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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March 28, 2007

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.

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

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The requested actions are required by the California Government Code (Government Code) to permit the Treasurer to invest County funds and funds of other depositors in the County treasury pursuant to the Investment Policy, which is routinely approved by your Board annually. Government Code Section 53646 permits your Board to approve annually the Investment Policy.

The Investment Policy approved by your Board on April 4, 2006 has been modified as follows:

Prior to January 1, 2007, the California Government Code limited investment in commercial paper of a single issuer to no more than 10% of the outstanding commercial paper of that issuer. Effective January 1, 2007, the Code was revised to allow investment of up to 10% of the total investments of a local agency in any one issuer's commercial paper.

The Treasury Pool's investments averaged $16.7 billion for the first six months of this fiscal year, an increase of approximately 11% over the same period in the prior fiscal year. Accordingly, to provide investment flexibility given this increase in the overall value of the Treasury Pool, we are increasing the limits in the Commercial Paper (Section H.3) portion of the Investment Policy to allow investment in the commercial paper of a single domestic issuer as follows:

Commercial Paper (Domestic Issuers)			
S&P	Moody's	Former Limit	Revised Limit
A-1/AAA	P-1/Aaa	$500MM maximum, of which $300MM may be over 180 days	$750MM maximum, of which $450 may be over 180 days
A-1/AA	P-1/Aa	$375MM maximum, of which $175MM may be over 180 days	$575MM maximum, of which $250MM may be over 180 days
A-1/A	P-1/A	$250MM maximum, of which $125MM may be over 90 days to a maximum of 180 days	$375MM maximum, of which $175MM may be over 90 days to a maximum of 180 days

The maximum investment of $750MM in a single issuer is approximately 4.5% of the average Treasury Pool's investments for the first six months of this fiscal year. This amount is less than half the allowable 10% under the California Government revision. The requirement that no more than 40% of the Treasury Pool's investments may be invested in commercial paper remains in effect.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This policy is in accordance with the Countywide Strategic Plan Goal of Fiscal Responsibility in investing County funds and funds of other depositors in the County treasury.

FISCAL IMPACT

There is no fiscal impact from this action.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

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

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

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no impact on current services.

Respectfully submitted,

MARK J. SALADINO
Treasurer and Tax Collector

MJS:JK:tf

Attachments

c: Chief Administrative Officer
Auditor-Controller
County Counsel
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 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 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 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 is permitted to give written approval to operate outside the limitations set forth in the Investment Policy.

Pooled Surplus Investment Portfolio

The Treasurer 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.

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 that the Investment Office MAY make PSI investments in accordance with the 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 each month, the par value for 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 equal to or greater than one.

The liquidation of investments is not required solely because the discretionary liquidity withdrawal ratio 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 an institution's credit rating is lowered after the purchase of the instrument.

Specific Purpose Investment Portfolio

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

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, a longer term investment MAY be specifically made and held in the SPI portfolio.

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

Execution, Delivery, and Monitoring of Investments

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

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

The Treasurer or financial advisor, consultant or manager acting on behalf of the Treasurer, in purchasing or obtaining any securities in a negotiable, bearer, registered, or nonregistered format, requires delivery of the securities to the Treasurer 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 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, historical cost, market value and the source of the market valuation.
- Month-end bank balances for accounts under the control of the Treasurer.

- A description of funds, investments, or programs that are under the management of contracted parties, including lending programs for the Treasurer.
- 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 for the participants for the next six months.

The Treasurer 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 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 the approval of such amendments.

Discretionary Treasury Deposits

At the sole direction of the Treasurer, PSI deposits may be accepted from local agencies, 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 Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of $1 million. Such projections may be adjusted periodically as prescribed by the Treasurer but in no event less than semi-annually.

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 Commissions and;
4. Must have been in operation for more than five years;
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 <u>or</u> 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, 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 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 requests for confirmation of investment transactions.

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

<u>Honoraria, Gifts, and Gratuities Limitations</u>

Members of the Los Angeles County Treasury Oversight Committee, Treasurer, 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 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 Note 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 prior to purchase 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: the lesser of 10% of the PSI portfolio or the 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 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 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. The company SHALL have met either of the following criteria:

   a) Attained the highest possible rating by not less than two NRSRO.

   b) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized in Government Code Section 53601 and with assets under management in excess of five hundred million dollars ($500,000,000).

   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 Government Code Section 16429.1.

3. Trust Investments – Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in securities and obligations authorized in Section 53601 (a) to (n) of the 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 53601 (a) to (n) of the Government Code.

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. Agreements must be fully secured by obligations of the United States Government, its agencies and instrumentalities. The market value of these obligations that underlay a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities and the value shall be adjusted no less than monthly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. If a repurchase agreement matures the next business day after purchase, the repurchase agreement is not out of compliance with this collateralization requirement if the value of the collateral falls below the 102% requirement at the close of business on settlement date.

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) 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 for a minimum of 30 days prior to sale.

9. 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.

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 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 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, 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.

N. Securities Lending Agreement

Securities lending agreement means 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) 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 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.

County of Los Angeles
Treasurer and Tax Collector
ATTACHMENT 1 a.

MINIMUM CREDIT RATING
DOMESTIC ISSUERS

Bankers' Acceptance	**Certificates of Deposit**	**Corporate Notes, Asset Backed Securities (ASB) and Floating Rate Notes (FRN)**		**Limit**
Maximum maturity 180 days	Maximum maturity 3 years	Corporate: 3 years ASB: 5 years FRN: 5 years (1)		
Moody's	Moody's	S&P	Moody's	
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	P-1/Aa	A-1/AA	P-1/Aa	$375MM maximum, of which $175MM may be over 180 days.
P-1/A	P-1A	A-1/A	P-1/A	$250MM maximum, of which $125MM may be over 90 days to a maximum of 180 days.

Commercial Paper		**Limit**
Maximum maturity 270 days		
S&P	Moody's	
A-1/AAA	P-1/Aaa	$750MM maximum, of which $450MM may be over 180 days.
A-1/AA	P-1/Aa	$575MM maximum, of which $250MM may be over 180 days.
A-1/A	P-1/A	$375MM maximum, of which $175MM may be over 90 days to a maximum of 180 days.

(1) Seven years, if 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.

County of Los Angeles
Treasurer and Tax Collector
ATTACHMENT 1 b.

MINIMUM CREDIT RATING
FOREIGN ISSUERS

Bankers' Acceptance		**Commercial Paper**		**Certificates of Deposit**		**Corporate Notes, Asset Backed Securities (ASB) and Floating Rate Notes (FRN)**		**Limit**
Maximum maturity 180 days		Maximum maturity 270 days		Maximum maturity 3 years		Corporate: 3 years ASB: 5 years FRN: 5 years (1)		
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

(1) Seven years, if 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.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT II

LIMITATION CALCULATION FOR
INTERMEDIATE TERM, MEDIUM-TERM AND LONG-TERM HOLDINGS
(Actual $)

	2006	2005	2004
Minimum invested balance and available cash	$15,304,590,937	$14,245,556,946	$14,202,135,218
Less:			
▪ Los Angeles County TRANS (required to be Short-Term)	(500,000,000)	(500,000,000)	(600,000,000)
▪ Discretionary deposits	(1,396,930,533)	(1,195,585,696)	(1,080,856,884)
Minimum available balance	$13,407,660,404	$12,549,971,250	$12,521,278,334
Average minimum available balance			$12,826,303,329
Multiplied by the percent available for investment over one year			75%
Equals the available balance for investment over one year			$9,619,727,497
Intermediate Term (from one to three years) ▪ One-third of the available balance for investment			$3,206,575,832
Medium-Term and Long-Term (greater than three years) ▪ Two-thirds of available balance for investment (1)			$6,413,151,665

(1) Any unused portion of the Medium-Term and Long-Term available balance may be used for Intermediate Term investments.

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 short-term 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 five years.