RESOLUTION NO. SACRA 12-08-07-04

A RESOLUTION OF THE SUCCESSOR AGENCY TO THE SAN JUAN CAPISTRANO COMMUNITY REDEVELOPMENT AGENCY, APPROVING THE INVESTMENT POLICY

WHEREAS, the San Juan Capistrano Community Redevelopment Agency ("Agency") was established as a community redevelopment agency duly organized and existing under the California Community Redevelopment Law, Health and Safety Code Section 33000, et seq. ("CRL"), and has been authorized to transact business and exercise the power of a redevelopment agency pursuant to action of the City Council ("City Council") of the City of San Juan Capistrano ("City"); and

WHEREAS, Assembly Bill x1 26 added Parts 1.8 and 1.85 to Division 24 of the California Health and Safety Code, which laws caused the dissolution of the Agency on January 31, 2012, and wind down of all redevelopment agencies (the "Dissolution Act"); and

WHEREAS, by Resolution No. 12-01-10-01 approved by the City Council at an open meeting on January 10, 2012, the City chose to become and serve as the successor agency to the dissolved Agency under the Dissolution Act; and

WHEREAS, as of and on and after February 1, 2012, the City began serving as the "Successor Agency" performing its functions as the successor agency to the Community Redevelopment Agency under the Dissolution Act, including the investment of idle funds pursuant to the City’s Investment Policy; and

WHEREAS, on June 27, 2012, the California State Legislature passed Assembly Bill 1484 providing amendments to AB x1 26, including the provision that the Successor Agency is a separate public entity from the public entity that provides its governance; and

WHEREAS, it is appropriate for the Successor Agency, as a separate public entity, to adopt a separate investment policy from the City of San Juan Capistrano and no longer be subject to the City of San Juan Capistrano Investment Policy.

NOW THEREFORE, BE IT RESOLVED, that the Successor Agency to the San Juan Capistrano Community Redevelopment Agency hereby adopts the Successor Agency Investment Policy that is attached hereto as Exhibit A.
PASSED, APPROVED and ADOPTED this 7th day of August 2012.

SUCCESSOR AGENCY

Larry Kramer, Chair

ATTEST:

Maria Morris, Agency Secretary

STATE OF CALIFORNIA )
COUNTY OF ORANGE ) ss.
CITY OF SAN JUAN CAPISTRANO )

I, MARIA MORRIS, appointed Agency Secretary of the Board of Directors of the Successor Agency to the San Juan Capistrano Community Redevelopment Agency, do hereby certify that the foregoing Resolution No. SACRA 12-08-07-04 was duly adopted by the City Council of the City of San Juan Capistrano at a Regular meeting thereof, held the 7th day of August 2012, by the following vote:

AYES: COUNCIL MEMBERS: Reeve, Allevato, Taylor, and Vice-Chair Freese
NOES: COUNCIL MEMBER: None
ABSENT: COUNCIL MEMBER: Chair Kramer

Maria Morris, Agency Secretary
I. POLICY STATEMENT

It is the policy of the SUCCESSOR AGENCY TO THE SAN JUAN CAPISTRANO COMMUNITY REDEVELOPMENT AGENCY (the "Successor Agency") to invest public funds in a manner which will provide the security of principal invested with secondary emphasis on providing the highest yield while meeting the daily cash flow needs of the and conforming to all applicable State and local statutes governing the investment of public funds.

II. SCOPE

This investment policy applies to all financial assets and funds held by the Successor Agency.

III. OBJECTIVES

The primary objectives, in priority order, of the Successor Agency's investment activities shall be:

A. SAFETY OF PRINCIPAL - Safety of principal is the foremost objective of the Successor Agency. Investments of the Successor Agency shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio. One of the methods to obtain this goal is diversification which is required in the portfolio's composition.

B. LIQUIDITY - The Successor Agency's investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements which might be reasonably anticipated. "Liquidity" refers to the ability to sell at any given moment with a minimal chance of losing some portion of principal or interest.

C. YIELD - The Successor Agency'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 Successor Agency's risk constraints and the cash flow of the portfolio.
The Successor Agency shall not engage in any activity that is designed to raise funds specifically for the purpose of investing (i.e. borrowing funds to invest, or leveraging). The Successor Agency is not restricted from investing proceeds from a bonafide debt issuance in accordance with this investment policy until such time as funds are needed for the purpose intended.

IV. DELEGATION OF AUTHORITY

A. The authority of the Successor Agency Board of Directors to invest or reinvest funds of the Successor Agency is delegated for a one-year period to the Successor Agency Finance Officer, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. Subject to review, the Board of Directors may renew the delegation of authority each year.

B. The Finance Officer shall develop and maintain written administrative procedures for the operation of the investment program which are consistent with this investment policy. Procedures will include reference to safekeeping, Master Repurchase Agreements, wire transfer agreements, collateral and deposit agreements, banking service contracts, and other investment related activities.

C. The Executive Director is designated as a liaison/deputy in the event circumstances require timely action and the Finance Officer is not present.

D. No officer or designee may engage in an investment transaction except as provided under terms of this investment policy and the procedures established by the Finance Officer and approved by the Executive Director.

E. The Finance Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

F. The Finance Officer and other personnel involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.
V. PRUDENCE

A. The standard of prudence to be used in the investment function shall be the "prudent investor" standard and shall be applied in the context of managing the overall portfolio. This standard states "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

B. The Finance Officer, acting in accordance with written procedures and this investment policy, shall not be held personally accountable for a specific security's credit risk or market price change, provided that any unexpected deviations are reported in a timely manner and that appropriate action is taken to control adverse development.

C. The Successor Agency may invest debt issuance proceeds to match or meet the anticipated timing of the expenditures. The Successor Agency may not incur debt with the specific and sole purpose of arbitrage investment.

VI. INTERNAL CONTROLS

The Finance Officer shall establish a system of written internal controls which will be reviewed annually with the independent auditor. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes or imprudent actions by employees of the Successor Agency.

VII. AUTHORIZED INVESTMENTS

A. Obligations of the United States Government, its agencies and instrumentalities and government sponsored enterprises;

B. Fully insured or collateralized certificates of deposit and other evidence of deposit at banks and savings and loan associations located in California;

C. Repurchase agreements, up to a one year term, whose underlying collateral consists of obligations of the United States Government, its agencies and instrumentalities and government sponsored enterprises, fully insured or collateralized certificates of deposit and other evidence of deposit at banks and savings and loan associations, provided a signed Master Repurchase Agreement is on file with the counterparty bank or broker/dealer.
D. Money Market Funds whose portfolio consists of the foregoing;

E. The Local Agency Investment Fund (State Pool) provided that the pool has provided the Successor Agency with a copy of its current investment policy and portfolio.

F. Orange County Investment Pool, as authorized by the Government Code Section 53684, provided that the pool has provided the Successor Agency with a copy of its current investment policy and portfolio.

G. Local government investment pools, as authorized by the Government Code Section 53601(p), provided that the pool has provided the Successor Agency with a copy of its current investment policy and portfolio.

H. Passbook Savings Account Demand Deposits in California financial institutions;

I. Taxable or Tax-Exempt warrants, notes, bonds or similar evidences of indebtedness issued by the State of California or any local agency within the State of California having received a rating of "A" or better by at least two nationally recognized rating agencies upon approval of the Successor Agency Council.

If additional types of securities are approved for investment of public funds by State Statute, they will not be eligible for investment by the Successor Agency until this investment policy is amended and the amendment passed by the Board of Directors.

VIII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

For any investment transaction not conducted directly with the issuer, the Successor Agency shall maintain a list of financial institutions which are authorized to provide investment services. Banks and Savings and Loans shall provide their most recent "Consolidated Report of Condition" (call report) at the request of the Successor Agency. At a minimum, the Successor Agency shall conduct an annual evaluation of each bank's creditworthiness to determine whether it should be on the "Qualified Institution" listing.

Securities dealers not affiliated with a bank shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank as Primary Dealers, or meet certain other criteria as determined by the Finance Officer and approved by the Executive Director.
IX. DIVERSIFICATION AND MATURITY

A. It is the policy of the Successor Agency to diversify its investment portfolio. Invested funds shall be diversified to minimize the risk of loss resulting from over concentration of assets in a specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed by the Finance Officer and Executive Director. The minimum diversification standards by security type and issuer shall be:

- U.S. Treasuries and securities having principal and interest guaranteed by the U.S. Government ................................................................. 100%
- U.S. Government agencies, instrumentalities and government sponsored enterprises ................................................. no more than 50%
- Fully insured or fully collateralized CD's ........................................... no more than 50%
- Money Market Funds ..................................................................... no more than 20%
- Local Agency Investment Fund (LAIF) ........................................ no more than 75%
- Orange County or Other Local Government Investment Pools .. no more than 75%
- Passbook Savings Account Demand Deposit .................................. no more than 5%
- Securities issued by the State of California or local agencies within the State of California ............... no more than 25%

B. The Finance Officer shall be required to diversify maturities. The Finance Officer, to the extent possible, will attempt to match investments with anticipated cash flow requirements. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk. Unless matched to a specific requirement, the Finance Officer may not invest more than 25% of the portfolio for a period greater than three years. When matched to a specific requirement and with approval by the Council, the Finance Officer may invest any portion of the portfolio for a period greater than three years.

X. SAFEKEEPING AND COLLATERALIZATION

A. All security transactions, including collateral for repurchase agreements, entered into by the Successor Agency shall be conducted on a delivery versus payment (DVP) basis.

B. Where applicable, all securities shall be held by a third party custodian designated by the Finance Officer. The third party custodian shall be required to issue a safekeeping receipt to the Successor Agency listing the specific instrument, rate, maturity and other pertinent information. The only exception to the foregoing shall be depository accounts and securities purchases made with: (i) LAIF and local government investment pools; (ii) placement certificates of deposit; and (iii) money market mutual funds, since the purchased securities are not deliverable. Evidence of each these
investments will be held by the Successor Agency Treasurer.

C. Collateralization shall be required on two types of investments:

1. Bank Deposits (including Certificates of Deposit and Passbook Savings Account Demand Deposit) - In accordance with state law.

2. Repurchase agreements - In order to anticipate market changes and provide a level of additional security for all funds, the collateralization level will be 102% of market value of principal and accrued interest.

XI. PERFORMANCE EVALUATION

A. The Finance Officer shall make a quarterly report of investment transactions to the Board of Directors.

B. The Finance Officer shall submit quarterly and annual reports to the Executive Director and Board of Directors containing sufficient information to permit an informed outside reader to evaluate the performance of the investment program.

XII. AFFILIATED AGENCIES AND JOINT POWERS AGREEMENT

The Successor Agency representative to any affiliated agency or joint powers agreement such as California JPIA or SOCWA, will encourage adoption of an investment policy similar to this investment policy and in conformance with State guidelines. On an annual basis a report will be made to the Board of Directors by the Finance Officer disclosing any significant differences in policies and investment holdings.

XIII. INVESTMENT POLICY ADOPTION

The Successor Agency's investment policy shall be adopted by the Board of Directors. The investment policy shall be reviewed on an annual basis by the Executive Director and the Board of Directors and any significant modifications recommended thereto must be approved by the Board of Directors.

X. GLOSSARY

A glossary of financial terms referenced herein is appended. See Appendix A.