

**SCHEDULE A.**  
**ALAMEDA COUNTY SURPLUS PROPERTY**  
**DEVELOPMENT TRUST FUND INVESTMENT POLICY**

**I. Introduction**

The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities.

This investment policy is based on state law and prudent money management. All Surplus Property Development Trust Funds (the "Trust Funds") will be invested in accordance with this policy.

**II. Scope**

It is intended that this policy cover only those funds in the Alameda County Surplus Property Development Trust Fund.

**III. Prudence**

Investments shall be made with judgment and care - under circumstances then prevailing - which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

**IV. Investment Philosophy**

The primary objectives, in priority order, of the investment activities of the Trust Fund shall be:

- 1) Safety. Safety of principal is the foremost objective of the investment program. Investments for the Trust Fund shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio.
- 2) Liquidity. The investment portfolio or the Trust Fund will remain sufficiently liquid to enable the County to meet its cash flow requirements.
- 3) Return on Investment. The investment portfolio for the Trust Fund shall be designed with the objective of attaining a market rate of return on its investments consistent with the constraints imposed by its safety objective and cash flow considerations.

**V. Duration**

The portfolio's average target duration shall be within 15% plus or minus, of the duration of the benchmark that will be used to measure performance the Merrill Lynch 1-7 Year Treasury Index.

## VI. Delegation of Authority

The management responsibility for the investment program is hereby delegated to the Treasurer in coordination with the County Administrator's Office with the understanding that they have retained investment management firms for investment advisory, management and reporting services for the Trust Funds. The County Administrator's Office and the Treasurer shall monitor and review all investments for consistency with this investment policy. Management responsibility and delegation of authority are for a one-year period, subject to review by the Board and renewable annually. No person may engage in any investment transaction except as provided under the limits of this policy. The investment management firms shall follow the policy and such other written instructions as are provided.

## VII. Ethics and Conflict of Interest

No officers or employees involved in the investment process shall accept honoraria gifts or gratuities from any advisor, broker dealer, banker or other person with whom the county conducts business with an aggregate value in excess of \$250.00 in any calendar year.

## VIII. Permitted Investment Instruments

Section 53600 et seq. of the Government Code of the State of California prescribes the statutory requirements relating to investments by local treasurers, including proportional limits by investment type relative to the size of the investment pool, and maximum maturity of investments.

The Trust Fund investments shall conform with the legal provisions set forth in the Government Code, except that the County further prescribes the following requirements:

### **Bankers Acceptances** Maximum limit: 30%

Rating requirements:

At least "A" rated by S & P or its equivalent by other rating agencies for domestic banks.

At least "AA" rated by S & P or its equivalent by other rating agencies for US Branch of Foreign Banks. May not exceed 180 days from purchase date to final maturity.

### **Commercial Paper** Maximum limit: 5% of the portfolio

Rating requirement:

At least "A-1" as rated by Standard & Poor's Corporation *or* "P-1" as rated by Moody's Investor Service, Inc., if maturity does not exceed 30 days.

At least "A-1" as rated by Standard & Poor's Corporation *and* "P-1" as rated by Moody's Investor Service, Inc., if maturity exceeds 30 days.

May not exceed 270 days maturity.

### **Medium-Term Notes** Maximum limit: 30% of the portfolio

Rating requirement:

At least rated "A" or its equivalent by a nationally recognized rating service if maturity is less than 3 years

At least rated "AA" or its equivalent by a nationally recognized rating service if maturity is three years or more from the purchase date.

Maximum maturity: May not exceed 5 years from purchase date to final maturity.

**Negotiable Certificates of Deposits or Bank Notes** Maximum limit: 30% of the portfolio

Rating requirement:

“A” rated by S & P or the equivalent by other rating agencies if issued by a domestic bank

“AA” rated by S & P or the equivalent by other rating agencies if issued by a U.S. branch of a foreign bank.

May not exceed one year in maturity from the purchase date.

**Money Market Funds**

Maximum limit: 20% of the portfolio.

To be eligible for purchase, the money market fund must maintain a constant \$1.00 NAV (Net Asset Value), and meet the either of the following requirements:

- a) The fund must be invested in securities and obligations permitted by subdivisions (a) to (1) inclusive, of Section 53601 of the Government Code of the State of California. The fund must attain the highest ranking or the highest letter and numerical rating by at least two of the three largest nationally recognized rating services; or
- b) The fund must be invested in securities and obligations permitted by subdivisions (a) to (1) inclusive, of Section 53601 of the Government Code of the State of California, and if not rated, must retain an investment adviser registered with the SEC with not less than five years' experience investing in the securities and obligations as authorized by subdivisions (a) to (1n), inclusive, and with assets under management in excess of \$500,000,000.

Investments in any one money market fund may not exceed 5% of the portfolio

**U.S. Treasury Bills, U.S. Government Notes, Federal Agency Notes, debt issues of the State of California and debt issues of local agencies within the State of California**

No maximum limit.

Purchase of debt issues of the U.S. Government, Federal Agencies, State of California and other local agencies in the State of California are eligible for purchase without limit, subject to requirements and restrictions of Section 53601 et seq. of the Government Code, except that floating rate notes, structured notes and other derivative securities permitted for purchase under the Code shall be limited to an aggregate cap of 15% of the total portfolio.

Plain callable securities are not subject to the 15% limitations.

Maximum maturity: 7 years

**Washington Supranational Obligations** maximum limit: 30% of the portfolio.

Purchase of U.S. dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank of Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB) that are eligible for purchase or sale in the United States.  
Ratings requirement: AA or better by S & P or equivalent by other rating agencies.

Maximum maturity: 5 years

**Asset-Backed Securities** maximum limit: 20% of the portfolio.

Equipment lease-backed certificates, consumer receivable passthrough certificates or consumer receivable-backed bonds are eligible for purchase.  
Ratings requirement: The security must carry a 'AA' or better by S&P or equivalent by other rating agencies.

Maximum final maturity: 5 years

**Repurchase Agreements** maximum limit: 20% of the portfolio

Counter-party requirements: A financial institution that will deliver the securities versus payment, either to the Treasurer's custodian bank or to a third-party custodian.

Collateral: U.S. Government securities or federal agency securities with final maturity not exceeding 5 years from commencement of repurchase agreement.

Collateral Value requirements: Minimum of 102% of the funds borrowed and marked-to-market daily during the term of agreement.

Maximum term of agreement: 180 days.

**Reverse Repurchase Agreements** maximum limit: 20% of the portfolio.

Borrowing for leveraging purposes shall conform in all aspects to the governing provisions of the Government Code Section 53601, et. seq. Reverse repurchase agreements which have been entered into for purposes of either raising temporary cash needs or for the purpose of leveraging to attain favorable investment spreads, must be approved by the Board of Supervisors pursuant to Government Code guidelines.

**LAIF (Local Agency Investment Fund)**

Maximum: As permitted by the State Treasurer

**CalTRUST (Joint Powers Authority Investment Trust for California Public Agencies)**

Maximum limit: Twice the limit of LAIF deposits

**CAMP (Joint Powers Authority created to provide a statewide local government investment pool)**

Maximum limit: Twice the limit of LAIF deposits

**Collateralized/FDIC -Insured Time Deposits**

The Trust Fund may be invested in interest-bearing inactive public time deposits with banks and savings and loan associations located within the State of California, collateralized in accordance with requirements of the Government Code. Further, pursuant to the requirement of Government Code Section 53635.2, in order to be eligible as a depository of local agency monies, the depository institution must have a CRA (Community Reinvestment Act) rating of at least "Satisfactory", received in its most recent evaluation by the appropriate federal rating agency. Pursuant to Government Code section 53601.8, the depository bank may use an eligible private sector entity to help place deposits with one or more commercial banks, savings and loan associations, or credit unions located in the United States. The Treasurer may also place with an eligible bank, savings and loan association, and credit union uncollateralized interestbearing inactive time deposits for the FDIC or the NCUA insured amount of up to \$250,000, provided that the depository institution requests, and the Treasurer grants, a waiver of security in writing.

**Collateralized Money Market Bank Accounts**

The Treasurer may open and deposit funds in interest-bearing active collateralized money market bank accounts in the banks that qualify under the eligibility requirements required for collateralized inactive time deposits, under **item XII** of this policy. Deposits in money market bank accounts are made to provide better short-term yield, as well as to provide another source of immediate liquidity.

**Others:** Any other legally permitted investments by specific authorizing resolutions of the Alameda County Board of Supervisors shall be eligible investments.

Where there is a specific percentage limitation for a particular category of investment, that percentage

is applicable only at the date of purchase.

Credit criteria listed in this section refers to the credit of the issuing organization at the time the security is purchased.

#### **IX. Maximum Maturity**

Investment maturities shall be based on a review of cash flow forecasts, as provided to the investment advisor. Maturities will be scheduled so as to permit the County to meet all projected obligations.

The maximum maturity of any issue will be no more than seven years from the purchase date.

#### **Ineligible Investments**

The Trust Fund shall not invest any funds in mortgage backed securities, inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity.

#### **Investment Report**

The investment advisory firms shall submit a report on the monthly status of the Trust Fund to the Alameda County Administrator, Treasurer and the Auditor-Controller. The investment report must include the total market value of the securities and the source of the valuations, on reports of portfolio holdings at the end of September, December, March and June;

The quarterly report shall also (i) state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance (ii) include a description of any of the county's funds, investments or programs that are under the management of contracted parties, including lending programs; and (iii) include a statement denoting the ability of the County to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall; or may, not be available.

#### **XII. Performance Benchmark**

The investment advisory firms will report the total rate of return of the portfolio at the end of each quarter. The portfolio's total rate of return will be compared to a benchmark. The benchmark is the Bank of America Merrill Lynch 1-7 Year Treasury Index.

#### **XIII. Safekeeping and Custody**

The assets of the Trust Fund shall be secured through the third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions.

Collateralized securities such as repurchase agreements shall be purchased using the delivery vs. payment procedure.