RESOLUTION NO. 2096-07

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF WINDSOR ADOPTING STATEMENT OF INVESTMENT POLICY AND INVESTMENT PORTFOLIO GUIDELINES FOR FISCAL YEAR 2007-08

WHEREAS, it is the policy of the Town Council of the Town of Windsor to meet the short and longer term cash flow demands of the Town in a manner that will provide safety of principal and sufficient liquidity, while providing an investment return, and

WHEREAS, in accordance with California Government Code Section 53646, the Treasurer shall annually review and render to the Town Council a statement of investment policy, and

WHEREAS, investment portfolio guidelines have been established to direct and control investment activities in such a manner to assure that the goals established in the Statement of Investment Policy are attained.

NOW, THEREFORE, be it resolved that the Town Council of the Town of Windsor adopts the attached Statement of Investment Policy and Investment Portfolio Guidelines for Fiscal Year 2007-08.

PASSED, APPROVED AND ADOPTED this 18th day of July 2007 by the following vote:

AYES:	**COUNCILMEMBERS FUDGE, GOBLE, SALMON AND MAYOR PARKER**
NOES:	**NONE**
ABSTAIN:	**NONE**
ABSENT:	**COUNCILMEMBER ALLEN**

WARIN J. PARKER, MAYOR

ATTEST:

MARIA DE LA O, TOWN CLERK

Attachments:

Statement of Investment Policy and Investment Portfolio Guidelines for Fiscal Year 2007-08

TOWN OF WINDSOR
STATEMENT OF INVESTMENT POLICY
FISCAL YEAR 2007-08

POLICY

It is the policy of the Town of Windsor to meet the short and long term cash flow demands of the Town in a manner that will provide for safety of principal and sufficient liquidity, while providing an investment return. The purpose of this Statement of Investment Policy is to outline a process for the investment of Town funds in a prudent manner in order to meet Town objectives in a portfolio consisting of cash, investments and securities.

In accordance with Section 53646 of the California Government Code, effective January 1, 1996, the Treasurer will annually render to the Town Council a statement of investment policy. The policy shall be reviewed on an annual basis by the Town Treasurer.

SCOPE

This investment policy applies to all investment activities and financial assets of the Town of Windsor's General Pool. It is the Town's policy to pool funds for investment purposes to provide efficiencies and economies of scale. Investing through a pooled account will provide for greater use of funds by allowing for a more efficient cash flow, a reduction in transaction costs, and greater access to the market.

Bond proceeds are not considered part of the General Pool nor subject to this Investment Policy. Bond proceeds shall be invested in accordance with the requirements and restrictions outlined in the bond documents.

The General Pool represents funds of the Town of Windsor and its component units. The component units are legally separate entities from the Town, but are so intertwined with the Town that they are, in substance, the same as the Town. The component units presently are the Town of Windsor Redevelopment Agency and Windsor Water District. For purposes of this Policy, the Town and its component unit will be referred to collectively as the "Town". The funds of the Town are accounted for in the Town of Windsor's Comprehensive Annual Financial Report and include the following:

a) General Fund
b) Special Revenue Funds
c) Debt Service Funds
d) Capital Project Funds
e) Enterprise Funds
f) Internal Service Funds
g) Agency Funds
h) Any new funds created by the Town Council

The Town's General Pool will be referred to as the "fund" or "portfolio" throughout the

which the Town does business.

2. Market or Interest Rate Risk. Market or interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. Interest rate risk may be mitigated by structuring the 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 by investing operating funds primarily in shorter-term securities. The cash flow is 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. Long term securities shall not be purchased for the sole purpose of short term speculation. Securities shall not be sold prior to maturity with the following exceptions: 1) A declining credit security would be sold early to minimize loss of principal, 2) A security swap would improve the quality, yield, or target duration in the portfolio, or 3) Liquidity needs of the portfolio require that the security be sold. The weighted average maturity of the fund will be limited to three years or less. Purchases of investments will be restricted to securities with a final stated maturity not to exceed five years.

B. Liquidity

The fund 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 will maintain a liquidity buffer and invest primarily in securities with active secondary or resale markets (dynamic liquidity).

C. Return on Investments

The portfolio shall be designed to attain a return on investments through budgetary and economic cycles, taking into account the investment risk constraints and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

On a quarterly basis, the Treasurer's Report will include benchmark reporting. The benchmark will be defined as the rate on a six month Treasury security. Since return on investment is the least important objective of the portfolio, the benchmark will be used solely as a reference tool. The reporting of a benchmark does not imply that the Treasurer will add additional risk to the portfolio in order to attain or exceed the benchmark.

DELEGATION OF AUTHORITY

In accordance with the Town of Windsor's Statement of Investment Policy, herewith established, the Treasurer is authorized to invest the Town's funds in accordance with California Government Code Sections 53601, 16429.1 and 53684. In the absence of the Town Treasurer, the investment of the fund will be delegated to the Accounting Manager. Investments made by the Accounting Manager will be restricted to the State Pool (LAIF), Sonoma County Investment Pool (SCIP) or

quarterly basis and provided to the Council within 45 days following the end of the quarter and shall be filed by the Town Council.

The report will contain the following information on the funds that are subject to this investment policy: 1) The type of investment, name of the issuer, date of maturity, par and cost in each investment; 2) The weighted average maturity of the investments; 3) Any investments, including loans and security lending programs, that are under the management of contracted parties; 4) The market value and source of the valuation, and; 5) A description of the compliance with the Statement of Investment Policy.

INTERNAL CONTROLS

The Treasurer will develop 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. Internal control procedures address wire controls, separation of duties, delivery of securities to a third party for custodial safekeeping, and written procedures for placing investment transactions.

Cash balances are reconciled daily by non-investment employees. In addition, investment activity and holdings are verified monthly by the Accounting Manager and annually by the external auditor.

QUALIFIED DEALERS AND INSTITUTIONS

The Town shall transact business only with banks, savings and loans, and registered investment securities dealers. The purchase of any investment, other than those purchased directly from the issuer, shall be purchased either from an institution licensed by the State as a broker-dealer, as defined in Section 25004 of the Corporations Code, who is a member of the National Association of Securities Dealers, or a member of a Federally regulated securities exchange, a National or State-Chartered Bank, a Federal or State Association (as defined by Section 5102 of the Financial Code), or a brokerage firm designated as a Primary Government Dealer by the Federal Reserve Bank. The Treasurer shall investigate all institutions which wish to do business with the Town in order to determine if they are adequately capitalized, make markets in securities appropriate to the Town's needs, and agree to abide by the conditions set forth in the Town of Windsor's Statement of Investment Policy. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must provide a current audited financial statement and complete the appropriate questionnaire (See Attachment "A" and Attachment "B").

COLLATERAL REQUIREMENTS

California Government Code Sections 53652 through 53667 requires depositories to post certain types and levels of collateral for public funds above the FDIC insurance amounts. The collateral requirements apply to bank deposits, both active (checking and savings accounts) and inactive (non-negotiable time certificate of deposits).

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 Town may invest in repurchase agreements with primary dealers of the Federal Reserve with which the Town has entered into a PSA master repurchase contract 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 102 percent of the value of the repurchase agreement and shall be valued daily by the tri-party custodial agent. Securities that can be pledged for collateral shall consist only of investments permitted within this policy with a maximum maturity of five 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 90 days to maturity or 75 percent of the cost value of the fund.

G. State Pool - Local Agency Investment Fund. The Town 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 distributes monthly reports which provide the breakdown of the investment holdings. LAIF also provides quarterly reports indicating the maturity distribution and market value of the portfolio. LAIF provides daily liquidity, therefore there is no final stated maturity for this investment category. No more than 75 percent of the funds maturing within 14 days shall be in the LAIF. In addition, investments in LAIF shall not exceed the State established limit which is presently $40 million total ($20 million each for the Town and Redevelopment Agency).

H. Sonoma County Investment Pool. The Town may invest in the Sonoma County Investment Pool (SCIP) established by Sonoma County under California Government Code 53601 and Board of Supervisors Resolution 85-412 for the benefit of local agencies. The County distributes quarterly reports which provide the breakdown of holdings including the maturity distribution and market value of the portfolio. The County Pool provides daily liquidity, therefore there is no stated maturity for this investment category. No more than 75 percent of the funds maturing within 14 days shall be in the SCIP.

I. Ineligible investments. Investments not described herein are ineligible investments. In accordance with Section 53631.5 of the Government Code, the Town shall not invest any funds in inverse floaters, range notes, or interest only strips that are derived from a pool of mortgages.

POLICY REVIEW

The Statement of Investment Policy shall be reviewed at least annually by the Treasurer to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return, and its relevance to current law, financial and economic trends, and to meet the needs of

TOWN OF WINDSOR

TREASURER'S INVESTMENT PORTFOLIO GUIDELINES

These guidelines are established to direct and control investment activities in such a manner to assure that the goals established in the Statement of Investment Policy are attained.

1. Cash Forecast. The cash flow of the Town shall be updated monthly with an analysis of cash receipts and expenditures and a review of the scheduled investment maturities to ensure that adequate cash will be available to meet the disbursement requirements.

2. Pooled Cash. Whenever practical, the Town's cash should be consolidated into one bank account and invested on a pooled concept basis. Interest earnings may be allocated according to fund cash and investment balances.

3. Diversification. Diversification will be used as a tool to control risk.

4. Competitive Bids. Purchase and sale of securities shall be made on the basis of competitive bids and offers with a minimum of three quotes being obtained, when practical.

5. Authorized Institutions. Investments transactions will only be executed with previously approved brokers-dealers, banks, and savings and loans. A list of these institutions shall be authorized and maintained by the Treasurer.

6. Certificate of Deposit Evaluations.

   (a) Time Certificates of Deposit (TCD) shall be evaluated in terms of financial strength. For deposits in excess of the FDIC insured maximum of $100,000, approved collateral shall be required as specified by California Government Code Section 53652 and/or 53651 (M)(L).

   (b) Negotiable Certificate of Deposit (NCD) shall be evaluated in terms of the credit worthiness of the issuer, as these deposits are uninsured and uncollateralized promissory notes.

7. Investment Transaction. Every investment transaction must be reviewed and authorized by the Treasurer. In the absence of the Treasurer, the authority to execute investment transactions is delegated to the Accounting Manager, within the scope outlined in the Statement of Investment Policy.

ATTCHMENT "A"

TOWN OF WINDSOR
OFFICE OF THE TOWN TREASURER

BANK/SAVINGS AND LOAN QUESTIONNAIRE AND CERTIFICATION

1. Name of Firm _____

2. Address _____

3. Telephone No. ( )_____ ( )_____
   (Local) (National Headquarters)

4. Primary Representative Manager:

   Name_____ Name_____

   Title_____ Title_____

   Telephone No. ( )_____ Telephone No. ( )

5. What is your Community Reinvestment Act (CRA) Rating?

6. What are the Total Assets of the Bank/Savings and Loan?

7. What is the current Net Worth Ratio of your institution?

8. What was the Net Worth Ratio for the Previous Year?
9. What is your required Capital Ratios?

   A. Tangible Capital Ratio _____
   B. Core Capital Ratio _____
   C. Risk-Based Capital Ratio _____

10. What are your ratings (i.e. S&P, Moody's, Thompson)? _____

11. What is the date of your Fiscal Year End? _____

12. Have you read the California Government Code Section 53630 through 53684 pertaining to the State's requirements governing the deposit of monies by local agencies which include cities? [ ] YES [ ] NO

13. The Town Treasurer will waive collateral for the amount covered by FDIC insurance for Time Deposits and Demand Deposits. Amounts above the insurance coverage must be collateralized as specified in the Government Code. Where is the collateral for deposits held? _____
14. Has there ever been a failure to fully collateralize? If yes, explain.

--CERTIFICATION--

I hereby certify that I have personally read the Town of Windsor's Statement of Investment Policy and the California Government Codes pertaining to the investments and deposits of the Town of Windsor, and have implemented reasonable procedures and a system of controls designed to preclude imprudent investment activities arising out of transactions conducted between our firm and the Town of Windsor. **I understand however, that our firm is not obligated to monitor the percentage limits on the investments as described in the policy.** All sales personnel will be routinely informed of the Town of Windsor's investment objectives, horizon, outlook, strategies and risk constraints whenever we are so advised. We pledge to exercise due diligence in informing the Town of Windsor's Treasurer of all foreseeable risks associated with financial transactions conducted with our firm. I attest to the accuracy of our responses to your questionnaire.

NOTE: **Completion of Questionnaire is only part of the Town of Windsor's Certification process and DOES NOT guarantee that the applicant will be approved to do business with the Town of Windsor.**

SIGNED: _____ **DATE:** _____

COUNTERSIGNED: _____ **DATE:** _____

12. Please provide your Wiring and Delivery Instructions. _____

_____

_____

13. Which of the following instruments are offered regularly by your local desk?

[ ] T-Bills [ ] Treasury Notes/Bonds [ ] Discount Notes [ ] NCD'S
[ ] Agencies (specify)
[ ] BAs (Domestic) [ ] BAs (Foreign) [ ] Commercial Paper
[ ] Mid-Term Notes [ ] Repurchase Agreements
[ ] Reverse Repurchase Agreements

14. Which of the above does your Firm specialize in Marketing? _____

_____

15. Please identify your most directly comparable City Local Agency clients in our geographical area.

Entity	Contact Person	Telephone No.	Client Since

16. What reports, transactions, confirmations and paper trail would we receive?

_____

17. Please include samples of research reports or market information that your Firm regularly provides to local agency clients.

18. What precautions are taken by your Firm to protect the interest of the public when dealing with government agencies as investors. _____

_____

19. Have you or your Firm been censored or punished by a Regulatory State or Federal Agency for improper or fraudulent activities, related to the sale of securities?
[ ] YES [ ] NO

20. If yes, please explain _____

_____

21. Attach certified documentation of your capital adequacy and financial solvency. In addition, an audited financial statement must be provided within 120 days of your fiscal year-end.