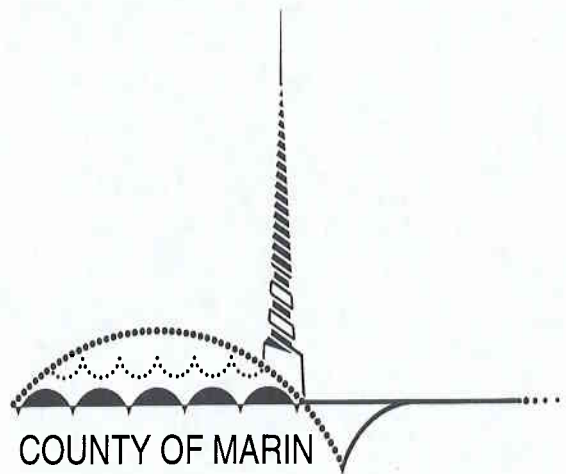


***COUNTY OF MARIN***  
***STATEMENT OF INVESTMENT***  
***POLICY***



***FY 2010-2011***

***DEPARTMENT OF FINANCE***  
***MARK J. WALSH, DIRECTOR***

## **TABLE OF CONTENTS**

	<i>Page</i>
1. <b>OBJECTIVES</b>	<b>1</b>
2. <b>PARTICIPANTS</b>	<b>1</b>
3. <b>AUTHORIZED PERSONS</b>	<b>1</b>
4. <b>BIDS &amp; PURCHASE OF SECURITIES</b>	<b>2</b>
5. <b>TERM</b>	<b>2</b>
6. <b>ALLOWED INVESTMENTS</b>	<b>3</b>
7. <b>PROHIBITED INVESTMENTS</b>	<b>5</b>
8. <b>BROKERS</b>	<b>6</b>
9. <b>WITHDRAWALS</b>	<b>6</b>
10. <b>SWAPS</b>	<b>6</b>
11. <b>LOSSES</b>	<b>7</b>
12. <b>DELIVERY &amp; SAFEKEEPING</b>	<b>7</b>
13. <b>APPORTIONMENT OF INTEREST &amp; COSTS</b>	<b>7</b>
14. <b>CONFLICT OF INTEREST</b>	<b>7</b>
15. <b>AUDITS</b>	<b>8</b>
16. <b>REVIEW</b>	<b>8</b>
17. <b>REPORTS</b>	<b>8</b>
18. <b>INVESTMENT POLICY</b>	<b>8</b>
19. <b>TREASURY OVERSIGHT COMMITTEE</b>	<b>9</b>
20. <b>DISASTER/BUSINESS CONTINUITY PLAN</b>	<b>9</b>

## **COUNTY OF MARIN**

### **STATEMENT OF INVESTMENT POLICY**

Under the authority delegated to the Director of Finance by the Board of Supervisors and in accordance with the California Government Code, the following sets forth the investment policy of the County of Marin:

#### **I. OBJECTIVES:**

All funds on deposit in the County Treasury shall be invested in accordance with the California Government Code Sections 53600 et sec. and Sections 53639 et sec. to ensure:

- (a) **Preservation of capital** through high quality investments and by continually evaluating the credit of financial institutions approved for investment transactions, and securities considered and held in safekeeping;
- (b) Maintenance of sufficient **liquidity** to enable the participants and other depositors to meet their operating requirements;  
and
- (c) A **rate of return** consistent with the above objectives.

#### **2. PARTICIPANTS**

Participants in the Marin County Pool are defined as Marin County, Marin Public School Agencies, Marin Community College, Marin County Office of Education, districts under the control of the County Board of Supervisors, autonomous/independent districts whose treasurer is the Director of Finance and any other district or agency approved by the Board of Supervisors and the Director of Finance using the County of Marin as their fiscal agent.

#### **3. AUTHORIZED PERSONS**

Authorized persons for investment purposes include principal staff as designated by the Director of Finance on the Authorized Investor List. Designated Principal Staff shall make all investment decisions. In their absence, the treasury Accountant II, as identified on the Authorized Investor List, is authorized to make investment decisions for short term investments with a maturity of up to ninety (90) days. To minimize the risk of disrupting the day to day business activities, Principal Staff shall use separate means of travel to attend training and conferences.

All investment decisions shall be made with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person acting, as a trustee, in a like capacity and familiarity 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 participants.

#### **4. BIDS & PURCHASE OF SECURITIES**

Prior to the purchase of an investment pursuant to this policy the persons authorized to make investments shall assess the market and market prices using information obtained from available sources including investment services, broker/dealers, and the media. Bids for various investments shall be evaluated considering preservation of capital as the most important factor, liquidity as the second most important factor and lastly, yield. Investments in commercial paper, bankers acceptances and certificates of deposit for each issuer shall be limited to five percent (5%) of Treasury assets, determined using the Treasury balance at the time of purchase, except that investments in overnight commercial paper shall be limited to seven percent (7%) of Treasury assets for any one issuer. The investment selected for purchase shall be that investment which in the opinion of the purchaser most clearly meets these objectives. All security transactions shall be documented at the time the transaction is consummated.

#### **5. TERM**

Maturities of investments in the Marin County Treasury Pool shall be selected based upon liquidity requirements. The maximum remaining term to maturity for an investment shall be two (2) years; except that, subject to the limitations set forth in Sections 53601 et seq. and 53635 et seq. of the California Government Code, the Director of Finance may authorize investments in U.S. Treasury obligations and/or U.S. Agency obligations with a maximum remaining term to maturity that rnia Government Code, the following sets forth the investment policy of f the County of Marin:

County Treasury shall be iaturity/call.

Capital Funds, Construction Funds, or money obtained through the sale of agency surplus property, may be invested by the Director of Finance in specific investments outside of the Pool provided the Director of Finance obtains written approval from the governing board of the County, School District or Special District. No investment shall have a remaining maturity in excess of five (5) years.

Proceeds of Debt Issues set aside for repayment of any County, School District, or Special District financings shall not be invested for a term that exceeds the term set forth in the financing documents.

6. **ALLOWED INVESTMENTS**

Pursuant to California Government Code Sections 53601 et seq. & 53635 et seq., the County Director of Finance may invest in the following subject to the limitations as set forth:

- (a) **United States Treasury obligations.**
- (b) **United States Agency obligations.**
- (c) **Securities of U.S. Government Agencies & Instrumentalities**
- (d) **State of California Bonds and Registered Warrants.**
- (e) **Bonds, Notes, Warrants** or other evidence of indebtedness of a **local agency** within the State of California.
- (f) **Bankers acceptances** not to exceed one hundred eighty (180) days to maturity or at the time of purchase thirty percent (30%) of the treasury fund balance.
- (g) **Commercial paper** of "prime" quality of the highest letter and numerical rating as provided for by Moody's Investors Service, Inc., or Standard and Poor's Corporation, to be chosen from among corporations organized and operating within the United States with assets in excess of \$500,000,000.00 and having an "A" or higher rating for the issuer's debt, other than commercial paper, as provided for by Moody's Investors Service or Standard and Poor's Corporation. Purchases of eligible commercial paper may not exceed two hundred seventy (270) days in maturity and may not exceed forty percent (40%) of the treasury fund balance.
- (h) **Negotiable certificates of deposit** issued by a nationally or state-chartered bank, a state or federal association or by a state-licensed branch of a foreign bank selected on the basis of financial stability and credit rating criteria employed by the County Director of Finance . Negotiable certificates of deposit may not exceed thirty percent (30%) of the treasury fund balance.



i) **Non-negotiable certificates of deposit (Time Deposits)** with a nationally or state-chartered bank or a state or federal association selected on the basis of financial stability, credit rating and reputation using criteria employed by the County Director of Finance fully collateralized at one hundred ten percent (110%) of market value with U.S. Government Securities, high-grade Municipal Bonds, instruments of federal agencies, including mortgage backed securities at one hundred fifty percent (150%) of market value with promissory notes secured by first deeds of trust upon improved residential real property as provided by the Government Code.

(j) **Medium-term Notes** rated "A" or better, to be chosen from among corporations with assets in excess of \$500,000,000.00 with a maturity not to exceed two years from the date of purchase. Purchase of eligible medium-term notes may not exceed thirty percent (30%) of the treasury fund balance.

(k) **Shares of beneficial interest issued by diversified management companies**, that are money market funds investing in securities and obligations as authorized by this investment policy. To be eligible for investment these companies shall attain the highest ranking or the highest letter and numerical rating provided by no less than two nationally recognized statistical rating organizations and have assets under management in excess of \$500,000,000.00. The purchase price may not include any commissions that these companies may charge, and the purchase of shares in any one mutual fund may not exceed ten percent (10%) of the treasury balance and the total invested may not exceed twenty percent (20%) of the treasury balance. Shares of beneficial interest issued by diversified management companies may include shares in investment trusts established under provisions of the California Joint Exercise of Powers Act.

(l) **Repurchase agreements** on any investment authorized by this investment policy where the term of the agreement does not exceed one year. The market value of securities that underlay a repurchase agreement shall be valued at one hundred two percent (102%) or greater of the funds borrowed against those securities, and the value shall be adjusted daily. The County Director of Finance or designee must approve any collateral substitution by the seller, and any new collateral should be reasonably identical to the original collateral in terms of maturity, yield, quality and liquidity.

(m) **California State Local Agency Investment Pool (LAIF)** operated by the State Treasurer's office.

(n) **Financial Institution Investment Accounts** - All funds on deposit with the County shall be managed by the County Director of Finance. The Director of Finance may, at his option, at the time of placement, place not more than five percent (5%) of the Treasury assets at the time of investment with a financial institution for the purpose of managing such funds. Securities eligible for purchase by the financial institution are limited to United States Treasury and Agency obligations with a "AAA" credit quality rating, must be held in the County's name in a third party custody account, may not have a remaining maturity in excess of three (3) years, and the account shall have an average maturity of 1.5 years or less. All security transactions shall be supervised and approved by designated staff on the Authorized Investor List.

Where a percentage limitation is specified for a particular category of investments, that percentage is applicable only at the time of purchase.

## **7. PROHIBITED INVESTMENTS**

(a) The County Director of Finance **shall not invest** in any **Derivatives** such as inverse floaters, range notes, or interest only strips that are derived from a pool of mortgages or any security bearing a rate of interest which is not known at the time of purchase.

(b) The County Director of Finance shall not invest any funds in any security that could result in **zero interest accrual** if held to maturity or where there is a risk of loss of principal when held to maturity.

(c) **Reverse repurchase agreements**, securities lending agreements and all other investments that are not specifically allowed by this investment policy are prohibited.

(d) In accordance with Marin County's Nuclear Freeze Ordinance Measure "A" (Exhibit 1) as approved by the voters on November 4, 1986, the County is prohibited from investing in securities or other obligations of any corporation or business entity which is a **nuclear weapons contractor**.

Furthermore, said corporations or business entities that the County Director of Finance does invest in must file an affidavit as required by Measure "A" Section VI. B certifying that neither it, nor its parent company, affiliates or subsidiaries are nuclear weapons contractors. A copy of each affidavit received shall be sent to the Peace Commission.

#### **8. *BROKERS***

Broker/dealers shall be selected by the Director of Finance upon recommendation by the Investment Officer or designated principal staff on the Authorized Investor List. Selection of broker/dealers shall be based upon the following criteria: the reputation and financial strength of the company or financial institution and the reputation and expertise of the individuals employed. The Director of Finance shall be prohibited from selecting any broker, brokerage firm, dealer, or securities firm that has, within any 48 consecutive month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, any member of the Board of Supervisors, any member of the governing board of a local agency having funds held in the County Treasury, or any candidate for those offices. The broker/dealers shall be provided with and acknowledge receipt of the County Investment Policy.

#### **9. *WITHDRAWALS***

No withdrawals from the Marin County Pool shall be made for the purpose of investing and or depositing those funds outside the pool without the prior approval of the Marin County Director of Finance. The Director of Finance shall evaluate each proposed withdrawal to assess the effect the withdrawal will have upon the stability and predictability of the investments in the County Treasury. Approval shall be given unless the withdrawal will adversely affect the interests of the other depositors. Requests for withdrawals for the purpose of investing or depositing funds outside the pool shall be made in writing at least ten (10) business days in advance of the proposed withdrawal date. Notice in writing of at least five (5) business days shall be required for withdrawals in excess of \$250,000.00 for loan repayments, capital expenditures and any expenditure not in the ordinary course of operations.

#### **10. *SWAPS***

Securities can be swapped for other approved securities with similar maturity schedules to gain higher rates of return. When a swap involves a change in liquidity, future cash needs shall be conservatively estimated.



#### **11. LOSSES**

Losses are acceptable on a sale before maturity, and may be taken if the reinvestment proceeds will earn an income flow with a present value higher than the present value of the income flow that would have been generated by the original investment, considering any investment loss or foregoing interest on the original investment.

#### **12. DELIVERY & SAFEKEEPING**

Delivery of all securities shall be through a third party custodian. Non-negotiable certificates of deposit may be held in the Director of Finance's safe. The County's safekeeping agent shall hold all other securities. No security shall be held in safekeeping by the broker/dealer from whom it was purchased. Settlement payment in a securities transaction will be against delivery only, and a Due Bill or other substitution will not be acceptable. Persons authorized under section three (3) who did not originate the investment transaction shall review all confirmations for conformity with the original transaction. Confirmations resulting from securities purchased under a repurchase agreement shall state the exact and complete nomenclature of the underlying securities purchased.

#### **13. APPORTIONMENT OF INTEREST & COSTS**

Interest shall be apportioned to all pool participants quarterly based upon the ratio of the average daily balance of each individual fund to the average daily balance of all funds in the investment pool. The amount of interest apportioned shall be determined using the cash method of accounting whereby interest will be apportioned for the quarter in which it was actually received. The Director of Finance shall deduct from the gross interest received those actual administrative costs relating to the management of the treasury including salaries and other compensation, banking costs, equipment purchased, supplies, costs of information services, audits and any other costs as provided by Section 27013 of the Government Code.

#### **14. CONFLICT OF INTEREST**

A member of the county treasury oversight committee, the County Director of Finance or County employees working in the Treasurer's office shall not accept honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other person with whom the county treasury conducts business, that are in violation of *state* law.

**15.    *AUDITS***

The County Department of Finance Internal Audit Division shall audit the County's investment function for compliance with policy and state law. The results of this audit shall be reported annually to the Director of Finance and the Marin County Treasury Oversight Committee. The County Department of Finance may issue interim reports as needed. The Director of Finance shall designate authorized staff to audit the investment safekeeping statements.

**16.    *REVIEW***

The Director of Finance and designated staff will perform a monthly review of the investment function.

**17.    *REPORTS***

The Director of Finance shall prepare a monthly report listing all investments in the County Pool as of the last day of the month and a report of the average days to maturity and yield of investments in the County Pool. The Director of Finance shall also prepare a monthly report for all non-pooled investments. These reports shall be distributed to the Marin County Board of Supervisors, Superintendent of Schools, Marin Public School Agencies, Special Districts, non-pooled investors, the County's investment oversight committee, and any other participant upon request.

In addition to the monthly report, the Director of Finance will provide the County Department of Finance Audit Staff with a report of each investment at the time each transaction is completed.

**18.    *INVESTMENT POLICY***

The County Director of Finance shall prepare and submit an annual statement of investment policy to the Board of Supervisors.

**19. TREASURY OVERSIGHT COMMITTEE**

Consistent with State law the County has established a Treasury Oversight Committee. The Committee includes representatives from the County of Marin, Superintendent of Schools' Office, School Districts and Special Districts. The Committee shall review and monitor the Investment Policy as contained in California Government Code Sections 27130 – 27137.

**20. DISASTER/BUSINESS CONTINUITY PLAN**

The County of Marin's banking and investment functions are mission critical and as such, the office must have a business continuity plan.

The goal of a disaster/business recovery plan is to protect and account for all funds on deposit with the county treasury and to be able to continue our banking and investment functions for all participants in the event of an occurrence (Earthquake, Fire, Pandemic or other event) which disrupt normal operations. Our plan provides for the ability to perform our banking and investment function at an off-site location under less than optimal conditions and, if needed, even outside our county.

In the event of an occurrence which precludes staff from being able to operate from our office, the attached plan (exhibit 2) will be activated. The plan includes:

- Scope
- Chain of Command
- Continuity Procedure
- Functions and Tasks to be performed
- Equipment and Emergency Packets
- Disaster Assignment
- Off-site locations

Normal processes may be modified in response to an occurrence. However, the county's investment policy shall be strictly followed.

Dated: July 1, 2010

Michael J. Smith  
Marin County Treasurer  
Mark J Walsh  
Director of Finance

Reviewed and monitored by Marin Treasury Oversight  
Committee on November 4, 2010

Approved by Marin County Board of Supervisors on  
November 30, 2010

Attachments: Exhibit 1 Marin County Nuclear Freeze  
Ordinance  
Exhibit 2 Disaster/Business Continuity Plan



# **Department of Finance**

## **Disaster/Business Continuity Plan**

### **Banking and Investment Functions**

#### **Scope**

The County of Marin's banking and investment functions are mission critical. As such, the Treasurer's office must have a Disaster/Business Continuity Plan in place. In the event we are unable to operate from our office, the plan shall be activated. Periodically, the plan shall be tested.

The plan's goal is to protect and account for all funds on deposit with the county and to be able to continue our banking and investment functions for all participants in the event of occurrence (earthquake, fire, pandemic, or other event) which disrupts normal operations.

#### **Chain of Command**

The chain of command shall be in the order of "authorized persons" as identified in the Statement of Investment Policy, item 3.

#### **Continuity Procedure**

In the event we are unable to conduct normal business operations, the authorized persons shall interact with one another by home phone, email or cell to decide on the alternate location. If unable to contact one another, the authorized persons shall through the county's office of emergency services establish contact with one another.

#### **Functions & Tasks to be Performed**

Recognizing we may be operating in less than optimal conditions, the primary functions are to protect and continue to account for all funds on deposit with the county. While normal processes may be modified, the investment policy shall be strictly followed.

Tasks to be performed include:

- ◆ Daily cash work up
- ◆ Investment of maturing securities and any daily deposits after making an allowance for checks/wires expected to clear
- ◆ Daily cash and bank reconciliation
- ◆ For deposits, the treasurer's office will notify county departments, special districts and schools of any changes to their deposit location. Deposits to any account other than those established by the treasurer's office is prohibited.
- ◆ Disbursement activity will be coordinated with the County Director of Finance

## **Equipment and Emergency Packets**

The Authorized Investor List shall designate authorized staff to have the following equipment such that either of them may carry out the plan. In the event none of the authorized persons are able to respond, the county's office of Emergency Services shall have a copy of this plan in a secured location within their office. All policies and procedures of this plan shall be provided to the County Administrator and County Director of Finance.

The following equipment and items for the emergency packets are:

- ◆ Laptop with wi-fi connectivity
- ◆ All software that is currently in use shall be loaded on each laptop and be set up for remote access.
- ◆ Copy of the Investment Policy and the Disaster/Continuity Recovery Plan
- ◆ Emergency check stock (50 checks)\*
- ◆ Updated monthly report of investments
- ◆ Sign on instructions to access the county's financial accounting system, online banking and securities safekeeping
- ◆ Listing of the home phones and addresses, cell, email addresses of the "authorized persons" and treasury staff. Listings shall also include the County Administrator, County Director of Finance, County Counsel and the Office of Emergency Services.
- ◆ Bank, Authorized Broker/Dealers, Bloomberg and Security Safekeeping names, contact numbers including fax and addresses
- ◆ All district, county and school bank signature cards
- ◆ Contact names, numbers, email and addresses of each agency whose funds are held within the county.

## **Disaster Assignment**

The "authorized persons" in the treasurer's office including support staff upon an occurrence are official Disaster workers and are assigned to support our Disaster/Business Recovery Plan. Each shall have on their possession their County of Marin Identification Card.

The level of disruption and assigned work location will be determined by the Director of Finance, or those individuals indicated on the Authorized Investor List. All related costs shall be absorbed by the Treasurer's office and reimbursed pursuant to Government section 27013.

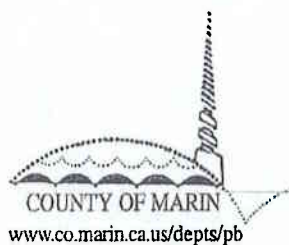
In all cases, the safety of treasury personnel is paramount. In no event should our alternate location or alternate procedure be employed if doing such will endanger any one.

\* Emergency checks are issued from a separate account which is linked to the County's main account. These checks are to be used only if this plan is activated and the county is unable to issue payments. Authorized signers for these checks are designated on the Deposit Account Documentation Signature Card and include the Director of Finance, those individuals authorized under the Authorized Investor List and the County Administrator. Two authorized signatures on each check are required.

## **Offsite Locations**

Failing the ability to operate from our office, our operations will move in this order of priority:

- ◆ Location determined by the County office of Emergency Services or County Administrator
- ◆ One of our banks operation centers which may be outside Marin in a worse case scenario.



## DEPARTMENT OF FINANCE

Mark J. Walsh, CPA  
Director of Finance

Michael Smith, Treasurer-Tax Collector  
Treasury Oversight Committee:  
Ken Benny  
Mary Jane Burke  
Dan Hom  
Matthew Hymel  
Mark Reisenfeld

Subject: Investment Audit  
Audit Report No. AR11-03

Report Date	Audit Division Contact
October 22, 2010	Tom Vagird, In-charge Auditor (415) 499-6162 Margie Roberts, Audit Manager (415) 499-6925
Audit Period	
As of June 30, 2010	

### Executive Summary

Overall, our audit revealed that the County Treasurer's Office complied with the requirements of the Statement of Investment Policy (SIP) during the fiscal year ended June 30, 2010. The internal control structure over investment processes is effective in mitigating risks to investments. Operations are generally efficient and well controlled, investment reporting is reliable and procedures comply with applicable laws and regulations.

The following are the Treasury's investment holdings as of June 30, 2010 and June 30, 2009.

Investment Holdings	Book Value as of 6/30/2010	Δ%	Book Value as of 6/30/2009
Local Agency Investment Funds (LAIF)	\$232,760	1%	\$ 230,696
Money Market Funds	20,018,267	(75%)	81,297,339
Federal Agency- Coupon	261,222,351	109%	124,981,400
Federal Agency- Discount	508,489,943	(10%)	563,953,665
Treasury Securities- Discount	-	(100%)	4,911,850
<b>Total</b>	<b>\$789,963,321</b>	<b>2%</b>	<b>\$775,374,950</b>

We have examined the Treasurer's Office compliance with the requirements of SIP as required by the Marin County Treasury Oversight Committee. It is our responsibility to express an opinion on the representations of the Treasurer's Office, as to their compliance with the investment policies of the County of Marin.

*Continued*



**County of Marin  
Investment Audit  
As of June 30, 2010**

**Audit Report AR11-03**

***Executive Summary***

Our examination was made in accordance with the Generally Accepted Government Auditing Standards and the Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing, which contains standards for audits. The audit included examining, on a test basis, evidence supporting amounts and disclosures in investment reports and performing other procedures as considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide legal determination on the Treasurer's Office's compliance with other specified requirements. There were no exceptions noted during our engagement.

Auditing Standards require auditors and audit organizations to maintain independence, both in fact and in appearance, so that opinions, conclusions, judgments, and recommendations will be impartial and be viewed as impartial by knowledgeable third parties. The Internal Audit Division (IAD) is not organizationally independent in performing the audit because IAD is an integral part of the Department of Finance (DOF) and the DOF is responsible for carrying out the functions of auditing, accounting, and financial reporting for the County of Marin.

The effect of the independence impairments created through these structures and assigned responsibilities are reduced because the auditors that conducted this audit were not responsible for the input or reconciliation of any financial transactions. Nevertheless, the reader of this report is advised to consider the above disclosure as a qualification of scope that may have an effect on this report.

This report is intended solely for the information and use of the Board of Supervisors, the management of Treasurer-Tax Collector's Office, Treasury Oversight Committee and others within the County and is not intended to be, and should not be used by anyone other than these specific parties. However, this report is a matter of public record and its distribution is not limited.

***County of Marin, Department of Finance***

County of Marin  
Investment Audit  
As of June 30, 2010

Audit Report AR11-03

---

**INDEX**

	Page
BACKGROUND AND SCOPE .....	1
DISTRIBUTION.....	5

**County of Marin  
Investment Audit  
As of June 30, 2010**

**Audit Report AR11-03**

---

## **BACKGROUND AND SCOPE**

### **Background**

All funds on deposit with the County Treasurer are invested in accordance with the California Government Code Sections 53600 through 53639 (<http://www.leginfo.ca.gov/cgi-bin/displaycode?section=gov&group=53001-54000&file=53600-53609>) to ensure:

- Preservation of capital through high quality investments
- Continuous evaluation of the credit of financial institutions approved for investment transactions, and the securities considered and held in safekeeping
- Maintenance of sufficient liquidity to enable the participants and other depositors meet their operating requirements
- A rate of return consistent with the above objectives

The Treasurer's primary purpose is investing all funds on deposit with the County Treasurer. The Treasurer is accountable to Voters and Governmental agencies that receive services from the Treasurer's office. The Treasurer may invest in the following:

- United States Treasury obligations
- United States Agency obligations
- Securities of U.S. Government Agencies and Instrumentalities
- State of California Bonds and Registered Warrants
- Bonds, Notes, Warrants or other evidence of indebtedness of a local agency within the State of California
- Bankers acceptances
- Commercial paper
- Negotiable certificates of deposit
- Non-negotiable certificates of deposit
- Medium-term notes
- Shares of beneficial interest issued by diversified management companies
- Repurchase agreements
- California State Local Agency Investment Pool (LAIF)
- Financial Institution Investment Accounts

The Statement of Investment Policy is more conservative than the governmental code requirements.

The Internal Audit Division (IAD) of the Department of Finance conducts an annual Investment Audit, which includes reviewing the internal controls surrounding the investment function in the County Treasury. Below is the SIP requirement for an annual audit. Article 15 of the SIP of the County of Marin:

*"The County Department of Finance shall audit the County Treasurer's office investment function for compliance with policy and state law. The results of this audit shall be reported annually to the Treasurer and the Marin County Treasury Oversight Committee. The County Department of Finance may issue interim*

**County of Marin  
Investment Audit  
As of June 30, 2010**

**Audit Report AR11-03**

*reports as needed. The Treasurer's authorized person as contained in Section Three (3) shall audit the investment safekeeping statements."*

The auditee(s) are familiar with the SIP and know that an annual report will be issued, and Audit may issue interim reports as needed. We contacted the Assistant Treasurer, Roy Given, or the Investment Officer, Karen Shaw, for information and documents needed to perform our audit.

Since this audit has been performed annually, no formal opening conference was held as both the auditees and our office are very familiar with the objectives of this audit.

On a quarterly basis, we confirmed the Treasurer's account balances at institutions holding certificates of deposit. We reconciled the holdings book value, fair market value and then compared the results of this reconciliation to the Monthly Report of Investments (MRI) provided by the Treasurer.

Wells Fargo Bank is the safekeeping agent for the County of Marin investments. Audit traced investments listed on the bank confirmations received to the investments listed on the MRI.

Below are investment holdings of the investment pool for the past three fiscal years.

<b>Investment Holdings</b>	<b>Book Value as of 6/30/2010</b>	<b>Δ%</b>	<b>Book Value as of 6/30/2009</b>	<b>Δ%</b>	<b>Book Value as of 6/30/2008</b>
Local Agency Investment Funds (LAIF)	\$232,760	.001%	\$230,696	(99%)	\$18,848,602
Money Market Funds (1)	20,018,267	(75%)	81,297,339	72%	47,262,386
Bankers Acceptances	-	0%	-	(100%)	33,198,432
Negotiable CDs	-	0%	-	(100%)	84,300,000
Commercial Paper Discounts	-	0%	-	(100%)	10,053,210
Federal Agency- Coupon (2)	261,222,351	110%	124,981,400	(26%)	167,823,433
Federal Agency- Discount (3)	508,489,943	(10%)	563,953,665	61%	351,260,389
Treasury Securities- Coupon	-	0%	-	(100%)	69,210,639
Treasury Securities- Discount (4)	-	(100%)	4,911,850	(75%)	19,651,172
<b>Total</b>	<b>\$789,963,321</b>	<b>2%</b>	<b>\$775,374,950</b>	<b>(3%)</b>	<b>\$801,608,263</b>

Source: County of Marin Treasurer's Portfolio Yield Reports as of 6/30/10, 6/30/09 and 6/30/08

(1) The Money Market Funds decreased by 75% in FY 09-10 due to fund expenses and lower interest rates.

(2) The Federal Agency Coupons increased by 110% in FY 09-10 due to a slight increase in interest rates and to take advantage of incremental interest earnings. Additionally, these are longer investments, generally for a year or longer.

(3) The Federal Agency Discount (Discounts) notes decreased by 10% in FY 09-10. These investments are less than a year.



**County of Marin  
Investment Audit  
As of June 30, 2010**

**Audit Report AR11-03**

---

(4) The County stopped investing in Treasury Securities in FY 09-10 because the US Government reasserted its implied guarantee of Federal Agencies, thus making them more attractive than Treasuries from a rate perspective. In addition, the need to fill cash flows made Treasury Securities less attractive as maturity dates are limited.

**Scope and Methodology**

The scope of this audit was to determine that the County Treasurer's office complied with the SIP. To accomplish this objective, Audit used the Generally Accepted Auditing Standards and Institute of Internal Auditors Standards, which contain standards for audits. Audit specifically:

1. Obtained and documented an understanding of the investment handling process in the Treasurer's Office.
2. Obtained and documented an understanding of the Treasurer's Office and Department of Finance (DOF) daily cash and investment verification processes.
3. Obtained and documented an understanding of the allocation of interest earnings from the County's investments.
4. Confirmed the Treasurer's account balances and securities held by the County's safekeeping agents.
5. Verified compliance with SIP 13 for interest allocated to pool participants and related administrative expense apportioned to pool participants, and ensured that entries followed the cash basis method.
6. Determined that investment transactions were in compliance with:
  - a. SIP Article 3 which requires that the Treasurer, Assistant Treasurer or Investment Officer make investment decisions;
  - b. SIP Article 5 which requires investment maturities to be based upon pool participant's liquidity requirements;
  - c. SIP Article 6 which allows investments pursuant to the California Government Code Sections 53601 and 53635 etc.;
  - d. SIP Article 7 which specifies prohibited investments; and
  - e. SIP Article 8 which requires broker/dealers to be selected by the Treasurer upon recommendation by the Investment Officer or Assistant Treasurer.
7. Verified that security transactions were complete and accurate.
8. Verified that the Treasurer and the Assistant Treasurer have reviewed the monthly investment reports and verified that the distribution list for the monthly investment reports was in compliance with SIP 16 & 17, which requires a monthly review of the investment function and preparation and distribution of quarterly reports listing all investments in the County Pool and non-pooled investments as of the last day of the quarter with the average days to maturity and the yield of these investments.
9. Verified that Withdrawals, Swaps, Realized Gains and Losses and Sales/Call Reports are in compliance with:
  - a. SIP Article 9 which requires no withdrawals without prior approval of the Treasurer.
  - b. SIP Article 10 which allows for swaps for approved securities with similar maturity schedules.
  - c. SIP Article 11 which allows for losses under certain conditions.
10. Verified that the list of participants in the Marin County Pool complies with Article 2 of the SIP, and that all authorized parties that invest in transactions have filed a conflict of

**County of Marin  
Investment Audit  
As of June 30, 2010**

**Audit Report AR11-03**

---

- interest policy, and that each of the institutions approved for investment has signed an affidavit regarding Measure A.
11. Verified that the County invested in allowable securities as required by the SIP section 6g (Commercial Paper), section 6k (Shares of beneficial interest issued by diversified management companies), and section 6n (Financial Institution Investment Accounts).
  12. Determined if the third party vendor, Wells Fargo Bank, complied with SAS 70 – Type 2 requirements.
  13. Verified the existence of a Business Continuity Plan as required by SIP 20.
  14. Determined, according to SIP 5, that:
    - a. No US Treasury or US Agency investments shall have a term to maturity in excess of five years;
    - b. No proceeds from Capital Funds, Construction funds sale of agency property shall be used for any investment in excess of five years maturity;
    - c. No proceeds from Debt Issues shall be invested for a term that exceeds the term set forth in the financing documents.

The audit is for the year ended June 30, 2010.

County of Marin  
Investment Audit  
As of June 30, 2010

Audit Report AR11-03

---

## DISTRIBUTION LIST

Judy Arnold	Audit Advisory Board
Steve Kinsey	Audit Advisory Board
Mark Walsh	Audit Advisory Board
Gary Burroughs	Dept. of Finance
Roy Given	Treasurer/Tax Collector's Office
Elba Zuniga	Gallina, LLP

## Local Government Investment Pool/U.S. Full Rating Report

## Marin County Investment Pool

### Ratings

Security Class	Current Ratings
Marin County Treasury Investment Pool	AAA/V1

### Analysts

Russ Thomas  
+1 312 368-3189  
russ.thomas@fitchratings.com

Viktoria Baklanova  
+1 212 908-9162  
viktoria.baklanova@fitchratings.com

### Related Research

#### Applicable Criteria

- *Global Bond Fund Rating Criteria, Feb. 10, 2010*
- *Global Bond Fund Rating Criteria (Short-Term Bond Fund Addendum), March 22, 2010*

### Summary

The Marin County Investment Pool is rated 'AAA/V1' by Fitch Ratings, reflecting the credit quality of the portfolio assets and the low sensitivity to market risk. The Marin County Investment Pool is managed by the Marin County treasurer-tax collector on behalf of the pool participants.

The 'AAA' fund credit rating reflects the pool's vulnerability to losses as a result of defaults and is based on the actual and prospective average credit quality of the pool's invested portfolio. As such, the pool is expected to maintain a weighted average portfolio rating of 'AAA', taking into account certain adjustments for the reduced credit risk of short-term securities. The 'V1' fund volatility rating reflects the pool's low market risk and a capacity to return stable principal value to meet anticipated cash flow requirements, even in adverse interest rate environments. Portfolio valuation reports are submitted to Fitch on a monthly basis.

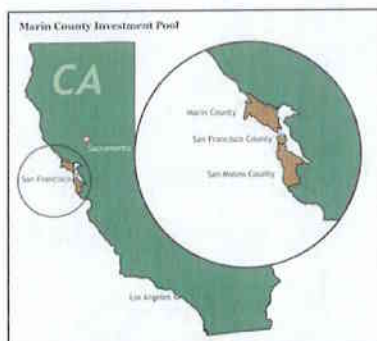
On March 18, 2010, Fitch completed a sector review of all rated local government investment pools (LGIPs) and public investment portfolios, following the publication of updated rating criteria, "Global Bond Fund Rating Criteria," dated Feb. 10, 2010, available on Fitch's Web site at [www.fitchratings.com](http://www.fitchratings.com). As part of this review, the fund credit rating assigned to the Marin County Investment Pool was affirmed at 'AAA', and the fund volatility rating was revised to 'V1' from 'V1+'. The revision of the fund volatility rating was solely a result of Fitch eliminating the 'V1+' rating from its fund volatility rating scale. The revision of the fund volatility rating scale did not reflect any change in the market or liquidity risk of the portfolio.

### Rating Considerations

- Credit quality of the portfolio is consistent with an 'AAA' fund credit rating. While the pool is permitted, per its investment policy, to invest in securities rated at least 'A/F1' or equivalent, the pool has historically focused its investment strategy on 'AAA' rated government agency securities and high-quality money market funds. The pool may also invest in repurchase agreements, provided they are overcollateralized by at least 102% with U.S. Treasury securities.
- The amount of available liquidity is viewed as sufficient given the predictable nature of the pool's cash outflows and asset maturity profile of the portfolio.
- Management oversight and operational controls are consistent with the assigned ratings.

### Overview

The county of Marin is located in Northern California. The Marin County Investment Pool is managed by the Marin County treasurer-tax collector on behalf of the pool participants. Participants are defined as: Marin County; the Marin public school agency; Marin Community College; the Marin County office of education; districts under the control of the county board of supervisors; autonomous/independent districts, whose treasurer is the Marin County treasurer; and any other districts or agencies approved by the board of supervisors and the county treasurer, using Marin County as their fiscal agent. As of Aug. 31, 2010, the pool had \$719 million in assets under management.





The pool is organized and invested in accordance with the state of California Government Code Section 53600 and Section 53639 and is not registered under federal law. The pool's primary investment objective is preservation of capital. The pool's secondary objective is to maintain sufficient liquidity to enable participants to meet their operating requirements. The last objective of the pool is to obtain a rate of return consistent with the first two objectives.

## Investment Practices

The pool seeks to pursue its investment objectives by investing in a diversified portfolio of high-quality debt securities rated at least 'A/F1' by Fitch or of a comparable credit quality by other global rating agencies. Permitted investments include U.S. Treasury and government agency securities and state of California bonds, as well as registered warrants, bankers' acceptances, commercial paper, negotiable certificates of deposit, time deposits, medium-term notes, shares of money market funds, repurchase agreements, and the Local Agency Investment Fund (LAIF). LAIF is the California state investment pool, managed by the state treasurer's office.

Under the pool's investment policies, the use of reverse repurchase agreements or securities lending programs is not permitted.

## Liquidity Management

The maturity profile of the pool is managed to meet anticipated cash flow needs of the pool's participants. Investments are generally matched to scheduled cash outflows, using historical cash flow assumptions. Voluntary participants constituted approximately 13.9% of the pool's assets as of Aug. 31, 2010, with the balance of invested funds coming from Marin County and other mandatory participants.

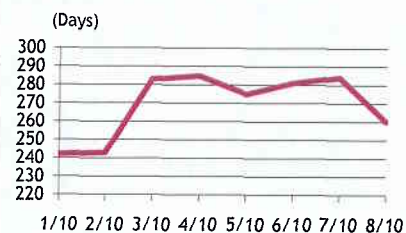
The pool has daily access to its investments in money market funds and LAIF to meet daily withdrawal requirements and cash outflows. As of Aug. 31, 2010, approximately 27% of the portfolio's assets had a maturity of 30 days or less. In addition, the pool maintains a significant position in U.S. government agency securities, which are expected to demonstrate secondary market liquidity even during periods of market stress.

## Market Risk

The weighted average maturity to reset date (WAMr) of securities held in the portfolio was approximately 260 days as of Aug. 31, 2010. WAMr is a measure of a portfolio's sensitivity to changing interest rates. As of the same date, approximately 74% of the pool's total assets were invested in securities with maturities of one year or less. By policy, the pool must maintain an average maturity of less than 18 months and is not allowed to purchase securities with maturities greater than two years. However, the treasurer may authorize the purchase of U.S. government agency obligations with final maturities of five years or less.

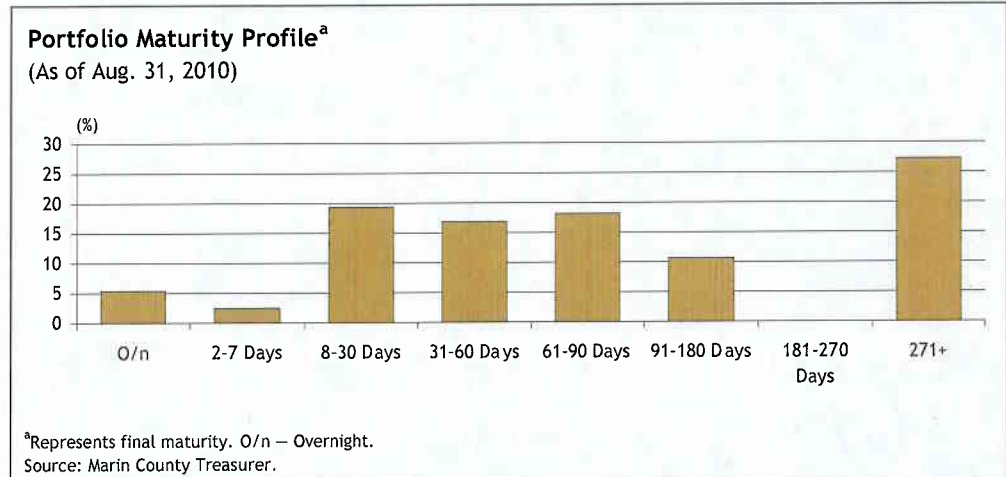
To meet liquidity targets and minimize exposure to interest rate changes, the pool uses a laddered investment strategy across a short maturity spectrum. The pool also employs a cash flow-matching investment strategy to structure investment maturities to coincide with conservative expectations of draws on the portfolio. Marin County Investment Pool has historically benefited from

**Portfolio Weighted Average Maturity**  
(As of Aug. 31, 2010)



Source: Marin County Treasurer.

highly predictable cash outflow needs of the pool's participants. The pool's anticipated redemptions include payroll and benefit payments, accounts payable, debt services, and other planned expenditures. Furthermore, no withdrawals from the pool can be made for the purposes of investing those funds outside the pool without prior approval of the Marin County treasurer. An approval can be given as long as such a withdrawal does not negatively affect the interests of other participants. A notice of withdrawal is required to be made in writing at least 10 days prior to the proposed withdrawal date.



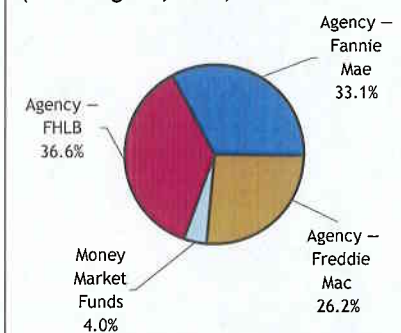
## Credit Quality

Under the pool's investment policies, the pool portfolio invests in a diversified portfolio of securities issued by entities rated at least 'A/F1' by Fitch or of comparable quality by other global rating agencies.

As of Aug. 31, 2010, approximately 96% of the portfolio was invested in U.S. government agency securities, 4% was invested in money market funds, and 0.03% was invested in LAIF. Eligible money market instruments must be rated at least 'A/F1' by Fitch or of a comparable credit quality by other global credit rating agencies, except LAIF, which is not rated by any rating agencies. The pool restricts concentrations in any one issuer (other than the U.S. government and its agencies) to a maximum of 5% of total assets to minimize single-issuer exposure. Repurchase agreements are entered into only with counterparties rated at least 'A/F1' by Fitch or of comparable quality by other global rating agencies and are 102% collateralized by U.S. government securities. As of Aug. 31, 2010, the pool did not have any investments in repurchase agreements.

## Portfolio Rating Distribution

(As of Aug. 31, 2010)



Note: Numbers may not add to 100% due to rounding.  
Source: Marin County Treasurer.

LAIF is a LGIP with assets under management of \$69 billion as of June 30, 2010. LAIF funds are not comingled with the state's cash or in any way available for state use. Fitch does not rate LAIF; however, Fitch views it as being managed in a manner generally consistent with other Fitch-rated LGIPs operating in the state of California, in

terms of asset credit quality, issuer diversification, investor diversification, and liquidity management. To maintain investor diversification, LAIF limits the maximum size of a single depositor's account to \$50 million, which equates to approximately 7% of Marin County Investment Pool's assets under management as of Aug. 31, 2010. Aside from this limit, any amount of eligible bond proceeds could be invested in LAIF. As of Aug. 31, 2010, Marin County Investment Pool had a total of \$233,083, or 0.03% of its assets in LAIF. Fitch generally views investments in LAIF by other rated entities of less than or equal to 15% as consistent with 'AAA/V1' ratings, particularly if such investments serve as the sole or primary source of overnight liquidity. Higher levels of exposure to LAIF may be viewed as consistent with 'AAA/V1' ratings, provided that such additional investment does not serve as the sole or primary source of the portfolio's overnight liquidity.

#### **Weighted Average Rating Factor**

Based on the portfolio credit quality and maturity profile as of Aug. 31, 2010, Fitch calculated the weighted average rating factor to be consistent with an 'AAA' fund credit rating. This analysis includes a reduction of the credit factors for securities maturing within 13 months in recognition of the lower default probability of such securities relative to longer dated securities.

#### **Rating Distribution and Minimum Ratings**

In evaluating LGIPs, Fitch also considers the portfolio's minimum asset ratings as well as the extent to which the portfolio may undertake a bar-belled investment strategy. As of Aug. 31, 2010, the portfolio consisted entirely of long-term assets rated 'AAA' and short-term assets rated 'F1' or higher (or its equivalent by another rating agency). The minimum ratings and absence of a bar-belled investment strategy are viewed as consistent with the 'AAA' fund credit rating assigned to the portfolio.

#### **Diversification**

The pool is highly concentrated in U.S. government agency securities, which are not viewed as posing concentration risk given the high credit quality and liquidity of such holdings. As of Aug. 31, 2010, the portfolio held 37% of its total assets in securities issued by the Federal Home Loan Bank (FHLB), 33% in securities issued by Fannie Mae and 26% in securities issued by the Freddie Mac.

#### **Organization**

The Marin County Investment Pool is managed by the Marin County treasurer-tax collector's office investment staff. Michael J. Smith, Marin County's treasurer-tax collector, has overall responsibility for overseeing the pool's investments and operations.

The pool's investment policies are reviewed periodically by the treasury oversight committee, consisting of representatives from Marin County, the superintendent of schools' office, and school and special districts.

The pool is subject to quarterly internal audits by the county auditor's office. The pool is also subject to an annual external audit. Wells Fargo Institutional Trust Services, a subsidiary of Wells Fargo Bank, N.A. (rated 'AA-/F1+' by Fitch), acts as the safekeeping agent for the pool's assets.



ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT [WWW.FITCHRATINGS.COM](http://WWW.FITCHRATINGS.COM). PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE.

Copyright © 2010 by Fitch, Inc., Fitch Ratings Ltd. and its subsidiaries. One State Street Plaza, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion is based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at anytime for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of Great Britain, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

CALIFORNIA CODES  
GOVERNMENT CODE  
SECTION 27130-27137

**27130.** The Legislature finds and declares that local agencies, including school districts, should participate in reviewing the policies that guide the investment of those funds. The Legislature further finds and declares that by pooling deposits from local agencies and other participants, county treasuries operate in the public interest when they consolidate banking and investment activities, reduce duplication, achieve economies of scale, and carry out coherent and consolidated investment strategies. The Legislature further finds and declares that the creation of county treasury oversight committees will promote the public interest by involving depositors in the management of their funds and by enhancing the security and investment return on their funds by providing a more stable and predictable balance for investment by establishing criteria for the withdrawal of funds.

27131. (a) The board of supervisors in each county or city and county may, if the county or city and county is investing surplus funds, establish a county treasury oversight committee. The board of supervisors, in consultation with the county treasurer, shall determine the exact size of the committee, which shall consist of from 3 to 11 members, and the categories from which the members shall be represented, as specified in subdivisions (a) to (g), inclusive, of Section 27132. Members shall be nominated by the treasurer and confirmed by the board of supervisors.

(b) In recognition of the state and local interests served by the action made optional in subdivision (a), the Legislature encourages local agencies to continue taking the action formerly mandated by this section. However, nothing in this subdivision may be construed to impose any liability on a local agency that does not continue to take the formerly mandated action.

27132. The county treasury oversight committee, pursuant to Section 27131, shall consist of members appointed from the following:

- (a) The county treasurer.
  - (b) The county auditor, auditor-controller, or finance director, as the case may be.
  - (c) A representative appointed by the county board of supervisors.
  - (d) The county superintendent of schools or his or her designee.
  - (e) A representative selected by a majority of the presiding officers of the governing bodies of the school districts and community college districts in the county.
  - (f) A representative selected by a majority of the presiding officers of the legislative bodies of the special districts in the county that are required or authorized to deposit funds in the county treasury.
  - (g) Up to five other members of the public.
- (1) A majority of the other public members shall have expertise in, or an academic background in, public finance.
  - (2) The other public members shall be economically diverse and bipartisan in political registration.



27132.1. A member may not be employed by an entity that has (a) contributed to the campaign of a candidate for the office of local treasurer, or (b) contributed to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the county treasury, in the previous three years or during the period that the employee is a member of the committee.

27132.2. A member may not directly or indirectly raise money for a candidate for local treasurer or a member of the governing board of any local agency that has deposited funds in the county treasury while a member of the committee.

27132.3. A member may not secure employment with, or be employed by, bond underwriters, bond counsel, security brokerages or dealers, or financial services firms, with whom the treasurer is doing business during the period that the person is a member of the committee or for one year after leaving the committee.

27132.4. Committee meetings shall be open to the public and subject to the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5).

27133. In any county that establishes a county treasury oversight committee pursuant to this article, the county treasurer shall annually prepare an investment policy that will be reviewed and monitored by the county treasury oversight committee. The investment policy shall include all of the following:

(a) A list of securities or other instruments in which the county treasury may invest, according to law, including the maximum allowable percentage by type of security.

(b) The maximum term of any security purchased by the county treasury.

(c) The criteria for selecting security brokers and dealers from, to, or through whom the county treasury may purchase or sell securities or other instruments. The criteria shall prohibit the selection of any broker, brokerage, dealer, or securities firm that has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the local treasurer, any member of the governing board of the local agency, or any candidate for those offices.

(d) Limits on the receipt of honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other persons with whom the county treasury conducts business by any member of the county treasury oversight committee. These limits may be in addition to the limits set by a committee member's own agency, by state law, or by the Fair Political Practices Commission.

(e) A requirement that the county treasurer provide the county treasury oversight committee with an investment report as required by the board of supervisors.

(f) The manner of calculating and apportioning the costs, authorized by Section 27013, of investing, depositing, banking,

auditing, reporting, or otherwise handling or managing funds.

(g) The terms and conditions under which local agencies and other entities that are not required to deposit their funds in the county treasury may deposit funds for investment purposes.

(h) Criteria for considering requests to withdraw funds from the county treasury, pursuant to Section 27136. The criteria shall include an assessment of the effect of a proposed withdrawal on the stability and predictability of the investments in the county treasury.

27134. The county treasury oversight committee shall cause an annual audit to be conducted to determine the county treasury's compliance with this article. The audit may include issues relating to the structure of the investment portfolio and risk.

27135. The costs of complying with this article shall be county charges and may be included with those charges enumerated under Section 27013.

27136. (a) Notwithstanding any other provision of law, any local agency, public agency, public entity, or public official that has funds on deposit in the county treasury pool and that seeks to withdraw funds for the purpose of investing or depositing those funds outside the county treasury pool, shall first submit the request for withdrawal to the county treasurer before withdrawing funds from the county treasury pool.

(b) The county treasurer shall evaluate each proposed withdrawal for its consistency with the criteria adopted pursuant to subdivision (h) of Section 27133. Prior to approving a withdrawal, the county treasurer shall find that the proposed withdrawal will not adversely affect the interests of the other depositors in the county treasury pool.

27137. Nothing in this article shall be construed to allow the county treasury oversight committee to direct individual investment decisions, select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the county treasury.