [53600 - 53610] (Article 1 added by Stats. 1949, Ch. 81.)

The text for ARTICLE 1. Investment of Surplus [53600 - 53610] is displayed, including the definition of "local agency" and the provisions of Section 53600.3.



Who Do the Codes Apply to?

◆ 53600 defines a “local agency” as any:

- County
- City
- City and County
- Public District
- Public or Municipal Corporation
- School District
- Community College District
- County Board of Education
- County Superintendent of Schools

*Typically required to invest
through County Treasury*



Public Funds Investment Objectives (53600.5)

1

Safeguard
Principal



2

Meet Liquidity
Needs



3

Achieve
a Return





Application of 53601

◆ Agency types:

- Cities, districts, and local agencies who do not pool money in deposits or investments with other local agencies with different governing bodies

◆ Fund types:

- Sinking funds or moneys in treasury not immediately required

◆ Delivery of securities:

- Must be in agency's name and delivered to the agency or a third-party custodian

◆ Application of percentage limits:

- Date of purchase

◆ Maximum maturity:

- Five years unless otherwise stated or council/board has approved longer-term investments at least 90-days in advance



Investment Universe vs. California Government Code

Securities	1 Day	180 Days	270 Days	1 Year	5 Years	Over 5 Years
U.S. Treasuries	✓ Permitted					Requires Approval
Federal Agencies	✓ Permitted					Requires Approval
Municipal Securities	✓ Permitted					Requires Approval
Negotiable Certificates of Deposit	✓ Permitted					Requires Approval
Commercial Paper	✓ Permitted			X Prohibited		
Bankers' Acceptances	✓ Permitted		X Prohibited			
Medium-Term Corporate Notes	✓ Permitted					X Prohibited
Asset-Backed Securities (ABS)	✓ Permitted					X Prohibited
Supranationals	✓ Permitted					X Prohibited
Repurchase Agreements	✓ Permitted				X Prohibited	
Money Market Funds/Bond Mutual Funds	✓ Permitted	X Prohibited				
Local Government Investment Pools	✓ Permitted	X Prohibited				
Foreign Sovereign	X Prohibited					
Fixed-Income ETFs	X Prohibited					
High-Yield Bonds	X Prohibited					
Private Placements	X Prohibited					
Convertibles	X Prohibited					
Non-U.S. Dollar Investment Grade	X Prohibited					
Emerging Markets Debt	X Prohibited					
Bank Loans	X Prohibited					
Domestic Equities (Large, Mid, Small Cap)	X Prohibited					
International Equities (Large, Mid, Small Cap)	X Prohibited					
Emerging Markets	X Prohibited					
Preferred Stock	X Prohibited					
Equity Mutual Funds and ETFs	X Prohibited					
Commodities	X Prohibited					
Real Estate	X Prohibited					
Hedge Funds	X Prohibited					
Private Equity	X Prohibited					
Venture Capital	X Prohibited					
Tangible Assets	X Prohibited					
Complex Derivatives, Futures and Options	X Prohibited					



City's Permitted Investments

Security Type	% Allowed by	
	CA Government Code	City's Investment Policy
U.S Treasury Notes	100%	100%
Federal Agencies	100%	100%
CA Municipal Investments	100%	100%
State Municipals	100%	100%
Corporate Notes	30%	30%
Mortgage-Backed Securities	100%	20%
Commercial Paper	40%	25%
Time Certificates of Deposit	100%	100%
Negotiable Certificates of Deposit	30%	30%
Bankers' Acceptances	40%	40%
Repurchase Agreements	20%	-
Mutual Funds	20%	20%
Money Market Funds	20%	20%
Local Government Pools	100%	15%
Local Agency Investment Fund (LAIF)	\$75 million	\$50 million



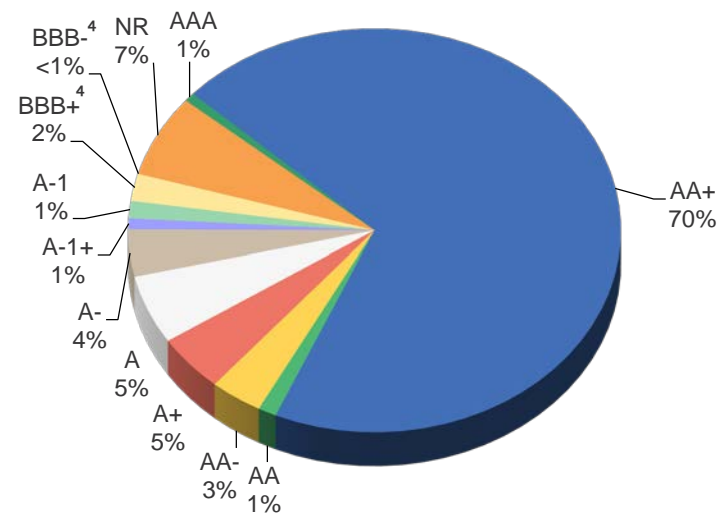
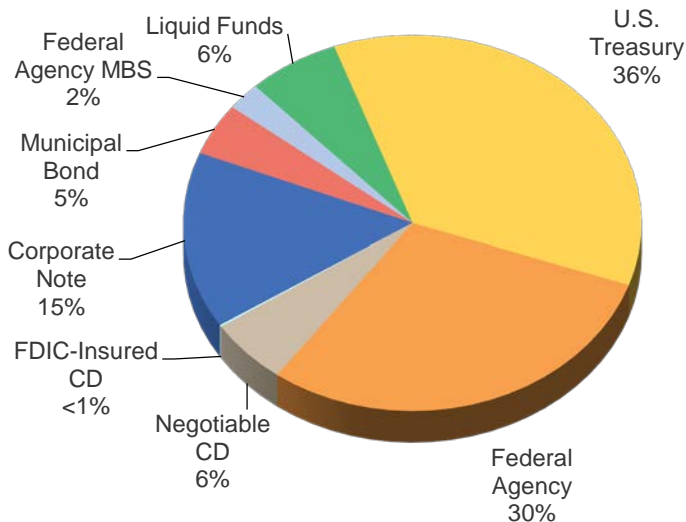
Key Takeaways

- ✓ California Government Code is inherently risk averse.
- ✓ The Code's primary investment objectives are in order are Safety, Liquidity, and Return.
- ✓ The Code is designed to protect public portfolios while providing flexibility to invest according to your agency's unique goals and objectives.



Portfolio Summary and Characteristics as of 11/30/20

Security Type	Par Value	Amortized Cost Value ¹	Market Value ¹	November 30, 2020 % of Portfolio ³
U.S. Treasury	\$174,125,000	\$174,991,236	\$178,829,669	36%
Federal Agency	\$147,250,000	\$147,375,404	\$148,076,021	30%
Federal Agency Mortgage-Backed	\$11,745,556	\$11,797,372	\$11,988,463	2%
Negotiable CD	\$27,700,000	\$27,989,289	\$28,361,199	6%
FDIC-Insured CD	\$676,109	\$687,046	\$690,818	<1%
Corporate Notes	\$72,892,000	\$74,200,536	\$75,676,833	15%
Municipal Bond	\$21,950,000	\$22,299,862	\$22,449,585	5%
Liquid Funds²	\$32,237,910	\$32,237,910	\$32,237,910	6%
Total Value	\$488,576,576	\$491,578,656	\$498,310,498	100%



Ratings by Standard & Poor's

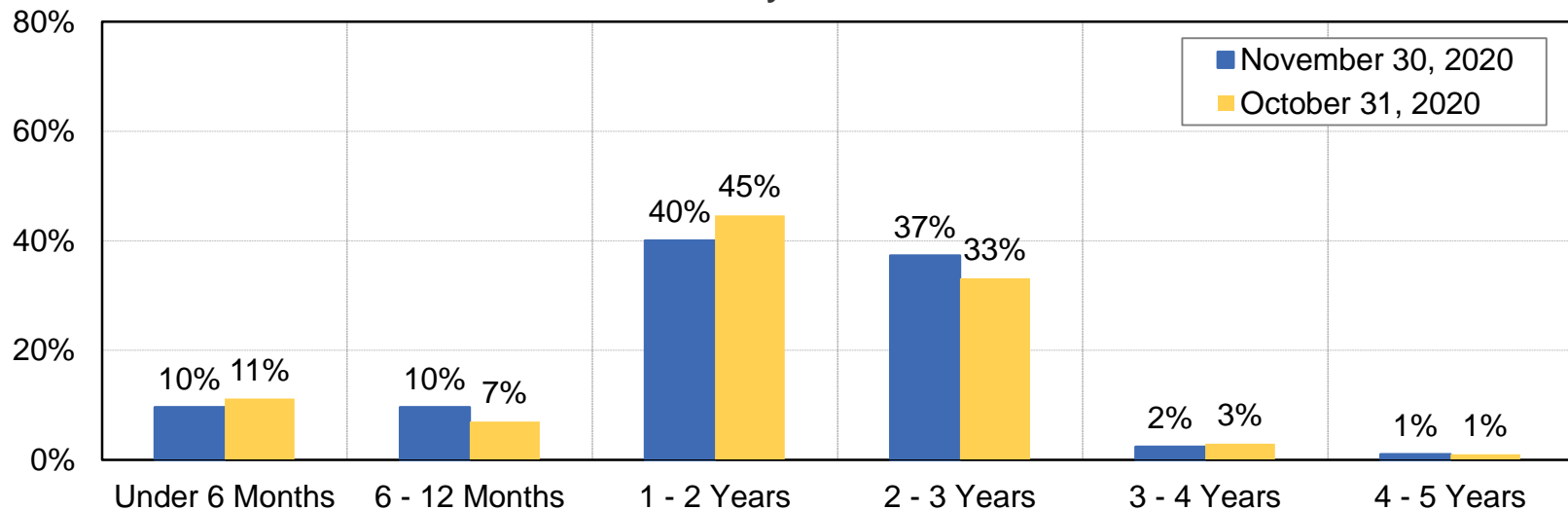
1. Security amortized cost and market values include accrued interest as of trade date.
2. Liquid Funds include the City's LAIF, Chase Bank Checking, and custody account cash balances.
3. Based on market value plus accrued interest. Percentages may not add exactly to 100% due to rounding.
4. Credit rating for security was compliant at the time of purchase. City has elected to hold security until it is advantageous to sell or to maturity.



Investment Program Maturity Summary as of 11/30/20

Maturity ¹	Market Value ²	November 30, 2020 % of Portfolio	October 31, 2020 % of Portfolio
Under 6 Months	\$47,799,973	10%	11%
6–12 Months	\$47,892,531	10%	7%
1–2 Years	\$199,625,591	40%	45%
2–3 Years	\$185,896,692	37%	33%
3–4 Years	\$11,943,015	2%	3%
4-5 Years	\$5,152,696	1%	1%
Total Market Value	\$498,310,498	100%	100%

Maturity Distribution²

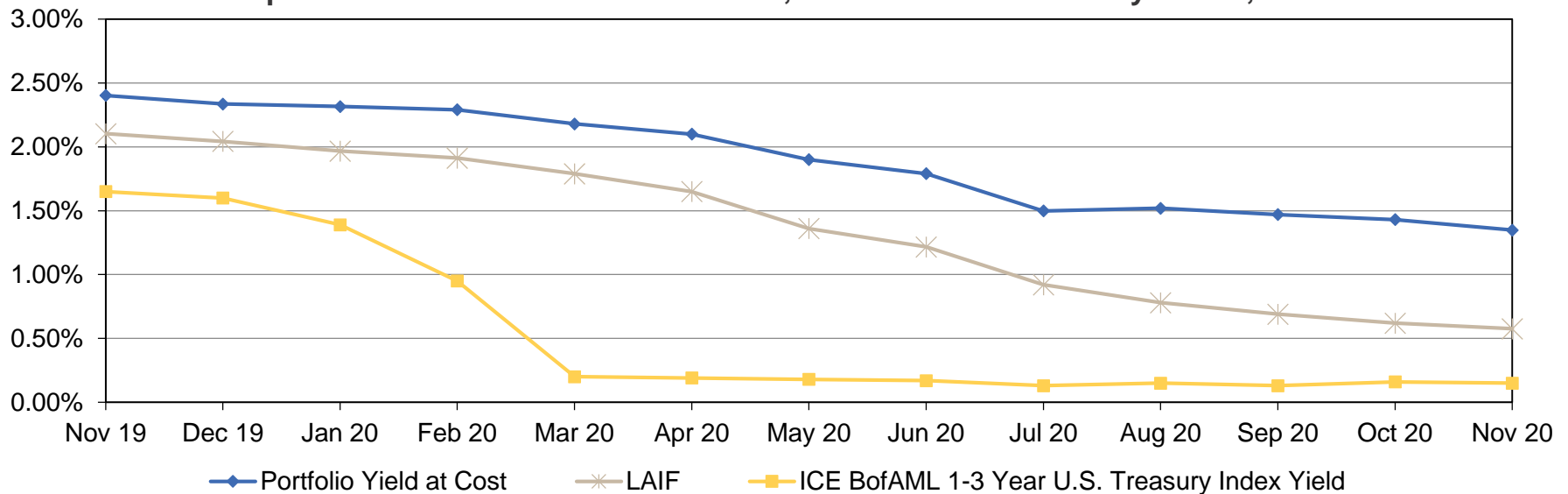




Portfolio Yield Summary as of 11/30/20

Date	Market Value ¹	Portfolio Duration	Portfolio Yield (Cost)	LAIF Yield (Monthly Effective) ²	1-3 Year Treasury Index Yield ²
May-20	\$463,877,997	1.51	1.90%	1.36%	0.18%
Jun-20	\$464,428,574	1.61	1.79%	1.22%	0.17%
Jul-20	\$546,315,431	1.58	1.50%	0.92%	0.13%
Aug-20	\$514,533,105	1.67	1.52%	0.78%	0.15%
Sep-20	\$512,867,649	1.69	1.47%	0.69%	0.13%
Oct-20	\$506,949,711	1.68	1.43%	0.62%	0.16%
Nov-20	\$498,310,498	1.71	1.35%	0.58%	0.15%

Comparison of Combined Portfolio Yield, BAML 1-3 Year Treasury Index², and LAIF³



Questions?





Disclosures

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