

Proposed Changes to Authorized Investments, Issuer Concentrations and Maturity Restrictions

ATTACHMENT A - REVISED

Type of Investment	Page	Current Policy	Recommendation	Rationale	Recommended By
Bond Proceeds Investments	4	States investment of bond proceeds and debt service reserve funds are subject to their indentures and investment policy.	Eliminate section	Investment of bond proceeds and debt service reserve funds are governed by their respective bond indenture thus this section is not necessary.	Bond Counsel
Investment Agreements – Bond Proceeds	4	Defines eligible investments for bond proceeds.	Eliminate section	Investment of bond proceeds and debt service reserve funds are governed by their respective bond indenture thus this section is not necessary.	Bond Counsel
Federal Agencies and Government Sponsored Entities (GSE)	6	Limits to specific Federal Agencies and Government Sponsored Entities with diversification limitations.	Match requirements to California Government Code (CGC)	Allows maximum flexibility to invest in Federal instruments and agencies.	Investment Manager
State of California and California Local Agency Obligations	7	Requires a rating in a category of A or A1 or equivalent by two Nationally Recognized Statistical Rating Organizations (NRSRO).	Reduce number of ratings required from two to one, which is consistent with CGC. Recommendation is still more restrictive than CGC and maintains a rating requirement of rating category of A or A1 or its equivalent or higher, and no more than 5% can be invested in any single issuer.	Allows flexibility since it is common for municipal bond deals to only come with one rating, particularly a small issuance.	Investment Manager
Non-California Municipal Obligations	7	Not allowed under current policy.	Allow investments but language is more restrictive than CGC. Limits investments to municipal obligations with a rating in a rating category of A, or its equivalent or higher, and no more than 5% can be invested in any single issuer.	Allows additional investment flexibility.	Investment Manager

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Commercial Paper	9	Maximum term is 180 days.	Increase to 270 days.	Allows maximum flexibility and is consistent with CGC.	Investment Manager
Negotiable Certificates of Deposit	9	Maximum term is 180 days.	Increase to 5 years.	Allows maximum flexibility and is consistent with CGC.	Investment Manager
Medium Term Notes	10	Requires a rating in a category of A or equivalent by two NRSROs.	Reduce number of ratings required from two to one, which is consistent with CGC. Recommendation is still more restrictive than CGC by limiting investments to no more than 5% in any single issuer.	Allows additional flexibility by allowing investments in issuers that only receive a rating by one NRSRO.	Investment Manager
Mortgage or Asset-backed Securities	12	Policy limits investments in asset-backed securities to 10% and requires AAA or equivalent rating.	Match requirements to CGC including lowering rating requirement to a rating category of AA or its equivalent or higher. However, maintain current 10% limitation on asset-backed securities and maintain limiting investments to no more than 5% in any single issuer.	Allows additional flexibility by allowing investments in a rating category of AA, or its equivalent or higher, which is still considered high-grade credit.	Investment Manager
Supranationals	12	Not allowed under current policy.	Allow investments in bonds issued by Supranationals. CGC requires rating in a rating category of AA or its equivalent or higher. Limit the maximum percentage of the portfolio to 20% and limit investments to no more than 10% in any single issuer.	Allows additional investment flexibility. Issuers are highly rated credits, currently AAA rated, which is considered a prime credit.	Investment Manager
Joint Powers Authority (JPA) Investment Pools	13	Current policy limits investments to one pool with a maximum of 10%. Current pool is California Asset Management Pool (CAMP).	Allow investments in eligible investment pools per CGC. Maintains existing maximum investment of 10% of the portfolio.	CAMP was originally formed for the investment of bond proceeds but has changed to provide investment of operating funds and capital reserves. Recommendation allows investment flexibility into more investment pools than just CAMP that meet the CGC.	OCTA