



MENDOCINO COUNTY TREASURER-TAX COLLECTOR
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DATE: December 31, 2020
TO: Honorable Mendocino County Board of Supervisors
FROM: Shari L. Schapmire, Treasurer-Tax Collector
SUBJECT: County Investment Policy

The Mendocino County Investment Policy is being submitted herewith for approval by the Board of Supervisors. This policy is in conformance with all pertinent California Government Codes, which also recommend that the policy be submitted annually for approval by the Board of Supervisors. Per California Government Code (CGC) §53646, the Treasurer may annually render to the Board of Supervisors a statement of investment policy, which the Board shall review and approve at a public meeting.

Per CGC §53600.5, the primary objective of a trustee shall be to safeguard the principal of the funds, the secondary objective shall be to meet the liquidity needs of the depositor, and the third objective shall be to achieve a return on the funds under its control. California Government Codes do not mandate or define socially responsible investing; however, this concept is marginally addressed in this policy.

The Investment Policy submitted contains the following changes, which incorporate recent changes to the CGC, as well as Chandler Asset Management's best practices:

Section VI. Authorized Financial Institutions, Depositories and Broker/Dealers

- Added broker/dealers to the list of authorized financial institutions that the County may transact with per CGC §53601.5. (Page 4)

Section VII. Delivery, Safekeeping, Custody and Competitive Transactions

- Included exceptions to the delivery-versus-payment (DVP) requirement for non-deliverable investments such as LAIF and money market mutual funds. (Page 5)

Section VIII. Authorized and Suitable Investments

- Federal Agencies – Increased the limit per Federal Agency from 25% to 30% to allow for greater flexibility; and instituting a 20% limit on callable agency securities to mitigate call risk in the portfolio. (Page 6)

- Commercial Paper – Allowed for the purchase of commercial paper issuers that are organized as a special purpose corporation, trust or LLC to be more consistent with CGC §53601(h). Also specified that long-term ratings must be “A” category or higher only if the issuer has long-term ratings. Permitted commercial paper is required to have short-term ratings of “A-1” category or higher. (Page 8)

Section IX. Portfolio Risk Management

- Updated language to allow for the purchase of securities that could result in a zero or negative interest accrual if held to maturity, provided that the securities are issued by or backed by the US Government. SB 998 allows for this exception from 1/1/21 until 1/1/26. (Page 10)
- Added LGIPs, money market mutual funds, and supranationals to the list of asset types that are exempt from the 5% limitation. (Page 11)
- Updated the downgrade language in the Mitigating Credit Risk in the Portfolio section to allow the investment manager to sell the securities without waiting for prior approval. (Page 11)

Section XIV. Reporting

- Added the monthly transaction report per CGC §53607. (Page 13)

The approved Mendocino County Investment Policy will be accessible to all interested parties on the County website, as well as be provided to all pool participants via email. Please feel free to contact me directly with any concerns or questions that you may have regarding this policy.