COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR

500 WEST TEMPLE STREET
437 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012

MARK J. SALADINO
TREASURER AND TAX COLLECTOR

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February 24, 2005

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

DELEGATION OF AUTHORITY TO INVEST AND
ANNUAL ADOPTION OF THE TREASURER AND TAX COLLECTOR
INVESTMENT POLICY
(3-VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Delegate the authority to invest and reinvest County funds and funds of other depositors in the County treasury, to the Treasurer and Tax Collector.

2. Adopt the attached Treasurer and Tax Collector Investment Policy.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The requested actions are required by the Government Code to permit the Treasurer and Tax Collector to invest County funds and funds of other depositors in the County treasury Pursuant to the Investment Policy approved by your Board. Government Code Section 53646 requires that your Board annually approve the Investment Policy.

The Investment Policy limitations approved by your Board on February 3, 2004 have now been modified as follows:

> The total par value investment limit in Repurchase Agreements of $1 billion will now be permitted year-round, no longer restricted to the specific months of April, December, June, and July. The Repurchase Agreement limit per dealer of $500 million will also no longer be restricted to specific months. These changes are necessary to provide for investment flexibility given the increase in overall value of the Pooled Surplus Investment Portfolio.

The following changes are also now necessary to accommodate an increase in the overall portfolio dollar value:

RATINGS		FROM	TO
Domestic Issuers Moody's/S & P			
P-1/Aaa A-1/AAA		$400MM maximum of which $250MM may be over 180 days	$500MM maximum of which $300MM may be over 180 days
P-1/Aa A-1/AA		$300MM maximum of which $150MM may be over 180 days	$375MM maximum of which $175MM may be over 180 days
P-1/A A-1/A		$200MM maximum of which $100MM may be over 90 days to a maximum of 180 days	$250MM maximum of which $125MM may be over 90 days to a maximum of 180 days
Foreign Issuers Moody's/S & P	IBCA		
P-1/Aaa A-1/AAA	2-A	$350MM maximum of which $150MM may be over 180 days	$425MM maximum of which $175MM may be over 180 days
	2-A/B	$300MM maximum of which $150MM may be over 180 days	$375MM maximum of which $175MM may be over 180 days
P-1/Aa A-1/AA	2-B	$250MM maximum of which $125MM may be over 180 days	$300MM maximum of which $150MM may be over 180 days
	2-B/C	$150MM maximum of which $75MM may be over 180 days	$175MM maximum of which $75MM may be over 180 days
P-1/A A-1/A	2-B/C	$150MM maximum of which $75MM may be over 90 days to a maximum of 180 days	$175MM maximum of which $75MM may be over 90 days to a maximum of 180 days

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This policy is in accordance with the Countywide Strategic Plan Goal of Fiscal Responsibility in monitoring County Treasury investment transactions.

FISCAL IMPACT

No fiscal impact from this action.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

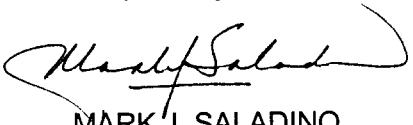
Government Code Section 27000.1 provides that the authority to invest and reinvest funds of the County and funds of other depositors in the County treasury may be annually delegated to the Treasurer by your Board.

Government Code Section 53646 permits the Treasurer to annually render to your Board a statement of Investment Policy, to be reviewed and approved at a public meeting. Any change in the Investment Policy is also to be submitted to your Board for review and approval at a public hearing.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

No impact on current services.

Respectfully submitted,



MARK J. SALADINO
Treasurer and Tax Collector

MJS:JK:af

Attachments

c: Chief Administrative Officer
County Counsel
Auditor-Controller
Treasury Oversight Committee

COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR
INVESTMENT POLICY

Authority to Invest

Pursuant to Government Code Section 27000.1 and Los Angeles County Code 2.52.025, the Los Angeles County Board of Supervisors has delegated to the Treasurer and Tax Collector the authority to invest and reinvest the funds of the County and the funds of the depositors in the County treasury.

Fundamental Investment Policy

The Treasurer and Tax Collector is a trustee and therefore a fiduciary subject to the prudent investor standard. Accordingly, when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing investments, the investment decisions SHALL be made with the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity would use with like aims.

All investments SHALL be governed by the California Government Code and comply with the specific limitations set forth within this policy. Periodically, it may be necessary and prudent to make investment decisions beyond the limitations set forth in the Investment Policy that are otherwise permissible by California Government Code. In these special circumstances, ONLY the Treasurer and Tax Collector is permitted to give written approval to operate outside the limitations set forth in the Investment Policy.

Pooled Surplus Investment Portfolio

The Treasurer and Tax Collector SHALL establish a Pooled Surplus Investment (PSI) portfolio. The PSI portfolio SHALL be used to provide safe, liquid investment opportunities for pooled surplus funds deposited into the County treasury.

It SHALL be the investment policy to make PSI investments where the primary objective is to ensure the safety of principal. The secondary objective is to meet the liquidity needs of the PSI participants. The third objective is to achieve a return on funds invested.

PSI revenue/loss distribution SHALL be shared on a pro-rata basis with the PSI participants. PSI revenue/loss distribution will be performed monthly, net of administrative costs authorized by Government Code Section 27013 which includes employee salaries and benefits and services and supplies, for investing, depositing or handling funds, and the distribution of interest income, based on the PSI participants' average daily fund balance as recorded on the Auditor-Controller's accounting records. Administrative costs SHALL be deducted from the monthly PSI revenue/loss distribution on the basis of one-twelfth of the budgeted costs and adjusted to actual costs.

Investments purchased with the intent to be held to maturity SHALL be accounted for in the Non-Trading partition of the PSI portfolio. Investments purchased with the intent to be sold prior to maturity SHALL be accounted for in the Trading partition of the PSI portfolio. The investments in the Trading partition SHALL NOT exceed $150 million without specific written

approval of the Treasurer and Tax Collector. In the event that a decision is made to transfer a given security from one partition to another, it MAY be transferred at cost; however, the difference between the market value, exclusive of interest, at the time of transfer and the purchase price, exclusive of interest, SHALL be computed and disclosed as unrealized profit or loss.

All PSI investments SHALL be categorized according to the period of time from settlement date to maturity date as follows:

- SHORT-TERM investments are for periods of up to ONE YEAR.
- INTERMEDIATE-TERM investments are for periods of ONE YEAR to THREE YEARS.
- MEDIUM-TERM investments are for periods of over THREE YEARS to FIVE YEARS.
- LONG-TERM investments are for periods of over FIVE YEARS.

PSI investments SHALL be limited to the Short-Term category except when the Investment Office MAY make PSI investments in accordance with the additional limitations imposed in Attachments I, II, and III.

The weighted average maturity of the PSI portfolio SHALL NOT exceed 1.5 years. For purposes of maturity classification, the maturity date shall be the nominal maturity date or the unconditional put option date, if one exists.

The total PSI portfolio investments with maturities in excess of one year SHALL NOT exceed 75% of the last three years' average minimum total cash and investments, after adjustments, as indicated in Attachment II.

Liquidity of PSI Investments

Short-Term liquidity SHALL further be maintained and adjusted monthly so that sufficient anticipated cash is available to fully meet unanticipated withdrawals of discretionary deposits, adjusted for longer term commitments, within ninety days.

Such liquidity SHALL be monitored where, at the beginning of any month, the par value of maturities in the next ninety days plus projected PSI deposits for ninety days, divided by the projected PSI withdrawals for ninety days plus discretionary PSI deposits is less than one.

The liquidation of investments is not required solely because the discretionary liquidity withdrawal ratio described above is less than one; however, investments SHALL be limited to a maximum maturity of thirty days until such time as the discretionary liquidity withdrawal ratio is equal to or greater than one. The sale of any PSI instrument purchased in accordance with

established policies is not required solely because the issuer's credit rating is lowered after the purchase of the instrument.

Specific Purpose Investment Portfolio

The Treasurer and Tax Collector SHALL maintain a Specific Purpose Investment (SPI) portfolio to manage specific investment objectives. Specific investments may be made with the approval of both the requesting entity's governing body and the approval of the Treasurer and Tax Collector. Revenue/loss distribution of the SPI portfolio SHALL be credited to the specific entity for which the investment was made.

Investments SHALL be limited to the short-term category, as defined for PSI investments, except when requested by a depositing entity and with the approval of the Treasurer and Tax Collector, a longer term investment MAY be specifically made and held in the SPI portfolio provided that it is in accordance with the limitations imposed in Attachments I, II, and III.

The sale of any SPI instrument purchased in accordance with established policies is not required solely because the issuer's credit rating is lowered after the purchase of the instrument.

Execution, Delivery, and Monitoring of Investments

The Treasurer and Tax Collector SHALL designate, in writing, personnel authorized to execute investment transactions.

All transactions SHALL be executed on a delivery versus payment basis.

The Treasurer and Tax Collector or financial advisor, consultant or manager acting on behalf of the Treasurer and Tax Collector, in purchasing or obtaining any securities in a negotiable, bearer, registered, or non-registered format, requires delivery of the securities to the Treasurer and Tax Collector or designated custodial institution, by book entry, physical delivery, or by third party custodial agreement.

All investment transactions made by the Investment Office SHALL be reviewed by the Internal Controls Office to assure compliance with the Investment Policy.

Reporting Requirements

The Treasurer and Tax Collector SHALL provide the Board of Supervisors and the Los Angeles County Treasury Oversight Committee with a monthly report consisting of, but not limited to, the following:

- All investments detailing each by type, issuer, date of maturity, par value, market value except, for investments made in the State of California Local Agency Investment Fund, the source of the market valuation and historical cost.

- Month-end bank balances for accounts under the control of the Treasurer and Tax Collector.

- A description of funds, investments, or programs, that are under the management of contracted parties, including lending programs for the Treasurer and Tax Collector.

- A description of all investment exceptions, if any, to the Investment Policy.

- A statement denoting the ability of the PSI portfolio to meet the anticipated cash requirements of the PSI participants for the next six months.

The Treasurer and Tax Collector SHALL provide copies of its second and fourth quarter Investment Reports to the California Debt and Investment Advisory Commission within 60 days after the close of the second and fourth quarters of each calendar year.

The Treasurer and Tax Collector SHALL provide the Treasurer's Investment Policy to the California Debt and Investment Advisory Commission no later than 60 days after the second quarter of each calendar year and subsequent amendments thereto no later than 60 days after approval of such amendments.

Discretionary Treasury Deposits and Withdrawals

At the sole direction of the Treasurer and Tax Collector, PSI deposits may be accepted from local agencies that are not required to deposit their funds with the Los Angeles County Treasurer, pursuant to Government Code Section 53684.

At the time such deposits are made, the depositing entity SHALL provide the Treasurer and Tax Collector with annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of $1 million. Such projections SHALL be adjusted periodically as prescribed by the Treasurer and Tax Collector but in no event less than semi-annually.

Withdrawals by Participants

In accordance with Government Code Sections 27133 and 27136, all requests for withdrawal of such funds, for the purpose of investing or depositing these funds elsewhere SHALL be evaluated, prior to approving or disapproving the request, to ensure that the proposed withdrawal will not adversely affect the principal deposits of the other PSI participants.

If it is determined that the proposed withdrawal will negatively impact the principal deposits of the other PSI participants, such withdrawals will be delayed until the impact can be mitigated.

Broker/Dealer Section

Broker/Dealer SHALL be limited to primary government dealers as designated by the Federal Reserve Bank or institutions meeting one of the following:

A. Broker/Dealer with minimum capitalization of $500 million and;

1. Must be licensed by the State as a broker/dealer, as defined in Section 25004 of the Corporations Code or a member of a federally regulated securities exchange and;
2. Must be a member of the National Association of Securities Dealers and;
3. Must be registered with the Securities Exchange Commission and;
4. Must have been in operation for more than five years and;
5. Must have a minimum annual trading volume of $100 billion in money market instruments or $500 billion in U.S. Treasuries and Agencies.

B. Emerging firms with office(s) in California licensed by the State as a broker/dealer, as defined in Section 25004 of the Corporations Code or a member of a federally regulated exchange with a minimum capitalization of $200,000 to a maximum capitalization of $5 million and have met the quality criteria of the Treasurer.

Commercial Paper and Negotiable Certificates of Deposit may be purchased directly from issuers approved by the Treasurer.

Any broker, brokerage firm, dealer, or securities firm that has, within any consecutive 48 month period following January 1, 1996, made a political contribution in an amount exceeding $250 to any member of the Board of Supervisors or any candidate for those offices, SHALL be prohibited from selection.

An approved Treasurer and Tax Collector Broker/Dealer list SHALL be maintained. Firms SHALL be removed from the approved Broker/Dealer list and trading suspended with firms failing to provide accurate and timely:

A. Confirmation of daily trade transactions and all open trades in effect at month-end;

B. Response to auditor's requests for confirmation of investment transactions;

C. Response to the Internal Controls Office requests for needed information.

Honoraria, Gifts, and Gratuities Limitations

Members of the Los Angeles County Treasury Oversight Committee, Treasurer and Tax Collector, Chief Deputy Treasurer and Tax Collector and designated Treasurer and Tax

Collector employees SHALL be governed by the provision of the Political Reform Act and the Los Angeles County Code relating to Lobbyists.

Investment Limitations

The Investment Office SHALL NOT invest in inverse floating rate notes, range notes, or interest only strips that are derived from a pool of mortgages.

The Investment Office SHALL NOT invest in any security that could result in zero interest if held to maturity.

The Investment Office SHALL obtain approval of the Treasurer and Tax Collector before recognizing any loss exceeding $100,000 per transaction, calculated using amortized cost.

Proceeds from the sale of notes or funds set aside for the repayment of notes SHALL NOT be invested for a term that exceeds the term of the notes.

Permitted Investments

Permitted Investments SHALL be limited to the following:

A. Obligations of the United States Government, its agencies and instrumentalities.

   1. Maximum maturity: None.

   2. Maximum total par value: None.

   3. Maximum par value per issuer: None.

   4. Federal agencies: Additional limits in Section G apply if investments are Floating Rate instruments.

B. Municipal Obligations from the approved list of municipalities (Attachment III)

   1. Maximum maturity: As limited in Attachment III.

   2. Maximum total par value: 10% of the PSI portfolio.

C. Asset-Backed Securities

   1. Maximum maturity: Five years.

   2. Maximum total par value: 20% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.

4. All Asset-Backed securities must be rated at least AA and the issuer's corporate debt rating must be at least A.

D. Bankers' Acceptance Domestic and Foreign

1. Maximum maturity: 180 days and limits outlined in Attachment I for issuer's current credit rating.

2. Maximum total par value: 40% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. The aggregate total of bankers' acceptances and negotiable certificates of deposits SHALL NOT exceed:

   a. The total shareholders' equity of depository bank.

   b. The total net worth of depository bank.

E. Negotiable Certificates of Deposit (CD)

1. Maximum maturity: Three years and limits outlined in Attachment I for issuer's current credit rating.

2. Maximum total par value: Aggregate total of Domestic and Euro CD's are limited to 30% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. Must be issued by:

   a. National or State-chartered bank, or

   b. State-licensed branch of a foreign bank.

5. Euro CD's:

   a. Maximum maturity: One year and limits outlined in Attachment I for issuer's current credit rating.

b. Maximum total par value: 10% of the PSI portfolio.

c. Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.

d. Limited to London branch of National or State-chartered banks.

6. The aggregate total of Bankers' Acceptances and Negotiable Certificates of Deposits SHALL NOT exceed:

a. The total shareholders' equity of depository bank.

b. The total net worth of the depository bank.

F. Corporate and Depository Notes

1. Maximum maturity: Three years and limits outlined in Attachment I for the issuer's current credit rating.

2. Maximum total par value: 30% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. Notes MUST be issued by:

a. Corporations organized and operating within the United States.

b. Depository institutions licensed by the United States or any state and operating within the United States.

5. Additional limits in Section G apply if note is a Floating Rate instrument.

G. Floating Rate Notes

Floating Rate Notes included in this category are defined as any instrument that has a coupon or interest rate that is adjusted periodically due to changes in a base or benchmark rate.

1. Maximum maturity: Seven years, provided that Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of $100 million par value may be greater than five years to maturity.

2. Maximum total par value: 10% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. Benchmarks SHALL be limited to commercially available U.S. Dollar denominated indexes.

5. The Investment Office SHALL obtain the prospectus or the issuer term sheet for all Floating Rate Notes and SHALL include the following on the trade ticket:

   a. Specific basis for the benchmark rate.

   b. Specific computation for the benchmark rate.

   c. Specific reset period.

   d. Notation of any put or call provisions.

H. Commercial Paper

1. Maximum maturity: 270 days and limits outlined in Attachment I for the issuer's current credit rating.

2. Maximum total par value: 40% of the PSI portfolio.

3. Maximum par value per issuer: 10% of the outstanding Commercial Paper of issuer and limits outlined in Attachment I for the issuer's current credit rating.

4. Credit: Issuing Corporation - Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):

   (a) The entity meets the following criteria:

      (1) Is organized and operating in the United States as a general corporation;

      (2) Has total assets in excess of $500MM;

      (3) Has debt other than commercial paper, if any, that is rated "A" or higher by a national recognized statistical-rating organization (NRSRO).

(b) The entity meets the following criteria:

(1) Is organized in the United States as a Limited Liability Company or Special Purpose Corporation;

(2) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond;

(3) Has commercial paper that is rated "A-1"or higher, or the equivalent, by a nationally recognized statistical-rating organization (NRSRO).

I. Shares of Beneficial Interest

1. Money Market Fund (MMF) - Shares of beneficial interest issued by diversified management companies known as money market mutual funds, registered with the Securities and Exchange Commission in accordance with Section 270.2a-7 of Title 17 of the Code of Federal Regulation.

   A. Limited to investments in obligations of the United States Government and its agencies and instrumentalities.

   B. Fund has received the highest possible rating from at least two nationally recognized statistical-rating organizations (NRSRO).

   C. Maximum total par value: 15% of the PSI portfolio, however, no more than 10% of the PSI may be invested in any one fund.

2. State of California's – Local Agency Investment Fund (LAIF) pursuant to section 16429.1 of the State of California Government Code.

3. Trust Investments - Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in Section 53601 (a) to (n) of the State of California Government Code. To be eligible the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

   A. The adviser is registered or exempt from registration with the Securities and Exchange Commission.

   B. The adviser has not less than five years of experience investing in the securities and obligations authorized in Section 56301 (a) to (n) of the State of California Government Code.

C. The adviser has assets under management in excess of five hundred million dollars ($500MM)

J. Repurchase Agreement

1. Maximum maturity: 30 days.

2. Maximum total par value: $1.0 billion.

3. Maximum par value per dealer: $500 million.

4. Agreements must be in accordance with approved written master repurchase agreement.

5. Must be fully secured at or greater than 102% of the market value, adjusted no less than quarterly, plus accrued interest by obligations of the United States Government, its agencies and instrumentalities.

K. Reverse Repurchase Agreement

1. Maximum term: One year.

2. Maximum total par value: $500 million.

3. Maximum par value per broker: $250 million.

4. Dealers limited to those primary dealers or those nationally or State - chartered banks that have a significant banking relationship with the County as defined in Government Code Section 53601(i)(4)(B) and approved specifically by the Treasurer.

5. Agreements SHALL only be made for the purpose of enhancing investment revenue.

6. Agreements must be in accordance with approved written master repurchase agreement.

7. Securities eligible to be sold with a simultaneous agreement to repurchase SHALL be limited to obligations of the United States Government and its agencies and instrumentalities.

8. The security to be sold on reverse repurchase agreement SHALL have been owned and fully paid for by the Treasurer and Tax Collector for a minimum of 30 days prior to sale.

9. The proceeds of the reverse repurchase agreement SHALL be invested in authorized instruments with maturity less than 92 days unless the agreement includes a codicil guaranteeing a minimum earning or spread to maturity.

10. The proceeds of the reverse repurchase agreement SHALL be invested in instruments with maturities occurring at or before the maturity of the reverse repurchase agreement.

11. In no instance SHALL the investment from the proceeds of a reverse repurchase agreement be sold as part of a subsequent reverse repurchase agreement.

L. Forwards, Futures and Options

Forward contracts are customized contracts traded in the Over The Counter Market where the holder of the contract is OBLIGATED to buy or sell a specific amount of an underlying asset at a specific price on a specific future date.
Future contracts are standardized contracts traded on recognized exchanges where the holder of the contract is OBLIGATED to buy or sell a specific amount of an underlying asset at a specific price on a specific future date.

Option contracts are those traded in either the Over The Counter Market or recognized exchanges where the purchaser has the RIGHT but not the obligation to buy or sell a specific amount of an underlying asset at a specific price within a specific time period.

1. Maximum maturity: 90 days.

2. Maximum aggregate par value: $100 million.

3. Maximum par value per counterparty: $50 million. Counterparties for Forward and Option Contracts limited to those on the approved Treasurer and Tax Collector list and must be rated A or better from at least one nationally recognized rating agency.

4. The underlying securities SHALL be an obligation of the United States Government and its agencies and instrumentalities.

5. Premiums paid to an option seller SHALL be recognized as an option loss at the time the premium is paid and SHALL not exceed $100,000 for each occurrence or exceed a total of $250,000 in any one quarter. Premiums received from an option purchase SHALL be recognized as an option gain at the time the premium is received.

6. Complex or hybrid forwards, futures or options defined as agreements combining two or more categories are prohibited unless specific written approval of the Treasurer and Tax Collector is obtained PRIOR to entering into the agreement.

7. Open forward, future, and option contracts SHALL be marked to market weekly and a report SHALL be prepared by the Internal Controls Office.

8. In conjunction with the sale of bonds, the Treasurer and Tax Collector MAY authorize exceptions to maturity and par value limits for forwards, futures and options.

M. Interest Rate Swaps

Interest Rate Swaps SHALL be used only in conjunction with the sale of bonds approved by the Board of Supervisors. In accordance with Government Code Section 53534, these agreements SHALL be made only if all bonds are rated in one of the three highest rating categories by two nationally recognized rating agencies and only upon receipt, from any rating agency rating the bonds, of written evidence that the agreement will not adversely affect the rating.

Further, the counterparty to such an agreement SHALL be rated A or better from at least one nationally recognized rating agency selected by the Treasurer and Tax Collector, or the counterparty SHALL provide an irrevocable letter of credit from an institution rated A or better from at least one nationally recognized rating agency acceptable to the Treasurer and Tax Collector.

N. Securities Lending Agreement

Securities Lending Agreement is an agreement under which the Treasurer agrees to transfer securities to a borrower who, in turn agrees to provide collateral to the Treasurer. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the Treasurer in return for the collateral.

1. Maximum term: 180 days.

2. Maximum par value: Maximum par value is limited to a combined total of reverse repurchase agreements and loaned securities of 20% of the base value of the portfolio.

3. Dealers limited to those primary dealers or those nationally or State chartered banks that have a significant banking relationship with the County as defined in Government Code Section 53601(i)(4)(B) and approved specifically by the Treasurer.

4. Agreements SHALL only be made for the purpose of enhancing investment revenue.

5. Securities eligible to be sold with a simultaneous agreement to repurchase SHALL be limited to obligations of the United States Government and its agencies and instrumentalities.

6. The security to be sold on reverse repurchase agreement SHALL have been owned and fully paid for by the Treasurer and Tax Collector for a minimum of 30 days prior to sale.

7. The proceeds of the reverse repurchase agreement SHALL be invested in authorized instruments with a maturity less than 92 days unless the agreement includes a codicil guaranteeing a minimum earning or spread to maturity.

8. In no instance SHALL the investment from the proceeds of a reverse repurchase agreement be sold as part of a subsequent reverse repurchase agreement.

ATTACHMENT I a.

MINIMUM CREDIT RATING

DOMESTIC ISSUERS

BA Max Maturity 180 Days	CP Max Maturity 270 Days		CD Max Maturity 3 Yrs	CN and ABS		
MOODY'S	S & P	MOODY'S	MOODY'S	S & P	MOODY'S	
P-1/Aaa	A-1/AAA	P-1/Aaa	P-1/Aaa	A-1/AAA	P-1/Aaa	$500MM maximum of which $300MM may be over 180 days.
P-1/Aa	A-1/AA	P-1/Aa	P-1/Aa	A-1/AA	P-1/Aa	$375MM maximum of which $175MM may be over 180 days
P-1/A	A-1/A	P-1/A	P-1/A	A-1/A	P-1/A	$250MM maximum, of which $125MM may be over 90 days to a maximum of 180 days.

ATTACHMENT I b.

MINIMUM CREDIT RATING

FOREIGN ISSUERS

BA Max Maturity 180 Days		CP Max Maturity 270 Days		CD Max Maturity 3 Yrs		CN and ABS		
IBCA	MOODY'S	S & P	MOODY'S	IBCA	MOODY'S	S & P	MOODY'S	
2-A	P-1/Aaa	A-1/AAA	P-1/Aaa	2-A	P-1/Aaa	A-1/AAA	P-1/Aaa	$425MM maximum of which $175MM may be over 180 days.
2-A/B				2-A/B				$375MM maximum of which $175MM may be over 180 days.
2-B	P-1/Aa	A-1/AA	P-1/Aa	2-B	P-1/Aa	A-1/AA	P-1/Aa	$300MM maximum of which $150MM may be over 180 days.
2-B/C				2-B/C				$175MM maximum of which $75MM may be over 180 days.
	P-1/A	A-1/A	P-1/A		P-1/A	A-1/A	P-1/A	$175MM maximum of which $75MM may be over 90 days to a maximum of 180 days.

ATTACHMENT II

LIMITATION CALCULATION FOR INTERMEDIATE TERM, MEDIUM-TERM AND LONG-TERM HOLDINGS

	2004	2003	2002
Minimum Available Cash and Invested Balance	$14,827,001,800.00	$14,510,579,577.93	$ 10,885,699,740
Less:			
Los Angeles County TRANS (Required to be Short-Term)	$ (600,000,000)	$ (600,000,000)	$ (650,000,000)
Discretionary Deposits (Note 1)	$ (1,108,679,913)	$ (1,132,758,171)	$ (1,165,842,791)
Minimum Available Balance	$ 13,118,321,887	$ 12,777,821,407	$ 9,069,856,949

Average Minimum Available Balance	11,655,333,414.21
Percent Available for Investment Over 1 Year	75%
Available Balance for Investments Over 1 Year	$ 8,741,500,061
Intermediate Term (From 1 to 3 Years) - One-third of Available Balance for Investment	$ 2,913,833,354
Medium and Long-Term (Over 3 Years) - Two-thirds of Available Balance for Investment (Note 2)	$ 5,827,666,707

(Note 1) - Modified to reflect Discretionary Deposits Minimum Available Balances.
(Note 2) - Any unused portion of Medium and Long-Term Available Balances may be used for Intermediate Term Investments.

ATTACHMENT III

APPROVED LIST OF MUNICIPAL OBLIGATIONS

1. Any obligation issued by the County of Los Angeles on its behalf or other Los Angeles County entities. Maximum maturity limited to 20 years.

2. Any obligation issued by the State of California or a California local agency with a Moody's rating of MIG-1 or A. Maximum maturity limited to 5 years.