



EXHIBIT I

City of Gridley, CA Investment Policy

It is the Policy of the City of Gridley, to invest public funds in a manner that will provide in priority order, maximum security, adequate liquidity, and sufficient yield while meeting the daily cash flow demands of the City and conforming to California Government Code Section 53600, and related statutes and regulations governing the investment of public funds.

Purpose

This statement is intended to provide guidelines for prudent investment of the City of Gridley's temporary inactive cash and outline the policies for maximizing the efficiency of the City's cash management system.

The City's ultimate investment goal is to invest public funds in a manner that will provide the highest investment return with the maximum security while meeting the short and long-term cash flow demands and conforming to all state statutes governing the investment of public funds.

Scope

The Investment Policy covers all City funds.

Prudence

The standard of prudence to be used by the investment official shall be the "prudent investor standard" as outlined in California Government Code Section 53600.3. It shall be applied in the context of managing the overall portfolio.

The City's Finance Director will maintain and update investment policies and procedures. The procedures intend to ensure that the investment objectives and safeguards stated in this Policy are effectively communicated to all officials involved in the investment of public funds and adequately reflect the intent of the "Prudent Investor" rule. The procedures will be maintained on file with the City Treasurer and the Finance Director.

Objectives

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

- a. **Safety.** It shall be the primary duty and responsibility of those authorized to invest the City's funds to protect, preserve, and maintain cash and investments placed in trust on behalf of the citizens of the City. Diversification is allowed within the guidelines of California Government Code Section 53601
- b. **Liquidity.** An adequate amount of funds shall be maintained in liquid short-term securities, which can be converted to cash to meet disbursement requirements. Since all cash requirements cannot be anticipated, investments in securities with active secondary



or resale markets will be used. Emphasis will be on marketable securities with low sensitivity to market risk.

- c. **Yield.** The investment pools and funds shall be managed to attain the maximum rate of return given the constraints of the safety guidelines and liquidity objectives as mentioned above.

Delegation of Authority and Responsibilities:

In accordance with the State of California Government Code section 53607, the City Council has delegated the authority to invest with the City's Finance Director.

Within the constraints set forth in the Policy, the Finance Director can direct investment strategy and approve investment transactions for the City's investment portfolio. The Finance Director who oversees treasurer functions for the city is responsible for the following:

- Developing projections of the City's cash requirements for operating needs.
- Reviewing the liquidity position of the investment portfolio.
- Ensuring that the City's cash position is consistent with operating requirements.
- Preparing appropriate investment reports.
- Developing, implementing, and monitoring controls over investments.
- Record keeping for investment transactions.

Investment Manager: The City may engage the services of an external investment management adviser to assist in managing the City's investment portfolio in a manner consistent with the City's objectives. Such advisers may be granted discretion to purchase and sell investment securities in accordance with the Policy. Such advisers must be registered with the Security and Exchange Commission and possess experience in public funds investment management. All broker/dealers selected by an external adviser must comply with the requirements of California Government Code Section 53601.5.

Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program or impair their ability to make impartial investment decisions. Employees and investment officials shall comply with the disclosure and disqualification requirements required by state law and any applicable regulations, including those adopted by the Fair Political Practices Commission or FPPC. In addition, the FPPC's Statement of Economic Interests (Form 700) shall be completed annually and submitted to the City Clerk for all individuals involved in the investment of public funds.

Internal Controls

Internal controls shall be established and maintained to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees and officers of the City.



Controls deemed most significant include segregation of duties, separation of transaction authority from accounting and record keeping, custodial safekeeping, clear delegation of authority, specific limitations regarding securities losses and remedial action, control over wire transfers, minimizing the number of authorized investment officials, and documentation of transactions and strategies.

The Finance Director shall establish an annual independent review process by an external auditor. This review will provide internal control by assuring compliance with the policies and procedures outlined in this document.?

Permitted Investment Instruments are those listed below and as amended – Including but not limited to the following:

| Investment Type | Maximum Maturity | Maximum % of the portfolio | Minimum Quality Requirements | Gov't Code Sections |
|--|------------------|----------------------------|--|-----------------------------|
| Local Agency Bonds | 5 years | None | None | 53601(a) |
| U.S. Treasury Obligations | 5 years | None | None | 53601(b) |
| State Obligations – CA and Others | 5 Years | None | None | 53601 (c) 53601(d) |
| CA Local Agency Obligations | 5 years | None | None | 53601 (e) |
| US Agency Obligations | 5 years | Non | None | 53601 (f) |
| Bankers's Acceptances | 180 days | 40% | None | 53601 (g) |
| Commercial Paper – Non-Pooled Funds (under \$100,000,000 of investments) | 270 days or less | 25% | Highest letter and number rating by an NRSRO | 53601(h)(2)(c) |
| Commercial Paper Pooled Funds | 270 days or less | 40% | Highest letter and number rating by an NRSRO | 53635(a)(1) |
| Negotiable Certificates of Deposit | 5 years | 30% | None | 53601 (i) |
| Non-Negotiable Certificates of Deposit | 5 years | None | None | 53630 et seq. |
| Placement Service Deposits | 5 years | 50% | None | 53601.8 and 53635.8 |
| Repurchase Agreements | 1 year | None | None | 53601 (j) |
| Medium-Term Notes | 5 years | 30% | "A" rating or its equivalent or better | 53601 (o) |
| Mutual Funds and Money Market Mutual Funds | N/A | 20% | Multiple | 53601 (l) and 53601.6 (b) |
| Collateralized Bank Deposits | 5 years | None | None | 53630 et seq. and 53601 (n) |
| Mortgage Pass-Through and Asset-Backed Securities | 5 years | 20% | "AA" rating or its equivalent or better | 53601 (o) |
| County Pool Investment Funds | N/A | None | None | 27133 |
| Joint Powers Authority Pool | N/A | None | Multiple | 53601 (p) |
| Local Agency Investment Fund | N/A | None | None | 16429.1 |
| Voluntary Investment Program Fund | N/A | None | None | 16340 |
| Supranational Obligations | 5 years | 30% | "AA" or its equivalent or better | 53601 (q) |

No more than 5% of the total portfolio may be invested in securities of any single issuer other than the US government, its agencies, and instrumentalities.

If the issuer's rating is reduced below the rating requirements mentioned above, the investment advisor must, as soon as possible, report the rating reduction to the local government's governing body.



Portfolio Management

Following the primary objective of capital preservation, investments shall be managed to take advantage of market opportunities. In doing do, negotiable securities may be sold before maturity to provide liquid funds as needed for cash flow purposes to enhance portfolio returns or to restructure maturities to increase yield and/or decrease risk.

Purchases and Sales of Securities

All trades shall be executed with the objective of realizing the best bid or offer price available. The method used by the investment personnel and investment advisors shall be the one that will obtain the best execution price or value given the objective of the transaction.

Performance Standards

The investment portfolio shall be designed to obtain a rate of return throughout budgetary and economic cycles commensurate with the investment risk constraints and the cash flow needs.

Custody and Delivery Vs. Payment

Delivery vs. Payment: All Trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution before the release of funds.

Custody: Securities will be held by a third-party custodian selected by the City and evidenced by custodial reports. Securities will be registered in the name of Gridley, California.

Reporting

The Finance Director or his/her designee shall maintain investment reports showing the current holdings and transactions of the portfolio.

- Percentages of the portfolio represented by each investment category.
- An investment inventory including types and amounts of investments, issuing financial institutions, and maturities.
- A list of all investment transactions that occurred during the reporting month.
- Average maturity of the portfolio.
- Average total yield to maturity of the portfolio
- Current market value of investments
- Percent of portfolio invested by type of instrument.
- Written explanations for any variations to the Policy.

Approval



The City's Council shall adopt the City's Investment Policy. The Policy shall be reviewed annually by the Finance Director, City Administrator, and external investment service provider.