

## **700-07 INVESTMENT OF CITY FUNDS**

### **PURPOSE**

The investment policies and practices of the City of Vista are based upon state law, city ordinances, prudent money management and the "Code of Ethics on Professional Conduct" of the California Municipal Treasurer's Association. The primary goals of these policies are:

1. To assure compliance with all Federal, State and Local laws governing the investment of monies under the control of the City Treasurer.
2. To protect the principal monies entrusted to this office.
3. To generate the maximum amount of investment income within the parameters of prudent risk management.
4. To insure ample liquidity to meet budgeted expenditures for at least a six-month period.

### **POLICY**

#### **RESPONSIBILITY AND DELEGATION OF AUTHORITY**

Pursuant to Section 53601 of the California Government Code, the City Council as the legislative body of the City has primary responsibility for investment of surplus monies, or monies held in sinking funds, in the City treasury. As authorized under Section 53607 of the Government Code, the City Council hereby delegates its authority to invest or reinvest the funds of the city, and to sell or exchange securities so purchased, to the City Treasurer who shall assume full responsibility for all such transactions. This delegation of authority shall be in effect for one fiscal year and subject to annual renewal by the City Council, or until such time as this delegation of authority may be revoked by the City Council.

Pursuant to Chapter 2.24 of the Vista Municipal Code, the City Manager shall appoint the Director of Finance or the Finance Manager to serve as the City Treasurer. The City Manager shall be responsible and accountable under this policy to oversee the investment activities of the City Treasurer and to require the faithful performance of all administrative duties delegated under this Policy.

The City Treasurer shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include reference to safekeeping, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment

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transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate employees or outside money managers.

This policy will also address risk management, because it is such an integral part of the investment policy. To concentrate only on maximizing return would be dangerous; therefore, policy issues will be directed to:

1. Limiting the fund's exposure to each issue and issuer of debt, and
2. Determining a minimum credit requirement that firms must have in order to hold City monies, and
3. If any loss will be taken on a security, the City Treasurer will review the loss, the reasons for the loss and any other information with the City Manager prior to the loss transaction.

### SCOPE

This investment policy applies to all financial assets of the City of Vista, except for PERS funds (which are administered separately), interagency investments or transactions by and among the City and any of its dependent agencies (for example, Redevelopment Agency, Buena Sanitation District, Industrial Development Authority, and Joint Powers Financing Authority), and the proceeds of bonds, notes, COPs and similar debt issues. California Government Code Section 53601(1) permits money from bond proceeds, obligations under a lease, installment sales, or other agreements to be invested in any security that meets the statutory provisions governing the issuance of the bond or other agreements made by the issuing agency.

The applicable funds are accounted for in the City of Vista's Comprehensive Annual Financial Report and include:

1. General Fund
2. Special Revenue Funds
3. Internal Service Funds
4. Enterprise Funds
5. Debt Service Funds
6. Trust and Agency Funds
7. Capital Project Funds
8. Any new fund created, unless specifically exempted by City Ordinances

### OBJECTIVES

The primary objectives, in priority order, of the City of Vista's investment activities shall be:

A. Safety of Principal

Safety of principal is the foremost objective of the City of Vista. Each investment transaction shall seek to ensure that all capital losses are avoided, whether from securities default, broker-dealer default, or erosion of market value. The City shall seek to preserve principal by mitigating the two types of risk: credit risk and market risk.

1. Credit risk, defined as the risk of loss due to failure of the issuer of a security, shall be mitigated by investing in only very safe securities (see authorized investments) and by diversifying the investment portfolio so that the failure of any one issuer would not unduly harm the City's cash flow.

2. Market risk, defined as the risk of market value fluctuations due to overall changes in the general level of interest rates, shall be mitigated by structuring the portfolio so that securities mature at the same time that major cash outflows occur, thus eliminating the need to sell securities prior to their maturity; and by prohibiting the taking of short positions, that is, selling securities that the City does not own. It is explicitly recognized herein, however, that in a diversified portfolio, occasional measured losses are inevitable and must be considered within the context of overall investment return.

B. Liquidity

The City of Vista's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated. Investments will be authorized only in "readily marketable" securities; i.e. those securities that are actively traded in the secondary market.

C. Return on Investment

The City's investment portfolio shall be designed to attain a market average rate of return through economic cycles. The market average rate of return is defined as the average return on the two-year U.S Treasury Bond. Whenever possible, and consistent with risk limitations as defined herein and prudent investment principles, the City shall seek to augment returns above the market average rate of return.

MATURITIES

The maturity date of new investments should not be further away than the time the City anticipates that it will need to utilize the funds. Cash flow estimates of when the City will need cash shall be prepared in a prudent manner. Maturities shall be selected to anticipate cash needs, thereby reducing the possibility of the need for forced investment liquidation.

To insure that investment funds are always available when needed, the City Treasurer or her/his designee will analyze, prepare and maintain a cash plan projection. Liquidity levels will be estimated by the City Treasurer or her/his designee biweekly.

All investments shall have a maturity of five years or less from the date of purchase.

### ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City of Vista's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the City of Vista, particularly with regard to the timing of purchases and sales. The Treasurer shall avoid any transaction that might impair public confidence in the City's ability to govern effectively.

### TRADING

The City shall not make investments for the purpose of trading or speculation as the dominant criterion, such as anticipating an appreciation of capital value through changes in market rates.

### REPORTING

The City Treasurer shall submit a monthly report of investments to the City Manager and the City Council within 60 days following the end of each month, or as close to that as is practical given the meeting schedule of the City Council. The report shall identify the type of investment, name of the issuer, purchase and maturity dates, par and book values, coupon and yield to maturity rates, market value and source of valuation, weighted average maturity of the investments, and any funds, investments, or programs, including loans, that are under the management of contracted parties. It must include a listing of all investment transactions for the month, including purchases, sales, calls and maturities, and

show any capital gain or loss on each transaction. The report shall state compliance of the portfolio to the investment policy, or manner in which the portfolio is not in compliance. It shall also include a statement denoting the City of Vista's ability to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

### INTERNAL CONTROL

The Treasurer shall establish an annual process of independent review by an external auditor. The purpose of this review shall be to obtain suggestions for improved future performance, and to verify that investments have been made in accordance with policies and procedures.

### QUALIFIED DEALERS

The City shall transact business only with banks and savings and loans, and with investment securities dealers. The dealers must be primary dealers regularly reporting to the Federal Reserve Bank. Exceptions to this rule will be made at the discretion of the Treasurer. Dealers must provide a list of references, including at least three California cities, counties or districts. Investment staff shall investigate dealers wishing to do business with the City and determine if they are adequately capitalized, make markets in securities appropriate to the City's needs, and are recommended by managers of portfolios similar to the City's. The Treasurer shall provide information regarding any newly acquired dealer to the City Manager. All securities purchased from the list of qualified dealers shall be held in the City's name by a third party safekeeper. No securities will be held by the dealers initiating the transaction.

All financial institutions and securities dealers who desire to engage in investment transactions with the City of Vista shall submit a certification. The document will certify that the supervising officer has reviewed the City's investment policy and agrees to disclose potential conflicts or risks to public funds that might arise out of business transactions between the firm/depository and the City of Vista. All financial institutions shall agree to undertake reasonable efforts to preclude imprudent transactions involving City funds. The supervising officer shall agree to exercise due diligence in monitoring the activities of other officers and subordinate staff members engaged in transactions with the City of Vista. Employees of any financial institution offering securities or investments to the City of Vista shall be trained in the precautions appropriate to public-sector investments and shall be required to familiarize themselves with our investment objectives, policies and constraints.

When two or more investment opportunities offer essentially the same maturity, yield, quality and liquidity, the City of Vista will seek to promote local economic development by giving priority to the 1) financial institutions based in Vista, and then 2) to other financial institutions in California.

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The City shall at least annually send a copy of the current investment policy to all dealers approved to do business with the City. Confirmation of receipt of this policy shall be considered evidence that the dealer understands the City's investment policies, and intends to show the City only appropriate investments.

An annual review of the financial condition and registrations of qualified financial institutions and securities dealers will be conducted by the Treasurer. In addition, a current audited financial statement is required to be on file for each financial institution and securities dealer with which the City of Vista invests.

### SAFEKEEPING OF SECURITIES

To protect against potential losses by collapse of individual securities dealers, all securities owned by the City, including collateral on repurchase agreements, shall be held in safekeeping by a third party bank trust department acting as agent for the City of Vista under the terms of a custody agreement executed by the bank and by the City. All securities will be received and delivered using standard delivery-versus-payment procedures.

### PRUDENCE

Pursuant to California Government Code Section 53600.3, the City Council and all persons authorized to make investment decisions on behalf of the City are trustees and therefore fiduciaries subject to the following prudent investor standard:

"When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters 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 agency."

It is deemed to be prudent and acceptable for the City to pay a premium for a security provided that the yield to maturity equals or exceeds market yields of other alternative securities within the same asset class and maturity range.

Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence will be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

AUTHORIZED INVESTMENTS

The City is further governed by California Government Code, Section 53600 et seq. Within the context of these limitations, the following investments are authorized, as further limited herein:

- A. United States Treasury Bills, Bonds, and Notes, or those for which the full faith and credit of the United States are pledged for payment of principal and interest. This category includes corporate debt that is guaranteed under the Federal Deposit Insurance Corporation's (FDIC's) Temporary Liquidity Guarantee Program (TLGP), since it is backed by the full faith and credit of the United States (as provided in the FDIC's regulations, 12 CFR Part 370, and on the FDIC's website, [www.fdic.gov/tlgp](http://www.fdic.gov/tlgp)). There is no limitation as to the percentage of the portfolio which can be invested in this category.
- B. Obligations issued by the United States Government Agencies such as the Government National Mortgage Association (GNMA), the Federal Farm Credit Bank System (FFCB), the Federal Home Loan Bank Board (FHLB), the Federal National Mortgage Association (FNMA), the Student Loan Marketing Association (SLMA) and the Tennessee Valley Authority (TVA). Although there is no percentage limitation of the dollar amount that can be invested in these issues, the "prudent investor" rule shall apply for any single agency name.
- C. Commercial paper ranked P1 by Moody's Investor Services and A1 by Standard and Poor's, and issued by a domestic corporation having assets in excess of \$500 million and having an A or better rating on its long term debentures as provided by Moody's or Standard and Poor's. Purchases of eligible commercial paper may not exceed 270 days to maturity nor represent more than 10% of the outstanding paper of an issuing corporation. Purchases of commercial paper may not exceed 15% of the book value of the portfolio at the time of purchase. No more than 10% of the book value of the portfolio at the time of purchase may be invested in commercial paper issued by any one corporation.
- D. Medium Term Notes (MTNs). The City may invest in MTNs issued by corporations operating within the United States. MTNs eligible for purchase shall be rated "A" or better by Standard and Poor's or by Moody's rating services. MTNs with an "A" rating shall be limited to 24 months maximum maturity; AA rated MTNs shall be limited to 36 months. The aggregate total of all purchased MTNs may not exceed 15% of the book value of the investment portfolio at the time of purchase. No more than 5% of the book value of the portfolio at the time of purchase may be invested in notes issued by any one corporation. No more than \$5 million may be invested in any corporation at any one time. Commercial paper

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holdings shall be considered when calculating the maximum percentage in any issuer name.

- E. Local Agency Investment Fund. The City may invest in the Local Agency Investment Fund (LAIF) established by the State Treasurer for the benefit of local agencies up to the maximum amount permitted by State Law, subject to the following:

Accurate and detailed accounting records must be maintained for the funds for each participating government. A separate account designated by name and number for each participant in the fund shall be kept to record individual transactions. A proportionate amount of interest earned must be credited to each account, and totals of all investments belonging to each participant shown. A monthly report showing the changes in investments made during the preceding month shall be furnished to each participant.

LAIF regulations provide that a city may have an account for each of the entities the City governs. In the case of Vista that would include four accounts: the City, Community Development Commission, Joint Powers Financing Authority and the Buena Sanitation District. The City Treasurer is authorized to establish and maintain one account for the City of Vista and one account for the Community Development Commission.

- F. Negotiable and non-negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the California Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of all types of certificates of deposit shall not exceed 30 percent of the book value of the portfolio. The city may not invest in certificates of deposit issued by a state or federal credit union if the Mayor, member of the City Council, City Manager, Treasurer, Deputy City Treasurer, or any other employee with investment decision-making authority also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the certificate of deposit. The full amount of the principal and interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.
- G. Certificates of Deposit purchased through CDARS (Certificate of Deposit Account Registry Service). The city may invest in certificates of deposit at a commercial bank, savings bank, savings and loan association, or credit union that uses CDARS to place the certificates of deposit with the following conditions:



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1. The total of all time deposits and certificates of deposit may not exceed 30% of the book value of the portfolio.
  2. The city shall choose a nationally or state chartered commercial bank, savings bank, savings and loan association, or credit union in California to invest the funds, which shall be known as the "selected depository institution."
  3. The selected depository institution shall submit the funds to CDARS, which will assist in the placement of certificates of deposit with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States.
  4. The full amount of the principal and interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.
  5. The selected depository institution shall serve as a custodian for each certificate of deposit that is issued through CDARS for the City's account.
  6. At the same time that the City's funds are deposited and the certificates of deposit are issued, the selected depository institution shall receive an amount of deposits from other commercial banks, savings banks, savings and loan associations, or credit unions that, in total, are equal to, or greater than, the full amount of the principal that the City initially deposited through the selected depository institution for investment.
  7. No credit union may act as a selected depository institution unless it offers federal depository insurance through the National Credit Union Administration and has written authorization from the National Credit Union Administration allowing participation of federally insured credit unions in certificate of deposit placement services and affirming that the moneys held by those credit unions while participating in a deposit placement service will at all times be insured by the federal government.
- H. State and Local Agency Bonds. Bonds issued by the State of California or any of the other 49 United States, or any local agency within California. This includes bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the State of California or any of the other 49 United States, or a local agency within

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California, or by a department, board, agency, or authority of California or any of the other 49 United States, or a local agency within California, including the City of Vista.

1. If a bond is rated by two or more rating services, it must have an underlying rating of at least "A" by Standard and Poor's or Fitch, or at least "A2" by Moody's. If it is only rated by one rating service, it must have an underlying rating of at least "AA-" by Standard and Poor's or Fitch, or at least "Aa3" by Moody's. Unrated bonds and bonds with a credit watch or outlook of negative from any one rating agency are not permissible investments.
  2. The aggregate total of all purchased state or local agency bonds may not exceed 20% of the book value of the investment portfolio at the time of purchase. No more than 4% of the book value of the portfolio at the time of purchase may be invested in bonds issued by any one agency.
  3. No more than \$4 million may be invested in any one agency at any one time.
  4. All prospective bond purchases must be reviewed and approved by the City Manager prior to purchase.
- I. Investment Pools and Money Market Funds. A thorough investigation of any investment pool or money market mutual fund is required prior to investing in it, as well as on an ongoing basis. The following information should be obtained and analyzed:
1. A description of eligible investment securities.
  2. A written statement of investment policies and objectives.
  3. A description of interest calculations and their distribution, and the treatment of gains and losses.
  4. A description of how the securities are safeguarded, and how often the securities are priced and the program audited.
  5. Information about the size and frequency of deposits and withdrawals allowed, and how much notice is needed for withdrawals.
  6. A schedule for receiving statements and portfolio listings.
  7. A fee schedule, as well as how and when the fees are assessed.

8. The rating of the pool/fund.
9. Information about investment advisers, including registration with the Securities and Exchange Commission, length of experience, and total assets under management.

#### INELIGIBLE INVESTMENTS

The City shall not invest in any securities or investments not described herein, including but not limited to, common stocks, corporate bonds with a final maturity exceeding 5 years at the time of purchase, mutual funds (except no-load, open-ended money market mutual funds), banker's acceptances, repurchase agreements, reverse repurchase agreements, asset-backed and mortgage-backed securities, securities or obligations where the payment of interest and principal is derived from cash flows of an underlying mortgage pool, securities or obligations where the return or value is derived from underlying assets, inverse floaters, range notes, interest-only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual if held to maturity. Further, investments which exceed five years in maturity require authorization by City Council prior to purchase.

#### SWAPPING OF SECURITIES

A swap is the movement from one security to another and may be done for a variety of reasons, such as to increase yield, lengthen or shorten maturities, to take a profit, or to increase investment quality. Losses or gains on security swaps must be recorded as a completed sale and purchase.

#### PORTFOLIO ADJUSTMENTS

Should an investment percentage-of-portfolio limitation be exceeded due to an incident such as fluctuation in portfolio size, the affected securities may be held to maturity to avoid losses. When no loss is indicated, the Treasurer shall consider restructuring the portfolio, basing the decision in part on the expected length of time the portfolio will be imbalanced.

#### INVESTMENT ADVISORY COMMITTEE

As provided by Resolution No. 95-19 of the City Council for the City of Vista, an oversight committee named the Investment Advisory Committee shall review the practices and procedures of the Treasurer (by reviewing the transactions biannually for the preceding six months to determine if the Treasurer has complied with the City's Investment Policy) as well as review the policies of the City with respect to investment activities.

#### POLICY REVIEW

This investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of safety of principal, liquidity, and rate of return, its compliance with current law, and its relevance to financial and economic trends. The Treasurer shall annually submit the investment policy to the City Council at a public meeting for approval. Any changes in the policy throughout the year shall also be considered by the City Council at a public meeting.

## **GLOSSARY**

**Agencies:** Entities of the Federal Government set up to supply credit to various classes of institutions (e.g. savings and loans, small business firms, farmers, housing agency groups, etc.).

**Asset-backed Securities:** The bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other providers of credit.

**Banker's Acceptance:** A time draft drawn on and accepted by a bank, the customary means of effecting payment for merchandise sold in import-export transactions, and a source of financing used extensively in international trade.

**Bond:** An interest-bearing or discounted government or corporate security that obligates the issuer to pay the bondholder a specified sum of money, usually at specific intervals, and to repay the principal amount at maturity.

**Book Value:** The value at which an asset is carried on a balance sheet.

**Callables:** Securities that the issuer has the right to redeem prior to maturity.

**Collateral:** Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**Commercial paper:** The short-term unsecured obligations with maturities ranging from 2 to 270 days issued by banks, corporations, and other borrowers.

**Constant Maturity Treasury (CMT):** A yield figure calculated by the Federal Reserve based on actively traded Treasury securities with a constant, fixed maturity.

**Coupon:** (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's par value. (b) The certificate attached to a bond evidencing interest due on a payment date.

**Debenture:** A security secured only by the credit of the issuer.

**Debt Instrument:** A written promise to repay a debt.

**Delivery Versus Payment:** The simultaneous delivery of securities with an exchange of money for the securities.

**Derivative:** A derivative is a financial instrument or obligation whose value, income, or return is based upon or linked to another asset, or index, or both, separate from the financial instrument or obligation itself.

**Discount:** The amount by which a security sells below its par value.

**Discount Security:** A non-interest bearing security issued at less than par value and redeemed at maturity for full par value.

**Draft:** A signed, written order by which one party (drawer) instructs another part (drawee) to pay a specified sum to a third party (payee). A **time draft** is a draft payable at a specified or determinable time in the future.

**Floater:** A debt instrument with a variable interest rate tied to another interest rate—for example, the rate paid by Treasury bills. A floating rate note pays more interest if the interest rate it is tied to rises and less interest if the rate falls. An **inverse floater** pays less interest if the interest rate it is tied to rises and more interest if the rate falls.

**Liquidity:** The ability to easily and rapidly convert assets into cash without a substantial loss.

**Local Agency Investment Fund (LAIF):** The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment purposes.

**Market Value:** The price at which a security is trading and could presumably be purchased or sold.

**Maturity Date:** The date upon which the principal or stated value of an investment becomes due and payable.

**Medium-term Note:** A note with a maturity between one and ten years, although with bond, it is often shortened to mean between two and ten years.

**Money Market:** The market in which short-term debt instruments (bills, commercial paper, banker's acceptances, etc.) are issued and traded.

**Mortgage-backed Security:** An obligation where interest and principal payments are derived from the cash flows of an underlying mortgage pool. For purposes of this definition, a federal agency obligation with a fixed or variable interest rate and a final maturity date, where payments of interest and principal are not derived from the interest and principal cash flows of a mortgage pool, is not a mortgage-backed security.

**Mutual Fund:** A fund operated by an investment company that raises money from shareholders and invests it on their behalf. Profits are distributed to shareholders after the investment company deducts its management fee.

**Negotiable:** Something that can be sold or transferred to another party.

**Note:** A written promise to pay a specified amount on demand or on a specified date.

**Par Value:** The value of a security as stated on its certificate or instrument. Also referred to as **face value**.

**Premium:** The amount by which a security sells above its par value.

**Primary Dealer:** A bank or investment dealer authorized to buy and sell government securities in direct dealing with the Federal Reserve Bank of New York in its execution of Fed open market operations. Such dealers must be qualified in terms of reputation, capacity, and adequacy of staff and facilities.

**Repurchase Agreement:** An agreement between a seller and a buyer, usually of U.S. Government securities, whereby the seller agrees to repurchase the securities at an agreed upon price on a stated date. Dealers also arrange **reverse repurchase agreements**, whereby they agree to buy the securities from an investor, and the investor agrees to repurchase them at a later date for a stated price.

**Safekeeping:** The storage and protection of a customer's financial assets, valuable, or documents, provided as a service by an institution such as a bank or brokerage firm.

**Secondary Market:** The market where securities are bought and sold after their original issuance.

**Security:** An instrument that signifies an ownership position in a corporation (a stock), a creditor relationship with a corporation or governmental body (a bond), or rights to ownership.

**Short-term:** An investment with a maturity of one year or less, although with bonds it is often stretched to mean two years or less.

**Sinking Fund:** Money accumulated on a regular basis in a separate account that is used to redeem debt securities or preferred stock issues.

**Strip:** The practice of separating a bond into its corpus (principal) and coupons (interest), which are then sold separately.

**Time Deposit:** A savings account or certificate of deposit held in a financial institution for a fixed term.

**Treasury Bill:** A non-interest bearing discount security maturing in one year or less issued by the U.S. Treasury to finance the national debt.

**Treasury Bond:** A long-term coupon-bearing U.S. Treasury security issued as a direct obligation of the U.S. Government and having an initial maturity of more than ten years.

**Treasury Note:** A medium-term coupon-bearing U.S. Treasury security issued as a direct obligation of the U.S. Government and having an initial maturity from two to ten years.

**Unsecured:** Not backed by the pledge of specific collateral.

**Weighted Average Maturity:** The sum of the amount of each investment multiplied by the number of days to maturity, divided by the total amount of investments.

**Yield:** The rate of annual return on an investment, expressed as a percentage.

**Yield to maturity** takes into account the total of annual interest payments, the purchase price, the value at maturity, and the amount of time remaining until maturity.

## HISTORY

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