

CITY OF CULVER CITY

CITY TREASURER'S PROCEDURE MANUAL

1. PURPOSE

The purpose of this manual is to assist the City Treasurer and his staff with the day-to-day investment operations.

2. CASH REVIEW

1.0 Policy

5.0 Delegation of Authority

2.0 Scope

The City Treasurer, Deputy City Treasurer or the Treasury Division Manager must review the cash balances every business day and investment portfolio as needed. Items to be reviewed include:

- a. Checking account balance.
- b. Balance in Local Agency Investment Fund (LAIF).
- c. Balance in Treasury securities types of mutual funds.
- d. Maturing investments, especially callable instruments.
- e. Debt service and other large periodic cash disbursements.
- f. Wire-transfers of large incoming tax payments.
- g. Size of regular and off-cycle payroll and vendor payments.

3. INVESTMENT SELECTION

3.0 Prudence

12.0 Diversification

4.0 Objective

13.0 Maximum Maturities

8.0 Authorized and Suitable Investments

The City Treasurer, Deputy City Treasurer or Treasury Division Manager determines how much of the cash balance is available for investment and selects the area of the yield curve that most closely matches the required maturity date.

In determining the maturity date, City Treasurer, Deputy City Treasurer or Treasury Division Manager should consider liquidity needs. A review of some of the following sources should be made to determine whether the investments should be placed to match projected expenditures or shorter, or to take advantage of current and expected interest rate environments:

- a. Wall Street Journal or similar daily business publication.
- b. Input from approved broker/dealer.
- c. Input from depository banks.
- d. Publications on general trends of economic statistics.

4. PURCHASING AND INVESTMENT

7.0	Authorized Financial Dealers and Institutions	11.0	Safekeeping and Custody
8.0	Authorized and Suitable Investments	12.0	Diversification
9.0	Investment Pools/Mutual Funds	13.0	Maximum Maturities
10.0	Collateralization		

Establish with whom the City is going to transact business. This will be accomplished through the use of the questionnaire, which provides the following:

- a. Financial condition, strength and capability to fulfill commitments.
- b. Overall reputation with other dealers and investors and municipal investment officers.
- c. Regulatory status of the broker/dealer.
- d. Background and expertise of the individual representative.

Financial (banking) institutions should be selected through the use of a "Request for Proposal" (RFP). The use of a nationally recognized financial institution rating organization (Lace, Sheshunoff, Thompson Bankwatch, etc.) will assist in the evaluation. Contact an appropriate number of institutions. The City Treasurer, Deputy City Treasurer or Treasury Division Manager should be as specific as possible in requesting the offering. If a particular type of investment or a particular issuing agency is to be excluded due to policy limitations that should be stated to the providers. If collateral is required (i.e., for Repo's or CD's), the collateral limitations (excess margin, types of securities, maximum maturity, etc.) should be specified.

The following must be determined prior to contacting the providers:

- a. Settlement – cash, regular (next day), corporate (3 business days) or when issued if a new issue.
- b. Amount – either par value or total dollars to be invested.
- c. Type of security to be purchased or type to be excluded.
- d. Targeted maturity or maturity range.
- e. Time limit to show offering – 5 minutes, 15 minutes, etc.

If choosing an external pool or fund as the preferred investment vehicle, the following should be available for inspection prior to purchase and at any reasonable time thereafter:

- a. A written investment policy, if a government-run investment pool.

- b. A prospectus for money-market funds, mutual funds or bank managed funds.
- c. A schedule of the types of reports and the frequency of distributions.
- d. A clear description of how interest rates are calculated (30/360, actual/365, etc.)
- e. A schedule of when and how income is distributed.
- f. Are the pool or fund types of investments restricted to your own legal and policy limits?
- g. Is the pool or fund investments restricted to your own maturity limits?

Before concluding the transaction, the City Treasurer, Deputy City Treasurer or Treasury Division Manager should validate the following:

- a. The security selected for purchase meets all criteria, including portfolio diversification, collateralization (if appropriate) and maturity. If the security has any imbedded options such as call provisions or coupon adjustments, these should also be reviewed and duly noted on the transaction slip if ultimately purchased.
- b. Yield calculations should be verified.
- c. Total purchase cost (including accrued interest) does not exceed funds available for investment.
- d. Advise the successful provider that this offering has been selected for purchase.
- e. After confirmation of the purchase, as a courtesy, notify the other brokers/dealers that you have placed the investment. Best price may be disclosed but not required.

After consummation of the transaction and prior to settlement date, the City Treasurer, Deputy City Treasurer or Treasury Division Manager and provider should exchange and review the following information to ensure prompt and uninterrupted settlement:

- a. Name of third party safekeeping agent.
- b. ABA number of safekeeping agent.
- c. Safekeeping account number.
- d. Reconfirm amount of transaction.
- e. Reconfirm settlement date.
- f. Acquire CUSIP number of security.

5. SETTLEMENT AND FOLLOW-THROUGH

5.0 Delegation of Authority

The City Treasurer, Deputy City Treasurer or Treasury Division Manager must forward to the safekeeping agent a report of the investment transaction on the day of the transaction. The report must be in written form, should be sent and acknowledged. When applicable, the following should be verified:

- a. Provisions of receipt or disbursement of funds.
- b. Internal transfer or wiring of funds.

- c. Validation of written "safekeeping receipt".
- d. Notification of discrepancy prior to acceptance or rejection of the transaction.
- e. Immediate notification if a fail has occurred, by provider if they are responsible, by safekeeping agent if they are responsible. If either the provider or the safekeeping agent is responsible, the City must be reimbursed for any lost interest for the day(s) the investment was on "DQ" (disqualified) status.