

CITY OF OCEANSIDE INVESTMENT POLICY



**Prepared by the
City Treasurer's Office
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City Treasurer**

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**CITY OF OCEANSIDE
INVESTMENT POLICY**

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CITY OF OCEANSIDE

Office of the City Treasurer

June 20, 2018

INTRODUCTION

The investment policies and practices of the City of Oceanside (hereafter referred to as the “City”) are based upon state law and prudent money management principles. The primary goals of these policies are:

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

The monies (Investment Pool) entrusted to the City Treasurer in accordance with Council Ordinance 97-19, shall be referred to as the “Fund” throughout the remainder of this document. The Fund will be an actively managed portfolio. The Treasury Manager and staff will observe, review, and react to changing conditions that affect the Fund. The Treasury Manager, as directed by the City Treasurer with oversight of the Financial Services Director, shall manage the Fund on a full-time basis. The Treasury Manager shall manage all transactions and shall establish a system of controls to regulate the activities of all Treasury personnel. The authority to execute investment transactions that will affect the Fund will be limited to:

City Treasurer
Financial Services Director, serving as a Deputy Treasurer
Treasury Manager

In accordance with City Council Policy 200-03, the City Treasurer recognizes that the City has an obligation to be aware of the social and political impacts of its investments. The City Treasurer and investment staff shall not knowingly make any investments in any institution that practices or supports any form of discrimination as to race, religion, sex or physical disability.

The above officers will meet with members of the Citizen Investment Oversight Committee on a regular basis to discuss current market conditions and future trends and how each of these affects the Fund and the City.

The policy stated below addresses risk management because it is such an integral part of the investment policy. To concentrate only on maximizing yield would be imprudent; 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.

1. SCOPE

In accordance with Ordinance 97-19 of the City Council of the City of Oceanside and under authority granted on January 7, 1998, the City Treasurer is responsible for investing the unexpended cash in the City Treasury. This investment policy applies to all the financial assets of the City of Oceanside. These funds are accounted for in the City of Oceanside's Comprehensive Annual Financial Report and include: General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Debt Service Funds, Trust and Agency Funds, and Internal Service Funds. The investment policy does not apply to Employee Retirement and Deferred Compensation Funds, which are administered separately. Bond proceeds of the City of Oceanside shall be invested in accordance with the permitted investments of each bond indenture.

2. PRUDENT INVESTOR STANDARD

Generally, investments shall be made in the context of the "prudent investor" standard, which states:

"...investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

3. OBJECTIVES

A. Safety of principal.

Safety of principal is the foremost objective of the City of Oceanside. Each investment transaction shall seek to ensure, whenever possible, 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 *Section 8 Authorized Investments* for detailed limitations of credit risk), 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 reducing 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 and liquidity needs.

B. Liquidity

The portfolio will be structured with sufficient liquidity to allow the City to meet anticipated cash requirements. This will be accomplished through diversity of the instruments to include those with active secondary markets, those which can match maturities to expected cash needs, and the State Local Agency Investment Fund with immediate withdrawal provisions. A statement showing that the portfolio has ample liquidity to meet six months of budgeted City expenditures will be included in the Treasurer's report to Council.

C. Return on investment

The City's investment portfolio shall be designed to attain at least a market-average rate of return through economic cycles. The monthly average yield to maturity of the investment portfolio shall be compared to rolling monthly average of the CMT (Constant Maturity Treasury) whose maturity term most closely matches the portfolio's calculated days to maturity.

4. INVESTMENT PROCEDURES

The City Treasurer and Financial Services Director shall establish written investment policy procedures for the operation of the investment program consistent with this policy. The procedures should include reference to: safekeeping, master repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and procedures established by the City Treasurer and Financial Services Director.

5. ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program, or impairs their ability to make impartial investments decisions. Employees and investment officials shall disclose any material financial interests that could be related to the performance of the City's investment policy.

6. INVESTMENT OVERSIGHT COMMITTEE

The City Treasurer shall be responsible for establishing a Citizen Investment Oversight Committee consisting of no fewer than five (5) members. The City Treasurer shall make nominations to the Committee subject to the confirmation of a majority of the City Council. Members of the committee shall serve until replaced and meet on a regular basis to review investment operations and assure compliance to California Code requirements. The committee shall act in an advisory role and shall not make investment decisions.

7. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The City Treasurer will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services in the State of California. These may include primary dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). No deposit shall be made except as established by California laws. All financial institutions and broker/dealers for investment transactions must supply the Treasurer with the following: audited financial statements, proof of Financial Industry Regulatory Authority (FINRA) certification, proof of State of California registrations, completed broker/dealer questionnaire (attached as an addendum), and certificate of having read the City's investment policy. The Treasury Manager shall provide information regarding any newly acquired dealer to the City Treasurer, Financial Services Director, and the Investment Oversight Committee.

The City may execute security transactions with the investment department of the City's custodial bank. If the custodial bank is not a primary dealer in government securities, investments shall be restricted to short term investments (six months or less) and the business relationship with the bank's investment department shall terminate at such time when the City terminates its banking relationship with the bank. If the City's custodial bank is a primary dealer, the rules pertaining to primary dealer status apply.

The City may purchase A1-P1 rated commercial paper from its direct issuer if it presents a higher return than in the secondary market.

The Treasury Manager shall annually send a copy of the current investment policy by electronic mail to all dealers approved to do business with the City. Broker/dealers shall be required to provide a certification acknowledging receipt of the policy and submit their most recent audited financial statements. Confirmation of receipt of this policy shall be considered evidence that the dealer understands the City's investment policies and agrees to sell the City only appropriate investments. The Treasury Manager and Financial Services Director will annually review the financial condition and registrations of qualified financial institutions and broker/dealers. A

current audited financial statement is required to be on file for each financial institution and broker/dealer in which the City invests.

8. AUTHORIZED INVESTMENTS

The City is further governed by California Government Code, Sections 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. There is no limitation as to the percentage of the portfolio that can be invested in this category. The City shall not invest in any United States security that exceeds five-years of maturity.
- B. Obligations issued by Federal Agencies or United States government-sponsored enterprise obligations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprise obligations. There is no percentage limitation of the dollar amount that can be invested in these issues; however, no more than 25% of the cost value of the portfolio at the time of purchase may be invested in any single agency name. The City shall not invest in any agency security that could result in zero interest accrual if held to maturity. The City shall not invest in any agency security that exceeds five-years of maturity.
- C. United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank (“supranationals”). The maximum remaining maturity for supranational obligations must be five years or less, and they must be eligible for purchase and sale within the United States. In addition, these investments must be rated “AA” or better by an NRSRO. No more than 15% of the cost value of the portfolio at the time of purchase may be invested in supranational obligations.
- D. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as banker's acceptances. Banker's acceptances purchased may not exceed 180 days to maturity. No more than 20% of the cost value of the portfolio at the time of purchase may be invested in banker's acceptances. No more than 5% of the cost value of the portfolio may be invested in banker's acceptances issued by any one bank.
- E. Certificates of Deposit. The City may invest in non-negotiable certificates of deposit collateralized in accordance with the California Government Code, in those state or national banks, savings or federal associations, or state or federal credit unions, which meet the requirements as evaluated by a nationally recognized statistical rating organization (NSRO) as designated by the Securities and Exchange Commission, for the qualitative and quantitative analysis of financial institutions. The issuing firm is required to be in existence for at least five years. In general, the issuer must have a minimum tier one risk-based capital ratio of 6% as determined by the Federal Deposit

Insurance Corporation (FDIC) or the National Credit Union Association (NCUA) and their operation must have been profitable during their last reporting period. The City may waive collateral requirements for the portion of any deposit insured up to the amount allowed per account by the FDIC or the NCUA. In order to secure such deposits, an institution shall maintain in the collateral pool, securities having a market value of at least 10% in excess of the total amount deposited. Real estate mortgages may not be accepted as collateral. Since time deposits are not liquid, no more than 5% of the cost value of the portfolio at the time of purchase may be invested in this category. The maximum term for deposits shall be three years.

- F. Negotiable Certificates of Deposit. The City may invest in negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Negotiable certificates of deposit are insured by the Federal Deposit Insurance Corporation for up to \$250,000 per depositor per FDIC-insured institution, but are not collateralized beyond that amount. No more than 30% of the cost value of the portfolio at the time of purchase may be invested in negotiable certificates of deposit. The maximum maturity term for negotiable certificates of deposit shall be five years. For purposes of this section, negotiable certificates of deposit do not come within California Government Code Article 2 (commencing with Section 53630), except that the amount invested shall be subject to the limitations of Section 53638. The legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the monies are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or a person with investment decision making authority in the administrative office manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency 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 negotiable certificates of deposit.

The City may invest in brokered negotiable certificates of deposit, purchased only through city-authorized broker/dealers, in amounts up to the FDIC insured limit of \$250,000 as issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Brokered Certificates of Deposit are negotiable certificates of deposit that are traded in a secondary market, have a CUSIP and are payable upon order to the investor.

- G. Repurchase agreements. The City may invest in repurchase agreements with banks and dealers with which the City has entered into a master repurchase contract which specifies terms and conditions of repurchase agreements.
1. Transactions shall be limited to primary dealers and the top twenty-five U.S. banking institutions according to asset size. The maturity of repurchase agreements shall not exceed 30 days. The market value of the securities used as collateral for repurchase agreements shall be monitored daily by the investment

staff and will not be allowed to fall below 100% of the value of the repurchase agreement. In order to conform to provisions of the Federal Bankruptcy Code which provides for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be certificates of deposit, eligible banker's acceptances, or securities that are either direct obligations of, or that are fully guaranteed as to principal and interest by, the United States or any agency of the United States.

2. No more than 30% of the cost value of the portfolio at the time of purchase may be invested in repurchase agreements, and a "perfected security interest" shall always be maintained in the securities subject to a repurchase agreement.

- H. Reverse Repurchase Agreements. The City may enter into reverse repurchase agreements when the earnings from the matching investment(s) are greater than or equal to the cost of the reverse(s) and the terms and conditions are otherwise favorable to the City, or to provide funds for the immediate payment of City obligations. Reverse repurchase agreements entered into in accordance with this paragraph may only be entered into with securities owned and previously paid for a minimum of 30 days prior to the settlement of the reverse repurchase agreement. Maturities of reverse repurchase agreements may not exceed 60 days to maturity without written approval of the City Treasurer, and must be matched as to maturity with all proceeds of the reverse reinvested in the matched security or the Local Agency Investment Fund (LAIF). No more than 15% of the total cost value of the portfolio at the time of purchase is to be invested in reverse repurchase agreements.
- I. Commercial paper. The City may invest in 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. The issuer's debt, other than commercial paper (if any), must also have an A or better rating as provided by Moody's or Standard and Poor's. Purchase of commercial paper from corporations on negative credit watch by a major rating agency shall be prohibited. Purchases of eligible commercial paper may not exceed 270 days to maturity. No more than 15% of the total cost value of the portfolio at the time of purchase is to be invested in commercial paper. No more than 1% of the cost value of the portfolio at time of purchase may be invested in commercial paper issued by any one corporation. The sum of the market value of the Commercial Paper and Medium Term Notes invested in any one corporation or corporate entity shall not exceed 1% of the cost value of the portfolio at time of purchase.
- J. Medium Term Notes (MTNs). The City may invest in MTNs, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States, or by depository institutions licensed by the United States or any state and 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. Purchase of medium term notes from corporations on negative credit watch by a major rating agency shall be prohibited. MTNs with an "A" rating shall be limited to 36 months maximum maturity; "AA" rated MTNs shall be limited to 48 months. No more than 15% of the

total cost value of the portfolio at the time of purchase is to be invested in medium term notes. No more than 1% of the cost value of the portfolio at time of purchase may be invested in notes issued by any one corporation. The sum of the market value of the Commercial Paper and Medium Term Notes invested in any one corporation or corporate entity shall not exceed 1% of the cost value of the portfolio at time of purchase.

Upon any announcement of negative credit watch or downgrade, including a downgrade below an A3/A-, by a major rating agency of any issue within the portfolio, the Treasury Manager shall contact the City Treasurer and recommend a course of action. No more than 2% of the cost value of the portfolio shall carry a credit rating below A3/A- for longer than 90 days without Council notification.

- K. **Municipal Bonds.** The City may invest in bonds issued by the local agency and local agencies within the State of California , treasury notes or bonds of the State of California and any of the other 49 states in addition to California, , including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by the state or by a department, board, agency, or authority of the local agency or state, rated “A” or better by a major rating agency. Purchases of bonds from a local agency or state on negative credit watch by a major rating agency shall be prohibited. “A” rated bonds shall be limited to 36 months maximum maturity, "AA" rated bonds shall be limited to 48 months maximum maturity and "AAA" rated bonds shall be limited to 60 months maximum maturity. No more than 15% of the cost value of the portfolio at time of purchase is to be invested in municipal bonds. No more than 1% of the cost value of the portfolio at time of purchase may be invested in notes issued by any one local agency.

Upon any announcement of negative credit watch or downgrade, including a downgrade below an A3/A-, by a major rating agency of any issue within the portfolio, the Treasury Manager shall contact the City Treasurer and recommend a course of action. No more than 2% of the cost value of the portfolio shall carry a credit rating below A3/A- for longer than 90 days without Council notification.

- L. **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, and identified under Government Code section 16429.1, up to the maximum amount permitted by State Law. Treasury Manager shall investigate at least annually the status of LAIF with regard to ongoing investment in the pool.

- M. **San Diego County Investment Pool.** The City may invest in the San Diego County Investment Pool (SDCIP), managed by the San Diego County Treasurer’s investment staff on behalf of public agencies within the County. Investment shall be limited to no more than 15 percent of the cost value of the portfolio at the time of purchase. The City’s Treasury Manager shall investigate at least annually the status of the SDCIP with regard to ongoing investment in the pool.

- N. **Restricted Investments.** Individual investments in excess of 5 million dollars par value with a maturity of more than 3 years requires 72 hour advance notification

(exclusive of weekends and holidays) to the City Manager and City Council. Also, any individual investment, regardless of maturity, of more than 10% of the total portfolio cost requires the same notification.

- O. Ineligible investments. Investments not described herein, including but not limited to, common stocks, inverse floaters, range notes, interest-only strips that are derived from a pool of mortgages, and mutual funds are prohibited from use in this portfolio. Investments that exceed five years in maturity are prohibited. The lending of funds directly from the investment portfolio, not otherwise covered herein, is prohibited.

9. 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. The City Treasurer's Office staff will maintain details of every swap transaction.

10. ACTIVE MANAGEMENT OF U.S. TREASURY POSITIONS

The City Treasurer may elect to actively manage the U.S. Treasury segment of the investment portfolio. Purchasing and subsequently selling all, or a portion of, U.S. Treasury securities may be implemented for the purpose of increasing current income to complement the earning of the portfolio. All investment transactions will be made with available cash and all such securities purchases must be made with the ability to hold to maturity. In no event will purchasing and selling Treasury issues interfere with the overall strategy of the core portfolio, nor will such trading ever compromise the City's daily liquidity to meet its current obligations.

U.S. Treasury securities may be sold prior to maturity (in the secondary market) for the purpose of realizing capital gains or minimizing losses. Records of such purchase and/or sale transactions shall fully describe the issue, trade date, par value, purchase cost, sale proceeds, and any accrued interest. Purchase and sale transactions will be matched via inventory "blocks" for the purpose of ascertaining the historical differences between purchase cost and sale proceeds. Multiple inventory blocks at different purchase prices may be used to document activity per issue.

Eligible Transactions: Purchases and/or sales of U.S. Treasury securities may occur under the following conditions:

- A. During the period in which the issue has been announced or trading has commenced, but not yet auctioned ("when-issued" period)
- B. During the period of time after the issue has been auctioned and the coupon determined, but not yet issued
- C. At any time after the issue date.

Limitations and Restrictions:

The frequency of purchase and/or sale transactions shall not be limited, except that the total position of purchased securities for active management (net of sales not yet settled) shall not exceed 10% of the total average portfolio as of the trade date, based upon par value. The total ownership of US Treasury issues shall not be limited except for those securities that have been purchased in anticipation of future sales. It shall be the objective of the City Treasurer that realized capital gains exceed capital losses.

11. 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 City Treasurer shall consider reconstructing the portfolio basing the decision in part on the expected length of time the portfolio will be imbalanced.

12. 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 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.

The City's custodian bank recognizes daily instruction from the Treasury Manager and/or the Deputy Treasurer (Financial Services Director). If instructions are received by the custodian bank from any other authorized staff member, either by voice or in writing, the custodian bank will obtain phone approval from two other approved signers on the account.

13. REPORTING

On a quarterly basis, the City Treasurer in collaboration with the Financial Services Director shall submit to the City Council a report that provides the status of the current investment portfolio. The report shall identify the type of investment, name of the issuer, date of maturity, par and dollar amount invested in each security, the weighted average maturity of the investments, any funds investments or programs including loans that are under the management of contracted parties and the market value as of the date of the report along with the source of this valuation. The report shall also include comments on the fixed income markets and economic conditions, discussions regarding restrictions on percentage of investment by categories, and possible changes in future portfolio structure and investment strategies.

In addition to the quarterly report to council, the City Treasurer will submit a monthly summary report to the Financial Services Director, City Manager, and City Council. The City shall record interest revenue on a full accrual basis of accounting that is in accordance with generally accepted accounting practices for reporting and recording of interest earnings, accretions and premium amortizations. The City shall also comply with GASB 31 and GASB 40 when reporting fiscal year-end investments in the City's annual financial statement.

14. INTERNAL CONTROLS

The City Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

15. POLICY REVIEW

This investment policy shall be reviewed at least annually, following the receipt of the audit report, to ensure its consistency with the overall objective of preservation of principal, liquidity, rate of return, and its relevance to current law and financial and economic trends. The City Council, acting through the City Treasurer, shall be responsible for maintaining guidance over this investment policy to ensure that the City can adapt readily to changing market conditions, and shall approve any modification to the investment policy prior to implementation. Amendments to the policy shall be forwarded to the City Manager, Financial Services Director, and the City Council. The policy shall be adopted annually, no later than June 30, by resolution of the City Council.

**CITY OF OCEANSIDE
OFFICE OF THE CITY TREASURER
BROKER/DEALER QUESTIONNAIRE AND CERTIFICATION**

Section 1: Statement of Position and General Requirements

Section 1: Statement of Position and General Requirements

The City of Oceanside (the "City") is a statutory (home rule) Government operating under the laws of the State of California. The City manages an operational portfolio currently ranging in size from \$250,000,000 to \$350,000,000 that is comprised primarily of U.S. Treasury and Agency obligations as well as selected money market instruments. The City has adopted a written Investment policy that regulates the standards and procedures used in its cash management activities. A copy of the Investment policy is provided with this document.

The City maintains relationships with qualified members of the broker/dealer community who, in their opinion, understands the needs, constraints, and goals of the City.

The preferred method of submission of the questionnaire is electronically in PDF format. Please email the completed questionnaire and required attachments to:

Treasurer@ci.oceanside.ca.us .

The City will notify broker/dealers of their approval in writing. No transactions will be conducted with an approved broker/dealer until all paperwork required by both parties has been executed. The City solicits competitive bids and offers on the majority of its transactions. All securities will be delivered against payment to the third-party custodian named by the City. City personnel will review and substantiate all information and references requested in the document; therefore, please answer all questions as thoroughly as possible.

Section II: Request for General Information from Broker/Dealer Candidate

1. Firm Information

Name of Firm	
CRD #	
Address	
Phone Number	
Web Address	

2. Broker Information

Broker Name	
CRD #	
Address	
Phone Number	
Email Address	

3. Please provide a current FINRA BrokerCheck Report for broker listed above.

4. Please provide the following information regarding four comparable public agency clients with whom the broker has an established relationship. We would prefer public sector clients in the City's geographical area, if possible.

Public Agency Name	
Contact Name/Title	
Phone Number	
Email Address	
Length of Relationship	

Public Agency Name	
Contact Name/Title	
Phone Number	
Email Address	
Length of Relationship	

Public Agency Name	
Contact Name/Title	
Phone Number	
Email Address	
Length of Relationship	

Public Agency Name	
Contact Name/Title	
Phone Number	
Email Address	
Length of Relationship	

5. Has the broker listed in No. 2 been authorized by the firm to be a broker for the City of Oceanside?

Yes		No	
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If Yes, by whom? _____

6. Please list the name, and title of the immediate supervisor of the Broker.

Briefly describe any formal program of broker supervision if your firm has established such a program.

7. Have you obtained all required licenses to operate as a broker/dealer in the State of California?

Yes		No	
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8. Place an "X" by each of the instruments below in which you make an active market (both buy and sell):

U.S. Treasuries		Commercial Paper	
Federal Agencies		Medium Term Notes	
Bankers Acceptances		Municipals	
Certificates of Deposit		Repo/Reverse Repo	

9. Does your firm specialize in any of the instruments listed above? If so, please specify which ones.

Section III: Request for Broker/Dealer Candidate Disclosure

1. To the best of your knowledge, has there been any "material" litigation, arbitration or regulatory proceedings, either pending, adjudicated or settled, that your firm has been subject to within the last five years that involved issues concerning the suitability of the sale or purchase of securities to institutional clients or fraudulent or unfair practices related to the sale of securities to an institutional client? If so, please describe each such matter briefly as an attached addendum. For purposes of this section, proceedings are "material" if your independent accountant applying generally accepted accounting principles determines that such proceedings required disclosure on your financial statements.

Yes		No	
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2. Please provide certified audited financial statements for the last three years.

Section IV: Certification

I hereby certify that I have personally read the City of Oceanside’s Investment Policy and the California Government Codes pertaining to the investments of the City of Oceanside; that the above information is true and Correct to the best of my knowledge; and that I am authorized to execute this request for information on behalf of _____ (name of firm).

Signed _____

Print Name _____

Title _____

Date _____

Counter signature by Company president or person in charge of government securities operations

Signed _____

Print Name _____

Title _____

Date _____

GLOSSARY

AGENCIES - Agencies of the Federal government set up to supply credit to various classes of institutions (e.g. S&L's, Small business firms, students, farmers, housing agencies, etc.)

ASKED - The price at which securities are offered. (The price at which a firm will sell a security to an investor.)

BANKERS ACCEPTANCE (BA) - A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BASIS POINT - One one-hundredth of a percent (i.e. 0.01%)

BEAR MARKET - A period of generally pessimistic attitudes and declining market prices.

BID – The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BOND EQUIVALENT YIELD - The basis on which yields on notes and bonds are quoted.

BROKER - A broker brings buyers and sellers together for compensation based on the investment yield spread.

BULL MARKET - A period of generally optimistic attitudes and increasing market prices.

CALLABLES - Securities that the issuer has the right to redeem prior to maturity.

CERTIFICATE OF DEPOSIT (CD) - A time deposit with a specific maturity evidenced by a certificate. Large denomination CD's are typically negotiable.

CMT - Constant Maturity Treasury

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.

CORPORATE MEDIUM TERM NOTE - A security issued by a corporation doing business in the U.S. with a maturity not to exceed five years.

COUPON - a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value; b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER – A dealer acts as a principal in all transactions, buying and selling for his/her own account.

DEBENTURE - A bond secured only by the general credit of the issuer.

DELIVERY VS PAYMENT - Deliver of securities with a simultaneous exchange of money.

DERIVATIVES - Financial products that are dependent for their value on (or derived from) an underlying financial instrument, a commodity, or an index representing values of groups of such instruments or assets.

DISCOUNT – The difference between the cost of a security and its value at maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be selling at a discount.

DISCOUNT SECURITIES - Non-interest bearing, money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g. U.S. Treasury Bills.

DIVERSIFICATION - Dividing investment funds among a variety of securities offering independent returns.

FEDERAL FUND RATE - The rate of interest associated with borrowing a Federal Reserve Bank's excess reserves. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL OPEN MARKET COMMITTEE (FOMC) - Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other presidents serve on a rotating basis. The committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

IDC FINANCIAL PUBLISHING, INC. (IDC) – A bank rating service that utilizes a proprietary financial analysis to provide a numeric summary ranking of 1(lowest ranking) to 300 (highest ranking) for financial institutions that issue brokered certificates of deposit.

INTERNAL RATE OF RETURN - Rate of return over the life of a security.

LIQUIDITY - The ability to convert securities into cash on short notice.

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 and reinvestment.

MARKET VALUE - The price at which a security is trading, usually the liquidation value.

MATURITY – The date upon which the principal or stated value of an investment becomes due and payable.

OFFER – The price asked by a seller of securities (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS - Federal Reserve activity. Under the Federal Reserve Act, the Fed uses purchases and sales of Government and Federal Agency securities to add to or subtract

from commercial bank reserves. Goals are to sustain economic growth, high employment and reasonable price stability.

PAPER GAIN OR LOSS - Term used for unrealized gain or loss on securities being held in a portfolio based on comparison of current market quotes and their original cost. This situation exists as long as the security is held while there is a difference between market value and the purchase price.

PORTFOLIO – Collection of securities held by an investor.

PRIMARY DEALER - A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York, and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities broker/dealers, banks and a few unregulated firms.

RATE OF RETURN - The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity; on a bond, the current income return.

SAFEKEEPING - The service provided by banks and trust companies for clients when the bank or trust company stores the securities, takes in coupon payments, and redeems issues at maturity.

SECONDARY MARKET – A market made for the purchase and sale of outstanding issues following the initial distribution of securities.

SECURITIES AND EXCHANGE COMMISSION – Agency created by Congress to protect investors in securities transactions by administering and enforcing securities legislation.

SEC RULE 15C3-1 – See Uniform Net Capital Rule.

SPREAD - a) The yield or price difference between the bid and offer on an issue; b) The yield or price difference between different issues.

SWAP - The sale of one issue and the simultaneous purchase of another for some perceived advantage.

TREASURY BILLS - A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months or one year.

TREASURY BONDS - Long-term U.S. Treasury securities having initial maturities of more than ten years.

TREASURY NOTES - Intermediate-term coupon bearing U.S. Treasury securities having initial maturities of one year to ten years.

UNIFORM NET CAPITAL RULE – Securities and Exchange Commission requirement that member firms, as well as non-member broker-dealers in securities, maintain a maximum ratio of indebtedness to liquid capital of 15-1. The requirement is also referred to as net capital rule and

net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities. Liquid capital includes cash and assets easily converted to cash without penalty.

WHEN ISSUED BASIS (WI) - A term applied to securities that are traded before they are actually issued, with the stipulation that transactions are null and void if securities are not issued.

YIELD – The rate of annual income returned on an investment expressed as a percentage.

YIELD CURVE - Yield calculations of various maturities at a given time to observe spread differences.

YIELD TO MATURITY - The current income yield minus any premium above par, or plus any discount from par in the purchase price with the adjustment spread over the period from date of purchase to maturity.