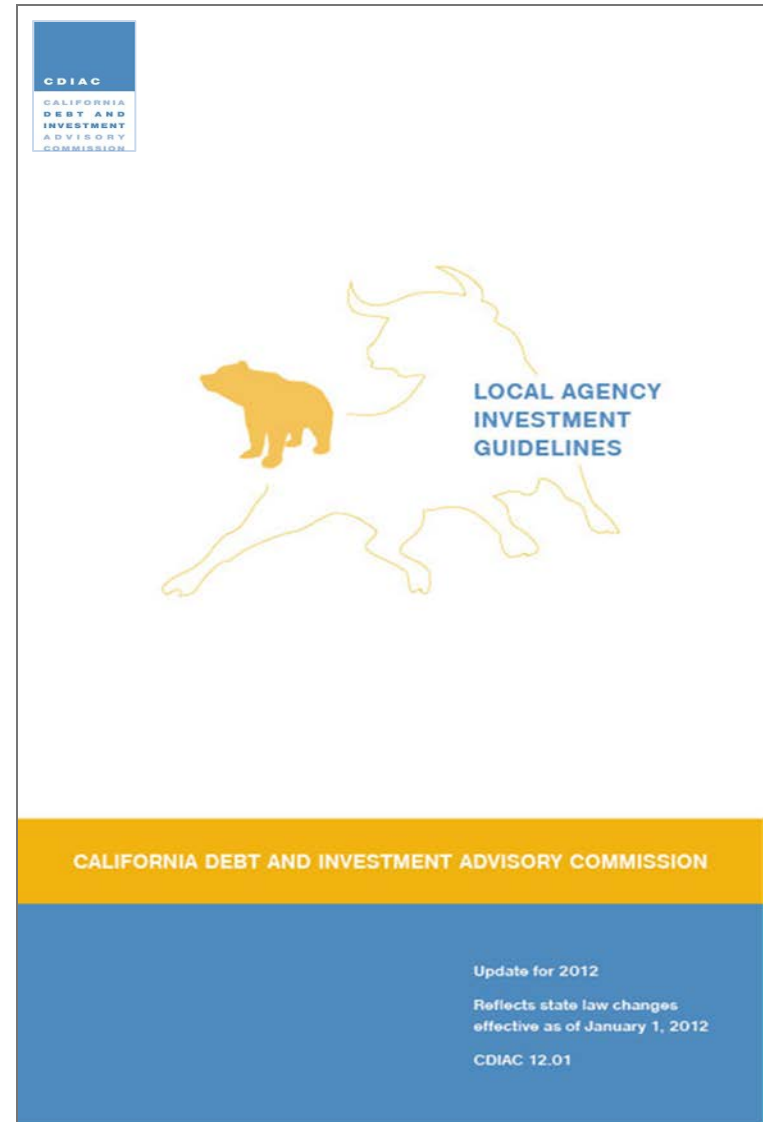


California Debt and
Investment Advisory
Commission
**Local Agency
Investment Guidelines**
(LAIG)



- Background and History
- Report Layout
- Review and Annual Update Process
- Communication and Access to Report
- Major Changes Over Past 5 Years

Background

- **Events**

- 1994 - Orange County Bankruptcy

- **Legislation**

- 1995 numerous changes to the Government Code

- Restricted permissible investments and promoted increased oversight

- **Implementation**

- Laws difficult to interpret
 - Established Stakeholder workgroup to sort out
 - CDIAC Local Agency Investment Guidelines product of that effort
 - In existence and administered by CDIAC since 1996

Six (6) major sections to LAIG

- 1) Summary of Statutory Changes
- 2-5) Four (4) Chapters
 - Investment Policy*
 - Fund Management*
 - Reporting Requirements*
 - Treasury Oversight Committees*
- 6) Complete Listing of Government Code Related to Local Agency Investing

Chapter I – Investment Policy

- Requirements for the rendering and approval of an investment policy
- Contents of the policy
- Frequency of updates and approvals
- Distinction between counties and other local agencies

Chapter II – Fund Management

- Permissible investments
- Rules regarding certain investments
- Requirements of depository institutions and fiduciaries in which local agency funds are invested

Layout - Chapters

Provides a listing of permissible investments, including:

- Maturity
- Maximum Percent of Portfolio
- Credit Quality Requirements

INVESTMENT TYPE	MAXIMUM MATURITY ^c	MAXIMUM SPECIFIED % OF PORTFOLIO ^b	MINIMUM QUALITY REQUIREMENTS
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations—CA And Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S Agency Obligations	5 years	None	None
Bankers' Acceptances	180 days	40% ^g	None
Commercial Paper—Select Agencies ^f	270 days	25% of the agency's money ^g	"A-1" if the issuer has issued long-term debt it must be rated "A" without regard to modifiers ^h
Commercial Paper—Other Agencies ^f	270 days	40% of the agency's money ^g	"A-1" if the issuer has issued long-term debt it must be rated "A" without regard to modifiers ^h
Negotiable Certificates of Deposit	5 years	*	None
CD Placement Service	5 years	30% ^k	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days ^l	20% of the base value of the portfolio	None ^m
Medium-Term Notes ⁿ	5 years	30%	"A" Rating
Mutual Funds And Money Market Mutual Funds	N/A	o	po
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	"AA" Rating ^q
Bank/Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple ^s
Local Agency Investment Fund (LAIF)	N/A	None	None

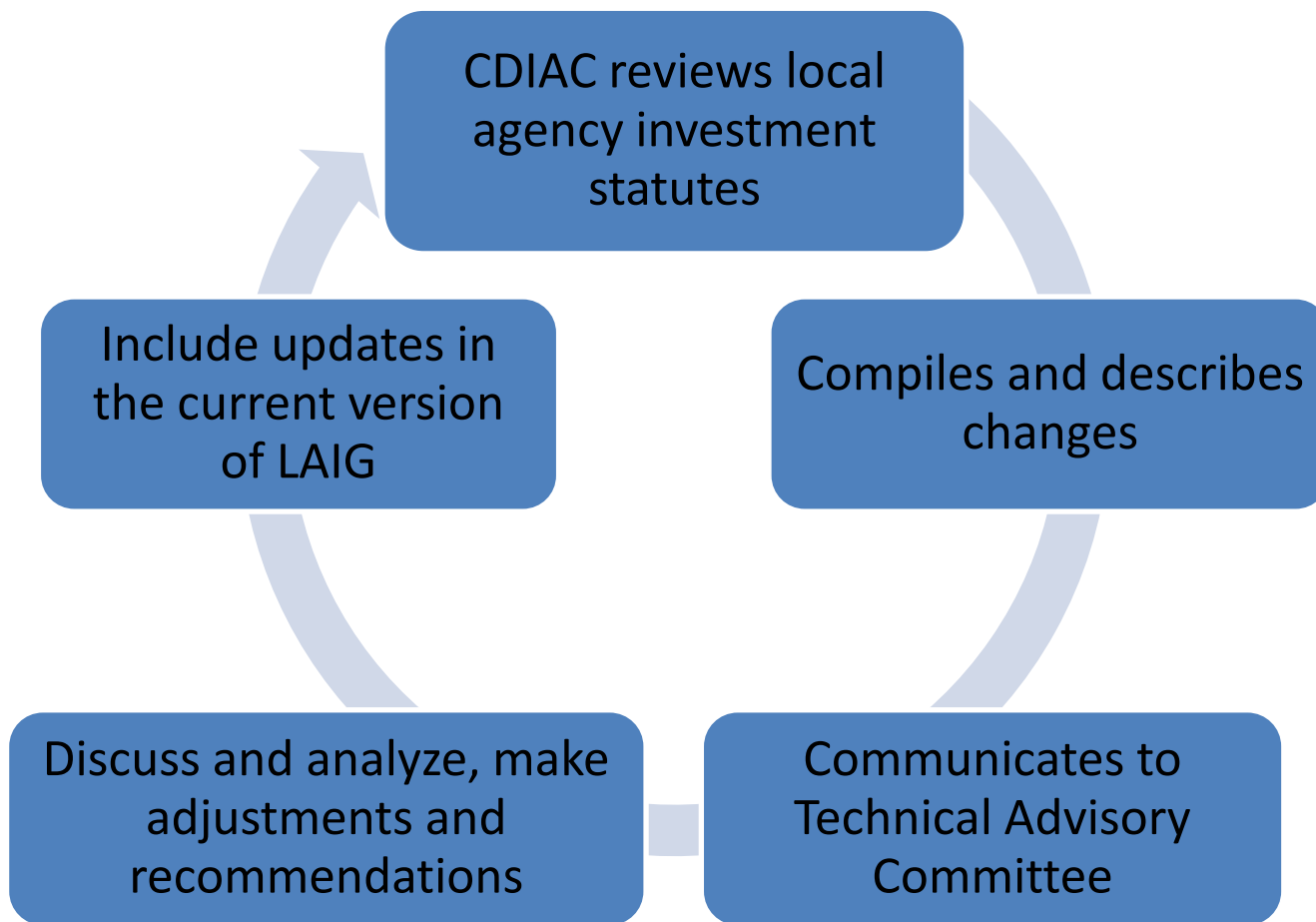
Chapter III – Reporting Requirements

- Requirements for an Investment Report
 - County versus Other
 - Portfolio versus Transaction Reports
- Contents of Report
 - Valuation Measures
 - Cash Flow Forecasting
- Frequency of Reporting
 - Quarterly versus Monthly

Chapter IV – Treasury Oversight Committees

- Requirements for an Oversight Committee
 - Participants (Expertise)
 - Structure (Public / Private / Both)
- Roles and Responsibilities
 - County Treasurer
 - Monitoring / Auditing / Compliance

Review and Update



Schedule of Publication

- **Published in March following the end of calendar year. (ex. 2012 March 2013)**
- **PDF file that can be accessed on the CDIAC website at www.treasurer.ca.gov/CDIAC/LAIG**
- **Update is communicated via ListServe**
- **Questions and comments of the current version can be directed to CDIAC staff at CDIAC@treasurer.ca.gov**
- **Research staff dedicated to providing technical assistance to local agencies on a variety of questions**

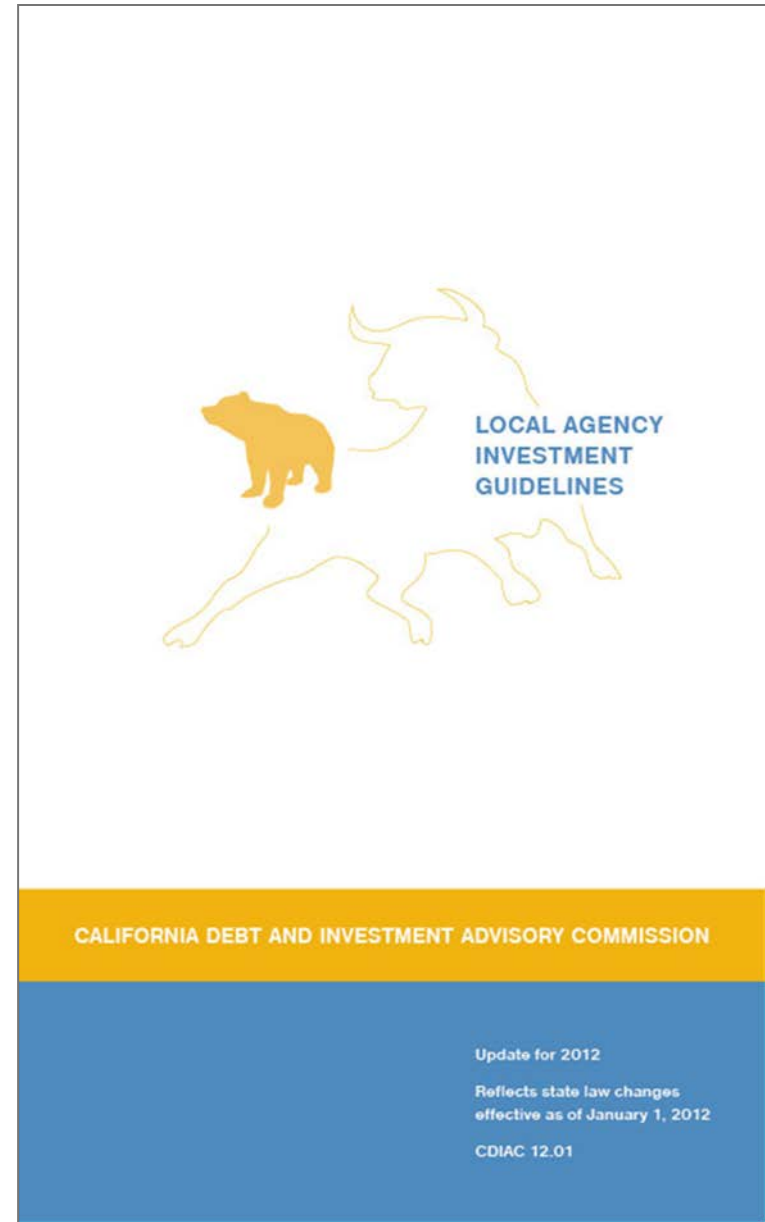
Local Agency Investment Guidelines Major Updates Last 5 Years

Year	Section	Change
2007	Sections 53601.8 and 53635.8:	These new sections authorize, until January 1, 2012, the investment of up to 30 percent of a local agency's surplus funds in certificates of deposit at a commercial bank, savings bank (savings and loan association), or credit union that uses a private sector entity that assists in the placement of certificates of deposit under specified conditions.
2008	SECTION 53601 (d):	Effective January 1, 2008, this new subdivision authorizes local agencies to invest in registered treasury notes and bonds issued by any of the other 49 states in addition to California.
2009	SECTION 53646	The requirement that cities and counties submit copies of investment policies to the commission has been deleted.
2011	SECTION 53601.7	Section 53601.7 expired due to a January 1, 2011 sunset provision.
	SECTIONS 53601.8 AND 53635.8	A sunset provision that would have prohibited the use of CD placement services (CDARS) after January 1, 2012 was deleted.

2012 Changes in Suggested Reporting

	Recommendation		Justification
	2011	2012	
53646	No Recommendation on Submission to Legislative Body	No Recommendation on Submission of monthly report to Legislative Body	Increased Disclosure Public Good Fiduciary Duty Better Management
53607	Added recommendation that agency treasurers submit a QUARTERLY report to their legislative body.	Added recommendation that agency treasurers <i>with delegated authority</i> to submit a MONTHLY report of transactions to their legislative body. This report is separate and distinct from QUARTERLY investment report suggested under 53646.	53607 specifically requires this report. Format of report is up for interpretation. (All transactions, brokerage statements, LAIF statements). Needs discussion between treasurer and legislative body.

Thank You



CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

Update for 2012

Reflects state law changes
effective as of January 1, 2012

CDIAC 12.01